Integrated Report 2016

Solid in times of turmoil

sasria
covering the extraordinary

Who are we?

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.

Sasria has a dual mandate – a legislative mandate that directs our day-to-day business operations, and a broader strategic mandate, like any other business in South Africa, to make a positive contribution to transforming our industry and our country, in order to make our country a better place for all her people.

We remain solid in times of turmoil

The theme of Sasria's 2016 Integrated Report is "Sasria remains solid in times of turmoil".

Our adherence to the highest standards of fiscal prudence, corporate performance and ethical leadership has resulted in us establishing an extremely solid and strong financial business, which enables us to contribute positively to our country's fiscus.

Our Company's history

Sasria was formed in 1979, when the South African Government, in cooperation with the South African Insurance Association, established Sasria (then known as the South African Special Risk Insurance Association) as a separate institution to provide insurance cover for special political risks, such as political riots and terrorism, since there was no appetite in the market to provide insurance for these types of potentially catastrophic special risks.

Sasria's mandate was extended in 1998 to also provide cover to include non-political perils, such as strikes and labour disturbances. Today, Sasria provides cover for all of these special risks, including civil commotion, public disorder, strikes, protests and terrorism. Since Sasria became a wholly state-owned company in 1998 it is now referred to as Sasria SOC Limited.

Our Company information

Company 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 and AM PhakaMalele Inc. 85 Empire Road, Parktown, 2193

Sasria is a sterling example of how any business, in fulfilling its legal mandate well, can make a positive contribution to the economic stability, development and growth of the South African economy and so contribute to our country's National Development Plan (NDP), which aims to create a more just and prosperous future for all the people of South Africa.

We contribute to the economic sustainability and growth of South Africa, by ensuring the economic continuity of all the people, entities or businesses that have assets in South Africa, through offering them affordable insurance protection against special risks. By enabling them to restore their liquidity or business operations quickly and efficiently after being reimbursed for the loss of or damage to their assets because of these special risk events, we also ensure that jobs are not lost, that livelihoods are maintained, and that people's pride and dignity are restored. This helps to strengthen the social fabric and stability of the South African community.

In fulfilling our mandate effectively, we also instill investor confidence in South Africa, since local and foreign investors' assets are now insured against these special risks. This guarantee encourages economic growth and has a positive impact on our economy, which in turn leads to a wider and more strategic outcome – transforming South Africa to become a better place for all.

In this manner, we proudly contribute to our government's commitment and efforts to accelerate progress; deepen democracy and build a more inclusive society in South Africa, by creating economic wellbeing for all, for the benefit of all in South Africa.

"It is up to all South Africans to fix the future, starting today" *- National Development Plan*

Key figures of 2015/2016

Outperformed the short-term insurance industry average in premium growth by
1.8%

Gross written premium increased by 10.6% to R1.68 billion
R1.68 billion

Underwriting results decreased by 11.2% to
R415 million

Service delivery issues account for
74% of claims

Student protests – increase in claims severity from
3% to 18%

Biggest claim received valued at
R103 million

Combined ratio increased from
65.6% to 72.5%

Solvency ratio decreased from
1 334% to 1 236%

Net profit before tax decreased by 14.9% to
R709.3 million

Return on equity decreased from
11.2% to 9.7%

Return on investments decreased to
5.4% from 7.1%

Assets under management increased from R5.8 billion to
R6.2 billion

Management expense ratio decreased by
1.5% to 21.6%

Corporate social investment spend of
R22.2 million

Employee learning and development investment spend of
R4.7 million

In times of constant change and uncertainty, Sasria remains a golden link in the fabric of South African society, economy and education. Sasria's strength lies in its ability and assurance to link all South Africans together through peace of mind, stability and accountability. The chain is representative of Sasria's strength and solidity, a proud entity with a proud story. The colours of the South African flag are hounoured throughout the report as a celebration of a a world-class entity in the service of its nation.

About our 2015/2016 Integrated Report

This is the fifth integrated report presented by Sasria SOC Limited (Sasria). In this report, we review our performance for the financial year ended 31 March 2016. This report is a primary communication tool for our shareholder, but it is also aimed at providing all our other stakeholders with useful information about our Company. It explains who we are, what we do, why we do it and how we do it.

The theme of this year's report is "Sasria remains solid in times of turmoil". As such, we reflect on how Sasria continues to deliver strong financial results and performance, despite the increase in the severity of claims received during the period under review as a result of the escalation in service delivery protests, student protests, labour unrest and other civic turmoil in our country during this time.

We also focus on how our solid business performance continues to enable us to contribute to transformation in the insurance industry and the financial services sector; and on how we, in fulfilling our legislative mandate and business strategy well, are contributing to transforming South Africa to the benefit of all her people.

Scope and boundary

This report covers all 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.

Sasria believes a matter is material if it could substantively affect our Company's ability, or our stakeholders' assessment of our ability, to create value over the short, medium and long term. As part of its annual strategy review, Sasria identified and prioritised the issues that could have a material impact on its ability to create value over the short, medium and long term. The process that we followed, as well as the matters that we identified as material matters, are discussed later in this report (p 32).

This report covers the scope and operations of Sasria's business units regarding material issues. Sasria has reviewed its environmental impact and is of the view that it is immaterial to report on it in this integrated report.

The report is informed by the following legislation and standards:

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

An explanation of the terminology used in this report can be found in Annexure A (p. 173).

Approval and assurance

The following guiding principles were used to develop the content and prepare its presentation: strategic focus and future orientation; connectivity of information; stakeholder responsiveness; materiality and conciseness; reliability and comparability; and consistency. All information in this year's report was collected and prepared on the same basis as for the previous report in terms of the measurement methods and the time frames used. The information covers all material issues relating to business strategy, risks and areas of critical importance to our stakeholders.

The financial information provided in the separately indexed annual financial statements has been prepared in line with International Financial Reporting Standards (IFRS) and has been audited by our consortium of external auditors, KPMG and AM PhakaMalele Inc.

Financial information included elsewhere in the body of this report has been extracted from the figures included in the annual financial statements.

King III requires the Sasria Board to ensure the integrity of the integrated report. At Sasria, this responsibility is delegated to the Audit Committee, which will recommend approval to the Board. The Audit Committee approved that a combined assurance approach be followed for the year ended 31 March 2016. The Executive Committee and the Integrated Report Steering Committee provide an oversight role, by reviewing the integrated report for completeness and accuracy. Sasria's internal audit function performs agreed-upon procedures to review the content and information within the integrated report. The external auditors review the integrated report to confirm it is reasonable, but they do not issue an opinion thereon in so far as it relates to financial information included as part of the audited financial statements.

Feedback welcome

We remain committed to strong corporate governance and leadership as well as transparency in our disclosures. Sasria aims to continuously improve its integrated reporting process, to ensure we meet best practice reporting standards and the expectations of our stakeholders and increase visibility on how Sasria creates sustainable value for its stakeholders and the communities it serves.

Based on the feedback received on the 2014/2015 Integrated Report, we have retained what was positively received – the structure and flow of the information being one issue. We also welcomed the constructive feedback received, and have aimed to make this year's report more concise, by removing the repetitive information and adding more visual representations to support and simplify our key messages. We welcome the views of our stakeholders on the content and design of this year's integrated report.

Comments and questions can be directed to **contactus@sasria.co.za**

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

Forward-looking statement

In this report, we make certain statements that are not historical facts, but which relate to analyses and other information based on forecasts of future results not yet determinable, relating, among others, to gross premium growth levels, underwriting margins and investment returns.

Forward-looking statements involve inherent risks and uncertainties and, if one or more of these risks materialise or should the underlying assumptions prove incorrect, actual results may be very different from those anticipated. Forward-looking statements apply only as of the date on which they are made and Sasria does not undertake any obligation to update or revise any of them, as it pertains to this report, whether as a result of new information, future events or otherwise.

Section icons

Setting the scene

Our key relationships

Our strategic journey

Our leadership and governance

Our value-creation story

Our people

Our performance

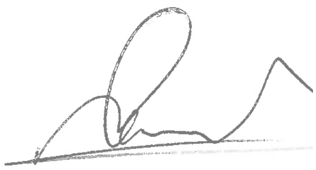
Our finances

Board responsibility and approval statement

The Board acknowledges that it is ultimately responsible for overseeing the integrity of Sasria's annual integrated report. The Board, assisted by its Audit Committee as well as the other sub-committees (Risk; Social and Ethics; and the Remuneration and Nomination committees), has considered the preparation and presentation of the 2015/2016 Integrated Report and its Annual Financial Statements. It is of the opinion that this report addresses all material issues and fairly presents the Company's integrated performance, in accordance with the International Integrated Reporting Framework.

Sasria's integrated report for the year ended 31 March 2016 was approved by the Board and signed on its behalf by:

Adam Samie
Board Chairperson
4 August 2016



Cedric Masondo
Managing Director
4 August 2016

Positively contributing to developing and transforming South Africa

A word from our Minister of Finance

The fifth integrated report of Sasria outlines Sasria's performance and achievements against its stated goals for the financial year ended 31 March 2016.

I am pleased to note that once again Sasria has achieved financial results well above expectations, despite a challenging economic climate.

In meeting prudent capital and solvency management requirements, embedding sound governance, risk and regulatory practices; improving its brand positioning, developing human capital skills; and instilling an ethical culture, Sasria has proven itself as a responsible and effective state-owned company.

However, as with all other state-owned entities, Sasria's strategic mandate extends beyond remaining profitable. Sasria is required to utilise the profits it generates to contribute to achieving the overarching goals outlined in the National Development Plan, to eliminate poverty and reduce inequality by 2030.

Significant achievements in this regard include the development of innovative and affordable products for the uninsured market in our country, 13% of whom lack access to basic financial services. Beginning in the new financial year, Sasria will offer financially excluded individuals, families and small business owners the opportunity to become part of formal financial networks, thereby creating stronger economic opportunities for those who previously lacked access to basic financial services.

Such initiatives strengthen the social fabric and stability of the community and support Government's efforts in transforming the financial landscape and in building a more inclusive economy. Sasria's strong financial performance further contributes to instilling investor confidence as local and foreign investors can rest assured that Sasria will insure their assets against special risks and pay out all claims.

It is my firm expectation that all entities reporting to the Ministry of Finance will always enhance integrity, financial prudence and make every effort to expose and fight corruption and mismanagement of public funds.

I wish to extend my sincere thanks and deep appreciation to the Sasria Board, Executive Management team and staff for their efforts and commitment in ensuring that Sasria successfully delivers on its legislative and strategic mandate.

I am confident that Sasria will continue to innovate and expand its products on offer; and in so doing support Government in its quest to ensure a better life for all.

Pravin J Gordhan, MP
Minister of Finance

Setting the scene

Introducing Sasria and our dual mandate

In support of Sasria's 2015/2016 Integrated Report theme "Sasria remains solid in times of turmoil", we provide an overview of our business – of who we are and what we stand for. We outline our dual mandate, in order to set the scene for telling the story of how we are making a positive contribution to South Africa and her people, even in times of turmoil, by fulfilling both our legislative and strategic mandates effectively.

We conclude this introduction to the 2015/2016 Integrated Report by providing an overview of our business, product and operating context during the period under review.

Who we are

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

South Africa is one of the few countries in the world where it is possible for anyone to buy extremely affordable insurance to protect their assets against these kinds of special, and potentially catastrophic, risks.

As a state-owned company, we are accountable to the Minister of Finance through National Treasury. Sasria, like all the other insurance companies in South Africa, operates within a well-developed regulatory framework.

We are regulated by the Financial Services Board (FSB), the non-banking financial services industry regulator. Sasria is also a member of the South African Insurance Association (SAIA).

Sasria has a dual mandate. We have a legislative mandate as a short-term insurance company that provides cover for special risk events. However, like any other business in South Africa, we also have a broader strategic mandate, namely to make a positive contribution to transforming our industry and our country, in order to create a better and more sustainable economic environment and society for all.

What we stand for

We stand for doing business in a responsible, disciplined, professional and well-governed way, by living our values.

As a state-owned company we also have a responsibility to play a meaningful role in our society. We are proudly South African and passionately committed to accelerate our Company's growth and business transformation goals.

Our vision

To protect the assets of all in South Africa against against extraordinary risks.

Special (or extraordinary) risks refer to those risks that are related to Sasria's unique mandate, which includes all those special or extraordinary risks which are not covered by the rest of the insurance industry.

Our mission

To drive a sustainable and vibrant business.

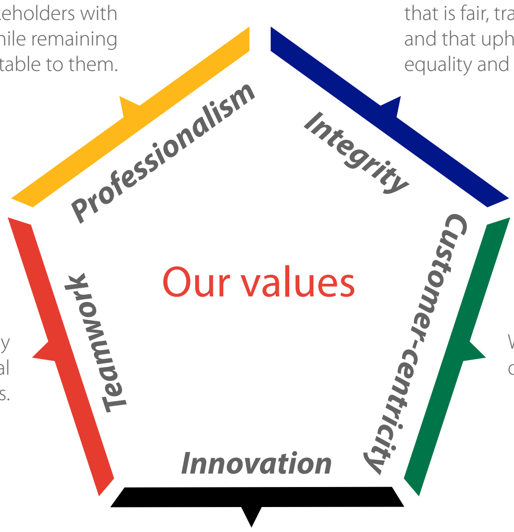
We do this by:

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

Our values

We treat our shareholder, employees, customers and stakeholders with respect and dedication while remaining accountable to them.

We conduct ourselves in a manner that is fair, transparent and ethical, and that upholds high levels of equality and trust.



We are guided by the ideals of unity of purpose, cooperation and mutual respect in the performance of our tasks.

We strive at all times to meet and exceed our customers' expectations.

We create opportunities for creativity and learning, and encourage the same among our employees.

Our dual mandate

Legislative mandate: Protection against special risk events

We deliver on our legislative mandate by providing affordable short-term insurance cover against the loss of or damage to assets caused by special risk events, and by paying the claims of those who are insured with Sasria to reimburse them for the loss of or damage to their assets.

We are also mandated to research and investigate coverage for any special peril considered to be of national interest. During 2015/2016 Sasria conducted in-depth research into other special risks facing South Africa, and presented the results and our recommendation to the National Treasury for consideration (p 75).

In fulfilling our legislative mandate well, we seek to make a positive contribution to our country.

Strategic transformation mandate: Contributing to creating a better South Africa

Our broader strategic mandate as a business is to contribute to South Africa's economic stability, growth, development and transformation – particularly in the financial and insurance sectors – and so contribute to our government's NDP.

We deliver on this strategic mandate in a number of ways. These range from delivering continued solid financial results, which enables us to remain self-funded as a state-owned company growing and transforming the insurance market and financial sector through a number of initiatives; and our corporate social investment (CSI) spend (p 21).

In this manner, we proudly contribute to our government's commitment and efforts to accelerate progress, deepen democracy and build a better South Africa, by creating economic wellbeing for all.

How we do business

Sasria is different from all the other short-term insurance companies in South Africa, not only in terms of our mandate as a state-owned company, but also in terms of how we do business. Our unique business model and legal mandate enable us to minimise our operating expenses; to offer an extremely affordable product to protect the people of South Africa against special risks; and to sustain our solid track record of financial performance.

