Integrated Report 2017

Resilient. Stable. Safeguard. Confident

sasria
covering the extraordinary

Contents

About Sasria

Sasria SOC Limited (Sasria), a state-owned company, is the only short-term insurer in South Africa that provides affordable voluntary cover against special risks such as civil commotion, public disorder, strikes, riots and terrorism to any individual, business, government or corporate entity that has assets in South Africa.

We work through a network of insurance companies (agents) and brokers (intermediaries) who sell Sasria special risk insurance cover on our behalf.

Sasria was formed in 1979 as the South African Special Risk Insurance Association to provide insurance cover for special political risks, such as political riots and terrorism. The mandate was extended in 1998 for our cover to include non-political perils, such as strikes and labour disturbances. Sasria was converted to a limited company in terms of the Conversion of Sasria Act 134 of 1998.

Our legislative mandate forms part of our encompassing goal – to help nurture and support positive growth and change in South Africa by providing risk cover that offers certainty in an uncertain world.

Our adherence to the highest standards of corporate governance has resulted in us establishing a sustainable business, which enables us to contribute positively to South Africa's fiscus.

We contribute to the economic sustainability and growth of South Africa, by ensuring the economic continuity and social stability of all its people, entities or businesses through offering them affordable insurance protection against special risks.

The theme of this year's report is
Resilient. Stable. Safeguard. Confident.

We reflect on how Sasria continues to deliver strong financial results and performance, fulfilling our legislative mandate and business strategy well, and contributing to transforming South Africa for the benefit of all.

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**

ABOUT THIS REPORT

This is Sasria's sixth integrated report. In this report, we review our performance for the financial year ended 31 March 2017 (which we refer to as 2017). The report is intended for all our stakeholders (see page 18) and explains how we create value over time.

Scope and boundary

This report covers all the social, economic and governance aspects that are material to Sasria's ability to create value for all our stakeholders over the short, medium and long term. We believe that a matter is material if it could substantively affect our ability to create value. As part of our annual strategy review, we identified and prioritised the issues that could have a material impact on our ability to create value. The process that we followed, as well as the matters that we identified as material matters, are discussed on page 20. All material matters have been included and management is not aware of any information that was unavailable or any legal prohibitions to the publication of any information. We reviewed our environmental impact and we are of the view that it is immaterial to report on it.

The report is informed by the following:

- Companies Act 71 of 2008 (Companies Act);
- Constitution of the Republic of South Africa;
- Conversion of Sasria Act 134 of 1998 (Sasria Act);
- Department of Trade and Industry's (DTI) Code of Good Practice for Broad-Based Black Economic Empowerment (B-BBEE);
- Financial Sector Charter (FSC);
- Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC);
- International Financial Reporting Standards (IFRS);
- King IV Report on Governance for South Africa 2016 (King IV);
- Public Finance Management Act 1 of 1999 (PFMA);
- Short-Term Insurance Act 53 of 1998 (STIA).

An explanation of the terminology used in this report can be found on page 144.

Approval and assurance

The information in this report was collected and prepared on the same basis as last year insofar as measurement methods and time frames are concerned unless otherwise stated. The information provided in the annual financial statements was prepared in line with IFRS and audited by our consortium of external auditors, KPMG Inc. and AM PhakaMalele Inc. Financial information included elsewhere in the body of this report was extracted from the financial statements.

The Audit Committee approved a combined assurance approach to this report:

- The Executive Committee and the Integrated Report Steering Committee provide an oversight role, by reviewing the integrated report for completeness and accuracy;
- The internal audit function performs agreed-upon procedures to review the content and information in the integrated report; and
- The external auditors review the integrated report to ensure consistency with the audited financial statements, but they do not issue an opinion thereon.

We welcome your feedback

We want to improve our integrated reporting process continuously, to ensure that we meet best practice reporting standards and the expectations of our stakeholders, as well as increase visibility of our efforts in creating sustainable value for all our stakeholders. We therefore welcome any views on the content and design of the report. Comments and questions can be directed to **contactus@sasria.co.za**

Forward-looking statements

We make certain statements that are not based on historical facts but rather forecasts of future results which are not yet determinable, such as gross premium growth levels, underwriting margins and investment returns. Forward-looking statements involve inherent risks and uncertainties and actual results may be very different from those anticipated. Forward-looking statements apply only on the date made and we do not undertake to update or revise any of them, whether as a result of new information, future events or otherwise.

Board responsibility and approval statement

The Board acknowledges that it is ultimately responsible for overseeing the integrity of this report. With the assistance of the Board committees, it has considered the preparation and presentation of the 2017 integrated report and annual financial statements. It is of the opinion that this report addresses all material issues and fairly presents the Company's integrated performance, outlook, strategy and perspective on future value creation in accordance with the International Integrated Reporting Framework. The integrated report was approved by the Board on 2 August 2017.

2017 HIGHLIGHTS

Gross insurance premiums
R1.84 billion
Up 9.5%

Net insurance claims
R767 million
Up 30.6%

Net underwriting results
R357 million
Down 17.2%

Net investment income
R413 million
Up 40.5%

Return on investments
6.9%
Up 0.3%

Profit before tax
R744 million
Up 4.9%

Combined ratio
78%
Up from 71%

Total equity
R5.76 billion
Up 7.3%

Return on equity
9.8%
Up from 9.7%

Assets under management
R6.72 billion
Up 7.4%

SAM solvency ratio
246%
Up 4.6%

CSI spend
R27 million
Up 62.9%

The Finance Director's report on pages 42 to 51 includes a detailed review of the performance for the past year.
Refer to page 40 for our financial statistics and ratios for the last five years.
Refer to page 144 for a list of terminology.

Foreword from the Minister of Finance

I thank the Sasria Board, Executive Management team and staff for another good performance against the Company's mandate and strategy, as outlined in this report. I also wish them well in striving to achieve our common goal of protecting and improving the lives of all South Africans.

State-owned companies

The financial stability of state-owned companies remains a top priority for government. State-owned companies need to have strong balance sheets and be well-managed in order to be engines or enablers of inclusive growth. The Inter-Ministerial Committee on SOC Reforms is working to provide direction on various issues such as improved corporate governance, the shareholder management model, financial position and institutional arrangements, as well as private sector participation. Ratings agencies are especially concerned about the fiscal risk state-owned companies pose to government's ability to toe the fiscal line.

National Treasury's role

The mandate of National Treasury is sustainable management of public finances, maintenance of macro-economic and financial sector stability, and effective financial regulation of the economy. If it is successful, it gives domestic and international investors confidence in South Africa's macro-economic stability.

Our facilitation of the division of national revenue to serve the public in line with the Constitution and government policy at the necessary scale is compromised by low economic growth, which, together with persistently high unemployment, poverty and inequality, makes demands on the fiscus to grow faster than the resources available to fund them.

The recent downgrades in our credit ratings by two rating agencies have left our foreign currency-denominated and domestic currency debt rating at sub-investment grade. Progress in our economic development programmes will result in improved credit ratings, business and investor confidence.

Despite a gradually improving global growth outlook, stronger global commodity prices and an improvement in local weather conditions, domestic growth remains under pressure.

"National Treasury has been one of our foremost institutions in role modelling the technocratic professionalism and ethical commitment of a capable and developmental state."

National Treasury has been one of our foremost institutions in role modelling the technocratic professionalism and ethical commitment of a capable and developmental state. We will continue this proud tradition at Treasury and throughout the Finance family. Our work is underpinned by the 2030 vision as articulated in the National Development Plan.

Transformation of the financial sector

The financial sector plays a critical role in South Africa, but this must be enhanced to achieve the aspirations of all South Africans:

- We need to reinvigorate the Financial Sector Charter to ensure all South Africans participate fully in the ownership, management, supply and take-up of financial services;
- Transforming the financial sector to serve South Africa better is key, including supporting small and medium enterprises and ensuring that financial institutions procure from small and medium enterprises and emerging businesses;
- Increased attention must be given to mutual-based organisations that provide financial services like stokvels, burial societies and cooperatives, to build these into credible competitors to the highly concentrated banking and insurance sectors; and
- Good conduct practices and financial inclusion result in a financial sector that helps South Africans to save for education and retirement, buy a home, make and receive payments and insure against theft and other losses.

National Treasury will continue to support the parliamentary process in developing a comprehensive plan that sees the financial sector fully reflect South Africa's demographics.

Sasria has a vital role to play in meeting these challenges.

KMN Gigaba, MP
Minister of Finance

How Sasria creates and distributes value

Dual mandate

Sasria is wholly owned by the state. We are the only short-term insurer in South Africa that provides cover against special risks such as civil commotion, public disorder, strikes, riots and terrorism.

We are accountable to the Minister of Finance via National Treasury. Like all the other insurance companies in South Africa, we operate within a well-developed framework regulated by the Financial Services Board (FSB), the non-banking financial services industry regulator. Sasria is a member of various industry associations.

Sasria has a dual mandate:

- Our **legislative mandate** as a short-term insurance company is to provide cover for special risk events in terms of the Sasria Act; and
- Our broader **strategic mandate** as a state-owned company is to make a positive contribution to transforming the financial services industry in line with the National Development Plan (NDP) in order to create a better, sustainable economic environment for all South Africans.

We do business in a responsible, disciplined, professional and well-governed way. As a state-owned company, we also play a meaningful role in our society by offering products that will assist in the protection of assets in South Africa against potentially catastrophic special risk events. We are proudly South African and passionately committed to accelerating our Company's growth and business transformation goals.

Our vision

Our vision is to **protect the assets of all in South Africa against extraordinary risks** which are not covered by the rest of the insurance industry.

Our mission

Our mission is to **drive 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;
- Establishing and improving our mutually rewarding strategic partnerships; and
- Providing innovative and relevant products.

Our values

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

Our business model

Our unique business model enables us to minimise our operating expenses; to offer an extremely affordable product to protect the assets of the people of South Africa against special risks; and to sustain our solid track record of financial performance.

We do not sell our products directly to our end-customers. Instead, we enter into agreements with other short-term insurance companies and intermediaries in South Africa who then, as agents, represent and sell the special risks cover to our end-customers, be they individuals, businesses, government or corporate entities. The **agents and brokers (intermediaries)** engage with our end-customers on policy administration and collect premiums on our behalf, in exchange for a service fee.

The only contact that we have with end-customers is on the settlement of claims. **Customers** submit claims to the intermediaries or insurance companies, which confirm their validity prior to submission to Sasria. We receive and verify all claims before payment directly to the customer.

Our profits, after payment of all claims, are invested, subject to retention of adequate liquid reserves.

Our **investments** earn good investment returns in the form of interest and/or dividends and capital growth.

We incur costs in managing the business, including reinsurance premium to **reinsurers**, paying for **people**, being our directors, staff and service providers, as well as **suppliers**, for goods and services. We have recoveries from reinsurers.

We also pay all the relevant taxes and statutory fees to the **authorities**.

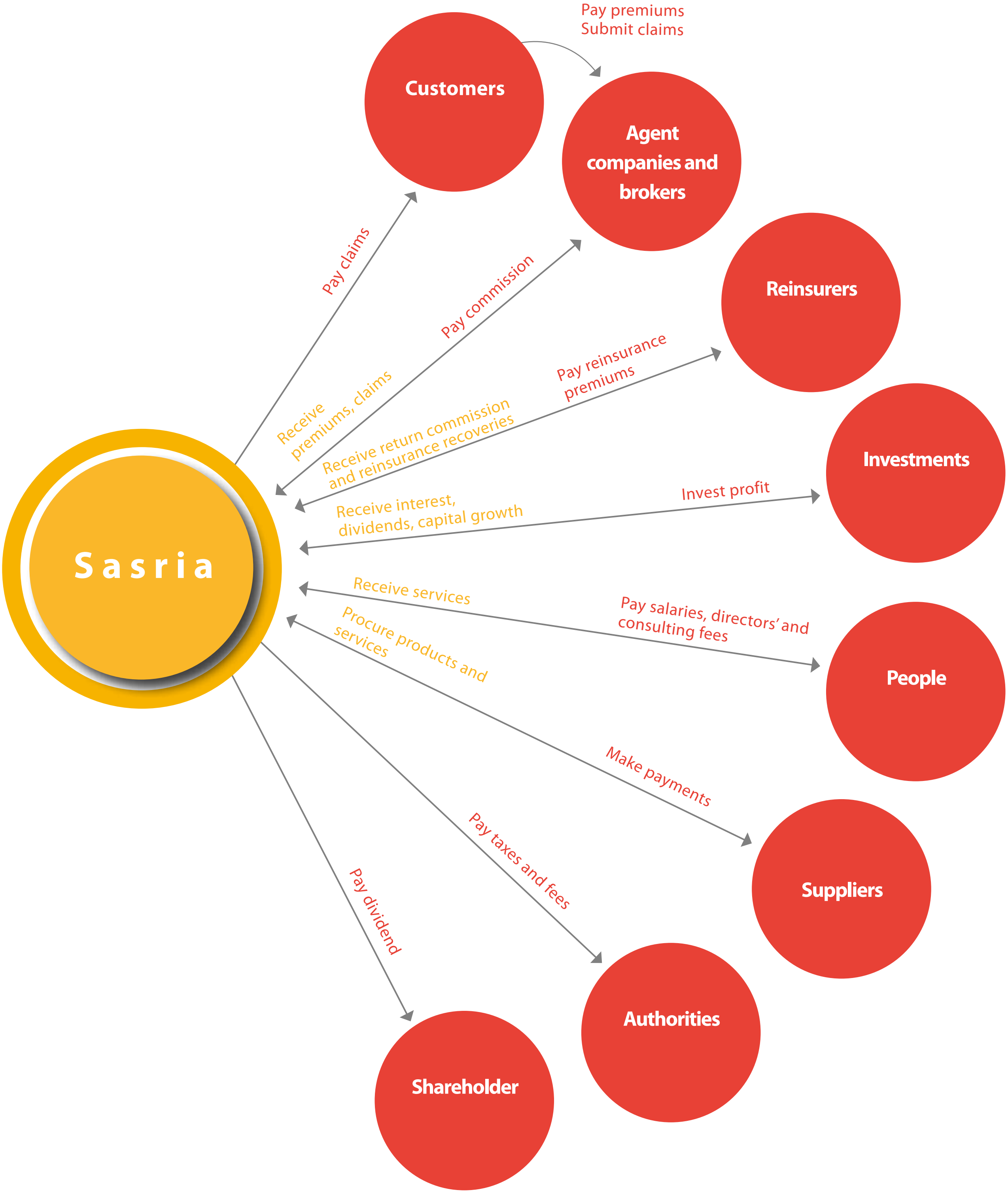
We pay our **shareholder** a dividend from our distributable reserves.

Our key relationships on pages 18 to 21 provide more information on our interaction with each stakeholder group in order to meet their expectations.

The **value-added statement** on page 16 shows the extent of these interactions.

Our business model allows us to:

- Run a lean and sustainable low-cost structure;
- Offer affordable products;
- Provide cover for special risks in South Africa; and
- Apply our values of professionalism, integrity, teamwork, innovation and customer-centricity.


Sasria
Customers
Agent companies and brokers
Reinsurers
Investments
People
Suppliers
Authorities
Shareholder
Pay premiums
Submit claims
Pay claims
Pay commission
Receive premiums, claims
Pay reinsurance premiums
Receive return commission and reinsurance recoveries
Invest profit
Receive interest, dividends, capital growth
Receive services
Pay salaries, directors' and consulting fees
Procure products and services
Make payments
Pay taxes and fees
Pay dividend

Our product

Sasria is the primary short-term insurer in South Africa that provides **affordable voluntary** cover against **special risks** such as civil commotion, public disorder, strikes, riots and terrorism to any individual, business, government or corporate entity that has assets **in South Africa**. We work through a network of agent companies and intermediaries who distribute our products on our behalf.

The need for our product is reinforced by the recent service delivery protests, student protests and labour strikes and the increase in international terror incidents. This has led to a significant increase in claims paid in the past year.

- **Affordable**
  We charge a set premium rate per class of business. For example, Sasria cover on a private motor vehicle costs only R2 a month or R20 per annum, regardless of the car's value. If the car is destroyed in a special risk event such as a protest, Sasria pays out the retail value of the vehicle.

- **Voluntary**
  Our cover for special risk is not compulsory and is available to all customers who require it.

- **Special risks**
  Our current product range offers R500 million primary cover at set rates in the following classes of insurance business: material damage (including money), business interruption, construction and goods in transit. On request, we also provide our corporate customers with additional cover of up to R1 billion, called Sasria Wrap, which is subject to a separate rating structure.

- **In South Africa**
  The special risk insurance cover is only applicable within South Africa's borders on both land and water.

For more detail on our product range, please visit our website, **www.sasria.co.za**

Financial inclusivity

As part of our strategic mandate, we are investigating alternative products and distribution channels to reach the uninsured market and thereby enhance financial inclusivity. We plan to start introducing some of these products tailor-made for this market in the near future (see further commentary in the Managing Director's report on page 31).

The capitals we employ

We are financially strong and stable, and we have adequate capital to provide cover for major catastrophic losses. We are self-funding as a business and, in addition to the taxes and dividends that we pay, we contribute to the growth and transformation of the South African economy.

By practically demonstrating our reliability, financial strength and responsible, well-governed business practices, we earn the trust of our end-customers, since they know that all their claims will be paid. This guarantee also serves to encourage local and international businesses to invest in our country, and so to create job opportunities.

Our focus on customer-centricity means that we ensure that the needs of our end-customers are met through our product offerings. We seek to promote and support increased financial inclusion, because it can be a powerful agent for strong and inclusive growth that will help to uplift the South African society and eradicate abject poverty.

We define the capitals that we employ in our value-creation process as follows:

Financial capital	The pool of funds available to Sasria to fund our business activities such as settling claims and suppliers, pay dividends to our shareholder and make investments. We generate our own financial capital.
Human capital	Our people's competencies and capabilities, and their motivation to innovate, so that they can utilise their skills, knowledge and experience to improve our product, processes and customer-centric service delivery, as well as contribute to fulfilling our strategic mandate. The selection, management and development of our people influence the value we place on human capital.
Intellectual capital	Our intangible infrastructure that we use to conduct our business and to create value. This includes intangibles, such as brand value, reputation, software, rights and licences, as well as our tacit knowledge, systems, procedures and protocols.
Social and relationship capital	The collaborative relationships that we have with our stakeholders, such as our shareholder, employees, customers, agents, intermediaries, regulators and suppliers, to enable us to deliver on our legislative and strategic transformation mandates. Our relationship with our stakeholders is based on mutual respect, shared norms and values, transparency and upliftment.

We recognise that we will only remain relevant as a state-owned company when we meet our shareholder's primary expectation, which is for us to make a positive difference in South Africa. In order to remain relevant, we strive to strengthen our relationships to enhance the trust that our stakeholders have in our Company.

Trade-offs

In the process of augmenting these capitals, certain trade-offs need to be made, such as:

- Our strong sense of governance, compliance and sound risk management ensures and protects our financial capital by inspiring confidence with the shareholder and regulators that we can meet our obligations, with good financial discipline, financial independence and no need for financial support from the shareholder;
- In growing our human capital skills base, internal succession pipelines and experience, financial capital needs to be protected. For example, we have built our own capacity whilst reducing consulting fees by 71% from prior year; and
- Internal audit provides the necessary assurance on how agents and brokers manage our social and relationship capital through their audits.

Our value-creation process

Overleaf, we show how our business model draws on the various capitals as **inputs** and, through our **business activities**, converts them to **outputs**. Our activities and outputs lead to **outcomes** in terms of effects on the capitals. We have identified **risks and opportunities** relevant to our strategy and business model. Our **strategy** is aimed at mitigating or managing the risks and maximising the opportunities, whilst satisfying the legitimate needs of all of our **stakeholders**. The **key performance indicators** (KPIs) from our measurement and monitoring systems provide information about our performance and aid future decision-making:

Our value-creation process

	Inputs	Business activities	Outputs	Outcomes
Financial capital	• Retained earnings • Sasria is self-funded	• Deploy and manage capital • Sell product through agents/ intermediaries • Collect premiums • Pay claims and suppliers • Effective accounting • Manage financial risk • Procurement • Manage investments • Pursue increased level of financial inclusivity	• Cash flow generated by operations • Paid dividends • Return on our investments • Return on equity • Compliant with solvency and capital requirements in terms of the Short-term Insurance Act (STIA)	• Sasria is financially stable • Not a financial burden on government • Contributes to growth, development and transformation • Increased shareholder value
Human capital	• Talented employees • Effective leadership • Attractive employee value proposition • Equal opportunity employment • Fair employee practices • Appropriate organisational structure • Effective recruitment, retention and recognition • Clear performance targets • Safe work environment	• Training and development • Balanced scorecard manages individual performance • Total Rewards framework • Recruitment process • Manage employment equity • Graduate programme • Professional employee wellness support • Address the skills shortage in the industry	• Most vacant positions filled at year-end • Improving education and training • Creating jobs • EE targets met (except disabled) • Higher attrition rate	• Workforce to maintain a sustainable business • Workforce to remain financially stable • Workforce committed to growth, development and transformation • Living the values
Intellectual capital	• Tacit product knowledge and experience • Research and development • Product development • Innovative solutions • Values-based behaviour • Product and service offering • Culture • Brand and reputation	• Staff and knowledge retention • Research new product and additional distribution channels • Fraud prevention and whistle-blowing • Risk management • Own risk and solvency assessment (ORSA) • Brand awareness survey • Initiatives to improve brand visibility	• Satisfactory Ethics Awareness Assessment • Adherence to King IV principles • Satisfactory legal compliance • Healthy solvency position • Increased brand awareness	• Improved customer satisfaction and increased revenue • Financial stability • Protection from reputational damage • Loyal employees • Responsible corporate citizen • Brand and social relevance elevated
Social and relationship capital	• Skilled relationship managers • Ongoing stakeholder engagements • Agreed terms with agents/intermediaries • Partnering and supporting industry and regulatory bodies • CSI investments • Communication and marketing	• Training relationship managers • Identify material issues and developed initiatives • Partner with regional institutes • CSI investments, 48% of which in education, training and skills • Raising product and brand awareness • Contribute to improving financial literacy	• Increased revenue • Contribution to education and training • Development of actuaries through the South African Actuaries Development Programme • Provided bursaries to 50 students • Contributed to job creation through graduate programme • Improve insurance advice by the distribution channel	• Relevance is elevated • Relationship with key stakeholders is improved • Address the skills shortage and job creation challenge • Ensure our long-term sustainability • Remaining an efficient state-owned company that is delivering on its mandate

[1] Our top risks are discussed in more detail on pages 25 and 26.
[2] Our key relationships/stakeholders are outlined on pages 18 to 21.

	Risks[1]	Stakeholders affected[2]	Strategic focus area[3]	Key performance indicator[4]
	• Loss of investor confidence in SA • Socio-economic challenges • Loss of stakeholders' trust	• Customers • Agents • Employees • Board • Regulatory bodies • Shareholder	• Sustainable revenue growth • Capital management • Infrastructure and cost management	• Gross written premium • Underwriting profit • To develop a comprehensive Enterprise Architecture framework • Implementation of the new IT strategy
	• Skills shortage in financial and insurance sectors • Failure to attract and retain skilled employees • Loss of employee satisfaction • Loss of employees' trust	• Agents • Employees • Board • Industry bodies	• People, capacity and capability	• Overall staff Individual Perception Monitor (IPM) survey score
	• Loss of reputation • Loss of revenue due to ineffective risk management • Loss of skilled/ experienced employees • Loss of customer satisfaction and revenue • Low brand awareness • Loss of stakeholders' trust	• Customers • Agents • Employees • Board • Industry bodies • Media	• Innovation (products and services)	• Develop a comprehensive feasibility study document with regard to the implementation of a direct distribution channel to target the lower LSM and small and medium enterprises market
	• Loss of customer/ stakeholder satisfaction • Loss of revenue • Loss of stakeholders' trust • Loss of long-term sustainability	• Customers • Agents • Industry bodies • Regulatory bodies • Media • Shareholder	• Customer-centricity • Brand development • Regulatory environment	• % of all fast-track claims settled within 30 days • % of large loss claims settled within 60 days. • % brand awareness within the distribution channels • % brand awareness with the end-customer • Points (out of 15) for recruitment and retention of black females at middle and junior management levels and attract people with disabilities – employment equity • % increase in procurement spent with suppliers that are more than 50% black-owned • % of net profit after tax as limit for irregular, fruitless, wasteful and unauthorised expenditure

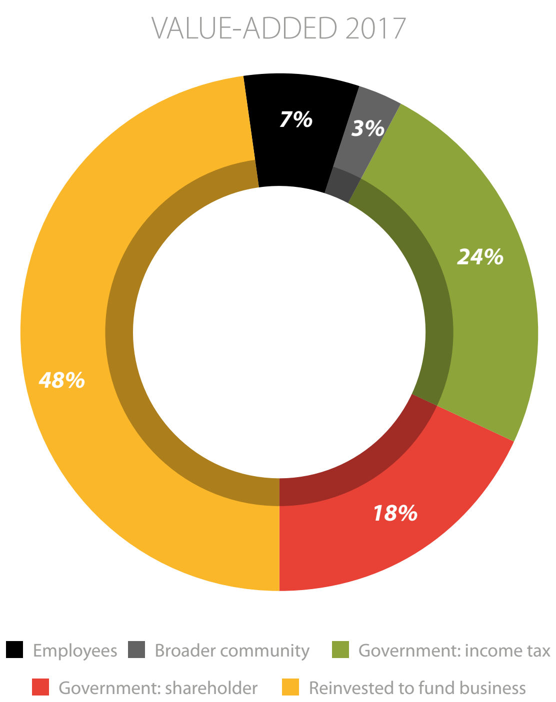
[3] We elaborate on the strategic focus areas in our 2014-2019 strategy on pages 27 to 29.
[4] Our performance against these targets in 2017 is reported on pages 36 to 37 and our performance targets for the medium term are listed on pages 38 and 39.

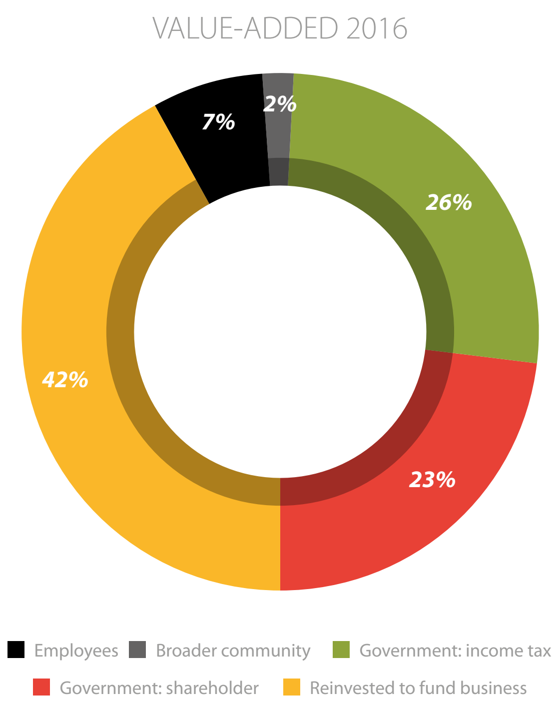
How we distribute value

We distribute value to our employees through providing continued employment, professional growth and development opportunities, to the broader South African community through our corporate social investment (CSI) activities, to the government and its people through the payment of taxes and to our shareholder through payment of a dividend. We use the remaining profits to reinvest into the business to ensure that we can continue to deliver on our legislative mandate and continue to create and distribute value.

