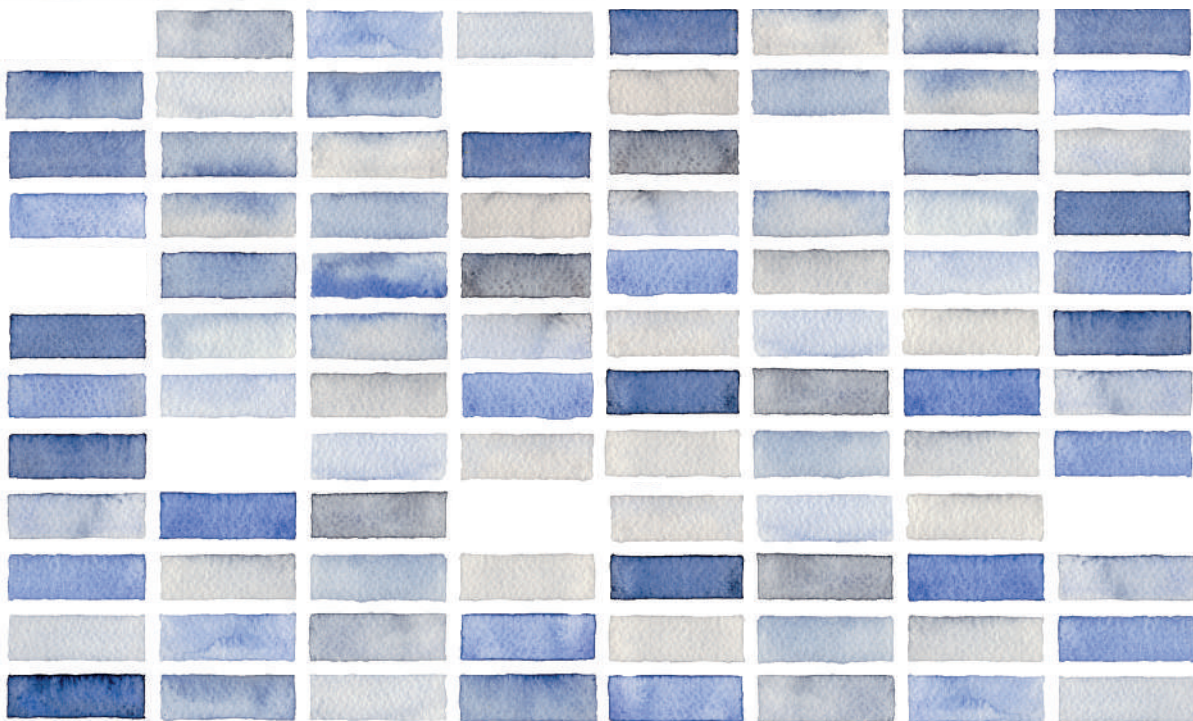


RENASA
INSURANCE COMPANY LIMITED

Annual Report 2013
APPROACHING SCALE





Three South African Landmarks
2013

RENASA'S ART

Renasa believes that economic insurance flows from insured clients practising good risk management to preserve their insured assets and insuring for the sudden and unforeseen, rather than the avoidable.

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 2013

APPROACHING SCALE

RENASA INSURANCE COMPANY LIMITED (“RENASA”) ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2013

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HIGHLIGHTS - APPROACHING SCALE

MARKET MARGINS BATTERED BY:

- NUMEROUS WEATHER-RELATED CATASTROPHES
- POOR ECONOMIC GROWTH
- A WEAKENING RAND EXCHANGE RATE
- HIGHER DISTRIBUTION COSTS FOLLOWING NEW BINDER REGULATIONS

THREE COMPETITORS LEAVE RENASA'S MARKET SEGMENT

2ND AND 3RD LARGEST INSURERS IN SEGMENT LOSE COMBINED R 1 BILLION

12,3% GROWTH IN RENASA 2013 WRITTEN PREMIUMS TO R 658 MILLION

OVERHEAD GROWTH CONTAINED AT 4,8% (2012: 38,8%) – SCALE APPROACHED

FINANCIAL BREAKEVEN ACHIEVED – SOLVENCY MARGIN OF 53,6%

A - RATING REAFFIRMED

RATING/CLAIMS INTEGRATED WITH INTERMEDIARIES – COMPETITIVE ADVANTAGE

ACTUARIAL/UNDERWRITING STRUCTURES IMPROVED ACROSS CLASSES

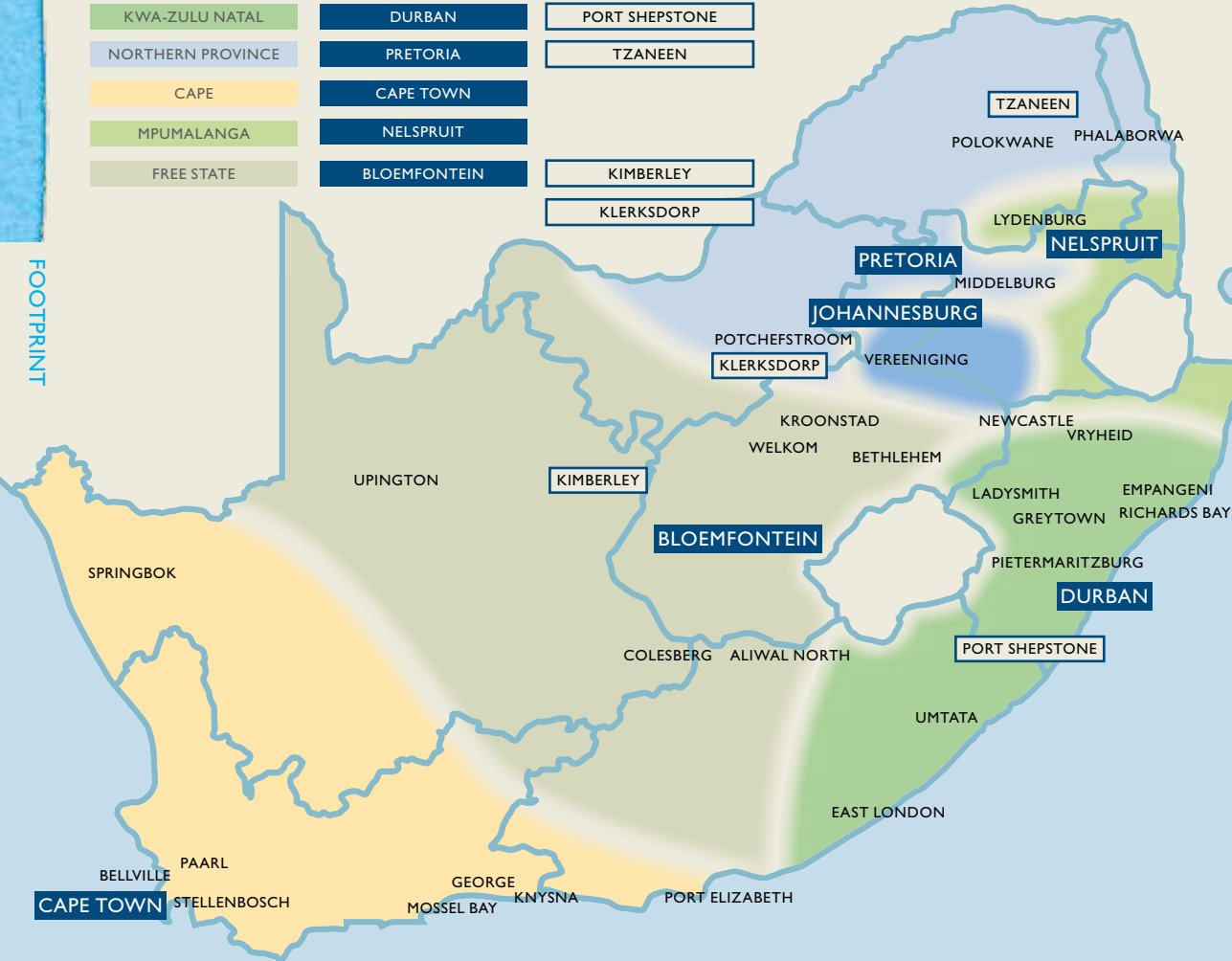
FURTHER REDUCTION ACHIEVED IN CLAIMS COSTS

NATIONAL TELEVISION CAMPAIGN RAISED PUBLIC BRAND RECOGNITION

TREATIES RENEWED FAVOURABLY FOR THREE YEAR TERM

RENASA'S FOOTPRINT

REGIONS	BRANCH OFFICES	REPRESENTATIVE OFFICES
GAUTENG	JOHANNESBURG	
KWA-ZULU NATAL	DURBAN	PORT SHEPSTONE
NORTHERN PROVINCE	PRETORIA	TZANEEN
CAPE	CAPE TOWN	
MPUMALANGA	NELSPRUIT	
FREE STATE	BLOEMFONTEIN	KIMBERLEY KLERKSDORP



ALIGNMENT STRATEGY

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, intermediaries 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.