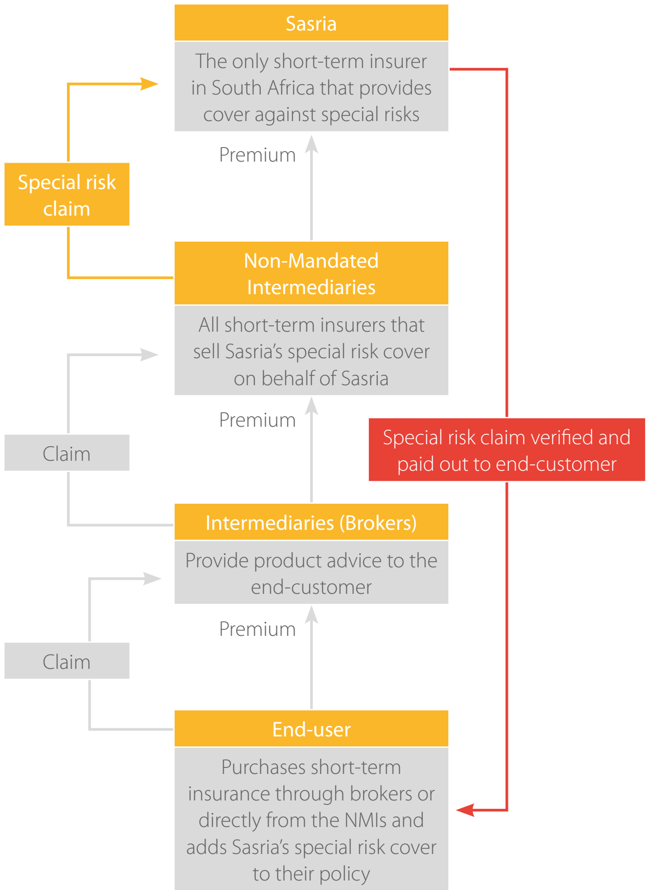
Our business model

Sasria's sustainable financial success over the past years can be attributed, among others, to its business model (Figure 1).

Our business model is unique, since we do not sell Sasria's products directly to our end-customers. We enter into agreements with other short-term insurance companies in South Africa who then, as non-mandated intermediaries (NMIs), represent and sell Sasria's products to our end-customers, be they individuals, businesses, government or corporate entities. Our NMIs do this by attaching a coupon related to Sasria's cover to their own policies. This coupon outlines the Sasria cover that the customer enjoys and incorporates Sasria's terms and conditions.

The NMIs and brokers (intermediaries) engage with our end-customers on the day-to-day administration of our business and collect premiums on our behalf, for which we then pay them a service fee. While this enables us to have a lean workforce, it also means that Sasria's customer base is closely linked to and dependent on the distribution channels of our NMIs. The only contact that we have with the end-customer is on the settlement of a claim. The customer submits his claim to the underlying insurance company, which first confirms that the claim may be considered by Sasria and then submits the claim to us. Once Sasria receives and verifies a claim, payment is made directly to the customer.

Figure 1: Sasria's business model



Key benefits of Sasria's current business model

There are a number of benefits related to Sasria's current business model. Since this business model significantly reduces our total operating expenses, the low-cost structure is its first key success element, contributing substantially to our financial stability and the affordability of our products. The support of our network of NMIs is therefore crucial to the success of our business. As such, we value our relationship with these key players in our business environment.

The second key success element of our business model is related to our income-generation process. While our products are extremely affordable, we are able to generate sustainable income from the premiums that we charge the end-customer, mainly because our legislated mandate makes it possible for us to utilise a pooling system which allows us to provide cover for the special risks for which the rest of the short-term insurance industry had no appetite. This market failure led to the establishment of Sasria 37 years ago.

Incorporating the principles of responsibility, prudence, discipline, good governance and customer-centricity into how we manage and conduct our business activities forms the third key success element of our business model.

Our operating principles

Our operating principles summarise the way in which we work and our fundamental assumptions in the way we go to market:

- We operate with a core staff complement;
- We operate via a network of NMIs comprising short-term insurance companies;
- We have sufficient reinsurance treaties and covers in place;
- We generate a cooperative and mutually beneficial environment with our NMIs;
- We conduct ourselves in a manner that promotes cooperation and mutual understanding and fosters good relations with relevant third parties, NMI companies and intermediaries;
- We strive to achieve investment returns of at least 2% above inflation;
- We identify the insurance needs of the public through research and development;
- We maintain a work environment that encourages employment equity (EE) and skills development;
- We establish cooperative relationships with employees in order to work towards common goals of customer-centricity and high performance; and
- We put public interest first in all our decisions, ensuring that we remain socially relevant by delivering on our mandate as a state-owned company.

Our business structure

During the period under review, Sasria's business structure (Table 1) remained unchanged. The changes we had incorporated in the previous financial year to enhance our focus on sustainability matters and to improve our operational efficiencies proved to be effective.

Table 1: Sasria's business structure for the year ended 31 March 2016

Division	Departments/functions			
Insurance Operations	Underwriting	Claims	Reinsurance	
Stakeholder Management	Customer Relations Management	Marketing and Communication	Corporate Social Investment	
Finance	Finance	Investment	Procurement	Strategy Development
Governance	Legal	Compliance	Company Secretariat	
Control Functions	Internal Audit	Risk Management	Actuarial Services	Quality Assurance
Human Capital	Human Capital	Facilities		
Business Operations	Project Management	Process Management	Change Management	Information Technology

Our product

The need for the Sasria product has been heightened by the increase in service delivery protests, student protests and labour strikes during 2015/2016.

These incidents have highlighted how crucial insurance cover for assets damaged or lost following these types of events has become.

Sasria's cover, or product, is offered to different segments of the market. Any individual, business, corporate or government entity can buy Sasria insurance to protect its tangible assets against special risk events.

Our product range

During the period under review, Sasria's range of products has remained unchanged. However, as part of our transformation mandate we have actively started the process to improve/expand our products and to investigate alternative distribution channels to reach the huge uninsured market, in terms of our goal to enhance financial inclusivity. During 2015/2016 we have carried out extensive research to determine where the greatest needs are and what Sasria can offer to help meet those needs, in order to make a positive contribution to helping transform the South African financial landscape.

The key insights we have gained from our research include the following:

- 46% of the South African population is within the Living Standards Measure (LSM) 1-6 groups;
- Low-income consumers have very low short-term insurance penetration. One of the key reasons for this is because these consumers have never been exposed to short-term insurance and its benefits or they do not believe in it;
- Other reasons include affordability, inadequate information, lack of product flexibility, lack of consumer education and general perceptions of mistrust concerning insurance;
- The overall utilisation of short-term insurance in the low-income market (LSM 1-7) decreased from 5.3% in 2008 to 3.8% in 2013.

Based on these insights we have started putting the building blocks in place to develop affordable products and to explore alternative distribution channels that can make our products accessible to the uninsured market in South Africa, to offer them cover against any special risk event. We plan to begin introducing some of these enhanced products in the near future.

Sasria's current product range, which offers R500 million primary cover at set rates, is offered in the following classes of insurance business: material damage (including money), motor vehicles, business interruption, construction and goods in transit (for more detail on our product range, please visit our website).

Extremely affordable

Our product is extremely affordable and we charge a set premium rate (depending on the class of business). For example, a customer who has Sasria cover on his or her private motor vehicle pays a premium of R2 a month or R24 per annum, regardless of the car's value. Should the car then be destroyed in a special risk event such as a protest, Sasria pays out the retail value of the vehicle (for more detail on our premium rates, please visit our website).

Voluntary cover and territorial limits

Sasria's cover for special risk events is not compulsory. Any individual, business, corporate or government entity desiring cover as protection against special risk events needs to specifically request their insurance brokers to add Sasria cover to their insurance portfolios. Furthermore the special risk insurance cover is only applicable within South Africa's borders on both land and water.

Catering for the needs of corporate customers

In addition to Sasria's provision of R500 million cover at set rates on all classes of business, we also cater for the specific needs of our corporate customers, who need additional cover since their asset exposure is much higher. As such, Sasria provides an excess of loss cover of up to R1 billion, subject to a separate rating structure, to corporate customers on request. This additional cover is referred to as the Sasria Wrap product.

Our operating context

Two significant factors impacted operations

The first factor that had a significant influence on our operations during the period under review was poor economic growth in the domestic environment, with the possibility of a sovereign credit rating downgrade to junk status.

Some of the issues giving rise to this perception included a downwards revision of economic growth forecasts; ongoing negative local currency movements; deteriorating business and investor confidence; accelerating consumer inflation; interest rate hikes; increased energy costs; and a higher unemployment rate. The weakening economy placed particular strain on South Africans in the lower and middle household income groups, but also on SMMEs, commercial and corporate businesses.

"The total value of the claims received by Sasria during the period under review is R729 million, the highest claims severity experienced to date"

The second factor that significantly impacted our operations during the period under review was the increasing turmoil and civil unrest events due to the socio-economic and political challenges that South Africa faces.

Some of the critical issues in our socio-economic environment include increasing levels of unemployment, especially among the youth; persistent high levels of poverty leading to disenfranchisement; the continued lack of basic service delivery; an unstable labour environment; fraud and corruption; as well as skills shortages, particularly in the financial and insurance sectors.

The local elections set for 3 August 2016 also gave rise to growing tension and increased civil protests as various political parties started lobbying for support.

Changes in the claims profile

These were the main factors that impacted our operations during 2015/2016, and the changes in our claims profile.

- **Significant increase in number of claims received related to service delivery- and student protests**
  Of the total claims, 74% arose from service delivery protests, while 10% were related to student protests (Figure 3).
- **Increase in severity of claims received related to student and service delivery protests**
  The total value of the claims received by Sasria during the period under review is R729 million, the highest severity experienced to date. Student protests account for 18% of the value in this reporting year, increasing from 3% in 2014/2015.

  Claims related to service delivery protests account for 50%, which is the biggest contribution to our claim severity, in 2015/2016, compared to its contribution of 39% in the previous year (Figure 4).

Number of claims received in 2015/2016

Sasria received 2 262 claims during the period under review, compared to 2 259 claims in the previous year. Compared to the number of claims received in the 2013/2014 financial period, the frequency of claims Sasria received over a two-year period increased by 51%. It should also be noted that only a limited number of the special risk events that took place during 2015 and 2016 are reported on in this report. Many special risk events took place after the end of March 2016, which therefore fall outside the scope of the period under review. For example, claims related to the *#feesmustfall* campaign, which started in October 2015 and escalated during 2016, deal with events that took place at universities countrywide. The student- and service delivery protests continued into the 2016/2017 financial year.

Value of claims received during 2015/2016

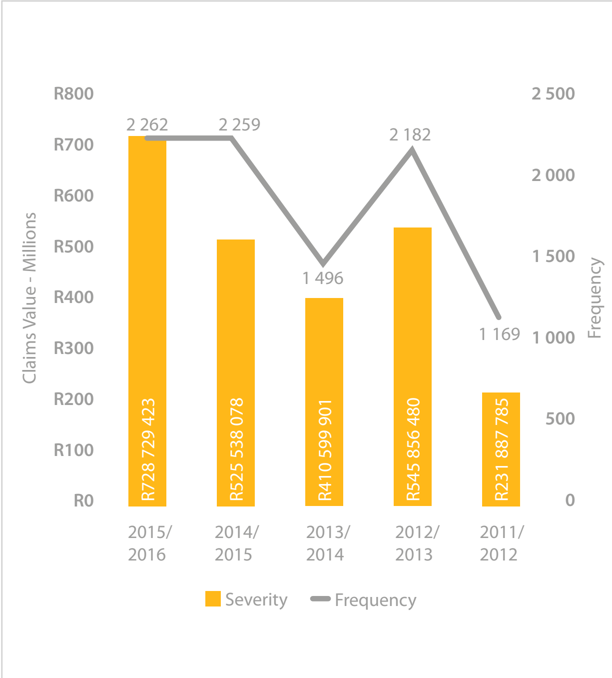
The value of the claims that Sasria received during the period under review totals R729 million, compared to R525 million in the previous year. This represents a 39% increase compared to 2014/2015 (Figure 4).

However, by comparison of 2015/2016 with 2013/2014, the value of claims Sasria received over a two-year period increased by 77% (Figure 2). The biggest single claim received by Sasria during 2015/2016 was for R103 million, which is significantly higher than the biggest claim received in the 2014/2015 financial year for R55.2 million.

Key drivers of claims received during 2015/2016

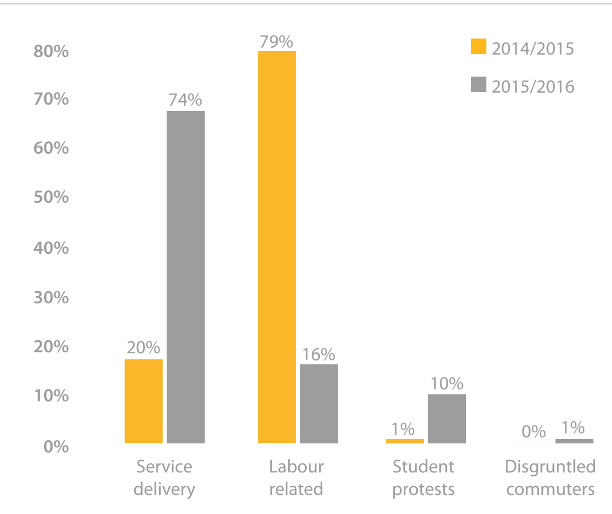
There has been a significant shift in the key drivers of the claims Sasria received during 2015/2016. Where labour unrest issues had been the biggest driver of the rise in the number of claims in 2014/2015, service delivery-related unrest had become the biggest key driver of claims received in 2015/2016. Of the number of claims received in the period under review, 74% account for service-delivery issues while only 16% account for labour-related matters and 10% related to student protests (Figure 3).

Figure 2: Overview of frequency and value of claims received over a five-year period



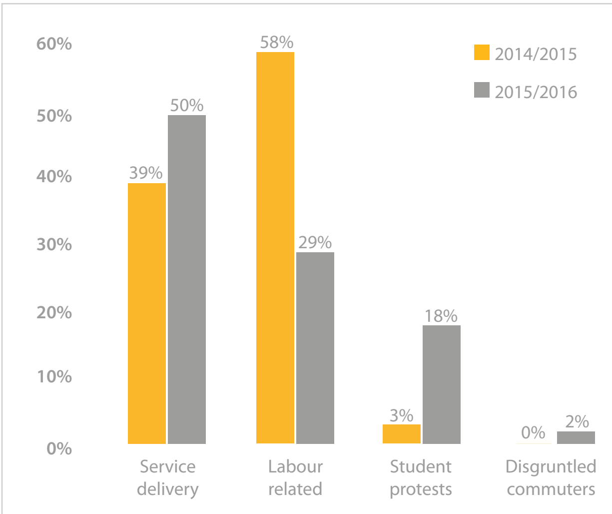
Of the R729 million claims received, 50% related to service delivery issues compared to 39% in the previous year, while 29% of the claims were to related to labour issues and 18% related to student protests compared to 58%, and 3% respectively to the previous financial year (Figure 4).

Figure 3: Frequency or number of claims received



2014/15	456	1 776	24	3
2015/16	1 675	351	220	16

Figure 4: Severity or value of claims received



2014/15	202 993 290	304 042 459	18 065 012	437 317
2015/16	367 338 597	208 891 767	134 427 129	18 071 930

Types of claims received during 2015/2016

The types of claims Sasria receives, and the items that are covered against any special risk event, vary. During the past financial year we witnessed a number of service delivery protests, labour unrest, the *#feesmustfall* protests and disgruntled commuters burning trains and buses.

