INTEGRATED REPORT 2014

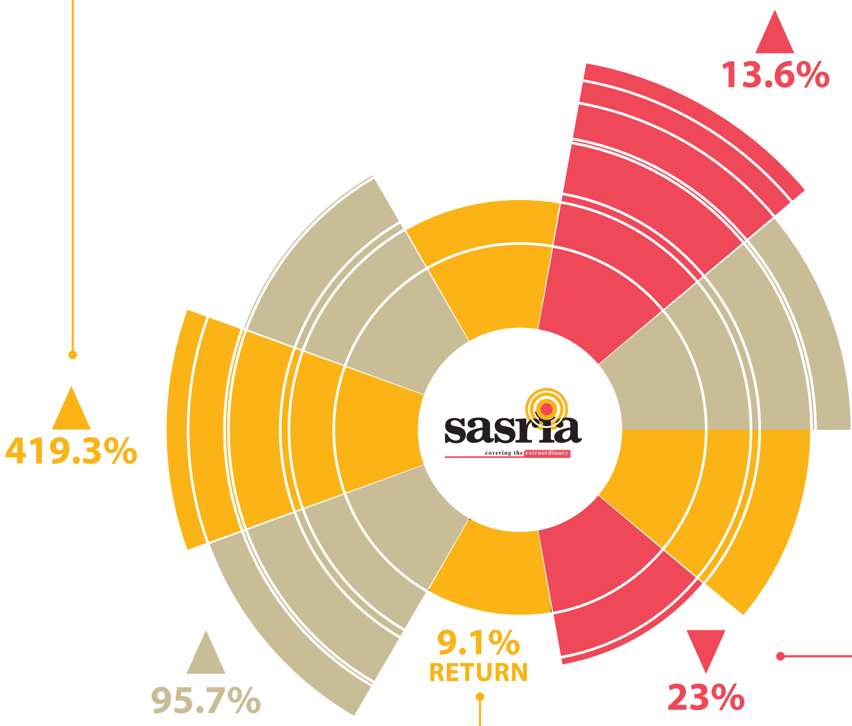
sasria

covering the extraordinary

SASRIA'S DEVELOPMENT OVER THE LAST 35 YEARS. THE RELEVANCY AND CONTINUED NEED FOR SASRIA'S PRODUCTS, THEN AND NOW.

CONTENTS

KEY FACTS



Underwriting results increased to
R514.4 million

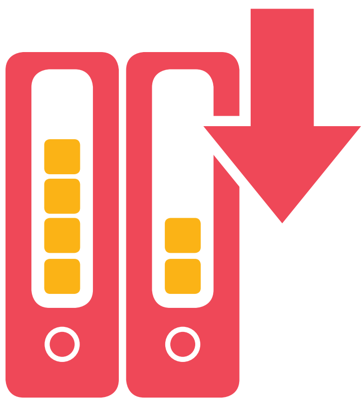
Gross written premium increased to
R1 390 billion

Management expense ratio decreased by
15.9%

Investment income of
R443.1 million

Net profit before tax increased to
R944 million

Claims frequency decreased by
32%



Claims severity decreased by
15%

HIGHLIGHTS

Corporate Social Investment allocated **R25.2 million**

Dividend paid **R107.2 million**

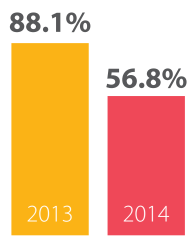
Solvency ratio **1 325**

53
Total staff

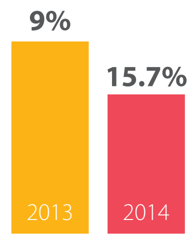
81%
Professional staff

64%
Female staff

83%
African, Indian and Coloured staff



Combined ratio decreased to **56.8%**



Return on equity increased to **15.7%**

R5.2 billion assets under management

OUR COMPANY INFORMATION

Company registration number	1979/000287/06
Authorised Financial Services Provider	FSP No. 39117
Company secretary	Mr M Mavuso +27 11 214 0864
Legal and compliance officer	Mrs N Mazibuko +27 11 214 0818
Bankers	Nedbank Limited 81 Main Street, Johannesburg, 2001
External auditor	PricewaterhouseCoopers Inc. 2 Eglin Road, Sunninghill, 2157

Administration

Registered office	36 Fricker Road, Illovo, 2196
Postal address	PO Box 653367, Benmore, 2010
Contact number	Telephone +27 11 214 0800 Fax +27 11 447 8630
Website	www.sasria.co.za
Email addresses	contactus@sasria.co.za claims@sasria.co.za

1976
Soweto riots.

1979
Sasria is formed as a section 21 company and Government as reinsurer of last resort. Started with a R50 m loss limit.

1984
Loss limit increased to R100 m. Riots in Vaal Triangle, beginning of township rebellion.

OUR TERMINOLOGY

TERM	DESCRIPTION
Acquisition cost	Costs primarily related to the acquisition of new or renewal of insurance contracts. Acquisition costs are often expressed as a percentage of the earned premium and referred to as the acquisition cost ratio.
Binder	An authority issued by an insurer to another party to enter into, vary or renew a short-term policy on behalf of that insurer; to determine the wording of a short-term policy; to determine premiums under a short-term policy; to determine the value of policy benefits under a short-term policy; or to settle claims under a short-term policy.
Bordereaux	The term 'bordereau' (plural – bordereaux) is used generally to designate detailed listings of risks insured or premiums and losses. Bordereaux are prepared by insurance brokers or insurers for submission to interested parties including other brokers, insurers and reinsurers.
Combined loss ratio	The combined ratio is a measure of performance used by underwriters/insurance companies. A combined ratio of less than 100% indicates underwriting profitability, while anything over 100% indicates an underwriting loss. To calculate the combined ratio, the loss ratio (claims ratio) is added to the expense ratio.
Claim	A demand on the insurer for indemnification for a loss incurred from an insured peril.
Claims incurred	Claims cost for an accounting period made up of: • Claims paid for the period, including claims handling expenses. • Less outstanding claims at the end of the preceding accounting period, including IBNR. • Plus outstanding claims at the end of the current accounting period, including IBNR.
Claims incurred but not reported (IBNR)	Claims resulting from events that have taken place, for which the insurer has not received notices or reports of loss. An estimate is made of the amount of these claims based on previous experience.
Claims ratio	The ratio expressing the relationship between claims and premiums. The net claims ratio expresses claims net of recoveries from reinsurers as a percentage of premiums net of premiums ceded to reinsurance. The gross claims ratio reflects the position before reinsurance is taken into account – also referred to as the loss ratio.
Deferred acquisition costs (DAC)	Acquisition costs relating to unearned premiums, disclosed as a separate asset on an insurer's balance sheet.
Earned premium	The proportions of premium attributable to the periods of risk that relate to the current accounting period. It represents written premium adjusted by the unearned premium provision at the beginning and end of the accounting period.
Expense ratio	The percentage of premium used to pay all the costs of acquiring, writing, and servicing insurance and reinsurance.
FSB	The Financial Services Board – the regulator of insurance companies in South Africa.

1985
First State of Emergency is imposed.

1986
Second State of Emergency is imposed.

1989
Loss limit increased to R200 m.

OUR TERMINOLOGY

Continued ...

TERM	DESCRIPTION
Gross written premium (GWP)	Premiums that an insurer is contractually entitled to receive from the insured party in relation to contracts of insurance or from other insurers in relation to inwards reinsurance contracts. These are premiums on contracts entered into during the accounting period or adjustment to premiums from prior years. Also defined as premiums written and received but before deduction of reinsurance ceded.
Intermediary	A person who negotiates contracts of insurance or reinsurance with the insurer or reinsurer on behalf of the insured or reinsured.
Net written premium	Gross premiums written or received on all business less return premiums and premiums ceded to reinsurers.
Reinsurance premium	The premium paid by the ceding company to the reinsurer in consideration for the liability assumed by the reinsurer.
Salvage	The amount received by an insurer from the sale of (usually damaged) property on which the insurer has paid a total loss to the insured.
Short-term insurance	Defined in the Short-Term Insurance Act 53 of 1998 as providing benefits under short-term policies, which means engineering policies, guarantee policies, liability policies, miscellaneous policies, motor policies, accident and health policies, property policies or transportation policies or a contract comprising a combination of any of those policies.
Solvency Assessment and Management (SAM)	The project launched by the FSB to develop a new solvency regime for the South African long-term and short-term insurance industries to be in line with international standards and specifically the Solvency II initiative under way in Europe.
Solvency margin	A measurement of the financial strength of a short-term insurer. It represents the shareholders' funds, expressed as a percentage of net written premium income. This method of measurement is generally accepted internationally.
Underwriting	The process of examining, accepting, or rejecting insurance risks, and classifying or segmenting those selected, in order to change the proper premium for each.
Underwriting cycle	The regular pattern of rising profits and increasing premiums and reduced profits/losses, and decreased premiums experienced in short-term insurance. The cycle starts when insurers underwriting standards become more stringent and premiums increase. This happens once underwriting losses reach unacceptable levels.
Underwriting result	The underwriting profit or loss calculated by deducting claims incurred, net of commission and management expenses from premiums earned.
Unearned premium provision	The portion of premiums attributable to the periods of risk that relate to subsequent accounting periods which are carried forward to such subsequent accounting periods.

1990
Nelson Mandela is released after 27 years in prison.

1992
Loss limit increased to R250 m.

1994
First democratic elections.

MESSAGE FROM THE MINISTER OF FINANCE

Created in 1979 following social and economic upheaval in South Africa, Sasria has throughout its history filled an important gap in the insurance market arising from the reluctance of the short-term insurance industry to provide cover for politically-motivated acts of destruction.

Nhlanhla Nene
Minister of Finance

Sasria has evolved from a Section 21 company to one of South Africa's top state-owned companies, which continues to provide assurance on a mandate extended in 1998 to include non-political perils such as strikes and labour disturbances. On this note, I have the pleasure of congratulating Sasria on its 35th anniversary.

As a self-funding body, Sasria has continued to deliver promising results over this past financial year. Sasria outperformed the industry average for growth in gross written premium and achieved excellent investment income growth with a positive return on investment of 9.1% against an average CPI figure of 6%.

The change in Sasria's mandate in 1998 was an important one as it reflected the changes in South Africa's political, social and economic landscape and prepared the way for the role that Sasria currently plays both as a key component of both the short-term insurance industry and Government's strategy to expand and accelerate economic growth and development in South Africa. Sasria is an important cog in the South African economy by way of its impact in the insurance industry and in the fulfilment of its mandate to protect South Africa's assets against special risks. Furthermore, through its dividend to its shareholder, Sasria generates additional funds for the National Treasury.

As a state-owned company, it is imperative that Sasria adheres to the highest standards of corporate governance, transparency and integrity, as well as accountability. In this regard, I am pleased to note that Sasria leads by example and has successfully completed its 2009–2014 strategy. Sasria's strategic objectives over the next five years include creating sustainable revenue growth by outperforming the industry premium growth average, managing operational expenses and realising higher investment income, proactively managing regulatory compliance, developing a customer-oriented culture by developing new products and delivering superior service; and maintaining a high-performance culture by retaining and developing its people. I have taken note of and, am encouraged by, Sasria's response to delivering on the National Development Plan through significant investment in education and in South Africa's youth.

Finally, I wish to thank the executive management team and staff as well as the Sasria Board for their hard work and efforts towards ensuring that Sasria successfully delivers on its mandate for the benefit of all South Africans.

Nhlanhla Nene
Minister of Finance

1996
Sasria started paying tax for the first time.
Loss limit increased to R300 m.

1998
Sasria Act converts Sasria into a Limited company with the Government as the only shareholder. Sasria perils extended to include non-political elements.

2001
Terrorist attack on USA.

OUR SCOPE, BOUNDARY AND ASSURANCE

The third Sasria SOC Limited (Sasria) integrated report reviews the financial year ended 31 March 2014. This report covers all social, economic and governance aspects that are material to the long-term sustainability of the company.

Sasria believes a matter is material for the purpose of the integrated report if it is of such relevance and importance that it could substantively influence stakeholder assessments of the organisation's ability to create value over the short, medium and long term; and whether the matter substantively affects, or has the potential to substantively affect, the organisation's strategy, its business model, or its use of capital.

As part of its annual strategy review, Sasria discusses issues that can have a material impact on its ability to create value over the short, medium and long term. These matters are then analysed and, where necessary, mitigation strategies are put in place at a departmental level.

The report covers the scope and operations of Sasria's business units regarding material issues. It does not cover Sasria's intermediary partners as they operate their business activities independently of Sasria.

Sasria has reviewed its environmental impact and is of the view that it is immaterial to report on it in this integrated report.

The report is informed by the following legislation and standards:

- Constitution of the Republic of South Africa
- Short-Term Insurance Act 53 of 1998
- Public Finance Management Act 1 of 1999 (PFMA)
- King III Report on Governance for South Africa (King III)
- Financial Sector Charter (FSC)
- Department of Trade and Industry's (DTI) Code of Good Practice for B-BBEE
- Companies Act 71 of 2008 as amended
- International Accounting Standards requirements
- Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC)

The following guiding principles were used to develop the content and prepare its presentation:

- Strategic focus and future orientation
- Connectivity of information
- Stakeholder responsiveness
- Materiality and conciseness
- Reliability
- Comparability and consistency.

All information was collected and prepared on the same basis as the previous report in terms of the measurement methods and the timeframes used. The information covers all material issues relating to business strategy, risks and areas of critical importance to our stakeholders. The structure of the report has changed to provide the users of the report with more relevant information in an enhanced format.

The financial information provided in the separately indexed annual financial statements has been prepared in line with International Financial Reporting Standards and has been audited by our external auditors, PricewaterhouseCoopers. Financial information included elsewhere in the body of this report has been extracted from the figures included in the annual financial statements.

2002
First rates increase.

2003
Sasria establishes the South African Actuarial Development Programme (SAADP).

2006
Loss limit increased to R500 m.

King III requires the Sasria Board to ensure the integrity of the integrated report. At Sasria, this responsibility is delegated to the board Audit Committee, which will recommend approval to the board. It was previously envisaged that it will take two to three years for the company to establish an appropriate and robust integrated reporting process, but we recognised that it was a very ambitious target and we now believe that is will be a three to five year journey. The board Audit Committee has decided not to obtain external assurance on the selected non-financial indicators provided in this report. Sasria previously indicated that it would obtain assurance on non-financial indicators in the current year; however, the board Audit Committee has expressed the view that while Sasria's Integrated Reporting journey is not mature enough to warrant assurance on non-financial indicators, it should be obtained for the financial year ending 31 March 2015.

Our journey is gaining momentum, with each year bringing new insights on how to improve our reporting to stakeholders. We have aimed to keep this report informative and accessible, and we welcome feedback on its design and content. Comments and questions can be directed to contactus@sasria.co.za.

To see our online integrated report and for more information about Sasria and the services we offer, please visit our website at www.sasria.co.za.

Forward-looking statements

In this report, we make certain statements that are not historical facts, but which relate to analyses and other information based on forecasts of future results not yet determinable, relating, among others, to gross premium growth levels, underwriting margins and investment returns. Forward-looking statements involve inherent risks and uncertainties and, if one or more of these risks materialise, or should the underlying assumptions prove incorrect, actual results may be very different from those anticipated. Forward-looking statements apply only as of the date on which they are made and Sasria does not undertake any obligation to update or revise any of them as it pertains to this report, whether as a result of new information, future events or otherwise.

2009

Second rate increased. Loss limit increased to R1.5 bn.
Product enhancements: motor and one insured.

2010

CSI contribution increased to 2% of after-tax profit.
South Africa hosts the FIFA Soccer World Cup.
Reaches R1 bn in GWP.

2011

Sasria launches a Customer Web Portal.
First increase in intermediary (broker) fee.

OUR VISION, MISSION AND VALUES

Our vision

To protect the assets of all South Africans against special risks.

Our mission

Our vision will be achieved via our mission of driving a sustainable and vibrant business by:

- Balancing shareholder value creation with having a positive social impact
- Providing excellent customer service
- Being clear and consistent in our communication to our stakeholders
- Developing the skills and capacity of our employees
- Improving our current strategic partnerships and establishing new ones
- Providing innovative and relevant products.

Our values

The values that underpin Sasria's pursuit of its stated vision and mission are as follows:

- **Professionalism**: We treat our stakeholders, customers, employees and shareholder, with respect and dedication, while remaining accountable to them.
- **Integrity**: We conduct ourselves in a manner that is fair, transparent and ethical, and which upholds high levels of equality and trust.
- **Teamwork**: In the performance of our tasks, we will be guided by the ideals of unity of purpose, cooperation and mutual respect.
- **Innovation**: We will create opportunities for creativity and learning, and encourage the same among our employees.
- **Customer centricity**: We strive at all times to meet and exceed our customers' expectations.

2012
Sasria introduces net profit to its product offering. Highest loss ratio of 52.6%.

2013
Product enhancement: Free cover for extensions on the personal lines' policies.

2014
Recognition award by FIA for exceptional support and service.

WHO WE ARE

Our history

Market failure in the short-term insurance market prompted the South African government to approach the South African Insurance Association regarding the establishment of a separate institution to provide insurance cover for political risks. Sasria was formed in 1979, as a Section 21 company, the South African Special Risk Insurance Association (SASRIA), to provide insurance for politically motivated acts, political riots and terrorism. The cover that Sasria provided was extended in 1998 to include non-political perils such as strikes and labour disturbances.

Our mandate

Sasria is a short-term insurance company wholly owned by the state (Schedule 3B Public Entity) and is represented by the Minister of Finance. Sasria also reports to the Financial Services Board, the non-banking financial services industry regulator of South Africa. As a state-owned company, Sasria has a specific strategic mandate that is prescribed and further informed by the Reinsurance of Damages and Losses Act 56 of 1989, the Conversion of Sasria Act 134 of 1998 and continual engagement with National Treasury.

As per the mandate, Sasria's objectives are as follows:

1) To provide special perils cover for damage caused by those perils listed in the Reinsurance of Damage and Losses Act and any other perils deemed necessary or viable by the Sasria management and board of directors.
2) In addition, Sasria's purpose is to research and investigate coverage for any special peril considered to be of national interest.

The mandate allows Sasria to provide cover for the following special perils as defined in the Reinsurance of Material Damages and Losses Act:

- Any act directed to overthrow the Government (local, provincial, national or tribal authority) by means of fear, violence or terrorism
- Any act directed to bring about damage in order to achieve political, social or economic change, or in protest against any Government or for the purpose of inspiring fear in the public
- Any riot, strike or public disorder (including civil commotion, labour disturbances and lockouts)
- Any attempt to perform any act mentioned above
- Any act by a lawfully established authority in controlling or suppressing any occurrence referred to above.

Our products

The Sasria product is offered to corporate, commercial and individual clients. The following classes of business are covered by the product:

- **Material damage**: this product covers the widest range of items from buildings, electronic equipment, pleasure craft, aviation hulls to agricultural risks (to name a few).
- **Money**: this covers the loss of or damage to money; the Sasria product follows the limits of the standard, short-term insurance policy.
- **Motor**: Sasria has its own terms and conditions and the cover applies to motor cars, light delivery vehicles, commercial vehicles, motor fleet, motor traders, mobile plants, taxis, bus rapid transport and trailers.
- **Business interruption**: this Sasria product provides protection for loss of profits and working expenses following a Sasria event. The Sasria product is currently limited to working expenses/standing charges and net profit only.
- **Construction**: the Construction All Risk cover is designed for everyone's construction needs from civil contract risks, contractors' all risks to demolition all risks.
- **Goods in transit**: the product covers property against a Sasria event while it is in transit from one place to another. The cover for transit risks applies within South Africa only.

OUR BUSINESS MODEL

The company generates income from premiums, which is used to pay all claims and expenses. The company is also responsible for providing adequate capital for major man-made catastrophic losses.

Sasria cover is available through a network of authorised non-mandated intermediaries (NMI); Sasria does not do direct business with customers (Figure 1). The NMI handle the day-to-day administration of the business and collect premiums on Sasria's behalf, which means Sasria's customer base is closely linked to that of its distribution channel.

This business model has enabled Sasria to maintain low operational costs, which in turn make the cover available at affordable premiums. The organisation's success for the past 35 years can be attributed to its business model.

INPUTS

HUMAN CAPITAL – Employee skills.

FINANCIAL CAPITAL – Retained earnings.

INTELLECTUAL CAPITAL – Product design & IT infrastructure.

RELATIONSHIP CAPITAL – Distribution channel.

SOCIAL CAPITAL – CSI & community.

ENVIRONMENTAL CAPITAL – Sasria considered its environmental capital input and outputs and it is deemed too insignificant to add to the value chain.

EXTERNAL ENVIRONMENT

Regulatory environment

Economy

Unemployment

Service delivery/Social unrest

VALUE GENERATED

HUMAN CAPITAL – Transformation, skills, training and development.

FINANCIAL CAPITAL – Cover for catastrophic loss events. Protection of South Africa's assets. Dividend to shareholder. No financial burden on government.

INTELLECTUAL CAPITAL – New, affordable products

RELATIONSHIP CAPITAL – Quality service to end customer

SOCIAL CAPITAL – CSI & external training

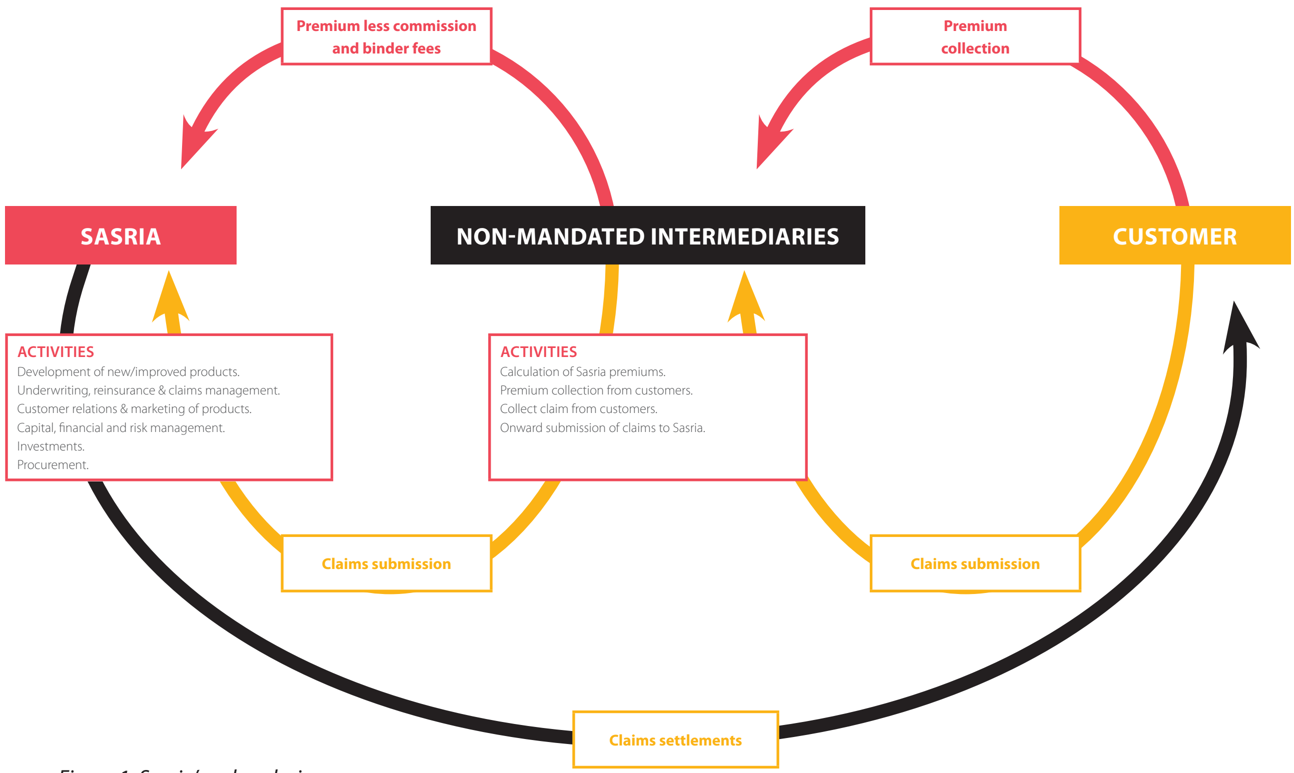


Figure 1: Sasria's value chain

OUR BUSINESS STRUCTURE

In the year under review, the company's number of operating divisions was increased from five to six (Figure 2). The new division (Office of the Managing Director) was created to provide the necessary focus on strategy development.

INSURANCE OPERATIONS	STAKEHOLDER MANAGEMENT	FINANCE	BUSINESS SUPPORT	CONTROL FUNCTIONS	OFFICE OF THE MANAGING DIRECTOR
Underwriting	Customer relations management	Finance	Legal and compliance	Internal audit	Company secretariat
Claims	Marketing and communication	Investment	Human capital	Risk management	Strategy development and projects
Reinsurance	Corporate social investment	Information technology		Actuarial services	
		Facilities		Quality assurance	

Figure 2: Sasria's functional structure

OUR STRATEGY REPORT FOR 2009–2014

Sasria's 2009–2014 strategy has focused on ensuring that Sasria is sustainable and that it delivers on its mandate. Sasria's strategic environment consists of two layers, as depicted in Figure 3. The first layer is the five-year strategic plan for 2009–2014, and the second layer is the annual strategic plan for the year ended 31 March 2014. Sasria measures itself against the targets set in both the five-year and the annual corporate plan.

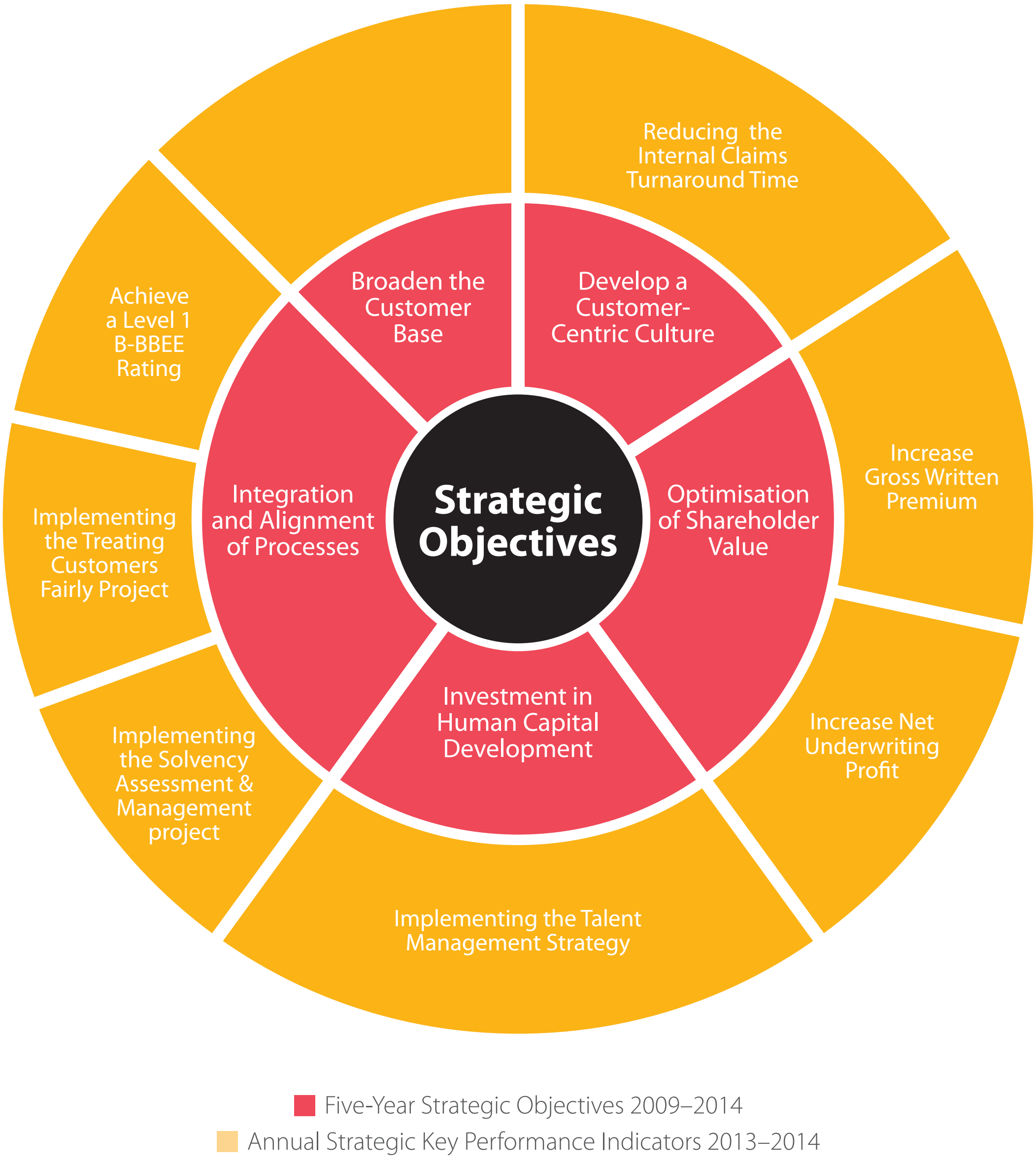


Figure 3: Sasria's 2009–2014 strategy layers

Sasria achieved the key strategic objectives set out in its five-year strategic plan, which ended 31 March 2014 (Table 1).

Table 1: Sasria's performance against its 5-year strategic plan for 2009–2014

STRATEGIC OBJECTIVE	PERFORMANCE REQUIRED BY THE FIVE-YEAR STRATEGIC PLAN	ACTUAL PERFORMANCE AGAINST THE FIVE-YEAR STRATEGIC PLAN
Optimisation of shareholder value: Increase of net income by increasing premium	Sasria was required to achieve GWP of R1.226 billion by 31 March 2014.	Sasria exceeded its target in each of the five years' actual performance. Refer to the five-year overview in the Performance Overview report for more detail.
Optimisation of shareholder value: Increase in investment income	Sasria was required to achieve investment income of R299.9 million by 31 March 2014.	Sasria exceeded its target in 2010, 2011, 2013 and 2014, but not in 2012. Refer to the five-year overview in the Performance Overview report for detail.
Optimisation of shareholder value: Managing expenses	Sasria was required to function on an operating budget of R53.3 million by 31 March 2013. No financial information was included for the year ended 31 March 2014. Sasria therefore monitored itself against its annual corporate plan for the year ended 31 March 2014.	Sasria did not succeed in keeping its expenses in line with the projections made at the start of the five-year strategic plan. Sasria did however manage to consistently decrease its operational expense ratio on an annual basis. Refer to the five-year overview in the Performance Overview report for more detail.
Establishment of a broader customer base: Enhancement of current products	**Motor policy:** Envisaged that vehicles be covered at retail value and also provide cover for uninsured third party vehicles damaged by insured vehicles.	Completed.
	Travel insurance: Research cover design, wording and rating schedule and roll out by 31 March 2010.	Research conducted deemed this type of cover as unfeasible.
	Event specific cover (FIFA World Cup specific): Research cover design, wording and rating schedule and roll out by 31 March 2010.	Research conducted deemed this type of cover as unfeasible.
	Redesign one insured regulation: Research cover design, wording and rating schedule and roll out by 31 March 2010.	Completed.
Establishment of a broader customer base: Enhancement of current products	**Loss limit (Sasria Wrap):** The loss limit was envisaged to be maintained at R800 million by March 2014.	Sasria increased the loss limit to R1.5 billion.