Motivated by a common purpose

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

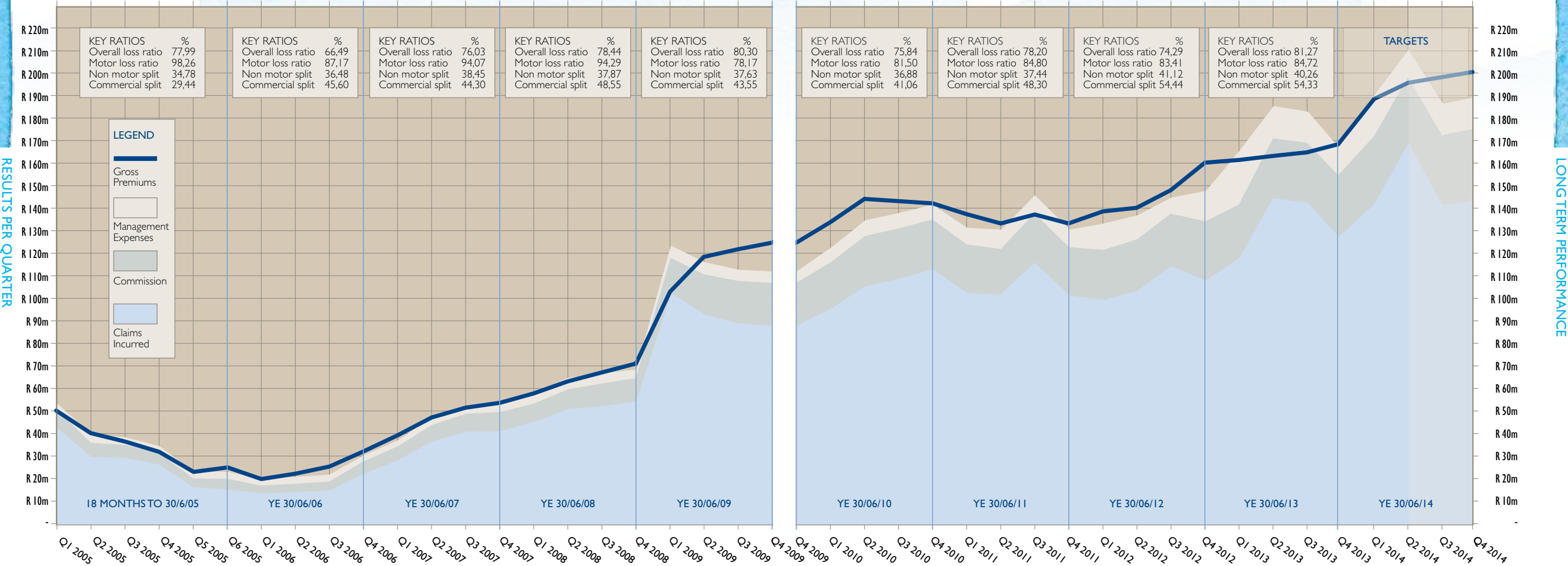
- insuring responsibly for the sudden and unforeseen and not the avoidable;
- sound risk management by insured clients
- the actuarial pricing of risks and
- the achievement of economic claims costs.

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

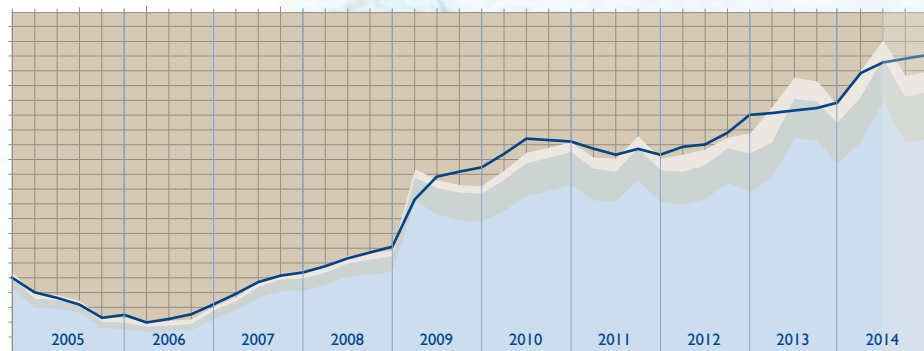
Renasa's systems offer intermediaries the opportunity to achieve actuarial risk selection and systemized claims cost control without overbearing interference in intermediary processes.

RENASA'S LONG TERM PERFORMANCE

RENASA RESULTS WITH 2014 TARGETS



RENASA'S LONG TERM PERFORMANCE



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 expended
- 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

RENASA'S LONG TERM PERFORMANCE (continued)

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 YEARS GROWTH RESTORED

- 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 + 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 61,7%; claims cash coverage ratio 16 months

APPROACHING SCALE 2013 AND 2014 FINANCIAL YEARS

- 1 Margins depressed by catastrophes, weak economy and weak Rand
- 2 Three competitors leave Renasa's independent intermediary segment
- 3 Second and third largest insurers lose combined R 1 billion
- 4 Growth trend continues
- 5 Scale approached – premiums grow 12,3%, overheads 4,8%
- 6 Financial breakeven achieved despite parlous market conditions
- 7 A- rating reaffirmed
- 8 Actuarial/underwriting structures improved across classes
- 9 Claims costs further reduced
- 10 Three Year Reinsurance Treaty favourably renewed
- 11 Solvency Margin to 53,6%; claims cash coverage ratio 9 months



Renasa is positioned to absorb significant premium growth

CHAIRMAN'S STATEMENT

The 2013 year proved to be a challenging year for the short-term insurance industry and no less so for the segment in which Renasa operates. Most insurers incurred record losses as a result of very difficult underwriting conditions following several catastrophic events and the combined impact of a weak economy, a weak Rand exchange rate and the additional cost associated with the modern regulatory regime. In Renasa's market segment, these conditions were exacerbated by the unintended consequence of regulatory progress which inadvertently raised distribution costs. As a consequence, three competitors left Renasa's market segment and two of the three leading insurers in that segment together sustained underwriting losses approaching the R1 billion mark.

In that environment, Renasa's incurring of a small underwriting loss and a bottom line breakeven result which, with limited capital, is a creditable achievement.

With premium growth and no contribution to Capital during the year, the solvency margin fell slightly as did the cash coverage ratio following the catastrophe claims experienced. However, both ratios remain within the targeted ranges and compare favourably with industry ratios. The A- rating was again reaffirmed.

The 2013 financial year is also notable for Renasa given the transition to scale which began to be evident. During the 2012 year, overheads rose by 38,8% against a 7,5% increase in premiums as the cost of the national footprint developed in prior years made itself felt. During 2013, however, overheads rose by a modest 4,8% against a 12,3% increase in premiums indicating the early benefits of scale. Moreover, after the year-end, the rate of premium growth continued to outstrip overhead growth as business was attracted from competitors departing the segment. With its branch and system infrastructure now developed, Renasa is positioned to absorb significant premium growth without the need for additional office space or additional executive management.

In catering for the needs of the independent intermediary, Renasa continues to offer both commercial lines through a personalized service delivered by well experienced service managers who are mandated underwriting and

claims decision-makers and a personal lines service centered on scientifically determined rates and systemized claims control. The bias is slightly in favor of commercial classes and specialist lines now contribute approximately 20% of premium income.

Renasa continues to focus its distribution through the independent intermediary channel where distributors administer policies and claims on systems independent of insurer control. While the industry has initiated integration into insurer systems of the data captured on independent systems, Renasa concluded its integration strategy some years ago and so has dealt with many of the hurdles which follow integration. It is this strategy which presents a strategic competitive advantage giving Renasa the ability to handle business which has proved difficult for competitors exiting the market segment to handle. This advantage and its approaching scale will enable Renasa to absorb significant premium growth but without a commensurate increase in overheads.

Regarding the outlook for 2014, cautious optimism is signaled but with the caveat that market conditions are not unkind.

We bid farewell to John Sibanda as he leaves to take up his position as the Lloyds representative in Africa and thank him for his years of service on the Board. We welcome Brian Neale, a Chartered Accountant with many years' experience in practice and consulting as a non-executive director in John's place.

I extend my sincere appreciation to my fellow Board members as well as the management and staff of Renasa for their continued dedication, support, contribution and fortitude in such challenging markets. My thanks also to our business partners for their continued support.

DON ERIKSSON

Chairman



System integration, Renasa's strategic competitive advantage



RENASA INSURANCE TRAINING AND EDUCATION

R.I.T.E., for Renasa Insurance Training and Education (a non-profit company of Renasa's social responsibility programme), is an initiative which aims to uplift underprivileged communities, by contributing to the "Foundation Phase" of education where the groundwork for future learning is set. With literacy still a national crisis, it is the objective of R.I.T.E. to contribute to an improvement in the quality of education. Reading is a critical skill in the life of every child who begins school at the age of 6 and it is something that many take for granted. It is the foundation of education. 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. is staffed by two qualified teachers, one the co-developer of the Alphaland Literacy Programme to which R.I.T.E. has acquired the rights. Over the past seven years more than 65 000 learners have benefited from the Alphaland Literacy Programme which has been donated by R.I.T.E. to 300 under-privileged schools in Gauteng and to rural schools in the KZN Midlands. During this process R.I.T.E. has met and trained in literary workshops 1500 teachers and learned of the challenges facing teachers working in these circumstances. The two most frequently voiced difficulties are large classes (over 50 children to a class) and a lack of teaching aids, specifically the shortage of "readers". Accordingly, during 2013 R.I.T.E. launched its second initiative, the donation of 100 000 readers to these same schools. R.I.T.E. has commenced donating to schools a set of 110 readers per Grade R and Grade 1 teacher that attends the R.I.T.E. training workshops. To date R.I.T.E. has donated 20 000 of the initial batch of 44 000 readers which have so far been produced.

As well as hosting workshops in Alexandra, Tembisa and Soweto, RITE has been invited to present at Thandulwazi Rokunda every alternate Saturday. This is the Saint Stithians Outreach Programme which boasts 1 000 teachers from the townships giving up their own time on weekends to

attend these workshops. Teachers have been found to be both responsive and eager to improve their own teaching skills. At Thandulwazi, the focus is on giving the teachers practical ideas to use in the classroom that are fun, exciting and cost effective. The workshops are interactive and teachers are reminded of the importance of their role.

Renasa has sponsored the compilation and distribution of the readers through R.I.T.E., and has raised from its business partners supplementary funds to meet the cost of illustrations and printing. Because Renasa is subsidising the project, all funds donated by Renasa business partners have been committed to the production and printing of the readers. Renasa is most grateful for these donations to R.I.T.E. which have made this 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.



*The generous support
of Renasa's partners*



A growth opportunity arises

CHIEF EXECUTIVE OFFICER'S REPORT

SALIENT FEATURES

The short-term insurance industry and Renasa's segment in particular encountered difficult market conditions with a lacklustre economy, a weak Rand exchange rate, the cost and unintended consequences of regulatory developments and abnormal weather patterns all depressing underwriting margins. Three direct competitors of Renasa exited the market segment leaving Renasa now in the top five insurers in that segment. Renasa's restored premium growth trend continued during 2013 and, with infrastructural development complete, overheads were contained but this was insufficient to counter the impact of market conditions resulting in an underwriting loss but a creditable (in the circumstances) breakeven on the bottom line. Given the ability to accommodate significant premium growth with little impact on overheads and the increased premium growth opportunity arising from Renasa's newfound position in its segment, cautious optimism can be expressed but only subject to market conditions that are not unkind.