The following case studies give a brief overview of some of the claims we received and paid during the period under review.

R103 million claim approved for damages due to labour unrest

During August 2015 Sasria suffered its biggest single loss in the history of the Company as a result of a labour unrest matter at one of the power plants in KwaZulu-Natal that gave rise to damages amounting to R103 million, when the open gas turbine facility was torched a few days before the commissioning of the facility.

The claim was accepted and an interim payment has already been made to the insured customer. We are in the process of finalising the claim in order to restore the customer to the position he was in before the event that gave rise to this claim.

Generator control cabinets at the KwaZulu-Natal power plant destroyed by fire

The generator control cabinets at the power plant were destroyed by the fire set by employees on strike during August 2015.

Student protest-related claims valued at R134 million received

During 2015/2016 we received over 200 claims as a result of variously motivated student protests across the country. The claims that Sasria received from the different institutions totalled over R134 million.

Main campus building at the North-West University on fire

On 24 February 2016 students set the science building on the Mahikeng campus of the North-West University on fire. This followed after the University had dissolved the Student Representative Council (SRC) for failing to perform its duties. The building was torched on the day of the inauguration of the new SRC.

Aftermath of the fire at the North-West University

The student protests at the North-West University caused damage to buildings, cars and other equipment estimated at R20 million.

Over R110 million paid for damages caused by service delivery protests

A number of claims running into millions were received related to service delivery protests, and we have already paid over R110 million to settle claims in this regard. In Mpumalanga, for example, residents of the Emgenya township engaged in month-long service delivery protests which resulted in a number of municipal properties and vehicles being set alight, vandalised or looted.

"Service delivery-related unrest had become the biggest key driver of claims received in 2015/2016"

In the mining town of Steelpoort over 60 trucks were torched by the residents and claims amounting to just over R50 million were approved. The protests were motivated by demands for better service delivery as well as employment from the local mines.

Service delivery protest led to Mpumalanga municipality building being set on fire

Residents of the Emgenya township in Mpumalanga set the municipal building alight during a service delivery protest.

Mining company trucks burnt during protests amounted to just over R50 million in claims

Over 60 trucks were torched by Steelpoort residents demanding better service delivery and employment. These resulted in claims of just over R50 million.

Payment of R60 million claim arising from a politically motivated protest

In March 2016, the Isithebe Industrial Estate in KwaZulu-Natal was torched because the community was dissatisfied with the local leadership.

This estate comprises mainly manufacturing companies and buildings rented by local businessmen, who provide employment to most of the people in the community. Following this incident, Sasria received claims for over R60 million, with one customer's total loss amounting to just over R33.5 million. The claims resulted from damage to building structures, plant, machinery, stock and equipment. In order to avoid any further financial losses that would result in the laying off of staff, Sasria intervened by ensuring that all claims arising from the Isithebe area were fast-tracked to mitigate further losses.

Sasria management visited the site and met with all the customers affected by the fire. We immediately accepted the claim and instructed the loss adjuster to finalise the claims as soon as possible in order to restore our customers to the position they had been in before this event occurred. Our immediate action in this case contributed to saving jobs by ensuring that our customers could resume their business.

Factory in Isithebe Industrial Estate on fire in March 2016

One of the factories in the Isithebe Industrial Estate that was petrol bombed by community members who were dissatisfied with a decision that their local chief had made without consultation.

Damaged factory machinery in Isithebe

A local business owner, lost his machinery during this protest. However, since he had Sasria cover he could replace his machinery and so ensure the continuity of his business and his employees' jobs.

Disgruntled commuters burnt trains, buildings and buses during 2015/2016

Sasria received 16 claims for trains, buses and property that had been burnt by disgruntled commuters at various stations, especially in Cape Town and Pretoria.

The main reason for the commuters' dissatisfaction was the ongoing delays in transport.

Train set alight at Pretoria Central Station

On 23 February 2016 disgruntled commuters set a train alight. This claim alone is estimated at R23 million.

Our value-creation story

Making a valuable contribution to South Africa

As a state-owned company Sasria makes a valuable contribution to our country. By delivering profitably and effectively on our legislative mandate, we are able to contribute to the fiscus of South Africa and the growth of our country's economy. However, we also create and add value in terms of delivering on our strategic mandate. In this section we outline how Sasria creates and distributes value, to the benefit of South Africa and all her people.

How we create and distribute value

We contribute to the fiscus of South Africa and the growth of our country's economy by being financially responsible and disciplined as a business and as a state-owned company. We have a sound track record which highlights our reliability and solid financial results as a company, one that is disciplined and well-governed in order to ensure its own long-term sustainability.

The outcome of our business model is that we are financially strong and stable, and that we have adequate capital to provide cover for major catastrophic losses. This was again proven during 2015/2016, when we received the highest number of claims – as well as the single highest claim of R103 million – due to the increased civil protests in South Africa.

"We are self-sufficient and self-funding as a business, and we do not rely on financial support from our shareholder, the South African Government"

Even under these circumstances Sasria remained sufficiently capitalised and capable to cope with these events during 2015/2016. Our double digit growth during the past year confirms our viability as a sustainable business, enabling us to create sustainable value for our shareholder and all other stakeholders.

Since we are self-sufficient and self-funding as a business, we are not reliant on financial support from our shareholder, the South African Government. In addition to the taxes and dividends that we pay, we contribute to the growth and transformation of the South African economy by being a responsible, prudent, disciplined, well-governed and customer-centric corporate citizen.

We have accumulated adequate financial reserves over the years, and we invest our profits responsibly to ensure that we remain financially solid and able to pay the claims related to special risk events.

Despite the increase in civil protests and higher number of claims received, Sasria does not intend to raise its premiums in the foreseeable future. Our financial stability enables us to keep our premiums at an affordable level. While making profit is an important factor for us, it is not the most critical factor underpinning our strategic mandate.

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 aim to extend our product range significantly going forward, in order to better address the needs and requirements of the huge uninsured market in South Africa, and so also offer them protection to replace their assets – meagre as these may be – that have been lost or damaged due to special risk events.

Currently more than 13% of South Africans, particularly amongst the lower income earners, lack access to basic financial services. The merits of financial inclusion are strongly rooted in empowerment, since there is a direct link between access to financial services such as credit, savings and insurance, and wealth creation.

As such, our objective is to progressively enable more lower income earners, families and small business owners to become part of the formal financial networks and cultivate economic opportunities. We 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. Sasria's contribution lies in making our product more accessible to those who are currently financially excluded, and in educating them on the benefits and affordability of our product.

How we create value

In endeavouring to discuss Sasria's value-creation business process, we link our inputs, business activities, outputs, ultimate outcomes and associated risks, to the capitals that we employ in our value-creation process (Table 2). Sasria only considers four of the six capitals suggested by the IIRC as having a substantial influence on our business processes. These include the financial, human, intellectual, and social and relationship capitals.

Since we are a financial services company, we do not regard environmental capital as having a substantial impact on our business and value-creation process.

We have also collapsed manufactured capital, defined as the tangible infrastructure or physical objects available to us for use in supporting our business activities, into our definition of intellectual capital.

Table 2: Sasria defines the capitals that we employ in our value-creation process as follows:

Financial capital	Human capital	Intellectual capital	Social and relationship capital
We regard this as the pool of funds available to Sasria for use to support our business activities and investments. We are self-funded, which means we generate our own financial capital, which includes retained profits. We use our financial capital to fund our business activities, pay dividends to our shareholder, and make investments to ensure sustainability.	We regard this as 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, and to contribute to fulfilling Sasria's strategic transformation mandate. We aim to foster an ethical values-based culture, and to motivate and enable our people to help us achieve Sasria's strategic objectives by providing good leadership and a meaningful work environment.	Sasria defines intellectual capital as our intangible infrastructure that we use to conduct our business and to create value. This spans our organisational, knowledge-based intangibles, such as intellectual property, software, rights and licences, as well as our tacit knowledge, systems, procedures and protocols. This capital also includes intangibles associated with the Sasria brand and reputation that we have developed. Since we are a services company, we include the manufactured capital here, with an understanding that this refers to the tangible infrastructure or physical objects that are available to us for use in supporting our business activities.	We regard this capital as being related to the collaborative relationships that we have with our stakeholders, such as our shareholder, employees, customers, intermediaries, regulators and suppliers, to enable us to deliver on our legislative mandate, as well as on our strategic transformation mandate. In recognition of Sasria's dependency on all its stakeholders, and as a responsible corporate citizen, we base our relationship with our stakeholders on a firm foundation of mutual respect, shared norms and values, an openness to share relevant information, and a passion to enhance the individual and collective wellbeing of our stakeholders and the broader South African public.

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

Business process	Financial Capital	Human Capital
Inputs	• Retained earnings *(Note: Sasria is a self-funded state-owned company, and does not require financial assistance from Government as our shareholder)*	• Talented, knowledgeable and skilled employees • Ethical and effective managerial/leadership team • Attractive EVP • Equal opportunity employment and fair employee practices, including remuneration and rewards • Appropriate organisational structure and role distribution • Effective recruitment, retention and recognition structures • Clear Company strategy/individual performance targets • Meaningful, conducive and safe work environment and employee wellness
Business activities In 2015/2016	• Managed Sasria's capital • Allocated financial capital to support all business activities • Sold Sasria's product via NMIs • Collected premiums from NMIs • Paid Sasria claims and suppliers • Ensured effective financial and management accounting • Managed financial risk • Managed procurement • Managed Sasria's investments • Continued effort to grow delivery of products to the huge uninsured market and help increase level of financial inclusivity in South Africa	• Training and development of leadership and staff • Continued to follow balanced scorecard (BSC) approach to manage individual performance • Total Rewards policy • Recruitment process • Managed employment equity • Graduate programme • Continued to provide professional employee wellness support (Careways), and conducted several health, safety and wellness initiatives • Continued to partner with industry and educational bodies to help address the skills shortage in the industry
Outputs	• Received cash flow generated by our operations • Paid dividends to Government as our shareholder • Received return on our investments	• Most vacant positions filled at year-end • Contributed to improving education and training, and creation of jobs • All EE targets met, except for one target related to employees with a disability • Experienced a higher attrition rate
Outcomes	• Sasria is a financially stable company, able to provide cover as mandated • Sasria contributes to the fiscus of South Africa, and is not a financial burden on Government • Sasria can therefore contribute to the growth, development and transformation of South Africa; the economy and the financial/insurance industries; support Government's NDP	• Sasria has a workforce with the knowledge, skills and experience to maintain a profitable and sustainable business • Sasria has a productive workforce who enable the Company to make good profit and remain financially stable, in order to keep contributing to the fiscus of South Africa • Sasria has a committed workforce, motivated and inspired to work together to help us to continue to contribute to the growth, development and transformation of South Africa, and support Government's NDP
Associated risks and opportunities	• Loss of investor confidence in South Africa • Socio-economic challenges in South Africa • Loss of stakeholders' trust in and support of Sasria, which can lead to us becoming socially irrelevant; putting Sasria's long-term sustainability at risk	• Skills shortage in financial and insurance sectors • Failure to attract and retain skilled employees • Loss of employee satisfaction with Sasria as an employer • Loss of employees' trust in and support of Sasria

	Intellectual Capital	Social and Relationship Capital
Inputs	• Tacit product knowledge and experience (retention) • Research and development (legislative mandate) • Product development and innovative solutions • Adherence to Company values, code of ethics, governance and risk management structures (values-based behaviour) • Sasria's product and service offering • Sasria's culture (employee loyalty) • Sasria's brand and reputation (stakeholders' awareness and level of trust)	• Knowledgeable and skilled relationship managers • Constructive and ongoing engagements with key stakeholders linked to identified material issues • Structured and agreed terms of engagement and operations with our NMIs and other intermediaries • Partnering with and supporting industry and regulatory bodies and other stakeholders • Monetary CSI investments • Various communication and marketing channels and tools to communicate with our stakeholders
Business activities In 2015/2016	• Increased focus on staff retention • Researched new product and additional distribution channels to make Sasria cover more accessible to uninsured market • Continued focus on and oversight of fraud prevention and whistle-blower hotline through the Social and Ethics Committee • Continued focus on risk management • Performed an Own Risk and Solvency Assessment (ORSA) report • Conducted a brand awareness survey • Implemented various initiatives to improve brand visibility	• Trained and developed relationship managers • Identified material issues for all stakeholders, and developed and implemented various initiatives to respond to these • Partnered with and supported industry partners, regulatory bodies and other key stakeholders, especially in terms of CSI investments, eradicating critical skills shortages in our industry and improving fair treatment of customers • Invested in CSI programmes, 75% of which targeted at improving education, training and skills in the financial and insurance industries; and to support infrastructure development • Implemented various stakeholder communication initiatives to raise product awareness and build relationships • Contributed to improve financial literacy for lower LSM groups, which include those who are still financially excluded
Outputs	• An overall satisfactory compliance score in the Ethics Awareness Assessment by employees • Adherence to King III principles • Satisfactory level of legal compliance • Compliant with new requirements of Solvency Assessment and Management (SAM) Pillar II • Healthy solvency position per current regulatory requirements • Increased brand awareness	• Increased revenue • Contributed to improved education and training in financial and insurance fields, at secondary and tertiary levels, and to general financial literacy training • Contributed to the development of actuaries through the South African Actuaries Development Programme (SAADP) • Provided bursaries to 39 students, mainly for degrees in financial sector • Contributed to job creation through partnering with industry to support Sasria's graduate programme
Outcomes	• Sasria's improved efficiencies lead to improved customer satisfaction and increased revenue; which adds to the financial stability of our Company • Sasria's proactive and integrated risk management approach protects our Company from loss of revenue and reputational damage, and reduces operational risk exposure • Sasria has loyal employees who live our Company's values, and who will not harm our Company's reputation by acting fraudulently, unlawfully or unethically • Sasria is – and is seen as – a responsible corporate citizen, which helps protect Sasria's relevance as a state-owned company • Sasria's brand, and our social relevance in the financial and insurance industries, the economy and South Africa, is elevated	• Sasria's relevance as a state-owned short-term insurer for special risks to the financial and insurance industries, the economy and South Africa, is elevated • Sasria's relationship with key stakeholders is improved, and they support and partner with Sasria to address the skills shortage and job creation challenge in our industry • Sasria's CSI investments enable us to ensure our own long-term sustainability by helping to address today's socio-economic challenges • Sasria continues to protect its relevance by remaining an efficient state-owned company that is delivering on our mandate to make a positive difference to our country
Associated risks and opportunities	• Loss of reputation due to unethical or fraudulent behaviour • Loss of revenue due to ineffective risk management • Loss of skilled/experienced employees due to unconducive work environment • Loss of customer satisfaction and revenue due to inefficiencies • Low awareness of the Sasria brand • Reputational damage • Loss of stakeholders' trust in and support of Sasria, which can lead to us becoming socially irrelevant; putting Sasria's long-term sustainability at risk	• Loss of customer/stakeholder satisfaction • Loss of revenue • Loss of stakeholders' trust in and support of Sasria, which can lead to Sasria becoming socially irrelevant; putting Sasria's long-term sustainability at risk