As a result of our value-creation process, we increased our value distributed through our CSI initiatives(broader community)(3% of value distributed compared to 2% prior year) as well as increasing the percentage of profits reinvested from 42% in the prior year to 48% this year. We retained the share we invested in employees at 7%, reduced taxes paid to government (26% to 24%) and dividends to shareholders (23% to 18%), due largely to the claims severity during the year. Despite the high claims, Sasria still remains stable and resilient.

Value-added statement

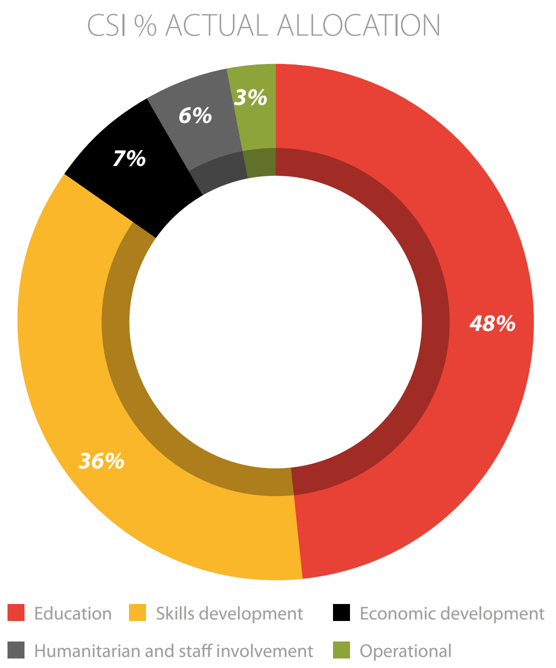




Corporate social investment

Our CSI activities are integral to our value-creation process, and assist Sasria, the financial and insurance industries and the country to grow, develop and transform. Sasria's CSI allocation for 2017 was 5% of after-tax profit, R27 million.

Our CSI allocation per focus area is reflected below:



The largest share (48%) was spent on **education** initiatives, aimed at improving education and training at secondary and tertiary levels, as well as contributing to basic financial literacy training. Secondly, we focus on building capabilities and **developing skills**, particularly in the financial and insurance industries, in order to help develop capacity, create jobs and increase participation in the economy. Some of our 2017 initiatives were:

- **Providing bursaries to increase skills in the finance sector**
  We awarded bursaries to 50 students (of which 56% were females and 44% were males) working towards qualifications within the finance and other relevant fields to the total value of R12 million.

- **Contributing to the development of actuaries in South Africa**
  We continued our support of the South African Actuaries Development Programme (SAADP). This year, we have invested over R5.5 million in the development of actuaries, contributing to producing 251 actuarial graduates since the inception of this programme in 2003, 28 of which in the last academic year qualified (of which 10 were female and 18 were males).

- **Contributing towards basic financial education for lower LSM consumer groups**
  We contributed R1 million to the South African Insurance Association (SAIA) consumer education programme and a further R219 000 was invested in the Sasria-led Consumer Education to raise awareness and understanding of special risk insurance.

- **Partnering with the Insurance Institute of Gauteng to develop skills for our industry**
  We invested R2 million in the development of leadership skills in individuals at middle-management level within the industry through a partnership with the Insurance Institute of Gauteng and Gordon Institute of Business Science.

- **Helping to create jobs with our graduate programme**
  We placed 19 graduates on Sasria's two-year graduate programme.

Our key relationships

At Sasria we believe that successful business is about strong relationships. This belief fosters an inclusive approach towards all our stakeholders. Our inclusive approach is focused on understanding the needs, interests and expectations of our stakeholders and has enabled us to create value for both the organisation and our stakeholders.

Strategic stakeholder management is embedded in our strategic objectives, in particular 'To improve our current strategic partnerships and establish new ones'. The inclusive approach helps us understand and respond to the material needs of our stakeholders, as well as identify key risks pertaining to our stakeholder management and putting mitigating measures in place.

A Stakeholder Management Policy was developed two years ago to entrench the management of stakeholders in the Company. The policy is reviewed annually and approved by the Social and Ethics Committee. The effectiveness of the inclusive stakeholder management approach is measured through a survey. The results of the 2017 survey indicated an 85% achievement in overall stakeholder satisfaction, which is an improvement of 5% from the previous year. It represents a satisfactory achievement against our target satisfaction level of at least 60% per stakeholder. We are actively working to further improve our results.

Below is an overview of our **key stakeholders**, their material needs and our strategic responses thereto. We also note the survey results for each stakeholder:

Poor relationship: below 50% satisfaction	Neutral: between 51% and 60%	Well-managed relationship: above 60%

Stakeholder	Material matters	Our response	Status
Shareholder	• Good corporate governance • Sustainability of the organisation • Relevance to government agenda (NDP) • Inclusivity and transformation • Strategy implementation	• Sound corporate governance practices • Regular engagement with the shareholder on the broader mandate • Focused approach on contributing to the NDP • Development of a product aimed at inclusivity of all South Africans • Regular monitoring of the implementation of the five-year strategy plan	> 60%
Distribution channels	• Regulatory changes • Product awareness • Brand awareness • Visibility and relationship management • Service satisfaction	• Continuous engagement with the Regulator and National Treasury (policy maker) on the implication of legislative changes on our business model • Strategic brand and product awareness within the industry • Strategic stakeholder management with an inclusive approach	> 60%
Insurance industry bodies	• Policy administration fee • Product awareness • Brand awareness • Visibility and relationship management • Service satisfaction	• Annual review of the policy administration fee • Strategic brand and product awareness within the industry • Strategic stakeholder management with an inclusive approach • Obtain feedback on product performance, product development and overall service satisfaction • Participation in and membership of relevant industry bodies and associations	51 - 60%

Poor relationship: below 50% satisfaction	Neutral: between 51% and 60%	Well-managed relationship: above 60%

Stakeholder	Material matters	Our response	Status
Regulators (including Financial Services Board (FSB) and National Treasury)	• Compliance • Continued solvency (sustainability)	• Strategic engagement in order to influence changes in the regulatory environment • Regular meetings with the FSB • Zero tolerance to non-compliance • Sound corporate governance practices	51 - 60%
Employees	• Sustainability of the organisation • Development • Well-being • Retention	• Understand employee needs and create a conducive work environment • Learning and development strategy • Talent management and succession planning • Competitive remuneration and employment conditions • Transformation strategy to encourage diversity and inclusivity in the workplace • Health and safety management	> 60%
Board	• Sustainability of the organisation • Governance • Strategy implementation	• Sound corporate governance practices • Strategy management framework with a long-term view • Strategic stakeholder management with an inclusive approach	> 60%
Media	• Information on the impact of events • Reputation • Performance • Public relations	• Improve media engagements and media as a strategic partner • Improve public relations management and media coverage	51 - 60%
Customers	• Product satisfaction and awareness • Service experience • Brand awareness • Sustainability and viability of the organisation • Information sharing • Claims (short- and long-term)	• Strategic engagements with corporate and commercial customers • Understand customer needs, enhance and design products based on these needs • Effective claims and complaints management • Improve media coverage aimed at customers • Communication plan aimed at customers • Entrench a culture of fair treatment of customers throughout the organisation	51 - 60%

Other important stakeholders that we interact with include **asset managers**, **banks, reinsurers**, our **CSI partners** and the **general South African public**. These stakeholders were not surveyed as they represent the outer layers of our stakeholder management framework and have a smaller direct impact on our business.

Managing material issues related to our key relationships

The Executive Committee takes responsibility for managing Sasria's material issues and follows a structured approach to determining the material matters that could have a negative or positive impact on any of our key relationships. The Audit and Risk committees assume oversight responsibility and consider and approve the listing prior to presenting it to the Board for endorsement.

We define a matter as being material if it is of such relevance and importance that it has the potential to substantively affect our ability to create value over the short, medium and long term. The process we follow to determine our material matters is as follows:

1. **Identify**, in workshops, the relevant matters based on risks and opportunities;
2. **Evaluate** the importance of each matter in terms of its impact and likelihood of occurrence;
3. **Prioritise** the material matters;
4. **Disclose** the material matters;
5. **Integrate** into long-term strategy, targets and short- to medium-term business plans. Align stakeholder management, risk management, governance; and
6. **Re-assess** annually.

Nine material matters have been identified and ranked by priority. These are outlined and explained in the table below, showing the relationship to our **strategic objectives** and **stakeholders**, together with the most significant **risks** associated with each material matter:

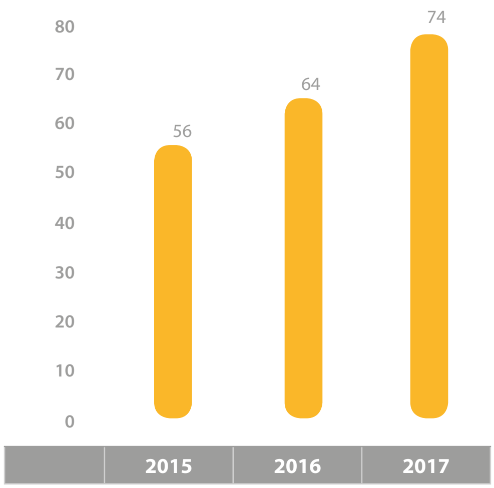
	Material issue	Strategic objectives	Stakeholders	Risks	Capitals affected
1	Adopting leading technology systems	• Sustainable revenue growth • Infrastructure and cost management • Regulatory environment	• Regulators • Distribution channels • Customers	• Incomplete and inaccurate revenue • Failure to respond to IT developments • Lack of policyholder data • Erosion of capital due to deterioration of investment markets • Cyber risk	Intellectual
2	Delivering transformational solutions	• Innovation (products and services) • People, capacity and capability	• Shareholder • Government • Employees • Distribution channels • Customers	• Inability to take special risk insurance to all South Africans • Inability to effectively contribute to the NDP	Social and relationship
3	Building and maintaining our relevance	• Customer-centricity	• Shareholder • Employees • Distribution channels • Customers	• Increased insurance risk • Inability to take special risk insurance to all South Africans • Lack of exploring alternative distribution channels	Financial
		• Innovation (products and services) • Brand development	• Employees • Distribution channels	• Low brand awareness • Inability to diversify the special risk insurance product • Reputational damage	Intellectual
		• People, capacity and capability	• CSI partners	• Reputational damage • Inability to identify the right partners	Social and relationship

	Material issue	Strategic objectives	Stakeholders	Risks	Capitals affected
4	Providing excellence through innovation and quality	• Innovation (products and services) • People, capacity and capability • Customer-centricity • Brand development	• Distribution channels • Customers • Insurance industry bodies	• Failure to respond to IT developments • Inability to diversify the special risk insurance product • Reputational damage	Intellectual
5	Delivering sustained financial performance	• Sustainable revenue growth • Capital management • Infrastructure and cost management • Regulatory environment	• Shareholder • Employees • Regulators • Distribution channels • Customers • CSI partners	• Increased insurance risk • Incomplete and inaccurate revenue • Erosion of capital due to deterioration of investment markets • Non-compliance of Claims staff with claims manual and procedures • Failure to calculate VAT accurately • Poor management of our stakeholders • Lack of exploring alternative distribution channels	Financial
6	Remaining resilient through shared value partnerships with our distribution channels	• Sustainable revenue growth • Customer-centricity • Brand development	• Distribution channels • Customers	• Incomplete and inaccurate revenue • Lack of policyholder data • Lack of exploring alternative distribution channels	Intellectual
7	Operating through sound governance	• Regulatory environment	• Shareholder • Regulators • Board of Directors	• Failure to comply with regulatory requirements and governance codes • Reputational damage	Intellectual
		• Regulatory environment	• Regulators	• Failure to comply with regulatory requirements and governance codes • Reputational damage	Social and relationship
8	Maintaining customer relations and satisfaction	• Innovation (products and services) • Brand development	• Customers	• Non-compliance of Claims staff with claims manual and procedures • Poor management of our stakeholders	Social and relationship
		• Customer-centricity	• Customers	• Failure to comply with regulatory requirements and governance codes • Poor management of our stakeholders • Non-compliance of Claims staff with claims manual and procedures	Financial
9	Developing and retaining our people	• People, capacity and capability	• Employees	• Inability to attract and retain specialised skills • Developing Claims staff	Human

Refer to pages 25 and 26 for a more comprehensive analysis of our top risks, together with the actions we have taken in mitigation of these risks and the opportunities they present.

Our employees

ACTUAL FULL-TIME EMPLOYEES



Sasria has a lean workforce, mainly because of our current business model. Our workforce grew by ten people in 2017, driven by:

- Increasing capacity to cope with the increased work load;
- The implementation of a centralised procurement system;
- Actuarial skills required to comply with own risk and solvency assessment (ORSA) and solvency and assessment management (SAM) ; and
- The substantial increase in the number of claims received in the assessment period.

The increase in the internal skills set enabled Sasria to reduce consultancy fees for 2017, as more work was performed internally, in line with the cost-containment directives from National Treasury.

We believe that our employee value proposition (EVP) is well-positioned to enable us to attract the best young talent in future. Sasria is an equal opportunity employer and complies with the Employment Equity Act 55 of 1998. It has equitable representation in terms of gender and race in all occupational categories and levels in the workforce.

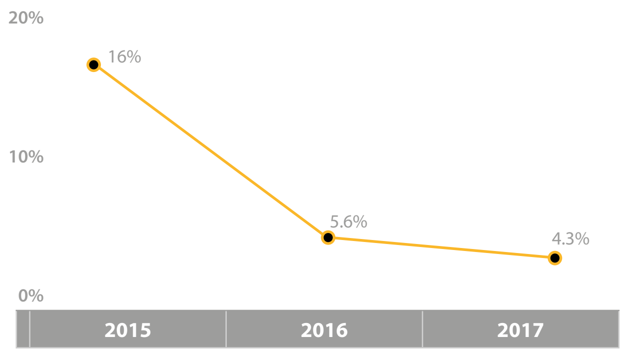
We exceeded six of the eight targets on the FSC Employment Equity scorecard.

FSC Employment Equity scorecard

Scorecard item	Weighting	Target	Achieved 2016	Achieved 2017	Score 2017
Black disabled employees as a percentage of all employees	0.5	3.0%	1.6%	1.4%	0.23
Black women disabled employees as a percentage of all employees	0.5	1.5%	1.6%	1.4%	0.45
Black senior management as a percentage of all senior management	3	60.0%	66.7%	80.0%	3.00
Black women senior management as a percentage of all senior management	2	30.0%	33.3%	60.0%	2.00
Black middle management as a percentage of all middle management	3	75.0%	81.5%	84.9%	3.00
Black women middle management as a percentage of all middle management	2	37.5%	44.4%	48.5%	2.00
Black junior management as a percentage of all junior management	2	80.0%	94.7%	95.5%	2.00
Black women junior management as a percentage of all junior management	2	40.0%	63.2%	63.6%	2.00
TOTAL	**15**				**14.68**

Our **vacancy rate** has decreased marginally from 2016:

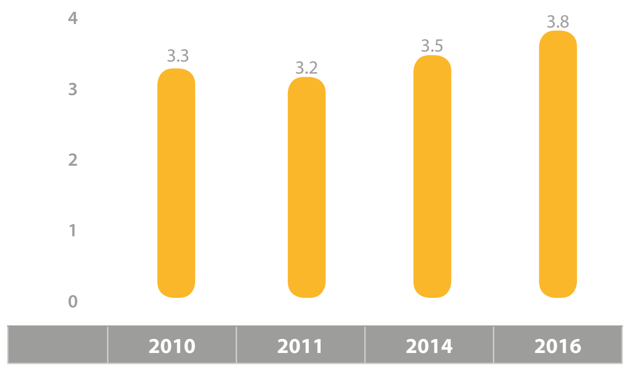
VACANCY RATE



During 2017 the overall **staff turnover** was 5.7%, compared to 14.5% experienced in 2016. This is an improvement on the previous years and is still within the agreed target of 10%, which is in line with the overall trends in the insurance industry (between 9.4% and 12.4%). Exit interviews were conducted to determine the reasons for leaving and to address these for the future.

Sasria invests heavily in learning and development initiatives for its existing employees, despite their being offered better opportunities as a result of their upskilling. We acknowledge the fact that we have a very lean workforce and flat organisational structure, which limits diversity of work and advancement opportunities. By investing in the development of our employees, we create and build a learning culture within Sasria and this helps to eradicate the skills shortage in our industry.

OVERALL CLIMATE SURVEY RESULTS



A confidential climate survey was conducted by an external party in August 2016 in order to gather the perception of employees of Sasria on the health of the organisation. The survey was distributed to 89 Sasria employees, interns and temporary staff, and 74 responses (83%) were received. The overall score was 3.8 out of a maximum possible score of 5.

During the previous financial year, we launched our Total Rewards framework, aimed at attracting, retaining and recognising talented employees, in recognition of the critical role that our employees play in helping us achieve continued solid performance.

The key principle of this approach is that we do not restrict our reward policy only to remuneration and benefits. Instead it forms an integral part of how we manage our human capital, by providing a holistic and attractive EVP, which includes the assurance of offering a meaningful and rewarding work environment.

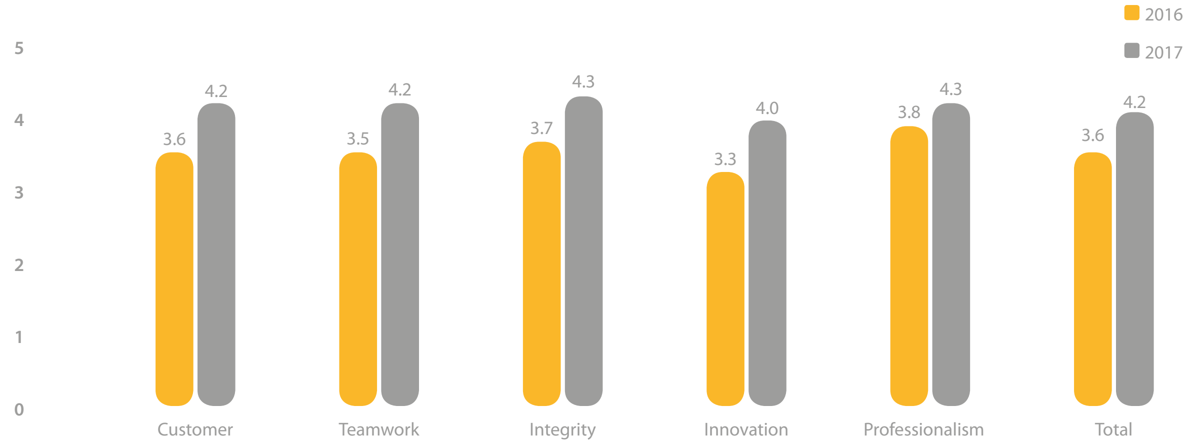
Our EVP is aimed at intensifying our efforts to retain and motivate our employees to perform and to attract the best talent. It encapsulates the unique work experience we offer as the employer in exchange for the performance and commitment of our employees.

Our framework aims to:

- **Actively create a meaningful work environment**
- **Offer fair remuneration and incentives**
- **Provide competitive benefits**
- **Develop our employees to enhance their career opportunities**
- **Advance meaningful work content and strengthen our performance culture**

We introduced a 360-degree survey during 2016 to determine how well each employee is living Sasria's values. The results of this annual independent survey are linked to employees' individual performance scorecards and KPIs. This was updated in 2017, as follows:

360-DEGREE VALUE ASSESSMENTS

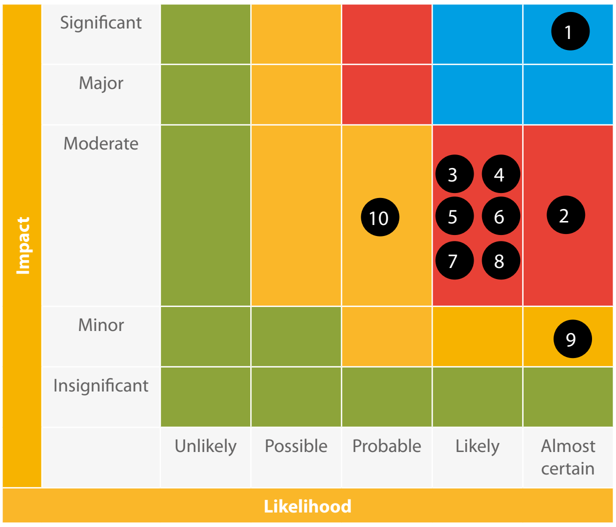


We were best at living the value of professionalism (4.3 out of 5), followed by integrity. We most need to improve on innovation (4) . The overall score of 4.2 is acceptable, rather than excellent, which is 4.5 and above. We continually strive to improve this performance.

Our top risks and how we manage them

We identified the top risks that pose a potential threat to the execution of our business strategy and assessed these risks based on the impact or severity of the risk event should it materialise, as well as the likelihood of the risk occurring. We then developed mitigation strategies in order to proactively manage these risks.

The heat map alongside highlights the top inherent risks that we face based on impact and likelihood:



The table below highlights the residual risk ratings and control effectiveness per risk.

	Risk	Inherent risk	Residual risk	Control rating
1	Increased insurance risk as a result of strikes, protests and other special risks	Very high	High	Fair
2	Incomplete and inaccurate revenue	High	Medium	Fair
3	Failure of business to respond to information technology developments	High	High	Poor
4	Lack of policyholder data	High	High	Poor
5	Inability to attract and retain specialised skills	High	High	Fair
6	Erosion of capital due to deterioration of investment markets	High	Medium	Fair
7	Cyber risk	High	Medium	Fair
8	Failure to comply with regulatory requirements and governance codes	High	Medium	Fair
9	Non-compliance of Claims staff with claims manual and procedures	Medium	Medium	Fair
10	Failure to calculate VAT accurately	Medium	Medium	Fair

The risk responses and controls in respect of the top five residual risks faced by Sasria are:

- **Increased insurance risk as a result of strikes, protests and other special risks**
  Our Underwriting department monitored the loss ratio and performed a detailed review of each claim before accepting it so as to ensure that all claims are valid and that all information was obtained. We designed specific stress and scenario tests to measure the impact of increased strikes and service delivery on Sasria's financial strength in our ORSA. Reinsurance purchase decisions were based on these stress and scenario tests. Our reinsurance broker further conducted specific probable maximum loss (PML) studies. Our Underwriting, Claims and Risk departments track the frequency and severity of strikes. Actual losses incurred compared to budgeted losses are also tracked on a monthly basis (see Risk 1).

- **Failure of business to respond to information technology developments**
  Our Enterprise Architecture project is currently under way. It will enhance the strategy process by highlighting existing process/resource gaps and will assist in implementing and integrating new technology where needed. The plan should be finalised by March 2018, where after implementation will commence (see Risk 3).

- **Lack of policyholder data**
  Sasria is performing an ongoing comprehensive data collection process. We developed a data warehouse system in order to capture all information appropriately and have begun to verify the quality and quantity of the data received from agents (see Risk 4).

- **Inability to attract and retain specialised skills in the Company**
  Talent and succession pools were created during the year for key positions in the Company to ensure continuity for high-risk roles. Critical positions were identified by the Remuneration and Nomination Committee, followed by psychometric assessments and talent conversations, in order to properly assess the readiness levels of individuals identified (see Risk 5).

- **Erosion of capital due to deterioration of investment markets** (see Risk 6)
  We reviewed our investment strategy during the year to determine whether it was still appropriate and adhering to responsible investing. The investment policy statement limits the use of high-risk instruments, thereby limiting the losses that can be suffered during a deteriorating market.

Sasria holds a diverse range of assets so as to spread the risk of losses as evenly as possible. We prefer assets that are liquid, and in the case of fixed-interest investments, instruments with a minimum credit rating of BBB-.

The Finance and Risk department tracked the following on a monthly and, in some cases, daily basis:

- News flow regarding South Africa's sovereign rating;
- Changes in macro-economic variables such as the prime lending rate, inflation rate, fiscal and current account deficits; and
- Returns on major indices and asset manager performance in relation to benchmark returns.

Our 2014 – 2019 strategy

The main aim of our strategic journey for this five-year period is to strengthen our current position and sustainable performance in terms of our legislative mandate so as to deliver on our strategic transformation mandate.

Our strategic focus areas, identified strategic objectives and the key performance indicators by which we measure our performance are detailed below:

	Strategic focus area	Strategic objective	Key performance indicators (and year)
Financial capital	**Sustainable revenue growth**	• To consistently outperform the industry average in premium growth • To improve our current strategic partnerships and establish new ones	• Gross written premium income growth (2014-2019)
	Capital management	• To ensure compliance with statutory capital requirements and the calculation of an economic risk basis for capital value • To target a return on equity greater than the government bond yield	• Maintain sustainable underwriting profit growth (2014-2019) • Embedding of the ORSA process and report (2016)
	Infrastructure and cost management	• To optimally enable business while satisfying regulatory requirements	• Achieve B-BBEE level 1 certification (2015) • Develop a comprehensive Enterprise Architecture framework for the Company (2017) • Implement the new IT strategy (2018)
Human capital	**People, capacity and capability**	• To attract, retain and develop skills that support our aspirations • To maintain a high-performing culture	• All new and vacant positions to be filled (2014) • Develop Sasria's skills base to reduce reliance on external consultants (2014-2015) • Drive employee engagement: Individual Perception Monitor (IPM) (2016, 2018) • Development of a talent management framework and succession plans (2016, 2019)
Intellectual capital	**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	• Research special risk insurance products (2015) • Develop a comprehensive feasibility study document with regard to the implementation of a direct distribution channel to target the lower LSM and SME market (2017-2018)

	Strategic focus area	Strategic objective	Key performance indicators (and year)
Social and relationship capital	**Regulatory environment**	• To proactively manage compliance	• Development and Implementation of the SAM Phase III project plan (2014) • Improve B-BBEE scores as per amended codes – Employment equity (2016) • Improve B-BBEE scores as per amended codes – Enterprise development (2016) • Improve transformation scores as per Financial Services Sector Codes – Employment equity (2017-2019) • Improve B-BBEE scores as per Financial Services Sector Codes – Enterprise development (2017-2019) • Limit irregular, fruitless, wasteful and unauthorised expenditure (2017-2018)
	Customer-centricity	• To provide relevant and appropriate products • To provide superior service	• Reduce the internal claims turnaround time (2014 - 2019)
	Brand development	• To create a trusted brand that resonates with all our customers	• Conduct customer and market segmentation analysis (2014) • Increase brand awareness (2015) • Achieve/maintain Sasria brand awareness in the distribution channels (2016-2019) • Achieve Sasria brand awareness with the end-customer (2017-2019)

Our long-term contribution to South Africa's NDP

As a state-owned company, we play a unique role in the insurance industry, as we ensure guaranteed special risk insurance cover at reasonable cost, irrespective of the political risk in or to South Africa. Our solid performance record and strong financial position enable us to make a meaningful contribution to the NDP, which aims to eliminate poverty and reduce inequality by 2030 by growing an inclusive economy, building capabilities and enhancing the capacity of the state.