Market conditions during the latter part of 2012 and 2013 year had a marked effect on the short-term industry as a whole and Renasa's market segment in particular. Sluggish economic conditions and a weak Rand exchange rate subdued underwriting margins which were also battered by several catastrophic events. Finally, the cost of heightened regulation and the unintended consequence of increased outsourcing costs, which are yet to be passed on to the insured public, further suppressed margins. Against this backdrop, three of Renasa's direct competitors withdrew from Renasa's market segment.

Despite challenging market conditions, following the establishment during 2011 and 2012 of six new branches and an expanded marketing team under the leadership of Nick Beyers (former CEO of Zurich Insurance Company), gross premiums grew 12,3% (2012: 7,5%) which was followed by 15,8% growth during the first quarter of the 2014 year.

Owing mainly to the catastrophes experienced, the gross claims ratio deteriorated to 81,3% (2012:74,3%) with the normalised loss ratio (adjusted to

exclude inordinate catastrophes) deteriorating slightly to 75,5% reflecting the difficult market conditions. In line with stricter reinsurance terms, net commission received fell while administration fee income rose only marginally. With infrastructure development all but complete, operating expenses rose by a modest 4,8% (2012: 38,8%) heralding the first benefits of scale. All told, an Underwriting loss of R 3,3 million (2012: profit of R 2,9 million) was sustained and, taking investment income into account, a breakeven was achieved which, in light of market conditions, is considered creditable.

Renasa's emphasis continued on the generally more profitable commercial classes which constituted 54,3% (2012:54,4%) of gross premiums while specialist class premiums grew 61,8% (2012: 56,0%) and now represents almost 20% of Renasa's gross premiums.

Renasa's Treaties were renewed on slightly stricter terms (following the impact of catastrophes on Renasa's results) with capacity guaranteed for three years. Munich Re continues as the lead reinsurer and the cession remains unchanged. Renasa ended the year with a statutory solvency margin of 53,6% (2012: 61,7%) which remains within its 50,0% to 60,0% target range and a Capital Adequacy Requirement (CAR) cover ratio in terms of the provisional requirements under the Solvency II regime of 1,7 (2012:2,1). The claims coverage ratio retreated in response to the catastrophes experienced to 8,8 months (2012:15,7 months) but all ratios continue to compare favourably with industry averages. Renasa's A- rating was once again reaffirmed by Global Credit Rating Co.

The executive continued unchanged during the year, however, John Sibanda resigned as a director to head Lloyds in South Africa and Brian Neale, an experienced chartered accountant, was appointed as a non-executive director in his stead.

Renasa's goal continues to be the delivery of unparalleled service to independent intermediaries. This is achieved for commercial lines by providing a personalized service by experienced Service Managers who are mandated to deliver quick underwriting and claims decisions. For personal lines, high service levels are delivered through Renasa's unique system offering which positions independent intermediaries to compete in the personal lines market on equal footing with direct insurers but without overbearing insurer control

Poised to exploit competitive advantages



Benefits of expansion emerge

or change to their systems. Renasa's marketing strategy (which employs a national television campaign, industry journals and web-based media) continues to feature Archie Broker and his faithful dog Roger to raise public and broker awareness of the Renasa brand, to convey Renasa's range of services and to emphasize its support for the intermediary.

Several factors will shape Renasa's progress in the future. With infrastructure complete, high premium growth can be accommodated with little impact on overheads and the benefits of scale capitalized upon. Simultaneously, the departure from Renasa's market segment of three direct competitors during the past six months and its newfound position as one of the top five insurers in the segment servicing independent intermediaries offer premium growth opportunities. However, market conditions, impacted as they are by poor economic growth, a weak Rand exchange rate and the regulatory environment, will all significantly affect margins as will weather patterns. Consequently, margins will remain subdued until premium increases compensate for these circumstances.

While Renasa aims to capitalize on its newfound position in the top five general insurers in its segment, cautious optimism cannot be expressed without the proviso that market conditions are not unkind.

MARKET CONDITIONS

The second half of 2012 and the 2013 year have been particularly challenging for the short-term insurance industry and especially for the intermediated segment.

Firstly, for the market as a whole, a persistently weak economy has led to poor growth and intensified competition which has contributed to depressed premium rates, poor underwriting margins and poor results.

Secondly, the deterioration in the Rand exchange rate has manifested in increased repair costs, particularly in the motor class, which has further depressed underwriting margins and results.

Thirdly, several catastrophes struck the industry during this period ranging from catastrophic hail storms and several catastrophic floods to the disastrous conflagration at St Francis Bay. All have contributed not only to

Subdued market conditions

sharply escalated underwriting losses but also to the increased cost of reinsurance catastrophe cover despite reports of excess capacity in the international reinsurance market.

Finally, in line with the international trend towards heightened regulation, the period in question has seen the introduction of several regulatory changes which have manifested in increased operating costs and depressed margins particularly in the intermediated segment where the advent of the new binder regulations has proved challenging.

To cope with the flood of regulatory change, a significant investment has been required in personnel (both employed and engaged as consultants) and systems. Furthermore, laudable as the objectives are of all the regulatory changes both implemented and proposed, at least some have had unintended consequences. For example, the recent implementation of the binder regulations lead to the unintended consequence of an increase in the cost of outsourcing in the intermediated market segment serviced by independent intermediaries which perform most administrative functions related to the issuing of policies and the management of claims. The direct result has been to depress the margins of insurers servicing this market segment.

In light of the above, it is no surprise that three direct competitors of Renasa have withdrawn from this market segment over the past six months which has now placed Renasa as one of few general insurers which qualify as an alternative to the three main participants operating in this segment. Furthermore, the withdrawal of the above-mentioned competitors has led directly to an increase in gross premiums as business has gravitated from these competitors to Renasa since the year end.

PREMIUM PERFORMANCE – GROWTH TREND CONTINUES

After corrective action and the loss to a takeover of a significant book of business in 2010 interrupted the long term growth trend in Renasa's gross premiums which had seen premiums increase from R 102,0 million in 2006 to R 563,7 million in 2010, Renasa responded quickly by extending its market reach. During 2011 and 2012 Renasa opened six new branches and doubled its marketing team by the appointment of several seasoned marketers under the leadership of Nick Beyers (previously CEO of Zurich Insurance Company



*Renasa's
Personal Lines
strategy – supervised
independence*

and before that SA Eagle). In 2012 the benefits began to emerge as gross premiums grew 7,5% (2011: contraction of 3%).

During 2013, gross premiums grew by a further 12,3% to R 658,2 million (2012: R 585,9 million). For the first quarter of the 2014 year, gross premiums grew by 15,8% to an annualised gross premium of R 730,4 million (first quarter 2013: R 631,0) which indicates a sustained trend.

Once again, the recent trend of a greater concentration in the generally more profitable commercial classes continued during 2013 with commercial classes amounting to 54,3% (2012: 54,4%) of gross premiums which reflects Renasa's strategy to pursue both commercial and personal lines classes. This strategy is predicated by Renasa's capabilities in terms of risk selection and claims cost control in the personal lines motor class and its traditional service oriented commercial class services.

Gross premiums from specialist classes grew by 61,8% (2012: 56,0%) to R 122,9 million (2012: R 75,9 million) following the inclusion for the full year of a significant book of business acquired during the second half of the 2012 year. However, annualised year end gross premiums from these classes, which amounted to R 123,9 million (2012: R 116,1 million), grew 6,7% (2012: 17,5%), a continued if subdued growth trend in terms of which specialist classes continue to represent almost 20% of Renasa's gross premiums.

RENASA'S PERSONAL LINES SERVICE OFFERING – "SUPERVISED INDEPENDENCE" THROUGH UNIQUE SYSTEMS – ESSENTIAL TOOLS FOR INTERMEDIARIES TO CONTROL MOTOR CLASSES

Renasa believes that, to compete effectively in the segment of the market dominated by intermediaries which administer policies and claims on systems which are independent of insurer ownership and control ("independent systems"), the same segment from which three competitors have withdrawn over the past six months, an alternative is required to a laissez faire strategy where control is abdicated. Renasa maintains this belief because, along with abandoned control, a liberal strategy dilutes the benefit of the procurement efficiency which is crucial to containing claims costs. Of course, procurement efficiency can only be achieved with insurer involvement. Hence Renasa's strategy of "supervised independence".

*Renasa's systems – a
competitive advantage*

To compete effectively in motor classes in an environment of escalating repair costs (amplified by a weak Rand exchange rate and modular vehicle design which raises the costly part replacement at repair time) requires disciplined and scientifically based systems. However, until the advent of Renasa's strategy, no such system has been available to this market segment which represents approximately twenty-five per cent of the national insurance market.

While the industry is pursuing initiatives to integrate into insurer systems the data captured in independent systems, Renasa has completed the task and addressed many of the challenges which follow successful integration.

Renasa operates a suite of proprietary 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 helps to contain claims costs by controlling each aspect of the settlement process of claims intimated on independent systems;
- An "extract, transform and load" (ETL) system which feeds into Renasa's data warehouse;

all of which are integrated to all commonly used independent systems.

Renasa's systems strategy, termed FAIRFIGHT, improves efficiencies in handling personal lines business, particularly the motor class, which positions independent intermediaries to defend the attack of direct insurers and make the FIGHT against direct insurers FAIR for the first time.

Using these systems, and despite the market pressures of recent times, Renasa has (excluding the effect of catastrophes) consistently improved the motor loss ratios of its independent intermediaries and contained the increase in its average claims cost for the motor class (again excluding the effect of catastrophes) to 6,4% (2012: reduction of 2,7%).



RENASA'S COMMERCIAL LINES SERVICE OFFERING – PERSONAL SERVICE BY AUTHORISED SERVICE MANAGERS

Renasa continues to service commercial lines with a team of experienced Service Managers authorized to place Renasa on cover for most risks and to authorize most claims without reference. Where business with Renasa is extensive, Service Managers are based permanently in the intermediary's offices. Alternatively, Service managers visit intermediaries regularly or on demand to ensure a speedy, personal service by qualified and experienced staff. The team under Nick Beyers which provides this service understands thoroughly the needs of the intermediated market and are accomplished at service delivery.