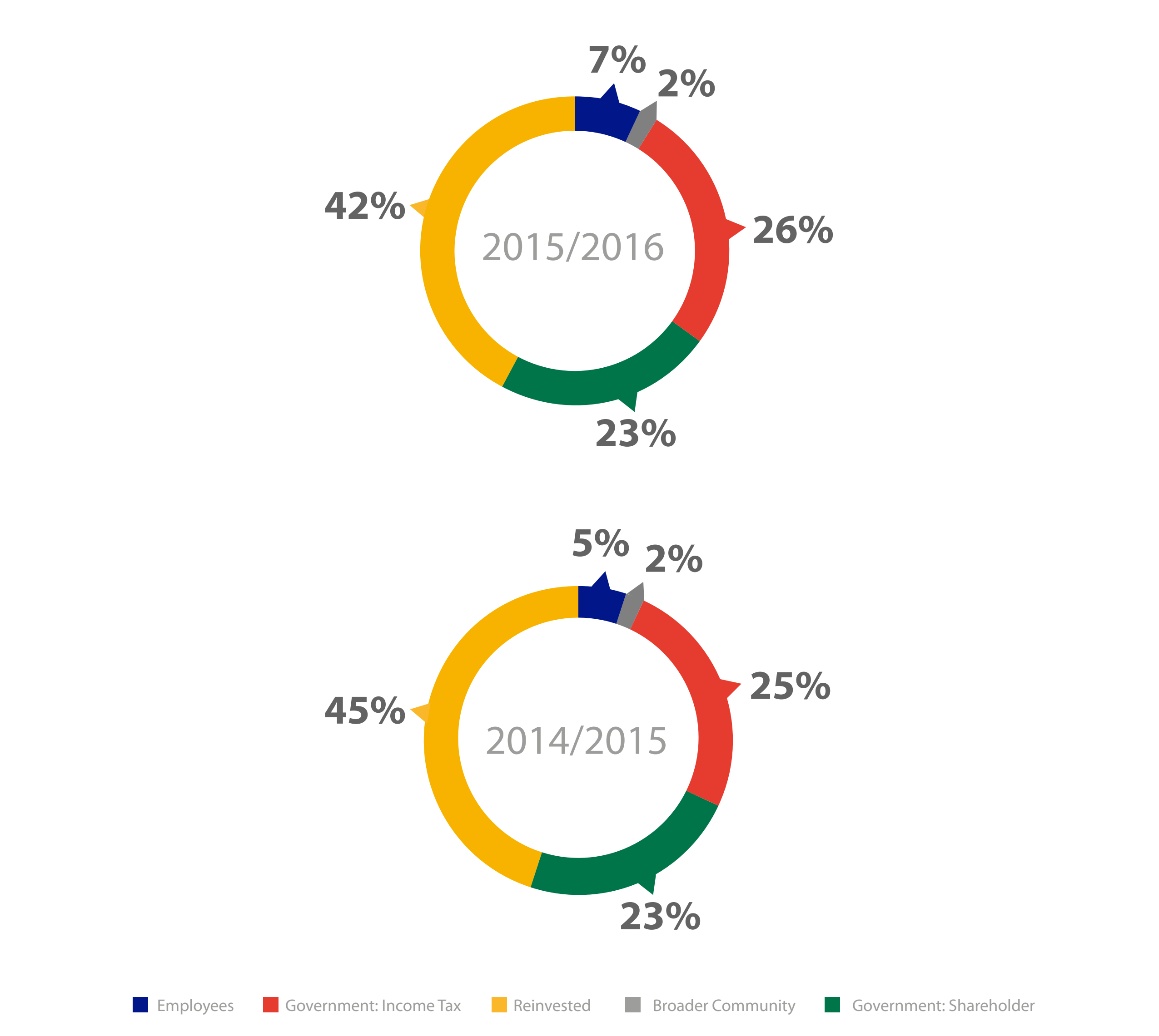
How we distribute value

We focus our discussion on the value that we distribute to our shareholder through the payment of our dividends; to the government and people of South Africa through the payment of our taxes; to our employees through providing them with continued employment, growth and development opportunities; and to the broader South African community through our CSI activities. We also use our profits to reinvest into our business, so that Sasria is able to continue to deliver on its legislative mandate and thereby to create and distribute value to our country and her people.

As a result of our value-creation processes, we distributed an increased share of our profits in 2015/2016, particularly to our employees (7% compared to 5%) as well as in tax to Government (26% compared to 25%) (Table 3).

We retained the same percentages in terms of dividends paid to our shareholder (23%) as well as for our value distributed through our CSI initiatives (2%). The percentage of profits that was reinvested reduced from 45% to 42% in this financial year (Figure 5).

Figure 5: Value distributed during the 2015/2016 financial year, compared to 2014/2015



R22.2 million investment in CSI enhances our value creation

We regard our CSI activities as an integral part of Sasria's value-creation process, and as a key instrument in helping our Company, the financial and insurance industries and our country to grow, develop and transform. As part of our focus to manage our key material matters, our key CSI focus areas include education, skills development, humanitarian relief and enterprise development.

Sasria's CSI allocation for the 2015/2016 financial year remained at 4% of the after-tax profit, which translated to R22.2 million. The bulk (74%) of this allocation was spent on education initiatives (Table 4), aimed at improving education and training at secondary and tertiary levels, as well as contributing to basic financial literacy training for people from the lower LSM groups (Figure 6).

Figure 6: Sasria's key CSI focus areas

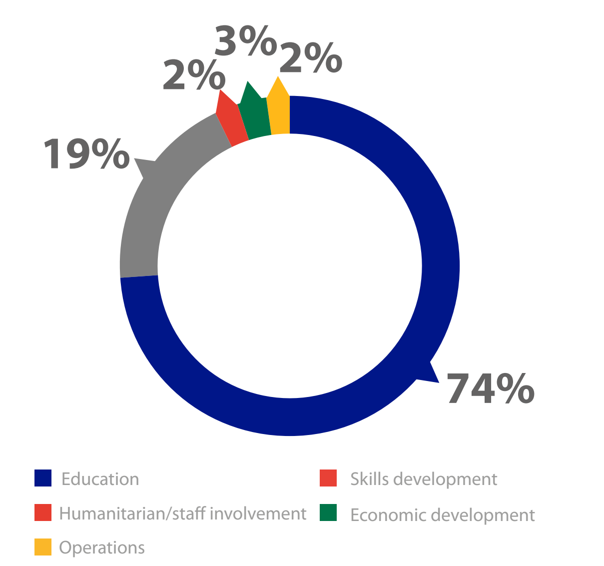


Table 3: CSI spend on education initiatives in 2015/2016

Education initiative	R value
Bursaries to tertiary students	8 268 000
SAADP	5 500 000
Schools infrastructure	1 500 000
Tuition to secondary students	500 000
Leadership development programme for secondary schools	500 000
Total	**16 268 000**

Our second CSI focus area was aimed at 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. During the period under review we spent R4.4 million (20% of the total CSI allocation) on this initiative.

Providing bursaries to increase financial skills in the country.

We awarded bursaries to 39 students to the total value of R8.3 million during the 2015 academic year. The majority of these students are working towards qualifications within the finance field. This group consisted of 18 females (46%) and 21 males (54%).

One of our bursary students, Nonhlanhla Makhathini, is well on her way to becoming a chartered accountant. She is currently doing her honours degree after being awarded her BCom Accounting degree at the Nelson Mandela Metropolitan University (NMMU) in April 2016.

Contributing to the development of actuaries in South Africa

During 2015/2016, we continued Sasria's support to invest in the South African Actuaries Development Programme (SAADP). To date, we have invested over R55 million in the development of actuaries in our country, contributing to producing 217 actuarial graduates since the inception of this programme in 2003.

Of these 217 graduates, a total of 21 students (13 males and eight females) qualified as fellow members of various actuarial societies since inception. This represents an additional eight students who qualified in the 2015 academic year.

All these graduates are employed on a permanent basis in actuarial functions within the financial sector. This initiative has contributed to the eradication of the shortage of scarce skills within the financial and insurance industries, and has significantly increased the number of individuals from previously disadvantaged communities within this highly skilled field.

- **Contributing towards basic financial education for lower LSM consumer groups**
  During the 2015/2016 financial year we contributed R1.3 million (0.2% of net profit after tax) to the SAIA consumer education programme, in order to educate the lower LSM groups on the need for and relevance of special risk insurance in their lives.

  We also contributed R1.3 million (0.2% of net profit after tax) to the Financial Services Consumer Education during the period under review to help elevate the level of financial literacy and understanding in the lower LSM groups.

"We contributed R2.6 million during the period under review to help elevate the level of financial literacy and understanding in the lower LSM groups"

Building capabilities and skills and creating jobs in the short-term insurance industry

During 2015/2016, Sasria continued its contribution to addressing the shortage of skills in our industry.

- **Partnering with the Insurance Institute of Gauteng to develop skills for our industry**
  We invested a total of R2 million in the Insurance Leadership Development Programme (ILDP) delivered by one of the top business schools, Gordon Institute of Business Science (GIBS), in partnership with the Insurance Institute of Gauteng (IIG). This programme, which is a National Qualifications Framework level 6, is focused on developing leadership skills of middle managers, particularly those from previously disadvantaged groups, in the short-term insurance industry.

- **Helping to create jobs with our graduate programme**
  Between January and April of the 2015/2016 financial year we placed 15 graduates on Sasria's new two-year graduate programme. Eleven of the graduates were placed in various departments in Sasria, while four were placed in a loss adjuster's firm.

"The Sasria team has become a much needed member of my family, as they have played a huge role in my education. They supported me financially when no one else would have, and they motivated me to complete my Accounting degree at NMMU. Sasria has made me dream big and I now see things different to I would have four years ago. I believe what Sasria has done for me can be done for other young struggling but motivated students who come from a poor background like mine. Sasria has shown me that no matter how poor you are, you can dream big. Thank you Sasria for helping me to fulfil my dream of becoming a chartered accountant."

- Nonhlanhla Makathini

Nonhlanhla Makhathini, one of Sasria's bursary students, receiving her BCom Accounting degree at NMMU in 2016

"During 2015/2016 we partnered with the Insurance Institute of Gauteng to invest in a leadership development programme focused on developing the leadership skills of middle managers, in the short-term insurance industry. We focused particularly on those managers from previously disadvantaged groups"

Some of the ILDP delegates at GIBS on 13 April 2016 when the Sasria and IIG-sponsored programme was launched

Our key relationships

Building collaborative relationships to help make a difference in SA

Building sound relationships with our key stakeholders, such as our shareholder, employees, distribution channel, suppliers, end-customers and regulator, enables us to deliver solid business results in terms of our legal mandate.

This in turn helps us to deliver on our strategic transformation mandate, so that we can make a positive contribution to South Africa and her people.

Our stakeholder framework

Sasria's performance, revenue, effectiveness, and long-term business sustainability depend on all our stakeholders. Our business model places many of them at the heart of our activities across the value chain, from product development and distribution to revenue optimisation, customer service and regulatory compliance.

However, as a state-owned company, and as a responsible corporate citizen, we can only continue to be relevant when we make a difference to the ultimate beneficiaries of Sasria's activities – the South African public.

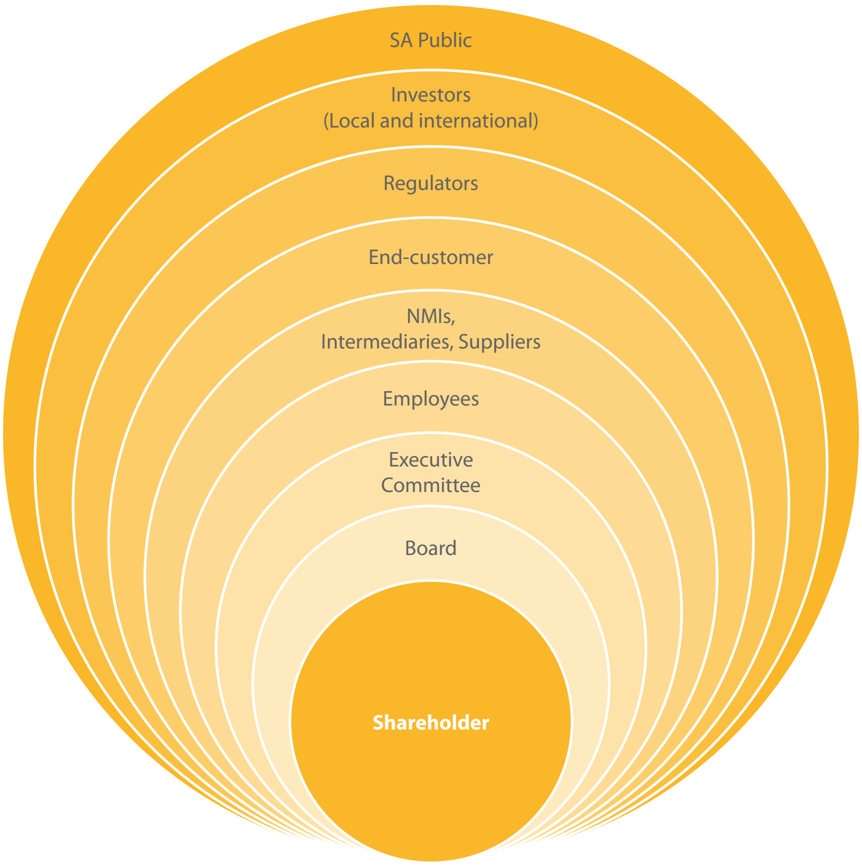
A relationship built on sound values

Our objective is to strengthen the relationship between Sasria and its stakeholders, and to enhance the trust that they have in our Company.

For this reason we base our relationship management approach on our values and ethical conduct, directed by solid governance practices. Our stakeholder management framework (Figure 7) and principles are guided by Sasria's vision, mission, values and dual mandate.

We follow a conscious approach to ensure that our stakeholders consistently have a positive experience when they interact with Sasria. This underpins the need to build sound relationships and to create an understanding of Sasria's dual mandate.

Figure 7: Sasria's stakeholder framework



Managing material issues related to our key relationships

Our Executive Committee takes responsibility for managing Sasria's material issues, and its members follow a structured approach on an annual basis to revisit and determine the material matters that could have a negative or positive impact on any of our key relationships (Figure 8).

Our Audit Committee currently assumes the oversight responsibility in this regard and it considers and approves the material matters prior to presenting them to the Sasria Board for its endorsement.

Our definition of a material matter

We define a matter as being material if it is of such relevance and importance that it has the potential to substantively affect our Company's ability, or our stakeholders' assessments of our ability, to create value over the short, medium and long term.