STRATEGIC OBJECTIVE	PERFORMANCE REQUIRED BY THE FIVE-YEAR STRATEGIC PLAN	ACTUAL PERFORMANCE AGAINST THE FIVE-YEAR STRATEGIC PLAN
	Full BI cover: Sasria envisaged offering limited BI cover of up to R100 million by March 2012 and to increase limits based on risk profile increases. The strategy was changed in 2010–2011 to include full BI cover in the R500 million coupon.	Completed.
	Micro-insurance: Products will be reviewed as presented by insurers for suitability and possible participation.	Sasria currently offers the Mzansi product as part of its commitment to the FSC. However, Sasria is conducting research with the aim of expanding and enhancing this product.
	Disaster relief: Research feasibility and legislative requirements.	The board decided this product was not within Sasria's current mandate.
Establishment of a broader customer base: Maximisation of Sasria brand and product awareness.	**Marketing:** Explore a more comprehensive marketing approach to incorporate consumer education, corporate brand advertising and product marketing.	Sasria implemented a comprehensive marketing approach. It increased its training and awareness sessions to its distribution channel, various business fora and industry bodies, as well as to corporate and commercial customers. The Sasria brand has been successfully elevated within the industry through public relations management, brand awareness at regional level and relevant sponsorships.
	Customer relationship management (CRM): This was not part of the five-year strategic plan but a strategic decision was taken to focus on CRM as a strategy for growth.	The CRM framework was developed in the 2011–2012 financial year and was implemented.
	Corporate Social Investment (CSI): To invest 2% of after-tax profit in our communities.	During the five-year strategic plan term, Sasria re-aligned its CSI initiatives to government's National Development Plan. Sasria's key focus areas are: • education • humanitarian relief • skills development • enterprise development.
Integration and alignment of processes: Ensuring good corporate governance.	**Alignment to corporate governance principles including:** • King III (planned) • SAM (added) • FAIS (added) • TCF (added)	Alignment to King III Corporate Governance Principles, FAIS and TCF achieved. SAM implementation ongoing as detailed in the section pertaining to the performance against key performance indicators (Our Performance over the Past Year).

STRATEGIC OBJECTIVE	PERFORMANCE REQUIRED BY THE FIVE-YEAR STRATEGIC PLAN	ACTUAL PERFORMANCE AGAINST THE FIVE-YEAR STRATEGIC PLAN
Integration and alignment of processes: Knowledge management and operational efficiency.	As part of the 5-year strategy knowledge management and operational efficiency were identified as key initiatives.	Sasria has since implemented: 1. Ulwazi (intranet) 2. Customer Web Portal 3. Business Process Review outcomes implemented and processes improved.
Investment in human capital development: Sustainable employment brand.	To develop and implement effective human capital management solutions that support business objectives and create the desired corporate culture essential to attract, motivate and retain talented employees.	In order to develop our human capital the company: • implemented a talent management strategy • introduced a leadership development programme for senior and junior management • reviewed its workforce needs • introduced an employee wellness programme • aligned its performance management processes to its strategic plan • aligned its training and development programme to its workforce needs • reviewed all human capital policies and procedures.
Development of a customer centric culture: Provide superior customer service to internal and external stakeholders.	Provide superior customer service to internal and external stakeholders	This was added as an additional strategic objective in 2009–2010. To date, Sasria has embarked on the following projects: • Values projects to embed core values (completed). • Development of divisional charters to define responsibilities and accountability (completed). • Development and implementation of claims turnaround strategy (completed).

OUR PERFORMANCE OVER THE PAST YEAR

The results of our performance against our annual strategic plan targets for the year ended 31 March 2014 were satisfactory (Table 2).

Table 2: Sasria's performance against its targets for the year ending 31 March 2014

STRATEGIC OBJECTIVE	KEY PERFORMANCE INDICATOR (KPI)	ACTUAL PERFORMANCE	NOTES
Optimisation of shareholder value – Increase of net income: Increase in premium	Achieve GWP income of at least R1 226 230 320 (7% income growth) for the year ended 31 March 2014.	KPI achieved. Actual GWP: R1 390 337 734 (13.6% income growth) as at 31 March 2014.	Variance: R164 107 414 million, 13% above budget.
Optimisation of shareholder value – Increase of net income: Increase in investment income	Achieve net underwriting profit of R260 632 890 for the year ended 31 March 2014.	KPI achieved. Net underwriting profit of R539 708 600[1] as of 31 March 2014.	Variance: R279 million (107.1%) ahead of budget.
Integration and alignment of processes: Ensuring good corporate governance	SAM Pillar I Project: Implementation of an internal Economic Capital Model (ECM) tool by 31 March 2014. Implementation of the Simplified Standard Formula (SSF) regulatory capital model by 31 March 2014.	KPI achieved. The ECM tool was implemented in April 2013. The SSF capital model was implemented in May 2013.	No variance. Both models will be continuously updated as the SAM project progresses.
Integration and alignment of processes: Ensuring good corporate governance	SAM Readiness (Pillar II) Project: Development of the project plan and tracking of the progress of the implementation against the project plan. To be completed by 31 March 2014.	KPI achieved. All deliverables were successfully completed by 31 March 2014.	No variance.
Customer centricity: Provide superior customer service to external stakeholders	Treating Customers Fairly Project: Development of the project plan and tracking of the progress of the implementation against the project plan. To be completed by 31 March 2014.	KPI achieved. All deliverables were successfully completed by 31 March 2014.	No variance. We are now entering Phase 2 of the project, which is to embed the culture throughout the organisation and the implementation will be monitored.

1 Calculated as follows: Gross written premium less reinsurance premiums, less change in technical provisions, less net claims and loss adjustment expenses, less managing and other expenses (excluding investment manager fees and corporate social investment), plus commission earned from reinsurers.

STRATEGIC OBJECTIVE	KEY PERFORMANCE INDICATOR (KPI)	ACTUAL PERFORMANCE	NOTES
Customer centricity: Provide superior customer service to external stakeholders	Reduced the internal claim turnaround time – 80% of all fast track claims[2] to be settled within 30 days of submission (by 31 March 2014).	KPI achieved. 81% of fast track claims were settled[3] within 30 days, as of 31 March 2014.	No variance.
Investment in human capital development: Develop a sustainable employment brand	Implementation of the talent management strategy by 31 March 2014.	KPI achieved. The talent management strategy was fully implemented by 31 March 2014.	No variance.
Integration and Alignment of Processes: Ensuring good corporate governance	Achieve a Level 1 B-BBEE rating by 31 March 2014.	KPI not achieved.	Level 2 B-BBEE rating achieved.

2 Fast track claims pertain to claims with an estimate below R250 000.
3 Turnaround time is calculated from the time a claim is recorded on the Insurance Management System to when a release is issued and repairs are authorised. Should liability be declined (letter sent to the insured), the date of letter will be utilised for the turnaround time calculation.

OUR NEW FIVE-YEAR STRATEGY FOR 2015–2019

Sasria has developed its new five-year strategic plan for 2015–2019, which was approved by the board and submitted to the shareholders for approval.

The strategic direction Sasria has chosen for the five-year period focuses on ensuring sustainability and relevance, which is reflected in the goals outlined below, which form the basis of our five-year strategy.

Against each of these goals, one or more strategic objectives were identified and described. The results of this process are outlined below:

Sustainable revenue growth

- To consistently outperform the industry average in premium growth.
- To improve our current strategic partnerships and establish new ones.

Capital management

- To ensure compliance with statutory capital requirements and the calculation of an economic risk basis for capital value.
- To target an ROE greater than the government bond yield.

Innovation (products and services)

- To become a centre of innovation in special risk insurance.
- To develop a clear and pragmatic Africa strategy.
- To establish new business distribution channels.

Infrastructure and cost management

- To optimally enable business while satisfying regulatory requirements.

People, capacity and capability

- To attract, retain and develop skills that support our aspirations.
- To maintain a high-performing culture.

Regulatory environment

- To proactively manage compliance.

Customer-centricity

- To provide relevant and appropriate products.
- To provide superior service.

Brand development

- To create a trusted brand that resonates with all our customers.

OUR CONTRIBUTION TO THE NATIONAL DEVELOPMENT PLAN

Sasria contributes (Table 3) to Government's National Development Plan (NDP) by ensuring guaranteed special risk insurance cover at reasonable cost, irrespective of the political risk in South Africa. Insurance is the backbone of every industrial economy and without the guarantee of asset protection for investors, the country will struggle to attract and retain the foreign investors that are a vital element of South Africa's economy and prosperity.

Table 3: Sasria's contribution to the NDP

GOVERNMENT NDP PRIORITY	SASRIA'S CONTRIBUTION
Create jobs **Provide quality healthcare** **Promote transformation and unity** **Fight corruption** **Transition to a low-carbon economy**	• By creating income (dividends) for the shareholder, the company contributes to Government's revenue for application to any NDP priority. • The company is self-funded; it requires no state guarantees and it has sufficient capital to cover its risks. • The company creates jobs for its staff and provides learnership programmes. • The company is well managed with a strong governance culture.
Expand infrastructure	• By providing guaranteed special risk insurance cover to the economy, infrastructure development is encouraged and protected.
Educate and train **Build a capable state** **Transform urban and rural spaces (CSI)**	• Sasria's talent management strategy includes training and up-skilling staff. • Sasria has invested and will continue to invest comprehensively in the education sector through school development projects and especially the financial services sector by supporting the SAADP.
Transform urban and rural spaces	• A R181 million investment (as of 31 March 2014) has already been made in a third party infrastructure development bond fund.

OUR PERFORMANCE INDICATORS FOR THE NEXT YEAR

The strategic direction Sasria has chosen for 2014–2015 revolves around business growth and product development. Sasria has set itself the key strategic objectives detailed in Table 4. The table also contains outlines the associated risks for the each strategic objective and the relevant response mitigation strategies.

Table 4: Key performance indicators (with associated risks and mitigation strategies) for the year ending 31 March 2015

STRATEGIC OBJECTIVE	KEY PERFORMANCE INDICATOR	STRATEGIC RISK	MITIGATION STRATEGIES
Sustainable revenue growth: To consistently outperform the industry average in premium growth	Achieve GWP income of at least R1 483 422 150 for the year ending 31 March 2015.	Incomplete and inaccurate revenue.	• Increased internal audit and regular training to agent companies. • Training to our non-mandated intermediary's external auditors. • External audit reports received from NMIs' registered auditors. • Premium analysis, management and monitoring.
		Inability to retain customers and attract new customers.	• Implementation of a customer retention strategy to retain existing clients, and product awareness campaign by the CRM team to corporate and commercial customers to attract new customers. • Continuously enhance our products and develop relevant products.
		Distribution channel's lack of Sasria product knowledge.	• Increased product training and technical visits to agent companies and brokers to improve product knowledge in the distribution channels.
Sustainable revenue growth: To target an ROE greater than the government bond yield	Achieve net underwriting profit[4] of R249 497 362 for the year ending 31 March 2015.	Increase in insurance risk as a result of prolonged strikes and service delivery protests.	• Develop a pricing model to accurately price our risk as a result of new claims trends.
		Increase in claims severity due to catastrophic events.	• Re-insurance programme is in place for catastrophic events.
		Failure to buy adequate reinsurance.	• A probable maximum loss study is conducted annually to ensure adequate reinsurance cover is taken out.
		Decrease in premium revenue.	• Premium analysis, management and monitoring.
		Failure to adequately reserve.	• Yearly and quarterly calculations of reserves based on approved methodology.

4 Calculated as follows: GWP less movement in unearned premium reserve, less reinsurance premiums, less claims and loss adjustment expenses, less expenses for the acquisition of insurance contracts, less managing and other expenses (excluding investment manager fees and corporate social investment), plus commission earned from reinsurers.

STRATEGIC OBJECTIVE	KEY PERFORMANCE INDICATOR	STRATEGIC RISK	MITIGATION STRATEGIES
Regulatory environment: To proactively manage compliance	Develop and implement SAM[5] Phase III project plan (100% completion of project plan by 31 March 2015).	Failure to comply with regulatory requirements (including SAM) and governance codes. Failure to attract and retain specialised staff in the company. Failure to adequately calculate all taxes due to SARS.	• SAM project plan and implementation plans are in place to ensure deliverables are on time. Quarterly monitoring of SAM project progress by Board-, Audit- and Risk Committees. • Implement a talent management programme aimed at attracting, retaining and developing people in line with our strategy. • In the process of submitting a VAT ruling application for exemption from BGR 14. • Advance VAT payments will also be made.
Customer centricity: To provide superior customer service	Reduce the internal claim turnaround (85% of all fast-track claims to be settled within 30 days of submission (by 31 March 2015) and 60% of large loss claims finalised within 60 days of submission (by 31 March 2015).	Non-compliance of claims staff with claims manual and procedure. Increase in insurance risk as result of prolonged strikes and service delivery protests.	• Regular claims audit performed by an independent person who reports directly to the Executive Committee. • Daily monitoring of claims-related events and monthly review of files to ensure abnormalities are detected and addressed, and adequate resources are made available.
People, capacity and capability: To attract, retain and develop skills that support our aspirations	Attract the skills required to execute Sasria's strategy. All new and vacant positions to be filled by 30 June 2014.	Failure to attract the relevant skills within new and vacant positions.	• Implement a talent management programme aimed at attracting, retaining and developing people in line with our strategy. • Actively develop skills internally with a view to enhancing internal recruitment.
People, capacity and capability: To attract, retain and develop skills that support our aspirations	Develop Sasria's skills base to reduce reliance on external consultants. Reduction in consulting fee spent by 20% by 31 March 2015 (baseline: actual consulting spent for the year ending 31 March 2014).	Failure to attract and retain specialised staff in the company. Lack of proper development within the company.	• Implement a talent management programme aimed at attracting, retaining and developing people in line with our strategy. • Ensure that staff development is on track and adhered to.
Brand development: To create a trusted brand that resonates with all our customers	Conduct customer and market segmentation analysis. Customer and market segmentation analysis report to be completed by 31 August 2014.	Insufficient funds available to conduct market research. Failure to attract relevant skill/service provider. Inappropriate methodology and objectives during the analysis.	• Tracking of project against budget. • Clear specification of service and objectives. • Detail review and analysis of prospective service providers in line with the procurement policy. • Discussion and understanding of methodology used by the service provider.

5 SAM is the Financial Services Board's risk-based solvency regime for South African insurers to align the insurance industry with international standards.

OUR RISK MANAGEMENT

Enterprise Risk Management (ERM) enables management to effectively deal with uncertainty and associated risk and opportunity, enhancing the capacity to build value.

The Sasria board recognises that effective risk management is crucial to our continued growth and success and this can only be achieved if all three elements of risk – namely threat, uncertainty and opportunity – are recognised and managed accordingly. Significant milestones have been achieved in this area in the past year as well as those changes that come with the development of the new risk-based solvency regime. Sasria aims to align strategy, processes, people and technology to evaluate and manage the uncertainties that we face.

During the year, our enterprise risk management policies and processes were updated to include new legislation and regulatory requirements (especially regarding SAM). These policies form part of Sasria's governance framework.

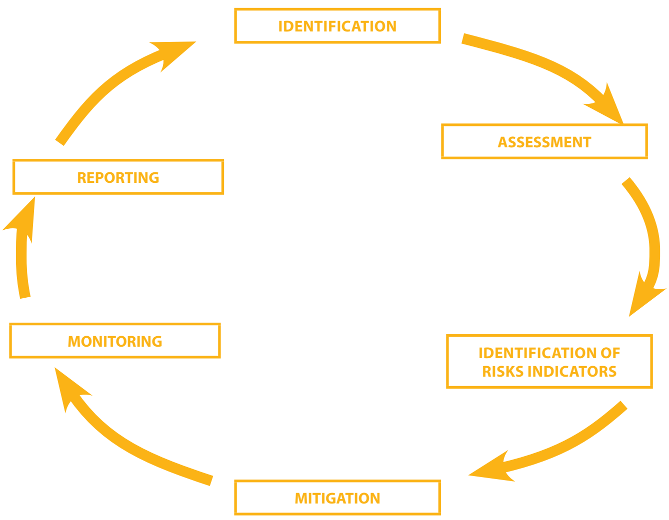
ERM process

Processes are implemented to ensure all aspects and categories of risks are covered, assessed and monitored to ensure that risks are managed within the risk appetite.

Risk identification, risk assessment and management are fundamental components of our business in planning our future and executing our strategy. Internal financial and other controls ensure a focus on critical risk areas and are closely monitored, as well as being subject to management oversight and internal audit reviews.

In ensuring that our risk universe is as complete as possible, the risk management value chain (Figure 4) is used across all divisions within Sasria.

- Risk workshops at least twice a year
- Sources of identification:
  - Strategic objectives;
  - Process flows; policies and procedures;
  - External audit, internal audit and regulatory reports; and
  - Industry and economical changes.



Risk assessment matrix:
- Likelihood: A scale of 1 to 5 is used, where 1 is unlikely, and 5 almost certain.
- Impact: A scale of 1 to 5 is used, where 1 is insignificant, and 5 significant.

* Refer to key risk indicator section.

- Controls for each of the risks are identified.
- Controls are assessed for adequacy and effectiveness.

The monitoring process tracks the current status of the risk profile, detects changes in the risk context and ensures that the controls are adequate in both design and operation.

Meetings held:
- Monthly – Divisional risk owner
- Quarterly – Executive Committee

- Risk Committee
- Board

Figure 4: Risk management value chain

Risk governance structure

The risk governance structure is illustrated in Figure 5:

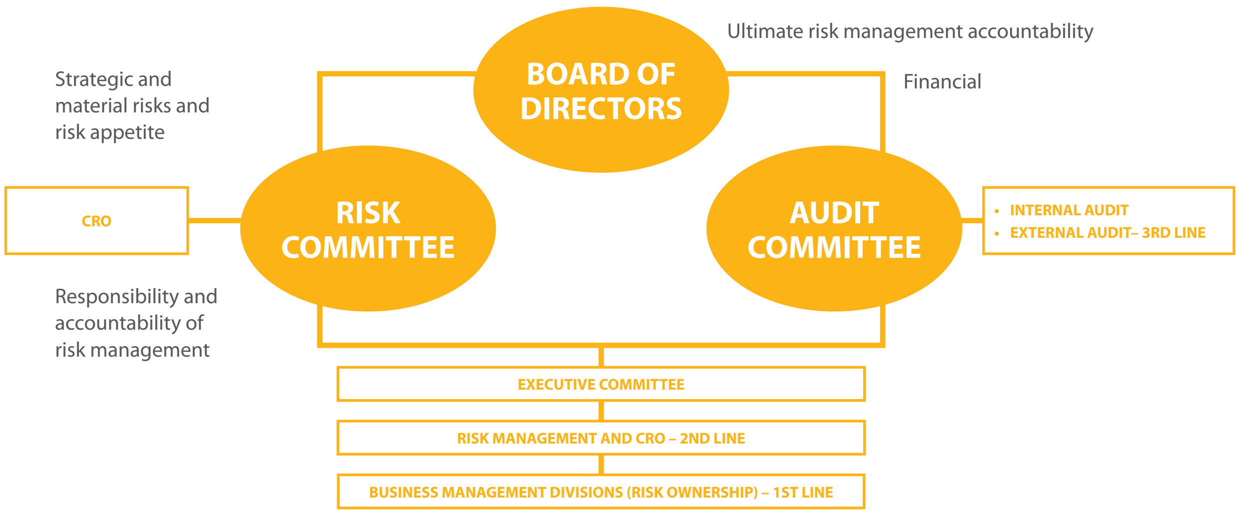


Figure 5: Risk governance structure

- The ultimate risk management accountability lies with the board of directors.
- Oversight of risk resides primarily with the Risk Committee and the Audit Committee. The Risk Committee assists the board to fulfil itsresponsibilities in managing risk and complying with the relevant requirements of the Short-Term Insurance Act. The Risk Committee determines and recommends the risk appetite to the board, and reviews and monitors the risk profile against the risk appetite. The Audit Committee assists the board with regard to financial information, selecting and applying accounting principles and policies and monitoring the internal control systems.
- Oversight of risk management at Sasria's divisional level takes place through the Executive Committee.
- Each business division's executives are responsible and accountable for risk management in their area and may delegate specific responsibilities to the divisional risk champions.
- Sasria's chief risk officer (CRO) is responsible and accountable for Sasria's enterprise risk management process. The CRO has direct access tothe chairperson of the Risk Committee in the absence of executive management to discuss matters relating to risk management.
- A dedicated risk management function has been established as a second line of defence to effectively facilitate risk management withinthe company, to improve the risk culture within the organisation and to monitor that risks are within the company's risk appetite.
- Alignment between risk management and other assurance providers, including internal and external audit, compliance and qualityassurance functions, is important to ensure that adequate assurance is provided over significant risks and any gaps identified and addressed.

Risk appetite

Sasria defines risk appetite as the following:

AMOUNT	Risk appetite is the amount of risk, broadly speaking, Sasria wants to take in pursuit of value.
WILLINGNESS	It is an expression of the willingness/capacity of Sasria to tolerate high/low levels of exposure to risk and volatility in order to achieve its strategic objectives.
RESPONSIBILITY	Risk appetite is set by the board of directors and should reflect the aspirations and expectations of various stakeholders through a mix of quantitative measures and qualitative statements.

Sasria defines risk appetite as the amount of risk it is willing to accept in pursuit of shareholder value and the attainment of strategic objectives. The risk appetite framework is embedded in key decision-making processes and supports the implementation of strategy. We use this to maximise returns without exposing the company to levels of risk above our appetite. The risk appetite framework assists in protecting our financial sustainability, improves management responsiveness and debate regarding the risk profile, assists executive management in improving the control and coordination of risk-taking across business divisions, and identifies available risk capacity in pursuit of profitable opportunities.

Sasria's risk appetite balances the expectations and interests of a variety of stakeholders. These include shareholders, policyholders and staff; as well as regulators, rating agencies and outsourcers.

The risk appetite measures are developed using a quantitative method. These measures are set by the board and Risk Committees.

The following are the key measures of risk appetite:

CAPITAL AT RISK

Sasria will hold sufficient financial resources to meet fair and equitable policyholder expectations and pay claims they fall due. Sasria will therefore ensure it operates within the boundaries of its capital resources. The minimum capital requirement will be the greater of the Economic Capital Risk and the Statutory Solvency Capital requirement.

EARNINGS AT RISK

Sasria defines Earnings at Risk (EAR) as the difference between actual EBITDA and the budgeted EBITDA for the previous financial period.

OPERATIONAL RISK

Sasria operates a high standard regarding the management, prevention and mitigation of losses caused by operational risk events. It has a low tolerance for operational risk but reconises that it represents a cost of doing business.

Sasria developed an economic capital model to calculate the Economic Capital at Risk. The model simulates attritional, large and catastrophe losses separately. The model is currently only used for internal reporting purposes for the risk appetite measure but will also be used for the Sasria's Own Risk and Solvency Assessment (ORSA) that will be performed during 2014–2015.

Sasria further uses a threshold and limit allocation methodology that details the allocation of surplus capital (net assets over and above the capital requirement) to incentivise appropriate risk taking to the following risk categories: insurance risk, market risk and credit risk.

Key risk indicators and triggers

We aim to manage our risk profile in a proactive way. To support this, key risk indicators (KRIs) and triggers have been established during the year. The KRIs were developed to act as early signals in the event that one of the scenarios or stress situations materialises. The indicators and triggers are monitored routinely and considered by the Risk Committee with any breaches in the limits communicated to the board.

Sasria's top risks

Table 5 provides an overview of the key risks and uncertainties facing Sasria in the various taxonomies at year-end.

Table 5: Key risks and uncertainties

RISK	INHERENT RISK RATING
INSURANCE/UNDERWRITING RISK	
Incomplete and inaccurate Sasria revenue due to outsourced business.	High
Increase in insurance risk as a result of prolonged strikes and service delivery protest.	High
MARKET AND CREDIT RISK	
Erosion of capital due to deterioration of Investment Markets.	Medium
Failure to recover claim payments from treaty reinsurers.	Medium
OPERATIONAL RISK	
Failure to comply with regulatory requirements and governance codes.	Medium
Adverse tax environment (VAT and income tax).	Medium
Inability to attract and retain specialised skills in the company.	Medium

The key areas of risk, uncertainty and material issues facing Sasria in executing strategic objectives and targets for 2014–2015 are included on page 18 of the report.

See page 18 for the Performance Indicators for the next year.

In addition, management monitors emerging risks on a quarterly basis. Sasria define emerging risks as newly developing or changing risks which are difficult to quantify and may have a major impact on Sasria.

Sasria identified the following two emerging risks:

1) Change in business model due to the change in the regulatory landscape. Sasria has a unique business model, as we do not sell Sasria's products directly to the end consumer.
2) The downgrade in South Africa's sovereign rating by rating agencies remains a concern.

South Africa is currently one notch above the high yield bond status, which puts pressure on the long-term bond yield and downward pressure on the currency as some foreign investors will be unable to hold our bonds under their mandates.
The change in the yield curve will have an impact on Sasria's short- and long-term bonds.
For the management and sensitivities of the insurance and financial risks, which include market risk, credit risk, liquidity risk and capital management or capital requirements, refer to the financial statement section, notes 3 and 4.

Outlook

- Focus will be placed on enabling strong and proactive risk management within Sasria and strengthening business control activities. We will further implement and embed our new integrated risk management system for risk management, internal audit and compliance to ensure that an integrated approach is followed within Sasria.
- Pillar II includes the ORSA, which is at the heart of SAM with an implementation date of 1 January 2016. Firms need to define how they create value for their various stakeholders, to embed their ERM framework into their governance and decision-making process and to demonstrate that the ERM framework is appropriate to the nature, scale and complexity of the risks within their business. Sasria will implement the ORSA during the 2014–2015 year.

ASSURANCE

Internal audit

The board has ensured that Sasria has an effective risk-based and independent internal audit function governed by an internal audit charter approved by the board that adheres to the Standards and Code of Ethics set out by the Institute of Internal Auditors.

The internal audit function reports functionally to the Audit Committee and provides reports at Audit Committee meetings. The internal audit function, among others, evaluates the company's governance processes and objectively assesses and reports on the effectiveness of risk management and the internal control environment.

The head of internal audit reports at each Audit Committee meeting and has a direct reporting line to the Chairperson of the Audit Committee. The internal audit function operates independently of Executive Management but has an administrative reporting line to the Chief Risk Officer.

The head of internal audit is responsible for co-coordinating internal audit efforts to ensure appropriate coverage, while maximising efficiency.

Internal audit conducts a robust risk-based planning process that incorporates various criteria to prioritise and classify the business units and functions in the company. Business units classified as high-risk are included in the audit universe. Depending on the risk classification, all other material business units are included in the audit universe on a two- or thre-year cycle.

Business functions, which include the governance and risk management functions, were prioritised and included in the audit universe, based on the following factors:

- The top residual risks of the company;
- Whether the function can result in a material misstatement of financial information; and
- The current skill set of the internal audit team.

Outsourced processes were included in the planning process and included in the audit universe, where appropriate.

The annual audit plan is reviewed regularly to ensure it remains relevant and responsive to changes in the operating environment. The Audit Committee approves the internal audit plan.

The internal audit systematically analysed and evaluated the significant risks and associated controls in the audit universe and, in terms of its agreed scope, it has not identified any material breakdown in internal control. Significant control weaknesses are reported, in terms of an escalation protocol, to all levels of management, including executive management.

The Audit Committee receives a report on significant findings and actions taken by management on a quarterly basis.

The internal audit also liaises with the external auditors and other assurance providers to enhance efficiencies in terms of combined assurance. The Internal audit, in conjunction with ERM, facilitated the implementation of a combined assurance and internal control framework for the company. The internal audit proactively reviews its practices and resources for adequacy and appropriateness, to meet the increasingly demanding corporate governance and regulatory environment, including the requirements of King III and the FSB's Solvency Assessment and Management project.

The internal audit team comprises well-qualified experienced employees to ensure that the function has the competence to match Sasria's diverse requirements. The company further enhanced the capacity of its internal audit function in 2012–2013 by engaging a co-sourced internal audit partner to assist with providing internal audit services to Sasria in areas it in which it does not possess the required skills to fulfil the requirements imposed on it, as well as to transfer the required skills to the internal audit team.

External audit

The external auditors, PricewaterhouseCoopers Inc., are engaged to provide stakeholders with an independent opinion on whether the annual financial statements fairly present, in all material respects, the company's financial position. To ensure no duplication of effort, regular liaison takes place with internal audit to understand the scope of its work and the results of its audits.

The external and internal auditors attend Audit Committee meetings and have unrestricted access to the Audit Committee and its chairperson at all times to ensure its independence is not impaired. Both the external and internal auditors have the opportunity of addressing the Audit Committee at each meeting without management being present.