Our contribution to the envisioned outcomes of the NDP is summarised below:

NDP outcomes	Sasria's contribution
• **Decent employment through inclusive economic growth** • **Quality basic education** • **A long and healthy life for all South Africans** • **All people in South Africa are and feel safe** • **Sustainable human settlements and improved quality of household life**	**Ensuring jobs are not lost, by:** • Reimbursing businesses for the loss of income due to business interruptions or damage to assets caused by events related to special risk events • Restoring their liquidity or business operations quickly and efficiently **Contributing to economic empowerment and transformation, by:** • Investing with B-BBEE asset managers • Increasing procurement spend with black-owned business as per the FSC • Applying these principles in our procurement policies and practices • Applying these principles in our employment policies and practices

NDP outcomes	Sasria's contribution
• **A skilled and capable workforce to support an inclusive growth path**	**Developing skills in the financial sector to ensure sustainability and transformation, by:** • Investing 5% of after-tax profit in CSI initiatives, with 84% of these funds allocated to education and development. This includes a particular focus on specialist skills-sets required in the financial and insurance sectors • Investing in the financial services sector (developing actuaries) through the support of the SAADP • Training and developing Sasria's employees via our talent management strategy • Taking in graduates and interns, and developing their skills
• **An efficient, competitive and responsive economic infrastructure network** • **Protecting and enhancing our environmental assets and natural resources**	**Investing profits responsibly, developing infrastructure, by:** • Encouraging and protecting infrastructure development by providing special construction risk insurance • Investing our profits responsibly to ensure that we remain financially sustainable and are able to respond when South Africa needs us to pay the claims • Investing in infrastructure development through asset managers • Investing a portion of our profits in projects targeted at expanding the infrastructure of schools in underprivileged, underdeveloped and rural communities
• **Create a better South Africa, contribute to a better and safer Africa in a better world**	**Instilling investor confidence, by:** • Demonstrating our reliability and financial strength to act as a guarantee that all claims will be paid to help encourage businesses both locally and internationally to invest in our country • Instilling an ethical culture in Sasria, and fighting corruption through ethics and fraud prevention awareness campaigns
• **An efficient, effective and development-oriented public service** • **A responsive, accountable, effective and efficient developmental local government system**	**Contributing to the fiscus of South Africa, by:** • Creating income (dividends) for the shareholder thereby contributing to government's revenue for application in any of its NDP priorities • Being financially responsible and disciplined as a state-owned company • Delivering our legislative mandate in a highly effective and profitable manner • Researching and investigating coverage for any special perils that could be considered to be of national interest • Creating jobs for our staff and for the insurance industry by providing learnership programmes • Instilling a strong governance culture in Sasria
• **An inclusive and responsive social protection system** • **A diverse, socially cohesive society with a common national identity** • **Vibrant, equitable and sustainable rural communities contributing to food security for all**	**Affordable short-term insurance for the huge uninsured market, by:** • Contributing to the growth and transformation of the insurance market and financial sector • Doing research and making affordable short-term insurance protection increasingly available and accessible to the huge uninsured market • Providing basic financial literacy and consumer education on the benefits of financial inclusion and insurance

Performance and outlook

Managing Director's report

It is my pleasure to report on another solid year for Sasria, despite a dramatic increase in claims and difficult macro-economic circumstances.

Despite the increase in claims, the Company has remained solid, strong and resilient, supported by its strong balance sheet: This allowed us to:

- Continue delivering on our mandate;
- Honour all our customer claims and commitments as they became liable;
- Not be a drain on the shareholder by continuing to be self-sufficient; and
- In fact, contribute to the fiscus.

The economic environment we operate in

It was an eventful year, both locally and globally, characterised by the surprising Brexit and US Presidential votes.

Worldwide, the economies of developed countries are growing steadily. Some emerging economies are doing well, like China and India recording gross domestic product (GDP) growth of 6%, whilst others like South Africa (less than 1%), Russia, Brazil, and those dependent on oil or resources are experiencing an economic slowdown.

In South Africa, economic growth was slower in most key segments of the economy, led by contractions in agriculture, mining and construction. This saw a continuation of retrenchments in these and other sectors, with unemployment at its highest level (28%) since 2003. The inflation rate is moving below 6%, mainly due to a slowdown in prices of food and transport.

Social environment

The social environment, has been severely affected by the circumstances mentioned above, with the lack of consistent growth fuelling ever higher unemployment. As a result, we have witnessed a dramatic increase in service delivery protests and increased dissatisfaction by students concerning tertiary education fees as part of the #FeesMustFall campaign.

The theme for this year's integrated report is:
Resilient. Stable. Safeguard. Confident.

This has clearly shone through in our results and plans for the future.

RESILIENT 2017 performance

Profit before tax of R744 million was achieved during the year. This represents a 4.9% increase over the previous year and was made up as follows:

- **Gross insurance premiums written** increased by 9.5% over the prior year to R1.843 billion;
- **Administration and marketing expenses** increased by 5.9% from the prior period, which is slightly above the increase in inflation;
- **Gross insurance claims** amounted to R766 million, (30.8%) above the prior year. The number of claims increased by 22% and the severity increased by 29%. The biggest drivers remain service delivery related and university student protests (approximately R325 million);
- The **loss ratio** of claims paid and provided increased to 46.2% of net premiums earned, up from 39% last year;
- **Net investment income** for the year at R413 million was 40.5% higher than the previous year; and
- **Assets under management** increased by 7.43% to R6.72 billion, whilst **total equity** is up by 7.3% to R5.7 billion at the year-end.

STABLE performance against Sasria's 2014 – 2019 strategy

Refer to page 36 for a detailed breakdown of the performance for the year.

We remain firmly focused on delivering on our five-year strategy. All our KPIs remained linked to the eight strategic pillars and the strategic objectives of our five-year strategy by 2019, as set out on page 27 of this report.

We achieved seven out of ten of our KPI targets for the year. However, net underwriting profit fell short as a result of the high claims levels. We marginally missed our targets for recruitment and retention of black females at middle- and junior management levels and attracting disabled employees, as well as B-BBEE procurement spent.

Taking the challenging operating context during this year into account, it is evident that we have again delivered a solid performance.

SAFEGUARD against special risks

Above all, we continue to cover South Africans against the special risks of civil commotion, public disorder, strikes, riots and terrorism and pay all valid claims promptly in line with our status as a financial safeguard against these potentially catastrophic events. Our balance sheet remains strong, with the SAM solvency capital requirement (SCR) cover ratio at 246%. Our performance underlines our commitment and ability to honour our customers' claims.

CONFIDENT in our outlook

Refer to page 38 for a detailed breakdown of our medium-term targets.

Despite the challenges facing our country and our industry, we remain committed and confident in our ability to deliver on our mandate and strategy:

- **Sustainable revenue growth**
  In spite of the economic pressures on our economy amidst high unemployment, increasing retrenchments and greater demands for service delivery, our product remains affordable and valuable for our growing customer base.

- **A renewed focus on customer-centricity**
  In growing our revenue, we continue to improve our operational efficiencies and ensure that customers' experiences with us are seamless. Despite a dramatic increase in the frequency and severity of claims, our commitment to our customers has remained unchanged. This was supported by the Short-term Insurance Ombudsman's 2016 report. In the face of the increase in claims, the claims rejection ratio remains negligible, with only two complaints sent to the Ombudsman.

- **Innovation in products and services**
  We are actively pursuing multiple options to deepen the customer base to include a far larger portion of the South African public and achieve greater financial inclusivity. The project is aimed at reaching the currently uninsured market and making our product more accessible.

- **Effective capital management**
  This will, however, always be done in a responsible manner so as to protect our capital for the events against which we provide cover. Although claims have increased dramatically, our capital management remains prudent and we have a strong balance sheet to support our initiatives.

- **Infrastructure and cost management**
  We are conscious and protective of our lean structure, which has stood us in good stead. Changing our offering will therefore be done cost-effectively. Managing expenses remains a key focus, as evidenced by the reduction in the expense ratio from 20.5% to 19.7% in the last year.

- **Development of people, capacity and capability**
  Our structure will be developed further with the right people with the right skills. We are excited about our proven ability to attract top talent in areas where there is a skills shortage, namely auditing and actuarial functions. We are happy to report that the staff turnover has dropped from 14.5% in 2016 to 5.7% in 2017.

- **Compliance with the regulatory environment**
  It has been a long journey since we embarked on the SAM/ORSA project in 2011. During this time we have implemented a number of initiatives to help us understand and manage the business better. We are now ready to implement SAM and ORSA when these become adopted as regulatory practice in the near future.

- **The development of a trusted and visible brand**
  Ultimately, delivering on all our focus areas will make Sasria a brand that we can be truly proud of.

Management changes

The Finance Director, Karen Pepler, resigned in November 2016 and the recruitment process for her replacement is at an advanced stage. In the meantime, Philippa Viljoen has stepped up to fill the gap. Subsequent to year-end, Thokozile Mahlangu and Rose Mathafena resigned to pursue new challenges.

Fareedah Benjamin joined Sasria as the Executive Manager for Insurance Operations in March 2017 to replace Keith Fick. We welcome her and trust that her vast experience will benefit her and Sasria in her new challenge.

The Board also created a new executive position, namely that of Executive Manager: IT and Operations. Technology was identified by Sasria as both a material issue and risk, as well as a key requirement in the strategy of rolling out financial inclusivity. The new executive position was created to strengthen the Executive Committee and subsequent to year-end, Sam Nkosi, was appointed in this position and started in July 2017.

Gratitude

Firstly, I would like to thank our customers, agent companies and intermediaries. Without them, there would be no business. We hope to continue delivering solutions to their needs.

I thank my Executive Committee and the rest of our staff for their dedication and commitment during the last year.

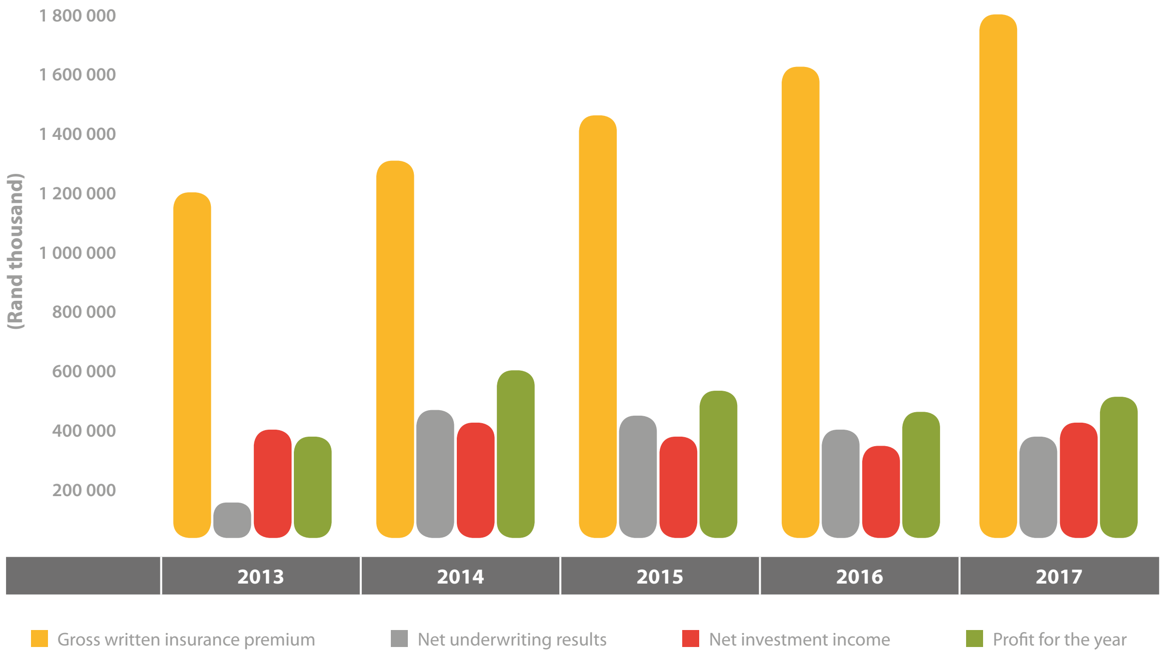
I am also deeply grateful to the Board for their constant guidance and support.

Lastly, I want to thank my colleagues at National Treasury for their valuable input.

It is through the efforts of everyone that Sasria is financially strong and geared to delivering on its mandate.

Cedric Masondo
Managing Director
2 August 2017

FIVE-YEAR FINANCIAL PERFORMANCE



The solid performance over the past five years, as encapsulated by the graph above, is amplified over the following pages as follows:

- A detailed review of our **Performance against targets in 2017** on pages 36 and 37;
- Our **Performance targets for 2018 and 2019**, which are outlined on pages 38 and 39; and
- A **Five-year financial review** of financial performance (page 40), financial position and cash flow (page 41).

Performance against targets in 2017

Our performance against the KPIs in 2017 was as follows:

	Strategic focus area	Strategic objective	Key performance indicator
Financial capital	**Sustainable revenue growth**	To consistently outperform the industry average in premium growth	Gross written premium
	Capital management	To target a return on equity greater than the government bond yield	Underwriting profit
	Capital management	To ensure compliance with statutory capital requirements and the calculation of an economic risk basis for capital value	Embedding of the ORSA process and report (by 31 March 2017)
Human capital	**People, capacity and capability**	To attract, retain and develop skills that support our aspirations	Achieve an overall staff IPM survey score of
			% of all individual staff development plans completed
			% key talent identified and appropriate career review actions completed
			Succession plans completed for all critical (strategic and core) positions
Social and relationship capital	**Customer-centricity**	To provide superior customer service	%[1] of all fast-track[2] claims to be settled[3] within 30 days from the date of submission
		To provide superior customer service	% of large loss claims[4] settled within 60 days from date of submission
	Brand development	To create a trusted brand that resonates with all our customers	% brand awareness within the distribution channels (Independent survey conducted in October and November 2016)
	Regulatory environment	To proactively manage compliance	Points (out of 20) for recruitment and retention of black females at middle- and junior management levels and people with disabilities
			% increase in procurement spent with suppliers that are more than 50% black-owned

[1] The claims turnaround targets on both the fast-track and large claims were reduced from the targets set in the five-year Strategic Plan, The rationale is as follows: a) The current increase in claims frequency is set to continue; and b) Claims have become more complex in nature and thus take longer to settle.

[2] Claims with an estimate below R250 000.

	Target 2017	Actual 2017	Variance %
	R1 743 million	R1 843 million	5.7% **KPI achieved**
	R458 940	R357 539	(22.1%) **KPI not achieved** Refer to the Finance Director's report (page 42), for a detailed discussion on the reasons for the lower underwriting profit
	Staff training session to be conducted on ORSA	Completed	**KPI achieved**
	Management to score above 70% on their understanding of the business use and impact of the ORSA process	Completed	
	New product development	Not applicable	
	Strategic asset allocation	Completed	
	Reinsurance strategy	Completed	
	Dividend policy finalised	Completed	
	≥3.5	3.77	**KPI achieved**
	100%	100%	**KPI achieved**
	100%	100%	
	100%	100%	
	85%	87.2%	2.2% **KPI achieved**
	60%	79.1%	19.1% **KPI achieved**
	≥80%	100%	**KPI achieved**
	≥15 points	13.8 points	**KPI not achieved** Refer to the FSC Employment Equity scorecard on page 22. This "management control" KPI is more stringent than the standard FSC Employment Equity scorecard
	≥20%	19.65%	**KPI not achieved** Sasria marginally missed the KPI by achieving an increase of 42.9% in standard procurement but a decrease of 37.7% in investment management fee spent due to the delay in finalising an investment tender

[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 calculations.

[4] Claims with an estimate above R250 000.

Performance targets for 2018 and 2019

We have set ourselves some challenging targets for the medium term.

In developing the KPIs, we considered the following:

- Sasria's mandate – that we continue to deliver on our mandate;
- The Minister of Finance's Strategic Intent Statement for Sasria (dated 27 June 2016);
- Alignment to Sasria's five-year Strategic Plan and long-term objectives;
- Sasria's customers – as required by Treating Customers Fairly (TCF), our customers should always be at the forefront of our planning and decision-making;
- Capital adequacy – we should always be able to honour our liabilities;
- Risk management – making ORSA the way we manage our business on a day-to-day basis;
- Corporate citizenship – Sasria's role in supporting the government's NDP; and
- Ensuring a balanced scorecard with financial and non-financial KPIs.

	Strategic focus area	Strategic objective	
Financial capital	**Sustainable revenue growth**	To consistently outperform the industry average in premium growth	
	Capital management	To target a return on equity greater than the government bond yield	
	Infrastructure and cost management	To optimally enable business while satisfying regulatory requirements	
	Infrastructure and cost management	To optimally enable business while satisfying regulatory requirements	
Human capital	**People, capacity and capability**	To attract, retain and develop skills that support our aspirations	
Intellectual capital	**Innovation (products and services)**	To establish new business channels	
Social and relationship capital	**Customer-centricity**	To provide superior customer service	
		To provide superior customer service	
	Brand development	To create a trusted brand that resonates with all our customers	
	Regulatory environment	To proactively manage compliance	

	Key performance indicator	Target 2018	Target 2019	Weight %
	Gross written premium	R2 003 million	R2 185 million	10%
	Underwriting profit	R413.3 million	R436.2 million	10%
	Implementation of the new IT strategy	Not applicable	Complete	5%
	To develop a comprehensive Enterprise Architecture framework	Complete	Implement	5%
	Achieve an overall staff IPM survey score of	Not applicable	≥3.7	5%
	Develop a comprehensive feasibility study document with regard to the implementation of a direct distribution channel to target the lower LSM and SME market	Complete	Not applicable	5%
	% of all fast-track claims to be settled within 30 days from the date of submission	85%	90%	10%
	% of large loss claims settled within 60 days from the date of submission	60%	70%	10%
	Achieve Sasria brand awareness within the distribution channels (Independent survey to be conducted)	≥90%	≥95%	5%
	Achieve brand awareness with the end-customer (Independent survey to be conducted)	≥30%	≥35%	5%
	Points (out of 15) for recruitment and retention of black females at middle and junior management levels and attract people with disabilities – Employment equity	≥12 points	≥13 points	10%
	% increase in procurement spent with suppliers that are more than 50% black-owned	≥10%	≥10%	10%
	% of net profit after tax as limit for irregular, fruitless, wasteful and unauthorised expenditure	≤0.05% of net profit after tax	≤0.05% of net profit after tax	20%

Five-year financial review

	2013 R'000	2014 R'000	2015 R'000	2016 R'000	2017 R'000
SUMMARISED FINANCIAL PERFORMANCE					
Gross written insurance premium	1 223 530	1 390 338	1 522 866	1 683 895	1 843 402
Insurance premium ceded to reinsurers	(362 476)	(126 573)	(140 994)	(139 084)	(145 246)
Net written insurance premium	**861 054**	**1 263 765**	**1 381 872**	**1 544 811**	**1 698 156**
Net insurance premium earned	830 527	1 194 730	1 358 649	1 506 649	1 659 405
Net insurance claims	(507 433)	(306 382)	(440 559)	(587 056)	(766 681)
Net commission earned/(paid)	2 694	(98 354)	(152 683)	(179 392)	(208 397)
Expenses for administration and marketing	(216 820)	(250 285)	(276 081)	(308 528)	(326 787)
Net underwriting results	**108 968**	**539 708**	**489 327**	**431 673**	**357 540**
Net Investment income	389 727	424 665	366 379	294 198	413 339
Other income	12 394	37	129	124	568
Corporate social investment	(9 905)	(25 232)	(21 695)	(16 627)	(27 089)
Share of profit/(loss) of associate	(18 752)	4 860	-	-	-
Income tax	(124 807)	(258 113)	(223 456)	(205 250)	(201 095)
Profit for the year	**357 625**	**685 926**	**610 684**	**504 119**	**543 263**
Dividends paid	(156 900)	(107 287)	(205 778)	(183 205)	(151 236)
UNDERWRITING RATIOS (%)					
(Activities expressed as a % of earned premium)					
Net claims paid and provided	61.1%	25.6%	32.4%	39.0%	46.2%
Cost of acquisition	25.8%	29.2%	31.6%	32.4%	32.3%
Net commission paid	(0.3%)	8.2%	11.2%	11.9%	12.6%
Management expenses	26.1%	20.9%	20.3%	20.5%	19.7%
Combined ratio	**86.9%**	**54.8%**	**64.0%**	**71.3%**	**78.5%**
Underwriting result	**13.1%**	**45.2%**	**36.0%**	**28.7%**	**21.5%**
Earned premium	100.0%	100.0%	100.0%	100.0%	100.0%
OTHER FINANCIAL PERFORMANCE RATIOS					
Effective tax rate	25%	27%	26%	29%	27%
Gross written premium movement year on year	13%	14%	10%	11%	9%
Underwriting year-on-year movement	(73%)	395%	(9%)	(12%)	(17%)

	2013 R'000	2014 R'000	2015 R'000	2016 R'000	2017 R'000
SUMMARISED FINANCIAL POSITION					
Property, equipment and intangibles	8 064	18 705	16 530	14 624	8 946
Deferred acquisition cost	30 412	32 314	37 668	45 428	53 269
Financial assets at fair value through profit/loss and derivatives	3 385 835	3 906 069	4 347 666	4 390 597	3 890 058
Reinsurance contracts	194 351	27 092	19 618	20 717	24 202
Cash and cash equivalents	1 251 964	1 240 288	1 344 566	1 767 111	2 790 334
Other assets	230 739	254 263	292 850	359 448	330 307
Total assets	**5 101 365**	**5 478 731**	**6 058 898**	**6 597 925**	**7 097 116**
Share capital	-	-	-	-	-
Non-distributable regulatory reserves	245 142	350 610	377 385	434 750	480 286
Retained earnings	3 822 935	4 296 106	4 674 237	4 937 786	5 284 277
Deferred income	13 127	4 159	5 146	5 968	7 219
Insurance contracts	901 470	677 004	839 586	1 044 395	1 202 314
Other liabilities	118 691	150 852	162 544	175 026	123 020
Total equity and liabilities	**5 101 365**	**5 478 731**	**6 058 898**	**6 597 925**	**7 097 116**
FINANCIAL POSITION RATIOS					
CPI	5.7	6.1	4.6	6.4	6.1
Return on equity	9.0	15.7	12.7	9.7	9.8
SUMMARISED CASH FLOW					
Cash generated from operations	553 962	393 531	556 261	520 258	542 427
Dividends and interest received	254 171	275 968	310 060	367 332	436 646
Realised (loss)/gains on investments	404 936	94 030	65 926	111 160	(16 018)
Income tax paid	(157 624)	(206 003)	(210 722)	(180 348)	(304 034)
Net cash from operating activities	**1 055 445**	**557 526**	**721 525**	**818 402**	**659 021**
Purchase of investments	(642 611)	(446 350)	(422 560)	(207 463)	516 913
Other purchases and disposals	38 497	(15 565)	11 091	(5 189)	(1 475)
Net cash used in investing activities	**(604 114)**	**(461 915)**	**(411 469)**	**(212 652)**	**515 438**
Dividends paid	(156 900)	(107 287)	(205 778)	(183 205)	(151 236)
Net cash flows from financing activities	**(156 900)**	**(107 287)**	**(205 778)**	**(183 205)**	**(151 236)**
Net increase in cash and cash equivalents	294 431	(11 676)	104 278	422 545	1 023 223
Cash and cash equivalents at the beginning of the year	957 533	1 251 964	1 240 288	1 344 566	1 767 111
Cash and cash equivalents at the end of the year	**1 251 964**	**1 240 288**	**1 344 566**	**1 767 111**	**2 790 334**

Finance Director's report

Financial overview

Sasria's 2017 results reflect a sound performance despite the increase in severity and volume of claims. We achieved net profit before tax of R744 million (2016: R709.3 million). These results were driven by a positive underwriting result of R357 million and net investment income returns of R413.4 million.

The balance sheet remains strong, providing a solid base from which to achieve our strategic objectives. Sasria ended with a cash balance of R2 790 million. Our return on equity is 9.8% (2016: 9.7%).

Extracts from the statement of comprehensive income: comparison 2015-2017

Statement of comprehensive income	2015	2016		2017	
	R'000	%	R'000	%	R'000
Gross insurance premium written	1 522 866	11	1 683 895	9	1 843 402
Insurance premiums ceded to reinsurers	(140 994)	(1)	(139 084)	4	(145 246)
Net investment income	366 379	(20)	294 198	40	413 339
Net insurance claims	(440 559)	33	(587 056)	31	(766 681)
Profit before tax	**834 141**	**(15)**	**709 368**	**5**	**744 358**

Extracts from the statement of financial position: comparison 2015-2017

Statement of financial position	2015	2016		2017	
	R'000	%	R'000	%	R'000
Total assets	6 058 898	9	6 597 925	8	7 097 116
Total equity	5 051 622	6	5 372 536	7	5 764 563
Total liabilities	1 007 276	22	1 225 389	9	1 332 533

Economic environment

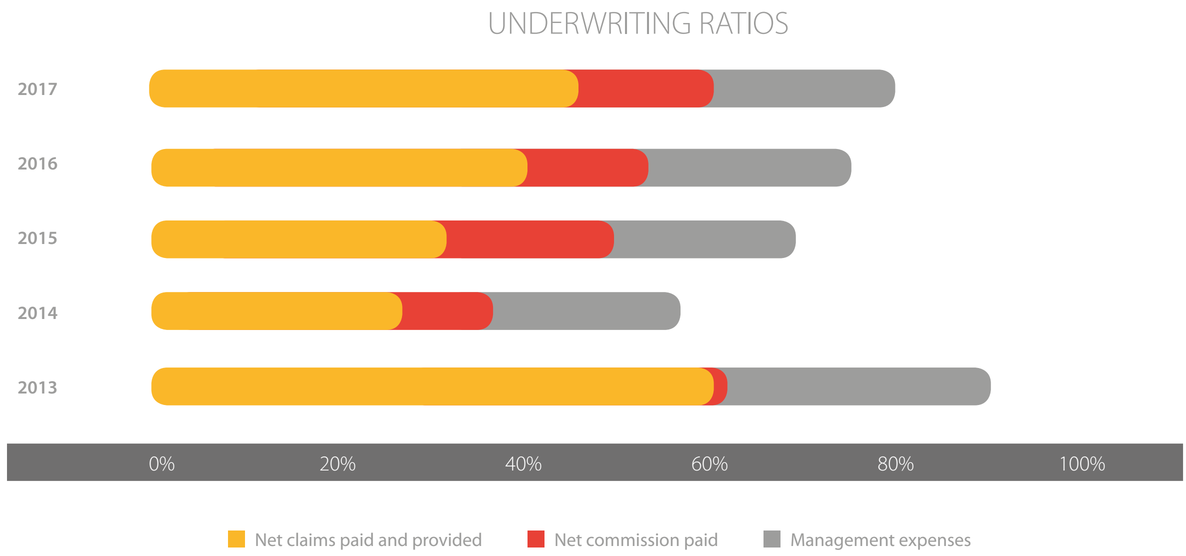
South Africa's low growth environment arises from low business confidence in the private sector. This led to Standard & Poor's (S&P) downgrading South Africa's long-term foreign sovereign credit rating to sub-investment grade BB+, from BBB-. Fitch followed suit, downgrading South Africa's long-term foreign and local currency debt. Moody's has downgraded its sovereign credit rating for South Africa to Baa3 from Baa2, with a negative outlook.