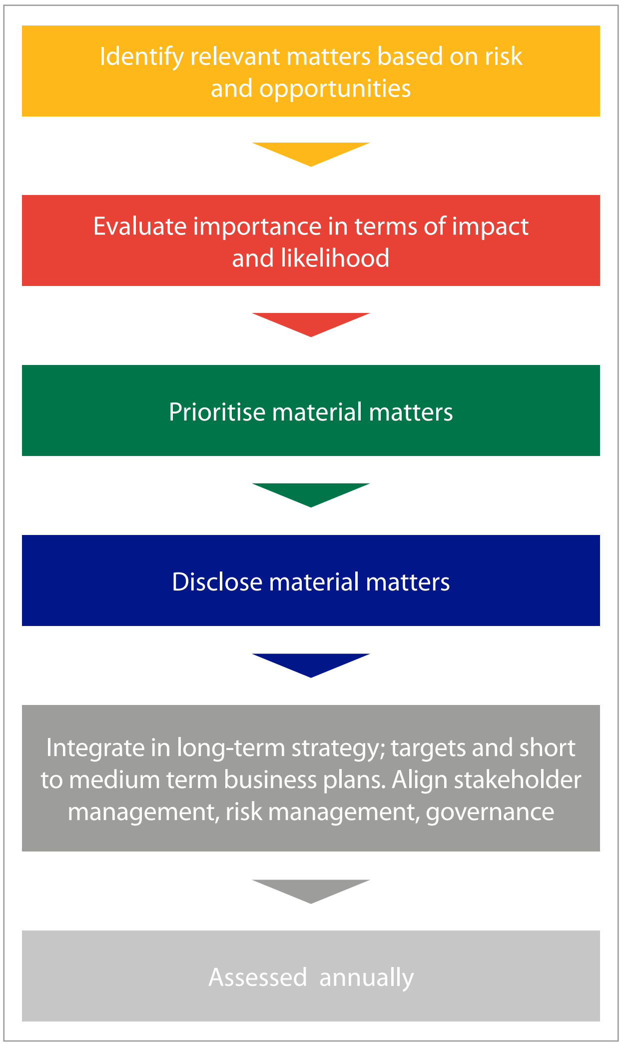
We value our stakeholders' willingness to engage with and support Sasria, since they enable us to achieve our business performance and strategic objectives. It is therefore important for us to ensure ongoing, cooperative and mutually beneficial relationships with all our stakeholders.

However, our view is that the very foundation of the relationship we have with our stakeholders rests on providing them with assurance of how well we are managing those matters that can either reinforce or destroy our ability to create value for them.

Determining our material matters

Based on feedback we received on our 2015 Integrated Report, our leadership team has articulated the process we followed to manage our material matters more succinctly in this year's report. During the year under review, our Executive Committee held a number of workshops to revisit our material matters based on the key risks and opportunities facing us.

Figure 8: Our determination process of material matters



They used our dual mandate and strategy, as well as feedback from key stakeholders, to identify those matters that are material to our operations and our relevance as a state-owned company.

Using Sasria's dual mandate as a point of departure, they then ranked the importance of these material matters in terms of likelihood and impact (Table 4).

Ten material matters have been identified and ranked by priority. These are outlined and explained in Table 5, and linked to the strategic objectives; stakeholders; risks and opportunities associated with each material matter. As part of our strategic planning process we will continue to revisit and integrate these material matters into our annual business plan.

Table 4: Our material matters in priority order

Our material matters

No.	Material matter	Term	Description
1	**Technology and data processes**	*Short, medium and long term*	Enhancing our operational efficiency and creating greater interconnectivity
2	**Transformation**	*Medium to long term*	Making South Africa better for all by creating a more inclusive economy
3	**Relevance**	*Medium to long term*	Meeting our shareholder's primary expectation and remaining socially relevant
4	**Innovation**	*Medium to long term*	Becoming a centre of innovation in special risk insurance to deliver on our mandate
5	**Business model**	*Short, medium and long term*	Enhancing our business model to extend delivery on our transformation mandate
6	**Underwriting risk**	*Short term*	Managing our statutory capital requirements during increasing times of turmoil
7	**People**	*Short term*	Being an employer of choice to attract and retain the right talent and best skills
8	**Local SA and global economy**	*Short term*	Continuing to deliver solid financial results despite socio-economic challenges
9	**Distribution channel**	*Short, medium and long term*	Providing relevant products and superior services to retain current customers
10	**Regulatory**	*Short term*	Remaining a responsible and ethical corporate citizen

Table 5: Our material matters in priority order, and their importance

Material matters		Meaning	Link to strategic objectives
1	**Technology and data processes**	• Process efficiency • Data acquisition and analytics • Cyber security • Connectivity	• To optimally enable business while satisfying regulatory requirements • To proactively manage compliance
2	**Transformation**	• Product inclusivity especially lower LSMs • Skills/capability in financial/insurance sectors • Low levels of financial literacy in lower LSMs • Enterprise development • Supplier development	• To provide relevant and appropriate products • To establish additional business distribution channels • To improve our current strategic partnerships and establish new ones • To become a centre of innovation in special risk insurance • To attract, retain and develop skills that support our aspirations
3	**Relevance**	• Delivering on shareholder's primary expectation • Contributing to NDP • Social relevance (impact on SA society) • Relevant products and services • Business continuity	• To become a centre of innovation in special risk insurance • To consistently outperform the industry average in premium growth • To create a trusted brand that resonates with all our customers • To provide relevant and appropriate products • To provide superior service
4	**Innovation**	• New products and services • Additional distribution channels • Innovative products • Improved use of technology • Proactive solutions to special risk events • Consumer buying behaviour	• To become a centre of innovation in special risk insurance • To provide relevant and appropriate products • To establish new business distribution channels • To improve our current strategic partnerships and establish new ones
5	**Business model**	• Review outsourcing of material business functions • Broader distribution channel	• To improve our current strategic partnerships and establish new ones. • To establish new business distribution channels
6	**Underwriting risk**	• Claims • Reinsurance • Capital requirements • Liquidity • Pricing • Rising levels of civil unrest	• To ensure compliance with statutory capital requirements and the calculation of an economic risk basis for capital value
7	**People**	• Capacity and capability • Transformation • Changing demographics • EVP	• To attract, retain and develop skills that support our aspirations • To maintain a high-performing culture
8	**Local SA and global economy**	• Investment returns • Business trends • GDP growth, inflation, interest rates • Unemployment	• To consistently outperform the industry average in premium growth • 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
9	**Distribution channel**	• Businesses • People • Skills/capability in industry • Business relevance (products/services) • Industry partnerships	• To provide relevant and appropriate products • To provide superior service • To improve our current strategic partnerships and establish new ones • To create a trusted brand that resonates with all our customers • To proactively manage compliance
10	**Regulatory**	• Compliance with all laws and regulations • Policy regulatory shifts and uncertainty	• To proactively manage compliance. • To ensure compliance with statutory capital requirements and the calculation of an economic risk basis for capital value

Stakeholders' impact	Associated risks
• NMIs • Intermediaries • FSB • Employees	• Cyber attacks • Ineffective use of data • Failure to comply with relevant laws and regulations • Failure of the business to respond to IT developments • Lack/inadequacy of policy holder data
• Shareholder • SA public • Regulator • Insurance and financial industry partners • Suppliers • Distribution channel	• Failure to adhere to our EE plan • High level of unemployment and income disparity gaps • Lack of product inclusivity • Lack of understanding of insurance products by all in the country
• Shareholder • SA public, especially financially excluded • Current customers • All stakeholders	• Non-delivery on the strategic objectives of the Company • Sustainability of our business model • Low product awareness amongst all stakeholders • Not delivering on the brand's promise to our customers
• Shareholder • Regulator • Insurance industry • Suppliers • Employees • Distribution channel	• Not addressing customer needs • Not identifying opportunities that arise • Failure to attract and retain specialised skills • Inadequate market research
• Shareholder • Regulator • Employees • Intermediaries • NMIs • New distribution channel	• Sustainability of our business model • Failure to identify strategic business partners • Ineffective and inadequate stakeholder management • Low brand awareness amongst all stakeholders • Inability to monitor and control quality of outsourced partners
• Shareholder • Regulator • NMIs • Intermediaries • Current customers	• Incomplete and inaccurate Sasria revenue • Increase in insurance risk as result of prolonged strikes and service delivery protest • Not obtaining policyholder data to accurately calculate pricing per class of business • Increase in claims severity due to catastrophic events • Failure to adequately reserve for outstanding claims • Failure to monitor our liquidity requirements on a continuous basis • Failure to understand what the key drivers are of our capital needs • Default of our reinsurers in the event of a catastrophe claim • Increased frequency and severity of terrorist attacks
• Board • Executive Committee • Employees • Future employees	• Low brand awareness • Failure to effectively implement Sasria's EVP within the Company • Inadequate succession planning for key and core positions • Loss of key staff • Inadequate and inappropriate learning and development
• Shareholder • Regulator • Investors (local and international) • SA public	• High unemployment rate • Erosion of capital due to deterioration of investment markets • Low penetration and growth in the insurance industry • Growth negatively affected by macro-economic factors • Sovereign credit downgrade
• Regulator • NMIs • Intermediaries • Current customers • Insurance industry bodies	• Ineffective management of the distribution channel • Inconsistent and inadequate communication • Loss of customers and/or low penetration • Not addressing customer needs • Dependence on insurance industry to distribute our product • Lack of product inclusivity • Low brand awareness amongst all stakeholders • Not delivering on the brand's promise to our customers
• Shareholder • Regulator • Board • Executive Committee • Employees • End-customers	• Increased amount of regulations • Additional costs relating to increased regulation • Reputational impact due to non-compliance

Sasria's stakeholder relationship management initiatives during 2015/2016

In addition to managing our material matters, as outlined throughout the report, we also continued with our usual relationship-business activities and stakeholder communication during 2015/2016.

"Building a trusted and visible Sasria brand that resonates with all our customers is one of the strategic focus areas that form the foundation of our 2014 – 2019 strategy"

However, we paid specific attention to increasing the awareness of the Sasria brand and product; to evaluate stakeholders' satisfaction levels with the quality of our relationship with them and to further embed a customer-centric culture with the continued implementation of the FSB's "Treating Customers Fairly" (TCF) initiative during the period under review.

Increasing the visibility and awareness of the Sasria brand "Building a trusted and visible Sasria brand that resonates with all our customers" is one of the strategic focus areas that form the foundation of our 2014 – 2019 strategy. A purposeful and trusted brand is one of the most powerful means to ensure growth and long-term sustainability in a global marketplace devoid of trust in business. Sasria's dual mandate as a state-owned company sets the stage for us to build a truly purposeful and trusted brand.

We used various media platforms to elevate awareness of our brand by increasing its visibility amongst commercial and corporate customers, who mainly fall into the LSM 8-10 groups.

During the period under review we analysed our print media consumption, and selected a number of publications aimed at target audiences in the insurance industry; government and business to increase the visibility of our brand. We used a number of business TV channels and radio stations to target audiences in the LSM 8-10 groups, as well as an outdoor awareness campaign.

We also measured the level of awareness of our brand during this period. One of the key performance indicator (KPI) targets for the 2015/2016 performance year included a 60% brand awareness within the insurance industry. Based on the results of an independent brand audit, we have 100% awareness of our brand in the industry.

However, the objectives of the brand audit also included the assessment of the level of product awareness, product satisfaction and stakeholder satisfaction with Sasria's service. The results on these items measured were not as satisfactory as the overall level of brand awareness (Table 6). The participants in the brand audit included industry players; corporate and commercial end-customers as well as Sasria staff.

Table 6: The results of the 2015/2016 brand audit

Items measured	Internal: Staff and Executive Committee	End-customer: Corporate and Commercial	Industry: Insurers and brokers
Brand awareness	100%	26%	100%
Product awareness	100%	20%	54%
Product satisfaction	63%	20%	54%
Stakeholder satisfaction	Not measured	20%	80%

The end-customers were included in the survey for the first time in over five years. The level of product awareness, as well as of satisfaction with our product and service, is quite low, and is an area of concern. We have already enhanced our customer relationship management (CRM) strategy to address these areas of concern in the new financial year.

"A TCF suitability assessment was conducted through an independent external service provider in order to assess if the work done during the 2014/2015 phase was suitable and in line with the TCF principles"

Strengthening a customer-centric culture

We also focused on strengthening a customer-centric culture in Sasria, particularly by continuing our focus on implementing the FSB's TCF initiative.

A TCF suitability assessment was conducted through an independent external service provider in order to assess if the work done during the 2014/2015 phase was suitable and in line with the TCF principles. The outcome of this assessment highlighted a number of areas of improvement which necessitated that the project be moved to another phase. Based on the recommendations flowing from this, we initiated phase two of the project which included updating our policies and procedures, and providing training on these changes.

The implementation of all these initiatives has already improved the fair treatment of customers within our Company as well as within our distribution channels. We have incorporated an assessment of the TCF roll-out at our NMIs in the internal audits we do there.

In order to further embed these principles and processes throughout our business we continue with TCF training at all levels in our Company, and to monitor the implementation of TCF at our NMIs. We are also reviewing our system applications to ensure that they can support our business in the implementation of TCF.

Other stakeholder relationship building initiatives embarked on in 2015/2016

We continued our usual relationship-business activities, stakeholder communication and interaction with our key stakeholders during the period under review.

- **National Treasury**
  We engaged with National Treasury on a quarterly basis during the period under review. The Minister of Finance's request for Sasria to conduct research into various special risks across the globe is an indication that our shareholder appreciates the more significant role that we can play within the insurance industry as well as the South African economy as a whole.

- **FSB**
  Our interactions with the FSB during this period centred on the impact that changes in legislation could have on our business model and the industry as a whole. We identified a need to improve on the frequency of the engagements we have with our regulator to ensure that we start interactions early on in the legislative change process.

- **Sasria's distribution channel**
  In the past our engagements with the stakeholders responsible for Sasria's distribution channel had mainly been focused on our NMIs. However, during the 2015/2016 financial year we identified the need to explore alternative distribution channels in order to reach those customers who are currently financially excluded.

- **Our end-customers**
  During the performance year under review, we did much to raise our end-customers' awareness of the Sasria brand and product, specifically in the LSM 8 – 10 groups. However, based on the results of the

brand audit we identified a need to better engage specifically with our commercial and corporate end-customers in order to understand their risk appetite with regard to insurance.

Sasria recognises that there is a huge uninsured market in South Africa, and is cognisant of the definitive link between increased financial inclusivity and wealth creation. In line with this, we have identified the need to extend our brand and product awareness campaigns to people in the lower LSM groups, particularly those who are not yet part of the financially included group.

We believe that by providing these individuals and small business owners with basic financial literacy skills and innovative, affordable cover against special risks, we will not only be making a positive contribution to our country by changing our society and growing a more inclusive economy, but we will also be growing our own pool of future customers.

During 2015/2016 we conducted high-level research to determine the need for special risk insurance in the lower LSM groups. We found that affordability, inadequate information, lack of product flexibility, lack of consumer education and general perceptions of mistrust concerning insurance contributed to the low penetration in the short-term insurance industry. We have already started the process to develop affordable special risk insurance cover aimed at this target audience.

- **Our employees**
  In order to improve the environment within which our staff members operate, we embarked on entrenching Sasria's EVP, with the theme "Working together to build a better South Africa", that we introduced last year. More about what we had done in this regard during 2015/2016 is reported on in the next section called 'Our people" (p 45).

It is important to mention here that building a strong employee value proposition is also extremely closely linked to a clear definition of and emotional link to a higher purpose. We believe in creating a work environment where all our employees, regardless of their level of skills or their position, can find a sense of meaning and higher purpose in their work.

"We are cognisant of the definitive link between increased financial inclusivity and wealth creation, which is why we have identified the need to extend our brand and product awareness campaigns to people who are not yet part of the financially included group"

We equate this meaning or higher purpose to our Company's higher cause or transformation mandate of making a positive difference to our country and all her people.

Our conviction is that employees who know and understand the difference that Sasria makes in helping to build a better South Africa will feel a greater sense of purpose, and an increased level of responsiveness and commitment to be a part of our Company's transformation journey in order to personally also contribute to developing and uplifting our society and our country.