SPECIALIST CLASSES AND UNDERWRITING MANAGEMENT AGENTS

Renasa currently underwrites nine specialist classes through Underwriting Management Agents ("UMA's") who distribute exclusively for Renasa or through dedicated divisions. Classes include engineering risks, minibuss taxis, heavy commercial vehicles, off-road vehicles, marine risks, pet health insurance, goods in transit risks, performance guarantees professional indemnity and agreed value motor policies. In line with its strategy to grow its portfolio of specialist classes, Renasa is due to commence underwriting in 2014 further classes which have been under development. Renasa continues to offer underwriters support in the establishment of UMA businesses, most Renasa UMA's having been established as greenfields operations.

THE INTERMEDIARIES' "ONE STOP SHOP"

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.

TREATING CUSTOMERS FAIRLY

A notion which has always been central to Renasa's dealings and now to be enforced in a regulatory fashion, Renasa has developed a "road map" towards implementation of controls which will ensure that the principle of fairness to customers is embodied within every aspect of Renasa's operations. The "road

map", has been approved in principle by the Board pending completion of its review by Renasa's executive. Implementation is planned during 2014.

MANAGEMENT STRUCTURE

During the 2013 year there has been no change to Renasa's management structure other than the resignation of John Sibanda as a non-executive director and his replacement by Brian Neale. John has left to head up Lloyds in Africa and we wish him well. Brian Neale is a Chartered Accountant with many years of experience in practice and consulting with leading firms. We welcome him to the Board and look forward to his contribution.

MARKETING AND BRAND DEVELOPMENT

Renasa's marketing strategy, which employs a national television campaign, industry journals and web-based media, continues to feature Archie Broker and his faithful dog Roger to raise public and broker awareness of the Renasa brand and also to convey Renasa's range of services and support for the intermediary. The television campaign, which has been singularly successful, is to be expanded during 2014 to achieve a greater impact in its focused field.

ALIGNMENT STRATEGY

Renasa's strategy continues to recognise the value of sustained relationships in both its supply and distribution channels and that the preservation of these relationships implies an alignment which ensures that all parties benefit fairly. Renasa's unique multiple year reinsurance treaties, which commit capacity for the medium term, remain a symbol of this alignment.

FINANCIAL REVIEW

During 2013 Gross premiums grew by 12,3% (2012: 7,5%) to R 658,2 million (2012: R 585,9 million) with 2014 first quarter gross premiums growing by 15,8% to an annualised gross premium of R 730,4 million (first quarter 2013: R 631,0) which indicates a sustained growth trend.

Owing mainly to the catastrophes experienced during the 2013 year, the gross claims ratio deteriorated to 81,3% (2012:74,3%) However, the normalised loss ratio, adjusted to exclude the inordinate catastrophe claims settled, reflected a slight deterioration to 75,7% as a result of the market conditions experienced as referred to more fully above.



Scale is being approached

Net commission received as a percentage of gross premiums fell to 3,2% (2012:4,1%) impacted by stricter reinsurance terms in line with local and international market conditions. Administration fee income, however, again grew marginally. The expansion of 2011 and 2012 having been completed, Net operating expenses rose by a modest 4,8% (2012: 38,8%) reflecting the benefits of scale as the staff complement was maintained against a 12,3% growth in gross premiums. The overall result, however, was an Underwriting loss of R 3,9 million (2012: profit of R 2,9 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.

Given slightly lower cash holdings, interest income fell marginally to R 3,8 million (2012: 3,9 million) so that a Loss before taxation and Preference Share dividends of R 0,2 million (2012: Profit of R 6,6 million) was achieved.

With no taxable earnings for the year, the result was Total comprehensive Income before Preference Share dividends of R 0,2 million (2012: R 3,7 million) and a Return on average Equity of 0,0% (2012: 7,9%).

In light of market conditions, Renasa's performance for the 2013 year is considered creditable.

REINSURANCE AND FINANCING

Renasa has for many years secured reinsurance capacity from its leading reinsurers in treaties which have a duration of three years on the basis that, in accordance with Renasa's alignment strategy, rates are adjusted annually to reflect performance and the cost of capital. Unusual as this arrangement is in South Africa, it represents an endorsement of Renasa by reinsurers and commits to Renasa the capital required to fund its future growth.

As has been the case for many years, Renasa's cession for the 2013 year was 88,0% on most risks and this remains unchanged for the 2014 treaty year.

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

Net Written Premium for the year grew by 10,9% (2012 : 16,5%) to R 84,3 million (2012:R 76,0 million). Renasa's solvency margin at the 2013 year end

was 53,6% (2012: 61,8%) which remains within Renasa's target range of 50,0% to 60,0%.

In terms of the provisional requirements under the Solvency II regime, Renasa is currently maintaining a Capital Adequacy Requirement (CAR) cover ratio of 1,7 (2012: 2,1). The claims coverage ratio retreated during the 2013 year to 8,8 months (2012:15,7 months) in response to the numerous catastrophes experienced. All ratios continue to compare favorably with industry averages.

The "A-" rating accorded by Global Credit Rating Company since November 2010 was again reaffirmed at the end of 2013 confirming the strength of Renasa's paper and its position as an alternative to the four leading general insurers serving independent intermediaries.

A- rating reaffirmed

PROSPECTS

Renasa has reached the point in its development where several telling factors will shape its future progress.

Firstly, the low rate of growth in overheads compared with the rate of premium growth during the 2013 year points to the first benefits of scale. Renasa is now in the position that, aside from the pressure on its staffing complement applied by the regulatory landscape, its current infrastructure is capable of servicing significantly higher levels of premium income. Renasa now requires neither additional senior management, nor additional branch offices (or indeed any further office accommodation), nor any new or additional systems in order to accommodate significant premium growth.

Secondly, the departure from Renasa's market segment of three direct competitors during the past six months and its newfound position as one of the top five insurers in its segment (servicing independent intermediaries) signal further opportunity for premium growth and to exploit the benefits of scale.

On the other hand, however, much of Renasa's potential lies in the hands of market conditions. The state of the economy and the attendant pressure on margins referred to above could well suppress underwriting margins if the current parlous state of the economy persists. Also, any further weakening of the Rand exchange rate will likewise further undermine margins. In addition, should the weather patterns of the 2013 year progress to a trend (and there

*Cautious optimism if
markets not unkind*

is clear evidence of the deterioration in global weather patterns), margins will be subjected to further downward pressure. Finally, regulatory change will continue to diminish margins. Until the market compensates with commensurate premium increases to accommodate such circumstance, the collective impact of these margin pressures will translate into subdued profits.

At the end of the 2012 year, an improved performance was expected based on improved margins flowing from Renasa's progress in the arena of systemized risk selection and claims cost control. Market conditions were, however, to have the last say in the 2013 result actually achieved.

Accordingly, regarding Renasa's likely 2014 performance, while Renasa aims to capitalize on its newfound position in the top five general insurers in its segment, cautious optimism cannot be expressed without the proviso that market conditions are not unkind.

APPRECIATION

It seems that each year becomes more challenging in our industry and particularly in our market segment and it is perhaps therein that Renasa's opportunity has always lain. What is certain, however, is that the progress which has been made despite testing market conditions is attributable to the steadfast contribution of our executive, Board, and staff and the support which has been demonstrated by our reinsurers and intermediaries. To all of you I express my sincere appreciation.

JONATHAN ROSENBERG
Chief Executive Officer

RENASA'S ART




Berg, bush and beach
2006




Three aspects of South Africa
2007

RENASA'S BOARD & MANAGEMENT


DIRECTORS

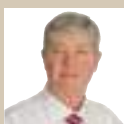
JONATHAN ROSENBERG

CEO

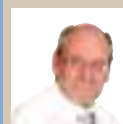
DON ERIKSSON

Chairman

MICHAEL TAGG


Director


BRIAN NEALE

Director


NICK BEYERS

Executive Director

BRIAN MARTIN

Executive Director Legal and compliance

EXECUTIVE MANAGEMENT


MARK HAKEN

Consulting Reinsurance Manager

MICHAEL CLACK

Acting General Manager Business Development


HERMAN SCHEEPERS

General Manager Risk and Technology

CLINTON McALLISTER

General Manager Finance

CHRIS ALSWORTH-ELVEY

General Manager Claims

OPERATIONAL MANAGEMENT


PATRICK HARRIS

Regional Manager KZN


PETER MAGGS

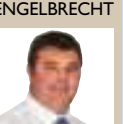
Divisional Manager Group Scheme


RONEL CASTELYN

Regional Manager Northern Province

FRANK JORDAAN

Regional Manager Free State


HARRY COETZER

Regional Manager Mpumalanga

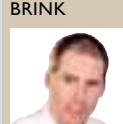
NEAL ENGELBRECHT

Regional Manager Western Cape

JASON JUDGE

IT & Systems Manager

COLIN SCOTT

Risk Manager

DANIE SWART

Compliance Officer

CHRISTOFF BRINK

Financial Manager

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/Zurich 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 Legal and Compliance
After serving articles with Deney's 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.



BRIAN NEALE
B Com CA (SA)
Independent Non-Executive Director
Brian held the position of Senior Partner at Nwanda Incorporated (formerly Neale Whitecross and Associates) for 16 years prior to which he was a Partner at Price Waterhouse Coopers where he was a member of the World Council of Partners and the Policy Board. He is currently a financial consultant to and member of Upward Spiral and a Director of Itec Group, NSS Fasteners (Pty) Ltd and MIS Holdings (Pty) Ltd.

RENASA'S EXECUTIVE MANAGEMENT

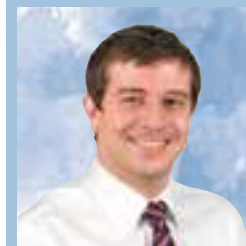


MARK HAKEN
F.C.I.I., F.I.I.S.A.
Consulting
Reinsurance
Manager
Mark Haken has been involved in the insurance industry for over 30 years in which time he has held several senior and board positions.