OUR BOARD OF DIRECTORS

MA Samie (62)

Independent Non-executive Director: Chairperson

Qualifications:

Bachelor of Commerce (University of South Africa) 1986

AIRMSA (University of Cape Town) 2004

Management Development Programme

(University of Cape Town) 1991

Master of Business Administration

(University of Cape Town) 1992

Fellow of the Chartered Insurance Institute 1978

Fellow of the Insurance Institute of South Africa 1982

Other Directorships:

- Lion of Africa Insurance Company Limited
- South African Insurance Association
- Timesquare Investments (Pty) Ltd

CM Masondo (46)

Executive Director: Managing Director

Qualifications:

Bachelor of Commerce (Economics)

(University of Durban Westville) 1991

Fellow of the Insurance Institute of South Africa 1998

Other Directorships:

- Trustee: Aloecap Trust
- Chairperson: South African Actuaries Development Programme

CH Du Toit (63)

Non-executive Director

Qualifications:

Bachelor of Commerce (Economics)

(University of Pretoria) 1973

Bachelor of Commerce (Honours)(Economics)

(University of Pretoria) 1975

Other Directorships:

- Export Credit Insurance Corporation of South Africa

R Mothapo (32)

Independent Non-executive Director

Qualifications:

Bachelor of Economic Science (Actuarial Science

& Mathematical Statistics) (University of the

Witwatersrand) 2001

Bachelor of Science (Honours) (Actuarial Science and Advanced Mathematics of Finance) 2002

Fellow of the Faculty of Actuaries 2004

Fellow of the Actuarial Society of South Africa 2004

Other Directorships:

- Land Bank Insurance Company
- Matlotlo Group (Pty) Ltd

OUR BOARD OF DIRECTORS

Continued

BJ Mkangisa (55)

Independent Non-executive Director

Qualifications:

Diploma in General Nursing (Mount Coke Hospital) 1980

Diploma in Midwifery (Frere College of Nursing) 1982

Diploma in (Advanced) Health Education

(Leeds Polytechnic England) 1986

Master of Education for Primary Health Care

(Manchester University) 1989

Diploma in Human Resource Management
(University of South Africa) 1996

Other Directorships:

- Continental Tyres SA
- Kwik Fit
- Village Main Reef
- Vulisango Holdings

MO Ndlovu (62)

Independent Non-executive Director

Qualifications:

Bachelor of Arts Social Sciences (University of the North) 1977

Management Program (Lincoln University) 1992

Study of Leadership, Authority & Organisation
(Tavistock Institute of Human Relations) 1987

Other Directorships:

- Galvan CC
- Kagiso Solutions (Pty) Ltd
- Rite Future Careers CC
- Simmer and Jack Mines Ltd
- Vulisango Holdings
- Regatta Trade
- Zibula Exploration

K Pepler (35)

Executive Director: Finance Director

Qualifications:

Bachelor of Commerce (Accounting)
(University of Johannesburg) 2002
Bachelor of Accounting Sciences (Honours)
(University of South Africa) 2005
Chartered Accountant (SA)(SAICA) 2010

Other Directorships:

- Trustee: Aloecap Trust
- Director: South African Actuaries Development Programme

SH Schoeman (50)

Independent Non-executive Director

Qualifications:

Bachelor of Commerce (University of Pretoria) 1983
Higher Education Diploma (University of Pretoria) 1984
Master of Business Administration
(University of Pretoria) 1989

Other Directorships:

- Guardrisk Allied Products and Services (Pty) Ltd
- Guardrisk Holdings Limited
- Guardrisk Insurance Company Limited
- Guardrisk Life Limited
- Guardrisk Insurance Management Limited (Mauritius)
- Guardrisk International Limited (PCC) (Mauritius)
- South African Insurance Association

OUR BOARD OF DIRECTORS

Continued

T Mbatsha (41)

Independent Non-executive Director

Qualifications:

Bachelor of Commerce

(University of Fort Hare) 1995

Master of Business Leadership (University of South Africa) 2010

MT Moutlane (39)

Independent Non-executive Director

Qualifications:

Bachelor of Commerce (Information Systems)

(University of South Africa) 1996

Bachelor of Accounting Science (Honours)

(University of South Africa) 1999

Chartered Accountant (SA)(SAICA) 2003

OUR EXECUTIVE COMMITTEE

CM Masondo (46)

Executive Director: Managing Director

Qualifications:

Bachelor of Commerce (Economics)
(University of Durban Westville) 1991
Fellow of the Insurance Institute of South Africa 1998

K Pepler (35)

Executive Director: Finance Director

Qualifications:

Bachelor of Commerce (Accounting)
(University of Johannesburg) 2002
Bachelor of Accounting Sciences (Honours)
(University of South Africa) 2005
Chartered Accountant (SA)(SAICA) 2010

OUR EXECUTIVE COMMITTEE

Continued

KTW Fick (41)

Executive Manager: Insurance Operations

Qualifications:

Associate of the Insurance Institute of South Africa 2009

Higher Certificate in Insurance (HCiI) 2006

Management Development Programme (The Graduate Institute for Management and Technology) 2005

Intermediate Certificate in Business Studies (ICiBS) 2004

NG Mazibuko (41)

Executive Manager: Business Support

Qualifications:

B.Juris (Nelson Mandela Metropolitan University) 1997

LL.B (Nelson Mandela Metropolitan University) 1999

Senior Management Development Programme (University of Stellenbosch) 2008

TC Ntshiqa (37)

Executive Manager: Stakeholder Management

Qualifications:

B.Juris (University of South Africa) 1998

Management Development Programme (Gordon Institute of Business Science) 2006

Higher Certificate in Insurance

(University of South Africa) 2007

S Harrop-Allin (35)

Chief Risk Officer

Qualifications:

Bachelor of Commerce (Accounting) University of Pretoria) 2000

Bachelor of Commerce Honours (Accounting) (University of Johannesburg) 2002

Chartered Accountant (SA) SAICA 2005

OUR CHAIRPERSON'S REPORT

I am very proud to present Sasria's report to our stakeholders for the 2013–2014 financial year – our third integrated report.

Our recent performance is testament to how far Sasria has come

I am very proud to present Sasria's report to our stakeholders for the 2013–2014 financial year – our third integrated report. As we celebrate 35 years of doing business and protecting the assets of all South Africans against extraordinary risks, we believe this year's excellent results confirm the importance of our extended mandate in today's business environment.

We have achieved our results against a backdrop of slow growth and uncertain recovery in both Europe and America and lower than expected growth in China. Domestically, slower than anticipated growth over the past year, with GDP contracting by 0.6% in the first quarter of 2014, has proved an impediment to South Africa's National Development Plan and the hoped for significant reduction in unemployment. There is no doubt that the protracted platinum miners' strike has damaged South Africa's growth prospects in the short term but we remain optimistic as we look further forward. Inevitably, however, tough economic conditions and stagnant unemployment figures are reflected in social unrest, in both labour strikes and service delivery protests – something we have seen reflected in the changing nature and frequency of claims over past few years – to which we have responded.

South Africa's economy remains vulnerable

While economic conditions in South Africa's main trading partner countries appear to be improving, the consensus seems to be that recovery in the global economy will be lukewarm for the foreseeable future; so although South African exports are likely to benefit from the current rand weakness, it will not do enough to lift South Africa's GDP growth to levels that will make significant inroads in alleviating South Africa's socioeconomic issues and gross inequalities. Furthermore, the nascent recoveries, particularly in the Eurozone and the US, are far from set in stone and more time and data are needed to assess the sustainability of recent improvements. Even China's economy appears to have been growing more slowly than anticipated with Beijing looking to stimulus measures to edge GDP growth toward its 7.5% target.

Last year's concerns about forthcoming industrial unrest proved justified, the most damaging being the platinum miners' strike, which wrought havoc over five long months, largely responsible for the contraction of GDP growth by 0.6% in the first quarter of 2014.

MA SAMIE – CHAIRPERSON

The jury is still out on whether GDP growth will nudge back into positive territory next quarter but South Africa's 2014 GDP growth prospects have already been downgraded by the World Bank and a number of international rating agencies, citing tight monetary policy combined with labour strikes and deficient electricity supply.

It is inevitable in this environment that strikes, labour unrest and service delivery protests will be a dominant feature, particularly given South Africa's high unemployment figures, especially among the youth. Sasria's expanded mandate to include labour unrest and service delivery protests was designed to help manage events such these to help South Africa continue working and we are proud of our record of doing just that.

We are in a good position to weather sluggish growth prospects

The insurance sector as a whole, and the short-term sector in particular, are facing challenging times with a declining rand and a relatively weak economy, putting pressure on premiums and a low interest rate environment affecting investment earnings.

With companies in the sector working hard, Sasria included, to control costs to counterbalance inflated claims as a result of natural disasters and the effect of the declining rand, growth appears patchy and focused on niche players – a position with which Sasria is more than familiar. Our five-year strategy, which ended in March 2014, has seen us develop our position as South Africa's special risks insurer against special risk that conventional insurers are unable or unwilling to cover.

We have benefited, as have our clients and stakeholders, from an increased visibility in the market and education about our role, and this has allowed us to respond to client requirements with our innovative approach to product development. This year we saw strong premium growth (13.6%), reflecting our success and ongoing relevance in today's market.

Sasria has come of age

35 years ago, as a result of the Soweto uprisings in 1976, the South African Special Risk Insurance Association (Sasria), was born out of a need to provide insurance cover for damage stemming from political riots, politically motivated acts and terrorism – cover conventional insurers were reluctant to provide.

Sasria has come a long way, from its first appearance as a Section 21 company to the state-owned company that it is today. Sasria's product range and cover have also evolved over the years to include non-political riots, strikes, civil commotion and labour disturbance. Furthermore, Sasria's loss limit has increased from an initial R50 million to R1.5 billion, matched by ongoing innovation and enhancement of products. We are proud of our continued relevance and importance to South African business and society.

We are part of the wider South African community

We have worked hard to increase our visibility and brand in the market, and to help agents and brokers understand our business and products so that they can promote the value of Sasria products to the benefit of all our stakeholders. We have proved that we are in business for the long term. We rely on trusted long-term relationships with all our stakeholders and we constantly invest in new ways to bring efficiency and transparency to our business and to add value to the industry. We rely on skilled staff members and we are proud to be investing in their continued training and wellness.

It is their skill and dedication that help us maintain our lean business model, which in turn enables us to keep costs down for our end customers, whether individual, commercial or corporate.

We stand side by side with the industry in implementing more stringent governance measures to safeguard standards, increase accountability and ensure that customers are treated fairly. It is a lengthy journey but we are well along the road and we are confident that we are on track to meet all the deadlines.

We are also proud to have raised our corporate social investment budget from 2% to 4% of after tax profits and we have aligned our projects to government's National Development Plan with our key focus areas being education, skills development, humanitarian relief and economic empowerment.

We look forward to the future with confidence

I would like to congratulate Sasria on achieving all it set out to achieve in its five-year plan for 2009–2014. In some instances, the results exceeded expectations.

Looking forward, Sasria is aiming to consolidate its leadership position in special risk insurance while ensuring both relevance and sustainability over the longterm by focusing on eight key pillars: sustainable revenue growth; capital management; innovation in products and services; infrastructure and cost management; people, capacity and capability; regulatory environment; customer-centricity and brand development. We believe our strategic direction for the next five years will allow us to continue to fulfil our mandate and serve the South African people in the most efficient and productive way.

A word of thanks

Once again, I thank our stakeholders, NMIs and brokers, without whom we would not be able to reach as many end clients as we do. Together I hope we will continue to do business as successfully as we have done in the past, always seeking to improve the quality of our service and our product offering.

We express our grateful thanks for the last time to the Honourable Minister of Finance, Mr Pravin Gordhan, – we will miss his wise guidance and support. We look forward to forging a fresh relationship with the new minister, Mr Nhlanhla Nene, together with his team at National Treasury.

I thank all the members of the Sasria board who work assiduously to support our endeavours. I value your support and contribution to our deliberations. I also extend a warm welcome to Ms Tando Mbatsha and Ms Tshwarelo Moutlane who joined the board this year.

To the Executive Committee, under the guidance of managing director, Cedric Masondo, and the team at Sasria, I thank you all sincerely for your commitment and drive to excel. It is you who make it possible for us to deliver to our stakeholders.

MA Samie
Board Chairperson
6 August 2014

OUR GOVERNANCE REPORT

Corporate governance statement

The Sasria board (Table 6 on page 38) is committed to the principles of openness, transparency, integrity and accountability as advocated in the King III Code on Corporate Governance. This commitment to good governance is formalised in the company's charters, policies and procedures. The board is comfortable that efforts have been made to ensure adherence to King III and that where there is non-adherence, this is stated and explained.

The board further acknowledges its responsibility for the integrity of the integrated report and is of the view that the report fairly reflects Sasria's integrated performance and addresses all material matters.

Level of King III application

Sasria has once again made considerable strides in achieving full application of the King III principles. In our previous report we had aimed to achieve independent assurance of the sustainability report in 2014. We now envisage that independent assurance of the integrated report, which includes reports on all sustainability matters, will be reported on in our integrated report for the financial year 2015.

Governance structure

Board and committees

Sasria has a unitary board appointed by the shareholder. The directors possess extensive skills and business experience in the areas of insurance, actuarial, financial, human capital and strategic leadership. The board composition also takes into account matters of diversity and demographics. It has two executive directors and eight non-executive directors, seven of whom are classified as independent in terms of the Companies Act and King III. The board consists of eight non-executive directors and two executive directors and it has established five board committees as described below. These committees have assisted the board to deliver on its mandate and responsibilities by reviewing and providing recommendations to the board on various matters to the board in line with each committee's mandate. Board committee membership is based on the specific skills sets, experience and expertise required for a particular committee, which helps each committee to diligently discharge its responsibilities and provide sound advice. The board is responsible for the strategic direction and control of the company in line with its memorandum of incorporation, the board charter and governing legislation. The board is comfortable that for the period under review, it has discharged its roles and responsibilities as reflected in its charter and as required by law.

This governance structure allows the board to delegate some of its functions to the committees and management, which achieves a level of efficiency within the company, while retaining robust and regular interaction with the committees. Regular and detailed committee reports are tabled by committee chairpersons at board committees.

Executive Committee

The Executive Committee considers and recommends strategic matters and policies for board approval. The committee comprises two executive directors and four executive managers and is chaired by the managing director. The committee meets four times a year to review strategic and key operational company matters and makes recommendations on strategy and policy matters to the board committees and the board. The committee's key responsibilities include leadership to the executive managers, management and all employees; development of the annual business plan and budgets for board approval; and developing and implementing policies, procedures and internal controls. In addition, the committee held informal monthly sessions of the members in between the scheduled formal meetings. These sessions assist executive management in keeping abreast of progress and developments within the organisation.

Operations Committee

The Operations Committee considers and recommends operational matters for approval by the Executive Committee or onward recommendation to the board. The committee is chaired by one of the executive managers and comprises both senior managers and managers. The committee meets bi-monthly.

Table 6: Composition of the Sasria board for the 2014 financial year

BOARD MEMBERS	YEAR APPOINTED	EXECUTIVE	NON-EXECUTIVE	INDEPENDENT NON-EXECUTIVE	RACE WHITE (W) BLACK (B)	GENDER MALE (M) FEMALE (F)
MA Samie (Chairperson)	2002			*	B	M
CM Masondo (Managing Director)	2011	*			B	M
CH Du Toit	2009		*		W	M
R Mothapo	2011			*	B	M
BJ Mkangisa	2009			*	B	F
MO Ndlovu	2012			*	B	F
K Pepler (Finance Director)	2011	*			W	F
SH Schoeman	2011			*	W	M
MT Moutlane	2014			*	B	F
T Mbatsha	2014			*	B	F

Changes during 2014

Ms BJ Njenje changed her name to Ms BJ Mkangisa; Ms MT Moutlane and Ms T Mbatsha were appointed to the board from 3 March 2014.

Role and function of the board

The board is the accounting authority of the company and executes all the roles and functions of an accounting authority set out in the Public Finance Management Act, 1999 and in line with its charter. The board sets up sound corporate structures necessary for the achievement of the company's strategic objectives. It provides leadership by setting out the strategic direction of, and oversight over, the company, while ensuring sustainability of the company in the interests of its internal and external stakeholders. The board also oversees the company's systems of internal control, governance and risk management.

The board meets quarterly to review the strategic and operational performance of the company and to consider such topics as strategic issues, business plans, policies and the approval of major contracts and commitments. Executive directors are responsible for ensuring that the board's decisions, strategies and views are implemented.

Independence

There is a clear division of responsibility between the various roles within the company's governance structure. The executive element of the board is balanced by an independent group of non-executive directors who are all able to influence decision-making. There is also a clear separation between the roles of the non-executive chairperson of the board and the managing director. This level independence ensures a robust decision-making process by the board in the interest of all the company's stakeholders.

Board evaluation

Self-assessment appraisals for the board and its committees have been conducted. The appraisals covered the range of skills, experience and effectiveness of the directors. The results reflected that the board and its committees are performing at the level of good to very good. The majority of the areas of improvement highlighted in the previous year's report have been implemented and those that still require implementation include senior management succession planning and succession planning for the chairperson of the board. The Independent board performance assessment at 3-year intervals has commenced for the 2013–2014 financial year and the results are expected during the second quarter of 2014–2015.

Shareholder engagement

The executive directors hold planned quarterly sessions with representatives of the shareholder to consider among others, corporate plans, quarterly performance results, and updates on other governance and compliance matters. The annual results are formally presented at the annual general meeting.

Membership and attendance

During the year ended 31 March 2014, four board meetings were held and the attendance was as shown in Table 7. Executive management attends board meetings by invitation.

Table 7: Board attendance 2013–2014

DIRECTOR	17 APRIL 2013	6 AUG 2013	20 NOV 2013	19 MARCH 2014
MA Samie (Chairperson)	Present	Present	Present	Present
CM Masondo (Executive – Managing Director)	Present	Present	Present	Present
CH Du Toit	Present	Present	Apology	Present
MT Moutlane	N/A	N/A	N/A	Present
T Mbatsha	N/A	N/A	N/A	Present
R Mothapo	Present	Present	Present	Present
MO Ndlovu	Present	Present	Present	Present
BJ Mkangisa	Present	Present	Present	Present
K Pepler (Executive – Finance Director)	Present	Present	Present	Present
SH Schoeman	Apology	Present	Present	Present

Company secretary

The company's directors have access to the advice and guidance of the company secretary who guides the directors on how to execute their duties, responsibilities and powers in line with applicable legislative and regulatory framework and in the interests of the company and its stakeholders. The company secretary is also responsible for induction of new directors to ensure that they understand their fiduciary duties and other directors' responsibilities. The induction also includes a briefing on the company's governance structure, operations, policies and industry-related matters, in order to enable them to fulfil their duties and responsibilities.

Board committees

The board has established specialist committees to assist it in the discharge of its duties. In addition to the statutory Audit-, Social and Ethics committees, the board established the Remuneration and Nomination Committee (Remco), the Risk Committee and the Investment Committee. All these committees operate in terms of charters approved by the board, which set out their respective mandates. Details of these committees are dealt with below.

Remuneration and Nomination Committee

Remco ensures that executives and staff are fairly rewarded for their individual contributions to overall company performance in line with Sasria's remuneration policy although the board is ultimately responsible for the company's remuneration policy. The committee recommends suitable candidates for appointment to the Sasria board. The authority to appoint directors, however, remains that of the shareholder. Remco also monitors and strengthens the objectivity and credibility of Sasria's reporting process and human capital functions.

Remco is composed of three non-executive directors who report to the board. The managing director attends Remco meetings by invitation but does not participate in discussions regarding his/her remuneration and benefits.

The committee was chaired by MO Ndlovu. Other members of committee were BJ Mkangisa and MA Samie. The committee met four times during the year as outlined in Table 8.

Table 8: Remuneration and Nomination Committee meetings in 2013–2014

MEMBER	6 JUNE 2013	23 JULY 2013	19 NOV 2013	6 FEB 2014
MO Ndlovu	Present	Present	Present	Present
BJ Mkangisa	Present	Present	Apology	Present
MA Samie	Present	Present	Present	Present

Remco is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the period under review.

Audit Committee

This committee provides assurance to the board and shareholders on the integrity of financial reporting and the audit process, the soundness of the risk management and internal control system, and the appropriateness of the expertise and adequacy of resources of the company's finance function. The committee exercised oversight over the internal audit function and has in this regard complied with the requirements of section 77 of the PFMA. In pursuit of these objectives, the committee oversees relations with the external auditors, approves the terms of engagement of independent auditors, the scope of independent audit work, the annual audit and the applicable levels of materiality.

The committee also ensures effective communication between the internal auditors, external auditors and the board. The board has also delegated to this committee oversight of information technology. In this regard the committee has adopted information technology frameworks and procedures, and has made recommendations to the board on information technology policies.

The committee reports internally to the board and externally to the shareholder through the Audit Committee report, which forms part of the integrated report.

The Audit Committee considered and adopted the internal audit charter and coverage plan. The Internal Audit function provides the Audit Committee and management with assurance on the appropriateness and effectiveness of internal controls, including internal financial controls. The Internal Audit function has prepared and initiated a risk-based, three-year audit plan in consultation with the Audit Committee, which has been approved by the board.

The committee was chaired by SH Schoeman. R Mothapo and CH Du Toit were the other members of the Audit Committee.

Apart from the matters reflected in its charter, the board has assigned the Audit Committee no other responsibilities.

Meetings are held quarterly with the managing director, the finance director, the external auditors and the internal auditors. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has complied with its terms of reference for the year under review.

The committee held four meetings as outlined in Table 9.

Table 9: Audit Committee meetings 2013–2014

MEMBER	29 MAY 2013	6 AUG 2013	13 NOV 2013	5 MARCH 2014
SH Schoeman (Chairperson)	Present	Present	Present	Present
R Mothapo	Present	Present	Present	Present
CH Du Toit	Present	Present	Present	Present

Investment Committee

The Investment Committee evaluates and monitors the investment portfolio and the performance of investment managers to ensure that nominated portfolio managers perform adequately and continue to produce good returns for the company on the investments under their control.

The committee reviews and evaluates the returns achieved on the portfolios and approves future strategies. The committee further guides the board on the investment managers' mandates and makes recommendations regarding the company's investment philosophy.

The Investment Committee is comfortable that it has satisfied its responsibilities for the period under review.

The Investment Committee was chaired by R Mothapo. CH Du Toit and MA Samie were the other members of the committee.

The committee held four meetings as outlined in Table 10.

Table 10: Investment Committee meeting 2013–2014

MEMBER	16 APRIL 2013	22 JULY 2013	13 NOV 2013	11 MARCH 2014
R Mothapo (Chairperson)	Present	Present	Present	Present
CH Du Toit	Present	Present	Present	Present
MA Samie	Present	Apology	Present	Present

Risk Committee

The committee is responsible for assisting the board in the fulfilment of its responsibilities with regard to governance, internal control, risks and risk management. The committee also considers technical insurance matters, including the review of new products, review of the company's reinsurance strategy, review and recommendations on the company's capital adequacy. The board, however, has the ultimate responsibility for risk management, the main purpose of which is to provide independent and objective oversight of risk management within the company. It achieves this by reviewing and assessing the integrity of its risk control systems and by ensuring that risk policies and strategies are effectively managed and contribute to a climate of discipline and control that will reduce the opportunity for fraud.

The committee was chaired by SH Schoeman and comprises three non-executive directors who report to the board. During the period under review, the committee held four meetings as outlined in Table 11.

Table 11: Risk Committee meetings 2013–2014

MEMBER	29 MAY 2013	29 SEPT 2013	13 NOV 2013	5 MARCH 2014
SH Schoeman (Chairperson)	Present	Present	Present	Present
MA Samie	Present	Present	Present	Present
R Mothapo	Present	Apology	Present	Present

Social and Ethics Committee

This is one of the statutory committees established in line with the requirements of the Companies Act, 2008. It is responsible for oversight of and reporting to the board on matters relating to social and economic development, good corporate citizenship, environment, health and public safety including the impact of the company's activities and products or services, consumer relationships including the company's advertising, public relations and compliance with consumer protection laws, labour and employment matters. The committee reports, through one of its members, to the Sasria shareholder's annual general meeting on matters within its mandate.

The committee, chaired by BJ Mkangisa, with MO Ndlovu as the other member, held two meetings during the year as outlined in Table 12.

The committee also held a TCF Update Session on 3 October 2013. The board has enhanced the capacity of this committee by appointing CH Du Toit as a member with effect from March 2014.

Table 12: Social and Ethics Committee meetings 2013–2014

MEMBER	23 JULY 2013	11 NOVEMBER 2013
BJ Mkangisa (Chairperson)	Present	Present
MO Ndlovu	Present	Present

Compliance with laws

During the review period, the board and committees continued to monitor the implementation of the company's compliance policy and implementation of legal compliance processes. The board is comfortable that the company has achieved a satisfactory level of compliance throughout the year.

Promotion of access to information

Sasria has its Access to Information Manual on its website in four official languages (English, Sesotho, IsiZulu and Afrikaans). Despite this, during the period under review, the company received no requests for information in terms of the Promotion of Access to Information Act, 2000.

Disclosure in terms of Section 55(2)(b) of the PFMA

During the period under review, there were no:

- material losses suffered through criminal conduct or any irregular and/or fruitless and/or wasteful expenditure that occurred during the financial year
- criminal or disciplinary steps taken as a consequence of such losses or expenditure
- losses, either recovered or written off.

Furthermore, no financial assistance was received from the state, nor did the state make any commitments on Sasria's behalf.

New legislation

Constant changes in regulatory environment continue to have an impact on the company. The implementation of regulatory requirements affects resources, and result in increased operational and capital expenditure requirements.

Despite the above, Sasria is determined to ensure that, where possible, it derives benefits from the implementation of requirements as opposed to an approach of merely performing superficial exercises without business or governance value.

Remuneration for non-executive directors

Non-executive directors' fees are reviewed annually and industry benchmarked to ensure that the fees remain competitive. Remco reviews fees and makes recommendations to the board for consideration. The board then recommends these fees to the shareholder for approval at the Annual General Meeting.

Remco is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the period under review.

OUR MANAGING DIRECTOR'S REPORT

In this light, we are proud this year to have been awarded Financial Intermediaries Association Special Recognition Award for "Exceptional Support and Service".

In the 2013 financial year, Sasria experienced its highest claims rate ever with an increase in claims frequency of 91% and claims severity of 135%, primarily due to the increase in the number and financial impact of labour strikes, particularly in the mining and agricultural sectors. Although the trend in claim type remained similar this past year, we saw a significant decrease in the number of claims compared to last year – a drop of some 32% on last year's frequency and a decrease of 15% in severity, both of which contributed to an improved loss ratio.

We experienced a decrease in service delivery protests in the past year from 419 to 299 claims. We see it as part of an overall trend related to the inequality still prevalent in South African society rather than specifically related to the period of the run-up to the election in May this year. The average claim quantum increased by 24% over the previous year largely due to a weakness in the rand.

We have also intensified efforts to market our products to gain greater reach in targeted sectors – especially those that have seen strike action, including mining, agriculture, engineering and transportation.

We are still in the midst of a period of change in regulations and reporting requirements. This has affected our whole sector, increasing costs and the need for training as well as revealing the importance of retaining skilled staff.

Sasria's 2009–2014 strategic plan came to an end this year and while we can be proud of our performance against the targets we set ourselves, it is no time to rest on our laurels. We have a demanding road ahead to ensure we maintain and improve our standard of service, and the quality and range of our products in line with market demand and to build on the progress we have made against our core objectives: creating shareholder value, broadening our customer base and creating a customer-centric culture, ensuring good corporate governance, integrating and aligning business processes and developing human capital.

Shareholder value remains a key driver

Sasria's capital management philosophy of maximising return on shareholders' capital within an appropriate risk framework is driven by the need to be in a sufficiently solvent position to be able to fulfil its mandate while also striving to add shareholder value.

CM MASONDO – MANAGING DIRECTOR

Our underwriting results improved considerably, especially over last year's performance, following good premium growth (13.6%) and investment portfolio returns (9.1%) – well above the inflation rate – with net profit before tax coming in at R944 million compared to last year's figure of R482 million. Not only are we well placed to comply with the Financial Services Board's (FSB) SAM requirements, having set ourselves and met ambitious targets for this financial year but, we have opted to use a more appropriate calculation of capital than the regulatory minimum by developing our own more stringent economic capital model that we believe more appropriately measures the risk capital required for Sasria's unique business. We are pleased with our solvency margin (221%) under this economic capital model and furthermore we believe it reflects our sustainable approach to business that will allow us to fulfil our mandate into the future.

While the dividend to our shareholder was slightly down on last year at R107 million, Sasria's dividends have to be considered within the broader context of our capital management policy, which is to maintain a prudent approach to ensure that Sasria is at all times in a position to fulfil its business obligations within a self-funding model.

We have worked hard to ensure growth and innovation.

While we have not introduced any new products over the past year, we have worked hard to ensure that we achieve greater market penetration through existing product enhancements, and innovative sales and marketing strategies to increase our profile to help businesses, industries and individuals understand the pivotal role Sasria cover plays in an overall insurance portfolio. We are monitoring our success and ongoing relevance via our premium growth, especially in the Sasria Wrap and Net Profit products.

While the Mzansi product has shown a decline in recent years, we believe this is a direct result of the global and local economic conditions, which we expect to recover gradually. We are reaping the rewards of work done over the last five years: introducing the Customer Relationship Management (CRM) concept, and innovations such as our Net Profit and Sasria Wrap products, which are showing excellent progress even amidst sluggish economic growth.

Customer centricity is at the heart of our success

During the year under review, our target was to settle at least 80% of our fast-track claims within 30 days, which we achieved in the last quarter. In 2015, we will aim even higher – to reduce internal claims turnaround by increasing our target to 85% of all fast-track claims being settled within 30 days and to 60% of large loss claims being finalised within 60 days. During the year under review we also successfully initiated our Treating Customers Fairly journey to ensure we protect our customers' interests.

We have come a long way considering that developing a truly customer-centric culture was only added as an additional strategic objective in 2009–2010, with the aim of providing superior customer service to both internal and external stakeholders. To this end we have completed values projects to embed core values among staff, with new divisional charters to define responsibilities and accountability – both of which have contributed to our success in implementing our claims turnaround strategy to the extent that I am satisfied that we demonstrate our commitment to putting the customer first in the way we do business.

In this light, this year we are proud to have been awarded Financial Intermediaries Association Special Recognition Award for 'Exceptional Support and Service'. We are humbled and honoured to receive this award and we will strive to maintain our tradition of service above and beyond to all our brokers, intermediaries and end customers.

Operational efficiency and good governance are part of our culture.

We strengthened controls and increased capacity in our Internal Audit team by bringing in skills, while also expanding capacity in the Risk Management function. Our attitude towards the new regulations is to embrace and welcome them because they protect our customers. I am gratified by the culture of good governance and living the values among our staff.

Developing human capital ensures sustainability

The increasing complexity of the regulatory and compliance environment remains a challenge for the industry as a whole. Sasria's customer-centric approach requires well-trained and highly skilled staff as does our long-term strategic focus on proactively managing compliance. Sasria has taken a multi-pronged approach to human capital development. We have undertaken internal, comprehensive reviews to assess our skills gap, which will be addressed through further training, specialist recruitment and a talent management strategy, together with our employee wellness programme.

During the year under review, we successfully implemented our Talent Management Strategy to ensure we develop, retain and attract the necessary skills in the company to satisfy our requirements over the next three years. This strategy builds on a solid foundation built up by our leadership development programme for senior and junior management and the alignment of our performance management processes to our strategic plan, all of which is encapsulated in our reviewed and revised human capital policies.

We remain a good citizen

In our corporate social responsibility programme, I am pleased with our increased contribution of 4% of profit after tax, as it permits us to make a more meaningful contribution to our wider stakeholder environment by channelling support to projects focused on government's National Development Plan goals. Of particular importance are our Corporate Social Investment (CSI) projects targeting education and skills development – both being of critical importance to the overall development of South Africa as well as the sustainability of our industry, particularly given the increased demands related to corporate governance, reporting and transparency – a worldwide trend.

In order to retain our position at the forefront of our industry, not only domestically but also internationally, we must look to the future and seek to uplift those with talent and determination but who are disadvantaged by history, poverty and endemic inequality. Those we support will in turn become centres of excellence to act as role models for forthcoming generations of young people to help them aspire to be part of uplifting and growing South Africa into prosperity.

More broadly, we are assisting with skills development in the wider community, most notably through the South African Actuarial Development Programme, which remains our most significant CSI programme to develop the specialist skills required by the industry and South Africa as a whole. In addition, our bursary scheme continues to benefit disadvantaged learners, currently sitting at 28 bursaries, some of whom, happily, are from our CSI supported schools.