Our people

Working together to keep Sasria's performance solid

Sasria's business model, based on doing business through intermediaries, means that we have a lean workforce and need the input, talent, skills and commitment of every single employee to enable the business to deliver effectively on our legislative and transformation mandates.

Overview

While we continued to build and strengthen our employee engagement, practices and processes during the period under review, the economic uncertainty and increasing civil unrest in our country also had an impact on our capacity.

Our staff turnover has improved since 2014/2015, yet we still had a high attrition rate in 2015/2016. High staff turnover is a problem for all financial services companies, due to the scarcity of skills in our industry, so we are not the exception in this war for talent. We invest significantly to develop and mould young talent, and it is obvious that our employees would be targeted by our peers.

In this section we will outline both the people challenges we faced during the performance year, as well as the highlights of how we continued to build and strengthen our workforce in order to enable Sasria to deliver on its dual mandate.

Sasria's workforce numbers

Sasria has a relatively small professional workforce, mainly because of our current business model. However, as we continue to implement our 2014 – 2019 strategy, we have begun to tactically grow our business. Our focus is not only on growing the number of employees, but also on attracting and retaining people with the right skills and experience, and developing and equipping our employees to execute our strategy and contribute to our industry.

During the period under review, we grew our workforce by eight people, driven mainly by additional resources needed to fulfil increased regulatory requirements and further to support and enable the business operations in delivering operational and strategic performance objectives. The increase in the internal skills set enabled us to reduce Sasria's consultancy fees for 2015/2016 by 22.5%, as more work was performed internally.

"Although many companies in South Africa are currently downsizing or retrenching employees, Sasria has started to tactically grow its workforce"
– Cedric Masondo, MD

Profile of Sasria's workforce diversity and inclusion

Economically active people today are diverse in their approach to life and to work, and Sasria, like any other employer, needs to tackle the challenge of balancing the different needs and expectations of employees. We believe that our EVP is well-positioned to address this expectation and enable us to attract the best young talent in future.

Sasria is an equal opportunity employer, and believes that no person should be hampered by any artificial barriers, prejudices or preferences. The only exception is when particular distinctions can be explicitly justified, such as in order to achieve compliance with the Employment Equity Act.

Compliance with Employment Equity Act of South Africa

Sasria complies with the Employment Equity Act of South Africa, and has equitable representation in terms of gender and race in all occupational categories and levels in the workforce. We are happy with the progress made in meeting our EE targets despite the high turnover in staff, especially in terms of professionally qualified black females.

The number of black employees on the middle management and professional levels improved from 76.19% to 81.48%, while the number of black women in middle management and professional level declined from 47.62% to 44.44%. We nevertheless still met and exceeded this target (Table 7). Sasria's gender diversity and representation is strong and visible at senior, middle and specialist levels of management. We are also performing well on the FSC scorecard in meeting the EE targets. We exceeded almost all of the targets, with only one target related to employees with a disability not fully met.

Table 7: Performance on FSC EE scorecard

Scorecard Item	Target	Weighting	Achieved	Score
Black disabled employees (as % of all employees)	3.0	0.5	**1.56**	**0.26**
Black women disabled employees (as % of all employees)	1.5	0.5	**1.56**	**0.50**
Black senior management as a percentage of all senior management	60.0	3	**66.67**	**3.00**
Black women senior management as a percentage of all senior management	30.0	2	**33.33**	**2.00**
Black middle management as a percentage of all middle management	75.0	3	**81.48**	**3.00**
Black women middle management as a percentage of all middle management	37.5	2	**44.44**	**2.00**
Black junior management as a percentage of all junior management	80.0	2	**94.74**	**2.00**
Black women junior management as a percentage of all junior management	40.0	2	**63.16**	**2.00**
Total weighting and score		**15**		**14.76**

Sourcing, recruiting and managing the right talent and people for Sasria

Attracting the right people and effectively managing our talent pool is critical for us, especially considering our business model and Company structure.

- **Vacancy rate**
  In contrast to the previous financial year, our vacancy rate has improved significantly. We had an average vacancy rate of 5.6% as at the year ended 31 March 2016, compared to a 16% vacancy rate in the previous year.

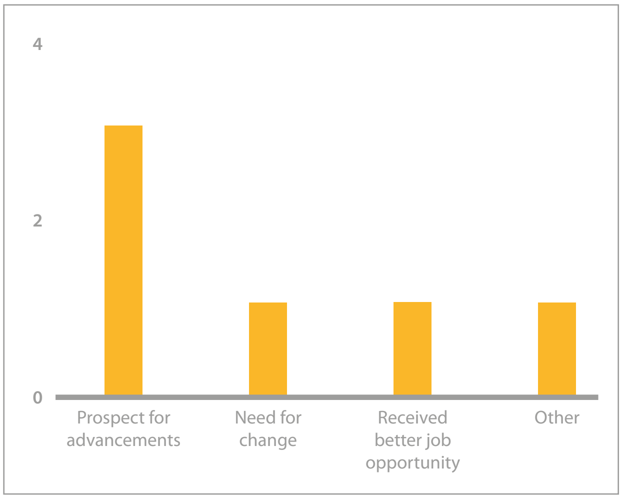
- **Retention of staff**
  During 2015/2016 the overall staff turnover was 14.5%, compared to the higher attrition rate of 18% experienced during 2014/2015. Although this is an improvement, the current turnover rate is still slightly above the Sasria agreed target of 10%, which is in line with the overall trends in the insurance industry (between 9.4% and 12.4%).The skills shortage in the financial and insurance sectors is a key contributor to our attrition rate.

In order to reduce the staff turnover rate and improve overall staff engagement and retention, exit interviews were conducted to determine the main reasons why our staff were leaving (Figure 9).


sasria


sasria

Figure 9: Main factors contributing to Sasria's staff turnover rate



Contextualising Sasria's inherent retention challenge

Sasria invests heavily in learning and development initiatives (Figure 13) for our existing employees. We do this, even though we know that by doing so we increase the chances of our employees being offered better opportunities at other insurance companies.

However, we acknowledge the fact that we have a very lean workforce and flat organisational structure. This creates an inherent challenge for us, in that our business model and structure cannot provide as wide a scope for diversity of work and advancement opportunities in comparison to what larger organisations with elaborate structures and roles can offer candidates. This in turn means that our employees can reach saturation point much sooner than they might do in a larger organisation.

"Instilling a values-based culture enables us to implement Sasria's strategic objectives and deliver solid performance results more effectively"

As part of our vision to be a responsible and sustainable business that creates long-term value for our stakeholders, we regard this as an investment in the future. By investing in the development of our own employees, we create and build a learning culture within Sasria. We also basically make Sasria a training ground for the insurance industry, which helps to eradicate the skills shortage in our industry. As such, when our employees leave, we are proud that we have been able to afford them the opportunity to improve themselves, and that they, as Sasria brand ambassadors, will continue to grow and apply their skills to the benefit of our industry, and hence to the benefit of South Africa.

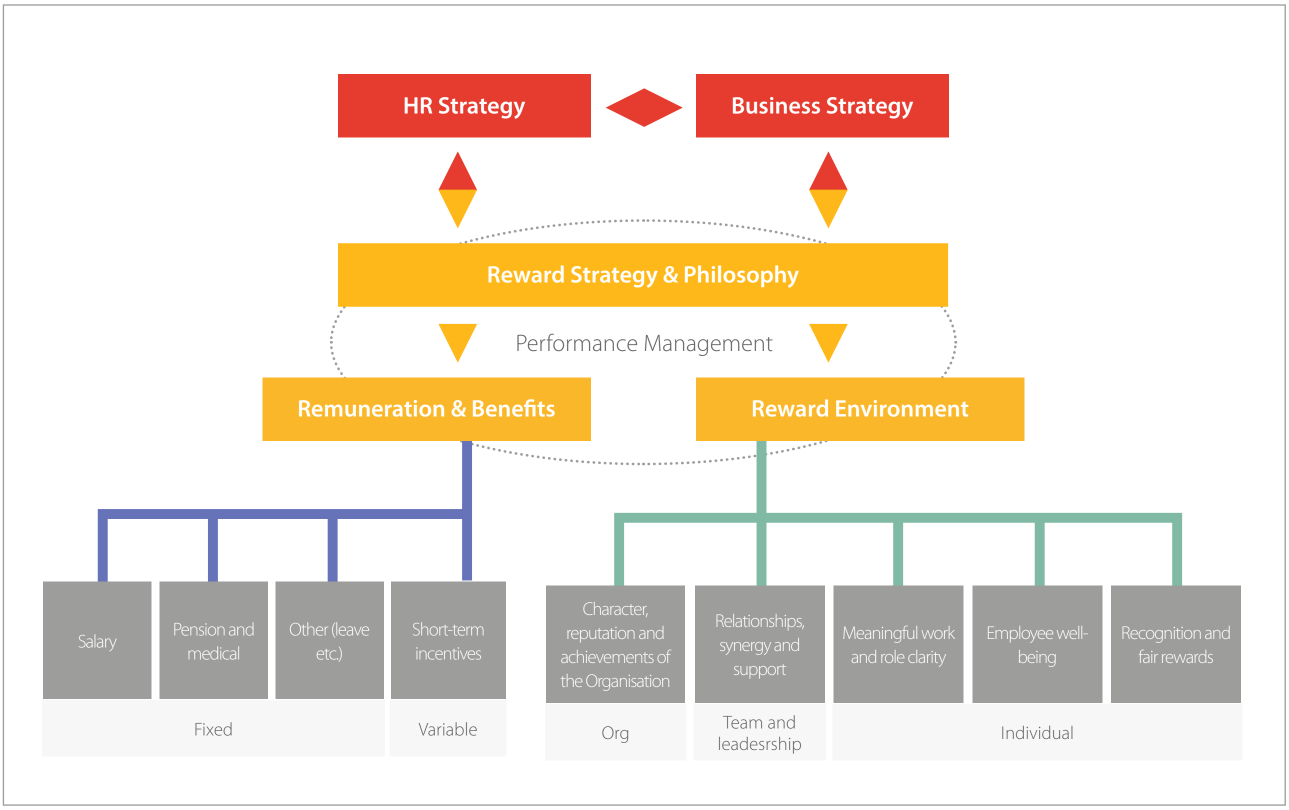
"We drive a performance culture by fairly rewarding and incentivising our employees for their contribution to Sasria's business success"

Implementing our Total Rewards framework to manage performance

This financial year saw the implementation of our new holistic approach to managing Sasria's rewards strategy (Figure 10) to strengthen our efforts to attract, retain and recognise talented employees, in recognition of the critical role that our employees play in helping us to achieve continued solid performance.

This Total Rewards framework is aligned to Sasria's vision, mission, values and business objectives, as well as to our human capital strategy. This holistic approach allows us to enable, encourage and reward our employees to deliver their best, in pursuit of the best interests of our Company, our shareholder and all our other stakeholders.
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.

Figure 10: Sasria's Total Rewards framework



Implementing a strong EVP to enable solid performance

Sasria's performance and sustainable success depend on our people, which is why we aim to employ the best, and then to enable them so that they can give their best. During the period under review we intensified the implementation of Sasria's EVP; with the theme "Working together to help build a better South Africa" (Table 8). 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.

Table 8: Our Employee Value Proposition

Employee Value Proposition *Working together to help build a better South Africa*		
Dimension	**Employees' expectations**	**Sasria EVP brand positioning and offering**
Affiliation/meaningful work environment	Values, meaningful work environment, culture, support, relationships, community work, quality of people (colleagues, leaders, direct reports), participation, communication	• Advocating real diversity, going beyond gender, race and religion; and also celebrating diversity in age, personalities, work styles and preferences and skills sets • Culture informed by our values • Working together to help build a better South Africa • We make a difference to employees, their families and our communities through education
Remuneration	Basic salary, non-guaranteed short-term incentive (STI) scheme, fair pay	• Fair remuneration

Employee Value Proposition *Working together to help build a better South Africa*		
Dimension	**Employees' expectations**	**Sasria EVP brand positioning and offering**
Benefits	Medical aid, pension fund, job security, recognition, flexible time/ work arrangements	• Fair and competitive benefits • Income security due to our strong financial performance
Development and career opportunities	Opportunity for advancement, personal growth, employment security, training, career paths, succession planning, talent management	• Significant investment in the learning, development and growth of our people • Stable business able to provide sustainable employment
Work content	Variety, challenge, structure, autonomy, feedback, impact , performance standards, work arrangements	• Meaningful work experience is rich and rewarding, which paves a way for both career advancement and self-fulfilment • Performance-driven culture

We provide below an overview of the key programmes that we implemented during the year under review to meet our employees' expectations, linked to each of our EVP dimensions:

1. Actively creating a meaningful work environment

We launched a number of initiatives during 2015/2016 to establish and strengthen healthy employee relationships.

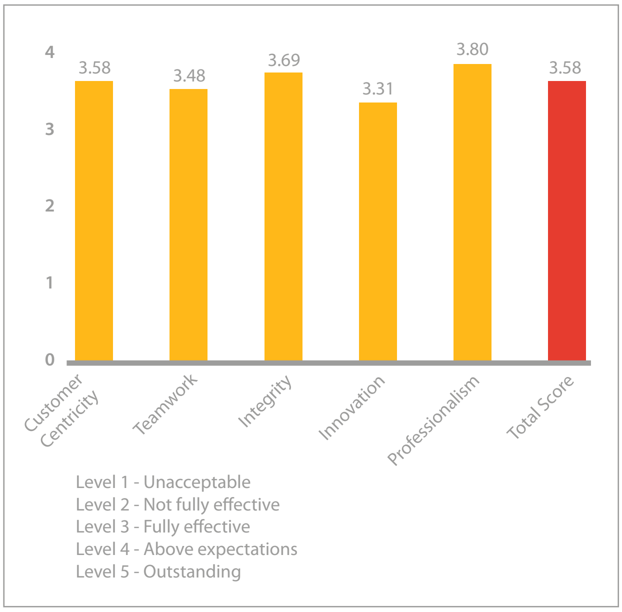
- **Living Sasria's values**
  Sasria's relationship with employees is based on our Company's values; and we encourage and enable our employees to live these values in their daily interactions.

At Sasria we believe that instilling a values-based culture enables us to implement our Company's strategic objectives and deliver solid performance results more effectively. This is why we link this critical element to every employee's performance scorecard, and why we measure everyone's performance in this regard on an annual basis.

We also implemented a 360-degree survey during 2015/2016 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. Based on the results (Figure 11) of the survey, it is apparent that we are best at living the value of 'Professionalism' (score of 3.80 out of five), followed by the value of 'Integrity'.

The value that we most need to improve is 'Innovation' (3.31), followed by 'Teamwork'. Sasria's overall values score of 3.58 is acceptable, but we still have some way to go to achieve an 'Excellent' score, which is anything from 4.5 and above.

Figure 11: Results of Sasria's 360-degree values survey



The weightings are allocated to employees on various organisational levels. Our Balanced Score Card (BSC) has four key perspectives, one of which is the organisational capacity perspective. "Living the values" forms part of this perspective, which carries a significant weighting on the scorecard of management and executives.

- **Offering a conducive and safe work environment**
  Sasria partners with Careways, a wellness service provider, to assist us in creating a conducive work environment for our employees and to enhance effectiveness in the workplace. Our Wellness Programme has been designed to assist our employees to cope with the challenges of today's world, by providing qualified professionals who offer a confidential service to assist with any issue employees may have on an emotional, physical, legal or financial level. Our focus is on encouraging the prevention, early identification and resolution of personal and productivity issues, with the assistance of qualified professionals.