Underwriting performance

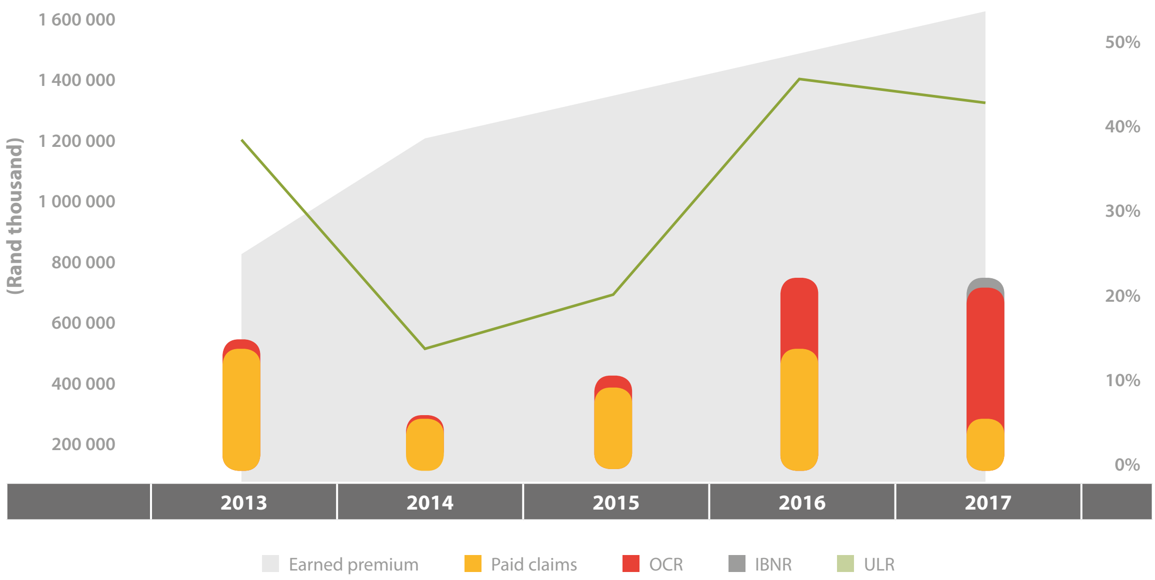
The underwriting profit declined by 17.2% compared to the prior year, largely due to the high level of claims incurred, which shows an increase of 30.8% from prior year on the back of more severe and prolonged strikes during the year. Non-political perils, with losses from students and service delivery protests, is the highest contributing factor. The ultimate loss ratio is 43% (2016: 45%). This is offset by growth in gross written premium (GWP) and cost-efficiencies in administrative and marketing expenses, as reflected in the graph entitled **Ultimate claims and loss ratio breakdown** below.

In total, 46.2% of net premiums were applied to claims (2016: 39.0%), the cost of acquisition decreased marginally and the management expense ratio decreased from 20.5% in 2016 to 19.7% in 2017.

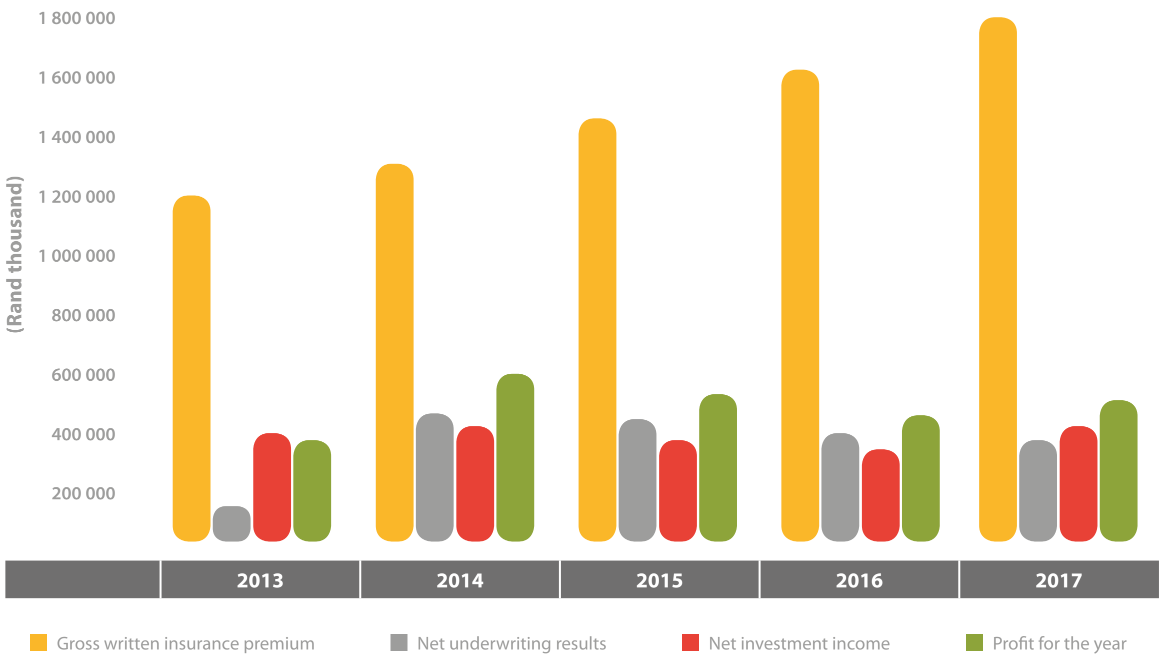
Sasria saw a growth of 9.5% in GWP, largely due to a concerted effort by Marketing and Customer Relations Management (CRM) teams to actively promote Sasria and its offerings.



ULTIMATE CLAIMS AND LOSS RATIO BREAKDOWN



FINANCIAL PERFORMANCE



Investment management

The achieved investment return is 0.87% below the Consumer Price Index (CPI) on a year-to-date basis. On a rolling 12-month basis, the portfolio yielded a return of 6.9%, compared to the benchmark of CPI + 2% of 8.02%. The underperformance of 1.12% is still within our risk appetite.

According to Sasria's investment policy, we measure investment returns over a 36-month rolling period. Over the 36-month period, the portfolio fluctuated between 3.05% above to (5.98%) below the benchmark of CPI +2%, as per the figure below. The portfolio initially outperformed the benchmark from 30 May 2013 to 30 June 2013, with performance returns above the

8%. The trend continued until 30 June 2015, when performance returns declined to 6% with under-performance in particular months only.

In the latter part of 2015, performance declined below benchmark because of current macro-economic variables in South Africa. The line graph reflects a steep decline in December and January, which is attributable to massive market volatility experienced, which some commentators blame on the change in the individual filling the role of the Finance Minister. However, markets have since showed some correction over the short term, which was further affected by Brexit, resulting in a steep decline of 1.04% in July 2016. Following Brexit, markets corrected leading to October 2016 and November 2016 where global financial markets experienced jitters due to the outcome of the US Presidential elections. Financial markets have since corrected in December 2016 after S&P affirmed the investment grade credit rating of South Africa. The portfolio performed well during the first half of quarter 4, backed by improving macro-economic conditions. However, this was overshadowed by political events in March 2017 which impacted the fair value of the investment portfolio.

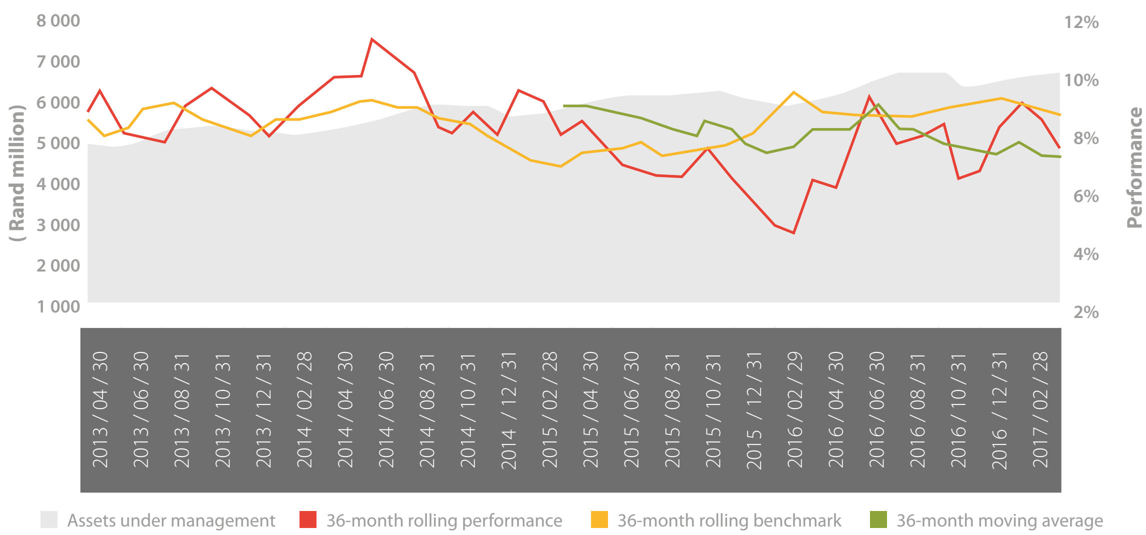
Assets under management and rolling 36-month return

The majority of Sasria's investments are in short-term instruments in order to accommodate operational needs related to the nature of our business. We monitor our investments from an asset/liability matching perspective, which in turn ensures that sufficient funds are available to meet our insurance liabilities, payment of claims and that the shareholder's fund is not unduly exposed to investment risk.

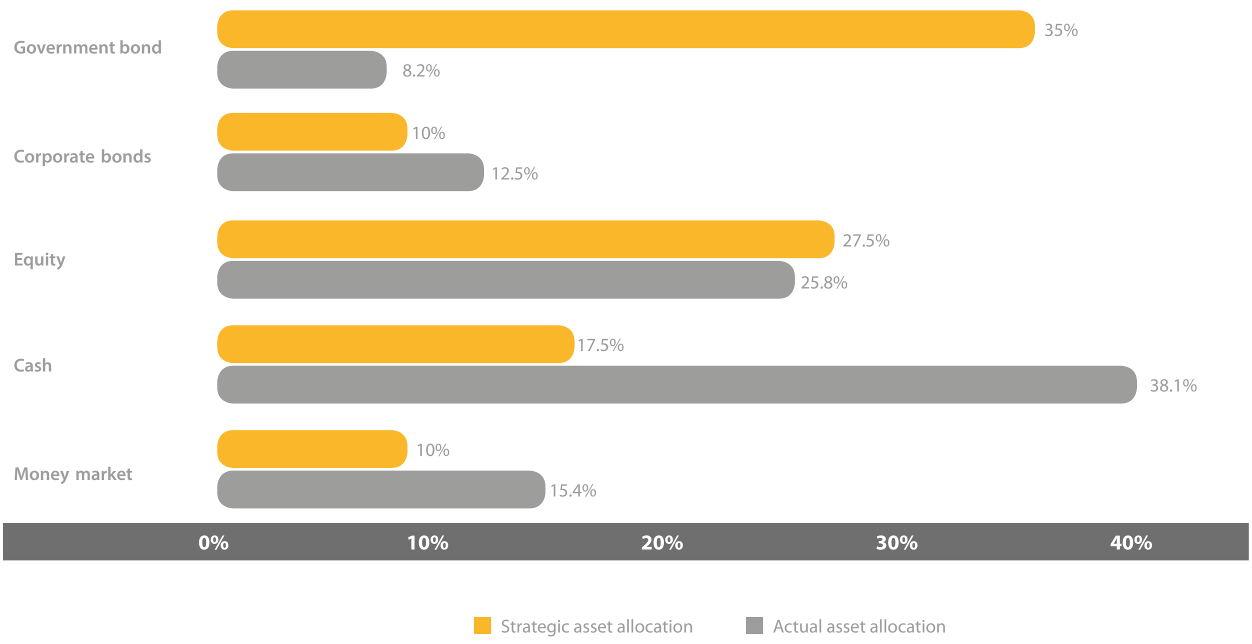
The composition of Sasria's total investments remained unchanged, except for the rebalancing required between government bonds, corporate bonds and money market classes in line with the revised strategic asset allocation. During the current period, Sasria implemented the fixed income tender process, which resulted in the appointment of new asset managers. This gave rise to a large cash balance at year-end from the liquidation of certain investment portfolios; the transition was completed early in the new financial year, which allowed for rebalancing to the revised strategic asset allocation.

Sasria's investments are outsourced to independent external asset managers under pre-determined mandates as per our investment policy. In total, we had R6.7 billion assets under management at the end of the period under review.

ASSETS UNDER MANAGEMENT AND ROLLING 36-MONTH RETURN



STRATEGIC ASSET ALLOCATION



Principles for responsible investing

Sasria recognises that the generation of long-term sustainable returns is dependent on stable, well-functioning and well-governed social, environmental and economic systems. Responsible investing is an approach to investments that explicitly acknowledges the relevance to the investor of environmental, social and governance (ESG) factors, and the long-term health and stability of the market as a whole.

Sasria is a proud signatory to United Nations Principles for Responsible Investments (UNPRI) and supports the Code for Responsible Investing in South Africa (CRISA).

Sasria has lived up to the principles in the following ways:

Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.

Our external investment managers undergo a rigorous appointment process, which incorporates the review of their investment philosophy and processes. We encourage academic enrolment.

Principle 2: We will be active owners and incorporate ESG issues into ownership policies and practices.

Asset managers act in a fiduciary capacity upholding a stewardship role for the assets they manage on our behalf. We monitor the proxy voting activity on the portfolio.

Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.

Asset managers vote on proxies and some of our managers disclose results directly to the public.

Principle 4: We will promote acceptance and implementation of the principles within the investment industry.

We include a mandatory requirement in request for proposals (RFPs) for bidders to be signatories of the UNPRI, encouraging them to adhere to the UNPRI standards. We engage with our external managers on various ESG issues to ensure a responsible approach to asset stewardship.

Principle 5: We will work together to enhance our effectiveness in implementing the principles.

Sasria is an active member of the UNPRI South Africa network, having participated in both local and global conferences. Some of our external managers are founding members of CRISA.

Principle 6: We will report on our activities and progress towards implementing the principles.

We engage with asset consultants to perform a benchmarking exercise on the investment portfolio. This is used as a tool to engage with the managers.

We monitor proxy voting activity on our portfolio and report to the Investment Committee quarterly.

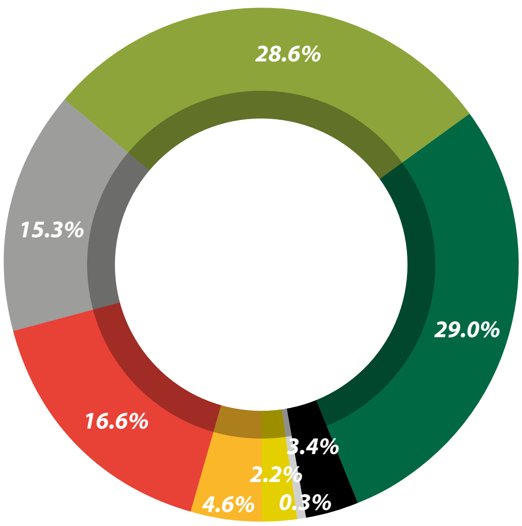
Through disclosure in the integrated report, Sasria raises awareness among a broader group of stakeholders.

During the prior period, there was a change in Sasria's equity managers due to the revised strategic asset allocation, which replaced the previous mandates with a blend of active and passive equity mandates. Overall, there has been an increase in ESG disclosure and policies within the shareholder weighted index (SWIX), resulting in the overall portfolio average ESG score improving over the past 12 months.

The assessment is based on a scoring methodology applied by MSCI ESG rating and 97.8% (2016: 95.0%) of the index tracking equity portfolio was covered by ESG ratings.

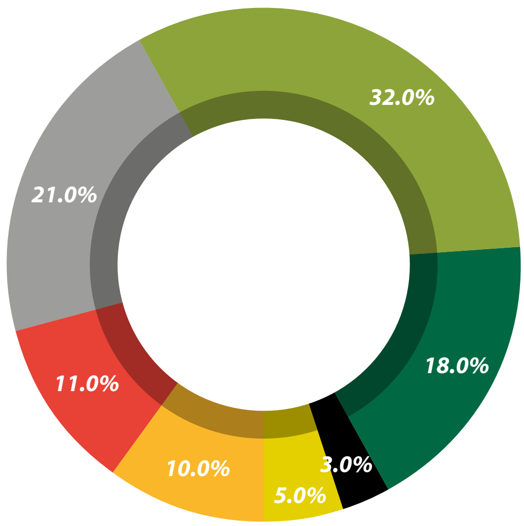
The percentage of AAA stocks has decreased while the percentage of stocks in the A to AA category has increased. Sasria's allocation to BBB and BB has increased, primarily reducing the B, CCC and unrated categories.

BREAKDOWN OF SASRIA'S INDEX EQUITY PORTFOLIO FOR 2017



AAA	4.6%		BB	29.0%	
AA	16.6%		B	3.4%	
A	15.3%		CCC	0.3%	
BBB	28.6%		Unrated	2.2%	

BREAKDOWN OF SASRIA'S INDEX EQUITY PORTFOLIO FOR 2016



AAA	10.0%		BB	18.0%	
AA	11.0%		B	3.0%	
A	21.0%		CCC	0.0%	
BBB	32.0%		Unrated	5.0%	

Cash flow

Sasria generated R659 million in cash through its operating activities, compared to R818 million in the prior year. This decrease is largely due to cash generated from our investment activities.

The cash balance increased at year-end to R2 790 million from R1 767 million in 2016 as a result of the liquidation of certain investment mandates at year-end to allow for the rebalancing to our revised SAA in the new financial year.

Regulatory solvency and capital management

Capital management

Sasria's capital management philosophy is to maximise the return on our shareholder's capital within an appropriate risk management framework and to ensure that our policyholders' assets are protected against special and catastrophic risks. Management continues to monitor Sasria's 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 of capital with the balance of the required capacity being made up of reinsurance in line with the Company's risk appetite.

The Company remains in a healthy solvency position as per the current and future regulatory requirements. Further details on regulatory solvency can be found on pages 114 and 115. The Company's SCR at 31 March 2017 amounted to R2.34 billion, with a coverage ratio of 246%, and ECR amounted to R2.26 billion, with a coverage ratio of 255%.

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 financial statements (notes 3 and 4).

Dividend

Sasria paid a dividend of R151 million to our shareholder (2016: R183 million). The payment is made within the context of the Company's capital management policy and in line with the dividend policy.

Outlook for 2018

S&P is expecting **growth** to be at 1.4% in 2017 and 1.8% in 2018. S&P noted that deep-rooted structural reforms, political uncertainty and high unemployment levels will affect economic growth.

A further **downgrade** could have a significant impact on South Africa's standing on the World Government Bond Index (WGBI). A lowered credit rating will affect the cost of borrowing as well as the cost of servicing its debt, which therefore imposes constraints on the ability to borrow. This will affect foreign investment flows in the domestic market as global investors repatriate their funds, resulting in a depreciation of the Rand and further impacts on other macro-economic indicators.

Inflation forecasts remain positive, expecting to reach levels of 5.5% to 5.7%, still within the upper limit of the Reserve Bank's target range of 3% to 6%. This is mainly attributable to expected rainfall forecasts, which will boost agriculture production, thereby reducing food price inflation.

From an **earnings** perspective, Sasria remains focused on premium growth and its endeavours to continue to grow premium income in excess of industry growth.

However, the sluggish economic growth, ongoing civil unrest and service delivery protests are expected to have a negative impact on Sasria's overall financial performance. In the next financial year this could impact investments, claims value, claims volume and top line growth.

Philippa Viljoen
Acting Finance Executive
2 August 2017

Variances

Summarised income statement	2016 R'000	Variance	2017 R'000	
INSURANCE INCOME				
Gross insurance premium written (GWP)	1 683 895	9.5%	1 843 402	1
Unearned premium reserve movement	(38 162)	1.5%	(38 751)	
Commission expense	(205 515)	15.2%	(236 850)	
Administration and marketing expenses	(308 527)	5.9%	(326 787)	
Gross claims incurred	(585 786)	30.8%	(765 994)	2
Gross underwriting results	**545 905**	**(13.0%)**	**475 020**	
Insurance premiums ceded to reinsurers	(139 084)	4.4%	(145 246)	
Commission earned from reinsurers	26 123	8.9%	28 453	
Reinsurance portion of claims incurred	(1 270)	(45.9%)	(687)	
Net reinsurance expense	**(114 231)**	**2.8%**	**(117 480)**	3
Net insurance premiums	1 544 811	9.9%	1 698 156	
Unearned premium reserve movement	(38 162)	1.5%	(38 751)	
Net commission	(179 392)	16.2%	(208 397)	
Administration and marketing expenses	(308 527)	5.9%	(326 787)	
Net claims incurred	(587 056)	30.6%	(766 681)	
Net underwriting results	**431 674**	**(17.2%)**	**357 540**	4
INVESTMENT AND OTHER INCOME				
Net investment income	294 198	40.5%	413 339	5
Other income	124	358.1%	568	
Corporate social investment	(16 627)	62.9%	(27 089)	
Total investment and other income	**277 695**	**39.3%**	**386 818**	
NET PROFIT BEFORE TAX	**709 369**	**4.9%**	**744 358**	

1. Growth in GWP is due to a conserted effort by marketing and CRM team to actively promote Sasria.
2. Increased claims due to more severe and prolonged strikes during the year. Non-political peril with losses from students and service delivery protests is the highest contributing factor. The ultimate loss ratio is 43% (2016: 35.6%).
3. There were no changes to the Company's reinsurance structures for 2017.
4. Decline of 17.2% in net underwriting results due to increase in claims, offset by growth in GWP.
5. Consists of interest and dividend income, realised and unrealised gains/losses.

Summarised balance sheet	2016 R'000	Variance	2017 R'000
Assets			
Property, equipment and intangibles	14 624	(38.8%)	8 946
Deferred acquisition costs	45 428	17.3%	53 269
Financial assets at fair value through profit and loss	4 390 597	(11.4%)	3 890 058 (6)
Reinsurance contracts	20 717	16.8%	24 202
Cash and cash equivalents	1 767 111	57.9%	2 790 334 (6)
Other assets	359 448	(8.1%)	330 307
Total assets	**6 597 925**	**7.6%**	**7 097 116**
Equity			
Capital adequacy reserve	434 750	10.5%	480 286
Retained earnings	4 937 786	7.0%	5 284 277
Total equity	**5 372 536**	**7.3%**	**5 764 563**
Liabilities			
Deferred income	5 968	21.0%	7 219
Deferred tax	15 361	18.2%	18 159
Insurance contract liabilities	1 044 395	15.1%	1 202 314 (7)
Other liabilities	159 665	(34.3%)	104 861
Total liabilities	**1 225 389**	**8.7%**	**1 332 553**
Total equity and liabilities	**6 597 925**	**7.6%**	**7 097 116**

6 The cash balance has increased at year-end due to the liquidation of certain investment mandates at year-end to allow for the rebalancing to the revised SAA and the financial assets at fair value through profit and loss in the new financial year.

7 Insurance contracts increased due to outstanding claims still to be settled and movement in IBNR.

Summarised cash flow statement	2016 R'000	Variance	2017 R'000	
Cash generated from operations	520 258	4.3%	542 427	
Dividends received	35 054	39.6%	48 921	
Interest received	332 278	16.7%	387 725	
Realised gains/loss on investments	111 160	(114.4%)	(16 018)	
Income tax paid	(180 348)	68.6%	(304 034)	
Net cash from operating activities	**818 402**	**(19.5%)**	**659 021**	8
Purchase of property, plant and equipment	(3 545)	(64.8%)	(1 248)	
Proceeds on disposal of property and equipment	27	101.3%	55	
Purchases relating to intangible assets	(1 671)	(83.1%)	(282)	
Purchase of investments	(207 463)	(349.2%)	516 913	
Net cash used in investing activities	**(212 652)**	**(342.4%)**	**515 438**	9
Dividends paid	(183 205)	(17.5%)	(151 236)	
Net cash flows from financing activities	**(183 205)**	**(17.5%)**	**(151 236)**	10
Net increase in cash and cash equivalents	422 545	142.2%	1 023 223	
Cash and cash equivalents at the beginning of the year	1 344 565	31.4%	1 767 111	
Cash and cash equivalents at the end of the year	**1 767 111**	**57.9%**	**2 790 334**	11

8 The movement in net operating activities is mainly due to realised losses in 2017 as a result of domestic market volatility and the taxation payment in 2017.

9 Movement in investing activities is largely due to the purchase/sale of investments.

10 Sasria paid dividend in line with our policy and in context of our capital management policy.

11 The cash balance has increased at year-end due to the liquidation of certain investment mandates at year-end to allow for the rebalancing to the revised SAA in the new financial year.

Leadership and governance

Chairperson's review

Sasria's dual mandate

In the previous section of this report, it is outlined how Sasria has in 2017 again delivered on its five-year strategy to become and continue to be a mature, professional and financially sustainable organisation in terms of its legislative mandate. It has delivered consistently good results, despite an increase in both the severity and frequency of claims due to the increase in turmoil and civil unrest in South Africa. This increase in civil unrest, however, highlights the need for the South African business community to contribute more aggressively to South Africa's transformation agenda. The increase in claims further demonstrates the importance and relevance of Sasria to our economy.

Sasria's Board is committed to the need to engender accelerated change in the country's socio-economic delivery structures that can contribute to the enhancement of the quality of life of our citizens. We regard the improvement of the general living conditions of our people as essential if we are to move away from the curse of poverty that has trapped so many of our communities. We will continue to stretch our strategic goals to deliver on the transformation mandate, whilst continuing to provide cover against special risks which have the potential of catastrophic losses. In this we are heartened by the support we have from our shareholder through National Treasury.

Solid historical performance

The Board embarked on a strategy for 2014 to 2019 (see page 27 and 28), aimed at delivering a financially sustainable organisation. Sasria has continually delivered against the stretch targets that were set within the parameters of the well-defined strategic focus areas and underpinning strategic objectives. It has grown consistently and been profitable throughout.

Two years of this period remain and the Board has again extended the targets (see page 38) for those years. We are confident that our goals will have been achieved by the conclusion of the period.

Delivering on our strategic mandate going forward

We look forward to the next phase of Sasria's development and developing the strategy beyond 2019. Our strategic focus will be on consolidating our current leadership position, increasing our efforts to ensure that this performance becomes sustainable, and accelerating our business transformation journey. We will specifically address the following critical areas.

- **Contributing to an inclusive and transformed financial sector**
  We will accelerate our efforts, together with appropriate partners, to offer relevant and affordable insurance to those South Africans who are currently excluded from the formal financial sector. This should include special risk cover for small, medium and micro-sized enterprises and individuals defined by living standards measures (LSMs) 1 to 6, and will be done as part of a phased approach to deliver maximum social impact.

- **Protecting all in South Africa against special risk events**
  It is important for Sasria to continue to contribute to South Africa's fiscus and to ensure that jobs are not lost after the occurrence of special risk events by ensuring the continuity of the businesses and households affected. Sasria needs to retain adequate and solvent capital as a buffer to cover the most likely catastrophic events amidst a deteriorating loss ratio and heightened political risks.

  Our mandate requires us to continue to do research on behalf of government into all special risks facing South Africa. The phenomenon of global warming has further extended our role, and we will play our part in supporting the National Treasury in finding solutions for all South Africa's citizens.

- **Improving education and contributing to transforming the financial sector**
  Sasria will require a special set of skills to deliver on its long-term challenges, especially its IT strategy. We envisage leadership with integrated thinking and a workforce that would be able to build the Company into new frontiers well beyond legacy thinking and current regulatory constraints. To this end, Sasria already encourages its existing staff to advance themselves through education and the bulk of its corporate social investment is allocated to educational initiatives. These initiatives contribute to the eradication of the skills shortage in the industry and the upliftment of communities through the development of previously disadvantaged individuals and B-BBEE businesses.

Sasria's unique positioning in the insurance industry enables it to make a meaningful contribution to the NDP (see page 28) and its aim to eliminate poverty and reduce inequality by 2030 by growing an inclusive economy, building capabilities and enhancing the capacity of the state.

Sound governance

At a time when state-owned companies are under ever-increasing scrutiny for both performance and integrity, I am confident that Sasria's strong and clear governance structures will help it deliver on its strategy and achieve the desired outcomes as contemplated in King IV.

Refer to pages 60 to 63 for a detailed breakdown of progress against the guidelines of King IV.