Sasria eagerly anticipates its next five years

It has been an exciting year for us, reflecting on how far we have come since 1979 and how well we have achieved the bold targets we set ourselves, as well as how we have maintained our relevance as our mandate has expanded over 35 years. We have both adapted and outperformed as a specialist risk insurer in today's increasingly complex and multifaceted environment. Our reflections and planning for our new five-year strategic plan have reinvigorated our thinking and our purpose. In anticipation, we have restructured the organisation by adding a new operating division, resulting in six divisions in total. Since our future success is heavily dependent on our ability to attract and retain the right skills, we have made Human Capital a standalone unit with the specific focus of developing talent in our company. Sustainability remains a core focus of the next five years in terms of revenue growth, strategic partnerships and capital management the latter targeting a higher return on investment than the government bond yield.

A primary outcome of this continued focus on skills, acquisition and retention is our intention to become a centre of innovation in special risk insurance, with growing distribution channels. The Sasria brand will remain synonymous with quality, innovation and integrity – brand values we are proud to promote.

In part, therefore, our new five-year strategy aims to consolidate our leadership position in special risk coverage and to more fully understand the evolving market for our products. We will also further develop our plans to roll out additional cover for small to medium-sized enterprises, particularly in township areas where businesses tend to bear the brunt of service delivery protests.

As ever, I thank all our clients, brokers, NMIs, suppliers, other stakeholders, and our colleagues at National Treasury, whose drive to excel is behind our continued success as a pivotal part of South Africa's economic landscape.

While there are signs of slow economic recovery globally, we believe there may be several false starts before we can confidently talk about longer term growth patterns. South Africa's growth path has certainly been set back by the destructive 5-month platinum miners' strike as we have seen from recent negative GDP first quarter growth figures. Although the strike has now been settled, it may take another quarter before we see consistent growth but in the meantime we are proud to be playing our part in ensuring that service delivery, protests and labour unrest, which comprise the majority of our claims, do not derail the economic growth that South Africa requires to continue to redress the imbalances of our past.

A word of thanks

As ever, I thank all our clients, brokers, NMIs, suppliers, other stakeholders, and our colleagues at National Treasury, whose drive to excel is behind our continued success as a pivotal part of South Africa's economic landscape.

Our mandate carries great responsibility and we are grateful that our partnerships afford us the scope to provide non-refusable and non-cancellable special risk cover to an ever larger segment of society. I would like to thank our Chairperson, Mr Adam Samie, for his support, guidance and leadership this past year. I am also deeply thankful to be supported by such a dedicated and expert board, who work indefatigably to guide Sasria through these challenging times.

Thank you also to the members of the Executive Management, who ensure on a daily basis that Sasria remains true to its mandate and an integral part of South Africa's insurance industry.

Last but not least, a particular thank goes to the Sasria staff who have worked so hard to keep us abreast of the myriad changes and challenges of the past year. Sasria's success is your success.

CM Masondo
Managing Director
6 August 2014

OUR FINANCE DIRECTOR'S REPORT

Basis of financial reporting

The financial statements for the year ended 31 March 2014 were prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations issued by the International Financial Reporting Interpretations Committee, effective as at 31 March 2014.

There were no significant changes to our accounting policies during the period and the financial statements therefore provide comprehensive information regarding the company's assets, liabilities, income and expenditure. In addition, detailed background has been provided on the recognition and measurement of insurance contracts and insurance and financial risks.

Financial overview

Sasria's net profit before tax for the year ended 31 March 2014 was R944 million (2013: R482.4 million). These outstanding results were mainly driven by a positive net underwriting result of R514.4 million and investment returns of R443.1 million. The positive underwriting performance was due to exceptional growth in GWP of 13.6% (2013: 12.5%), a reduced loss ratio of 18.3% (2013: 52.6%), and the results of its new reinsurance strategy, which resulted in a net saving of R115.9 million. Sasria's investment portfolio performed in line with the positive market movements experienced during the year under review and yielded a return of CPI + 3.1%.

Sasria's balance sheet remains strong, providing a solid base from which to achieve our strategic objectives. Cash generated from operations decreased to R557.5 million (2013: R1.05 billion). Sasria achieved a return on equity of 15.7% (2013: 9.0%). Tables 13 and 14 present a summary of key figures and ratios.

K PEPLER– FINANCE DIRECTOR

Table 13: Extracts from the statement of comprehensive income: comparison 2012–2014

STATEMENT OF COMPREHENSIVE INCOME	2014		2013		2012
	R'000	% CHANGE	R'000	% CHANGE	R'000
Gross insurance premium written	1 390 338	13,6%	1 223 530	12,5%	1 087 133
Insurance premiums ceded to reinsurers	(126 573)	(65,1%)	(362 476)	17,0%	(309 881)
Investment income	443 109	9,0%	406 616	35,9%	299 277
Net insurance claims	(306 382)	(39,6%)	(507 433)	145,3%	(206 854)
Share of profit / (loss) of associate	4 860	(125,9%)	(18 752)	172,9%	(6 872)
Profit before tax	944 039	95,7%	482 432	(29,0%)	679 812
Key ratios (percentage)					
Administration and marketing expense ratio	23,0	(15,9%)	27,3	(2,0%)	27,9
Operating ratio	55,5	(43,4%)	98,0	55,5%	63,0

Table 14: Extracts from the statement of financial position: comparison 2012–2014

STATEMENT OF FINANCIAL POSITION	2014		2013		2012
	R'000	% CHANGE	R'000	% CHANGE	R'000
Total assets	5 478 731	7,4%	5 101 366	14,5%	4 455 583
Total equity	4 646 716	14,2%	4 068 075	5,2%	3 867 350
Total liabilities	832 015	(19,5%)	1 033 291	66,7%	620 035

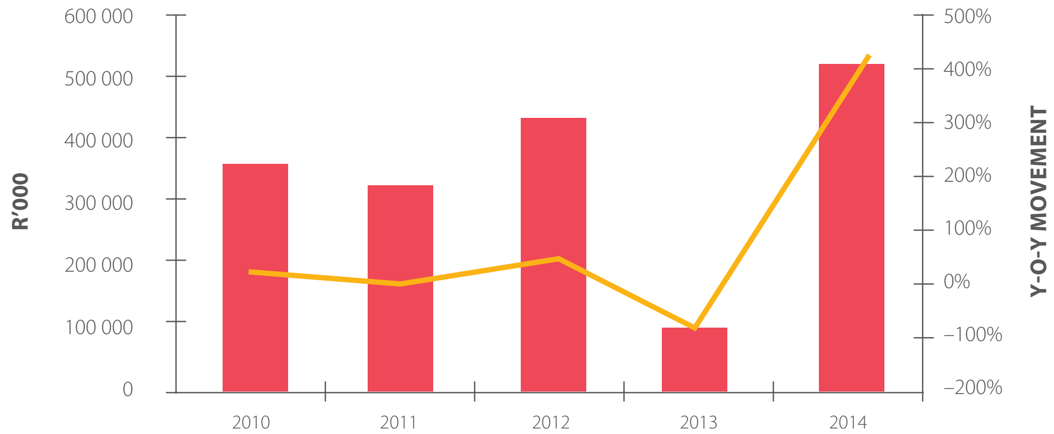
Economic environment

South African economic growth has been listless; on a year-on-year basis, GDP contracted by 0.6% as at the end of the first quarter of 2014. The main contributors to this decrease in economic activity were the mining and quarrying industry (–1.3 percentage points) and the manufacturing industry (–0.7 of a percentage point). The low interest rate environment continued, with a 0.5% increase in the repo rate during the year.

These tough economic conditions coupled with a marked weakening of the rand have provided a challenging economic environment.

Underwriting performance

The underwriting results have improved significantly compared to the same period last year, as depicted in Figure 6. The improved underwriting performance can be attributed to strong premium growth, lower claims incurred and a positive impact realised by the change in Sasria's reinsurance strategy. The underwriting performance for the past financial year is analysed below.



	2010	2011	2012	2013	2014
Underwriting results (R'000)	347 163	323 142	406 449	99 063	514 476
Y-O-Y movement	19,5%	–6,9%	25,8%	–75,6%	419,3%

Figure 6: Underwriting results (2010–2014)

Table 15 details Sasria's insurance activities expressed as a percentage of net earned premium. In 2014, 25.6% of net premiums earned were applied to claims, which is a decrease of 58.1% over 2013. This was due to a decrease in the frequency and severity of claims. The net cost of acquisition increased notably due to an increase of 1% in commission paid to brokers and the effect of the change in Sasria's reinsurance strategy. Administration and marketing expenses were maintained at an acceptable level. The insurance activities are unpacked in more detail below.

Table 15: Summary of insurance activities as a percentage of net premiums earned (2010–2014)

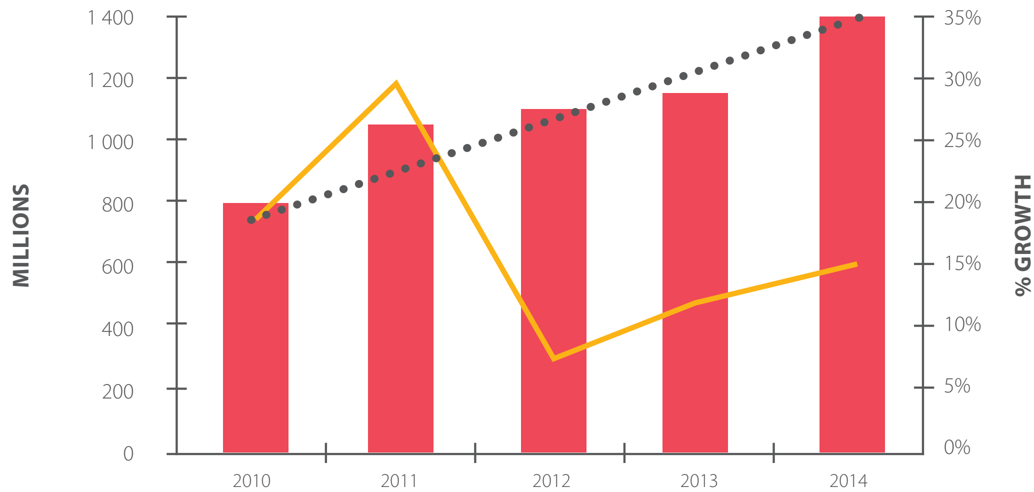
	2014 %	**2013 %**	**2012 %**	**2011 %**	**2010 %**	**2009 %**	**2008 %**	**2007 %**
Insurance activities								
Net claims paid and provided*	25,6	61,1	27,6	27,8	1,1	11,1	28,0	0,5
Cost of acquisition*	31,2	27,0	18,1	18,5	18,1	33,0	8,2	13,1
Net commission paid*	8,2	(0,3)	(9,8)	(14,1)	(23,5)	25,2	(2,5)	(2,2)
Management expenses*	23,0	27,3	27,9	32,6	41,6	7,8	10,7	15,3
Combined ratio*	56,8	88,1	45,7	46,3	19,2	44,1	36,2	13,6
Underwriting result*	43,2	11,9	54,3	53,7	80,8	55,9	63,8	86,4
Earned premium*	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0

* Activities expressed as a percentage of net earned premium

Gross written premium

Sasria successfully focused on growing its top line this year and is satisfied with the achieved premium growth of 13.6% (Figure 7). The growth in GWP can be attributed to the successful implementation of the customer relationship management team's plan for the year, various marketing initiatives and active sales of the Sasria Wrap product. In addition, the Sasria-related incidents reported in the media provided free marketing by highlighting the need for Sasria cover to the end customers.

Despite industry trends, Sasria enjoyed an annual average compound growth rate of 12.1% over the past five years compared to the industry annual compound growth rate of 8.7% for the same period.



	2010	2011	2012	2013	2014
Actual (R'000)	785 548	1 010 915	1 087 133	1 223 530	1 390 338
% Growth	18,8%	28,7%	7,5%	12,5%	13,6%

Figure 7: Percentage increase in GWP

Table 16 provides a summary of the company's insurance activities spread over various classes of business. There was good growth in all classes of business, with the exception of the Home Loan Guarantee and Money classes; the decline in both these classes can be attributed to the state of the economy. Sasria targeted and achieved significant growth in its Net Profit (477.6%) and Sasria Wrap (48.4%) products during the year under review.

Table 16: Summary of classes of Sasria insurance activities

CLASS OF BUSINESS	2014		2013		2012
	R'000	% CHANGE	R'000	% CHANGE	R'000
Contract works	57 140	22,5%	46 643	14,2%	40 827
Fire	1 088 337	14,6%	949 771	12,5%	844 219
Goods in transit	12 562	16,2%	10 813	6,8%	10 126
Home loan guarantee	2 662	(25,8%)	3 586	347,1%	802
Money	5 012	0,2%	5 004	50,5%	3 325
Motor	224 625	8,1%	207 713	10,6%	187 834
Total	**1 390 338**	**13,6%**	**1 223 530**	**12,5%**	**1 087 133**

Claims activity

The loss ratio as at 31 March 2014 was 18.3% (2013: 52.6%), as depicted in Figure 8. The loss ratio remained elevated for the fourth year in a row. The number of claims received for the year ended 31 March 2014 decreased by 32% compared with the same period last year (2013: 2 233 claims vs 2014: 1 525 claims) and the claims severity decreased by 15%. This is attributable to fewer wildcat strikes and fewer big claims compared to the same period last year.

Labour disturbances and strikes still account for a significant part of the company's claims reserve, although the claims severity as a result of service delivery protests increased last year and now contributes 30% of the total claims figures, indicating that service delivery protests are becoming more violent and are also moving away from townships to metropolitan areas.

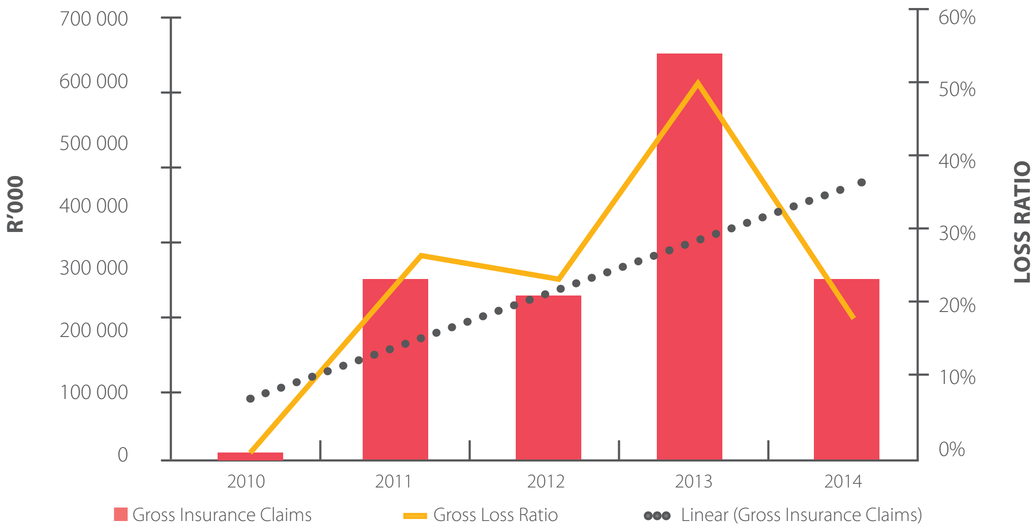


Figure 8: Loss ratios for 2010–2014

Investment income

Investment income consists of interest and dividends together with realised and unrealised investment gains and losses. The relative contribution of each category to Sasria's overall investment income is shown in Table 17.

The actual return achieved for the year ending 31 March 2014 was 9.1% (2013: 9.1%) compared to a year-on-year inflation figure of 6.0%. Money market and cash investments performed in line with expectations, bonds were the weakest performing asset class with negative returns in the current financial year. Listed equities performed in line with the market except for a few active positions that were held in resource companies. Sasria's investment income compared favourably to the benchmarks set in the investment mandates as well as to the average return on investments in the insurance industry.

Table 17: Investment income comparison 2012–2014

CLASS OF INVESTMENT INCOME	2014		2013		2012
	R'000	% CHANGE	R'000	% CHANGE	R'000
Interest income	247 086	8,1%	228 566	11,5%	205 005
Dividend income	28 382	19,3%	23 786	(5,3%)	25 129
Realised net fair value gain / (loss)	94 030	(76,8%)	404 936	1 030,1%	35 831
Unrealised net fair value gain / (loss)	73 611	(129,4%)	(250 673)	(852,5%)	33 312
Total	**443 109**	**9,0%**	**406 616**	**35,9%**	**299 277**

The majority of Sasria's investments are in short-term instruments (Table 18) in order to accommodate operational needs related to the nature of its business.

The composition of Sasria's total investments remained unchanged; it was monitored from an asset/liability matching perspective, which in turn ensures sufficient funds are available to meet Sasria's insurance liabilities and that the shareholder's fund is not unduly exposed to investment risk.

Table 18: Composition of Sasria's total investments as of 31 March 2014

ASSET CLASS COMPOSITION	2014	%	2013	%	2012
Equity securities					
– Listed and quoted	1 069 015	27,8	836 756	(4,5)	876 392
– Unlisted and unquoted	6 300	–	6 300	(77,8)	28 420
Property development fund					
– Unlisted and unquoted	–	–	–	(100,0)	169 940
Bond infrastructure fund					
– Unlisted and unquoted	181 441	100,0	177 997	100,0	–
– Money market fund (> 3 months)	997 140	30,9	761 568	30,8	582 170
Debt securities – fixed interest rate					
Quoted in an active market					
– Government and semi-government bonds	377 190	14,0	330 981	315,9	79 581
– Other bills and bonds	1 273 491	0,1	1 272 233	1,2	1 257 394
Cash and cash equivalents	1 240 288	(0,9)	1 251 963	30,7	957 532
Associate company	52 794	9,8	48 099	(28,7)	67 504
Total	**5 197 659**	**10,9**	**4 685 897**	**16,6**	**4 018 933**

The majority of Sasria's investments are outsourced to independent investment managers under pre-determined mandates as per Sasria's investment policy. The overall performance against and adherence to mandates by investment managers is monitored and tracked by the finance director, an internal manager and an independent investment consultant who reports to the Investment Committee. The mandate guidelines, comprising a combination of various benchmarks such as CPI, SWIX and SteFi, include performance objectives, market risk limitations including duration, asset allocation, credit and exposure limitations, use of derivative instruments and compliance with relevant FSB regulations. Sasria monitored its adherence to the credit and market risk limits as set by the Risk Committee and no breaches were noted.

As of 31 March 2014, external investment managers managed approximately R4.6 billion (89.7%) of the company's investments. Refer to Figure 9 for a summary of our funds invested in relation to the investment managers' B-BBEE ratings.

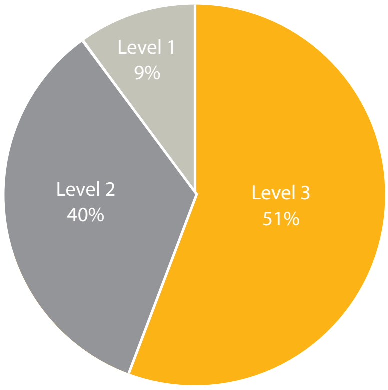


Figure 9: Summary of funds invested in relation to investment manager B-BBEE ratings

* There are no Level 4 or 5 rated investment managers.

Sasria is committed to responsible investing and is one of only five asset owner signatories to the Principles of Responsible Investing. Our investments are only outsourced to independent external investment managers who are signatories to the Principles of Responsible Investing. Sasria has an understanding of all our asset managers' responsible investing policies and practices and it remains a standing agenda item on annual operational due diligence meetings.

Sasria is continuously improving its policies and processes pertaining to responsible investing and has requested our asset consultant to perform an ESG (Environmental, Social and Governance) benchmarking exercise to determine a baseline for measuring our performance annually. The assessment is based on the scoring methodology applied by MSCI (Intangible Value Assessment) – other scoring methodologies may produce different results – and 97% of the portfolio was covered by ESG ratings. The results of this assessment are depicted in Table 19. Sasria will measure and monitor this with the aim of improving its rating.

Table 19: Portfolio ESG level score (max 10)

Environmental	*5,58*	*Social*	*4,46*	*Governance*	*6,84*

Cash flow

The company's operating activities generated R557.5 million in cash for the year (2013: R1.05 billion), with the significant decrease due to the settlement in the 2014 financial year of the majority of claims that were outstanding at 31 March 2013 and a decrease in the net cash generated by investments.

Regulatory solvency and capital requirements

Over the past couple of years, the FSB has been developing a risk-based solvency regime for the South African long- and short-term insurance industries, Solvency Assessment and Management (SAM), to bring it in line with international standards. The main objective of the SAM initiative is to protect the policyholder and beneficiaries by aligning the capital requirements with the underlying risk of the insurer. Secondary benefits include the development of a risk-based approach to supervision, maintenance of financial stability and provision of incentives to insurers to adopt more sophisticated risk monitoring and management tools.

The FSB has adjusted the SAM timelines in response to stakeholder input and to ensure a rigorous approach to the implementation of the SAM framework. In order to facilitate a smooth transition to the new regime, the SAM parallel run will now be extended and will consist of two phases:

- A 'light' phase whereby reporting will be largely based on the quantitative impact study templates, with simplified specifications in some areas. This part of the parallel run will be conducted in the second half of 2014.
- A 'comprehensive' phase consisting of the completion of the full set of quantitative reporting templates along with a mock-ORSA exercise, to be conducted throughout 2015.

The target date for the full implementation of SAM has been moved to 1 January 2016. We have assessed our readiness to comply with these requirements and we are confident that Sasria will be able to comply.

SAM progress

Sasria set itself ambitious SAM-related targets for the financial year ended 31 March 2014 and we are satisfied that we have met our objectives thus far. In order to satisfy the FSB's requirements for the implementation of SAM, Sasria undertook a detailed gap analysis in 2011 to identify gaps and areas of improvement, particularly with regard to risk management. The results of this gap analysis formed the foundation for the Sasria SAM Readiness Project (Phase II, which was completed as at 31 March 2014).

Under Pillar I, the company made good progress in the following areas:

- Sasria is fully compliant with SAM Pillar I Interim Measures requirements;
- Sasria successfully completed the third compulsory South African Quantitative Impact Study (QIS3);
- Sasria has a simplified standard formula capital requirements tool, which has been updated to incorporate the QIS3 requirements. Internal resources were trained to update this tool and provide management with reporting dashboards to summarise the results;
- Sasria has developed an internal economic capital model calculation to aid pro-active risk management and the move towards informed risk-based capital management under SAM. Similarly to the simplified standard formula, internal resources were trained to update this model and provide findings to management.

In addition, Sasria has successfully implemented many of the SAM Pillar II requirements into its business. Phase II of this two-year project has been completed and a revised project plan developed to complete the remaining deliverables, with a strong emphasis on using Sasria resources for this implementation.

Capital management

Sasria's capital management philosophy is to maximise the return on the shareholders' capital within an appropriate risk framework. We will continue to monitor our solvency levels and required solvency range in the light of industry changes and regulatory requirements. Sasria is committed to efficient capital management and so the board therefore decided to maintain an appropriate level of capital with the balance of the required capacity comprising reinsurance.

Sasria has calculated its regulatory solvency position as at 31 March 2014 on the Interim Measures basis and the results are shown in Table 20. The company remains in a healthy solvency position on this basis.

Table 20: Regulatory solvency position

REGULATORY SOLVENCY POSITION	31 MAR 2014	31 MAR 2013	31 MAR 2012	31 MAR 2011	31 MAR 2010
Capital required as % of premium	28	29	28	15	15
Capital available as % of premium	368	473	500	560	683
Available as % of required	1 325	1 656	1 757	3 732	4 552

The FSB undertook industry field studies of the draft minimum capital requirements proposed for introduction under SAM in January 2016. These field studies were called QIS1, QIS2 and QIS3 (South African Quantitative Impact Studies 1, 2 and 3). The purpose of the QIS is to enable insurers to test their readiness and progress towards, and assess the capital needed under, the new SAM regime. QIS3 was completed on 14 May 2014. Sasria participated in all three QIS exercises and the results are displayed in Table 21.

Table 21: Proposed regulatory solvency position

	QIS 3	QIS 2	QIS 1
Capital required as % of premium	119	153	284
Capital available as % of premium	487	450	445
Available as % of required	409	295	156

Based on these figures, the company would be in a solvent position under the proposed QIS3 requirements, with a solvency margin of 409%. This is calculated as the available own funds divided by the minimum capital required.

The regulatory minimum capital requirement, and the capital requirements proposed under SAM, do not fully capture the risk of catastrophe claim events that Sasria might be liable for, as it underestimates the risk capital required for Sasria's unique business. Sasria has therefore opted to use a more appropriate calculation of capital through the development of its own internal Economic Capital Requirement (ECR) model. The results of the economic capital model are shown in Table 22.

Table 22: ECR solvency position

	2014
Capital required as % of premium	167
Capital available as % of premium	370
Available as % of required	221

The requirements under the economic capital model provide a more appropriate value of the risk capital required by Sasria. The company would still be solvent under this measure, with a solvency margin of 221%.

Dividend

In this financial year, Sasria paid a dividend of R107.2 million (2013: R156.9 million) to its shareholder. Sasria's dividend payments are made within the context of the company's capital management policy and are in line with its dividend policy.

Risk management

Sasria is exposed to several financial and other risks namely market risk, credit risk, insurance risk, liquidity risk, operational risk, legal risk and risks associated with the management of capital. The potential impact and management of these risks are discussed in the risk management section and also in the annual financial statement included in this report.

VALUE ADDED STATEMENT AND FIVE-YEAR FINANCIAL REVIEW

The Value Added Statement, Value Distribution and five-year Financial Review is presented on pages 58 and 59 respectively.

Outlook

The South African economy is expected to post slow growth over the short term. On 13 June 2014 Standard & Poor's (S&P) announced it had downgraded South Africa's credit rating by one notch. The foreign currency rating was downgraded to BBB with a stable outlook, while the local currency rating has been dropped from A to BBB+. The local currency rating relates to the country's ability to repay debt in the local currency, while the foreign currency rating relates to the country's ability to pay back debt in foreign currency, such as in dollars or euros.

According to the S&P grade definition, BBB means there is adequate currency to meet financial commitments, but it is more subject to adverse economic conditions, while BBB- is considered the lowest investment grade by market participants. S&P cited a number of reasons for its decision, such as relatively high current account deficits, rising general government debt and the potential volatility and cost of external financing.

S&P said it expected 1.9% economic growth for South Africa in 2014, while Fitch has also revised its estimates down to 1.7% for the year, which will make it more difficult to attract foreign inflows into our economy, which in turn could lead to rand weakness and even a possible reversal of foreign flow from South Africa's bond market.

At the third Monetary Policy Committee meeting for 2014, the South African Reserve Bank increased the repo rate by 25 basis points to 5.75%, effective from 18 July 2014. The decision was in line with the expectations of both analysts and financial markets.

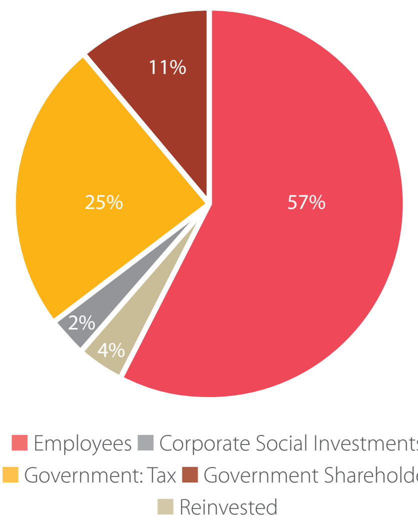
From an earnings perspective, Sasria remains focused on premium growth and its endeavours to grow premium income in excess of industry growth, although the on-going labour strikes and public protests are expected to have a negative impact on Sasria's overall financial performance.