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, reinsurance treaty management and insurance systems.



CHRIS ALSWORTH-ELVEY
BA, LLB
General Manager Claims
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



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 in 2003, 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.



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.



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.



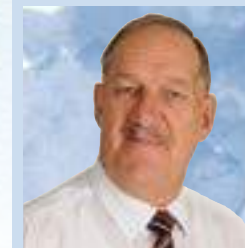
FRANK JORDAAN

Regional Manager Free State

Frank started his career in the industry in 1975 at Santam. In 1981 he joined SA Eagle as claims manager East Rand. In 2002 he became Area Sales Manager Free State and Northern Cape where he managed all classes of business underwritten by SA Eagle/Zurich. After 28 years with SA Eagle/Zurich, in 2010, Frank joined the Renasa team where he remains committed to high service levels and strong relationships.

RENASA'S OPERATIONAL MANAGEMENT

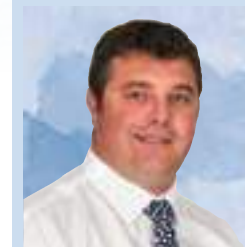
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HARRY COETZER

Regional Manager Mpumalanga

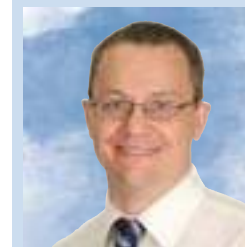
Harry started his insurance career with Sentrakas as a motor underwriter in 1964. In May 1988 he joined SA Eagle in Nelspruit as Claims Manager after which he held various positions with SA Eagle/Zurich until 2010 when he was Zurich's Nelspruit Branch manager. Harry joined Renasa as Regional Manager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



NEAL ENGELBRECHT

Regional Manager Western Cape

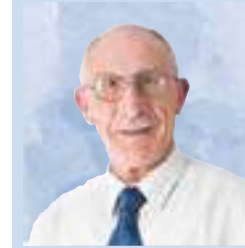
Neal entered the insurance industry in 1997 and has held various positions at major insurers in South Africa and Namibia. Whilst working as a broker, he served as a Business Development Manager on commercial accounts in the Western Cape region and as Branch Manager in Cape Town, gaining valuable knowledge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



JASON JUDGE

B.Sc (Hons)
IT and Systems Manager

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.



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.

RENASA'S OPERATIONAL MANAGEMENT

(continued)



CHRISTOFF BRINK

B.Comm (Accounting and Informatics) B.compt. (Hons)
Financial Manager

After completing his articles at JCB Incorporated, Christoff was appointed as an accountant for Transrep and Busaf Bauer, which are divisions of Route Management. Subsequently, Christoff joined Renasa in 2012 as a Technical Accountant and is now the Financial Manager.



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 more than 15 years' financial services experience Danie is well versed with compliance procedures and Renasa's regulatory and control environments. He is a member of 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 2013

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CORPORATE GOVERNANCE

for the year ended 30 June 2013

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 stakeholders 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 28.

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;

CORPORATE GOVERNANCE

for the year ended 30 June 2013 (continued)

- 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 regularly at least quarterly and on any other occasion that circumstances dictate.

Committees of the board meet regularly 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 fulfils 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:

CORPORATE GOVERNANCE

for the year ended 30 June 2013 (continued)

- 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; its executive directors and the Company's General Managers of Finance, Risk and Technology, Claims, Legal and Business Development. Its purpose is to discharge the obligations of the board on a daily basis. The Executive Committee meets at least weekly. Each meeting is focused on a specific division of the Company. The 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;

CORPORATE GOVERNANCE

for the year ended 30 June 2013 (continued)

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.

CORPORATE GOVERNANCE

for the year ended 30 June 2013 (continued)

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

CORPORATE GOVERNANCE

for the year ended 30 June 2013 (continued)

- 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.

CORPORATE GOVERNANCE

for the year ended 30 June 2013 (continued)

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, Risk and Compliance 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 12 of this Annual Report in terms of which Renasa has sponsored the distribution of free education material designed to assist schools in underprivileged communities to raise the level of literacy. Having reached approximately 65 000 learners to date through RITE's Alphaland programme, Renasa is currently providing further teaching aids to the beneficiary schools, its immediate target being the production and distribution of 100 000 reading books 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

CORPORATE GOVERNANCE

for the year ended 30 June 2013 (continued)

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. Every effort is made to ensure that Renasa's Employment Equity objectives are met.

The Company continues to encourage designated groups. As at 30 June 2013 67,48% (2012: 64%) 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 2013 (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 2013*

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 54 to 88 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, to adequately safeguard, verify and maintain accountability of assets, 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 51 of

RESPONSIBILITY FOR AND DIRECTORS' APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS *for the year ended 30 June 2013 (continued)*

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.

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

DG Eriksson (*Chairman*)

B Neale (*Appointed 1 January 2013*)

JL Sibanda (*Resigned 1 January 2013*)

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 Remuneration Committee are:

DG Eriksson (*Chairman*)

MJ Tagg.

EMPLOYMENT EQUITY

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

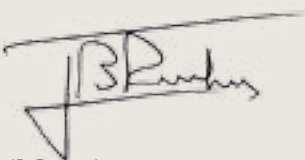
**RESPONSIBILITY FOR AND DIRECTORS' APPROVAL OF
THE ANNUAL FINANCIAL STATEMENTS** *for the year ended 30 June 2013 (continued)*

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements appearing on pages 54 to 88 were approved by the board of directors on 2 October 2013 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 2013 all such returns as are required by the Companies Act.



CT McAllister
Company Secretary
2 October 2013

AUDIT COMMITTEE REPORT
for the year ended 30 June 2013

The committee is pleased to present its report for the financial year ended 30 June 2013 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;

AUDIT COMMITTEE REPORT

for the year ended 30 June 2013 (continued)

- 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 2013; 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*)

B Neale (*Appointed 1 January 2013*)

JL Sibanda (*Resigned 1 January 2013*)

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 2013 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 14 to the financial statements.

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

AUDIT COMMITTEE REPORT

for the year ended 30 June 2013 (continued)

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 2014 financial year, and Mr Jan van Staden as the designated auditor. This will be his third year as auditor of the Company.

ANNUAL FINANCIAL STATEMENTS

The audit committee has evaluated the annual report for the year ended 30 June 2013 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 54 to 88 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
2 October 2013

DIRECTORS' REPORT

for the year ended 30 June 2013

The directors present their report, which forms part of the financial statements of the Company, for the year ended 30 June 2013.

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 comprehensive loss of R502 089 (2012: comprehensive income of R2 757 606) for the year 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 1 916 784 were declared or paid during the period (2012: R 2 453 346) made up as R 658 177 (2012: R 908 770) in respect of preference share dividends and R 1 258 608 (2012: R 1 544 577) 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.

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 on the statutory basis at year end is 53.6% (2012: 61.8%).

DIRECTORS' REPORT

for the year ended 30 June 2013 (continued)

DIRECTORS

During the year under review on 1 January 2013, Mr JL Sibanda resigned as a director and Mr B Neale was appointed on the same day 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*)

B Martin (*Executive*)

B Neale (*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 subsidiary of Renasa Holdings Proprietary Limited, a company incorporated in the Republic of South Africa.

INDEPENDENT AUDITOR'S REPORT

for the year ended 30 June 2013

TO THE SHAREHOLDERS OF RENASA INSURANCE COMPANY LIMITED

We have audited the financial statements of Renasa Insurance Company Limited set out on pages 54 to 88, which comprise the statement of financial position as at 30 June 2013, 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 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 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 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 control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

INDEPENDENT AUDITOR'S REPORT

for the year ended 30 June 2013

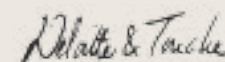
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of Renasa Insurance Company Limited as at 30 June 2013, 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 2013, 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
Registered Auditors
Per: J van Staden
Partner

30 October 2013
Deloitte Place, 20 Woodlands Drive, Woodmead

Deloitte & Touche National Executive:

LL Bam Chief Executive AE Swiegers Chief Operating Officer GM Pinnock Audit DL Kennedy Risk Advisory NB Kader Tax
TP Pillay Consulting K Black Clients and Industries JK Mazzocco Talent & Transformation CR Beukman Finance M Jordan Strategy
S Gwala Managed Services 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 2013

	NOTES	30 JUNE 2013	(RESTATED) 30 JUNE 2012	(RESTATED) 30 JUNE 2011
		R'000	R'000	R'000
ASSETS				
Non current assets		6 116	5 602	5 688
Fixed assets	2	4 686	4 490	4 551
Intangible assets	3	1 087	1 112	1 137
Deferred tax	4	343	-	-
Investment in subsidiary	5	-	-	-
Technical assets				
Reinsurers' share of technical provisions		134 865	96 440	88 412
- Unearned premiums		15 856	15 205	11 414
- Outstanding claims		119 009	81 235	76 998
Current assets		126 462	142 128	120 696
Accounts receivable		41 698	33 636	26 086
Premiums receivable		36 704	38 245	32 788
Amounts owing from reinsurers	6	1 620	1 620	1 620
Investments at fair value	7	61	21	21
Deferred acquisition costs		3 343	2 988	2 330
Value added tax		-	2 502	1 213
Cash and cash equivalents		43 036	63 116	56 638
TOTAL ASSETS		267 443	244 170	214 796

STATEMENT OF FINANCIAL POSITION

at 30 June 2013 (continued)

	NOTES	30 JUNE 2013	(RESTATED) 30 JUNE 2012	(RESTATED) 30 JUNE 2011
		R'000	R'000	R'000
EQUITY AND LIABILITIES				
Capital and reserves		40 144	41 905	40 692
Share capital*	8	5	5	5
Share premium	9	50 495	50 495	50 495
Contingency reserve	11	-	-	6 520
Accumulated loss*		(10 356)	(8 595)	(16 328)
Non-current liabilities				
Preference shares*	10	5 000	5 000	5 000
Equity and preference shares		45 144	46 905	45 692
Technical provisions		154 156	113 373	100 350
Gross outstanding claims		130 299	90 832	82 863
IBNR provision	12	5 875	5 314	4 564
Gross provision for unearned premiums		17 982	17 227	12 923
Current liabilities		68 143	83 892	68 754
Accounts payable		23 278	14 383	11 751
Amount owing to reinsurers		43 894	69 004	56 152
Current tax payable		-	505	851
Value added tax		971	-	-
TOTAL EQUITY AND LIABILITIES		267 443	244 170	214 796

* The cumulative redeemable preference shares are redeemable at the option of the holder and therefore represent a financial obligation i.t.o IAS 32. Accordingly the effects thereof were retrospectively restated in the financial statements-refer to note 21. The restatement has no impact on the tax status or solvency of the company.