Sasria's commitment to sound governance structures contributed to its 2016 integrated report being named the winner in the small state-owned company category of the Chartered Secretaries Southern Africa's Integrated Reporting Awards 2016. In addition, Sasria received the 2015/16 SAICA Public Sector Audit Excellence Award in recognition of achieving unqualified financial audits for the past five consecutive years. These awards offer an opportunity for a peer-on-peer comparison and measure of good corporate governance and risk management practices among corporates.

It is also gratifying that Sasria again received an unqualified audit in 2017.

Board changes

The Board and its committees form an integral part of Sasria's governance structure.

During the year, Higgo du Toit's term ended and we thank him for his valuable contribution over the years. He was replaced by Jayaseelan Nair, whom we welcome onto the Board. The terms of directorship of Tando Mbatsha and Tshwarelo Moutlane ended on 2 March 2017 and they were reappointed.

The Board remains sufficiently populated in terms of the requisite core and critical skills, including insurance, risk, human capital, leadership, actuarial, financial and investment skills. The Board is suitably balanced in terms of diversity and demographics.

The Board is also satisfied with the succession plan for the Managing Director and the Finance Director. When the Managing Director's term ended on 30 April 2017, he was reappointed for a further five-year term. The Finance Director resigned in November 2016 and the recruitment process for her replacement is at an advanced stage.

Appreciation

I thank the committed Sasria team for another solid set of results in turbulent times. A special thank you goes to Cedric Masondo and the rest of his Executive Committee for their dedication to making a difference.

I also thank all the Board members for their ongoing support and valuable insight. My appreciation extends to our shareholder, through the team at National Treasury.

Last, but not least, I thank our customers and agents for their trust in us.

It is everyone's contribution that makes it possible for us to deliver on our mandate.

Adam Samie
Board Chairperson
2 August 2017

Board of Directors

The Board is responsible for Sasria's strategic direction and adherence to sound ethical business practices and governance processes. The Board provides the strategic direction, while our Managing Director, who is assisted by the Executive Management Committee, is accountable to the Board for implementing the strategy.

The majority of the Board members are non-executive directors – eight, of whom seven are independent. There is currently only one executive director, with the vacancy of the Finance Director position. Our directors have diverse skills and business experience in the areas of insurance, risk management, actuarial, financial, human capital and strategic leadership.

1. Adam Samie (65)

Chairperson – non-executive director

BCom AIRMSA MDP FCII FIISA

Adam is an experienced Chartered Insurer. He currently manages Timesquare Investments, a business consultancy firm. His term as member and Chairperson of the Board will end on 30 November 2017.

2. Ranti Mothapo (35)

Deputy Chairperson and independent non-executive director

BEcon BSc Hons FFA FASSA

Ranti is a financial services entrepreneur with extensive consulting and advisory experience in, amongst others, banking, insurance, derivatives, investments and pension benefits. He has served on boards of other insurance companies such as the Land Bank Insurance Company and the Export Credit Insurance Corporation. He chairs the Investment Committee, acted as Deputy Chairperson of the Risk Committee and is a member of the Remuneration and Nomination Committee. His term as member and Deputy Chairperson of the Board will end on 30 November 2017.

3. Cedric Masondo (49)

Executive director

BCom FIISA AMLP (Oxford, Saïd Business School)

Sasria's Managing Director, Cedric Masondo, was reappointed in May 2017, as Managing Director and executive director for a further five-year term, ending April 2022. He is also the chairperson of the South African Actuaries Development Programme.

Independent non-executive directors

4. Baba Mkangisa (58)

Diplomas in General Nursing, Midwifery, HR MEd Primary Health Care

Baba chairs the Social and Ethics Committee and is Deputy Chairperson of the Remuneration and Nomination Committee. She has been reappointed as a director until 30 November 2018. She also holds a directorship in Vulisango Holdings.

5. Maki Ndlovu (66)

BA Management Programme (Lincoln)

Maki chairs the Remuneration and Nomination Committee and is the Deputy Chairperson of the Social and Ethics Committee and member of the Investment Committee. She has been reappointed as Board Director until 30 November 2018. She is a director of Vulisango Holdings. Her previous directorships include Simmer and Jack Mines, Zibula Exploration, Barloworld-Equipment RSA, a division of Barloworld (Pty) Ltd, and Kagiso Solutions.

6. Herman Schoeman (53)

BCom HED MBA

Herman is Chairperson of the Risk Committee and a member of the Audit Committee. He also serves on boards of numerous other financial services companies, both locally and internationally, including the Guardrisk and MMI groups, as well as the South African Insurance Association. Herman's term as director will end on 30 November 2017.

7. Tando Mbatsha (44)

BCom MBL

Tando is a member of both the Audit Committee and the Social and Ethics Committee and is also the Deputy Chairperson of the Investment Committee. Tando has been reappointed to the Board for a further term ending March 2020. She is also a director at Nexia SAB&T.

8. Tshwarelo Moutlane (42)

BCom Information Systems BCompt Honours CA(SA)

Tshwarelo serves as the Chairperson of the Audit Committee and member of the Risk Committee. She was reappointed to the Board for a further term ending March 2020. She is also a director at Lion of Africa.

Non-executive director

9. Jayaseelan Nair (53)

BCom, NDip (Government Finance)

Jayaseelan serves on the Board in his capacity as an employee of the National Treasury. He replaced Higgo du Toit, whose term as director ended on 31 May 2016. He is a member of both the Audit Committee and the Social and Ethics Committee.

Corporate governance framework

Shareholder					Strategic
Board					
Audit Committee	Investment Committee	Remuneration and Nomination Committee	Risk Committee	Social and Ethics Committee	
Managing Director					Tactical
Executive Committee					
Business and Functional Leadership	CSI Forum	Employment Equity and Skills Development Forum	Health and Safety Committee	Operations Committee	Operational

Sasria continued its practice of applying sound governance structures, procedures and processes during the period under review. We consider these as fundamental to the effective delivery of our dual mandate, and to ensure our Company's long-term sustainability.

The Board is committed to the principles of openness, transparency, integrity and accountability as advocated in the King IV Report on Corporate Governance for South Africa 2016 (King IV). This commitment to good governance is formalised in our Company's charters, policies and procedures.

The Board has five committees which assist it to drive Sasria's strategic intent. These include the four statutory committees, namely the Audit Committee, Risk Committee, Remuneration and Nomination Committee and the Social and Ethics Committee, as well as the Investment Committee.

Membership and attendance

The membership of the Board committees, as well as the attendance at meetings of these committees, is outlined below:

Director	Board	Audit Committee	Investment Committee	Remuneration and Nomination Committee	Risk Committee	Social and Ethics Committee
Adam Samie	©5 of 5		4 of 4	3 of 3	4 of 4	
Ranti Mothapo	5 of 5		©4 of 4	3 of 3	3 of 4	
Higgo du Toit *		1 of 4				
Baba Mkangisa	5 of 5			3 of 3		© 3 of 3
Maki Ndlovu	5 of 5		4 of 4	© 3 of 3		3 of 3
Herman Schoeman	3 of 5	3 of 4			© 4 of 4	
Tando Mbatsha	5 of 5	4 of 4	4 of 4			3 of 3
Tshwarelo Moutlane	5 of 5	© 4 of 4			4 of 4	
Jayaseelan Nair**	2 of 5	0 of 1	-	-	-	1 of 1

©= Chairperson

* H du Toit = Retired from the Board on 31 May 2016

** J Nair = Joined the Board on 1 October 2016 and commenced membership of committees after his appointment was noted at the Board meeting on 2 December 2016.

Compliance with laws

During the period under review, the Board and its committees continued to monitor the implementation of Sasria's compliance policy and legal compliance processes. The Board is comfortable that we have achieved a satisfactory level of compliance throughout the year.

Promotion of access to information

In line with the new requirements, Sasria submitted its second Annual Promotion of Access to Information Act 2 of 2000 Report to the South African Human Rights Commission, covering the period 1 April 2016 to 31 March 2017.

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

During the year under review there was:

- No material loss suffered through criminal conduct;
- No criminal step taken as a consequence of such losses or expenditure; and
- No financial assistance received from the state nor any commitments made by the state on its behalf.

However, we did identify incidents of fruitless and wasteful expenditure during the reporting period. This is reported as part of the annual financial statements (Note 29). We implemented the necessary disciplinary procedures against the relevant individuals.

King IV application register

The King IV Report on Corporate Governance for South Africa 2016 (King IV) was launched on 1 November 2016. Whilst disclosure on the application of King IV is only effective in respect of financial years starting on or after 1 April 2017, immediate transition is encouraged. In order to benchmark Sasria's practices against the latest available guidelines and trends, we completed an assessment of our practices against the principles of King IV. Below are detailed the practices implemented and progress made towards achieving the 16 principles and desired governance outcomes:

Principles	Practices implemented and progress made
GOVERNANCE OUTCOME: ETHICAL CULTURE	
1. The Accounting Authority should lead ethically and effectively	Sasria's directors hold one another accountable for decision-making and acting in a way that displays the ethical characteristics stated in King IV. The Chairperson monitors this as part of his duties.
2. The Accounting Authority should govern the ethics of the SOE in a way that supports the establishment of an ethical culture	Sasria has established the values of honesty, communication, effectiveness and transparency as the convictions that guide the way it does things even when no one is watching. Sasria has an ethics policy in place which is applicable to Board members and employees.
3. The Accounting Authority should ensure that the SOE is and is seen to be a responsible corporate citizen	Sasria strives to integrate responsible corporate citizenship as part of the way it does things and performance measures in respect thereof are shared across functions and business units. The Board has delegated to the Social and Ethics Committee, amongst others, the responsibility for monitoring the overall responsible corporate citizenship performance of Sasria. In this regard the committee is working closely with the Managing Director, CSI Officer and the executives responsible for risk, human resources and stakeholder relationships. For more detail on how Sasria addressed responsible citizenship, refer to the **Social and Ethics Committee report** on page 71.

Principles	Practices implemented and progress made
GOVERNANCE OUTCOME: PERFORMANCE AND VALUE CREATION	
4. The Accounting Authority should appreciate that the SOE's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value-creation process	The integrated report demonstrates that organisational performance is understood as both the achievement of objectives and the enhancement of the capitals and relationships that Sasria uses and affects, i.e. value creation. The Board assesses on a continual basis the positive and negative outcomes resulting from its business model and responds to it as highlighted in the integrated report. To view Sasria's core purpose, risks and opportunities, strategy and business model, as well as its performance in terms thereof, refer to the section **How Sasria creates and distributes value**, which commences on page 9.
5. The Accounting Authority should ensure that reports issued by the SOE enable stakeholders to make informed assessments of the SOE's performance and its short-, medium- and long-term prospects	The **integrated report** presents material information in an integrated manner and provides users with a holistic, clear, concise and understandable presentation of Sasria's performance in terms of sustainable value creation in the economic, social and environmental context within which it operates. Sasria's complete **integrated report** can be downloaded from our website, **www.sasria.co.za**.
GOVERNANCE OUTCOME: ADEQUATE AND EFFECTIVE CONTROL	
6. The Accounting Authority should serve as the focal point and custodian of corporate governance in the SOE	The role and responsibilities of the Board are as set out under principle 6 of King IV. These roles and responsibilities are articulated in the Board Charter. In the view of the Board it is serving as the focal point and custodian of corporate governance of Sasria both in terms of how its role and responsibilities are documented and the way that it executes its duties and decision-making. The **Board Charter** is available on our website, **www.sasria.co.za**
7. The Accounting Authority should comprise the appropriate balance of knowledge, skills. experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively	The Board, with the assistance of the Remuneration and Nomination Committee, considers, on an annual basis, its composition in terms of balance of skills, experience, diversity, independence and knowledge and whether this enables it to effectively discharge its role and responsibilities. The Board is satisfied that there is a balance of skills, experience, diversity, independence and knowledge needed to discharge its role and responsibilities. For more detail on the composition of the **Board of Directors**, refer to page 56.
8. The Accounting Authority should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties	The composition of the committees of the Board and the distribution of authority between the Chairman and other directors is balanced and does not lead to instances where individual(s) dominate decision-making within governance structures or where undue dependency is caused. For more detail on the composition of the **Board's committees**, refer to page 59. The Audit Committee is satisfied that the auditor is independent as the audit firm has been appointed with the designated partner having oversight of the audit. The Acting Finance Executive is the head of the finance function and she has two senior managers reporting to her. Internal Audit is fully insourced. An assessment of the effectiveness of the finance function is performed annually by the Audit Committee. The **Audit Committee's report** can be found on page 79.

Principles		Practices implemented and progress made
9.	**The Accounting Authority should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness**	The evaluations of the performance of the Board structures and its members are conducted simultaneously every three years. The three-year interval allows the opportunity for thorough remedial interventions. The Board has, furthermore, with the assistance of Sasria Company Secretary, undertaken a holistic review of its Board Charter and the terms of reference in order to achieve better integration and coordination amongst the Board and all its committees.
10.	**The Accounting Authority should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities**	The Board has reserved for itself the powers as referred to in the Board Charter. The Board also reserves the right to finally approve strategy, business plans, annual operational budgets, key policies as defined as well as employee collective bargaining agreements. A detailed delegation of authority is in place. The Board Charter is available on our website, **www.sasria.co.za**. The Managing Director does not have work commitments outside of Sasria. There is no succession plan in place for the Managing Director. The Board plans to address this matter during the upcoming year. For the executive and senior **management structure**, refer page 64. Sasria has a full-time Company Secretary with the requisite knowledge, experience and stature. The Company Secretary signs off on disclosure of membership of Board structures, number of meetings of each and attendance at each meeting as well as overall content of the committee information and reporting that are in the public domain. For an abbreviated curriculum vitae of the **Company Secretary**, refer page 64. The Board is satisfied that Sasria is appropriately resourced and that its delegation to management contributes to an effective arrangement by which authority and responsibilities are exercised.
11.	**The Accounting Authority should govern risk in a way that supports the SOE in setting and achieving its strategic objectives**	At Sasria, anticipating and responding to risk is a fundamental part of delivering on our mandate and ensuring that we deliver on a sustainable basis. The Sasria Board is ultimately accountable for the effective management of risks and has adopted an enterprise-wide risk management (ERM) framework and approach to managing risk exposures. The Audit and Risk committees assist the Board with the governance of risk. For more detail on Sasria's risks and the management thereof, refer to the section **Our top risks and how we manage them** on page 25.
12.	**The Accounting Authority should govern technology and information in a way that supports the SOE setting and achieving its strategic objectives**	The Board is aware of the importance of technology and information as it is inter-related to the strategy, performance and sustainability of Sasria. The Audit Committee assists the Board with the governance of information technology. The internal audit function annually issues a written assessment to the Audit Committee, providing assurance by Internal Audit on the overall control environment, taking cognisance of the governance, information technology, risk management and operational/financial risk areas. The assurance provided is informed by the outcome of the audits/ reviews conducted based on an approved risk-based audit plan.

Principles	Practices implemented and progress made
13. The Accounting Authority should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the SOE being ethical and a good corporate citizen	There were no material or repeated regulatory penalties, sanctions or fines for contraventions of, or non-compliance with, statutory obligations.
14. The Accounting Authority should ensure that the SOE remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term	Sasria remunerates fairly, responsibly and transparently so as to deliver on its strategic initiatives and to promote the creation of value in a sustainable manner. For more information, refer to the **Remuneration and Nomination Committee report** on page 67.
15. The Accounting Authority should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the SOE's external reports	Sasria has implemented a combined risk assurance model which is coordinated and managed by the internal audit function. A combined assurance policy has been developed, which includes the formation of a formal Combined Assurance Working Committee comprising representatives from business, risk management and compliance, as well as internal and external audit. The Board is satisfied that assurance results in an adequate and effective control environment and integrity of reports for better decision-making. For more information on Sasria's **combined assurance model**, refer to page 79.
GOVERNANCE OUTCOME: TRUST, GOOD REPUTATION AND LEGITIMACY	
16. In the execution of its governance role and responsibilities, the Accounting Authority should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the SOE over time	Sasria has identified key stakeholder groupings and their legitimate and reasonable needs, interests and expectations. Stakeholder relationship programmes have been developed to ensure continual engagement and staying attuned. Sasria has also introduced systems to gather and analyse information that could provide useful intelligence on stakeholder perceptions or which could adversely affect Sasria's reputation. For more detail on Sasria's interaction with its stakeholders, refer to the section **Our key relationships** on page 18.

It is envisaged that this King IV Application Register will in future not be included in the integrated report, but only be made available online.

Executive Committee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1. Cedric Masondo (49)

Managing Director

BCom, FIISA, AMLP (Oxford, Saïd Business School)

Cedric was promoted to the position of Managing Director in July 2011, after serving as Executive Manager: Underwriting. Prior to joining Sasria, he was responsible for all public enterprise business at Alexander Forbes Cre8. Cedric has more than 24 years' experience, both locally and internationally, in the short-term insurance industry.

2. Philippa Viljoen (40)

Acting Finance Executive

BCompt Hons CA(SA) SLDD

Philippa was appointed acting Financial Executive from 1 December 2016. She joined Sasria as Statutory Reporting Manager in July 2014 after holding various strategic roles in the financial services industry. She is responsible for managing Sasria's finances and investments.

3. Fareedah Benjamin (44)

Executive Manager: Insurance Operations

Fareedah joined Sasria as the Executive Manager: Insurance Operations in March 2017. Her portfolio includes managing the Claims and Underwriting departments. Prior to joining Sasria, Fareedah worked as the Head of Direct and Referral Business at Santam. With over 18 years' experience in the short-term insurance industry, she is a keen strategist, driven by the development of people and delivering extraordinary customer delight.

4. Mziwoxolo Mavuso (45)

Executive Manager: Governance and Company Secretariat

BProc LLB GMP

Mziwoxolo was promoted to the position of Executive Manager: Governance in December 2014, from his position as Senior Manager: Governance and Company Secretary, which he has held since June 2011. Previously he was the Company Secretary for the Eastern Cape Development Corporation. Mziwoxolo oversees Legal, Compliance and Company Secretariat.

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5. Rose Mathafena (38)

Executive Manager: Human Capital

BCom Hons MTech PhD

Rose joined Sasria in December 2014 from Aveng Manufacturing. Her current responsibilities include ensuring the delivery of the entire human capital value chain from recruitment management to exit management. Rose resigned in August 2017.

6. Suzanne Harrop-Allin (38)

Chief Risk Officer

BCom Hons CA(SA)

Suzanne joined Sasria in October 2013 from PricewaterhouseCoopers, where she was a senior manager in the Financial Services Insurance and Investment Management division. Her division is responsible for risk management, internal audit, quality assurance and actuarial services.

7. Thokozile Mahlangu (39)

Executive Manager: Stakeholder Management

BJuris MDP Higher Certificate in Insurance MBL

Thokozile joined Sasria in 2003 and, after several promotions, assumed responsibility for the Stakeholder Management division in 2009. Her current responsibilities include: generating income; developing and maintaining collaborative relationships with all stakeholders; keeping abreast of industry developments; developing the Sasria brand through marketing and corporate communication activities; and managing Sasria's initiatives related to CSI. Thokozile resigned in June 2017.

Investment Committee report

We are pleased to present our report for the year ended 31 March 2017.

The Investment Committee has adopted appropriate formal terms of reference as noted in its Investment Committee Charter. The Investment Committee has regulated its affairs in compliance with this Charter, and has discharged its responsibilities as contained therein.

Membership

The Investment Committee members and attendance are reflected on page 59.

Activities during the year

The Investment Committee is chaired by Ranti Mothapo. The committee monitors and evaluates the investment portfolio and the performance of investment managers. There are four Investment Committee meetings per year, which are also used as review sessions for the performance of the investment managers and feedback by the investment asset consultant.

Asset managers' overall performance against their mandates is monitored and tracked by the Acting Finance Executive, an internal senior investment analyst and an independent investment consultant who reports to the Investment Committee. The mandate guidelines, comprising a combination of various benchmarks such as ALBI, SWIX and SteFi, include performance objectives; market risk limitations including duration; asset allocation; credit exposure limitations; use of derivative instruments; and compliance with the relevant FSB regulations.

Sasria's asset managers monitor mandate compliance during their pre- and post-trade processes, and they have to report any breaches to Sasria management within a specific time frame. As an additional measure, the compliance team at our investment administrator monitors the portfolio for any breaches on a monthly basis and reports to Sasria management. Any breaches identified by either the asset manager, the compliance team at the investment administrator or the investment analyst is reported to the Acting Finance Executive and Chief Risk Officer (CRO), who then monitor the resolution of these breaches.

The committee provided guidance to the Board on the investment portfolio and the performance of investment managers in accordance with their mandates. The committee has made recommendations regarding Sasria's investment philosophy.

The committee is satisfied that it has fulfilled its responsibilities and has assisted the Board on oversight of the investment portfolio.

Ranti Mothapo
Chairperson of the Investment Committee
2 August 2017

Remuneration and Nomination Committee report

We are pleased to present our report for the year ended 31 March 2017.

The Remuneration and Nomination Committee has adopted appropriate formal terms of reference as its Remuneration and Nomination Committee Charter, has regulated its affairs in compliance with this Charter, and has discharged its responsibilities as contained therein.

Membership

The Remuneration and Nomination Committee members and attendance are reflected on page 59.

Remuneration

Sasria prides itself on being a good employer, and as such it offers employees fair remuneration and incentives.

- **Remuneration approach**
  Sasria's remuneration approach is aligned to its Total Rewards framework. The revised remuneration policy, which was implemented during the period under review, is applicable to the Managing Director, Finance Director, executives and all employees. This revised policy has also been aligned with the requirements of the State Owned Enterprises Remuneration Guidelines, Financial Services Board and King IV to ensure that directors and executives are remunerated fairly and responsibly

  Basic salaries are benchmarked annually in order to ensure that our employees receive market-related remuneration in terms of their grade, role and level of experience. The annual remuneration and benefit benchmark review was conducted in November 2016.

- **Salary increases for 2017**
  The salary-increase process for 2017 was concluded, providing an average increase of 6.5% for the skilled, professionals and middle management, and 7% for the semi-skilled levels. This process was based on and informed by a number of factors, such as affordability, Company performance, market trends and the staff retention strategy.

- **Short-term incentives (STI) of 2016 administered in 2017**
  Two elements played a key role in determining individual STI payments based on the 2016 performance: business and personal performance metrics. The business metric was based on the measures of underwriting profit as well as other business KPIs that were critical to the achievement of our 2016 business objectives. The personal metric focused on an individual employee's performance, as determined through the performance management process. A higher weighting toward financial outcomes was applied to the most senior individuals, who have the line of sight to influence these outcomes. Junior individuals with limited ability to influence such outcomes had little or no weighting assigned to financial achievements.

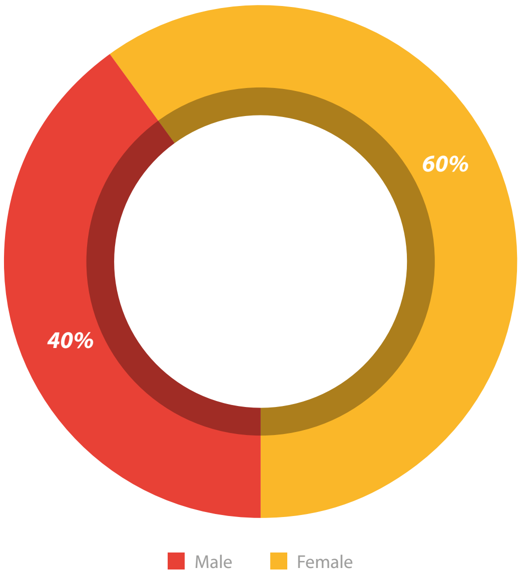
Weightings for business and personal performance metrics to determine STIs were:

Participants	Business %	Personal %
Executives (levels 8 – 9)	50	20
Senior management (level 7)	35	25
Middle management (level 7)	20	30
Staff (levels 1-6)	0	40

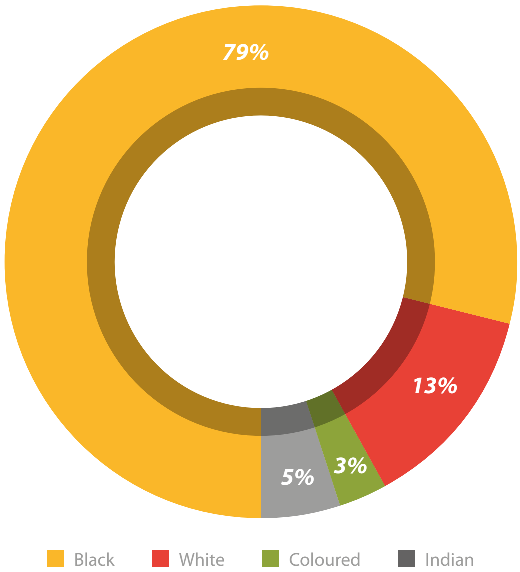
- **Other benefits**
  In addition to benefits related to Sasria's pension contribution (employer and employee), medical aid and medical vitality fringe benefits, Sasria also offers its employees a number of other benefits, such as cover for permanent health insurance; accidental disability; disability protector; dread disease; and a funeral benefit. Sasria provides comprehensive risk cover to our employees, especially with additional health cover and cover for disability.

- **Learning and development**
  Total spend on learning and development interventions amounted to R4.2 million. There was a strong focus towards formal education and professional development, and also accredited programmes with registered institutions. Sasria continued to develop the skills of professional and middle management staff on legislative updates, customer-centricity, information technology and computer skills, as well as technical/functional skills (marketing, insurance operations, actuarial, risk, audit, human resources and financial skills). Pivotal training approved by the INSETA generated a credit of R600 000.

LEARNING AND DEVELOPMENT SPEND BY GENDER



LEARNING SPEND PER EE DEMOGRAPHICS



- **Education for family members**
  Sasria also offers non-executive employees financial assistance in the form of bursaries, to empower them to help their family members to study. Details are

Level	Amount per child per annum	Number of children	Total value 2017
Grade 0-12	R6 000	47	R282 000
Tertiary studies	R10 000	3	R30 000
Total		**50**	**R312 000**

Succession planning

Succession planning and identification of successors for the critical roles and leadership roles was achieved.

The critical roles identified within Sasria for succession planning purposes are: Top management: Managing Director; Senior management: Chief Risk Officer and Finance Director; and Middle management: Claims Management. The successors for all the critical roles have been identified internally, however, when the Finance Director resigned on 30 November 2016, the succession planning for the Managing Director role had to be revisited. Plans are under way to ensure that a successor is identified for this critical role as well. The identified internal successors have been engaged in career, talent and development discussions. The development initiatives will be implemented in 2018.

Maki Ndlovu
Chairperson of the Remuneration and Nomination Committee
2 August 2017

Risk Committee report

We are pleased to present our report for the year ended 31 March 2017.

The Risk Committee has adopted appropriate formal terms of reference as its Risk Committee Charter, has regulated its affairs in compliance with this Charter, and has discharged its responsibilities as contained therein.

Membership

The Risk Committee members and attendance are reflected on page 59.

Impact of King IV

King IV introduces the term "risk and opportunity governance". The Board is stretched to utilise integrated thinking to exercise caution not to take excessive risks that may lead to organisational failure by considering both negative and positive potential governance outcomes. The Board is responsible for setting the risk tolerance levels relevant to the organisational strategy and objectives.

Our significant risks are detailed in the section **Our top risks and how we manage them** on page 25.

Reporting on key highlights and risk management achievements

- **Performance against risk appetite measures.**
  No breaches were identified in Sasria's capital at risk and operational risk measures. A breach has been identified on the earnings at risk measure at the end of the 2017 reporting period. The breach was largely attributable to the increase in the claims for the year. The Board does, however, remain comfortable with Sasria's management of its earnings targets and the current level of capital.