K Pepler
Finance Director
6 August 2014

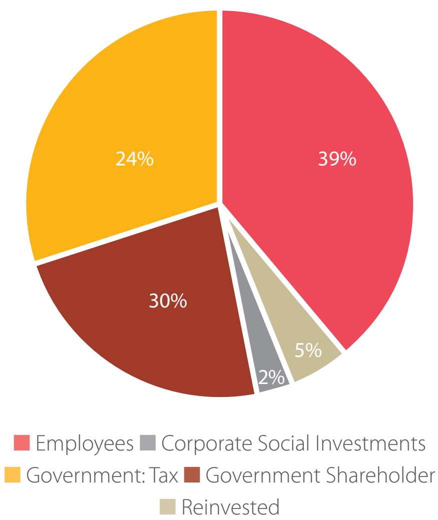
OUR VALUE ADDED STATEMENT

	2014 R'000	2013 R'000
VALUE ADDED		
Gross written insurance premium	1 390 338	1 223 530
Claims paid and cost of other services	817 716	1 071 481
	572 622	152 049
Investment income net of fees	443 109	370 975
	1 015 731	523 024
VALUE DISTRIBUTED		
Employee remuneration and benefits	41 740	27 765
Corporate Social Investment	25 232	9 905
Government: Direct taxation of income	258 113	124 807
Government: Shareholder	107 287	156 900
	432 372	319 377
Retained for reinvesting and future support of the business	583 359	203 647
Depreciation, amortisation and maintenance	4 139	2 922
Retained income before transfer to reserves	579 220	200 725
	1 015 731	523 024

VALUE DISTRIBUTED 2014



VALUE DISTRIBUTED 2013



OUR FIVE-YEAR FINANCIAL REVIEW

	2014 R'000	2013 R'000	2012 R'000	2011 R'000	2010 R'000
FINANCIAL PERFORMANCE					
Gross written insurance premium	1 390 338	1 223 530	1 087 133	1 010 915	785 548
Insurance premium ceded to reinsurers	(126 573)	(362 476)	(309 881)	(407 646)	(330 990)
Net written insurance premium	1 263 765	861 054	777 251	603 268	454 558
Change in unearned premium	(69 035)	(30 527)	(28 615)	(1 859)	(25 053)
Net insurance premium earned	1 194 730	830 527	748 636	601 409	429 505
Net insurance claims	(306 382)	(507 433)	(206 854)	(167 151)	(4 613)
Net commission earned/(paid)	(98 354)	2 694	73 240	85 040	101 061
Expenses for administration and marketing (excl. investment management fees)	(275 516)	(226 725)	(208 573)	(196 155)	(178 790)
Net underwriting results	514 476	99 063	406 449	323 142	347 163
Investment income	443 109	406 616	299 277	296 788	377 103
Investment management fees	(18 444)	(16 889)	(19 133)	(17 190)	–
Other income	37	12 394	90	4 262	2 251
Share of profit / (loss) of associate	4 860	(18 752)	(6 872)	9 200	(27 200)
Income tax	(258 113)	(124 807)	(156 814)	(194 018)	(188 320)
Profit/ (loss) for the year	685 926	357 625	522 998	422 185	510 997
Dividends paid	(107 287)	(156 900)	(126 656)	(153 299)	–
FINANCIAL POSITION					
Property, plant and equipment	10 648	4 304	4 238	37 808	38 543
Intangible assets	40 371	34 172	25 440	41 352	42 003
Investment in associate	52 794	48 099	68 670	122 520	113 320
Financial assets					
– at fair value through profit and loss	3 904 577	3 385 835	2 993 897	2 540 513	2 179 845
– loans and receivables	76 634	76 866	171 458	182 614	91 249
– derivative assets	1 492	–	–	–	–
Insurance receivables	124 835	104 060	120 710	121 809	133 808
Reinsurance contracts	27 092	194 351	103 768	132 261	90 469
Current tax receivable	–	1 715	9 869	–	–
Cash and cash equivalents	1 240 288	1 251 964	957 533	936 507	1 002 756
Non-current asset held for sale	–	–	31 802	–	–
Total assets	5 478 731	5 101 365	4 487 385	4 115 383	3 691 993

OUR 5-YEAR FINANCIAL REVIEW

	2014 R'000	2013 R'000	2012 R'000	2011 R'000	2010 R'000
Non distributable regulatory reserves	350 610	245 142	221 132	73 019	63 912
Retained earnings	4 296 106	3 822 935	3 646 218	3 397 989	3 138 209
Deferred income	4 159	13 127	10 320	27 537	22 942
Deferred income tax	48 705	6 232	47 203	49 176	39 135
Employee benefit liability	11 928	1 053	9 001	6 730	980
Insurance contracts	677 004	901 470	468 531	401 420	292 143
Derivative liabilities	606	–	–	–	–
Current tax liability	7 922	–	–	22 477	17 613
Trade and other payables	81 691	111 405	84 979	137 036	117 059
Total equity and liabilities	5 478 731	5 101 365	4 487 385	4 115 383	3 691 993

CASH FLOW STATEMENT

	2014 R'000	2013 R'000	2012 R'000	2011 R'000	2010 R'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from operations	393 531	553 962	449 948	332 487	319 704
Dividends received	28 882	25 605	25 129	29 471	7 057
Interest received	247 086	228 566	205 005	203 920	181 459
Realised gains on investments	94 030	404 936	35 831	–	–
Income tax paid	(206 003)	(157 624)	(191 133)	(172 112)	(167 291)
Net cash from operating activities	557 526	1 055 445	524 780	393 766	340 929
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	(9 785)	(1 566)	(1 481)	(2 395)	(5 203)
Proceeds on disposal of property, plant and equipment	–	42 152	45	104	129
Purchases relating to intangible assets	(5 780)	(2 089)	(2 566)	(59)	(1 543)
Purchase of investments	(446 350)	(642 611)	(420 075)	(304 366)	(1 123 641)
Net cash flows on sale of investment in associate	–	–	46 978	–	–
Net cash used in investing activities	(461 915)	(604 114)	(377 099)	(306 716)	(1 130 258)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend paid	(107 287)	(156 900)	(126 656)	(153 299)	–
Net cash used in financing activities	(107 287)	(156 900)	(126 656)	(153 299)	–
Net (decrease) / increase in cash and cash equivalents	(11 676)	294 431	21 025	(66 249)	(789 329)
Cash and cash equivalents at beginning of year	1 251 964	957 533	936 507	1 002 756	1 792 085
Cash and cash equivalents at end of year	1 240 288	1 251 964	957 533	936 507	1 002 756

OUR FIVE-YEAR FINANCIAL REVIEW

	2014 %	2013 %	2012 %	2011 %	2010 %
KEY RATIOS					
INSURANCE ACTIVITIES					
Net claims paid and provided*	25,6	61,1	27,6	27,8	1,1
Cost of acquisition*	31,2	27,0	18,1	18,5	18,1
Net commission paid / (earned)*	8,2	(0,3)	(9,8)	(14,1)	(23,5)
Management expenses*	23,0	27,3	27,9	32,6	41,6
Combined ratio*	56,8	88,1	45,7	46,3	19,2
Underwriting result*	43,2	11,9	54,3	53,7	80,8
Earned premium*	100,0	100,0	100,0	100,0	100,0

* Activities expressed as a % of net earned premium

	2014 R'000	2013 R'000	2012 R'000	2011 R'000	2010 R'000
INVESTMENT ACTIVITIES					
Interest income	247 086	228 566	205 005	200 345	349 870
Dividend income	28 382	23 786	25 129	29 471	–
Realised gains / (losses)	94 030	404 936	35 831	46 410	–
Unrealised gains / (losses)	73 611	(250 673)	33 312	20 496	27 200
Investment income	443 109	406 616	299 277	296 722	377 070

	2014 %	2013 %	2012 %	2011 %	2010 %
RETURN AND PRODUCTIVITY					
ROaE** (including unrealised gains/(losses)	15,7	9,0	14,3	12,7	17,3
(Net income/shareholder equity)					
Gross premium per employee (R'000)	26 232	23 085	25 884	24 069	19 160

**Return on average equity

OUR 5-YEAR FINANCIAL REVIEW

	2014 %	2013 %	2012 %	2011 %	2010 %
REGULATORY SOLVENCY POSITION					
Capital required as % premium	28	29	28	15	15
Capital available as % of premium	368	473	500	560	683
Available as % of required	1 325	1 656	1 757	3 732	4 552
OTHER STATISTICS					
Number of employees	53	53	42	42	41
Employee composition (% African)	83	87	89	90	90
Employee composition (% Professionals)	81	68	79	57	54
Corporate Social Investment allocation (R'000)	25 232	9 771	9 761	9 996	10 217

OUR STAKEHOLDER ENGAGEMENT

Sasria recognises the significance of stakeholder engagement in creating an enabling environment for our business to succeed. Stakeholder engagement in Sasria is used to involve all people who may be affected by the decisions it makes or can influence the implementation of its decisions. It assists Sasria in managing its distribution channel, relations with all business partners as well as understanding the needs of the stakeholders, in particular those of the end customers.

Through stakeholder engagement Sasria has been able to promote its business purpose and solicit support. Overall stakeholder engagement helped us maintain sustainable value creation and identify material issues in our business.

Our stakeholders

Every two years Sasria conducts a stakeholder analysis during which stakeholders are identified, categorised, mapped and prioritised according to organisational needs. We conducted stakeholder identification and analysis during the year under review through workshops with all business departments within the organisation. The workshops focused on reviewing whether the stakeholders identified two years ago are still relevant to the business and whether any additional stakeholders have emerged in line with the strategic direction of the organisation.

See page 18 for the Performance Indicators for the next year.

This analysis was to ensure that all organisational stakeholders are identified and engaged at all 'touch points'. The level of engagement stakeholders have is based on their level of power and influence and the desired goals of the organisation.

The stakeholder categories were refined to two: primary and secondary stakeholders (Figure 10). Primary stakeholders have a direct impact on business sustainability and secondary stakeholders have no impact on Sasria's sustainability but are to be kept informed.

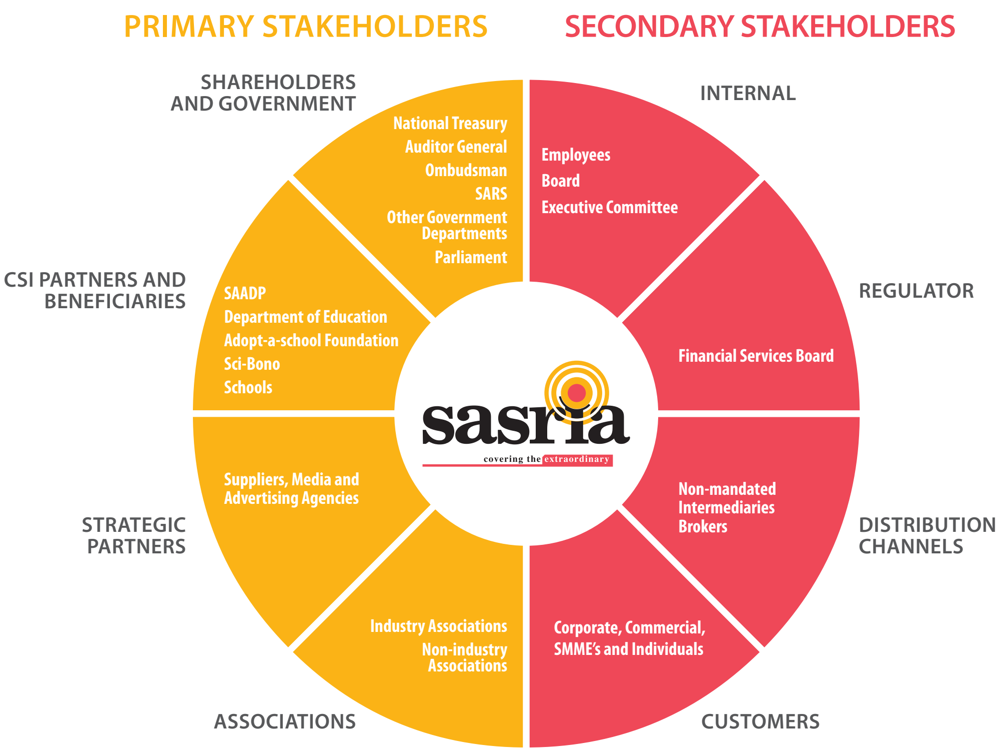


Figure 10: Sasria's stakeholders

Stakeholder engagement process and outcome

Sasria utilises various channels to communicate with stakeholders; the frequency of engagement differs according to the stakeholder categorisation and the issue presented. The type or nature of engagement with the stakeholder varies according to the degree of power that stakeholders exert on the business and their degree of interest.

A summary of our engagements with our stakeholders is depicted in Table 23.

Table 23: Summary of engagements with stakeholders

STAKEHOLDER	FREQUENCY ENGAGED	TYPE OF ENGAGEMENT	MATERIAL ISSUES IDENTIFIED	RESPONSE TO IDENTIFIED ISSUES
Corporate and commercial end customers	Quarterly	Product awareness presentations	Infrequent engagements	Increased number of engagements
Non-mandated intermediaries and Intermediaries (Brokers)	Quarterly, monthly, weekly, ad hoc	Meetings, verbal and written communication, forums	1. Product offering 2. Brand and product awareness 3. Customer service	1. Product enhancements 2. Refined our marketing strategy 3. Improved service standards and enhanced complaints management strategy
Regulator	Annually, quarterly, ad hoc	Annual and quarterly returns, ad hoc meetings	Binder Regulations Implications	Regulator considering the Binder implications on the business model
Reinsurers	Annually, quarterly, ad hoc	Meetings	No material issues	No material issues
Employees	Daily, weekly, monthly, quarterly, annually	Meetings, verbal and written communication	Shortage of skills in insurance industry and Sasria Corporate wellness	Talent development and retention initiatives Corporate wellness initiatives
Shareholder	Annually, quarterly, ad hoc	Meetings, presentations and reports	No material issues	No material issues

All concerns or issues identified during the various interactions with stakeholders were tabled and discussed by the stakeholder management team together with the relevant accountable departments in Sasria.

Distribution channel

Through its CRM department, Sasria has been able to develop strategic partnerships with its distribution channels, heighten product awareness through product training and product awareness presentations, with 112 product training and product awareness presentations being conducted across the country to the distribution channel, business fora, industry bodies and corporate and commercial customers.

End customers

A need was identified to understand the needs of the end customers and to engage with them on Sasria products. Through the NMIs and intermediaries, Sasria managed to educate the corporate and commercial end customers on the Sasria products and to heighten awareness via their presentations to the end user. In addition, Sasria started a drive to educate the retail end customers on the importance and relevance of Sasria cover through broadcasts on SABC radio stations.

Shareholder

Sasria engages with its shareholder on an ad hoc basis as well as quarterly. The quarterly engagements are through meetings between the executive directors and representatives from our shareholder, and formalised quarterly performance reports.

The purpose of these engagements is to apprise the shareholder on matters of strategic importance, obtain direction and guidance, where required, and have an open platform to discuss the shareholder's expectation for the future.

A detailed report on our engagements with the shareholder can be found in the governance section.

Employees

Sasria appreciates that employees are critical to the success of the organisation, which means our employees count as strategic stakeholders. The section pertaining to Our People details the outcome of Sasria's engagement with its people.

Challenges

The following challenges were experienced during this period:

- Implementation of the TCF principles throughout the distribution channel.
- Poor brand and product awareness in end customer.
- Lack of relationships with strategic partners both inside and outside the industry.

These challenges will be addressed through a revised marketing and communications strategy focused on taking the brand to the end customer.

Looking ahead

Our main focus this year is to outperform the industry average in premium growth. This will be achieved by taking Sasria's existing products to our existing and new customers, and through collaboration with our distribution channel in product marketing. Sasria has resolved to gain an in-depth understanding of end-customer needs and to develop relevant solutions to address these needs.

To achieve our goals, the following new initiatives will be undertaken:

- A stakeholder-needs analysis survey to inform the future stakeholder engagement strategies with each of the stakeholder segments. In addition, an organisation-wide stakeholder management strategy and policy will be developed to ensure consistent engagement with stakeholders;
- Maintaining and establishing new relations with strategic business partners such as commercial and corporate customers;
- Product education to SMMEs and lower LSMs; and
- Optimisation of our use of various media channels.

In addition, Sasria aims to fully embed TCF both internally and at its distribution channel by providing TCF training and clearly communicating Sasria expectations and implications with regards to TCF outcomes.

OUR INSURANCE OPERATIONS

The insurance operations division is responsible for underwriting, reinsurance-, and claims functions.

Underwriting

Adapting product options, limits, coverage and pricing structures requires ongoing analysis and changes. During the year our underwriting team made enhancements to ensure that our product range remains up to date and continues to meet the insurance needs of our large and diverse client base.

We also conducted feasibility studies on increasing our primary coupon limit and looked at incorporating contingent business interruption as part of our product offering. Based on the outcome, it was not feasible for us to implement these changes.

Reinsurance

We have proportional and non-proportional treaty programmes that aim to reduce the volatility of our underwriting results and protect our capital through a combination of treaty contracts. The reinsurance programme reduces our exposure in each of our classes of business to levels that are acceptable to the board in terms of our insurance risk appetite.

In addition, we purchased catastrophe reinsurance to protect us from accumulation losses. The level of catastrophe reinsurance purchased is based on the expected losses from low-frequency, high-severity loss events. Our emphasis this year was to give preference to our local reinsurers. More than 36% of our catastrophe excess of loss programme was placed with local reinsurers and the remainder was placed in the London and European markets. This reduced accumulation and allowed for diversification by geography.

Underwriting highlights

- Positive premium growth was achieved across all significant insurance classes
- Riot Wrap product experienced phenomenal growth
- Maximised operational efficiency by improving turnaround times on Riot Wrap quotations.

Looking ahead

We intend to develop an internal rating tool for new and existing products that will allow for:

- more accurate rating/underwriting
- optimisation of profitability and sustainability
- improved risk quality and knowledge
- We will also conduct a feasibility study on a stand-alone SMME product and commence an acquisition of risk data project.

Claims service

Claims services administers the process of assessing and paying out claims to policyholders. The experience during the claims process is the biggest determinant of how our clients feel about being insured with Sasria. Our priority is to ensure that our clients have a pleasant experience when interacting with us at the time of a claim. Our main objectives are to provide our clients with quick turnaround times, quality client service and a fair settlement in their time of need. Our strategic intent of delivering quality service to our clients is at the core of our business and our claims.

A key element of client service is turnaround time on claims. We constantly investigate ways to offer our clients a quick and efficient interaction with Sasria and this led to the establishment of a fast-track claims team to deal with claims below R250 000.

Although this has already proved a success, we plan to continue to fine-tune our operations to keep improving service quality

Claims highlights

Claims efficiency

One of the company's strategic objectives was to settle 80% of all fast-track claims (R0 to R250 000) within 30 days of receipt. This objective was achieved as 81.6% of all fast-track claims were settled within 30 days.

See page 14 for our Performance over the past year.

Challenges

The year 2013–2014 was very challenging with an increase in the severity of claims.

These changes meant the following for the department:

- Increase in large losses
- Increase in workload for the team
- Increase in the complexity of claims
- Change in client service expectation.

The Sasria claims process is heavily reliant on the co-operation of non-mandated intermediaries and external suppliers.

Further exacerbating the above challenges were the following:

- Poor supplier service:
  - Suppliers taking a long time to submit reports
  - Suppliers not providing all information required to make decision
  - Poor investigation of claims.
- Delays caused by non-mandated intermediaries:
  - Companies not sending all information required to progress claims.

Looking ahead

In order to address these challenges, the claims department will continue with the following:

1) Continued increase in technical knowledge.
2) Continued focus on improving the team's technical knowledge, which has led to the department's success. With the increase in the complexity of claims and large losses, a certain level of technical knowledge to deal with the claims is required.
3) Focus on output and service level agreements (SLA).
4) Ensure that clients are kept satisfied; our focus will be ensuring that service levels are met and output increased because with an increase in the number of claims, the team will always be under pressure to increase output.
5) Poor supplier service.
6) A strategic intervention in how suppliers are managed, to include:
   - developing an SLA with suppliers
   - pro-active management of suppliers so they are managed on strict timelines and where Sasria staff influence the progress of the claim
   - an increase in technical knowledge and awareness to enable the team to question supplier decisions.
7) Continued improvement in service quality and speed to include:
   - driving system efficiencies
   - new initiatives to optimise cost and client experience
   - a focus on claims efficiency, turnaround time and improving service
   - fast-tracking claims with low risk and low quantum
   - creating positive experiences to support retention.

On going

As part of effective claims handling, the department will focus on claims cost containment, which will involve pro-active management of claims and overseeing certain aspects of claim fulfilment thus ensuring that the process is not left entirely to suppliers.

We will maintain the pace of investment in our people: we are also planning to bolster our headcount so that we can deliver further benefits to our clients in the form of quick and effective claims processing.

OUR PEOPLE

Attracting and developing talent has been one of Sasria's key focus areas over the last five years and it will continue to be at the forefront of our efforts to retain and enhance our competitive position in the market. A general lack of skills in the insurance industry and the tough regulatory environment which has required a constant focus on up-skilling of staff, affected the turnaround time of finding good people for the organisation, although the required talent has been engaged for the long term.

Talent development initiatives will continue to play a key role but will have to evolve to include innovative recruitment techniques to ensure that we meet our strategic objective of developing and retaining key talent within a customer-centric culture.

Our Human Capital strategy (Figure 11) focuses on Workforce Planning, Learning and Development, Employee Benefits, Corporate Wellness, and Employee Relations. These areas are discussed in more detail below.

Figure 11: Components of the Human Capital Strategy

Workforce planning

Highlights

While growth in the business has necessitated the acquisition of people with skills in finance, investments, claims, actuarial, risk and internal audit, Sasria has purposefully kept a relatively small workforce. This has highlighted the need for the Human Capital team and leadership to correctly deploy, develop and retain staff as an integral part of 'business as usual'.

- Our employees have been deployed successfully in cross functional teams to drive a succession of projects, particularly to comply with regulatory changes like TCF, POPI, SAM, etc. This has enabled functional silos to be broken down, creating shared responsibility for making things happen across functional teams operating under Exco. We will continue to use projects to multi-skill, motivate and broaden our employees' scope of responsibilities and skill sets over the next few years.
- We have deployed and motivated our employees by introducing talent management into the business, and by adopting a process where the competencies and skills of our people are more closely aligned with the needs of the business. Our talent management strategy has not only highlighted the need for more focused career paths for our people, but it has also made succession planning a priority for all leadership positions within Sasria. This will be addressed this year as part of our skills audit and focused training strategy designed to retain key people within the organisation.
- The development of a strategic workforce tool enabled our Human Capital department to assist business to project future manpower and skill requirements for the company.

Employment equity

Our current employment equity plan, for 2011 to 2016, focuses on addressing the following issues:

- Preferential recruitment strategy of people from designated groups, with appointments at all occupation levels and categories and across all departments where designated groups are under-represented;
- Numerical goals for each year to monitor, measure and assess progress towards achieving employment equity within the Sasria workforce for all occupation levels and categories;
- Implementation of appropriate training and development strategies, the Skills Development Act 97 of 1998, succession plans and employment equity measures;
- Concerted efforts to implement and encourage employment of people with disabilities.

The current Sasria workforce profile analysis indicates that although we are exceeding the targets within the African group, we are lagging behind the targets set for Coloured and Indian groups. We are also lagging behind our targets for female groups as indicated in Table 24. We are, however, confident that we will meet and exceed our targets by 2016.

Table 24: Workforce profile in relation to EE targets

Race groups	Current actual numbers	Targets 2014–2015	Variance	Actual % of current	Variance % against targets	Variance %
Africans	34	31	3	64%	60%	4%
Coloureds	5	8	–3	9%	15%	–6%
Indians	3	7	–4	6%	13%	–7%
Whites	11	6	5	21%	12%	9%
Total	**53**	**52**	**1**	**100%**	**100%**	**–**

Gender	Current actual numbers	Targets 2014–2015	Variance	Actual % of current	Variance % against targets	Variance %
Males	23	19	4	43%	37%	6%
Females	30	33	–3	57%	63%	–6%
Total	**53**	**52**	**–1**	**100%**	**100%**	**–**

People with disabilities	2	1	2	4%	2	2%

While we are already exceeding our targets for race groups at most occupational levels although we are lagging behind at middle management level as indicated in Figure 12.

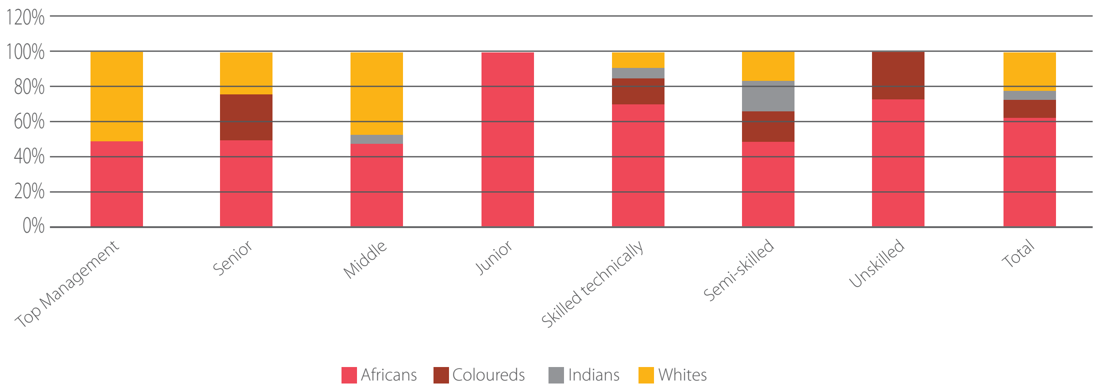


Figure 12: Current workforce profile

Table 25: Detailed breakdown of Sasria workforce profile

Occupational Level	Total males	% of total males	Total females	% of total females	Total employees
Top management/decision-making at board level	1	50%	1	50%	2
Senior management	1	25%	3	75%	4
Middle management	9	60%	6	40%	15
Junior management	5	62%	3	37%	8
Skilled	6	43%	8	57%	14
Semi-skilled	0	0%	6	100%	6
Unskilled	1	25%	3	75%	4
Total	**23**	**43%**	**30**	**57%**	**53**

The gaps identified in our employment equity are representation in the Indian and Coloured groups at all occupational levels. We also need to increase African female representation at middle management level and lastly, we aim to increase the representation of disabled people within Sasria.

We have a definite focus on recruiting the right people with the required skills sets to fill these gaps in our plan. Our talent management process together with a targeted training plan will drive the development of the required skills to meet the targets set within our plan. We are confident that we will meet our employment equity targets by 2016.

Challenges

Workforce planning faced a number of challenges in implementing our plans, including the following:

- The shortage of skills in the industry made the recruitment of key people quite onerous and increased the turnaround times for filling vacancies. This did not deter us, however, from seeking quality candidates who would fit into our culture and drive strategy.
- Due to the nature of our business model, and a relatively small workforce largely comprising specialists rather than generalists, succession planning becomes complex, which necessitates a longer term view.

Learning and development

Highlights

With the number of specialists in the business, the need for leaders became apparent, not only at the executive level, but across the organisation. We therefore introduced a leadership development programme to equip senior leaders to lead both on an individual basis and as a part of the team. The objective was to create a shared understanding of what epitomises leadership within Sasria, to drive the leaders to live by our agreed values and to bring these to life in their daily interactions with staff, each other and all stakeholders.

As part of our drive to contribute to the communities in which we operate and also to build more capacity within Sasria, we introduced a graduate programme. All graduates were placed with specific sponsors who provided on the job training and coaching throughout the year. To date we have developed five graduates, with three of them fulfilling roles within our current structure. In 2013-2014, we had second intake of five graduates onto the programme of whom four were placed with our business partners, with the fifth being placed in Sasria.

See page 18 for the Performance Indicators for the next year.

Our learning and development budget has increased significantly over the past five years, and 2013–2014 was no exception. The increase is driven both by the rising number of staff and alignment with our strategic objective to develop our staff. We are happy with staff participation at all levels and this is in line with our employment equity plan.

Figures 13 and 14 indicates the training spend over the past five years with the cost breakdown per equity and occupational group. The breakdown of training spend is in line with our learning and development strategy and our equity plan.

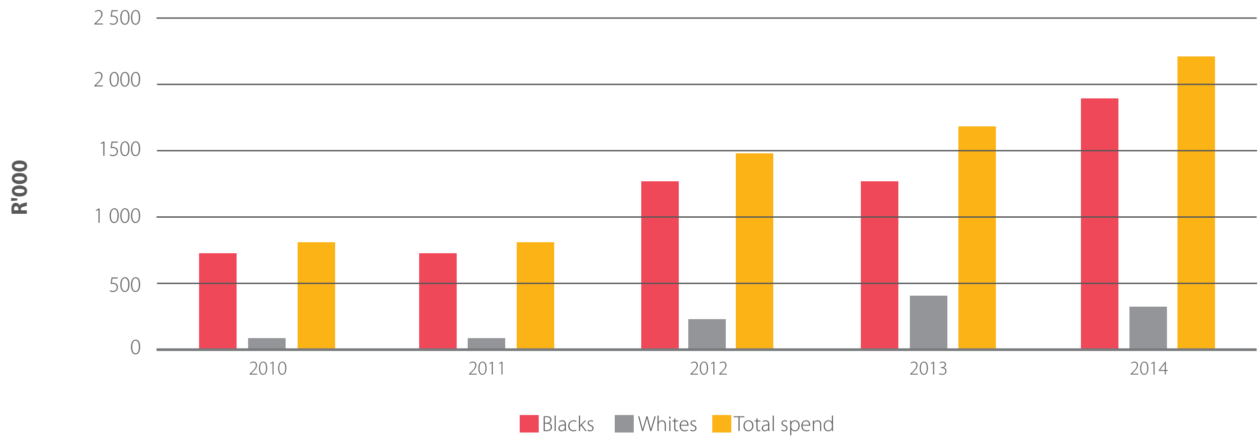


Figure 13: Training and development spend over the past five years per equity group

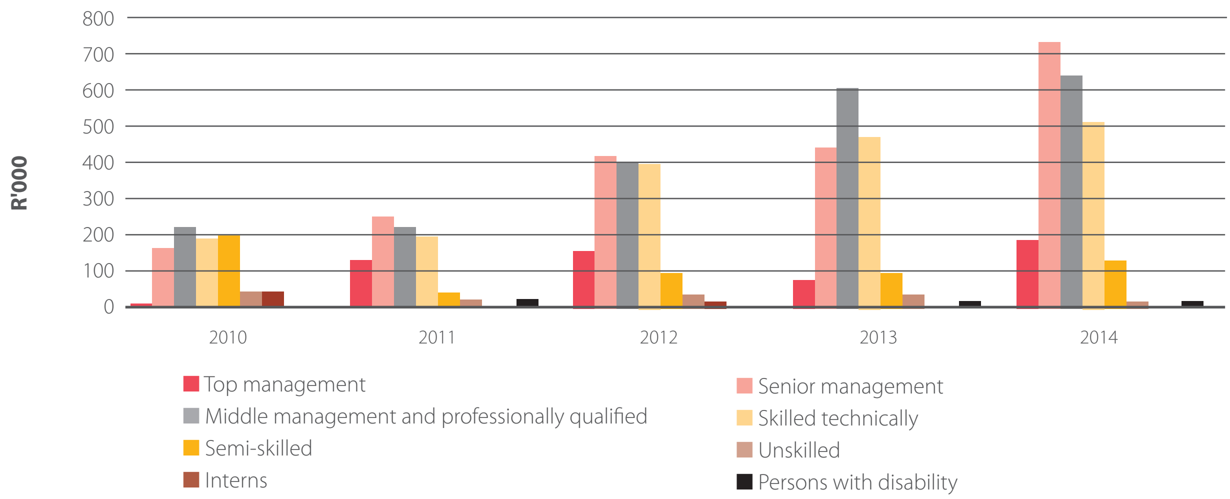


Figure 14: Training and development spend over the past five years per occupational group

Challenges

- There was too much focus on formal education and too little time spent on training of technical skills, soft and behavioural skills.

Employee benefits

Highlights

The Sasria remuneration policy ensures that remuneration and rewards are firstly aligned to organisational objectives and then benchmarked against the short-term insurance industry and other state-owned entities. The fiftieth percentile is currently regarded as the most appropriate market reference point for Sasria.

- Annual salary surveys and benchmarking exercises were conducted within the industry to ensure that we remain competitive within the market. These comparisons are presented to the Remco for its acceptance and approval.
- Sasria currently uses data from the national market, the short-term insurance market and Schedule 3B state-owned companies as comparative industries against which to benchmark positions.
- In line with SAM and TCF requirements, we reviewed our total reward policy to ensure not only that it promotes the principles of treating customer fairly at all times but that it also discourages reckless and unethical behaviour by our staff.

Pay structure and benefits

- Fixed pay (structure relative to market, pay scales).
- Core benefits (pension scheme and benefits; benefits: life cover, accidental disability benefit, disability protector, funeral benefit and permanent health insurance fringe benefit, medical aid).
- Additional benefits (study assistance, employee and dependants' study assistance).
- Operational benefits (acting allowance, travel re-imbursement).
- Recognition awards (long service awards, recognition scheme).

Performance management and link to rewards

We introduced a new scheme where employees were provided with more clarity on key targets and how achieving these targets would deliver individual and business success.

- Over the last few years performance management has become part of the way we do business at Sasria. By conducting two performance reviews per year, our people were regularly informed and measured against their goals, which in turn also helped clarify responsibilities and measures of success at all levels.
- We now measure and reward our people, not just on achieving their key performance areas, but on how they live our values, and on their behaviour towards each other and the customer. This has brought us closer to achieving our goal of becoming a high-performing, customer-centric organisation in the short-term insurance industry.
- The implementation of a new bonus process in key management roles has helped to provide further clarity on key targets and measures of performance to help deliver individual and business success.

Challenges

As a result of previous decisions made on remuneration issues, certain anomalies needed to be rectified. Employees who were being paid at the lower quartile and fell below the minimum salary were brought up to the correct minimum salary for their level. Similar corrections were made for individuals who were earning above the maximum for their level. All corrective actions were undertaken in consultation with the individuals concerned.

Corporate wellness

Highlights

Corporate wellness was introduced to address the aftermath of the leadership crisis which occurred as a result of having three managing directors and two acting managing directors within the space of five years. This leadership situation led to distrust between management and employees. It also affected the morale which in turn led to high staff turnover and lack of motivation.

Apart from addressing the low staff morale, our corporate wellness programme was initiated to encourage employees to develop healthier lifestyles.

