



# THE FEDERATED EMPLOYERS' MUTUAL ASSURANCE COMPANY LIMITED

(Reg. No. 1936/008971/06)

**DIRECTORS:** N F MAAS (Chairman), J R BARROW, A DAYA\*, M G ILSLEY, G D IRONS, A P H JAMMINE, C S JIYANE,  
G M Mc INTOSH\*, H NGAKANE, P L SIPHAYI, H WALKER

**MANAGING DIRECTOR:** T T PUGH\* **COMPANY SECRETARY:** E J WILLIS **\* EXECUTIVE DIRECTORS**

## REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2011

A condensed financial report is available on our website [www.fema.co.za](http://www.fema.co.za)

### 1. RESULTS

The unaudited net operating results of the Company for the six months ended 30 June 2011 are set out below and are compared with the unaudited results for the same period last year and the audited results for the year ended 31 December 2010. The results have been prepared using the same accounting policies applied in previous years.

	Six months to June		Year ended
	2011 R'000	2010 R'000	31-Dec-10 R'000
Net premium revenue	243 412	253 346	466 700
Net claims incurred	(104 621)	(127 927)	(219 514)
<b>Underwriting position</b>	<b>138 791</b>	<b>125 419</b>	<b>247 186</b>
Operating and other expenses	(36 260)	(29 796)	(58 706)
<b>Underwriting profit before rebates</b>	<b>102 531</b>	<b>95 623</b>	<b>188 480</b>
Rebates	(100 786)	(100 405)	(97 704)
<b>Underwriting profit / (loss) after rebates</b>	<b>1 745</b>	<b>(4 782)</b>	<b>90 776</b>
Net investment income	80 397	52 505	248 760
Investment income net of fees	30 817	44 346	66 332
Profit on realisation of investments	39 076	37 519	227 441
Net unrealised gains / (loss) on financial assets	10 504	(29 360)	(45 013)
Tax charge*	-	-	-
<b>Net profit</b>	<b>82 142</b>	<b>47 723</b>	<b>339 536</b>
Transfer from / (to) contingency reserve	(187)	4 153	4 525
<b>Surplus transferred to general reserve</b>	<b>81 955</b>	<b>51 876</b>	<b>344 061</b>

\* No tax is charged due to the Company's current income tax exemption status. After various meetings with National Treasury regarding SARS intention to withdraw the Company's income tax exemption status, the following brief paragraph appeared in Annexure C to the national budget review on page 189:

#### "Exemption for private employment compensation entities

Compensation for death or personal injury suffered under contract of employment is largely regulated by the 1993 Compensation for Occupational Injuries and Diseases Act (COIDA). Most employees are covered by the government-controlled Compensation Fund. In addition, contributions and payouts by two privately-owned entities (both of which predate the Compensation Fund) are equally covered by COIDA. The provision of the same income and VAT exemptions as the Compensation Fund is being considered, as these entities are offering the same benefits". Subsequent to this the Company's exemption status has been included in the explanatory memorandum in the draft taxation laws amendment Bill, 2011.

### 2. REVIEW OF RESULTS ACHIEVED

Net premium revenue decreased by 3.9% over the comparable period. Underwriting profit before rebates increased by 7.2% which is mainly as a result of a decrease in net claims incurred. Operating and other expenses increased by 21.7% and is mainly due to an increase in claims management expenses and accident prevention expenses. Net investment income increased by 53.1%. After providing for rebates, the Company recorded a net profit of R82,1 million compared to a profit of R47,7 million for the same period last year.

### 3. DIVIDENDS

In terms of clause 26.1 of the Company's Memorandum of Incorporation, Shareholders are not entitled to any dividends or distribution of the assets of the Company, either during the life of the Company or upon its liquidation.

13 September 2011

Registered Office:

Building No. 2, 1st Floor

101 Central Street

Houghton

2198

For and on behalf of the Board

N F MAAS  
Chairman

T T PUGH  
Managing Director

# Statement of financial position

for the six months ended 30 June 2011

	June 2011 R'000	June 2010 R'000	December 2010 R'000
<b>Assets</b>			
<b>Non-current assets</b>	<b>2 384 911</b>	1 607 467	2 365 884
Furniture, equipment and motor vehicles	4 385	3 520	3 801
Financial assets designated at fair value through income	2 380 526	1 603 947	2 362 083
<b>Reinsurance assets</b>	<b>10 225</b>	10 234	10 235
<b>Current assets</b>	<b>578 757</b>	885 219	147 834
Tax overpaid	6 300	6 300	6 300
Insurance assets	87 090	107 281	25 618
Other receivables	13 574	19 810	15 292
Short-term investments	408 074	522 565	64 065
Cash and cash equivalents	63 719	229 263	36 559
<b>TOTAL ASSETS</b>	<b>2 973 893</b>	2 502 920	2 523 953
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>	<b>1 497 210</b>	1 123 256	1 415 068
Ordinary share capital	10	10	10
Other reserves	37 468	37 654	37 281
Retained income	1 459 732	1 085 592	1 377 777
<b>Insurance liabilities</b>	<b>1 458 531</b>	1 362 033	1 086 741
Outstanding claims	196 153	174 675	176 533
Capitalised value of pensions	646 848	608 177	628 769
Provision for unearned premiums	310 735	294 649	77 398
Provision for rebates - non-current	210 107	203 129	109 385
Provision for rebates - current	94 374	80 863	94 374
Reinsurance liabilities	314	540	282
<b>Current liabilities</b>	<b>18 152</b>	17 631	22 144
Accounts payable	16 689	16 125	20 798
Leave pay accrual	1 463	1 506	1 346
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2 973 893</b>	2 502 920	2 523 953

# Statement of comprehensive income

for the six months ended 30 June 2011

	Six months to June		Year ended
	2011 R'000	2010 R'000	31 Dec 2010 R'000
Premium revenue	245 663	255 874	472 404
Premium revenue ceded to reinsurers	(2 251)	(2 528)	(5 704)
<b>Net premium revenue</b>	<b>243 412</b>	<b>253 346</b>	466 700
Investment income	33 589	47 277	80 383
Net realised gains on financial assets	39 076	37 519	227 441
Net unrealised gains / (losses) on financial assets	10 504	(29 360)	(45 013)
<b>Net income</b>	<b>326 581</b>	<b>308 782</b>	729 511
Net insurance benefits and claims	205 407	228 332	317 218
- claims	40 818	72 028	113 813
- pensions	64 824	58 939	116 114
- recovered from reinsurers	(1 021)	(3 040)	(10 413)
- rebates paid & provided	100 786	100 405	97 704
Administration expenses	26 087	22 553	45 914
BBBEE expenses	845	458	710
Asset management expenses	2 772	2 931	14 051
Accident prevention expenses and grants	9 328	6 785	12 082
<b>Expenses</b>	<b>244 439</b>	<b>261 059</b>	389 975
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>82 142</b>	<b>47 723</b>	339 536

## Statement of cash flows

	Six months ended 30 June 2011 R'000	Six months ended 30 June 2010 R'000	Year ended 31 December 201 R'000
<b><i>Cash flows from operating activities</i></b>			
Cash generated in operations	355 321	172 504	289 674
Income tax paid	-	-	-
<b>Net cash generated from operating activities</b>	<b>355 321</b>	<b>172 504</b>	<b>289 674</b>
<b><i>Cash flows from investing activities</i></b>			
Purchases: financial assets designated at fair value through income	(2 032 378)	(491 147)	(3 335 701)
Disposals: financial assets designated at fair value through income	1 705 598	504 963	3 040 873
Purchase of furniture, equipment & motor vehicles	(1 581)	(481)	(1 751)
Proceeds from sale of furniture, equipment & motor vehicles	200	13	53
<b>Net cash utilised in investing activities</b>	<b>(328 161)</b>	<b>13 348</b>	<b>(296 526)</b>
<b>Net increase / (decrease) in cash and cash equivalents for the period</b>	<b>27 160</b>	<b>185 852</b>	<b>(6 852)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>36 559</b>	<b>43 411</b>	<b>43 411</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>63 719</b>	<b>229 263</b>	<b>36 559</b>

## Statement of changes in equity

for the six months ended 30 June 2011 - R'000

	Share Capital	Retained Income	Statutory Contingency Reserve	Total
<b>Balance at 1 January 2010</b>	10	1 033 715	41 807	1 075 532
Total comprehensive income for the year	-	339 536	-	339 536
Transfer to contingency reserve	-	4 526	(4 526)	-
<b>Balance at 31 December 2010</b>	10	1 377 777	37 281	1 415 068
<b>Balance at 1 January 2011</b>	10	1 377 777	37 281	1 415 068
Total comprehensive income for the year	-	82 142	-	82 142
Transfer from contingency reserve	-	(187)	187	-
<b>Balance at 30 June 2011</b>	10	1 459 732	37 468	1 497 210