The performance against risk appetite measures at the year-end is:

Measure	Status as at 31 March 2017
Capital at risk	No breach
Earnings at risk	Negative limit breach
Operational risk	No breach

- **Remaining sufficiently capitalised and capable to cope with increased claims**
  As at 31 March 2017, Sasria remains adequately capitalised. As was the case in previous years, it sustained a financially sound solvency position per the current regulatory requirements.

- **Operational risks effectively managed during 2017**
  Sasria had no material losses or near misses during the period under review. We identified minor instances of fruitless and wasteful expenditures and reported these to the Risk Committee, the Audit Committee and the Board. In all instances, management has instituted preventative and corrective measures, including disciplinary action, as considered appropriate (refer to note 29 to the financial statements for more detail).

  Because of its unique mandate and business risk profile, Sasria does not set a benchmark for material losses against other traditional short-term insurance companies. However, we set our own standard for Sasria, where our tolerance target is zero, our threshold is R2 million and our limit is R10 million. During the period under review there were no threshold breaches. This is an indication of Sasria's disciplined approach to risk management and well-structured and governed processes and procedures. There were no breaches in the risk appetite relating to the operational risk measure.

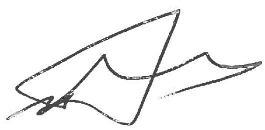
- **Tracked emerging risks and increased responsiveness**
During the period under review the risk management function continued to identify, track and report on emerging risks on an ongoing basis in order to remain proactive in its risk management approach. An emerging risk is identified as an issue that is perceived to be potentially significant but which may not be fully understood or allowed for in our current terms and conditions, pricing, reserving and capital setting. These potential large-scale events or circumstances are beyond the direct capacity and ability of the business to effectively control their impact in absolute terms within current processes and risk management actions. These risks can have a negative impact on the achievement of our short-term performance targets or long-term strategic objectives, but do not pose a threat in the immediate future. The committee reviews an updated report on emerging risks at its quarterly meetings.

- **Compliant with SAM requirements**
Sasria has made good progress in its efforts to further enhance the effectiveness of its risk management function during the year under review to align with the new proposed SAM regulatory requirements. In addition, a risk maturity assessment was performed by the co-sourced internal auditors, Ernst & Young. Overall it was noted that Sasria's risk function is market-leading relative to South African practice, especially compared to organisations of a similar nature, scale and complexity. Sasria will continue with the implementation of SAM until its effective date. This includes the enhancement of the own risk and solvency assessment (ORSA) process, which will assist in assessing short- and long-term risks and ensure that the capital requirements are met at all times.

- **Embedding the ORSA process and report**
Sasria regards the ORSA process as an integral part of its business strategy, which means that it is taken into account on an ongoing basis in all strategic, management and operational decisions.

Sasria's current strategy for the business planning horizon is included in the forward-looking projections. The impact of various scenarios to the strategy on the statement of financial position and statement of comprehensive income, SCR and economic capital requirement (ECR) have been tested during the period under review.

Sasria's second ORSA report was submitted during August 2016, after approval by the Board.



Herman Schoeman
Chairperson of the Risk Committee
2 August 2017

Social and Ethics Committee report

We are pleased to present our report for the year ended 31 March 2017.

The Social and Ethics Committee has adopted appropriate formal terms of reference as its Social and Ethics Committee Charter, has regulated its affairs in compliance with this Charter, and has discharged its responsibilities as contained therein.

Membership

The Social and Ethics Committee members and attendance are reflected on page 59.

Activities during the year

The committee is one of the statutory committees of the Board and is constituted in terms of the Companies Act to have an independent role.

During the period under review the committee assisted the Board in monitoring Sasria's activities in terms of legislation, regulation and codes of best practice relating to ethics, transformation, empowerment, corporate social responsibility and stakeholder engagement.

The committee also assists the Board in ensuring that the sustainability strategy, and objectives are effectively integrated into the business.

The responsibilities of the committee include monitoring Sasria's activities relating to social and economic development, B-BBEE and employment equity, and monitoring good corporate citizenship, including the promotion of equality, corporate social responsibility, ethical behaviour, and managing environmental impact.

Impact of King IV

King IV recommends that the committee should "uphold, monitor and report on organisational ethics, responsible corporate citizenship, sustainable development and stakeholder-inclusivity beyond mere compliance".

The committee will reassess its composition to ensure that the requisite skills and experience are present to fulfil the requirement of the oversight of ethics management including the social aspects of the remuneration policy.

Baba Mkangisa
Chairperson of the Social and Ethics Committee
2 August 2017

Annual financial statements for the year ended 31 March 2017

The annual financial statements were prepared by:
Gerrard de Vos CA(SA)
Statutory Financial Manager
and supported by the Finance team of Sasria SOC Limited

The annual financial statements were reviewed by:
Philippa Viljoen CA(SA)
Acting Finance Executive of Sasria SOC Limited

The annual financial statements have been audited in compliance with section 30 of the Companies Act 71 of 2008, of South Africa

Approval of the annual financial statements

The Board, assisted by its Audit Committee, is responsible for the preparation, integrity and fair presentation of the annual financial statements. The external auditors are responsible for independently reviewing and reporting on the annual financial statements.

The annual 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 (IFRS). They are based on appropriate accounting policies which have been consistently applied and which are supported by reasonable and prudent judgements 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 annual 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 throughout 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.

Sasria's 2017 annual financial statements were audited by the independent auditor consortium, KPMG Inc. and AM PhakaMalele Inc. The auditors were given unrestricted access to all financial records and related data, including minutes of meetings with the shareholder, the Board and Board committees. The Board is comfortable with the integrity of all information and representations made to the independent auditors during their audit. The unqualified audit report of KPMG Inc. and AM PhakaMalele Inc. is presented on page 75.

The Board, assisted by its sub-committees (see pages 66 to 71), has also considered and approved the issues material to Sasria's continued sustainability, which included key non-financial outcomes attributable to or associated with stakeholders other than the shareholder. It has considered the risks, opportunities and material matters. The directors have not noted anything to indicate that there was any material breakdown in the functioning of internal controls, systems and procedures during the year under review. The directors are of the opinion that Sasria's risk management process is effective.

The Company's 2017 integrated report and its annual financial statements, set out on pages 3 to 146, were approved by the Board of Directors in accordance with their responsibilities and were signed on their behalf by:

MA Samie
Chairperson
2 August 2017

CM Masondo
Managing Director
2 August 2017

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.

Mziwoxolo Mavuso
Company Secretary
2 August 2017

Directors' report

The directors have pleasure in submitting their report on the state of affairs, the business and profit of the Company.

Nature of the business

Sasria SOC Ltd is the only short-term insurer that offers special risk cover to all individuals and businesses that own assets in South Africa, as well as government entities.

Results of operations

Full details of the financial position, results of operations and cash flows of the Company are detailed in the attached annual financial statements that follow.

Dividends

On 2 December 2016, the directors of the Company declared a dividend for the period ended 31 March 2017, to be settled by way of cash, to the value of R151 235 700.

Share capital

There were no changes to the authorised or issued share capital.

Auditors, Directors and Company Secretary

The names of the auditors, directors and Company Secretary in office at 31 March 2017 are set out on pages 146, 56-58, and 64 respectively, together with appointment and resignation dates.

Events after balance sheet date

No event which is material to the understanding of this report has occurred between the reporting date and the date of this report.

Going concern

The Board believes that the Company will continue to be a going concern in the year ahead. For this reason, the Board continues to adopt the going concern basis in preparing the annual financial statements.

Independent auditor's report to Parliament on Sasria SOC Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Sasria SOC Limited (the Company) set out on pages 81 to 143, which comprise the statement of financial position as at 31 March 2017, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sasria SOC Limited as at 31 March 2017, and its financial performance and cash flows for the year then ended 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.

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of the financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (Parts A and B).

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

Other information

The Board of Directors, which constitutes the Accounting Authority, is responsible for the other information. The other information comprises all the information included in the integrated report which includes the Board of Directors' report, the Audit Committee's report and the Company Secretary's certificate as required by the Companies Act of South Africa. The other information does not include the financial statements, our auditor's report thereon, the selected objectives included in our report on the audit of the performance against targets for 2017 (annual performance report) and our report on audit of compliance with legislation.

Our opinion on the financial statements and the selected objectives included in our report on the audit of the annual performance report and our report on audit of compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. No material inconsistencies were identified.

Responsibilities of Board of Directors, which constitutes the Accounting Authority

The Board of Directors, which constitutes the Accounting Authority, is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, the Accounting Authority is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Accounting Authority either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout our audit of the financial statements, and the procedures performed on reported performance information for selected objectives and on the Company's compliance with respect to the selected subject matters. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accounting Authority;
- Conclude on the appropriateness of the Accounting Authority's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion on the financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Accounting Authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Accounting Authority with a statement that we have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on our independence and, where applicable, related safeguards.

Report on the annual performance report

Introduction and scope

In accordance with the Public Audit Act of South Africa and the general notice issued in terms thereof, we have a responsibility to report material findings on the reported performance information against predetermined objectives for selected strategic objectives presented in the annual performance report. We performed procedures to identify findings but not to gather evidence to express assurance.

Our procedures address the reported performance information which must be based on the approved performance planning documents of the Company. We have not evaluated the completeness and appropriateness of the performance indicators established and included in the planning documents. Our procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, our findings do not extend to these matters.

We evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the Performance Management and Reporting Framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the Company for the year ended 31 March 2017:

Strategic objectives	Pages in the annual performance report
Strategic objective – People, capacity and capability: To attract, retain and develop skills that support our aspirations	36 – 37
Strategic objective – Customer-centricity: To provide superior customer service	36 – 37
Strategic objective – Regulatory environment: To proactively manage compliance	36 – 37

We performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. We performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

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

Report on the audit of compliance with legislation

Introduction and scope

In accordance with the Public Audit Act of South Africa and the general notice issued in terms thereof, we have a responsibility to report material findings on the compliance of the Company with specific matters in key legislation. We performed procedures to identify findings but not to gather evidence to express assurance.

We did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the Public Audit Act of South Africa.

Internal control deficiencies

We considered internal control relevant to our audit of the financial statements, annual performance report and compliance with legislation, however the objective is not to express any form of assurance thereon. We did not identify any significant deficiencies in internal control. We do not express an opinion on the effectiveness of the Company's internal control.

KPMG Inc.

Per Omera Naiker
Chartered Accountant (SA)
Registered Auditor
Partner
25 August 2017

KPMG Crescent
85 Empire Road
Parktown
2193

Audit Committee report

For the year ended 31 March 2017

Audit Committee responsibility
The Audit Committee has complied with its responsibilities arising from sections 51 and 77 of the PFMA and Treasury Regulation 27.1. The Audit Committee has adopted appropriate formal terms of reference as its Audit Committee Charter, which have been approved by Sasria's Board. It has also regulated its affairs in compliance with this Charter and discharged all its responsibilities contained therein.

Membership
The Audit Committee members and attendance are reflected on page 59.

Impact of King IV
King IV expands on the King III combined assurance model to include "five lines of assurance" to incorporate all assurance providers to enable an effective control environment to strengthen decision-making. Horizontal assurance includes internal audit, risk and compliance whilst vertical assurance includes line managers, frameworks, policies, procedures and system controls. Internal audit remains a pivotal part of governance relating to assurance.

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 Sasria's internal and external auditors, as well as its compliance and ERM processes. Where necessary, programmes for corrective action have been initiated. Nothing has come to the attention of the Audit Committee, 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 period under review.

The resolution of issues raised is independently tracked and monitored by Internal Audit, and the Head of Internal Audit provides a report at each Audit Committee meeting, including written assessment of their scope and findings and reports to the Chairperson of the Audit Committee, with administrative reporting to the Chief Risk Officer.

Quality of monthly and quarterly reports submitted in terms of the Public Finance Management Act (PFMA)
The Audit Committee is satisfied with the content and quality of the reports prepared and submitted to it by Sasria management.

Finance function
We believe that Ms Philippa Viljoen CA(SA), Sasria's Acting Finance Executive, possesses the appropriate expertise and experience to meet her responsibilities in that position.
We are satisfied with the expertise and adequacy of the resources within the finance function.

Based on the processes and assurance obtained, we believe that the accounting practices applied in the period under review are effective.

Combined Assurance Committee
A Combined Assurance Committee, reporting to the Audit Committee, was established and embedded with approved terms of reference. The Combined Assurance Plan is approved annually and reviewed on a quarterly basis.

The Audit Committee reviews the results of the combined assurance over significant risks. This gives the Audit Committee comfort that adequate and combined assurance is provided over significant risks and that identified gaps have been effectively addressed.

Internal audit function

The committee has, in consultation with the Head of Internal Audit, established an Audit Charter to guide the internal audit approach.

The internal audit function currently is relied upon, not only by contributing insight into the organisation, but also providing foresight through the use of pattern recognition, trend assessment, analysis and scenarios.

A periodic self-assessment of the internal audit function was performed in line with the International Standards for Professional Practice of Internal Auditing and reported on to the Audit Committee.

An annual effectiveness assessment of the internal audit function was performed. The audit plan, audit progress, audit findings and management actions are reviewed by the Audit Committee on a quarterly basis.

As more reliance will be placed on Internal Audit going forward, the committee and the Board will evaluate the assurance standards expected from Internal Audit. The internal audit function will undergo an independent quality assurance review in the new financial year.

Regulatory compliance

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

External audit

The consortium of KPMG Inc. and AM PhakaMalele Inc. (the Consortium) was appointed as external auditors for the year ended 31 March 2017. The Audit Committee reviewed and is satisfied with the independence and objectivity of the Consortium in line with section 94(8) of the Companies Act. Non-audit services performed by the external auditors are approved and reviewed by the Audit Committee (refer to note 21 to the Annual Financial Statements).

To assess the effectiveness of the external auditors, the committee reviewed:

- The fulfilment of the agreed audit plan and variations from the plan; and
- The robustness of the external auditors 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; and
- Recommendations made by the external auditors and management's response.

Evaluation of annual financial statements

The Audit Committee has reviewed and discussed the audited annual financial statements to be included in the integrated report with the external auditors and the Acting Finance Executive.

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

Signed on behalf of the Audit Committee.

Tshwarelo Moutlane
Chairperson of the Audit Committee
2 August 2017

Statement of financial position

As at 31 March 2017

Figures in Rand thousand	Note(s)	2017	2016
Assets			
Property and equipment	5	7 542	10 158
Intangible assets	6	1 404	4 466
Deferred acquisition costs	7	53 269	45 428
Financial assets			
– at fair value through profit or loss - designated	8.1	3 890 058	4 390 597
– loans and receivables	8.2	141 497	200 739
Insurance receivables	9	161 978	158 709
Reinsurance contracts	10	24 202	20 717
Current income tax receivable		26 832	–
Cash and cash equivalents	11	2 790 334	1 767 111
Total assets		**7 097 116**	**6 597 925**
Equity			
Share capital	12	–	–
Capital adequacy reserve		480 286	434 750
Retained earnings		5 284 277	4 937 786
Total equity		**5 764 563**	**5 372 536**
Liabilities			
Deferred income	15	7 219	5 968
Deferred income tax	16	18 159	15 361
Employee benefit liability	14	11 228	15 021
Insurance contract liabilities	10	1 202 314	1 044 395
Current income tax payable		–	78 903
Payables	13	93 633	65 741
Total liabilities		**1 332 553**	**1 225 389**
Total equity and liabilities		**7 097 116**	**6 597 925**

Statement of comprehensive income
For the year ended 31 March 2017

Figures in Rand thousand	Note(s)	2017	2016
Gross insurance premiums written	17	1 843 402	1 683 895
Insurance premiums ceded to reinsurers	17	(145 246)	(139 084)
Net insurance premiums income		**1 698 156**	**1 544 811**
Change in gross unearned premiums provision	17	(42 923)	(40 902)
Change in reinsurers' share of unearned premiums provision	17	4 172	2 740
Net insurance premiums earned	**17**	**1 659 405**	**1 506 649**
Commission earned from reinsurers		28 453	26 123
Investment income	18	436 997	318 067
Other income		568	124
Net income		**2 125 423**	**1 850 963**
Gross insurance claims and loss adjustment expenses	19	(765 994)	(585 786)
Claims and loss adjustment expenses recovered from reinsurers	19	(687)	(1 270)
Net insurance claims		**(766 681)**	**(587 056)**
Expenses for the acquisition of insurance contracts	20	(236 850)	(205 515)
Expenses for administration and marketing	21	(377 534)	(349 023)
Total expenses		**(614 384)**	**(554 538)**
Profit before tax		**744 358**	**709 369**
Income tax expense	23	(201 095)	(205 250)
Profit for the year		**543 263**	**504 119**
Total comprehensive income attributable to:			
Ordinary shareholder		543 263	504 119

Statement of changes in equity

For the year ended 31 March 2017

Figures in Rand thousand	Share capital	Capital adequacy reserve	Retained earnings	Total equity
Balance at 1 April 2015	–	**377 385**	**4 674 237**	**5 051 622**
Changes in equity				
Comprehensive income for the year	–	–	504 119	504 119
Transfer to capital adequacy reserve	–	57 365	(57 365)	–
Dividends paid	–	–	(183 205)	(183 205)
Total changes	**–**	**57 365**	**263 549**	**320 914**
Balance at 1 April 2016	–	**434 750**	**4 937 786**	**5 372 536**
Changes in equity				
Comprehensive income for the year	–	–	543 263	543 263
Transfer to capital adequacy reserve	–	45 536	(45 536)	–
Dividends paid	–	–	(151 236)	(151 236)
Total changes	**–**	**45 536**	**346 490**	**392 027**
Balance at 31 March 2017	**–**	**480 286**	**5 284 277**	**5 764 563**

Statement of cash flows

For the year ended 31 March 2017

Figures in Rand thousand	Note(s)	2017	2016
Cash flows from operating activities			
Cash generated from operations	26	542 427	520 258
Dividend income	18	48 921	35 054
Interest income	18	387 725	332 278
Realised gains on investments	18	(16 018)	111 160
Income tax paid	28	(304 034)	(180 348)
Net cash from operating activities		**659 021**	**818 402**
Cash flows from investing activities			
Purchase of property and equipment	5	(1 248)	(3 545)
Proceeds on disposal of property and equipment		55	27
Purchases relating to intangible assets	6	(282)	(1 671)
Net sale/(purchase) of investments		516 913	(207 463)
Net cash used in investing activities		**515 438**	**(212 652)**
Cash flows from financing activities			
Dividends paid		(151 236)	(183 205)
Net increase in cash and cash equivalents		**1 023 223**	**422 545**
Cash and cash equivalents at the beginning of the year	11	1 767 111	1 344 566
Cash and cash equivalents at the end of the year	**11**	**2 790 334**	**1 767 111**

Notes to the financial statements

For the year ended 31 March 2017

1. Introduction

Sasria SOC Limited (Sasria or the Company) 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 by 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.

1.1 Statement of compliance

The financial statements are prepared in accordance with the requirements of the Companies Act 71 of 2008, as amended (Companies Act), the Public Finance Management Act 1 of 1999 (PFMA) and International Financial Reporting Standards (IFRS).

1.2 Basis of presentation

These financial statements have been prepared in accordance with IFRS, the Companies Act of South Africa and the PFMA.

The financial statements have been prepared under the historical cost convention, on a going concern basis in compliance with IFRS, modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit and loss. The exception lies with insurance contracts liabilities which are valued in terms of the Financial Soundness Valuation (FSV) basis contained in the Standards of Actuarial Practice (SAP) 104, issued by the Actuarial Society of South Africa.

The Company's statement of financial position is not presented using a current/non-current classification.

The following asset balances are current: cash and cash equivalents, insurance receivables, prepayments, deferred acquisition costs asset, current income tax receivable and reinsurance contracts.

The following asset balances are generally considered to be non-current: property and equipment, intangible assets.

Notes to the financial statements

For the year ended 31 March 2017

The following liabilities balances are current: current income tax payables, payables, employee benefit liabilities and deferred income.

The following liabilities balances are generally considered to be non-current: deferred income tax liability.

1.3 Use of estimates and judgements

The preparation of the financial statements in accordance with IFRS requires the use of certain critical accounting estimates of certain assets and liabilities. It also requires management to exercise its judgement 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 provision 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 from the estimates. Estimates and judgements 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 10.

2. Accounting policies

2.1 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, except as noted below.

a) New and amended standards adopted by Sasria

Effective in the current financial year

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

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IASB effective date	Standards
1 January 2017	**Disclosure Initiative (Amendments to IAS 1)** The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements. The amendments also clarify presentation principles applicable to the order of notes and subtotals presented in the statement of financial position and statement of profit or loss and other comprehensive income. This has had no impact on Sasria.
	Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' on depreciation and amortisation This amendment clarifies that the use of revenue-based methods to calculate depreciation of an asset is not appropriate. This has not affected Sasria as Sasria does not use the revenue-based methods.
	'Recognition of deferred tax assets for unrealised losses' (Amendments to IAS 12) The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. Therefore, assuming that the tax base remains at the original cost of the debt instrument, there is a temporary difference. This has had no impact on Sasria.
	Annual improvements to IFRSs 2014-2016 Cycle (Amendments to IFRS 12, 'Disclosure of interests in other entities') The disclosure requirements for interests in other entities also apply to interests that are classified as held for sale or distribution. This has had no impact on Sasria.

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For the year ended 31 March 2017

b) 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 ended 31 March 2017. None of these is expected to have a significant effect on the financial statements of the Company, except those set out below:

IASB effective date	Standards
1 January 2018	**IFRS 15, 'Revenue from contracts with customers'** This standard contains a single model that applies to contracts with customers and two approaches to recognise revenue: at a "point in time" or "over time". The model features a contract–based, five-step analysis of transactions to determine whether, how much and when revenue is to be recognised. Sasria should not be impacted by IFRS 15, however management is still assessing the impact of the standard.
	IFRS 9, 'Financial instruments' On 24 July 2014, the International Accounting Standards Board (IASB) issued the final IFRS 9, 'Financial instruments' standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39, 'Financial instruments: Recognition and measurement'. This standard could have a significant impact on the Company which may include changes in the measurement bases of Sasria's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been amended from an "incurred loss" model from IAS 39 to an "expected credit loss" model. Management is assessing the impact of this standard on Sasria.
1 January 2019	**IFRS 16, 'Leases'** This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (lessee), and the supplier (lessor). IFRS 16 replaces the previous leases standard, IAS 17, 'Leases' and the related interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the statement of financial position. No significant changes have been included for lessors. Management is assessing the impact of this standard on Sasria.

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IASB effective date	Standards
1 January 2021	**IFRS 17, 'Insurance contracts'** The standard supersedes IFRS 4, 'Insurance contracts'. IFRS 17 addresses the recognition, measurement, presentation and disclosure of insurance contracts issued, reinsurance contracts held and investment contracts with discretionary participation features. The standard contains guidance on when to separate components in an insurance contract and account for them in terms of another standard. The components that have been separated (subject to certain criteria) are embedded derivatives, distinct investment components and distinct goods and non-insurance services. The standard requires an entity to identify portfolios of insurance contracts and to group them into the following groups at initial recognition: • Contracts that are onerous; • Contracts that have no significant possibility of becoming onerous subsequently; and • The remaining contracts in the portfolio. An entity may simplify the measurement of a group of insurance contracts using the premium allocation approach if certain criteria are met. The new standard will have a significant impact on Sasria's recognition, measurement, presentation and disclosure in the financial statements of insurance contracts issued. Management has started to assess the impact of this standard on Sasria. The standard is effective for annual periods beginning on or after 1 January 2021 and has to be applied retrospectively. Early adoption is permitted. Sasria is expecting to adopt IFRS 17 in its financial statements for the year ending 31 March 2021.

2.2 Property and equipment

The cost of an item of property 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 and equipment is initially recognised and measured at cost.

Costs include costs incurred initially to acquire or construct an item of property 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 and equipment, the carrying amount of the replaced part is derecognised. Property and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value. Property 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.

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The useful lives of items of property 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

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 profit or loss unless it is included in the carrying amount of another asset. The gain or loss arising from derecognition of an item of property and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from derecognition of an item of property 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.

2.3 Intangible assets

An intangible asset is 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 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; and
- 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

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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 profit or loss during the financial period in which it is incurred.

Intangible assets 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, on a straight-line basis, to their residual values as follows:

Item	Useful life
Computer software	3 – 5 years

2.4 Financial assets and liabilities

2.4.1 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.

2.4.1.1 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 selling in the short term and/or 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 categorised as held for trading.

Financial assets designated as at fair value through profit or loss at inception are the following:

- **Financial assets that are managed and their performance is evaluated on a fair value basis.**
  Information about these financial assets is provided internally on a fair value basis to Sasria's key management personnel. Sasria'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 Sasria 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 Sasria has transferred substantially all the risks and rewards of ownership.

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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 Sasria'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 in investment income.

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, Sasria 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. Sasria'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.

- **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. Derivatives are classified as financial assets at fair value through profit or loss.

2.4.1.2 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 and payables**

  The carrying values of trade receivables (less impairment provision) and payables are assumed to approximate their fair values. These spreads are internally reviewed by the committees of the respective asset managers. Subsequent changes to these valuations would result in fair values.

  Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method.

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

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- **Cash and cash equivalents**
  Cash and cash equivalents are measured at initial recognition at fair value plus transactional costs.
  Cash and cash equivalents comprise cash on hand and deposits held on call with banks. Cash equivalents comprise highly liquid investments that are convertible to cash with insignificant risk of changes in value and with original maturities of less than three months and are held at amortised cost.

2.4.2 Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position 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.

2.4.3 De-recognition of financial assets and financial liabilities

The entity shall de-recognise a financial asset when the contractual rights to the cash flow from the financial assets expire or it transfers the financial assets and the transfer qualifies for de-recognition. An entity shall de-recognise a financial liability when the obligation specified in the contract is discharged, cancelled or expires.

2.5 Impairment of financial assets

The carrying amounts of all Sasria's assets, other than those classified as fair value through profit and loss, are reviewed at each reporting 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.

2.5.1 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 Sasria 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 re-organisation;
- The disappearance of an active market for the financial asset because of financial difficulties; and/or
- 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; and/or
  - national or local economic conditions that correlate with defaults on the assets in the group.

Sasria first assesses whether objective evidence of impairment exists individually for assets that are individually significant. If Sasria determines that no objective evidence of impairment exists for an individually assessed asset, whether significant

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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, Sasria 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.

2.5.2 Impairment of 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 and depreciation 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.

2.6 Insurance classification

Sasria issues contracts which transfer insurance risk or financial risk or, in some cases, both. Insurance contracts are those contracts under which Sasria (as insurer) accepts significant insurance risk from another party (the policyholder) by

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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, 'Insurance contracts'. The insurance contracts that Sasria underwrites are classified and described below:

2.6.1 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 of business enterprises.

2.7 Recognition and measurement of insurance contracts

2.7.1 Gross written premiums and outward reinsurance premium

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 written premiums 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.

2.7.2 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.

2.7.3 Deferred acquisition costs (DAC) and deferred income

The costs of acquiring new and renewal insurance business that are primarily related to the production of that business are deferred and recognised 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.

2.7.4 Commission paid

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 revenue.

2.7.5 Liability adequacy test

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

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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.

2.7.6 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 (IBNR). 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 Sasria.

2.7.7 Provision for outstanding claims and reinsurance recoveries

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. Sasria'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 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. Sasria 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 programme 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.

2.7.8 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 Sasria at that date. This provision is calculated using actuarial modelling with at least five years' historical claims experience where possible. Sasria 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.

