



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 2012

A condensed financial report is available on our website www.fema.co.za

1. RESULTS

The unaudited net operating results of the Company for the six months ended 30 June 2012 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 2011. The results have been prepared using the same accounting policies applied in previous years.

	Six months to June		Year ended
	2012	2011	31-Dec-11
	R'000	R'000	R'000
Net premium revenue	282 028	243 412	481 457
Net claims incurred	(168 253)	(104 621)	(305 075)
Underwriting position	113 775	138 791	176 382
Operating and other expenses	(36 912)	(39 032)	(81 239)
Underwriting profit before premium rebates	76 863	99 759	95 143
Premium rebates	(116 873)	(100 786)	(98 595)
Underwriting loss after premium rebates	(40 010)	(1 027)	(3 452)
Net investment income	227 193	83 169	218 007
Total comprehensive income for the period	187 183	82 142	214 555

2. REVIEW OF RESULTS ACHIEVED

Net premium revenue increased by 15.9% to R282.0 million for the six months ended 30 June 2012. Net claims incurred increased by R63.6 million or 60.8% as a result of abnormally high claims and, in particular, pensions costs incurred compared to prior periods. Operating and other expenses remain tightly controlled, decreasing by 5.4% over the comparable period. Overall, underwriting profits before merit rebates totaled R76.9 million representing a 23% decrease for the half year.

Investment income totaled R227.2 million for the six months, representing a 7.1% return on average financial assets held during the period.

After making a provision for premium rebates and taking account of investment income earned, the Company recorded a net profit of R187.2 million for the six months ended 30 June 2012 (2011: R82.1 million).

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.

18 September 2012
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 6 months ended 30 June 2012

	June 2012 R'000	June 2011 R'000	December 2011 R'000
ASSETS			
Furniture, equipment and motor vehicles	4 038	4 385	3 414
Financial assets at fair value through income	3 376 039	2 788 600	2 848 483
Insurance receivables	91 441	87 090	16 592
Other receivables	12 618	13 574	12 041
Taxation receivable	6 300	6 300	6 300
Reinsurance assets	9 368	10 225	11 081
Cash and cash equivalents	68 439	63 719	20 083
Total assets	3 568 243	2 973 893	2 917 994
EQUITY AND LIABILITIES			
Ordinary share capital	10	10	10
Statutory contingency reserve	-	37 468	38 719
Retained income	1 816 796	1 459 732	1 590 894
Total equity	1 816 806	1 497 210	1 629 623
Liabilities			
Insurance liabilities	1 729 810	1 458 531	1 263 572
Employee leave provision	1 689	1 463	1 633
Trade and other payables	19 938	16 689	23 166
Total liabilities	1 751 437	1 476 683	1 288 371
Total equity and liabilities	3 568 243	2 973 893	2 917 994

STATEMENT OF COMPREHENSIVE INCOME

for the 6 months ended 30 June 2012

	Six months to June		Year ended
	June 2012 R'000	June 2011 R'000	December 2011 R'000
Insurance premium revenue	284 923	245 663	486 727
Insurance premium ceded to reinsurers	(2 895)	(2 251)	(5 270)
Net insurance premium revenue	282 028	243 412	481 457
Investment income	227 193	83 169	218 007
Net income	509 221	326 581	699 464
Gross claims	59 064	64 824	120 354
Claims recovered from reinsurers	(729)	(1 021)	(5 782)
Net claims	58 335	63 803	114 572
Pensions	109 918	40 818	190 503
Premium rebates	116 873	100 786	98 595
Net insurance benefits and claims	285 126	205 407	403 670
Administration expenses	28 649	29 704	65 444
Accident prevention expenses and grants	8 263	9 328	15 795
Expenses	322 038	244 439	484 909
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	187 183	82 142	214 555

STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2012

	Share capital	Statutory contingency reserve	Retained income	TOTAL
	R'000	R'000	R'000	R'000
Balance at 1 January 2011	10	37 281	1 377 777	1 415 068
Total comprehensive income for the year	-	-	214 555	214 555
Transfer to contingency reserve	-	1 438	(1 438)	-
Balance at 31 December 2011	10	38 719	1 590 894	1 629 623
Balance at 1 January 2012	10	38 719	1 590 894	1 629 623
Total comprehensive income for the year	-	-	187 183	187 183
Transfer from contingency reserve	-	(38 719)	38 719	-
Balance at 30 June 2012	10	-	1 816 796	1 816 806

STATEMENT OF CASH FLOWS
for the six months ended 30 June 2012

	Six months to June		Year ended
	2012	2011	December 2011
	R'000	R'000	R'000
<i>Cash flows from operating activities</i>			
Profit for the period	187 183	82 142	214 555
Adjustments for:			
- depreciation	890	960	1 913
- profit on disposal of furniture, equipment & motor vehicles	(62)	(163)	(165)
- net gains on financial assets at fair value through income	(193 098)	(35 672)	(99 338)
- changes in the impairment of insurance receivables	(2 563)	(126)	4 100
- net changes in operating assets and liabilities	391 916	308 180	186 817
Net cash generated by operating activities	384 266	355 321	307 882
<i>Cash flows from investing activities</i>			
Purchases of financial assets at fair value through income	(1 824 374)	(2 032 378)	(3 872 727)
Proceeds on disposals of financial assets at fair value through income	1 489 916	1 705 598	3 549 730
Purchase of furniture, equipment & motor vehicles	(1 537)	(1 581)	(1 598)
Proceeds on disposal of furniture, equipment & motor vehicles	85	200	237
Net cash utilised in investing activities	(335 910)	(328 161)	(324 358)
Net increase (decrease) in cash and cash equivalents for the period	48 356	27 160	(16 476)
Cash and cash equivalents at beginning of the year	20 083	36 559	36 559
Cash and cash equivalents at year end	68 439	63 719	20 083