To date, several programmes aimed at achieving the above have been successfully implemented. The results of these initiatives are shown through a percentage (an increase in staff morale, as explained in the employee relations section of this report, and productivity). The average individual performance rating in 2012–2013 was 3.5, which increased to 3.8 in 2013–2014.

Challenges

On Wellness Day, Sasria employees' health was assessed based on six clinical risks, focused on lifestyle risk factors and clinical risks such as body mass, waist circumference, blood pressure and cholesterol that strongly influence the likelihood of developing chronic diseases.

Sasria has partnered with Care Ways to establish our Employee Assistance Programme (EAP). The EAP is Sasria's resource that utilises specific core principles to enhance employee and workplace effectiveness through prevention, identification and resolution of personal and work related issues. It is within this context that Care Ways provided EAP services to Sasria as a partner in behavioural risk management.

Key trends

The total uptake of all services provided amounted to 9% compared to an annualised rate of 5–6% across Care Ways client companies in South Africa over the same period, while the international benchmark is 8–11%. Overall individual engagement at Sasria is therefore above average for comparable organisations.

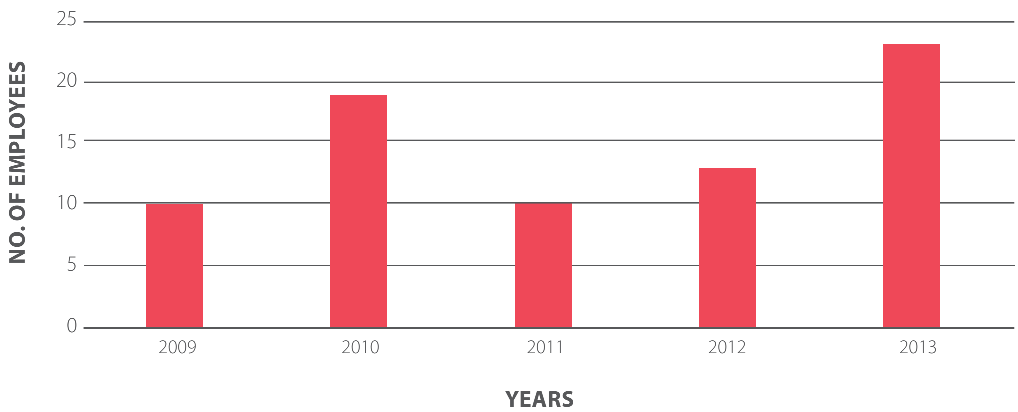


Figure 15: EAP utilisation of services over a five–year period

Employee relations

Highlights

In the absence of a union, healthy employee relationships are crucial to the success of our company. Relationships are driven by company values and all employees are encouraged to live the values in their daily interactions. Our policies are regularly reviewed to ensure that they remain relevant to our company needs. We also held several workshops with staff in an effort to promote transparency and give staff the opportunity to communicate with each other.

Quarterly meetings were held with staff to keep everybody informed on how the company is performing and about any new developments. Monthly divisional meetings were also held to review performance and discuss new developments.

Every two years, we conduct a climate survey to determine satisfaction levels among staff members. We also hoped to use this survey to:

- act as a barometer on the status quo
- create a benchmark for future assessments
- determine employee satisfaction within the measured dimensions
- enable us to propose recommendations and develop an action plan.

We achieved an overall score of 3.5 in the climate survey, which is an improvement when compared to the overall scores for the last two survey results.

Our goal for 2015 is to increase that score to 3.9 on a 1–5 rating scale, which will be achieved through a number of initiatives including:

- improving our communication with our staff and increasing regular feedback sessions
- improving the working environment and creating more opportunities
- implementing the learning and development strategy
- implementing our talent management strategy.

Despite an increase in staff turnover from 0% to 10% in the reporting period, we are comfortable that the level of staff turnover is still well below industry levels. Exit interviews were conducted with all staff leaving as per the company policy, and most resignations were due to people moving for better opportunities.

Table 26: Investing in our people – employee turnover 2009–2014

Year	Number of employees	Number of resignations	Resignations in %
2009–2010	44	2	5%
2010–2011	42	8	19%
2011–2012	42	4	10%
2012–2013	46	0	0%
2013–2014	59	6	10%

Looking ahead

The corporate wellness plan for the new financial year will include programmes to create awareness about lifestyle risk factors; and we will implement the following recommendations made in the climate survey:

- To build a stable workforce of talented and committed people; our talent management approach will focus on talent mobility, succession planning, developing our people to increase the number of internal promotions, refining the performance management process to hold people accountable and measure their progress in a regular, consistent manner.
- To retain the critical skills that have been recruited, we need to look at differentiation in rewarding high performers, reviewing and constantly updating the employee value proposition, and engaging with our people on their aspirations and growth.
- Contributing to capacity building through development of human capital remains one of our strategic objectives for the next five years to ensure that we reduce dependency on external consultants.
- The leadership programme needs to focus our leaders and managers on our common purpose and on how to live our values on a daily basis.
- Human capital will now be a standalone function. We will be building capacity in this new department to ensure that it can play a pro-active role in dealing with the strategic challenges facing the company.

OUR CORPORATE SOCIAL INVESTMENT

Sasria is committed to being a responsible corporate citizen that continuously assesses its impact on the social environment, the marketplace, the workplace and the natural environment. Sasria's CSI has been focused so far on education and the youth; in the 2014 financial year, however, the focus was extended to include skills development, humanitarian relief and economic empowerment.

The focus on youth and education is based on our belief that to change our economic and social future, we need to invest in our youth and their education. The aim is to build capacity within the financial sector and ultimately in the country as a whole to reduce the unemployment rate and increase participation in the economy. Our focus on education follows a holistic approach that includes mathematics and science skills development, infrastructure development, teachers' leadership development and learners' welfare.

Sasria's CSI spend for the 2014 financial year was R11.3 million, with the funds allocated as per Figure 16.

See page 17 to see how our CSI supports the NDP.

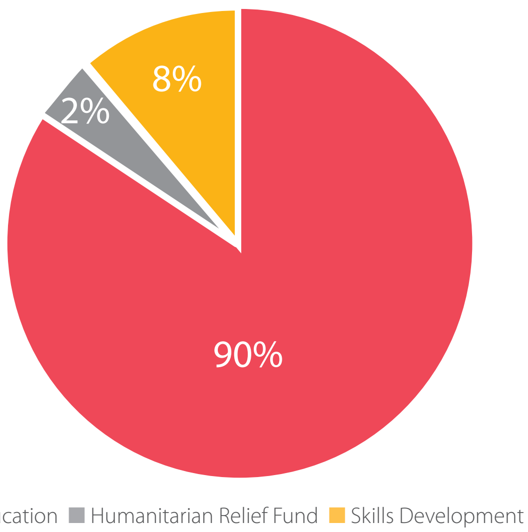


Figure 16: CSI focus in 2013–2014

Education

The South African Actuarial Development Programme (SAADP)

SAADP remains the flagship CSI programme for Sasria. The programme focuses on harnessing mathematical skills within the previously disadvantaged communities. SAADP was established in 2003 and to date it produced 140 graduates, 13 of whom have qualified as actuaries. All graduates are employed in actuarial functions within the finance sector.

SAIA consumer education initiatives

The SAIA FSC Consumer Education Initiative, implemented annually since 2004, supports projects that improve financial literacy amongst low income consumers.

Bursary Scheme

The purpose of the bursary scheme is to contribute towards the National Development Plan through capacity building. Sasria provides selected candidates with sufficient financial aid to obtain specialised skills and qualifications at tertiary education level. The programme started in 2009 when 10 top performing, disadvantaged students within the finance faculty were identified through various universities and provided with funding. The number of bursaries granted has increased to 28 with the reach extending to schools in which Sasria has invested.

Learner support programme

Sasria continued its partnership with the Gauteng Department of Education (GDE) through SCI-BONO and provided matric examination preparation support to the Ennerdale district, which was categorised as the poorest performing district in Gauteng. This intervention has resulted in the district achieving a 75% pass rate. The majority of the learners achieved 50%–79% in all the subjects offered by the programme. Ennerdale Secondary school was named as the highest improving school in the district. Table 27 shows the performance comparison for the 2012 and 2013 calendar years, per subject.

Table 27: The table below shows performance comparison for years 2012 and 2013

SUBJECT	2012	2013
Accounting	74.9%	80.6%
Physical Science	53.1%	72.3%
Mathematics	44.6%	60.6%
Life Science	74.5%	75.9%
Geography	83.3%	88%

Adopt-a-School foundation

Sasria continued with its investment in Lodirile Secondary School through the Adopt-a-School Foundation. The school's governing body was put through a leadership and strategic planning programme which focused on developing strategic guidance and creating the high morale needed to manage a school environment conducive to excellent teaching and learning. The intervention was successful as the school obtained a 93% pass rate of which 50% was with admission to university. In the 2012 academic year, the school obtained a 95% pass rate; the slight reduction was due to the decline in the number of learners who wrote the matric exams in 2013.

Maths and Science support programme

Sasria expanded its reach with its Maths and Science programme by supporting two schools in KwaZulu-Natal, namely Menzi High School and Nwabi High School. The schools were provided with examination preparation at grades 8, 9 and 12, which resulted in the matric pass rate moving from 25% (11 learners passed out of 44) to 79% (23 learners assed out of 29) at Nwabi High School and Menzi High School attained a 100% pass rate of which 79% achieved university entrance.

Sasria extended bursaries to the top performing students to further their studies at a tertiary level; five students were granted bursaries during this period.

School Infrastructure Programme

Sasria continued with its schools infrastructure development initiative in partnership with the GDE. Sasria invested in renovations at Ratanda Secondary School to improve the conditions under which learners are taught. A further investment was made to Ntuthuko Primary School in Vosloorus, a special needs school, through renovating the school's hall to assist learners with special needs to access the school's facilities. In total, R1.2m was spent on infrastructure projects.

Skills Development

Internship programme

Sasria adopted the graduates it was funding through its bursary scheme and placed five of them on a two-year graduate programme with various partners in the insurance industry. Sasria funds the graduate programme with its business partners to provide exposure to the corporate business environment. In addition, we invest in the graduates by providing them with skills to assist with business etiquettes and the development of soft skills. Sasria believes that this will assist the graduates to obtain work experience and reduce the impact on unemployment.

Enterprise Development

In order to contribute to the economy and empowerment, Sasria has reviewed its procurement policy and procedures, with the result that it now ensures that its procurement is channelled to service providers with a level 4 B-BBEE rating and above.

Sasria has identified a number of SMMEs that will be assisted with business skills development through analysing their business needs, identifying entrepreneurial skill gaps and then providing them with appropriate business courses to close these gaps. Sasria will further assist them to comply with relevant legislation.

Looking Ahead

- Sasria's focus on education will be enhanced in KwaZulu-Natal and expanded to the Mpumalanga province. This will entail providing extra tuition, matric examination preparation, leadership development, infrastructure development and learner welfare.
- Sasria identified a need to develop loss adjusting and assessing skills within the insurance industry; this will be achieved by placing learners on a work readiness and/or apprenticeship programme.

ANNUAL FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2014

Report Of The Audit Committee

FOR THE YEAR ENDED 31 MARCH 2014

Audit Committee responsibility

The Audit Committee has complied with its responsibilities arising from section 51 of the PFMA and Treasury Regulation 27.1. In addition, the Audit Committee has adopted appropriate formal terms of reference as its Audit Committee charter, which have been approved by the board of directors. It has also regulated its affairs in compliance with this charter and discharged all its responsibilities contained therein.

Effectiveness of internal control

The effectiveness of internal controls was reviewed principally through a process of management self-assessment, including formal confirmation per representation letters by executive management. Other relevant input to the review included reports from internal and external auditors, compliance and the enterprise risk management process.

Where necessary, programmes for corrective action have been initiated. Nothing has come to the attention of the directors, or to the attention of the external or internal auditors, to indicate that any material breakdown in the functioning of the internal controls and systems (which includes the internal financial controls) occurred during the year under review.

Quality of monthly and quarterly reports submitted in terms of the Act

The Audit Committee is satisfied with the content and quality of the reports prepared by Sasria management.

Finance function

We believe that Ms Karen Pepler CA (SA), the Finance Director, possesses the appropriate expertise and experience to meet her responsibilities in that position.

We are satisfied with the expertise and adequacy of the resources with the finance function.

Based on the processes and assurance obtained, we believe that the accounting practices are effective.

Regulatory compliance

The Audit Committee complied with all applicable legal, regulatory and other responsibilities.

External audit

The Audit Committee has considered PricewaterhouseCoopers Inc's independence and is satisfied that it was independent throughout the year.

To assess the effectiveness of the external auditor, the committee reviewed:
- the fulfilment of the agreed audit plan and variations from the plan
- the robustness of the external auditor in its handling of the key accounting and audit judgements.

Regarding the oversight of the external audit process, the committee reviewed:
- the areas of responsibility and scope of the audit
- issues that arose from the audit and their resolution
- key accounting and audit judgements
- recommendations made by the external auditor and management's response.

Evaluation of financial statements

The Audit Committee has reviewed and discussed the audited annual financial statements to be included in the annual report with the external auditor and the Finance Director.

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

On behalf of the Audit Committee.

SH Schoeman
Audit Committee Chairperson
6 August 2014

Independent Auditor's Report To Parliament

REPORT ON THE FINANCIAL STATEMENTS OF SASRIA SOC LIMITED

Introduction

We have audited the financial statements of the Sasria SOC Limited set out on pages 85 to 135, which comprise the statement of financial position as at 31 March 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting Authority's responsibility for the financial statements

The Board of Directors which constitutes the accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Public Finance Management Act of South Africa and the Companies Act of South Africa, and for such internal control as the accounting authority determines 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 the Public Audit Act of South Africa (PAA), the General Notice issued in terms thereof and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sasria SOC Limited as at 31 March 2014, and its financial performance and cash flows for the year then ended, in accordance with the International Financial Reporting Standards and the requirements of the Public Finance Management Act of South Africa and 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 31 March 2014, we have read the Chairperson's Report, Managing Director's Report, Finance Director's Report, Directors' Report, Report of the Audit Committee, 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.

Report on other legal and regulatory requirements

In accordance with the PAA and the general notice issued in terms thereof, we report the following findings on the reported performance information against predetermined objectives presented in the annual report, compliance with legislation as well as internal control.

We performed tests to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, we do not express an opinion or conclusion on these matters.

Predetermined objectives

We performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented in the annual performance against key indicators report of the public entity for the year ended 31 March 2014:

- Strategic objective 1: Optimisation of shareholder value – Increase of net income: Increase in premium on page 14.
- Strategic objective 2: Optimisation of shareholder value – Increase of net income: Increase in investment income on page 14.
- Strategic objective 3: Integration and alignment of processes: Ensuring good corporate governance on page 14.
- Strategic objective 5: Customer centricity: Provide superior customer service to external stakeholders on page 15.

We evaluated the reported performance information against the overall criteria of usefulness and reliability.

We evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. We further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for Managing Programme Performance Information (FMPPI).

We assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

We did not raise any material findings on the usefulness and reliability of the reported performance information for the selected objectives.

Additional matter

Although we raised no material findings on the usefulness and reliability of the reported performance information for the objectives, we draw attention to the following matter:

Achievement of planned targets

Refer to the annual performance report on pages 14 to 15 for information on the achievement of the planned targets for the year.

Compliance with laws and regulations

We performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. We did not identify any instances of material non-compliance with specific matters in key applicable laws and regulations as set out in the General Notice issued in terms of the PAA.

Internal control

We considered internal control relevant to our audit of the financial statements, performance against predetermined objectives and compliance with laws and regulations. We did not identify any deficiencies in internal control that we considered sufficiently significant for inclusion in this report.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director, V. Muguto
Registered Auditor
8 August 2014

Directors' Responsibility And Approval Of Annual Financial Statements

The directors are responsible for the preparation, integrity and fair presentation of the financial statements. The external auditors are responsible for independently reviewing and reporting on the financial statements.

The financial statements set out in this report have been prepared by management in accordance with the provisions of the Companies Act and the PFMA and comply with International Financial Reporting Standards. They are based on appropriate accounting policies which have been consistently applied and which are supported by reasonable and prudent judgments and estimates.

The going concern basis was adopted in preparing the annual financial statements. The directors have no reason to believe that the company will not be a going concern in the foreseeable future based on forecasts and available cash resources. The company's viability is supported by the annual financial statements.

The company's internal controls and systems are designed to provide reasonable assurance on the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability of assets. Such controls are based on established written policies and procedures that are monitored through the company and all employees are required to maintain the highest ethical standards in ensuring that the company's business practices are conducted in a manner that in all reasonable circumstances is above reproach.

The annual financial statements were audited by the independent auditor, PricewaterhouseCoopers Inc., which was given unrestricted access to all financial records and related data, including minutes of meetings of shareholder, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit valid and appropriate.

Nothing has come to the attention of the directors to indicate that there has been any material breakdown in the functioning of these controls, systems and procedures during the year under review. The directors are of the opinion that Sasria's risk management process is effective.
The unqualified audit report of PricewaterhouseCoopers Inc. is presented on page 82.

PricewaterhouseCoopers Inc. will continue in office in accordance with Section 90 of the Companies Act, 2008. The company annual financial statements, set out on pages 85 to 135, were approved by the directors in accordance with their responsibilities and were signed on their behalf by:

MA Samie
Board Chairperson
6 August 2014

CM Masondo
Managing Director

Company Secretary Certificate

In accordance with section 88(2)(e) of the Companies Act, 71 of 2008, as amended (the Act), it is hereby certified that the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Act and that such returns are true, correct and up to date.

MS Mavuso
Company Secretary
6 August 2014

Statement of Financial Position

As at 31 March 2014

Figures in Rands (thousand)	Note(s)	2014	2013
Assets			
Property, plant and equipment	5	10 648	4 304
Intangible assets including intangible insurance asset	6	40 371	34 172
Investment in associate	7	52 794	48 099
Financial assets			
– at fair value through profit and loss	8.1	3 904 577	3 385 835
– loans and receivables	8.2	76 634	76 866
– derivative assets	8.3	1 492	–
Insurance receivables	9	124 835	104 060
Reinsurance contracts	10	27 092	194 351
Current tax receivable		–	1 715
Cash and cash equivalents	11	1 240 288	1 251 964
Total Assets		**5 478 731**	**5 101 366**
Equity			
Share capital	12	–	–
Capital adequacy reserve		350 610	245 142
Retained earnings		4 296 106	3 822 933
Total Equity		**4 646 716**	**4 068 075**
Liabilities			
Deferred income	15	4 159	13 127
Deferred tax	16	48 705	6 232
Employee benefit liability	14	11 928	1 053
Insurance contract liabilities	10	677 004	901 470
Derivative liabilities	8.3	606	–
Current tax payable		7 922	–
Payables	13	81 691	111 409
Total Liabilities		**832 015**	**1 033 291**
Total Equity and Liabilities		**5 478 731**	**5 101 366**

Statement of Comprehensive Income

For the year ended 31 March 2014

Figures in Rands (thousand)	Note(s)	2014	2013
Gross insurance premium written	17	1 390 338	1 223 530
Insurance premiums ceded to reinsurers	17	(126 573)	(362 476)
Net insurance premium revenue		**1 263 765**	**861 054**
Change in gross unearned premium provision		(20 698)	(41 091)
Change in reinsurers' share of unearned premium provision		(48 337)	10 564
Net insurance premiums earned	17	**1 194 730**	**830 527**
Commission earned from reinsurers		22 632	112 645
Investment income	18	443 109	406 616
Other income		37	12 394
Net income		**1 660 508**	**1 362 182**
Gross insurance claims and loss adjustment expenses	19	(261 524)	(644 160)
Claims and loss adjustment expenses recovered from reinsurers	19	(44 858)	136 727
Net insurance claims		**(306 382)**	**(507 433)**
Expenses for the acquisition of insurance contracts	20	(120 987)	(109 951)
Expenses for administration and marketing	21	(293 959)	(243 613)
Total expenses		**(414 946)**	**(353 564)**
Profit / (loss) before share of associate		**939 179**	**501 185**
Share of profit / (loss) of associate	7	4 860	(18 752)
Profit before tax		**944 039**	**482 432**
Income tax expense	23	(258 113)	(124 807)
Profit for the year		**685 926**	**357 625**
Total comprehensive income attributable to:			
Ordinary shareholder		**685 926**	**357 625**

Statement of Changes in Equity

For the year ended 31 March 2014

Figures in Rands (thousand)	Share capital	Capital adequacy reserve	Non-distributable regulatory reserves	Retained earnings	Total equity
Balance at 1 April 2012	**–**	**221 132**	**221 132**	**3 646 218**	**3 867 350**
Changes in equity					
Comprehensive income for the year	–	–	–	357 625	357 625
Transfer to capital adequacy reserve	–	24 010	24 010	(24 010)	–
Dividends	–	–	–	(156 900)	(156 900)
Total changes	**–**	**24 010**	**24 010**	**176 715**	**200 725**
Balance at 1 April 2013	**–**	**245 142**	**245 142**	**3 822 933**	**4 068 075**
Changes in equity					
Comprehensive income for the year	-	-	–	685 926	685 926
Transfer to capital adequacy reserve	–	105 468	105 468	(105 468)	–
Dividends	-	-	–	(107 287)	(107 287)
Other	–	–	–	2	2
Total changes	–	105 468	105 468	473 173	578 641
Balance at 31 March 2014	**–**	**350 610**	**350 610**	**4 296 106**	**4 646 716**
	Note(s) 12				

Statement of Cash Flows

For the year ended 31 March 2014

Figures in Rands (thousand)	Note(s)	2014	2013
Cash flows from operating activities			
Cash generated from operations	26	393 531	553 962
Dividends received		28 882	25 605
Interest received		247 086	228 566
Realised gains on investments		94 030	404 936
Income tax paid	28	(206 003)	(157 624)
Net cash from operating activities		**557 526**	**1 055 445**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(9 785)	(1 566)
Proceeds on disposal of non-current assets held for sale		–	42 152
Purchases relating to intangible assets	6	(5 780)	(2 089)
Purchase of investments		(446 350)	(642 611)
Net cash used in investing activities		**(461 915)**	**(604 114)**
Cash flows from financing activities			
Dividends paid		(107 287)	(156 900)
Net increase/(decrease) in cash and cash equivalents		**(11 676)**	**294 431**
Cash and cash equivalents at beginning of year		1 251 964	957 533
Cash and cash equivalents at end of year	11	**1 240 288**	**1 251 964**

Accounting Policies and Critical Accounting Estimates and Judgements in Applying Accounting Policies

1. Introduction

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

- any act (whether on behalf of any organisation, body or person, or group of persons) calculated or directed to overthrow or influence any state or government, or any provincial, local or tribal authority with force, or by means of fear, terrorism or violence;
- any act which is calculated or directed to bring about loss or damage in order to further any political aim, objective or cause, or to bring about any social or economic change, or in protest against any state or government, or any provincial, local or tribal authority, or for the purpose of inspiring fear in the public, or any section thereof; or
- any riot, strike or public disorder, or; any act or activity which is calculated or directed to bring about a riot, strike or public disorder.

These products are offered only to the domestic market.

Sasria is a state owned Company incorporated and domiciled in the Republic of South Africa.

2. Accounting Policies

2.1. New and Amended Standards adopted by the Company

(a) Effective in the current financial year and have an impact on the Company

The following standards, amendments to standards and interpretations have been adopted by the Company for the first time in the current financial year and have an impact on the Company:

2.1.1. Amendment to IAS 1, 'Presentation of Financial Statements'– effective date: 1 July 2012.

Regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially re-classifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

The amendment clarifies the disclosure requirement for comparative information when an entity provides a third balance sheet either as required by IAS 8' Accounting Policies, Changes in Accounting Estimates and Errors' or on a voluntary basis.

2.1.2. Amendment to IFRS 7, 'Financial Instruments: Disclosures' – Offsetting Financial Assets and Financial Liabilities'– effective date: 1 January 2013.

The IASB has published an amendment to IFRS 7, 'Financial Instruments': Disclosure , reflecting the joint requirements with the FASB to enhance current offsetting disclosures. These new disclosures are intended to facilitate comparison between entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.

2.1.3. IFRS 12, 'Disclosures of Interests in Other Entities' – effective date: 1 January 2013.

Includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles.

2.1.4. IFRS 13, 'Fair Value Measurement' – effective date: 1 January 2013.

Aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction in a principle market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique.

Accounting Policies and Critical Accounting Estimates and Judgements in Applying Accounting Policies

b) Effective in the current financial year and do not have an impact on the Company

The following standards, amendments to standards and interpretations have been adopted by the Company for the first time in the current financial year and do not have an impact on the Company:

2.1.5. IFRS 10, 'Consolidated Financial Statements'– effective date: 1 January 2013.

Builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent Company. IFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement in the investee and c) has the ability to use its power to affect its returns.

2.1.6. IFRS 11, 'Joint Arrangements' – effective 1 January 2013.

Focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted.

2.2. New Standards and Interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are available but neither effective nor early adopted yet. These will not be applied in preparing the financial statements for the year ending 31 March 2014. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

2.2.1. IFRS 15, 'Revenue from contracts with customers'.

Establishes principles for reporting useful information to users of the financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

2.2.2. IFRS 9, 'Financial instruments'.

Addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition.

The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

2.3. Consolidation

2.3.1. Investment in Associates

Associates are entities over which the Company has significant influence but not control over the financial and operational policies. Significant influence is determined based primarily on percentage voting rights (generally between 20% and 50%), Together with other factors such as board participation and participation in the policy-making process. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

If the ownership interest in the associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit and loss where appropriate. Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment on an annual basis.

Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is immediately recognised in the statement of comprehensive income. The Company's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associate. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments were made to the accounting policies of associates to ensure consistency with the policies adopted by the Company. The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and recognises the amount adjacent to share of profit/(loss) of associates in the statement of comprehensive income. Equity accounting is discontinued when the Company no longer has significant influence over the investment. The Company accounts for its investment in associates at cost less provision for impairment.

2.4. Property, Plant and Equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- It is probable that future economic benefits associated with the item will flow to the Company; and
- The cost of the item can be measured reliably.

Property, plant and equipment is initially recognised and measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, or replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised. Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value. Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Subsequent expenditure is capitalised when it is probable that it will give rise to future economic benefits. Changes to an existing decommissioning or restoration obligation are generally added to or deducted from the cost of the related asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

ITEM	AVERAGE USEFUL LIFE
Computer equipment	3 years
Furniture and fittings	10 years
Leasehold improvements	5 years
Motor vehicles	5 years
Office equipment	5 years

Accounting Policies and Critical Accounting Estimates and Judgements in Applying Accounting Policies

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. The depreciation charge for each period is recognised in the statement of comprehensive income unless it is included in the carrying amount of another asset. The gain or loss arising from de-recognition of an item of property, plant and equipment is included in the statement of comprehensive income when the item is derecognised. The gain or loss arising from de-recognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.The gain or loss on disposal is the difference between the net proceeds received and the carrying amount of the assets.

2.5. Intangible Assets

An intangible asset including intangible insurance asset are recognised when:

- It is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- The cost of the asset can be measured reliably.

Intangible assets including intangible insurance asset are initially recognised at cost. Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred. An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- It is technically feasible to complete the asset so that it will be available for use or sale.
- There is an intention to complete and use or sell it.
- There is an ability to use or sell it.
- It will generate probable future economic benefits.
- There are available technical, financial and other resources to complete the development and to use or sell the asset.
- The expenditure attributable to the asset during its development can be measured reliably.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of directly attributable overheads. Other development expenditures that do not meet these criteria are recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. To the extent that subsequent costs are incurred in the development phase, these are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be reliably measured. All other repairs and maintenance expenditure is charged to the statement of comprehensive income during the financial period in which it is incurred.

Intangible assets including intangible insurance asset are carried at cost less any accumulated amortisation and any impairment losses. The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Amortisation is provided to write down the intangible assets other than including intangible insurance asset, on a straight line basis, to their residual values as follows:

ITEM	AVERAGE USEFUL LIFE
Computer software	3–5 years

2.6. Financial Assets: offsetting, recognition and measurement

2.6.1. Classification

The Company classifies its financial assets into the following categories: financial assets held at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

2.6.1.1. Financial Assets at Fair Value through Profit or Loss

This category has two sub-categories: financial assets held for trading, and those designated as at fair value through profit or loss at inception. A financial asset is classified as a trading instrument if acquired principally for the purpose of selling in the short-term if it forms part of the portfolio of financial assets in which there is evidence of profit taking, or if so designated by management. Derivatives are also categorized as held for trading unless they are designated as hedges. Financial assets designated as at fair value through profit or loss at inception are the following: Those that are held in funds to match investment contract liabilities that are linked to the changes in fair value of these assets. The designation of these assets to be at fair value through profit or loss eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an "accounting mismatch") that would otherwise arise from measuring assets and liabilities or recognizing the gains and losses on them on different bases.

Those that are managed and whose performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to the Company's key management personnel. The Company's investment strategy is to invest in equity and debt securities, and to evaluate them with reference to their fair values. Assets included in these portfolios are designated upon initial recognition as at fair value through profit or loss.

Recognition and measurement of financial asset purchases and disposals are recognised on trade date – the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value. Transaction costs are recognised in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Financial assets at fair value through profit or loss are subsequently carried at fair value. Unrealised movements arising from changes in the fair value of financial assets at fair value through profit or loss are included in the statement of comprehensive income in the period in which they arise. Dividend income and interest accrued from financial assets at fair value through profit or loss are recognised in the statement of comprehensive income as part of investment income when the Company's right to receive payments is established. Realised gains on financial assets at fair value through profit or loss are calculated as the difference between proceeds received and cost. Realised gains are recognised as part of net loss/gain on financial assets and liabilities at fair value through profit or loss.

The fair values of quoted investments are based on current stock exchange closing prices at the close of business on the reporting date. If the market for a financial asset is not active or if it is unquoted, the Company establishes fair value by using valuation techniques. These include discounted cash flow analysis, recent arm's length transactions, premium / discount to net asset value and price-earnings techniques. The Company's main valuation techniques incorporate all factors that market participants would consider and make maximum use of observable market data. Debt securities are measured at fair value based on the market rate of an equivalent non-convertible bond. Unit trusts are measured at fair value based on the quoted repurchase prices. Loans and receivables are subsequently measured at amortised cost using the effective-interest rate method, less provision for impairment. A provision for impairment of loans and receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to their original terms. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

The carrying value (less impairment provision) of trade receivables and payables are assumed to approximate their fair values.

2.6.1.2 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention and ability to settle on a net basis, or to realise and settle the asset and liability simultaneously.

2.6.1.3 Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Company intends to sell in the short-term or that it has designated as held at fair value through profit and loss.

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss. Trade and other receivables are classified as loans and receivables.

2.6.2. Cash and Cash Equivalents

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

2.6.3. Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates. Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in profit or loss. Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise. Derivatives are classified as financial assets at fair value through profit or loss.

2.7. Impairment of financial assets

The carrying amounts of all the Company's assets, other than those classified as fair value through profit and loss, are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the carrying value is reduced to the estimated recoverable amount by means of a charge to the statement of comprehensive income.