- **Supporting our employees to improve education for their family members**
  We also offer our non-executive employees financial assistance in the form of bursaries, to empower them to help their family members to study (Table 9).

Table 9: Financial support to improve education for employees' family members

Level	Amount per child per annum	Total number of children	Total value 2015/2016
Grade 0 -12	R6 000	44	R264 000
Tertiary studies	R10 000	2	R20 000
Total		**46**	**R284 000**

"Sasria has contributed towards school fees for my child and invested in her future, which shows their belief in the importance of education. I would like to express my thanks for the financial support provided to us. If all other companies had a culture like Sasria, what a better place would the world be?"

- Lovelace Abt, Claims Controller.

2. Offering fair remuneration and incentives

Sasria prides itself on being a good employer, and as such we offer our employees fair remuneration and incentives.

- **Remuneration approach**
  Sasria's remuneration approach is aligned to our Total Rewards framework. Our 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 King III to ensure that directors and executives are remunerated fairly and responsibly. Our 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. We use the results of this industry information to make adjustments to our remuneration practices in order to align to the policy when required. We completed the annual remuneration and benefit benchmark review in November 2015.

- **Salary increases for 2015/2016**
  We successfully concluded the salary increase-process for 2015/2016, providing an average increase of 6%. This process was based on and informed by a number of factors, such as affordability, Company performance, market trends and our staff retention strategy.

- **Short-term incentives (STI) of 2014/2015 administered in 2015/2016**
  Two elements played a key role in determining individual STI payments based on the 2014/2015 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 2014/2015 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.

The weightings to determine STIs for executives (on levels 8 and 9) is 50% for the business metric, while the personal metric weighs 20%. Their bonus is capped at a maximum of 70% of total cost to company.

"We link salary increases and bonuses directly to the level of performance achieved in line with our Total Rewards policy"

3. Providing competitive benefits

In addition to benefits related to Sasria's pension contribution (employer and employee), medical aid and medical vitality fringe benefits, we also offer our 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.

4. Developing our employees to enhance their career opportunities

During the year under review we placed great focus on developing our employees. Our total spend on learning and development interventions was just over R4.7 million.

A breakdown of our learning and development spend per gender and race is provided in Figure 12 and Figure 13 respectively. This demonstrates our commitment and strategy to continuously develop female and previously disadvantaged employees.

During this reporting year our training emphasis and spending has been on developing the skills of our professional and middle management staff, in order to increase and strengthen our leadership pipeline. Our learning interventions during 2015/2016 focused on managerial competencies and leadership development; legislative updates; customer-centricity; information technology and computer skills; as well as technical skills (marketing, insurance operations, risk, audit and financial skills). We also invested in formal education and functional skills training.

Figure 12: Learning and development spend per gender

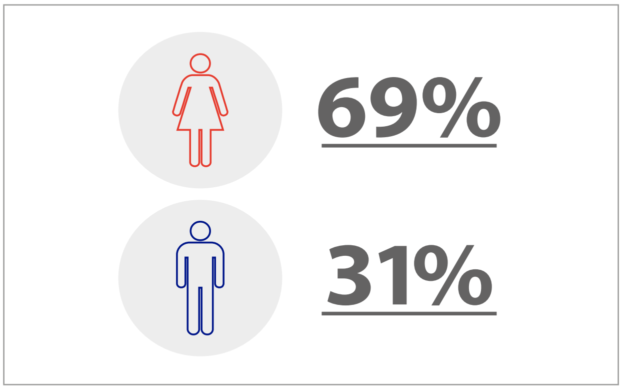
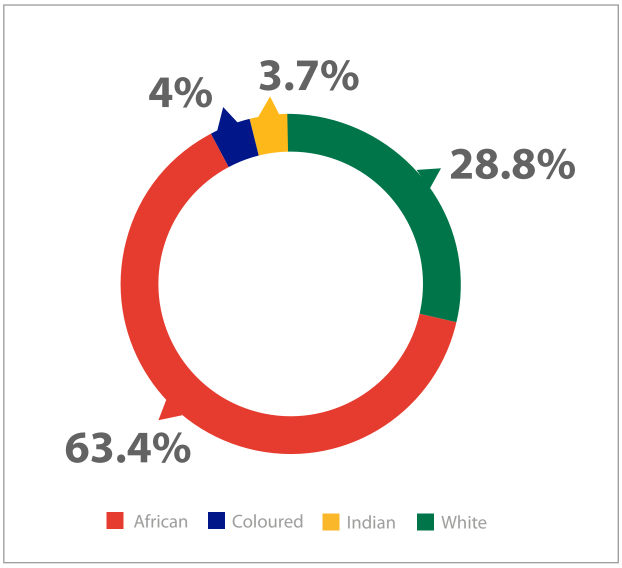


Figure 13: Learning and development spend per race



During the performance year, we grew our graduate programme and recruited more interns, resulting in a total of 16 interns. We also ensure that we provide them with solid work experience and technical training in their respective fields.

"I had a very basic exposure to insurance and limited classes of insurance business. I joined Sasria and things changed for good for me. The Sasria claims environment exposed me to all material damage policies offered by insurance companies, which is a privilege on its own. I process claims from fire losses to business interruption claims. Over and above the on-the-job training, Sasria has encouraged me to study and they paid for all my studies in full. I now have a Higher Certificate in Short-term insurance, completed the IIG Leadership Programme and I am studying towards my BCom degree in Short-term insurance. This is all due to Sasria investing in my growth and development."

- Jack Poopedi, Complex Claims Controller

5. Advancing meaningful work content and strengthening our performance culture

In order to drive a performance culture and to fairly reward and incentivise every employee for his or her contribution to Sasria's business success, we adhere to a structured annual performance management process, and we link salary increases and bonuses directly to the level of performance achieved in line with our Total Rewards policy (Figure 10).

- **Our performance management approach**
  Sasria's performance framework is managed in accordance with the BSC principles. Our BSC focuses on four key perspectives flowing from our vision and strategy: financial performance; customer and stakeholder satisfaction; organisational capacity building; and internal business process efficiency, which collectively impact on our ability to deliver on Sasria's strategic objectives.

Our BSC approach, performance management philosophy and processes are aimed at achieving the following:

- To increase the focus on Sasria's strategic objectives, strategic initiatives and results;
- To improve the business results and performance by focusing, measuring, reviewing, rewarding what matters;
- To align the corporate business strategy with the work that the divisions, departments, teams and individual employees do on a daily basis;
- To improve communication about Sasria's vision, mission, values, mandate and strategic objectives; and
- To support the prioritisation of projects, work streams and initiatives.

- **Our annual performance management process and procedure framework**
  Our performance management process and procedure framework provides the overall guidelines for setting and managing the performance standards.

  In order to drive a performance culture, our overall Company performance is linked to every individual's performance. Every employee has an individual performance scorecard, which is linked to Sasria's strategic objectives and KPIs. During 2015/2016 we regularly engaged with our employees to ensure that they are informed of Sasria's strategic objectives and KPIs, and that they understand how these align with their individual performance against their own KPIs.

Identified human capital risks inform key focus areas for 2016/2017

During 2015/2016 we also identified more strategic risks facing our people environment, which included the skills shortage in the financial and insurance sector; a lack of ability to attract and retain skilled employees; as well as a loss of employee satisfaction with Sasria as an employer. We have used these identified risks to inform our planning for 2016/2017.

"Working together to build a better South Africa" – Employee CSI initiatives

As part of our goal to attract and retain the best talent, we aim to offer all our employees an opportunity to make a difference to our country, not just by doing their jobs well, but also by enabling them to make positive contributions to society through our employee CSI initiatives.

- **Renovating Merwe Primary in Limpopo**
  During 2014/2015 we invited our employees to submit proposals for CSI initiatives that we could embark on within their communities. Magic Makambeni, the Sasria employee who submitted the winning proposal, highlighted a dire need for infrastructure development and renovations at Merwe Primary School in Limpopo. Sasria invested R2 million on this initiative during this financial year.

"I choose Merwe Primary School because the school was badly damaged and I was afraid that a wall could collapse at any time and injure the kids. Each time I go home I am also distressed to still see kids walking barefoot to school. And while I do not have the capacity or money to buy them shoes, I wanted to help them at least to have a decent place for learning by making use of the opportunity my Company offered. Thank you Sasria for helping me to make a positive difference in my community."

- Magic Makambeni, Messenger/Driver

BEFORE

AFTER

Merwe High School in Limpopo before and after the renovations

- **Employees helping to build two houses in Delmas**
  During 2015/2016 Sasria employees also participated, together with the IIG, in building two houses for two families in Delmas, who had been living in shacks for over twelve years.

Sasria staff members volunteered their time and, together with other industry partners, helped to build two houses in Delmas

"Thank you so much for all you have done for me and my family. I could never even dream of owning my own place, and only had enough to feed and clothe my family. This is my miracle. I was always afraid of the elements, wind and rain. Now I live in in a warm house. God bless you all."

- Maria Matshika, one of the recipients

Our strategic journey

Aligning implementation of our 2014 – 2019 strategy with our dual mandate

Sasria's five-year strategic journey gained more impetus in the year ended 31 March 2016. Not only did we ensure increased consolidation between our five-year strategy and our annual performance plan for the 2015/2016 financial year, we also refined these to align more closely with our dual mandate.

We clearly defined Sasria's dual mandate during the 2014/2015 year, and made a clear link between the effective delivery of our legislative mandate and our ability to deliver on our strategic transformation mandate. This enabled us to introduce KPIs for the 2015/2016 year which also addressed delivery on our strategic transformation mandate as well (p 75).

Starting with the end in mind

The starting point of our strategic journey for this five-year period had been to first strengthen our Company's current position and sustainable performance in terms of our legislative mandate. This is what would enable us to deliver on our strategic transformation mandate. The final destination of this five-year strategy is to reach a point where we have become even more relevant to South Africa by having increased our delivery of our Company's transformation objective.

We believed that we would reach our strategic goal destination by 2019 by progressively accelerating our transformation agenda year-on-year, through increasing this focus in our annual plans and key performance targets within the boundaries of the key strategic focus areas and objectives in our five-year strategy.

We have already made some changes in our 2015/2016 KPIs to expand our transformation agenda (p 75), and even more transformation elements have been included in the 2016/2017 performance plan and KPIs (refer to the Setting 2016/2017 targets section).

This trend will continue to increase going forward as the Sasria Board remains firmly focused on and committed to Sasria's transformation agenda, in order to increase the contribution that we make to help build a better South Africa (p 51).

Sasria's eight strategic focus areas for 2014 – 2019

Our 2014 – 2019 strategy rests on eight strategic focus areas, which form the foundation of our five-year strategy.

We have identified one or more strategic objectives as priorities for the 2014 – 2019 period against each of these eight focus areas (Figure 14). These collectively constitute Sasria's outcome-oriented goals for 2019. We had developed annual KPIs for each of these strategic objectives until 2019.

Our strategic focus areas for 2014 – 2019, each linked to one or more strategic objectives:

Sustainable revenue growth

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

Effective 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

Innovation in products and services

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

Infrastructure and cost management

- To optimally enable business while satisfying regulatory requirements

Development of people, capacity and capability

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

Compliance with the regulatory environment

- To proactively manage compliance

A renewed focus on customer-centricity

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

The development of a trusted and visible brand

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

Linking our annual performance plans and KPIs to our five-year strategy

We had developed annual KPIs for each of these strategic objectives until 2019. While the focus on the different strategic objectives may shift on a year-to-year basis to meet specific short and medium-term targets, our annual performance plan and KPIs remain clearly linked to each of our eight strategic focus areas. In this manner we are progressively working towards delivering on our long-term strategy by 2019.

Seven KPIs were used for the 2015/2016 performance year to reflect whether the annual performance plan had been successfully implemented. The link between these KPIs, the strategic objectives that we focused on during the 2015/2016 financial year and the eight focus areas of Sasria's 2014 – 2019 strategy are outlined in Figure 14.

Figure 14: Our 2015/2016 key performance indicators, linked to our 2014 – 2019 strategic focus areas

Focus area 2014 - 2019	Key performance indicators 2015/2016
	Gross written premium income growth
	Net underwriting profit growth
	Reduce the Internal claims turnaround time
	Develop Sasria's skills base to reduce reliance on external consultants
	Increase brand awareness
	Research special risk insurance products
	Achieve B-BBEE level 1 certification

Strategic focus areas

Key performance indicators 2015-2016

Our annual performance planning management process

We follow a very robust annual performance planning and review process (Figure 15), which is designed to align with the annual public sector timetable for planning.

This annual process includes the following elements and stakeholders:

- We start the process by performing research and doing environmental scanning; and present the results to the Board for its information.
- The Board then develops its strategic direction for the next financial year. Our Board includes a non-executive director from National Treasury who represents our shareholder. His role is to ensure that Sasria's strategic direction is in line with the strategic intent of the Minister of Finance, to whom we are accountable.
- Using the outputs of the Board's annual strategic planning session as input, our executive team then develops an annual performance plan. All senior managers and departmental heads participate in this process.
- Sasria's management teams then review the annual performance plan and use the outputs of the executive team's annual planning session as input for the operational planning for their respective departments. The management review and planning process has historically been integrated into the executive team's strategy development process, but these elements have now been separated into their strategic and operational components to enhance focus.
- The annual performance plan, with agreed KPIs linked to Sasria's strategic objectives, is then implemented.
- Operational performance against the strategic plan is constantly measured and remedial actions are instituted when needed. We review and report on our progress against the set targets on a quarterly basis.

Figure 15: Sasria's annual performance planning and review process

Key elements that guide Sasria's annual performance planning, targets and KPIs

In developing Sasria's annual performance plan and KPIs for 2015/2016, we considered the following:

- Sasria's dual mandate, to ensure that we continue to deliver on both our legislative and strategic transformation mandates;
- Sasria's customers, to ensure that our customers remain at the forefront of our planning and decision-making, as necessitated by the TCF approach, which is required by the FSB;
- Capital adequacy, to ensure that we would always be able to honour our liabilities, as required by the FSB's Solvency Assessment and Management (SAM) initiative;
- Risk management, to ensure that we make Own Risk and Solvency Assessment (ORSA) the way we manage our business on a day-to-day basis;
- The Strategic Intent Statement from the Minister of Finance; to ensure that we meet our shareholder's expectations;
- Corporate citizenship, to ensure that Sasria continues to support Government's NDP; and
- Sasria's material matters.

"Insurance is the backbone of every industrial economy and by providing investors a guarantee that we can protect their assets against special risks, we instill investor confidence in South Africa"

Our contribution to South Africa's NDP

Sasria contributes to government's NDP in a number of ways (Table 10).

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.

Insurance is the backbone of every industrial economy and without the guarantee to investors that we can protect their assets against special risks, our country will struggle to attract and retain foreign investors who are vital to South Africa's economy and prosperity.

This is why our legal mandate also includes that we need to continuously research and investigate coverage for any other special perils which could be considered to be of national interest (p 75).

In addition to this, 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.