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2013

	NOTES	30 JUNE 2013	(RESTATED) 30 JUNE 2012
		R'000	R'000
Gross premiums		658 224	585 889
Reinsurance premiums		(573 950)	(509 931)
Net premiums		84 274	75 958
Change in provision for unearned premiums net of reinsurance		(107)	(513)
Change in gross provision		(754)	(4 304)
Reinsurers' share		647	3 791
Net earned premium		84 167	75 445
Net commission		21 014	23 796
Commission incurred		(102 251)	(90 239)
Commission recovered		123 265	114 035
Claims incurred net of reinsurance		(58 513)	(48 547)
Claims paid		(56 258)	(44 066)
- Gross amount		(494 255)	(423 335)
- Reinsurers' share		437 997	379 269
Change in provision for claims		(2 255)	(4 481)
- Gross amount		(40 028)	(8 719)
- Reinsurers' share		37 773	4 238
Administration fee income		12 467	12 329
Net operating expenses		(63 069)	(60 167)
Underwriting (loss) / profit		(3 934)	2 856
Interest paid*		(39)	(167)
Interest income		3 786	3 936
(Loss) / Profit before taxation and finance cost on preference shares	14	(187)	6 625
Taxation	15	343	(2 959)
PROFIT BEFORE FINANCE COST ON PREFERENCE SHARES		156	3 666

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2013 (continued)

	NOTES	30 JUNE 2013	(RESTATED) 30 JUNE 2012
		R'000	R'000
PROFIT BEFORE FINANCE COST ON PREFERENCE SHARES		156	3 666
Finance cost on preference shares		(658)	(909)
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR		(502)	2 757

* The cumulative redeemable preference shares are redeemable at the option of the holder and therefore represent a financial obligation i.t.o IAS 32. Accordingly the effects thereof were retrospectively restated in the financial statements-refer to note 21. The restatement has no impact on the tax status or solvency of the company.

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2013

	SHARE CAPITAL	SHARE PREMIUM	CONTIN- GENCY RESERVE	ACCUMULATED LOSS	TOTAL
	R'000	R'000	R'000	R'000	R'000
Balance at 1 July 2011 (Restated)	5	50 495	6 520	(16 328)	40 692
Total comprehensive income for the year	-	-	-	2 757	2 757
Dividends declared*	-	-	-	(1 544)	(1 544)
Change in contingency reserve	-	-	(6 520)	6 520	-
Balance at 30 June 2012 (Restated)	5	50 495	-	(8 595)	41 905
Total comprehensive income for the year	-	-	-	(502)	(502)
Dividends declared	-	-	-	(1 259)	(1 259)
Balance at 30 June 2013	5	50 495	-	(10 356)	40 144
Notes	8	9	11		

* The cumulative redeemable preference shares are redeemable at the option of the holder and therefore represent a financial obligation i.t.o IAS 32. Accordingly the effects thereof were retrospectively restated in the financial statements-refer to note 21. The restatement has no impact on the tax status or solvency of the company.

STATEMENT OF CASH FLOWS

for the year ended 30 June 2013

	30 JUNE 2013	(RESTATED) 30 JUNE 2012
	R'000	R'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Underwriting (loss) / profit	(3 934)	2 856
Depreciation	2 507	2 517
Amortisation of intangible assets	25	25
(Profit) on sale of fixed asset	(5)	-
Change in provisions	-	168
Adjustment to provision for unearned premium	107	513
Operating (loss) / profit before working capital changes	(1 300)	6 079
Working capital changes	(17 402)	4 844
Increase in outstanding claims and IBNR	2 254	4 482
(Increase) in accounts receivable	(5 955)	(10 241)
Increase in accounts payable	9 868	3 208
(Decrease) / increase in amounts due to reinsurers	(25 110)	12 852
(Decrease) / increase in premiums receivable	1 541	(5 457)
Cash (utilised) / generated by operating activities	(18 702)	10 923

STATEMENT OF CASH FLOWS

for the year ended 30 June 2013 (continued)

	30 JUNE 2013	(RESTATED) 30 JUNE 2012
	R'000	R'000
Interest paid*	(697)	(1 076)
Interest income	3 786	3 936
Taxation paid	(505)	(3 305)
NET (OUTFLOW) / CASH INFLOW FROM OPERATING ACTIVITIES	(16 118)	10 478
CASH UTILISED IN INVESTING ACTIVITIES	(2 703)	(2 456)
Purchase of fixed assets	(2 703)	(2 456)
CASH UTILISED IN FINANCING ACTIVITIES	(1 259)	(1 544)
Dividends distributed*	(1 259)	(1 544)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS FOR THE YEAR	(20 080)	6 478
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	63 116	56 638
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	43 036	63 116

* The cumulative redeemable preference shares are redeemable at the option of the holder and therefore represent a financial obligation i.t.o IAS 32. Accordingly the effects thereof were retrospectively restated in the financial statements-refer to note 21. The restatement has no impact on the tax status or solvency of the company.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2013

I. ACCOUNTING POLICIES

I.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.

I.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.

I.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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2013 (continued)

I ACCOUNTING POLICIES (continued)

I.3 Classification of contracts (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.

I.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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2013 (continued)

I ACCOUNTING POLICIES (continued)

I.4 Recognition and measurement of contracts (continued)

expense in accordance with the pattern of reinsurance service received.

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2013 (continued)

I ACCOUNTING POLICIES (continued)

I.4 Recognition and measurement of contracts (continued)

event that occurred after its initial recognition, that the Company may not 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.

I.5 Fixed assets

The syndicated ownership unit is stated at cost. Other fixed assets are stated at cost less accumulated depreciation. Depreciation is applied on a straight line basis at rates that amortise the cost of the assets, 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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2013 (continued)

I ACCOUNTING POLICIES (continued)

I.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.

I.6 Retirement benefits

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

I.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.

I.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 2013 (continued)

I ACCOUNTING POLICIES (continued)

I.9 Intangible assets

The intangible assets consist of long-term contracts with customers and acquisition-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 (acquisition-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.

I.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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2013 (continued)

I ACCOUNTING POLICIES (continued)

I.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 its provision, which is in excess of the regulatory provision, to be adequate.

I.11 Investment income

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

I.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.

I.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, and other

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2013 (continued)

I ACCOUNTING POLICIES (continued)

I.13 Financial instruments (continued)

Cash and cash equivalents (continued)

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.

I.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 to perform the discounting. After initially recognising an impairment loss, the Company reviews

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2013 (continued)

I ACCOUNTING POLICIES (continued)

I.14 Impairment of financial assets (continued)

the assets for further impairment at subsequent financial reporting dates.

I.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.

I.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.

I.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.

I.18 Standards and interpretations in issue not yet adopted

The directors do not anticipate the standards below to have a material impact on future financial statements.

- IFRS 1 - First-time Adoption of International Financial Reporting Standards (January 2013)
- IFRS 7 - Financial Instruments: Disclosures (January 2013)
- IFRS 10 - Consolidated Financial Statements (January 2013)
- IFRS 11 - Joint Arrangements (January 2013)
- IFRS 12 - Disclosure of Interests in Other Entities (January 2013)
- IFRS 13 - Fair Value Measurement (January 2013)
- IAS 19 - Employee Benefits (January 2013)
- IAS 27 - Separate Financial Statements (January 2013)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2013 (continued)

I ACCOUNTING POLICIES (continued)

I.18 Standards and interpretations in issue not yet adopted (continued)

- IAS 28 - Investments in Associates and Joint Ventures (January 2013)
- IAS 32 - Financial Instruments: Presentation (January 2014)
- IFRS 9 - Financial Instruments (January 2015)
- Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) (January 2013)

I.19 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 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2013 (continued)

I ACCOUNTING POLICIES (continued)

I.20 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.

I.21 Related-party transactions

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

I.22 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 2013 (continued)

2. FIXED ASSETS

	COMPUTER EQUIPMENT & SOFTWARE	FURNITURE, FITTINGS & OFFICE EQUIPMENT	MACHINERY	LEASEHOLD IMPROVE- MENTS	SYNDICATED OWNERSHIP UNIT	TOTAL
	R'000	R'000	R'000	R'000	R'000	R'000
30 JUNE 2013						
Opening net book value	3 696	329	181	166	118	4 490
Additions	2 481	153	-	69	-	2 703
Depreciation	(2 304)	(121)	(12)	(70)	-	(2 507)
Closing net book value	3 873	361	169	165	118	4 686
AT 30 JUNE 2013						
Cost	14 700	2 571	183	1 510	118	19 082
Accumulated depreciation	(10 827)	(2 210)	(14)	(1 345)	-	(14 396)
Net book value	3 873	361	169	165	118	4 686
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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2013 (continued)

3. INTANGIBLE ASSETS

	LONG-TERM CONTRACTS WITH CUSTOMERS	AQUISITION- RELATED INTANGIBLE ASSETS	TOTAL
	R'000	R'000	R'000
Balance at 1 July 2011	193	944	1 137
Amortisation	(25)	-	(25)
Balance at 30 June 2012	168	944	1 112
Amortisation	(25)	-	(25)
Balance at 30 June 2013	143	944	1 087

4. DEFERRED TAX

	30 JUNE 2013	30 JUNE 2012
	R '000	R '000
Deferred tax asset	343	-
Reconciliation of deferred tax asset		
Estimated assessed loss raised	380	-
Temporary difference due to movement in provision for bad debts	(37)	-
	343	-

5. INVESTMENT IN SUBSIDIARY

	30 JUNE 2013	30 JUNE 2012
	R	R
Unlisted equity, at a cost	100	100

The Company owns 100% of the shares in Really Useful Investment No 181 Proprietary Limited which was established in the Republic of South Africa. Really Useful Investment No 181 Proprietary Limited holds a 47,3% equity stake in Cross Country Consultants (Pty) Ltd.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2013 (continued)

	30 JUNE 2013	30 JUNE 2012
	R'000	R'000

6. 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

7. INVESTMENTS AT FAIR VALUE

Shares at beginning of year	21	21
Reclassification	40	-
Aquisition / (disposal) of shares during the year	-	-
Fair value adjustment	-	-
Shares at end of year	61	21

A register of investments is available for inspection at the registered office of the Company. The listed and unlisted shares are measured at fair value determined at "Level 1" and "Level 2" respectively in terms of the Fair Value Hierarchy.