2.7.1. Receivables including Insurance Related Receivables

Receivables including insurance related receivables are impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that receivables including insurance related receivables are impaired includes observable data that comes to the attention of the Company about the following events:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as a default or delinquency in payments;
- It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for the financial asset because of financial difficulties;
- Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual assets in the group, including:
  – Adverse changes in the payment status of issuers of debtors in the group,
  – National or local economic conditions that correlate with defaults on the assets in the group.

The Company first assesses whether objective evidence of impairment exists individually for assets that are individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed asset, whether significant or not, it includes the asset in a group of assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. If there is objective evidence that an impairment loss has been incurred on loans and receivables the amount of the loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised through profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price. For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the issuer's ability to pay all amounts due under the contractual terms of the debt instrument being evaluated.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed. The amount of the reversal is recognised through profit or loss. For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the issuer's ability to pay all amounts due under the contractual terms of the debt instrument being evaluated. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed. The amount of the reversal is recognised through profit or loss.

2.7.2. Impairment of Other Non-financial Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. In the case of non-financial assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. The reversal is taken through profit or loss. An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.8. Insurance classification

The Company issues contracts which transfer insurance risk or financial risk or, in some cases, both. Insurance contracts are those contracts under which the Company (as insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects them. Such contracts may also transfer financial risk. Receipts and payments under insurance contracts are accounted for in the statement of comprehensive income in accordance with the requirements of IFRS 4. The insurance contracts that the Company underwrites are classified and described below:

2.8.1. Short-term Insurance

Short-term insurance provides benefits under short-term policies, which include special risk cover for engineering, fire, transportation, motor and guarantee or a contract comprising a combination of any of those policies. Short-term insurance contracts are further classified into the following categories:

- Personal insurance, consisting of insurance provided to individuals and their personal property; and
- Commercial insurance, providing cover on the assets and liabilities of business enterprises.

Accounting Policies and Critical Accounting Estimates and Judgements in Applying Accounting Policies

2.9. Recognition and measurement of insurance contracts

2.9.1. Gross Written Premiums

Gross written premiums exclude value added tax and comprise the premiums on contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period and are disclosed gross of commission payable to intermediaries. Gross premiums written include adjustments to premiums written in prior accounting periods. Premiums are earned from the date the risk attaches, over the indemnity period, based on the pattern of the risk underwritten. Outward reinsurance premiums are recognised as an expense in accordance with the risk pattern of cover ceded.

2.9.2. Provision for Unearned Premiums

The provision for unearned premiums represents the portion of the current year's premiums that relate to risk periods extending into the following year. As the majority of the underwriting risks are incurred uniformly over the term of the contract the unearned premium liability is calculated on the straight line basis, using the 365th method, except for insurance classes where allowance is made for uneven exposure.

2.9.3. Claims Incurred

Claims incurred exclude Value added tax and consist of claims and claims handling expenses paid during the financial year together with the movement in the provision for outstanding claims and provision for claims incurred but not reported. Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Company. The Company does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions).

2.9.4. Provision for Outstanding Claims

Provision is made on a prudent basis for the estimated final cost of all claims that had not been settled on the accounting date, less amounts already paid. Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to policy holders. The Company's own assessors or contracted external assessors individually assess claims. The claims provision includes an estimated portion of the direct expenses of the claims and internal and external handling expenses. Claims provisions are not discounted.

Claims provisions are determined based upon previous claims experience, knowledge of events, the terms and conditions of the relevant policies and on the interpretation of circumstances. Each notified claim is assessed on a separate case-by-case basis with due regard to the specific circumstances, information available from the insured notes to the financial statements and/or loss adjuster and past experience with similar cases and historical claims payment trends. The approach also includes the consideration of the development of loss payment trends, the levels of unpaid claims, legislative changes, judicial decisions and economic conditions. The Company employs individuals experienced in claims handling and rigorously applies standardised policies and procedures to claims assessment. The ultimate cost of reported claims may vary as a result of future developments or better information becoming available about the current circumstances. Therefore, case estimates are reviewed regularly and updated when new information becomes available.

The provision for outstanding claims is initially estimated at a gross level. A separate calculation is carried out to estimate reinsurance recoveries. The calculation of reinsurance recoveries considers the type of risk underwritten, the year in which the loss claim occurred and under which reinsurance program the recovery will be made, the size of the claim and whether the claim was an isolated incident or formed part of a catastrophe reinsurance claim.

2.9.5. Provision for Claims Incurred But Not Reported (IBNR)

Provision is also made for claims arising from insured events that occurred before the close of the accounting period, but which had not been reported to the Company at that date. This provision is calculated using actuarial modelling with at least five years historical claims experience where possible, the Company adopts multiple techniques to estimate the required level of provisions. This assists in developing a greater understanding of the trends inherent in the data being projected.

2.9.6. Basic Chain-ladder Methodology and Bornhuetter-Fergussen Methodology

The Company uses the Basic chain-ladder methodology and Bornhuetter-Fergussen methodology to estimate the ultimate cost of claims. This process is performed separately for the motor and property lines of business. The basic technique involves analysing historical claims development factors, net of reinsurance, and selecting estimated development factors based on this historical pattern. The selected development factors are applied to cumulative internal claims data for each incident year that is not yet fully developed to produce an estimated ultimate claims cost for each incident year. The remaining lines of business is estimated based on the interim measures issued by the Financial Services Board which became effective on 1 January 2012.

It is the nature of these techniques that a weighted average of claims inflation within the past data will be projected into the future. A stochastic process is applied to the choice of development factors for each incident year in accordance with standard statistical practices. Numerous simulations are performed to obtain a distribution of the ultimate claims cost.

The claims provisions are subject to close scrutiny within the Company. In addition, for major classes where the risks and uncertainties inherent in the provisions are greatest, regular and ad hoc detailed reviews are undertaken by advisers who are able to draw upon their specialist expertise and a broader knowledge of current industry trends in claims development. The results of these reviews are considered when establishing the appropriate levels of provisions for the outstanding claims and unexpired periods of risk.

2.9.7. IBNR Reserve is held so as to be at least sufficient at the 75th Percentile

As this method uses historical claims development information, it assumes that the historical claims development pattern will occur again in future.

There are reasons why this may not be the case. Such reasons include:

- Change in processes that affect the development/recording of claims paid and incurred;
- Economic, legal, political and social trends;
- Changes in mix of business; and
- Random fluctuations, including the impact of large losses.

The degree of uncertainty will vary by policy class according to the characteristics of the insured risks and the cost of a claim will be determined by the actual loss suffered by the policyholder. There may be significant reporting lags between the occurrence of the insured event and the time it is actually reported to the Company. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude and timing of the settlement of the claim. The establishment of insurance liabilities is an inherently uncertain process and, as a consequence of this uncertainty, the eventual cost of settlement of outstanding claims can vary substantially from the initial estimates. The Company seeks to provide appropriate levels of claims provisions taking the known facts and experience into account.

2.9.8. Deferred Acquisition Costs (DAC)

The costs of acquiring new and renewal insurance business that are primarily related to the production of that business are deferred and recognised as an intangible asset when they can be identified and measured reliably and it is probable that they will be recovered. The costs are subsequently amortised to the income statement as the premium income is earned. Similarly, any reinsurance commissions received are deferred and recognised as income over the term of the reinsurance contract.

At each end of the reporting period, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related DAC assets. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used.

Any deficiency is immediately charged to profit or loss initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision). Any DAC written off as a result of this test cannot subsequently be reinstated.

2.9.9. Reinsurance Contracts held

Reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders. Amounts recoverable under reinsurance contracts are assessed for impairment at each balance sheet date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due and there is a reliably measurable impact on the amounts that the Company will recover from a reinsurer. Impairment losses are recognised through the statement of comprehensive income.

Reinsurance contracts are only recognised as such when they give rise to significant transfer of insurance risk from the Company to the reinsurers. These reinsurance contracts meet the definition of an insurance contract as defined above. Contracts that do not meet these classification requirements are classified as financial assets. Claims that are recoverable under such contracts are recognised in the same year as the related claims. The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets.

These assets consist of short-term balances due from reinsurers on settled claims, as well as estimates that are dependent on the outcome of claims experiences related to the reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when incurred. The reinsurer's share of unearned premiums represents the portion of the current year's reinsurance premiums that relate to risk periods covered by the related reinsurance contracts extending into the following year. The reinsurers' share of unearned premium is calculated using the 365th method.

2.9.10. Reinsurance Commission

Commissions paid to intermediaries are accounted for over the risk period of the policy to which they relate. The portion of the commission which is deferred to subsequent accounting periods is termed deferred acquisition cost. Reinsurance commission is deferred in line with the reinsurance premium expense. Profit commissions receivable should be taken into account when they are likely to be realised, and are measurable.

2.9.11. Receivables and Payables Related to Insurance Contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, intermediaries and insurance policy holders. If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the statement of comprehensive income. The Company gathers objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated according to the same method used for these financial assets.

2.9.12. Salvage Reimbursements

Some insurance contracts permit the Company to sell (usually damaged) property acquired in settling a claim (i.e. salvage). The Company may also have the right to pursue third parties for payment of some or all costs (i.e. subrogation). Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims. The allowance is the amount that can reasonably be recovered from the disposal of the property. Subrogation reimbursements are also considered as an allowance in determining the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

2.10. Taxation

The tax expense for the year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognized directly in equity.

2.10.1. Current Income Tax

The current income tax charge is calculated on the basis of the South African tax laws enacted or substantively enacted at the statement of financial position date, and any tax payable in respect of prior years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2.10.2. Deferred Income Tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting nor the taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred income tax is provided on temporary differences arising on investments in associates, except where the Company controls the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority. The tax effects of carry-forwards of unused losses or unused tax credits are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

2.11. Employee Benefits

2.11.1. Pension Obligations

The Company provides for the retirement benefits of its employees through a defined contribution plan. The assets are held in separate trustee administered funds. The Company pays defined contributions into these funds and thereafter, the Company has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all the employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is assured.

2.11.2. Termination Benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve months after the balance sheet date are discounted to present value.

2.11.3. Bonus Plan

The Company recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Accounting Policies and Critical Accounting Estimates and Judgements in Applying Accounting Policies

2.11.4. Leave Pay

Employee entitlements to annual leave and long-service leave are recognised when they accrue to employees. Provision is made for the estimated liability of this leave as a result of services rendered by employees up to the statement of financial position date.

2.12. Provisions

Provisions are recognised when the Company has a present legal or constructive obligation of uncertain timing or amount as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are measured as the present value of management's best estimate of the expenditure required to settle the obligation at the reporting date. When the effect of discounting is material, provisions are discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Provisions are not recognised for future operating losses. When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Claims benefits payable and the provision for claims that have occurred but have not yet been reported as at the balance sheet date are disclosed under insurance liabilities.

2.13. Revenue Recognition

The accounting policy relating to the recognition of revenue from insurance contracts is disclosed as part of 2.9 on page 96 which describes the recognition and measurement of insurance contracts in detail.

2.13.1. Interest Income and Expenditure

Interest income and expenditure for all interest-bearing financial instruments, including financial instruments measured at fair value through profit or loss, is recognised within investment income and finance costs in the income statement using the effective-interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original interest rate of the instrument and continues unwinding the discount as interest income.

2.13.2. Dividend Income

Dividend income for equities is recognised when the right to receive payment is established, which the last day of trade in respect of is quoted shares and when declared in respect of unquoted shares. Dividends include shares received in terms of capitalisation issues, irrespective of whether there is an option to receive cash in lieu of the shares.

2.13.3. Rental Income

Rental income from investment properties is recognised in the income statement on a straight-line basis over the term of each lease.

2.14. Leases

2.14.1 Operating leases – Lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income. When an operating lease is terminated, any payment required by the lessor by way of a penalty is recognised as an expense in the period in which termination takes place. Income for leases is disclosed under revenue in the statement of comprehensive income.

2.14.2 Operating Leases – Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted. Any contingent rents are expensed in the period they are incurred.

2.15. Dividend distribution

Dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which they are approved by the Company's shareholders.

2.16. Trade and other payables

Trade and other payables are recognised when the Company has a present obligation arising from past events, settlement of which is expected to result in an outflow of economic benefits from the Company. Trade and other payables are initially recorded at fair value and subsequent to initial recognition they are carried at amortised cost.

2.17. Critical accounting estimates and judgments in applying accounting policies

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates in the valuation of certain assets and liabilities. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. This is specifically true for the estimation of liabilities from insurance contracts, including the estimate of the liability for claims incurred but not reported (IBNR). The estimates and assumptions are based on historical experience and various factors that may be relevant at the time. Actual results may subsequently be different to the estimates. Estimates and judgments are annually evaluated and based on the historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2.17.1. Ultimate Liability arising from Claims made under Insurance Contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. Several sources of uncertainty have to be considered in estimating the liability that the Company will ultimately be exposed to for such claims. The risk environment can change quickly and unexpectedly owing to a wide range of events or influences.

The Company is constantly refining the tools with which it monitors and manages risks to place the Company in a position to assess risk situations appropriately, despite the greatly increased pace of global changes. The growing complexity and dynamism of the environment in which we operate means that there are natural limits, however. There cannot and never will be absolute security when it comes to identifying risks at an early stage, measuring them sufficiently, or correctly estimating their real hazard potential. Refer to notes 3 and 4 – Management of Insurance and Financial risks for further detail on the estimation of the claims liability.

Accounting Policies and Critical Accounting Estimates and Judgements in Applying Accounting Policies

2.17.2. Valuation of Unlisted Investments

The unlisted equity investments which are held indirectly through the associate (private equity trust), are valued by the private equity investment manager on a discounted cash flow valuation method. This valuation is independently reviewed by an accounting firm. The valuations are also reviewed by management for reasonableness.

The use of discounted cash flow analyses involves the estimation of future cash flows based on the best estimates provided by trust for each underlying investment and a discount rate which is market related at the balance sheet date. Subsequent changes to these estimates would result in changes to fair values. Sasria accounts for its share of the fair value movements as described in 2.4 above. Furthermore, the unlisted bond investments which are held through appointed asset managers, are valued based on market observable data and expert judgment. The unlisted bonds are independently audited by the external auditors of these asset manager. The valuations are also reviewed by management for reasonableness. The market observable data would be the interest rate at which a listed liquid government bond will trade at. To determine the spread at which the unlisted bond should be valued at requires the use of an expert. These spreads are internally reviewed by the credit committees of the respective asset managers. Subsequent changes to these valuations would result in changes to fair values. Sasria accounts for its share of the fair value movements as described in 2.4 above.

2.18 Capital adequacy requirement reserve

The company calculates its solvency capital requirement ("SCR") in accordance with board notice 169 of the Financial Services Board. The SCR is based on the risk profile of the Company's underwriting activities and asset mix. Minimum allowable asset, equal to the calculated SCR value, needs to be maintained throughout the period.

3. Management of insurance risk

Exposure to insurance risk

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

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

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

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

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

Engineering – provides indemnity for loss of or damage sustained to machinery and equipment or damage to buildings or structures during the course of erection.
Fire – provides indemnity for loss of or damage to immovable property. This includes commercial and residential properties.
Transportation – provides indemnity for loss of or damage to goods-in-transit, marine cargo and marine hull, which includes ships and small craft as well as the marine or inland transit of cargo.
Motor – provides indemnity for loss of or damage to all types of motor vehicles.
Guarantee – provides indemnity to banks for default by their clients due to the occurrence of a Sasria peril and is sold by the Homeloan Guarantee Company.

Limiting exposure to insurance risk

Due to the business model followed by Sasria, there is no individual underwriting performed on the coupons up to R500 million; Sasria does individually underwrite all the coupons in excess of R500 million but not exceeding R1.5 billion. Sasria offers cover on a non-refusable basis. The premium rates that the non-mandated intermediary companies use are set by Sasria in underwriting guidelines. These premiums are a fixed percentage of the value insured. The underwriting risk is mitigated by the fact that the Sasria cover, being a coupon policy, attaches to a conventional insurer's underlying policy. If no cover is provided by the non-mandated intermediary company, then no Sasria cover attaches.
The Company's exposure is limited by the application of limits of cover as opposed to full value cover. The insured have an option of taking up the Sasria cover at the holding company level or at subsidiary level. Adequate reinsurance has been arranged to mitigate the increased exposure.

The Company also provides a set of Sasria underwriting guidelines to the non-mandated intermediary companies.

Notes to financial statements

For the year ended 31 March 2014

Underwriting strategy and limits and policies for mitigating insurance risk

The legislated monopoly enjoyed by Sasria as well as the underwriting philosophy of the Company results in the Company underwriting a large number of diverse risks resulting in a balanced portfolio spread across personal and commercial policyholders.

By using gross written premiums in each class as an indicator, the table below illustrates the Company's distribution of risks underwritten:

Category of risk policy	2014 %	2013 %
Engineering	4,08	3,81
Property	78,20	77,62
Transportation	0,91	0,88
Motor	16,26	16,99
Guarantee	0,19	0,29
Miscellaneous	0,36	0,41
Total for all categories	**100,00**	**100,00**

Reinsurance strategy

The Company has an extensive proportional and non-proportional reinsurance program which is aimed at reducing the volatility of the Company's underwriting results and protecting its capital. The Company purchases catastrophe reinsurance to protect itself from losses arising from major catastrophes. The level of catastrophe reinsurance purchased is based on the Company's maximum possible loss and capital adequacy exercise, which is performed annually.

Concentration of insurance risks

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

Credit risk on reinsurance contracts

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

Independent credit ratings of all existing and prospective reinsurers are monitored prior to entering into reinsurance transactions. The credit ratings of all existing reinsurers are also monitored on an ongoing basis throughout the year.

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For the year ended 31 March 2014

The table below shows the credit ratings of the Company's five largest reinsurers on the reinsurance programme.

As at 31 March 2014

Reinsurer	**% of total cover provided**	**Standard & Poor's rating ***
Hannover Reinsurance Africa Limited, South Africa	23,58	A
Lloyd's Underwriters	18,53	A
Lancashire Insurance Company Limited, UK	16,70	A
Swiss Reinsurance Company, Switzerland	14,15	AA
SCOR Africa Limited, South Africa	9,43	A

As at 31 March 2013

	% of total cover provided	**Standard & Poor's rating ***
Lloyd' syndicates	24,97	A+
Lancashire Insurance	18,47	A–
Hannover Re of Africa	17,43	A–
SCOR Africa	8,24	A+
Munich Re of Africa	5,89	A+

The Company does not have any foreign currency risk exposure as the reinsurance contracts are denominated in Rand.

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

Split by type of policyholder	**2014**	**2013**
	%	**%**
Personal policies	26,04	27,88
Commercial policies	73,96	72,12
Total personal and commercial policies	**100,00**	**100,00**

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

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

Notes to financial statements

For the year ended 31 March 2014

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

Split by type of policyholder	2014 %	2013 %
Annual policies	50,26	50,80
Monthly policies	49,74	49,20
Total annual and monthly policies	**100,00**	**100,00**

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

Claims management

The outstanding claims are monitored on a monthly basis by management. All individual claims with an estimate exceeding R1.0 million are individually reviewed by executive management. The claims department monitors most of the media on a daily basis to consider all events likely to result in claims against the Company. The outstanding claims provision is monitored on a monthly basis by management. No provision for an outstanding claim estimate is reversed until the Company is reasonably assured that no litigation will occur. The outstanding claims provision is annually tested for adequacy as part of the liability adequacy test noted in note 2.9 above. The process regarding the claims development is discussed in note 10.

Notes to financial statements

For the year ended 31 March 2014

4. Management of financial risk

The Company is exposed to financial risk through its financial assets, reinsurance assets and insurance liabilities. In particular the key financial risk is that the proceeds from its financial assets will not be sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are market price risk, credit risk and liquidity risk. These risks arise from investments whose values fluctuate with interest rates and in equities, all of which are exposed to general and specific market price movements.

For the discussions below, the following financial instruments and insurance balances are disclosed in classes based on their similar characteristics:

	2014	2013
Financial and insurance assets		
Quoted equity securities	1 069 015	836 756
Unlisted and unquoted equity securities	6 300	6 300
Total equity securities	**1 075 315**	**843 056**
Unquoted linked insurance policies	181 441	177 997
Money market fund (>3 months)	997 140	761 568
Government and semi-government bonds	377 190	330 981
Other bills and bonds (fixed rate)	1 273 491	1 272 234
Total debt and money market securities	**2 829 262**	**2 542 780**
Total financial assets at fair value through profit & loss	**3 904 577**	**3 385 836**
Insurance receivables	124 835	104 060
Loans and receivables	76 634	76 866
Total loans and receivables including insurance receivables	**201 469**	**180 926**
Reinsurance assets	27 092	194 351
Cash and cash equivalents	1 240 288	1 251 964
Net insurance claims	**1 267 380**	**1 446 315**
Financial and insurance liabilities		
Deferred income	4 159	13 127
Insurance contracts	677 004	901 470
Payables	81 691	111 409
Employee benefit liability	11 928	1 053
Total financial and insurance liabilities	**774 782**	**1 027 059**

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For the year ended 31 March 2014

Market risk

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

Market risk arises due to fluctuations in both the value of financial liabilities and the value of investments held. The management of the Company is tasked with the responsibility of managing key market risks to which the Company is exposed. Sasria's strategy on the management of investment risk is driven by the investment objective which is one of being a conservative, low risk investment which has different liquidity requirements. The investments market positions are monitored daily by the investment managers and reviewed monthly by the Financial Director and quarterly by the Investment Committee. For each of the major components of market risk, described in more detail below, the Company's board has put in place policies and procedures to set out how each risk should be managed and monitored, and the approach to setting an appropriate risk appetite.

Price risk

The Company's objective is to earn competitive relative returns by investing in a diverse portfolio of high-quality, liquid securities. Portfolio characteristics are analysed regularly and equity price risk is actively monitored and managed by the Investments Committee.

Interest rate risk

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

A hypothetical 1% decline or increase in the interest rate relating to interest bearing securities excluding other bills and bonds and the investment in the infrastructure development bond fund would result in an increase in profit before tax of R21.3 million (2013: R32.46 million) or a decrease in profit before tax of R21.3 million (2013: R32.46 million) respectively.

A hypothetical 1% (2013: 1%) was used during the current financial year taking into consideration the possibility of reducing repo rate by 0.5% to 1% in the new financial year. The full impact of decrease or increase in instruments' individual prices would affect the Company's profit or loss since these investments are in the Company's capital portfolio.

A 1% increase in interest rates would expose the Company to the risk of losing value in other bills and bonds by R28.5 million (2013: R13 million) while the decrease would expose the Company to the risk of gaining value by R28.5 million (2013: R26 million).

A 1% increase in interest rates would expose the Company to the risk of losing value in the infrastructure development bond fund by R10.1 million while the decrease would expose the Company to the risk of gaining value by R10.1 million.

The loans and receivables and trade and payables are not sensitive to interest rate fluctuations as they are expected to be settled within 0 to three months when they fall due.

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

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For the year ended 31 March 2014

Equity price risk

Investments in listed equities, which are carried on the balance sheet at fair value, have exposure to price risk, being a potential loss of market value resulting from adverse change in prices. Investments in marketable securities are valued at fair value and are therefore susceptible to market fluctuations. All of the Company's investments are managed through seven outsourced reputable investment managers. Each of these managers is given a mandate to ensure that market risk is mitigated through diversification and investing in reputable companies and institutions. Investment decisions are made by the Board's Investment Committee, which has ultimate responsibility for determining the investment portfolio's risk profile and the related investment decisions.

At 31 March 2014, the Company had quoted ordinary share investments which have been disclosed at their fair values. A hypothetical 10% decline or increase in quoted investments would result in a decrease/increase in profit before tax by R106.9 million (2013: R83.7 million). A hypothetical 10% was used during the current financial year due to the expected movements in the equity market; the improvement is expected to continue into the new financial year. The full impact of decrease or increase in instruments' individual prices would affect the Company's profit or loss since these investments are in the Company's capital portfolio. The table below clearly illustrates the impact of the assumptions used above.

	2014	2013
Quoted investments		
Effect on Profit before tax at 10% (fluctuation)	R106,9 m	R83,7 m
Effect on Profit before tax at 15% (fluctuation)	R160,4 m	R125,5 m

Foreign currency risk

The Company is not significantly exposed to any foreign currency risk on its financial instruments or insurance contracts as it does not have any transactions that are denominated in a currency other than the Rand.

Credit risk

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

- Reinsurers' share of insurance liabilities that have not yet been paid;
- Reinsurers' share of claims already paid;
- Amounts due from insurance contract holders;
- Premiums and other amounts due from non-mandated intermediary companies; and
- Amounts invested with investment managers.

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

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

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

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For the year ended 31 March 2014

As at 31 March 2014

Financial Assets	**AAA**	**AA**	**A**	**BBB**	**Not rated**	**Total**
Government bonds	283 255	66 055	27 880	–	–	377 190
Other bills and bonds	157 774	622 291	375 301	118 125	–	1 273 491
Money market fund	–	797 000	200 140	–	–	997 140
Unquoted linked insurance policies	–	181 441	–	–	–	181 441
Insurance receivables	–	–	–	–	124 835	124 835
Loans and receivables	–	–	–	–	76 634	76 634
Reinsurance contracts	–	–	27 092	–	–	27 092
Cash and cash equivalents	430 228	700 641	74 377	35 041	–	1 240 287
Total	**871 257**	**2 367 428**	**704 790**	**153 166**	**201 469**	**4 298 110**

As at 31 March 2013

Financial Assets	**AAA**	**AA**	**A**	**BBB**	**Not rated**	**Total**
Government bonds	284 138	24 835	22 008	–	–	330 981
Other bills and bonds	150 176	617 914	425 394	78 750	–	1 272 234
Money market fund	–	598 225	163 343	–	–	761 568
Unquoted linked insurance policies	–	177 997	–	–	–	177 997
Insurance receivables	–	–	–	–	104 060	104 060
Loans and receivables	–	–	–	–	76 866	76 866
Reinsurance contracts	–	–	194 351	–	–	194 351
Cash and cash equivalents	235 798	845 851	169 434	–	880	1 251 964
Total	**670 112**	**2 264 822**	**974 530**	**78 750**	**181 806**	**4 170 020**

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

- AAA– Highest quality with minimal credit risk.
- AA– Very good quality and is subject to very low credit risk.
- A– Good quality with a low credit risk although certain conditions can affect the asset adversely than those rated AAA and AA.
- BBB– Medium quality with moderate credit risk.
- Not rated.

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

Liquidity risk

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

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

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

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

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

As at 31 March 2014	Within 0 to 3 months	3 months to 1 year	1 to 2 years	Other	Total
Deferred income	2 281	1 878	–	–	4 159
Insurance contract liabilities	205 610	249 574	117 923	8 769	581 876
Payables	81 691	–	–	–	81 691
Employee benefit liability	–	11 928	–	–	11 928
Total	**289 582**	**263 380**	**117 923**	**8 769**	**679 654**

As at 31 March 2013	Within 0 to 3 months	3 months to 1 year	1 to 2 years	Other	Total
Deferred income	5 553	7 574	–	–	13 127
Insurance contract liabilities	901 470	–	–	–	901 470
Payables	111 409	–	–	–	111 409
Employee benefit liability	–	1 053	–	–	1 053
Total	**1 018 432**	**8 627**	**–**	**–**	**1 027 059**

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

Notes to financial statements

For the year ended 31 March 2014

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

As at 31 March 2014	Within 0 to 3 months	3 months to 1 year	1 to 3 years	More than 3 years	Total
Investment in associate	52 794	–	–	–	52 794
Financial assets at fair value through profit and loss	1 290 762	867 455	852 666	893 694	3 904 577
Loans and receivables	76 634	–	–	–	76 634
Insurance receivables	124 835	–	–	–	124 835
Reinsurance contracts	11 448	13 460	2 022	16	26 946
Cash and cash equivalents	1 240 288	–	–	–	1 240 288
Total	**2 796 761**	**880 915**	**854 688**	**893 710**	**5 426 074**

As at 31 March 2013	Within 0 to 3 months	3 months to 1 year	1 to 3 years	More than 3 years	Total
Investment in associate	–	–	–	48 099	48 099
Financial assets at fair value through profit and loss	1 260 410	934 914	427 834	762 677	3 385 835
Loans and receivables	76 866	–	–	–	76 866
Insurance receivables	104 060	–	–	–	104 060
Reinsurance contracts	194 351	–	–	–	194 351
Cash and cash equivalents	1 251 964	–	–	–	1 251 964
Total	**2 887 650**	**934 914**	**427 834**	**810 776**	**5 061 174**

Operational risk

Operational risk arises as a result of inadequately controlled internal processes or systems. These risks are mitigated through a comprehensive system of internal controls, comprising policies and standards, procedures, systems and information to assist in achieving established objectives and goals. The Company's management has the responsibility for the effective identification, management, monitoring and reporting of operational risks.

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Capital management

Sasria's capital management philosophy is to maximise the return on the shareholders capital within an appropriate risk framework. It will continue to monitor our solvency levels and required solvency range in light of industry changes and regulatory requirements. Sasria is committed to efficient capital management and a decision was taken by the Board to maintain an appropriate level capital with the balance of the required capacity being made up of reinsurance.

Sasria has calculated its solvency position as at 31 March 2014 on the Interim Measures basis and the results are shown in the table below.

Regulatory solvency position	2014	2013	2012
Capital required as % of premium	28	29	28
Capital available as a % premium	368	473	500
Available capital as % of requred capital	**1 325**	**1 656**	**1 757**

The Company remains in a healthy solvency position on the Interim Measures basis, as was the case in previous years. However, as in previous years, the regulatory minimum capital requirement continues to underestimate the risk capital required for Sasria's unique business. Hence, Sasria has aligned itself to a more accurate calculation of capital through the development of an economic capital model.

During 2014 financial year the FSB also undertook an industry field study of the draft minimum capital requirements proposed for implementation under SAM in 2016. This field study was called SA QIS3 (Quantitative Impact Study 3). Sasria participated in all three SA QIS exercises and the results are shown below:

SAM proposed solvency position	QIS 3	QIS 2	QIS 1
Capital required as a % of premium	119	153	283
Capital available as a % of premium	487	450	443
Available capital as % of requred capital	**409**	**295**	**156**

The draft requirements under the SA QIS3 exercise provide a more realistic value of the risk capital required by Sasria. The Company would be in a solvent position under the proposed SAM QIS3 requirements, with a solvency margin of 409%. This is calculated as the available own funds divided by the minimum capital required.

The Company has established risk appetite measures for the capital at risk as well as limit and threshold allocations to manage the key metrics (insurance risk, credit risk and market risk) used within the organisation. The establishment of the risk appetite measure is to ensure that the Directors have appropriate risk management practices in place. The management of risk within the organisation is governed by the Board and overseen by the Risk Committee.

Fair value hierarchy

This requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

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

The following table analyses within the fair value hierarchy the Company's financial assets and liabilities (by class) measured at fair value at 31 March 2014.