Sasria does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to Sasria and statistical analyses for the IBNR claims, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions).

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2.7.8.1 The basic chain-ladder methodology, Bornhuetter-Fergussen and average cost per claim methods

Sasria uses the basic chain-ladder, Bornhuetter-Fergussen and the average cost per claim methods to estimate the ultimate cost of claims. 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.

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 Sasria. In addition, for major classes where the risks and uncertainties inherent in the provisions are the 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.

2.7.8.2 IBNR provision 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 Sasria. 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. Sasria seeks to provide appropriate levels of claims provisions taking the known facts and experience into account.

2.7.9 Reinsurance contracts held

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

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Reinsurance contracts are only recognised as such when they give rise to significant transfer of insurance risk from Sasria 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 Sasria 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.

2.7.10 Reinsurance commission

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.

2.7.11 Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from intermediaries.

2.7.12 Salvage reimbursements

Some insurance contracts permit Sasria to sell (usually damaged) property acquired in settling a claim (i.e. salvage). Sasria 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.

2.8 Taxation

Income taxation expense comprises current and deferred taxation, it is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or other comprehensive income.

2.8.1 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.

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2.8.2 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, except where Sasria 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 unused losses carried forward 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.

2.9 Employee benefits

2.9.1 Pension obligations

Sasria provides for the retirement benefits of its employees through a defined contribution plan. The assets are held in separate trustee-administered funds. Sasria pays defined contributions into these funds and thereafter, Sasria 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.

2.9.2 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. Sasria 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 reporting date are discounted to present value.

2.9.3 Bonus plan

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

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2.9.4 Leave pay

Employees' entitlement 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.

2.10 Provisions

Provisions are recognised when Sasria 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 reporting date are disclosed under insurance liabilities.

2.11 Revenue recognition

The accounting policy relating to the recognition of revenue from insurance contracts is disclosed as part of 2.7 above, which describes the recognition and measurement of insurance contracts in detail.

2.11.1 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 profit and loss using the effective-interest method.

2.11.2 Dividend income

Dividend income for equities is recognised when the right to receive payment is established, which is the last day of trade in respect of 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.

2.12 Leases

2.12.1 Operating leases – lessee

The difference between the amounts recognised as an expense and the contractual payments is recognised as an operating lease asset. This liability is not discounted. Any contingent rents are expensed in the period they are incurred.

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For the year ended 31 March 2017

2.13 Dividend distribution

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

2.14 Critical accounting estimates and judgements in applying accounting policies

2.14.1 Ultimate liability arising from claims made under insurance contracts

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

2.14.2 Valuation of unlisted investments

The unlisted equity investment is reviewed by management for reasonableness on an annual basis. Sasria accounts for its share of the fair value movements as described in 2.3 above. The unlisted bond investments, which are held through appointed asset managers, are valued based on market observable data and expert judgement. 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. To determine the spread at which the unlisted bond should be valued 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 2.3 above.

2.14.3 Capital adequacy requirement reserve

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

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For the year ended 31 March 2017

3. Management of underwriting risk

Underwriting risk is the risk that claims and related expense experience is worse than anticipated in the pricing and reserving of the underlying products. For Sasria the drivers of underwriting risk include changes in the political, social and labour climate of South Africa, as well as economic changes such as higher than expected inflation.

The Company manages underwriting risks through its underwriting strategy, appropriate pricing, adequate reinsurance arrangements and proactive claims handling.

Exposure to underwriting risk

The Company underwrites risks that natural persons, corporate or other entities wish to transfer to an insurer. While the Company provides cover relating to conventional fire, motor and engineering, the specific risks 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 risks 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 has been provided for.

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

The Company underwrites primarily short-tail risks, which means that the majority of claims are typically settled within one year of the occurrence of the event/s giving rise to the claims. Risks that are long-tail in nature represent an insignificant portion of the Company's insurance portfolio.

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:

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.

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For the year ended 31 March 2017

Guarantee – provides indemnity to banks for default by their clients due to the occurrence of a Sasria peril and is sold by the Home Loan Guarantee Company.

Engineering – provides indemnity for loss of or damage sustained to machinery and equipment or damage to buildings or structures during the course of construction.

Limiting exposure to underwriting risk

Due to the business model followed by Sasria, there is no direct underwriting performed on the coupons up to R500 million. Sasria directly underwrites 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 agent companies use are set by Sasria in its underwriting guidelines. 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 agent company, then no Sasria cover attaches.

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.

Underwriting strategy and limits and policies for mitigating underwriting 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	2017 %	2016 %
Property	80.27	78.68
Transportation	1.16	0.98
Motor	13.63	14.72
Guarantee	0.05	0.10
Engineering	4.48	4.98
Miscellaneous	0.41	0.54
Total for all categories	**100.00**	**100.00**

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. The maximum any one

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For the year ended 31 March 2017

insured can claim is R1.5 billion. Losses arising from an event (where more than one insured is affected by the same event) in excess of R500 million will trigger Sasria's catastrophe reinsurance.

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

Split by type of policyholder	2017 %	2016 %
Personal policies	21.14	28.14
Commercial policies	78.86	71.86
Total personal and commercial policies	**100.00**	**100.00**

The Company ensures that agent companies adhere to the set underwriting guidelines through bi-annual audits conducted at each agent company. In addition, the Company's own Internal Audit department conducts reviews of the Sasria process carried out on the Company's behalf by agent companies, their underwriting managers and brokers. Follow-up reviews are performed by the Quality Assurance department to ensure that findings are resolved and closed within a reasonable time and no additional risks are encountered.

During the past year Quality Assurance performed proactive reviews on agents in addition to their follow-up reviews.

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

Pricing is based on historical claims, frequency and severity and includes catastrophe modelling. The methodology used estimates the anticipated cost per policy. Claims remain the Company's most significant cost. Further adjustments are made in the pricing estimate for expenses, commission, cost of capital and profit allowance, investment income and expenses and reinsurance allowance.

Catastrophe risk is managed and mitigated through the use of reinsurance.

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

Split by type of policyholder	2017 %	2016 %
Annual policies	49.60	49.48
Monthly policies	50.40	50.52
Total annual and monthly policies	**100.00**	**100.00**

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The incidence of fraud is reduced by robust claims handling processes and regular review of these processes. The Company's Internal 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 predetermined budgets. The premium income and reversals are also monitored for each agent on a monthly basis and compared to the previous period. Any major fluctuations are investigated.

Reinsurance strategy

Sasria's reinsurance strategy is driven by the desire to use capital efficiently, protect the statement of financial position and hence ensure a sustainable business. The strategy is to retain as much premium as possible subject to a solvency ratio target.

Reinsurance is placed on the local and international reinsurance markets. Reinsurance arrangements in place include proportional and non-proportional reinsurance which include catastrophe cover. The reinsurance programme is aimed at reducing the volatility of the Company's underwriting results and protecting its capital. The Company purchases catastrophe reinsurance to protect itself against losses arising from major catastrophes. The level of catastrophe reinsurance purchased is based on the Company's maximum probable loss and capital adequacy exercise, which is performed annually. Sasria evaluates and monitors the type and amount of reinsurance to be purchased within the Company's risk appetite framework and measures.

Claims 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 2.7 above. The process regarding the claims development is discussed in note 10 which includes sensitivities.

4. Management of financial risk

The Company is exposed to financial risk through its financial assets, reinsurance assets, financial liabilities and insurance liabilities. The most important components of this financial risk are market risk, credit risk and liquidity risk. These risks arise from investments in various asset classes whose values are exposed to the current macro-economic environment resulting in market price movements.

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

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For the year ended 31 March 2017

Figures in Rand thousand	2017	2016
Financial and insurance assets		
Listed and quoted equity securities	1 718 727	1 178 868
Unlisted and unquoted equity securities	6 300	6 300
Total equity securities	**1 725 027**	**1 185 168**
Unitised linked investments	215 997	200 719
Money market fund (>3 months)	757 874	1 401 613
Government and semi-government bonds	369 493	425 479
Other bills and bonds (fixed rate)	821 667	1 177 618
Total debt and money market securities	**2 165 031**	**3 205 429**
Total financial assets at fair value through profit or loss	**3 890 058**	**4 390 597**

Figures in Rand thousand	2017	2016
Insurance receivables	161 978	158 709
Loans and receivables	141 497	200 739
Total loans and receivables including insurance receivables	**303 475**	**359 448**
Reinsurance assets	24 202	20 717
Cash and cash equivalents	2 790 334	1 767 111
Total financial and insurance assets	**2 814 536**	**1 787 828**
Financial and insurance liabilities		
Deferred income	7 219	5 968
Insurance contracts	1 202 314	1 044 395
Payables	93 633	65 741
Total financial assets at fair value through profit or loss	**1 303 166**	**1 116 104**

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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 investment portfolio is structured to withstand shocks such as the credit rating downgrade through its strategic asset allocation which allows for diversification and flexibility to reduce a significant drag on relative performance. Sasria's investment philosophy is centred on an asset-liability matched investment approach which ensures that the underlying assets into which the funds are invested are matched to meet the duration and Rand value of the liabilities at a given point in time. When a suitable asset-liability matched position is achieved, Sasria will optimise returns on the non-liability matching assets within the risk appetite limits. The investments market positions are monitored daily by the external investment managers and reviewed monthly by the Finance Director, the Risk department 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.

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 such as cash on fixed deposits, call accounts and other money market instruments, which exposes the Company to interest rate risk. These interest-bearing instruments are exposed to the interest rate risk as a result of the sovereign credit rating downgrade, which is an indication of the government's ability to meet its debt obligation and also increases its cost of borrowing when issuing new interest-bearing instruments or servicing the current debt. This risk is limited through a well-diversified portfolio which allows for flexibility to ensure that managers can adopt a defensive stance in the current environment.

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% decrease or increase in the interest rate relating to cash and interest-bearing securities would result in an increase/decrease in interest earned of R49.6 million (2016: R47.7 million) or an increase/decrease in profit before tax of R49.6 million (2016: R47.7 million) respectively.

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A 1% increase in interest rates would expose the Company to the risk of losing value in other bills and bonds by R37.2 million (2016: R32.1 million), while a decrease would expose the Company to the risk of gaining value by R42.1 million (2016: R35.9 million). A 1% increase in interest rates would expose the Company to the risk of losing value in the infrastructure development bond fund by R14.2 million (2016: R12.7 million) while a decrease would expose the Company to the risk of gaining value by R14.2 million (2016: R12.7 million).

The loans and receivables and trade and payables are not sensitive to interest rate fluctuations as they are expected to be settled within three months when they fall due. Exposure to interest rate risk is monitored and managed by management.

Equity 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 management.

Investments in listed equities, which are carried at fair value on the reporting date, 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. Sasria's equity asset class was exposed to equity price risk as result of the sovereign credit rating downgrade; these risks were limited as the portfolios underlining constituencies consist of quality Rand-hedge stocks which act as a natural hedge against exchange rate risk.

All of the Company's investments are managed through 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 strategy and takes investment decisions within the risk profile and risk appetite.

At 31 March 2017, the Company had quoted ordinary share investments which have been disclosed at their fair values. A hypothetical 10% decrease or increase in quoted investments would result in a decrease/increase in profit before tax by R171.9 million (2016: R117.9 million). A hypothetical 10% was used during the current financial year due to the expected movements in the equity market. The full impact of a decrease or increase in individual prices of instruments 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.

Figures in Rand thousand	2017	2016
Quoted investments		
Effect on profit before tax at 10% (fluctuation)	171 873	117 887
Effect on profit before tax at 15% (fluctuation)	257 809	176 830

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Credit risk

The Company has exposure to credit risk, which is the risk that a counterparty will default on debt, failing to make payments 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 agent companies; and
- amounts invested with investment counterparties.

The Company only conducts its business with reputable reinsurers rated above a certain level as shown in the ratings table below. The credit risk exposure of agent companies is managed by conducting business only 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 and ongoing monitoring.

Reinsurance is used to manage underwriting 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 a monthly basis, along with their external ratings as indicated below.

Credit risk on reinsurance contracts

Reinsurance risk arises due to uncertainty regarding the timing and amount of future cash flows from reinsurance contracts. This could be due to the financial standing of the reinsurer, or due to changes in the appropriateness of cover in the future. 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 and remedial action taken if required. In addition, reinsurance contracts make allowance to replace reinsurers in the case of a downgrade of the reinsurer's rating, below A-. The table below shows the credit ratings of the Company's five largest reinsurers on the reinsurance programme.

2017 Reinsurer	% of total cover provided	S&P rating *
Lloyds Underwriters	28.90	A+
Lancashire (UK)	21.50	A-
Munich Reinsurance Company of Africa Limited, South Africa	12.30	AA-
Hannover Reinsurance Africa Limited, South Africa	12.00	AA-
Swiss Reinsurance Company Limited, Switzerland	10.20	AA-

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

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2016 Reinsurer	% of total cover provided	S&P rating *
Swiss Reinsurance Company Limited, Switzerland	19.54	AA-
Hannover Reinsurance Africa Limited, South Africa	23.35	BBB+
Scor Africa Limited, South Africa	10.52	AA-
Munich Reinsurance Company of Africa Limited, South Africa	10.44	AA-
Lloyds Underwriters	14.16	A+

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

Credit risk of financial assets

The Company does not have collateral, credit enhancements or renegotiated financial assets. There is exposure to instruments that have been affected by African Bank Investment Limited's (ABIL) failure and therefore adjustments have been made in the valuation of the affected financial instruments. ABIL was placed under curatorship by the South African Reserve Bank (SARB) on 10 August 2014. Sasria held equity, senior debt instruments as well as subordinated debt instruments in ABIL as at 10 August 2014. Senior debt holders received a 10% haircut on the value of these instruments and subordinated debt holders received no recovery on them. Sasria's exposure to ABIL as at 31 March 2017 is R67.4 million (2016: R124 million).

The credit rating of an individual instrument is an indication of the issuer's ability to meet its debt obligation; a lowered rating will affect the cost of borrowing (interest rates) as well as the cost of servicing its debt, which therefore places constraints on the ability to borrow. Sasria investment portfolio is impacted by South Africa's sovereign credit rating downgrade as government's ability to borrow money to fund projects has been constrained. This risk is mitigated by the investment mandates managed through outsourced reputable investment managers; mandates include credit rating exposure limits, duration limits and the use of derivative instruments to hedge the portfolio without having to dispose of the underlining instruments. Each of these managers is given a mandate to ensure that credit risk is mitigated through diversification and flexibility, which allows for a defensive strategy in the current economic environment.

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2017

Financial and insurance assets	AAA	AA	A	BBB	BB	CCC	Not rated	Total
Figures in Rand thousand								
Government bonds	330 279	39 214	-	-	-	-	-	369 493
Other bills and bonds	197 982	473 550	98 905	12 228	39 002	-	-	821 667
Money market fund	-	715 550	14 231	-	28 093	-	-	757 874
Unitised linked investments	-	215 997	-	-	-	-	-	215 997
Insurance receivables	-	-	-	-	-	-	161 978	161 978
Cash and cash equivalents	876 645	1 910 687	3 000	-	-	-	2	2 790 334
Loans and receivables	-	4 015	-	-	-	-	137 482	141 497
	1 404 906	**3 359 013**	**116 136**	**12 228**	**67 095**	**-**	**299 462**	**5 258 840**

2016

Financial and insurance assets	AAA	AA	A	BBB	BB	CCC	Not rated	Total
Figures in Rand thousand								
Government bonds	336 786	56 659	32 034	-	-	-	-	425 479
Other bills and bonds	294 033	599 069	167 449	37 174	-	48 734	31 159	1 177 618
Money market fund	14 197	1 150 753	24 647	24 630	-	27 880	159 506	1 401 613
Unitised linked investments	-	-	200 719	-	-	-	-	200 719
Insurance receivables	-	-	-	-	-	-	158 709	158 709
Loans and receivables	-	48 212	-	-	-	18 692	133 835	200 739
Cash and cash equivalents	929 148	760 239	40 700	7 144	-	28 376	1 504	1 767 111
	1 574 164	**2 614 932**	**465 549**	**68 948**	**-**	**123 682**	**484 713**	**5 331 988**

The assets analysed above are based on external credit ratings obtained from various reputable rating agencies. The ratings used above are based on Standard & Poor's national scale ratings which are comparable to prior year.

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 more adversely than those rated AAA and AA;
- BBB: Medium quality with moderate credit risk;
- BB: Low quality with higher credit risk;
- CCC: Low quality with extremely high credit risk; and
- Not rated: Amounts falling within the not rated category are managed by the Finance department on a daily basis to ensure recoverability of amounts.

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The Company has an Investment Committee that reviews the credit risk on all the financial instruments and measures are put in place to minimise the credit risk. 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.

The Company monitors its exposure to its counterparties for regulatory reporting and policy adherence purposes. The credit risks are further monitored to ensure that there are no risk appetite breaches. Reporting is provided to the Executive Committee and the Risk Committee on a quarterly basis.

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 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 liquidity analysis below, financial instruments are presented on an undiscounted, contractual and worst-case basis while insurance assets and liabilities are presented based on expected cash flows.

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

2017	Within 0 to 3 months	3 months to 1 year	1 to 2 years	More than 2 years	Total
Figures in Rand thousand					
Deferred income*	7 219	-	-	-	7 219
Insurance contract liabilities	675 166	464 909	59 199	3 041	1 202 314
Payables	93 633	-	-	-	93 633
Total	**776 018**	**464 909**	**59 199**	**3 041**	**1 303 166**

2016	Within 0 to 3 months	3 months to 1 year	1 to 2 years	More than 2 years	Total
Deferred income*	2 952	3 016	-	-	5 968
Insurance contract liabilities	543 868	443 242	54 036	3 249	1 044 395
Payables	65 741	-	-	-	65 741
Total	**612 561**	**446 258**	**54 036**	**3 249**	**1 116 104**

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

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The following age analysis provides details of the financial and insurance assets held at reporting date:

2017	Within 0 to 3 months	3 months to 1 year	1 to 3 years	More than 3 years	Total
Figures in Rand thousand					
Financial assets at fair value through profit or loss	1 838 785	495 359	572 531	983 383	3 890 058
Loans and receivables	74 532	-	66 965	-	141 497
Insurance receivables	161 978	-	-	-	161 978
Reinsurance contracts	24 202	-	-	-	24 202
Cash and cash equivalents	2 790 334	-	-	-	2 790 334
Total	**4 889 831**	**495 359**	**639 496**	**983 383**	**7 008 069**

2016	Within 0 to 3 months	3 months to 1 year	1 to 3 years	More than 3 years	Total
Financial assets at fair value through profit or loss	1 460 496	727 218	1 058 215	1 144 668	4 390 597
Loans and receivables	110 320	-	90 419	-	200 739
Insurance receivables	158 709	-	-	-	158 709
Reinsurance contracts	10 247	10 470	-	-	20 717
Cash and cash equivalents	1 767 111	-	-	-	1 767 111
Total	**3 506 883**	**737 688**	**1 148 634**	**1 144 668**	**6 537 873**

Operational risk

Operational risk arises as a result of inadequate or failed internal processes, people and systems, or from external events. 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.

Sasria manages operational risk using a range of techniques and tools to identify, monitor and mitigate its operational risk in accordance with the risk appetite. These tools include risk and control self-assessments and questionnaires, key risk indicators, scenario and sensitivity analyses and loss data collection/notification. In addition, Sasria has developed a number of contingency plans including Incident/loss notification and a business continuity management (BCM) plan which is tested on a regular basis. The BCM is reviewed by Internal Audit every three years.

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Capital management

Sasria's capital management philosophy is to maximise the return on the shareholder's capital within an appropriate risk management framework and ensure that our policyholders' assets are protected against special and catastrophic risks. Management will continue to monitor Sasria's 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 of capital with the balance of the required capacity being made up of reinsurance in line with the Company's risk appetite.

Sasria manages its capital through different methods or tools which include the following:

a) Own risk and solvency assessment (ORSA)

Solvency assessment and management (SAM) introduces a requirement for general insurers to conduct an ORSA. ORSA is "the entirety of the processes and procedures employed to: identify, assess, monitor, manage and report the short- and long-term risks an insurance undertaking faces or may face and determine the own funds necessary to ensure that the undertaking's solvency needs are met at all times".

ORSA is one of the primary tools used to test whether the Company operates within or outside of the risk appetite over the business planning horizon. Part of the ORSA includes carrying out stress and scenario testing over the business planning horizon. The ORSA process requires Sasria to identify the most significant risks facing the organisation, quantifying the capital requirements for these risks, and finally compare the capital requirement to the own funds available on its statement of financial position. The ORSA process allows management to identify appropriate management actions and embed these actions in the event of a specific event realising.

Sasria performed an ORSA report of the business over the planning horizon and presented the results to its executive management, Risk Committee and the Board. Stress scenarios include economic stresses, demographic stresses and stresses resulting from operational risk.

b) Capital at risk

Sasria will at all times hold sufficient eligible financial resources to ensure it meets the relevant SCR, as well as its internal (economic) assessment of the capital required (ECR) to deliver on its business plans, reasonable policyholder expectations and claim payments as they fall due.

The Company has established risk appetite measures for the capital at risk as well as limit and threshold allocations to manage the key risk (non-life underwriting risk, credit risk and market risk) identified 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.

When determining capital requirements, the Company uses a risk appetite measure of capital at risk over a one-year time period. The Company's capital at risk measurement is based on the higher of the SCR or the ECR. The Company aims to hold adequate capital to remain solvent in the event of substantial deviations, such as a 1-in-200-year event.

Notes to the financial statements

For the year ended 31 March 2017

Internal used – ECR

The Company has developed tools for the purpose of calculating an internal economic view of risk and capital requirements as well as capital projections. The Company has therefore aligned itself to a more appropriate calculation of capital through the development of an economic capital model.

The economic capital model is used to support, inform and improve the Company's decision-making. It is used to determine the optimum capital structure, the investment strategy and its reinsurance programme.

Solvency capital requirement (SCR)

SCR is a formula-based figure calibrated by the FSB to ensure that all quantifiable risks are taken into account, including non-life underwriting, market, credit, operational and counterparty risks. Insurers are required to maintain minimum required capital at all times throughout the year.

Sasria's Board of Directors targets an economic capital coverage ratio of between 180% and 230%. In addition, the regulatory capital coverage ratio must exceed predefined threshold levels.

The Company reports to the FSB only on the SCR and not on the ECR.

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:

Level 1

Quoted prices (unadjusted in active markets for identical assets or liabilities that an entity can access at the measurement date;

Level 2

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); and

Level 3

Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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.

Notes to the financial statements

For the year ended 31 March 2017

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 (by class) measured at fair value at 31 March 2017.

2017 Asset	**Level 1**	**Level 2**	**Level 3**	**Total**
Figures in Rand thousand				
Financial assets designated at fair value through profit or loss:				
- Equity securities - listed and quoted	1 718 727	-	-	1 718 727
- Equity securities - unlisted and unquoted	-	-	6 300	6 300
- Debt securities	369 493	821 667	-	1 191 160
- Money market fund	-	757 874	-	757 874
- Unitised linked investments - unlisted and unquoted	70 626	53 620	91 751	215 997
Total financial assets designated at fair value through profit or loss	**2 158 846**	**1 633 161**	**98 051**	**3 890 058**

2016 Asset	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets designated at fair value through profit or loss:				
- Equity securities - listed and quoted	1 178 804	64	-	1 178 868
- Equity securities - unlisted and unquoted	-	-	6 300	6 300
- Debt securities	425 479	1 177 618	-	1 603 097
- Money market fund	-	1 401 613	-	1 401 613
- Unitised linked investments - unlisted and unquoted	87 728	9 244	103 747	200 719
Total financial assets designated at fair value through profit or loss	**1 692 011**	**2 588 539**	**110 047**	**4 390 597**

Level 1 – The fair value of financial instruments traded in an active market is based on quoted market prices at reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on arm's length basis.

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.

Notes to the financial statements

For the year ended 31 March 2017

Level 2 – 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.

Level 3 – 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 years ended 31 March 2017 and 2016 by class of financial instrument.

Asset	Unitised linked investments	Equity securities	Total
Figures in Rand thousand			
Opening balance	103 747	6 300	110 047
Additional investment made	-	-	-
Movement in investments	(11 996)	-	(11 996)
Dividends received	-	-	-
Closing balance	**91 751**	**6 300**	**98 051**

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.

Figures in Rand thousand	2017	2016
Level 3 investments		
Effect on profit before tax at 10% (fluctuation)	9 805	11 005
Effect on profit before tax at 15% (fluctuation)	14 705	16 507

The Level 3 investments are valued by determining Sasria's portion of the underlying investment that is held through unlisted equity instruments. The investments are fair valued using the discounted cash flow technique, refer to note 2.14 - Critical accounting estimates and judgements, for detail.

Notes to the financial statements

For the year ended 31 March 2017

5. Property and equipment

Figures in Rand thousand	2017 Cost	2017 Accumulated depreciation	2017 Carrying value	2016 Cost	2016 Accumulated depreciation	2016 Carrying value
Computer equipment	7 321	(6 050)	1 271	6 722	(5 240)	1 482
Furniture and fittings	3 222	(1 711)	1 511	3 184	(1 401)	1 783
Motor vehicles	594	(478)	116	594	(400)	194
Office equipment	2 262	(1 706)	556	1 842	(1 501)	341
Leasehold improvements	11 567	(7 479)	4 088	11 528	(5 170)	6 358
Total	**24 966**	**(17 424)**	**7 542**	**23 870**	**(13 712)**	**10 158**

Reconciliation of property and equipment - 2017

Figures in Rand thousand	Opening net book amount	Additions	Disposals	Depreciation charge	Total
Computer equipment	1 482	738	(5)	(944)	1 271
Furniture and fittings	1 783	54	(10)	(316)	1 511
Motor vehicles	194	-	-	(78)	116
Office equipment	341	417	-	(202)	556
Leasehold improvements	6 358	39	-	(2 309)	4 088
	10 158	**1 248**	**(15)**	**(3 849)**	**7 542**

Reconciliation of property and equipment - 2016

Figures in Rand thousand	Opening net book amount	Additions	Disposals	Depreciation charge	Total
Computer equipment	1 590	915	(10)	(1 013)	1 482
Furniture and fittings	1 994	123	(22)	(312)	1 783
Motor vehicles	296	-	-	(102)	194
Office equipment	175	298	-	(132)	341
Leasehold improvements	6 349	2 209	-	(2 200)	6 358
	10 404	**3 545**	**(32)**	**(3 759)**	**10 158**

Depreciation expense of R3.84 million (2016: R3.75 million) has been included in expenses for administration and marketing.

Notes to the financial statements

For the year ended 31 March 2017

6. Intangible assets

Figures in Rand thousand	2017 Cost	2017 Accumulated amortisation	2017 Carrying value	2016 Cost	2016 Accumulated amortisation	2016 Carrying value
Software	21 435	(20 031)	1 404	24 971	(20 505)	4 466
Total	**21 435**	**(20 031)**	**1 404**	**24 971**	**(20 505)**	**4 466**

Reconciliation of intangible assets - 2017

Figures in Rand thousand	Opening net book amount	Additions	Disposals	Amortisation charge	Total
Software	4 466	282	(83)	(3 261)	1 404
Total	**4 466**	**282**	**(83)**	**(3 261)**	**1 404**

Reconciliation of intangible assets - 2016

Figures in Rand thousand	Opening net book amount	Additions	Disposals	Amortisation charge	Total
Software	6 126	1 671	-	(3 331)	4 466
Total	**6 126**	**1 671**	**-**	**(3 331)**	**4 466**

7. Deferred acquisition costs (DAC)

Figures in Rand thousand	2017	2016
Balance at the beginning of the year	45 428	37 668
Movement in income statement	7 841	7 760
Balance at the end of the year	**53 269**	**45 428**

Notes to the financial statements

For the year ended 31 March 2017

8. Financial assets

Figures in Rand thousand	Note(s)	2017	2016

The Company's financial assets are summarised by measurement category in the table below.