8. SHARE CAPITAL

Authorised		
5 000 000 ordinary par value shares of 1 cent each	50	50
Issued Ordinary Shares		
Balance at the beginning of the period	5	5
Shares issued during the period at 1 cent each	-	-
Balance at end of the period	5	5

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2013 (continued)

	30 JUNE 2013	(RESTATED) 30 JUNE 2012
	R'000	R'000

9. SHARE PREMIUM

ORDINARY SHARES		
Balance at the beginning of the period	50 495	50 495
Shares issued during the period	-	-
Share premium at the end of the period	50 495	50 495

10. NON-CURRENT LIABILITIES

PREFERENCE SHARES		
Authorised		
50 000 Class A cumulative redeemable preference shares at 1 cent each	1	1
Issued Preference Shares		
Opening balance	1	1
Shares issued during the period	-	-
Balance at end of the period	1	1

SHARE PREMIUM		
Preference shares		
Balance at the beginning of the period	4 999	4 999
Shares issued during the period	-	-
Share premium at the end of the period	4 999	4 999
Preference shares at the end of the period	5 000	5 000

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 2013. 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.

(continued on page 76)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2013 (continued)

	30 JUNE 2013	(RESTATED) 30 JUNE 2012
	R'000	R'000

(From page 75)

At the reporting date dividends in the sum of R 658 177 had been declared and paid in respect of preference shares. The preference shareholders have indicated that they will not redeem the shares in the forthcoming financial year and therefore the preference shares are reflected as a non-current liability. The preference shares are reflected at net of proceeds and are not discounted due to the uncertainty with respect to the future redemption date.

11. CONTINGENCY RESERVE

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

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 in 2012.

12. INCURRED BUT NOT REPORTED PROVISION ("IBNR")

At the beginning of the year	5 314	4 564
Change during the year	561	750
At the end of the year	5 875	5 314

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).

13. SOLVENCY MARGIN

The Company is subject to insurance solvency regulations, and it has complied with all these regulations. The Company's financial solvency margin is calculated as the ratio of total equity and preference shares, to net premium.

Total equity and preference shares (including preference share capital for regulatory purposes)	45 144	46 905
Net premiums	84 274	75 958
Solvency margin	53,6%	61,8%

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2013 (continued)

	30 JUNE 2013	30 JUNE 2012
	R'000	R'000

14. PROFIT BEFORE TAXATION

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

Auditor's remuneration	717	580
- Audit fees	717	580
Directors' and Prescribed Officers' emoluments	6 986	5 850
- Executive Directors and Prescribed Officer	6 361	5 219
- Non-executive Director 1	287	271
- Non-executive Director 2	169	160
- Non-executive Director 3	85	160
- Non-executive Director 4	84	40
Operating lease charges	2 876	2 204
- Building	2 564	1 861
- Equipment	312	343
Depreciation	2 507	2 517
- Computer equipment and software	2 304	2 350
- Furniture, fittings and office equipment	121	110
- Machinery	12	2
- Leasehold improvements	70	55
Amortisation of intangible assets	25	25
- Long-term contracts with customers	25	25
Staff costs	32 733	32 293
- Current year costs	32 733	32 293
Remuneration other than to employees	2 714	4 101
- Consultancy fees	2 219	2 478
- Legal fees	495	1 623

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2013 (continued)

	30 JUNE 2013	(RESTATED) 30 JUNE 2012
	R'000	R'000

15. TAXATION

SOUTH AFRICAN NORMAL TAXATION		
Current taxation charge	-	1 902
Secondary tax on companies	-	1 057
	-	2 959
DEFERRED TAXATION		
Current year	(343)	-
	(343)	-
Taxation as per statement of comprehensive income	(343)	2 959
Tax rate recon:		
Effective rate	(41%)	33,27%
Disallowable expenditure	13%	(5,27%)
Assessed loss	0,00%	0,00%
Standard rate	(28%)	28%

16. LEASE COMMITMENTS

Due within 1 year:	687	643
- Building	468	463
- Equipment	219	180
Due after 1 year:	1 923	1 482
- Building	1 463	995
- Equipment	460	487
TOTAL DUE	2 610	2 125

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2013 (continued)

17. 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 2013	30 JUNE 2012
	R'000	R'000
If the interest rate changes by 10%, the impact on interest earned would be an increase or decrease in profits.	531	599

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2013 (continued)

17. 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 amount 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 2013				
Financial liabilities	40 303	26 869	5 000	72 172
Claims IBNR	2 056	2 938	881	5 875
Net outstanding claims	3 952	5 645	1 693	11 290
TOTAL	46 311	35 452	7 574	89 337
AT 30 JUNE 2012 (Restated)				
Financial liabilities	50 032	33 355	5 000	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	7 237	103 298

Credit risk

The Company's financial assets do not represent a significant concentration of credit risk because the Company deals with a variety of major banks and its accounts receivable are 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 are reflected net of impairment.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2013 (continued)

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

	30 JUNE 2013	30 JUNE 2012
	R'000	R'000
MAXIMUM EXPOSURE TO CREDIT RISK		
Premiums receivable	36 704	38 245
Accounts receivable	41 698	33 636
- Related party receivables	28 702	27 428
- Other receivables	12 996	6 208
Cash and cash equivalents	43 036	63 116
Reinsurers' share of outstanding claims	119 009	81 235
Amount owing from reinsurers	1 620	1 620
	242 067	217 852
CREDIT RISK ANALYSIS		
Receivables neither past due nor impaired	233 545	213 270
- Related party receivables	28 702	27 428
- Premiums receivable	36 704	38 245
- Reinsurers' share of outstanding claims	119 009	81 235
- Cash and cash equivalents	43 036	63 116
- Other receivables	6 094	3 246
Receivables past due but not impaired		
- Other receivables	6 902	1 320
Receivables past due and impaired	1 620	3 262
- Amount owing from reinsurers	2 155	2 155
- Other receivables	-	2 386
- Impairment raised	(535)	(1 279)
TOTAL	242 067	217 852

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2013 (continued)

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (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.

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 principal 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2013 (continued)

18. INSURANCE RISK MANAGEMENT (continued)

The Company purchases adequate excess of loss reinsurance cover for 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 2013 is adequate.

A 1% increase / (decrease) in the IBNR provisioning rate would lead to an increase / (decrease) in the IBNR reserve of R842 740 (2012: R754 450).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2013 (continued)

18. INSURANCE RISK MANAGEMENT (continued)

AT 30 JUNE 2013					
	FIRE & ENGINEERING	MOTOR	GUARANTEE	MISCEL- LANEOUS	TOTAL
	R'000	R'000	R'000	R'000	R'000
CLAIMS INCURRED NET OF REINSURANCE					
Outstanding claims and IBNR Opening	2 518	10 891	(20)	1 522	14 911
Claims incurred	3 110	48 126	671	6 606	58 513
Claims paid	(2 733)	(48 159)	(431)	(4 935)	(56 258)
Outstanding claims and IBNR Closing	2 895	10 858	220	3 193	17 166
PREMIUMS					
Gross premiums	149 767	394 677	6 565	107 215	658 224
UPR movement	(922)	542	(45)	(329)	(754)
Gross earned premiums	148 845	395 219	6 520	106 886	657 470
Premiums ceded to reinsurers	(134 881)	(338 233)	(5 865)	(94 324)	(573 303)
Net earned premiums	13 964	56 986	655	12 562	84 167
DEFERRED ACQUISITION COSTS					
Opening balance	1 654	418	487	429	2 988
Movement	347	(60)	6	62	355
Closing balance	2 001	358	493	491	3 343

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2013 (continued)

18. INSURANCE RISK MANAGEMENT (continued)

AT 30 JUNE 2012					
	FIRE & ENGINEERING	MOTOR	GUARANTEE	MISCEL- LANEOUS	TOTAL
	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	17 344	48 548
Claims paid	2 729	(29 374)	(144)	(17 277)	(44 066)
Outstanding claims and IBNR Closing	2 518	10 891	(20)	1 522	14 911
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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2013 (continued)

19. RELATED PARTY TRANSACTIONS

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, related party loans, with interest, rentals and sales to and from the related parties as disclosed below.

	30 JUNE 2013	30 JUNE 2012
	R'000	R'000
RELATED PARTY BALANCES		
Amounts owing by related parties	28 702	27 428
- Holding company	12 924	7 349
- Subsidiaries	6 936	6 936
- Group companies	8 816	13 105
- Key management	26	12
- Other	-	26

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2013 (continued)

19. RELATED PARTY TRANSACTIONS (continued)

	30 JUNE 2013	30 JUNE 2012
	R'000	R'000
RELATED PARTY TRANSACTIONS		
Interest and rentals received from related parties	1 757	1 187
- Holding company	-	-
- Subsidiaries	-	-
- Group companies	1 757	1 187
- Other	-	-
Net (Sales to) / purchases from related parties	6 352	(190)
- Holding company	-	-
- Subsidiaries	-	-
- Group companies	6 352	(190)
- Other	-	-

Remuneration of key management (directors and prescribed officers) is disclosed in note 14.