31 March 2014 **Asset**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets and liabilities designated at fair value through profit and loss:				
- Equity securities– listed	1 069 015	–	–	1 069 015
- Equity securities– unlisted	–	–	6 300	6 300
- Debt securities	285 186	1 365 495	–	1 650 681
- Money Market Fund	–	997 140	–	997 140
- Unquoted linked insurance policies	–	181 441	–	181 441
- Derivative assets	–	1 492	–	1 492
- Derivative liabilities	–	(606)	–	(606)
Total financial assets and liabilities designated at fair value through profit and loss	**1 354 201**	**2 544 962**	**6 300**	**3 905 463**

31 March 2013 **Asset**	**Level 1**	**Level 2**	**Level 3**	**Total**
- Equity securities– listed	836 756	–	–	836 756
- Equity securities– unlisted	–	–	6 300	6 300
- Debt securities	261 801	1 341 414	–	1 603 215
- Money Market Fund	14 988	746 580	–	761 568
- Unquoted linked insurance policies	–	177 997	–	177 997
Total financial assets designated at fair value through profit and loss	**1 113 545**	**2 265 991**	**6 300**	**3 385 836**

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

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For the year ended 31 March 2014

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

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

The following table presents the movements in Level 3 instruments for the year ended 31 March 2014 by class of financial instrument.

Asset	**Equity instruments**	**Total**
Opening balance	6 300	6 300
Additional investment made	–	–
Gains and losses recognised in income	–	
Dividends received	–	–
Closing balance	**6 300**	**6 300**
Total gains and losses for the year included in the statement of comprehensive income for assets held at the end of the year	**–**	**–**

The following table presents the movements in Level 3 instruments for the year ended 31 March 2013 by class of financial instrument.

Asset	**Equity instruments**	**Property development fund**	**Total**
Opening balance	28 420	169 940	198 360
Disposals	(22 120)	(177 552)	(199 672)
Gains and losses recognised in income	–	7 612	7 612
Dividends received	–	–	–
Closing balance	**6 300**	**–**	**6 300**
Total gains and losses for the year included in the statement of comprehensive income for assets held at the end of the year	**–**	**7 612**	**7 612**

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For the year ended 31 March 2014

The following table shows the sensitivity of Level 3 measurements to reasonably possible favourable and unfavourable changes in the assumptions used to determine the fair value of the financial assets.

	2014	2013
Level 3 investments		
Effect on Profit before tax at 10% (fluctuation)	R5.7 m	R5.4 m
Effect on Profit before tax at 15% (fluctuation)	R8.6 m	R8.2 m

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

5. Property, plant and equipment

	2014			2013		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Computer equipment	5 217	(3 511)	1 706	3 745	(3 108)	637
Furniture and fittings	2 869	(839)	2 030	2 900	(945)	1 955
Motor vehicles	594	(179)	415	206	(99)	107
Office equipment	1 841	(1 518)	323	1 857	(1 373)	484
Leasehold improvements	7 489	(1 315)	6 174	1 121	–	1 121
Total	**18 010**	**(7 362)**	**10 648**	**9 829**	**(5 525)**	**4 304**

Reconciliation of property, plant and equipment – 2014

	Opening net book amount	Additions	Disposals	Depreciation charge	Total
Computer equipment	637	1 693	–	(624)	1 706
Furniture and fittings	1 955	1 159	(761)	(323)	2 030
Motor vehicles	107	388	–	(80)	415
Office equipment	484	177	(25)	(313)	323
Leasehold improvements	1 121	6 368	–	(1 315)	6 174
Total	**4 304**	**9 785**	**(786)**	**(2 655)**	**10 648**

Reconciliation of property, plant and equipment– 2013

	Opening net book amount	Additions	Disposals	Depreciation charge	Total
Computer equipment	616	418	(12)	(385)	637
Furniture and fittings	2 212	27	–	(284)	1 955
Motor vehicles	148	–	–	(41)	107
Office equipment	1 263	–	(439)	(340)	484
Leasehold improvements	–	1 121	–	–	1 121
Total	**4 239**	**1 566**	**(451)**	**(1 050)**	**4 304**

Depreciation expense of R2,65 million (2013: R1,05 million) has been included in other operating expenses.

6. Intangible assets including intangible insurance asset

	2014			2013		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Deferred acquisition cost	33 711	(1 397)	32 314	31 809	(1 397)	30 412
Software	22 123	(14 067)	8 056	16 343	(12 583)	3 760
Total	**55 834**	**(15 464)**	**40 370**	**48 152**	**(13 980)**	**34 172**

Reconciliation of intangible assets including intangible insurance asset – 2014

	Opening net book amount	Additions	Amortisation charge	Total
Deferred acquisition cost	30 412	1 903	–	32 315
Software	3 760	5 780	(1 484)	8 056
Total	**34 172**	**7 683**	**(1 484)**	**40 371**

Reconciliation of intangible assets including intangible insurance asset– 2013

Deferred acquisition cost	22 648	7 764	–	30 412
Software	2 792	2 089	(1 121)	3 760
Total	**25 440**	**9 853**	**(1 121)**	**34 172**

7. Investment in associate

	Carrying amount 2014	Carrying amount 2013
Cost of investment in Aloecap at beginning of the year (private equity investment trust)	81 639	81 639
40% share of cumulative equity accounted earnings at the beginning of the year	(33 540)	(12 969)
Carrying amount of investment in Aloecap at beginning of the year	48 099	68 670
Dividends received	(500)	(1 819)
Additional investment made	335	–
Gain/(loss) from equity accounted investments	4 860	(18 752)
Cumulative carrying value at end of year	**52 794**	**48 099**
Fair value per directors	52 794	48 099

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

Total assets		
–Non current assets	134 000	120 750
–Current assets	–	623
Total liabilities		
–Current liabilities	2 014	1 125
Trust capital	131 986	120 248
Unrealised profit/(loss) for the period	11 738	36 250
% Interest held	40%	40%

The investment in an associate represents a 40% (2013: 40%) interest in Aloecap, a private equity investment trust. The investment is accounted for by equity accounting for Sasria's 40% (2013: 40%) portion of the trust, which holds private equity unlisted investments, which are managed on a fair value basis. These investments are fair valued using discounted cash flow techniques. The trust holds no other investments other than the private equity investments and cash. The effect of equity accounting for the fair valued investments is the same as if the investments had been directly accounted for at fair value through profit and loss.

Statement of financial position		
Investment at fair value through profit or loss	52 794	48 099
Statement of comprehensive income		
Share of profit/(loss) of associate	4 860	(18 752)
Dividends received	500	500

Notes to financial statements

For the year ended 31 March 2014

8.1 Financial assets

	2014	2013
The Company's financial assets are summarised below by measurement category in the table below:		
Fair value through profit or loss	3 904 577	3 385 835
Loans and receivables	76 634	76 866
Derivative assets	1 492	–
Total Financial assets	**3 982 703**	**3 462 701**
The assets classified as held at fair value through profit or loss are detailed in the tables below:		
At fair value through profit or loss – designated		
Equity securities		
Listed and quoted	1 069 015	836 756
Unlisted and unquoted	6 300	6 300
	1 075 315	**843 056**
Unquoted linked insurance policies		
Infrastructure development bond fund	**181 441**	**177 997**
Money market fund		
Money market fund	**997 140**	**761 568**
Quoted in an active market		
Debt securities – fixed interest rate:		
Other bills and bonds	1 273 491	1 272 234
Government and semi – government bonds	377 190	330 981
	1 650 681	**1 603 215**
Total financial assets at fair value through profit or loss	**3 904 577**	**3 385 836**

Notes to financial statements

For the year ended 31 March 2014

	2014	2013
Movement in financial assets at fair value through profit and loss		
Balance at beginning of the year	3 385 836	2 993 897
Transfer from cash and cash equivalents	118 283	67 450
Interest received	222 879	163 329
Dividends received	28 382	23 786
Realised net fair value gains	94 030	404 936
Unrealised net fair value gains	73 611	(250 673)
Investment administration expense	(18 444)	(16 889)
Total	**3 904 577**	**3 385 836**

8.2 Loans and receivables

Other loans and receivables	**76 634**	**76 866**

The above balances are receivable within twelve months. Fair values therefore largely approximate carrying values.
Interest accrued of R32,4 million (2013: R37,2 million) is included.

8.3 Derivative assets / (liabilities)

Derivative assets		
Financial assets– at fair value through profit and loss	1 137	–
- Exchange traded future agreements	355	–
- Exchange traded option contracts	**1 492**	–
Derivative liabilities		
Financial liabilities – at fair value through profit and loss		
- Exchange traded option contracts	(606)	–
	(606)	–

Exchange traded future agreements

The exchange traded future agreements represent the fair value of interest futures with a notional principal of R26 million (2013: nil). The interest rate futures have the effect of reducing interest rate risk to the portfolio. The futures mature on 15 September 2015, 15 September 2017 and 15 February 2020 respectively. The exchange traded future agreements had a fair value at year end of R1.13 million.

Exchange traded option contracts – Zero cost fence

Sasria entered into a derivative fence structure on 24 March 2014, covering equities to the value of R3.4 million. The implementation level of the lower collar was R1 045 with downside protection of 13.3% from a market level of R1 184 and upside participation of 10%. The structure expires on 19 June 2014 and 18 September 2014 respectively. At 31 March 2014, the option contract closed at R1 161 and the structures had a fair value of R355 000.

Exchange traded option contracts – Put spread fence

Sasria entered into a put spread fence on 10 March 2014, covering equities to the value of R7.6 million. The implementation level of the lower collar was 38 850 (All share index). The implementation level of the upper collar was 42 300 (all share index). At 31 March 2014, the all share index closed at 47 770 and the structures had a negative fair value of R606 000.

Notes to financial statements

For the year ended 31 March 2014

9. Insurance receivables

	2014	2013
Profit commission	17 291	6 493
Outstanding premiums	107 544	97 567
Total insurance receivables	**124 835**	**104 060**

	At 31 March 2014		At 31 March 2013	
	Gross	Impairment	Gross	Impairment
The trade receivables due from agents at reporting date was:				
Not past due	**97 518**	–	**95 619**	–
Past due	**10 026**	–	**1 948**	–
	107 544	–	**97 567**	–

10. Insurance liabilities and reinsurance assets

	2014	2013
Gross		
Outstanding claims and loss adjusting expenses	266 220	476 586
Claims incurred but not reported	127 841	162 640
Outstanding claims including claims incurred but not reported	394 061	639 226
Unearned premiums	282 943	262 244
Total insurance liabilities, gross	**677 004**	**901 470**
Recoverable from reinsurers		
Outstanding claims and loss adjusting expenses	9 300	95 317
Claims incurred but not reported	3 928	36 832
Outstanding claims, including claims incurred but not reported	13 228	132 149
Unearned premiums	13 864	62 202
Total reinsurers' share of insurance liabilities	**27 092**	**194 351**
Net insurance liabilities		
Outstanding claims and loss adjusting expenses	256 920	381 269
Claims incurred but not reported	123 913	125 808
Outstanding claims, including claims incurred but not reported	380 833	507 077
Unearned premiums	269 079	200 042
Total insurance liabilities (net)	**649 912**	**707 119**

The gross insurance claims and loss adjustment expenses reported and the liability for claims incurred but not yet reported are net of expected recoveries from salvage and subrogation. The amounts for salvage and subrogation at 31 March 2014 and 31 March 2013 are not material.

Notes to financial statements

For the year ended 31 March 2014

Movements in insurance liabilities and reinsurance assets

The movements for the year are summarised below:

a) Outstanding claims, including claims incurred but not reported

At 31 March 2013	**Gross**	**Reinsurance**	**Net**
Balance at beginning of the year	247 378	52 130	195 248
Less: claims paid relating to the prior years	(151 184)	(36 482)	(114 702)
Claims paid, relating to the current year	(101 128)	(20 226)	(80 902)
Claims incurred during the year	554 289	110 578	443 711
Claims incurred but not reported	75 203	18 459	56 744
Change in prior year estimate	14 668	7 690	6 978
Balance at end of the year	**639 226**	**132 149**	**507 077**

At 31 March 2014	**Gross**	**Reinsurance**	**Net**
Balance at beginning of the year	639 226	132 149	507 077
Less: claims paid relating to the prior years	(367 424)	(74 064)	(293 360)
Claims paid, relating to current year	(139 265)	–	(139 265)
Claims incurred during the year	296 323	(12 298)	308 621
Claims incurred but not reported	(34 799)	(32 904)	(1 895)
Change in prior year estimate	–	345	(345)
Balance at end of the year	**394 061**	**13 228**	**380 833**

b) Provision for unearned premiums

At 31 March 2013	**Gross**	**Reinsurance**	**Net**
Balance at beginning of the year	221 154	51 637	169 517
Premiums written during the year	1 223 530	362 476	861 054
Less: Premiums earned during the year	(1 182 440)	(351 912)	(830 528)
Balance at end of the year	**262 244**	**62 201**	**200 043**

At 31 March 2014	**Gross**	**Reinsurance**	**Net**
Balance at beginning of the year	262 244	62 201	200 043
Premiums written during the year	1 390 338	126 573	1 263 765
Less: Premiums earned during the year	(1 369 639)	(174 910)	(1 194 729)
Balance at end of the year	**282 943**	**13 864**	**269 079**

These provisions represent the liability for short term insurance contracts for which the Company's obligations are not expired at year-end.

Short–term insurance contracts – assumptions, change in assumptions and sensitivity.

(c) Process used to decide on assumptions

Underwriting insurance risks incorporate unpredictability and the Company recognises that it is impossible to predict future claims payable under existing insurance contracts with absolute certainty. To this end, the Company has over time, developed a methodology that is aimed at establishing insurance provisions that have a reasonable likelihood of being adequate to settle all its insurance obligations.

10.1 Claim provisions

The Company's outstanding claims provisions includes notified claims as well as incurred but not yet reported claims.

Notified claims

Each notified claim is assessed on a separate, case by case basis with due regard to the specific circumstances, information available from the insured and/or loss adjuster and past experience with similar claims. The Company employs staff experienced in claims handling and rigorously applies standardised policies and procedures around claims assessment. The provision for each notified claim includes an estimate of the associated claims handling costs but excludes Value Added Tax.

The ultimate cost of the reported claims may vary as a result of future developments or better information becoming available about the current circumstances. Case estimates are therefore reviewed and updated as new information becomes available.

Claims incurred but not yet reported (IBNR)

The Company's IBNR is calculated as a percentage of premiums written. The Company's claims experience is analysed to determine an appropriate IBNR percentage.

The provision for the notified claims and IBNR are initially estimated at a gross level. A separate calculation is then carried out to determine the estimated reinsurance recoveries. The calculation of the reinsurance recoveries considers the type of the risk underwritten, which year the gross claim occurred and therefore under which reinsurance program the recovery will be made, the size of the claim and whether or not the claim was an isolated incident or forms part of a catastrophe reinsurance claim. A liability adequacy test was performed where the net insurance premiums were compared to the claims incurred and no additional reserves are required.

10.2 Assumptions

The assumptions that have the greatest effect on the measurement of insurance contract provisions relate to the percentage used to estimate IBNR. The percentage is applied to premiums written. The larger the IBNR percentage applied the longer the expected period between the date of loss and the claims being reported and/or the severity of the estimated claims.

10.3 Changes in assumptions and sensitivity analysis

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

As part of the process of estimating the provision for outstanding claims, the Company prepares a sensitivity analysis. The analysis provides an indication of the adequacy of the Company's claims estimation process. During the current financial period an analysis was done to determine the sensitivity of profit assuming an additional 25% in outstanding claims including IBNR. The gross impact on profit before tax would be a reduction of R98.5 million (2013: R156.8 million). The net impact after reinsurance on profit before tax would be R95.2 million (2013: R126.8 million).

Due to there being no specific claims trends, an assumption of 25% was used.

Notes to financial statements

For the year ended 31 March 2014

Another analysis was done to determine the impact of inflation and the slowdown in property prices. Assuming inflation of 6% (2013: 6%) on insured values, the increased cost of claims would be to impact the profit before tax with a reduction of R18.0 million (2013: R30.4 million).

In addition, the sensitivity of IBNR was calculated based on the loss ratios for the motor and property classes.

The sensitivity was based on the following:

- The loss ratios are 10% higher than those chosen in the base, i.e. multiplied by 1.1 (Sensitivity 1);
- The loss ratios are 10% lower than those chosen in the base, i.e. multiplied by 0.9 (Sensitivity 2).

The following table shows the sensitivity by class of business, gross of reinsurance.

Sensitivity Analysis – Gross

Gross	Base (Recommended)	Sensitivity 1			Sensitivity 2		
Class of business	IBNR	IBNR	Change	% Change	IBNR	Change	% Change
Motor	18 743	21 338	2 595	13,8%	16 147	(2 595)	(13,8%)
Property	58 883	65 052	6 169	10,5%	52 714	(6 169)	(10,5%)

The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims. The top half of each table below illustrates how the Company's estimate of the movement of claims outstanding for each loss year has changed at successive year ends. The bottom half of the table reflects the net movement in outstanding claims. A breakdown of the utilisation of the respective IBNR provisions is provided. The IBNR is based on the best estimate assumption by using the claims and assuming that the past experiences reflect the future. The net IBNR has decreased from R125.8 million in 2013 to R83.9 million in 2014.

IBNR – gross claims

Reporting year	31 March 2009	31 March 2010	31 March 2011	31 March 2012	31 March 2013
31 March 2014					
Claims reported after year-end	35 880	36 994	39 629	102 172	95 537
IBNR provision	33 064	23 873	62 290	87 437	162 640
Utilisation of IBNR	**108,52%**	**154,96%**	**63,62%**	**116,85%**	**58,74%**

IBNR – net claims

Reporting year	31 March 2009	31 March 2010	31 March 2011	31 March 2012	31 March 2013
31 March 2013					
Claims reported after year-end	25 111	25 896	27 740	81 614	76 411
IBNR provision	19 502	13 772	35 387	69 064	125 808
Utilisation of IBNR	**128,76%**	**188,03%**	**78,39%**	**118,17%**	**60,74%**

Although the IBNR provisions were prepared using methods and assumptions that were reasonable at the time, the experience could vary considerably from these provisions. Deviations from the IBNR provision given in this report are normal and are to be expected.

The uncertainty is increased in this instance as the business written and risks taken on by Sasria are inherently volatile in nature. In particular Sasria is susceptible to low frequency, high severity events. The volatility is difficult to estimate and increases the uncertainty in the estimates.

The gross insurance claims and loss adjustment expense reported and the liability for claims incurred but not yet reported are net of expected recoveries from salvage and subrogation. The amounts for salvage and subrogation at 31 March 2014 and 31 March 2013 are not material.

11. Cash and cash equivalents

	2014	2013
Cash and cash equivalents comprise of:		
Fixed deposits	17 984	419 051
Call account	631 954	540 321
Money market instruments with maturities of less than three months	512 606	198 061
Short term deposits and cash on call	1 162 544	1 157 433
Bank and cash balances	77 744	94 531
	1 240 288	**1 251 964**

The effective interest rate on short term bank deposits with maturities of less than three months ranges between 5.22% and 5.75% (2013: 4.25% and 6.00%). The effective interest rate on current accounts at the balance sheet date averaged between 3.50% and 4.75% (2013: 3.50% and 4.75%).

12. Share capital

	2014	2013
Authorised		
1 ordinary share of 100 cents	–	–
Issued	–	–
1 ordinary share of 100 cents		

The issued share capital consists of one ordinary share with a par value of 100 cents, and is unchanged from previous financial year. The share is fully paid for.

Notes to financial statements

For the year ended 31 March 2014

13. Payables

	2014	2013
Trade payables and accrued expenses	60 146	73 211
VAT	21 544	15 578
Amounts due to reinsurers	–-	22 620
Total	**81 691**	**111 409**

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

14. Employee benefit liability

Reconciliation of employee benefit liability – 2014

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Leave pay	1 053	2 522	(1 894)	–	1 681
Bonus	–	10 247	–	–	10 247
	1 053	**12 769**	**(1 894)**	**–**	**11 928**

Reconciliation of employee benefit liability – 2013

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Leave pay	908	145	–	–	1 053
Bonus	8 093	–	(7 606)	(487)	–
	9 001	**145**	**(7 606)**	**(487)**	**1 053**

The leave pay provision relates to vested leave pay which employees may become entitled to when they leave the employment of the company or utilise accrued leave.

The bonus provision consists of a performance bonus accrual based on the achievement, prior to year end, of predetermined financial and qualitative targets.

15. Deferred income

	2014	2013
Balance at beginning of year	13 127	10 320
Movement in income statement	(8 968)	2 807
	4 159	**13 127**

Notes to financial statements

For the year ended 31 March 2014

16. Deferred tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The gross movement on the deferred income tax account is as follows:

	2014	2013
Balance at beginning of year	(6 232)	(47 203)
Movement in income statement	(42 473)	40 971
	(48 705)	**(6 232)**

	Balance 1 April 2012	(Charged)/ credited to the income statement	Balance 31 March 2013	(Charged)/ credited to the income statement	Balance 31 March 2014
Provisions	5 078	(2 385)	2 693	7 030	9 723
DAC and other intangible assets	5 988	1 165	7 153	(24 939)	(17 786)
Unrealised appreciation of investments	(58 269)	42 191	(16 078)	(24 564)	(40 642)
Total	**(47 203)**	**40 971**	**(6 232)**	**(42 473)**	**(48 705)**

	2014	2013
Deferred tax assets	12 358	9 846
Deferred tax liabilities	(61 063)	(16 078)
Net deferred tax balance	**(48 705)**	**(6 232)**

17. Net insurance premium revenue

	2014	2013
Insurance contracts		
Premium written	1 390 338	1 223 530
Change in unearned premium provision	(20 698)	(41 091)
Premium revenue arising from insurance contracts	1 369 640	1 182 439

	2014	2013
Reinsurance contract		
Premium ceded	(126 573)	(362 476)
Change in unearned premium provision	(48 337)	10 564
Premium revenue ceded to reinsurers	(174 910)	(351 912)
Net insurance premium revenue	**1 194 730**	**830 527**

Excess of loss reinsurance cover was purchased for 2014 at a cost of R88 324 (2013: R105 044). There were no events in either 2014 or 2013 that prompted losses of sufficient size to trigger a recovery from these contracts.

18. Investment income

	2014	2013
Investment income on cash and cash equivalents:		
Interest income	**247 086**	**228 567**
Investment income on financial assets held at fair value through income:		
Dividend income	28 382	23 786
Unrealised net fair value gains / (losses)	73 611	(250 673)
Realised net fair value gains	94 030	404 936
	196 023	**178 049**
	443 109	**406 616**

19. Insurance claims and loss adjustment expenses

	2014	2013
Gross		
Claims paid	506 689	252 312
Movement in outstanding claims and IBNR	(245 165)	391 848
	261 524	**644 160**
Reinsurers share		
Claims paid	(74 064)	(56 708)
Movement in outstanding claims and IBNR	118 922	(80 019)
	44 858	**(136 727)**

Notes to financial statements

For the year ended 31 March 2014

20. Expenses for the acquisition of insurance contracts

	2014	2013
Gross commission paid	150 806	120 918
Movement in net deferred acquisition cost	(29 819)	(10 967)
	120 987	**109 951**

21. Expenses for administration and marketing

	2014	2013
Expenses for administration and marketing includes:		
Advertising expenses	5 575	5 322
Auditor remuneration – statutory audit	1 429	1 058
Auditor remuneration – consulting	377	931
Total auditor remuneration	1 806	1 989
Depreciation – property, plant and equipment	1 838	1 050
Investment administration expenses	18 444	16 889
Employee benefit expense	41 616	27 690
Social responsibility allocation	25 232	9 905
(Loss) / profit on sale of property, plant and equipment	784	9 899
Consulting and professional fees	7 494	9 214
Policy administration fee	173 792	153 735
Operating lease expense	4 424	840
Amortisation – intangible assets	1 484	1 121

22. Employee benefit expense

	2014	2013
Wages and salaries	24 250	21 382
Bonuses – actual payment	-	728
Bonuses – provision raised	10 246	-
Medical aid	1 634	1 416
Leave pay provision charge	628	145
Post-employment benefits – Pension – Defined contribution plan	4 858	4 019
	41 616	**27 690**
Number of employees	53	53

Notes to financial statements

For the year ended 31 March 2014

23. Income tax expense

	2014	2013
Major components of the tax expense		
Current		
Current year normal tax	215 323	166 524
Prior year adjustment	317	(745)
	215 640	**165 779**
Deferred		
Deferred tax	42 473	(40 972)
	258 113	**124 807**
Reconciliation of the taxation		
Profit before tax	944 039	482 432
Tax at the applicable tax rate of 28% (2013: 28%)	264 331	135 081
Effects of: Income not subject to tax:		
Other income exempt for tax purposes	(13 012)	(45 329)
Other expenses not allowable for tax purposes	6 869	36 320
Capital gains tax	–	714
Prior year adjustment – income tax	317	(746)
Prior period over provision – deferred tax	(392)	(1 233)
Tax charge for the period	**258 113**	**124 807**
Effective rate	27,34%	25,87%

24. Related party transactions and balances

Relationships

The Company is 100% owned by its shareholder, the Government of the Republic of South Africa, represented by the National Treasury.

Sasria is a schedule 3B public entity in terms of the Public Finance Management Act, 1999, as amended. The related party disclosure is in terms of the requirements of IAS 24 (Related Parties Disclosures).

Notes to financial statements

For the year ended 31 March 2014

The related parties of Sasria consist mainly of government departments, state owned enterprises, and other public entities in the national sphere of government and key management personnel of Sasria or its shareholder and close family members of these related parties. The list of public entities in the national sphere of government was provided by National Treasury on their website www.treasury.gov.za. They also provided the names of subsidiaries of public entities.

The comparative information has been based on the list of public entities and their subsidiaries effective at 31 March 2014.

Sasria SOC Limited owns 40% (2013: 40%) of the Aloecap Private Equity BEE Trust.

The following transactions were carried out with related parties:

Sales of goods and services

Sasria does not make any direct sales to related parties. All sales are made indirectly through the non-mandated intermediaries and passed on to Sasria in total through a bordereaux without disclosing the identities of the individual insureds. Sasria would only interact with individual insureds in the event of a claim being presented through the non-mandated intermediaries.

Goods and services are sold to related parties on an arm's length basis at market related prices.

Dividend payment

A dividend of R107 287 200 was declared and paid to the shareholder during the year.

Purchase of goods and services

	2014	2013
Shareholder, including government departments	800	2 542

Goods and services are bought from related parties on an arm's length basis at market related prices.

Key management compensation

Key management is defined as those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

	2014	2013
Year-end balances arising from transactions		
Assets included in the statement of financial position		
Bonds issued by government and semi government	385 622	330 981
Money market instruments issued by government and semi government	99 241	106 116
Cash held at government and semi government	376 294	167 419
Equity held in state owned companies	–	2 937
Closing balance	**861 157**	**607 453**

Notes to financial statements

For the year ended 31 March 2014

25. Directors and executive management emoluments

Non-executive

2014	Salary/fees	Bonus and retention	Contributions	Car allowance	Total
MA Samie	568	–	–	–	568
CH Du Toit**	220	–	–	–	220
BJ Mkangisa	238	–	–	–	238
SH Schoeman	325	–	–	–	325
R Mothapo	327	–	–	–	327
MO Ndlovu	252	–	–	–	252
T Mbatsha	17	–	–	–	17
MT Moutlane	17	–	–	–	17
	1 964	**–**	**–**	**–**	**1 964**

2013	Salary/fees	Bonus and retention	Contributions	Car allowance	Total
JRK Du Preez	196	–	–	–	196
M Lehutso Phooko	31	–	–	–	31
MA Samie	431	–	–	–	431
CH Du Toit**	137	–	–	–	137
BJ Mkangisa	130	–	–	–	130
SH Schoeman	230	–	–	–	230
R Mothapo	153	–	–	–	153
AL Mhlanga	167	–	–	–	167
MO Ndlovu	43	–	–	–	43
	1 518	**–**	**–**	**–**	**1 518**

** Fees paid to National Treasury.

Executive

2014	Salary/fees	Bonus and retention	Contributions	Car allowance	Total
CM Masondo	1 543	–	127	76	1 746
K Pepler	1 372	–	109	–	1 481
	2 914	**–**	**237**	**76**	**3 227**

2013	Salary/fees	Bonus and retention	Contributions	Car allowance	Total
CM Masondo	1 409	934	120	76	2 539
K Pepler	1 226	565	99	–	1 890
	2 635	**1 499**	**219**	**76**	**4 429**

Notes to financial statements

For the year ended 31 March 2014

Executive managers

2014	Salary/fees	Bonus and retention	Contributions	Car allowance	Total
TC Ntshiqa	1 010	–	140	66	1 216
NG Mazibuko	1 026	–	136	36	1 199
KTW Fick	992	–	190	66	1 248
S Harrop-Allin	448	–	34	9	491
	3 476	**–**	**501**	**177**	**4 153**

2013	Salary/fees	Bonus and retention	Contributions	Car allowance	Total
TC Ntshiqa	851	545	120	67	1 583
NG Mazibuko	944	589	124	9	1 666
KTW Fick	681	330	132	50	1 193
	2 476	**1 464**	**376**	**126**	**4 442**

26. Cash generated from operations

	2014	2013
Profit before tax	944 039	482 432
Adjustments for:		
Investment income	(443 109)	(406 615)
Share of (profit) / loss of associate	(4 860)	18 752
Depreciation	2 655	1 050
Amortisation of intangible assets	1 484	1 121
(Profit) / loss on sale of assets	784	(9 899)
Movements in provisions	10 874	(7 948)
Operating profit before working capital changes	511 867	78 893
Reinsurance assets	167 259	(90 583)
Deferred acquisition costs	(1 903)	(7 764)
Insurance receivables	(20 776)	16 650
Loans and receivables	232	94 592
Insurance liabilities	(224 466)	432 938
Deferred reinsurance acquisition revenue	(8 968)	2 807
Payables	(29 714)	26 429
	393 531	**553 962**

The Company classifies the cash flows for the purchase and disposal of financial assets in its operating cash flows, as the purchases are funded from the cash flows associated with the origination of insurance contracts, net of the cash flows for payments of insurance benefits and claims.

Notes to financial statements

For the year ended 31 March 2014

27. Capital commitments

	2014	2013
Operating leases – as lessee (expense)		
Minimum lease payments due		
- within one year	3 803	3 489
- one year to five years	14 469	17 390
- later than five years	–	881
	18 272	**21 760**

Operating lease payments represent rentals payable by the Company for its office properties. Leases are negotiated for an average term of five years and rentals are fixed also for an average of five years. No contingent rent is payable.

28. Tax paid

	2014	2013
Balance at beginning of the year	1 715	9 869
Current tax for the year recognised in profit or loss	(215 640)	(165 778)
Balance at end of the year	7 922	(1 715)
	(206 003)	**(157 624)**

29. Contingencies

The Company, like all other insurers, is subject to litigation in the normal course of business. The Company does not believe that such litigation will have a material effect on its profit or loss and the financial condition at year-end. However, it is difficult to assess the ultimate outcome of such litigation.

30. Events after the statement of financial position date

No issues have arisen after the date of statement of financial position that are significant and need reporting in the annual report.

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