Fair value through profit or loss - designated	8.1	3 890 058	4 390 597
Loans and receivables	8.2	141 497	200 739
Total financial assets		**4 031 555**	**4 591 336**

The assets classified as held at fair value through profit or loss are detailed in the tables below:

8.1 Fair value through profit or loss

At fair value through profit or loss - designated

Figures in Rand thousand	2017	2016
Equity securities		
Listed and quoted	1 718 727	1 178 868
Unlisted and unquoted	6 300	6 300
	1 725 027	**1 185 168**
Unitised linked investments		
Unlisted and unquoted		
- Infrastructure development bond fund	215 997	200 719
	215 997	**200 719**
Money market fund		
Money market fund	**757 874**	**1 401 613**
Debt securities – fixed interest rate:		
Other bills and bonds	821 667	1 177 618
Government and semi-government bonds	369 493	425 479
	1 191 160	**1 603 097**
Total financial assets at fair value through profit or loss	**3 890 058**	**4 390 597**

All the above assets have been designated by the Company as held at fair value through profit or loss.

Notes to the financial statements

For the year ended 31 March 2017

Figures in Rand thousand	2017	2016
Movement in financial assets at fair value through profit or loss		
Balance at the beginning of the year	4 390 597	4 346 601
Transfer to cash and cash equivalents	(833 530)	(193 634)
Interest received	307 377	275 710
Dividends received	48 921	35 054
Realised net fair value (losses)/gains	(16 018)	111 160
Unrealised net fair value gains/(losses)	16 369	(160 425)
Investment administration expense	(23 658)	(23 869)
	3 890 058	**4 390 597**
8.2 Loans and receivables		
Other loans and receivables	**141 497**	**200 739**

The above balances are receivable within twelve months. Fair values therefore largely approximate carrying values. Interest accrued of R39.9 million (2016: R51.0 million) is included.

9. Insurance receivables

Figures in Rand thousand	2017	2016
Profit commission	23 515	18 857
Outstanding premiums	138 463	139 852
Total insurance receivables	**161 978**	**158 709**

	2017		2016	
Figures in Rand thousand	Gross	Impairment	Gross	Impairment
The trade receivables due from agents at reporting date was:				
Not past due	119 302	-	132 564	-
Past due	19 161	-	7 288	-
	138 463	**-**	**139 852**	**-**

The above balances are receivable within 12 months. Fair value therefore approximates carrying value. The outstanding premiums have been received after year-end, therefore the Company does not deem it necessary to provide for impairment.

Notes to the financial statements

For the year ended 31 March 2017

10. Insurance contract liabilities and reinsurance contracts

Figures in Rand thousand	**2017**	**2016**
Gross		
Claims reported and loss adjustment expenses	759 682	600 682
Claims incurred but not yet reported	49 352	93 356
Unearned premium provision	393 280	350 357
Total insurance contract liabilities	**1 202 314**	**1 044 395**
Recoverable from reinsurers		
Claims reported and loss adjustment expenses	137	810
Claims incurred but not yet reported	-	13
Unearned premium provision	24 065	19 894
Total reinsurers' share of insurance liabilities	**24 202**	**20 717**
Net insurance contract liabilities		
Claims reported and loss adjustment expenses	759 545	599 872
Claims incurred but not yet reported	49 352	93 343
Unearned premium provision	369 215	330 463
Total insurance contract liabilities (net)	**1 178 113**	**1 023 678**

The provision for 'outstanding claims and loss-adjustment expenses' and the 'claims incurred but not yet reported' above are net of expected recoveries from salvage and subrogation. The amounts for salvage and subrogation at 31 March 2017 are R1.75 million and for 31 March 2016 are R2.01 million. These are not considered material and therefore not disclosed separately.

Notes to the financial statements

For the year ended 31 March 2017

Movements in insurance liabilities and reinsurance assets

The movements for the year are summarised below:

a) Claims reported and loss adjustment expenses

	2017			2016		
Figures in Rand thousand	Gross	Reinsurance asset	Net	Gross	Reinsurance asset	Net
Balance at the beginning of the year	600 682	810	599 872	438 216	2 407	435 809
Claims paid	(650 990)	(71)	(650 919)	(421 884)	-	(421 884)
Claims raised	809 990	(602)	810 592	584 350	(3 217)	585 947
Balance at the end of the year	**759 682**	**137**	**759 545**	**600 682**	**(810)**	**599 872**

b) Claims incurred but not yet reported

	2017			2016		
Figures in Rand thousand	Gross	Reinsurance asset	Net	Gross	Reinsurance asset	Net
Balance at the beginning of the year	93 356	13	93 343	91 915	58	91 857
Movements for the year	(44 004)	(13)	(43 991)	1 441	(45)	1 486
Claims raised	-	-	-	-	-	-
Balance at the end of the year	**49 352**	**-**	**49 352**	**93 356**	**13**	**93 343**

c) Unearned premium provision

	2017			2016		
Figures in Rand thousand	Gross	Reinsurance asset	Net	Gross	Reinsurance asset	Net
Balance at the beginning of the year	350 357	19 893	330 464	309 455	17 153	292 301
Premiums written during the year	1 843 402	131 436	1 711 966	1 683 895	139 084	1 544 811
Less: Premiums earned during the year	(1 800 479)	(127 264)	(1 673 215)	(1 642 993)	(136 344)	(1 506 649)
Balance at the end of the year	**393 280**	**24 065**	**369 215**	**350 357**	**19 893**	**330 464**

Notes to the financial statements

For the year ended 31 March 2017

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

d) 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 include notified claims, IBNR claims as well as ULAE.

The claims provisions:

- reflect the 'best estimate' of likely future claims experience;
- include an allowance for 'pure IBNR' (late reported claims) and 'IBNER' (development of known claims);
- implicitly allow for claims inflation; and
- include allowance for direct claims handling expenses (e.g. loss adjuster fees).

In addition to the best estimate, a risk margin is included to bring the claims provision up to the 75% probability of sufficiency level. In other words, a reserve is held against the worst outcome expected in any one year over a four-year period.

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.

IBNR claims

Assumptions for each line of business are determined based on historic data. The expected claims liabilities are estimated for specific lines of business.

Notes to the financial statements

For the year ended 31 March 2017

For motor, property and engineering classes, there was sufficient data to enable the valuation of the claims provisions using actuarial methods, gross and net of reinsurance claims data.

For other classes (guarantee, miscellaneous and transportation), the IBNR reserve was calculated using a simplification in line with the SAM Insurance Prudential Standards.

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 programme 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 are:

- the selected development factors for the basic chain ladder and Bornhuetter-Fergussen methods;
- loss ratios used in the Bornhuetter-Fergussen method;
- large loss frequency and severity; and
- risk margin assumptions.

10.3 Changes in assumptions and sensitivity analysis

Large losses were analysed separately from attritional losses during the current year. Sasria's experience shows that large losses develop at a different rate to attritional claims.

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 R209 million (2016: R173.4 million). The net impact after reinsurance on profit before tax would be R209 million (2016: R173.4 million).

Notes to the financial statements

For the year ended 31 March 2017

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

In addition, the sensitivity of IBNR was calculated based on the loss ratios for the motor, property and engineering classes as these are the most significant.

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); and
- 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

Figures in Rand thousand

Gross	Base (recommended)	Sensitivity 1 (LR - 10% higher)			Sensitivity 2 (LR - 10% lower)		
Class of business	IBNR	IBNR	Change	% change	IBNR	Change	% change
Engineering	2 272	2 357	85	3.7	2 189	(84)	(3.7)
Motor	6 683	7 585	902	13.5	6 134	(549)	(8.2)
Property	39 961	44 953	4 992	12.5	35 176	(4 785)	(12.0)

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 R93.3 million in 2016 to R49.3 million in 2017.

Notes to the financial statements

For the year ended 31 March 2017

Payment development - gross

Figures in Rand thousand

Gross	Total	2017	2016	2015	2014	2013	2012	2011	2010	2009 and prior
Reporting year Actual claims costs										
2017	**650 995**	297 377	290 896	55 871	6 109	771	(28)	-	-	-
2016	**421 884**		196 415	179 076	38 255	6 848	1 124	166	-	-
2015	**300 156**			162 141	105 950	31 932	11	-	122	-
2014	**506 688**				139 265	305 987	55 716	5 659	148	20
2013	**252 842**					149 387	71 787	24 606	6 593	470
2012	**171 962**						91 327	61 922	14 129	4 584
2011	**148 756**							110 455	32 258	6 043
2010	**85 892**								23 763	62 128
2009	**52 831**									52 831
2008	**3 729**									3 729
Cumulative payments to date		**297 377**	**487 311**	**397 088**	**289 579**	**494 925**	**219 937**	**202 808**	**77 013**	**129 805**

Payment development - net

Figures in Rand thousand

Net	Total	2017	2016	2015	2014	2013	2012	2011	2010	2009 and prior
Reporting year Actual claims costs										
2017	**650 847**	297 377	290 896	55 871	6 109	617	(23)	-	-	-
2016	**420 239**		196 415	179 076	38 255	5 478	899	116	-	-
2015	**293 731**			162 141	105 950	25 545	9	-	86	-
2014	**432 705**				139 265	244 789	44 573	3 961	103	14
2013	**199 107**					119 509	57 430	17 224	4 615	329
2012	**129 506**						73 062	43 345	9 890	3 209
2011	**104 129**							77 318	22 581	4 230
2010	**60 124**								16 634	43 490
2009	**36 982**									36 982
2008	**2 610**									2 610
Cumulative payments to date		**297 377**	**487 311**	**397 088**	**289 579**	**395 938**	**175 950**	**141 964**	**53 909**	**90 864**

Notes to the financial statements

For the year ended 31 March 2017

Reporting development - gross

Figures in Rand thousand

Gross	Total	2017	2016	2015	2014	2013	2012	2011	2010	2009 and prior
Reporting year										
Actual claims costs										
2017	**746 818**	438 263	269 620	36 601	1 647	687	-	-	-	-
2016	**587 883**		460 749	107 702	15 380	4 052	-	-	-	-
2015	**427 936**			307 060	109 772	11 104	-	-	-	-
2014	**252 070**				205 665	45 126	1 090	189	-	-
2013	**476 586**					381 369	91 926	3 281	-	9
2012	**174 109**						138 881	28 732	6 480	16
2011	**129 647**							104 502	17 145	8 000
2010	**51 774**								50 492	1 282
2009	**109 172**									109 172
2008	**95 465**									95 465
Cumulative payments to date		**438 263**	**730 369**	**451 363**	**332 464**	**442 338**	**231 897**	**136 704**	**74 117**	**213 944**

Reporting development - net

Figures in Rand thousand

Net	Total	2017	2016	2015	2014	2013	2012	2011	2010	2009 and prior
Reporting year										
Provision raised										
2017	**746 681**	438 263	269 620	36 601	1 647	550	-	-	-	-
2016	**587 073**		460 749	107 702	15 380	3 242	-	-	-	-
2015	**425 715**			307 060	109 772	8 883	-	-	-	-
2014	**242 770**				205 665	36 101	872	132	-	-
2013	**380 940**					305 096	73 541	2 297	-	6
2012	**135 764**						111 105	20 113	4 536	11
2011	**90 753**							73 152	12 001	5 600
2010	**36 242**								35 344	898
2009	**76 420**									76 420
2008	**66 825**									66 825
Cumulative payments to date		**438 263**	**730 369**	**451 363**	**332 464**	**353 872**	**185 518**	**95 694**	**51 881**	**149 760**

Notes to the financial statements

For the year ended 31 March 2017

11. Cash and cash equivalents

Figures in Rand thousand	2017	2016
Cash and cash equivalents comprise:		
Call account	2 229 957	1 165 582
Money market instruments with maturities of less than three months	259 579	429 287
Bank and cash balances	300 798	172 242
	2 790 334	**1 767 111**

The effective interest rate on short-term bank deposits with maturities of less than three months ranges between 7.78% and 8.80% (2016: 7.70% and 9.93%). The effective interest rate on the call account at the reporting date ranges between 6.74% and 6.75% (2016: 5.50% and 6.75%) and on the reserve bank account between 7.18% and 7.26% (2016: 5.76% and 7.14%).

12. Share capital

Figures in Rand	2017	2016
Authorised		
1 ordinary share of 100 cents	1	1
Issued		
1 ordinary share of 100 cents	1	1

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

13. Payables

Figures in Rand thousand	2017	2016
Trade payables and accrued expenses	63 203	46 012
Value added tax	6 073	11 676
Amounts due to reinsurers	24 357	8 053
Total	**93 633**	**65 741**

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

Notes to the financial statements

For the year ended 31 March 2017

14. Employee benefit liability

Reconciliation of employee benefit liability - 2017

Figures in Rand thousand	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Leave pay	1 532	6 495	(6 416)	-	1 611
Bonus	13 489	13 962	(17 834)	-	9 617
	15 021	**20 457**	**(24 250)**	**-**	**11 228**

Reconciliation of employee benefit liability - 2016

Figures in Rand thousand	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Leave pay	1 570	3 092	(3 130)	-	1 532
Bonus	9 977	14 614	(11 102)	-	13 489
	11 547	**17 706**	**(14 232)**	**-**	**15 021**

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 as accrued leave.

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

15. Deferred income

Figures in Rand thousand	2017	2016
Balance at the beginning of the year	5 968	5 146
Movement in income statement	1 251	822
	7 219	5 968

Notes to the financial statements

For the year ended 31 March 2017

16. Deferred income 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:

Figures in Rand thousand	2017	2016
At the beginning of the year	(15 361)	(47 223)
Income statement charge	(2 798)	31 862
	(18 159)	**(15 361)**

Figures in Rand thousand	2016	(Charged)/ credited to the income statement	2017
Provisions	4 208	(1 062)	3 146
DAC and other intangible assets	(23 311)	(3 418)	(26 729)
Unrealised appreciation of investments	3 742	1 682	5 424
Total	**(15 361)**	**(2 798)**	**(18 159)**

Figures in Rand thousand	2017	2016
Deferred income tax assets	8 570	9 620
Deferred income tax liabilities	(26 729)	(24 981)
Net deferred tax balance	**(18 159)**	**(15 361)**

Notes to the financial statements

For the year ended 31 March 2017

17. Net insurance premium earned

Figures in Rand thousand	2017	2016
Insurance contracts		
Gross insurance premium written	1 843 402	1 683 895
Change in gross unearned premium provision	(42 923)	(40 902)
Premiums revenue arising from insurance contracts	1 800 479	1 642 993
Reinsurance contract		
Insurance premium ceded to reinsurers	(145 246)	(139 084)
Change in reinsurers' share of unearned premium provision	4 172	2 740
Premiums revenue ceded to reinsurers	(141 074)	(136 344)
Net insurance premium earned	**1 659 405**	**1 506 649**

Excess of loss reinsurance cover was purchased for 2017 at a cost of R87.50 million (2016: R85.18 million). There were no events in either 2017 or 2016 that prompted losses of sufficient size to trigger a recovery from these contracts.

18. Investment income

Figures in Rand thousand	2017	2016
Investment income on cash and cash equivalents:		
Interest income	387 725	332 278
Investment income on financial assets held at fair value through profit or loss:		
Dividend income	48 921	35 054
Unrealised net fair value gains/(losses)	16 369	(160 425)
Realised net fair value (losses)/gains	(16 018)	111 160
	49 272	(14 211)
	436 997	**318 067**

Notes to the financial statements

For the year ended 31 March 2017

19. Insurance claims and loss-adjustment expenses

Figures in Rand thousand	2017	2016
Gross		
Gross insurance claims	650 990	421 880
Movement in outstanding claims and IBNR	115 004	163 906
	765 994	**585 786**
Reinsurers' share		
Reinsurers' share of gross insurance claims	-	(372)
Movement in outstanding claims and IBNR and loss adjustment expenses recovered from reinsurers	687	1 642
	687	**1 270**

20. Expenses for the acquisition of insurance contracts

Figures in Rand thousand	2017	2016
Gross commission paid	243 439	212 452
Movement in net deferred acquisition cost	(6 589)	(6 937)
	236 850	**205 515**

Notes to the financial statements

For the year ended 31 March 2017

21. Expenses for administration and marketing

Figures in Rand thousand	Note	2017	2016
Expenses for administration and marketing include:			
Advertising expenses		5 950	5 502
Auditor remuneration: statutory audit		1 490	1 298
Auditor remuneration: other services (training)		40	540
Total auditor remuneration		1 530	1 838
Depreciation - property and equipment		3 849	3 759
Investment administration expenses		23 658	23 869
Employee benefit expense	22	56 934	57 734
Social responsibility allocation		27 089	16 627
Loss on sale of property and equipment		40	5
Consulting and professional fees		871	2 546
Policy administration fees		225 412	205 861
Operating lease expense		5 279	4 845
Amortisation - intangible assets		3 344	3 331

22. Employee benefit expense

Figures in Rand thousand	2017	2016
Wages and salaries	41 553	35 655
Bonuses	5 407	13 613
Medical aid	1 936	1 756
Leave pay provision charge	79	(37)
Post-employment benefits: Pension - defined contribution plan	7 959	6 747
	56 934	**57 734**
Number of employees (full-time)	74	64

Notes to the financial statements

For the year ended 31 March 2017

23. Income tax expense

Figures in Rand thousand	2017	2016
Major components of the tax expense		
Current		
Current year normal tax	202 156	239 244
Prior year adjustment	(3 859)	(2 132)
	198 297	**237 112**
Deferred		
Deferred income tax (note 16)	2 798	(31 862)
	201 095	**205 250**
Reconciliation of the taxation		
Profit before tax	744 358	709 369
Tax at the applicable tax rate of 28% (2016: 28%)	208 419	198 623
Effects of income not subject to tax:		
Other income exempt for tax purposes	11 925	15 397
Other expenses not allowable for tax purposes	(17 470)	(9 514)
Prior year adjustment - income tax	(3 859)	(2 132)
Prior period over provision - deferred tax	2 080	2 876
Tax charge for the period	**201 095**	**205 250**
Effective rate (%)	27.02%	28.93%

Notes to the financial statements

For the year ended 31 March 2017

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 PFMA, 1999, as amended. The related party disclosure is in terms of the requirements of IAS 24, 'Related party disclosures'.

The related parties of Sasria consist mainly of government departments, state-owned companies, 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 its website www.treasury.gov.za. It 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 2017.

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 agents and passed on to Sasria in total through a bordereau 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 agents.

Dividend payment

A dividend of R151.2 million (2016: R183.2 million) was declared and paid to the shareholder during the year.

Figures in Rand thousand	2017	2016
Purchase of goods and services (including dividend)		
Shareholder, including government departments	151 574	184 641
South African Revenue Services (SARS)		
Taxation paid to SARS (Income tax, VAT and PAYE)	214 887	298 378
Interest and refunds received (SARB and INSETA)	60 650	39 977

Notes to the financial statements

For the year ended 31 March 2017

Figures in Rand thousand	2017	2016
Year-end balances arising from transactions		
Assets included in the statement of financial position		
Bonds issued by government and semi-government	389 594	446 789
Money market instruments issued by government and semi-government	7 598	244 025
Cash held at government and semi-government	987 249	889 314
Closing balance	**1 384 441**	**1 580 128**

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.

Notes to the financial statements

For the year ended 31 March 2017

25. Directors and executive management emoluments

Non-executive

2017	Salary/fees	Bonus and retention	Contributions	Car allowance	Total
Figures in Rand thousand					
MA Samie	737	-	-	-	737
CH du Toit*	49	-	-	-	49
BJ Mkangisa	329	-	-	-	329
SH Schoeman	353	-	-	-	353
R Mothapo	462	-	-	-	462
MO Ndlovu	434	-	-	-	434
T Mbatsha	376	-	-	-	376
MT Moutlane	363	-	-	-	363
JM Nair**	99	-	-	-	99
	3 202	-	-	-	3 202

* Resigned by rotation on 31 May 2016.

** Started on 1 October 2016.

No bonus and retention, contributions or car allowances are paid to non-executive directors.

2016	Salary/fees	Bonus and retention	Contributions	Car allowance	Total
Figures in Rand thousand					
MA Samie	633	-	-	-	633
CH du Toit**	237	-	-	-	237
BJ Mkangisa	298	-	-	-	298
SH Schoeman	374	-	-	-	374
R Mothapo	353	-	-	-	353
MO Ndlovu	353	-	-	-	353
T Mbatsha	333	-	-	-	333
MT Moutlane	283	-	-	-	283
	2 864	**-**	**-**	**-**	**2 864**

** Fees paid to National Treasury.

No bonus and retention, contributions or car allowances are paid to non-executive directors.

Notes to the financial statements

For the year ended 31 March 2017

Executive

2017	Salary/fees	Bonus and retention	Contributions	Car allowance	Total
Figures in Rand thousand					
CM Masondo	1 887	755	193	76	2 911
K Pepler*	1 057	438	86	-	1 581
	2 944	**1 193**	**279**	**76**	**4 492**

* Resigned on 30 November 2016.

2016	Salary/fees	Bonus and retention	Contributions	Car allowance	Total
Figures in Rand thousand					
CM Masondo	1 865	984	157	76	3 082
K Pepler	1 564	805	127	-	2 496
	3 429	**1 789**	**284**	**76**	**5 578**

Notes to the financial statements

For the year ended 31 March 2017

Key management

2017	Salary/fees	Bonus and retention	Contributions	Car allowance	Total
Figures in Rand thousand					
TC Mahlangu	1 145	340	177	66	1 728
KTW Fick**	453	339	105	28	925
S Harrop-Allin	1 263	346	104	21	1 734
M Mavuso	1 154	315	234	-	1 703
R Mathafena	1 230	319	126	-	1 675
F Benjamin***	116	-	9	-	125
	5 361	**1 659**	**755**	**115**	**7 890**

** Resigned on 31 August 2016.

*** Started on 1 March 2017.

2016	Salary/fees	Bonus and retention	Contributions	Car allowance	Total
Figures in Rand thousand					
TC Mahlangu	1 113	630	172	66	1 981
KTW Fick	1 097	632	220	66	2 015
S Harrop-Allin	1 213	635	100	21	1 969
M Mavuso	1 075	600	212	-	1 887
R Mathafena	1 087	-	113	-	1 200
	5 585	**2 497**	**817**	**153**	**9 052**

Notes to the financial statements

For the year ended 31 March 2017

26. Cash generated from operations

Figures in Rand thousand	2017	2016
Profit before tax	744 358	709 369
Adjustments for:		
Investment income	(436 997)	(318 067)
Depreciation	3 849	3 759
Amortisation of intangible assets	3 261	3 331
Loss on sale of assets	40	5
Movements in provisions	(3 793)	3 474
Operating profit before working capital changes	310 718	401 871
Reinsurance contracts	(3 485)	(1 099)
Deferred acquisition costs	(7 841)	(7 760)
Insurance receivables	(3 269)	(32 710)
Loans and receivables	59 242	(33 888)
Insurance contract liabilities	157 919	204 809
Deferred income	1 251	822
Payables	27 892	(11 787)
	542 427	**520 258**

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.

27. Capital commitments

Figures in Rand thousand	2017	2016
Operating leases – as lessee (expense)		
Minimum lease payments due		
- within one year	5 764	5 288
- one year to five years	-	5 764
	5 764	**11 052**

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.

Notes to the financial statements

For the year ended 31 March 2017

28. Tax paid

Figures in Rand thousand	2017	2016
Balance at the beginning of the year	(78 903)	(22 138)
Current tax for the year recognised in profit or loss	(198 299)	(237 113)
Balance at the end of the year	(26 832)	78 903
	(304 034)	**(180 348)**

29. Information required by the PFMA - Fruitless and wasteful expenditure

Figures in Rand thousand	2017	2016
Balance at the beginning of the year	36	-
Current year expenditure	75	123
Amounts written off	(36)	-
Amounts recovered	(75)	(87)
Balance at the end of the year	-	36

Losses through fruitless and wasteful expenditure.

In terms of the significance and materiality framework, any losses due to fruitless and wasteful expenditure must be reported.

Incidents of fruitless and wasteful expenditure.

There were five incidents of fruitless and wasteful expenditure incurred by the Company during the year amounting to a total of R74 603.

In all instances, management has instituted preventative and corrective measures, including disciplinary action, as considered appropriate.

At year-end R74 603 has been recovered.

Notes to the financial statements

For the year ended 31 March 2017

30. 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.

31. Events after the statement of financial position date

No issues have arisen after the date of statement of financial position and the date of financial statement sign-off that are significant and need reporting in the financial statements.

32. Going concern

The Board believes that the Company will continue to be a going concern in the year ahead. For this reason, the Board continues to adopt the going concern basis in preparing the annual financial statements.

TERMINOLOGY

Term	Description
Acquisition cost	Costs primarily related to the acquisition of new or renewal of insurance contracts, e.g. commissions and management expenses. Acquisition costs are often expressed as a percentage of earned premiums 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.
Bordereau	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.
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 occurred prior to year-end, for which the insurer has not yet received notices or reports of loss. An estimate is made of the amount of these claims based on previous experience.
Claims ratio	The ratio which expresses 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. This is also referred to as the loss ratio.
Combined 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.
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 period 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.
FSC	Financial Sector Charter.
Gross written premium (GWP)	The premium 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 adjustments from prior years. Also defined as premiums written and received but before deduction of reinsurance ceded.

TERMINOLOGY

Term	Description
IBNER	IBNER means incurred but not enough reported. For a loss that has occurred and been reported, IBNER is the development on that known loss. The broad definition of IBNR actually includes both IBNR and IBNER.
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 premium written or received on all business less return premium and premium ceded to reinsurers.
ORSA	Own risk and solvency assessment.
PML	Probable maximum loss – the maximum, worst-case scenario loss that an insurer would be expected to incur on a policy.
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, in order to align these industries with international standards; specifically the Solvency II initiative under way in Europe.
SAM solvency capital requirement cover ratio	The anticipated solvency capital requirements (SCR) expected under the eventual SAM regime. It is calibrated to ensure that an insurer could withstand a 1-in-200-year stress event. It represents the actual capital held, expressed as a percentage of the SCR.
ULAE	Expenses that are not attributed to the processing of a specific insurance claims. Unallocated loss adjustment expenses, or ULAE, are part of an insurer's expense reserves.
Underwriting	The process of examining, accepting or rejecting insurance risks, and classifying or segmenting those selected, in order to charge the proper premium for each.
Underwriting cycle	The regular pattern of higher profits and increased premium and reduced profits/losses, and decreased premium 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 premium earned.
Unearned premium provision	The portion of premium attributable to the periods of risk that relate to subsequent accounting periods and which are carried forward to such subsequent accounting periods.

COMPANY INFORMATION

Registration number	1979/000287/06
Authorised Financial Services Provider	FSP No. 39117
Company Secretary	M Mavuso +27 87 358 7619 (Direct)
Legal and Compliance Officer	M Mavuso +27 87 358 7619 (Direct)
Bankers	Nedbank Limited 81 Main Street, Johannesburg, 2001
External auditor	KPMG Inc. and AM PhakaMalele Inc. 85 Empire Road, Parktown, 2193
Administration	
Registered office	36 Fricker Road, Illovo, 2196
Postal address	PO Box 653367, Benmore, 2010
Contact numbers	+27 (0)11 214 0800 (Telephone) +27 (0)11 447 8630 (Fax)
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NOTES

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