20. CONSOLIDATED FINANCIAL STATEMENTS

The Company is exempted from presenting consolidated financial statements as it is a subsidiary of Renasa Holdings Proprietary Limited 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 2013 (continued)

21. PRIOR PERIOD ERROR

The prior period error came about due to the reclassification of preference share capital to a liability, as these shares, being redeemable at the option of the preference shareholder are liabilities in nature. The effect of this error has been corrected retrospectively and the effects are shown as follows:

	R'000
30 JUNE 2011	
Increase in non-current liabilities	5000
Decrease in preference share capital	1
Decrease in share premium	4999
Decrease dividends declared	1692
Increase in finance cost	1692
30 JUNE 2012	
Increase in non-current liabilities	5000
Decrease in preference share capital	1
Decrease in share premium	4999
Decrease dividends declared	909
Increase in finance cost	909

22. COMPARATIVES

Where appropriate, comparatives were amended to provide enhanced disclosure - refer note 17 and note 19.

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www.taxiinsure.co.za

Registration Number: 2007/018318/07 • FSP License Number: 39312



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14 Parry Road, Claremont 7708

Tel 0800 633 4738 • Fax + 27 (0)21 701 2027

Mark Clark • Managing Director • E-mail: info@p-uma.co.za

Registration Number: 2011/107009/07 • FSP License Number 44387



GOLDFIELD INSURANCE ADMINISTRATION CC – specialist in the insurance of transit and carriers' liability

450 Elgin Ave, Beverley Gardens, Randburg • P O Box 619 Randburg 2125

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Matthew O'Donnell • Principal • E-mail: matthewo@goldfield.co.za

Goldfield Insurance Administration cc

Registration Number: 1992/012156/23 • FSP License Number: 2565

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RENASA INSURANCE COMPANY LIMITED, PERFORMANCE GUARANTEES DIVISION – specialist in performance, retention, advance payment and bid bonds or guarantees

2nd Floor, Gateway Auto City, Jubilee Grove, Umhlanga Rocks • P O Box 1423 Umhlanga Rocks 4320

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Patrick Harris • Manager • E-mail: guarantees@renasa.co.za • www.renasa.co.za

Registration Number: 1998/000916/06 • FSP License Number: 15491



RENASA INSURANCE COMPANY LIMITED, IVP DIVISION – specialist in agreed value motor policies

Renasa House, 170 Oxford Road, Melrose, Johannesburg • P.O. Box 412072 Craighall 2024, Johannesburg

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REGAL HCV specialist in heavy commercial vehicle insurance

323 Ontdekkers Road, Ontdekkers Park • P.O. Box 6869, Westgate, 1734 Johannesburg, South Africa.

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Registration Number: 2013/052198/07 • FSP License Number: 44721



PROFSAVE specialist in excess waiver for PI cover

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FSP License Number: 36515



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TECHNICAL PARTNERS



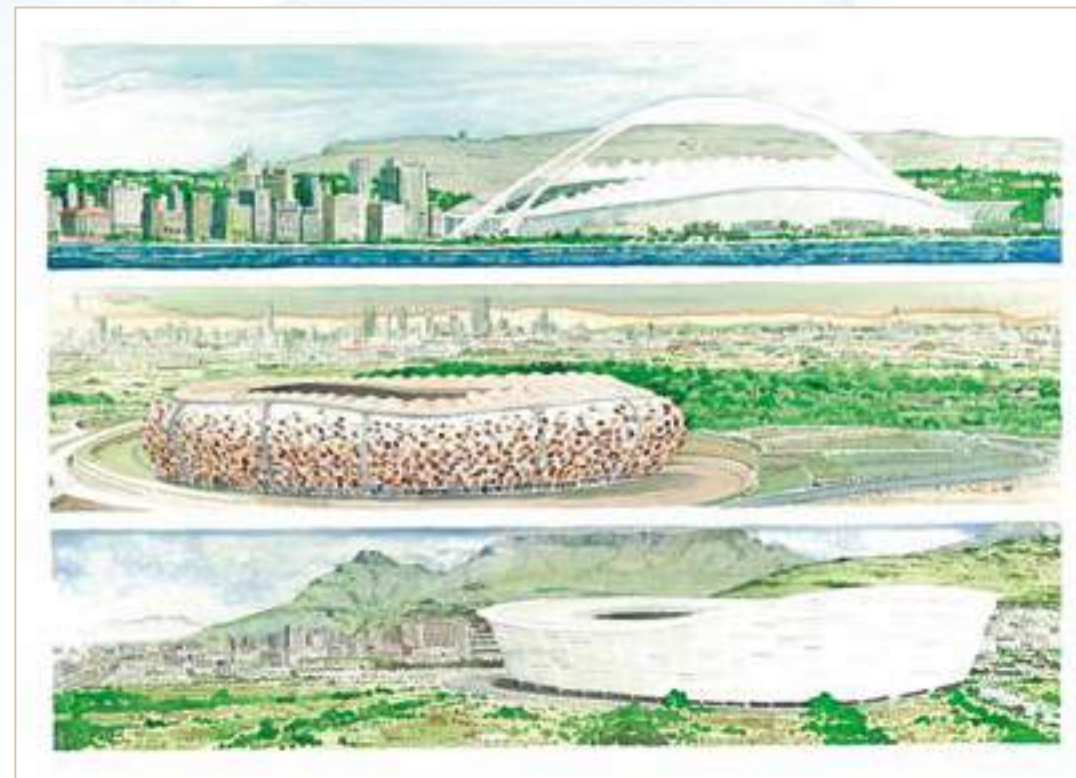
PRINCIPAL REINSURERS



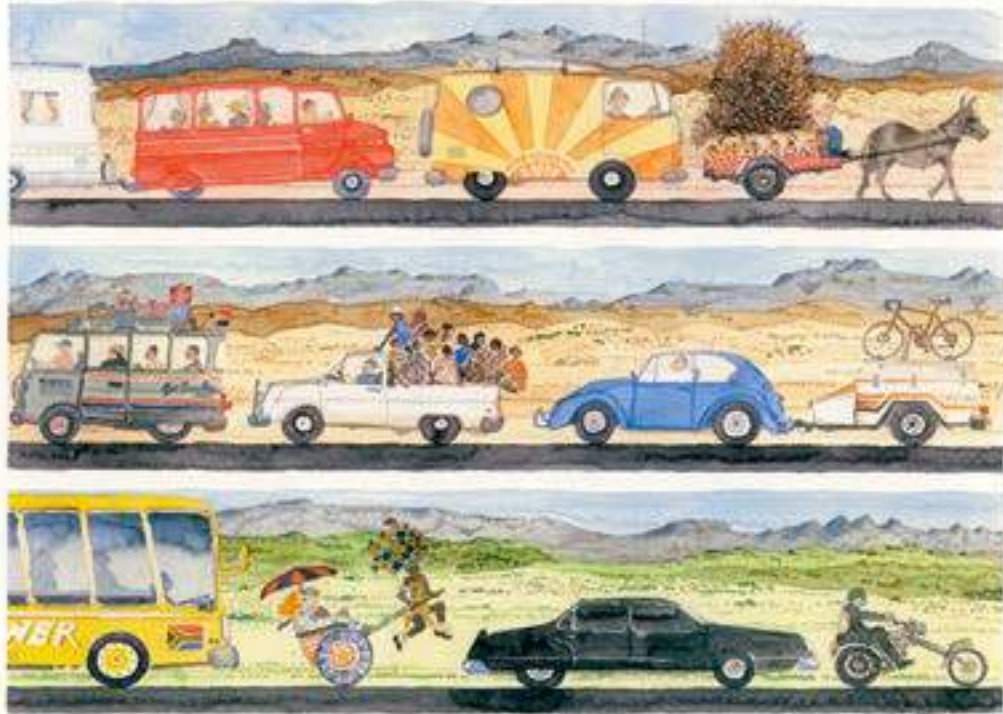
AUDITORS, RATING AGENCY AND LEGAL COUNSEL



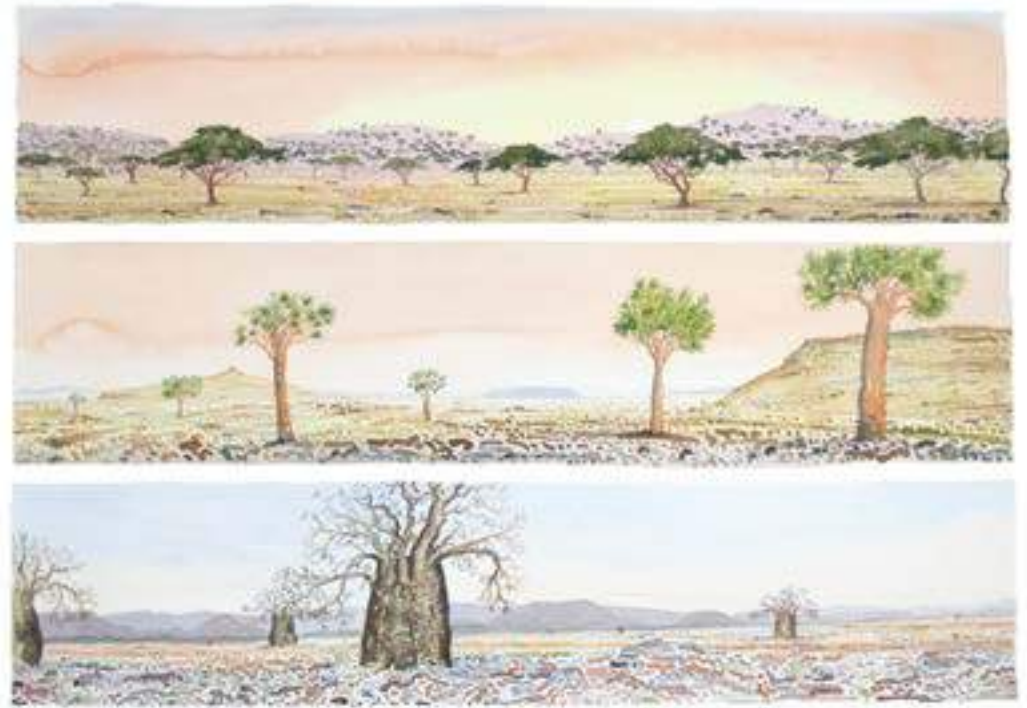
RENASA'S ART



Three stadiums
2010



South African transport
2011



Three South African trees
2012