How Sasria contributes to Government's NDP

Table 11 indicates the alignment between Sasria's strategic objectives and Government's NDP priorities, and outlines the specific contribution that Sasria makes to Government's NDP priorities in general. We also include information about the particular contribution we made during 2015/2016 in each instance:

Table 10: Alignment of Sasria's strategic focus areas and objectives with Government's NDP

Government's NDP priorities	Sasria's strategic focus areas and objectives
Grow an inclusive economy **Transformation and unity** **Build capabilities** **Improved education and training**	**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 **Innovation (product and services):** To become a centre of innovation in special risk insurance **Regulatory environment:** To proactively manage compliance
Grow an inclusive economy **Create jobs** **Eradicate poverty** **Enhance the capacity of the state**	**Customer-centricity:** To provide superior service
Grow an inclusive economy **Create jobs** **Fight corruption** **Enhance the capacity of the state**	**Regulatory environment:** To proactively manage compliance Brand development: To create a trusted brand that resonates with all our customers
Expand infrastructure **Improve education** **Transformation and unity** **Transform urban and rural spaces**	**Sustainable revenue growth:** To consistently outperform the industry average in premium growth Brand development: To create a trusted brand that resonates with all our customers
Grow an inclusive economy **Eradicate poverty** **Transformation and unity** **Build capabilities**	**Innovation (products and services):** To become a centre of innovation in special risk insurance and establish new business distribution channels Brand development: To create a trusted brand that resonates with all our customers
Grow an inclusive economy **Transformation and unity** **Build capabilities** **Improved education and training**	**Brand development:** To create a trusted brand that resonates with all our customers **People, capacity and capability:** To attract, retain and develop skills that support our aspirations
Grow an inclusive economy **Create jobs** **Transformation and unity** **Build capabilities**	**Sustainable revenue growth:** To consistently outperform the industry average in premium growth **People, capacity and capability:** To attract, retain and develop skills that support our aspirations **Regulatory environment:** To proactively manage compliance

Our contribution to Goverment's NDP

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	***Sasria is self-funded, requires no financial support or guarantees from Government, has sufficient capital to cover our risks and is well-managed.***
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	***This means we help to ensure that jobs are not lost, that livelihoods are maintained, and that people's pride and dignity are restored.***
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	***Sasria's trusted guarantee encourages economic growth and has a positive impact on our economy and country.***
Investing profits responsibly, developing infrastructure, by: • Encouraging and protecting infrastructure development by providing guaranteed 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	***We invest our profits responsibly to ensure that we remain financially sustainable and are able to respond when South Africa needs us to pay their special risk claims.***
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	***We are partnering with the industry to establish new business distribution channels so that our product becomes increasingly more accessible to the huge uninsured market.***
Developing skills in the financial sector to ensure sustainability and transformation, by: • Investing 4% after-tax profit in CSI initiatives, with 75% 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	***We do this as part of doing business as a responsible corporate citizen and to ensure our sustainability by making sure that the skills we will need in the future are cultivated today.***
Contributing to economic empowerment and transformation, by: • Investing with BEE asset managers • Applying these principles in our procurement policies and practices • Applying these principles in our employment policies and practices	***Our commitment and contribution to economic empowerment and transformation is evident in a number of ways and an integral part of how we do business.***

Description of our contribution to the NDP (Refer to Performance section for more detail)

Accelerating our business transformation journey to remain relevant

- Our Chairperson's report

It is an honour for me to present Sasria's fifth integrated report, with the theme *"Sasria remains solid in times of turmoil".*

This report focuses on our Company's performance during the year ended 31 March 2016, and provides a more holistic and integrated overview of our progress against Sasria's five-year strategy for the period 2014 – 2019.

Our strategic journey to date, and the need for greater momentum in transformation

When we embarked on the journey to implement this five-year strategy, our initial focus had been on first enhancing our Company's operational performance – to get Sasria to become a mature, professional and sustainable organisation in terms of our legislative mandate. We believe that we have achieved this, as is evident from our consistently solid performance results, even during a year which brought an increase in the severity of claims due to the increase in turmoil and civil unrest in South Africa.

Ironically, it is exactly this increase in civil unrest that should create an even greater sense of urgency and highlight the need for us, as for all other state-owned entities and businesses in our country, to begin to contribute more aggressively to South Africa's transformation agenda.

It is only when we as a people have collectively helped to grow a more inclusive economy and created a better life for all South Africans that we will see less civil unrest and dissatisfaction with the great divide between rich and poor, and can all enjoy living and working in a stable society fostered by a growing and sustainable economy.

Greater sense of urgency to accelerate delivery on transformation agenda

This is why we as Sasria now plan to vigorously intensify our efforts to accelerate our business' transformation agenda to enable us to reach the strategic goal destination of our five-year strategy by 2019. By then we want to have reached a point where we have become even more relevant to South Africa by having increased the effective delivery of our strategic transformation mandate.

In recognition of the fact that we play a central role in South Africa as a state-owned company, we have to drastically increase Sasria's contribution to our country and our government's national agenda if we want to remain relevant. And we will only remain socially relevant and relevant as a state-owned company if we contribute substantially to the growth, development and transformation of the financial sector and our economy. This is one of our most critical material issues.

This report outlines what Sasria has done during 2015/2016 in terms of delivering on our transformation mandate (p 52), as well as how we have further increased the focus on our transformation agenda in setting our targets for the next financial year (Refer to Setting our performance targets for 2016/2017).

However, Sasria's Board and executive team members have committed to expand our Company's transformation focus even more actively going forward, by ensuring that our annual corporate plans and key performance targets between now and 2019 progressively reflect more of our strategic transformation goals, within the boundaries of the key strategic pillars and objectives in our five-year strategy (p 53).

It is the South African public, through their democratically elected government, who ultimately give us our licence to operate. And this is what lies at the heart of our strategic transformation intent. If we as Sasria cannot make a positive difference in the lives of the everyday man on the street, we will not remain relevant as a state-owned entity. This means that we need to do business differently. I foresee significant changes coming in our Company – we simply cannot do what we need to do in our current guise, not if we want to significantly increase the positive contribution that we can make to the South African society.

Meeting the strategic expectations of Government as our shareholder

Our shareholder's first and foremost expectation of Sasria is that we should contribute to the development and transformation of the South African economy and the financial services sector in particular. This means that delivering on our strategic transformation mandate should be our primary focus in our aim to remain relevant as a state-owned company in South Africa.

However, in order to meet this primary expectation of Government, we need to first effectively deliver on our legislative mandate, which is to provide cover against those special risks which are not covered by the private insurance industry. Our mandate enables us to help the South African Government to stabilise the economy in the event that these special risks, which have the potential of catastrophic losses, occur.

During the 2014/2015 performance year we debated and clearly defined Sasria's dual mandate. With the direct link we then made between the effective delivery of our legislative mandate and our ability to deliver on our strategic transformation mandate, we were able to more succinctly outline our contribution to Government's National Development Plan during that performance year.

In the light of this, I am structuring my report on Sasria's performance for the 2015/2016 year on our delivery against our dual mandate. I will focus on how we had delivered on our strategic transformation mandate, as this is the primary expectation that our shareholder has of us as a state-owned company, and the key to us remaining relevant in South Africa.

I will then briefly touch on highlights of Sasria's performance on our legislative mandate, but only in as far as it relates to our primary mandate. Cedric Masondo, Sasria's Managing Director provides more detail on this performance in his report (p 65).

Delivering more aggressively on our strategic mandate during 2015/2016

We substantially increased delivery on our strategic mandate during the period under review. In addition to outlining the specific contribution we made to the National Development Plan (p 56) during 2015/2016, I wish to highlight how we delivered on our strategic mandate in three critical areas.

- **Helping to grow an inclusive and transformed economy and financial sector**

During the 2015/2016 financial year we contributed to this transformational objective, which is one of our key material matters, in a number of ways. Our solid financial results meant that we could continue to add to South Africa's fiscus; grow investor confidence in our country; and ensure that jobs were not lost by restoring the liquidity and operations of businesses that had suffered significant losses due to special risk events.

We also continued to support financial literacy programmes and community campaigns to raise the general level of awareness and understanding of basic financial principles (p 27).

However, we believe that one of the most critical factors to grow and transform the economy and financial sector in South Africa, with far-reaching impact, is to improve the level of financial inclusivity through being able to offer relevant and affordable insurance to the huge group of South Africans who are currently excluded from the formal financial sector.

We identified this as a material issue in the year under review, and as such we paid pertinent attention to becoming more accessible, particularly to the uninsured market in our country. These are the most vulnerable people, who currently have no, or at least very limited, insurance protection. Over the last few years, the highest number of victims of events such as service delivery protests, student riots and civil unrest, as well as the random acts of criminality that inevitably follow incidents like these, has been the poorest of the poor. These are the people who could ill afford to pay the price to replace the assets – meagre as these may be – that they have lost as a result of these events.

Since growing an inclusive economy and transforming the financial landscape form part of our strategic transformation mandate, the Sasria team conducted research during 2015/2016 to identify if there was a need for special risk cover to be tailor-made for the small, medium and micro-sized enterprises as well as for individuals within the Living Standards Measures 1– 6, in order to ensure greater financial inclusion and become more accessible to low income earners.

This research (p 15) identified a definite need for Sasria to develop tailor-made special risk products within this target audience. Sasria has developed a phased approach to implement the recommendations of this report. The roll-out of the first of these new special risk products for this previously financially excluded group is expected to take place in the near future.

"Sasria, and indeed our entire industry and the financial sector, needs to do more to find ways to extend our reach to include those people in our society who are financially the most vulnerable"

- **Enhancing the capacity of the state, especially in terms of special risk events**

As another one of our key material matters, Sasria contributed to this transformational objective in a very specific manner during the 2015/2016 performance year, by conducting extensive research into significant perils facing South Africa which are currently not included in our legal mandate, such as natural disasters.

In a world where climate change and its impact is a reality, the frequency and severity of disaster is increasing. Countries all over the globe are looking for solutions for protecting their economies and citizens against special risks. In the event of a natural disaster, any government is expected to play its role as the reinsurer of last resort.

In our current economic environment it makes sense for our government to enhance the capacity of the state to deal with these special risks, which lead to the destruction of lives and property and result in loss of economic activity whenever they occur.

The current severe drought that South Africa is experiencing has a negative impact on more than only our economic and social environment. It also further poses a significant food security risk to our country, as well as an escalating threat in terms of the three main problems facing South Africa: poverty, inequality and unemployment.

Sasria's research report (p 66) into these special risks has already been presented to National Treasury for consideration. Based on the above-mentioned research, we recommended that our government pay urgent attention to addressing these special risks, especially those arising from natural disaster.

In light of the changes in our climate and low insurance penetration, we also advised on the importance for Government and the insurance industry to come together in public-private partnerships. Enhancing Government's capacity to deal with those special perils facing our country will also ensure that we mitigate the risk of not achieving our National Development Plan's main objective of transforming and building a better South Africa.

- **Improving education and contributing to transforming the financial sector**

Central to any successful transformation endeavour lies the need to improve education, develop skills and build human capacity. This is why we targeted the bulk of Sasria's total corporate social investment spend on educational initiatives.

Of our total corporate social investment spend, R4.4 million or 21% was invested specifically on education and skills development initiatives aimed at contributing to the transformation of the financial sector.

One such initiative is our continued contribution to the South African Actuaries Development Programme. Since the inception of this programme in 2003 Sasria has invested over R55 million in the development of actuaries in our country, and through this initiative we have contributed to producing 217 actuarial graduates to date.

Sasria also awarded R8.3 million in the 2015 academic year to 39 students for their studies, mainly within finance faculties, and continued with its successful graduate placement programme (p 28).

These initiatives have contributed to the eradication of the shortage of scarce skills within the financial and insurance industries, and to a significant increase in the number of individuals from previously disadvantaged communities within this highly skilled field.

"Any successful transformation endeavour depends on improved education, the development of skills and building human capacity

This is why we allocate the bulk of Sasria's total corporate social investment spend on educational initiatives"

We further added to the transformation of the financial sector through our accepted practice to outsource the bulk of Sasria's investments to independent external B-BBEE investment managers.

During the year ended 31 March 2016, 82% of our investments (just over R3.7 billion) were placed with Level 2 B-BBEE asset managers, with 10% (just over R452 million) with investment managers with a Level 3 B-BBEE rating

Delivering solid results on our legislative mandate, despite increased turmoil in SA

Sasria's performance against the set targets for 2015/2016 was excellent, despite the economic challenges and the increase in the severity of claims due to the increased civil unrest in our country during the past year (p 69). These results are indicative that Sasria has achieved a certain level of maturity, in view of its success in achieving 10.6% growth in gross written premiums that would make most companies proud against a background of slow economic growth and an increase in the severity of claims.

This report also highlights our performance during 2015/2016 in terms of managing our government and regulator's capital and solvency management requirements; as well as the good progress we made to embed sound governance, risk and regulatory practices and an ethical culture in order to remain a responsible corporate citizen and earn our stakeholders' trust.

While we have done well in raising awareness of the Sasria brand with our current end-customers, particularly our commercial and corporate customers in the higher income groups, we still have a huge challenge ahead in establishing the Sasria brand in the hearts and minds of ordinary South Africans, particularly those in the lower income groups and from previously disadvantaged backgrounds.

This will enable us to increase awareness and understanding of what we can offer the public and small business owners, so that they will choose to use our affordable insurance cover to protect their assets against special risks.

Our continued relevance and sustainability as a state-owned company rest on the recognition of all the people of South Africa that we always put the public interest uppermost in the decisions we take and the work we do in our Company.

Increasing our focus on remaining solid and relevant as a state-owned company

Going forward, we will be increasing our efforts to continue to deliver solid financial results, but with a clear understanding of where we place our emphasis in this regard. Remaining profitable is obviously key to our continued sustainability, but we recognise that our profit is only a means to an end – to contribute to changing South Africa for the better, for all her people. This is where the real answer to our long-term sustainability lies. We can only remain relevant if we make a difference to the lives of the South African public.

"We still have a huge challenge ahead in establishing the Sasria brand in the hearts and minds of ordinary South Africans, particularly those in the lower income groups and from previously disadvantaged backgrounds"

From a Sasria perspective I regard our contribution to managing social expectations as probably the biggest risk mitigation strategy that we can implement. By assisting in making our economy and financial sector more inclusive, we help to minimise the mounting level of societal dissatisfaction being expressed through increasing civil unrest events.

Contributing to building a better South Africa and a society where even the most humble and most vulnerable people have access to the benefits of the formal financial sector is the only way in which we as Sasria will continue to remain relevant and sustainable in the long term.

My heartfelt appreciation

The Sasria team achieved an excellent set of results in the 2015/2016 financial year, and in most instances, the outcomes exceeded expectations. I thank you, and extend my heartfelt appreciation to you. It is a privilege to work with such a committed team of people.

I would also like to thank our stakeholders, non-mandated intermediaries and brokers, without whom we would not be able to maintain our lean business model.
It is my hope that we will continue to work together to find new ways in which to do business so that we can all contribute to the noble cause of helping to grow and transform our country, to the benefit of all her people.

My sincere appreciation is also extended to the team at National Treasury, and I gratefully acknowledge and thank the Honourable Minister of Finance, Mr Pravin Gordhan, for his guidance and support.I thank all the members of the Sasria Board for their tireless efforts to guide Sasria to deliver on its dual mandate. I value your support and contribution to our discussions.

To the Executive Committee, under the guidance of Managing Director, Cedric Masondo – I thank you all sincerely for your commitment and work ethic, as well as for your passion to make a difference to our country. It is your hard work which makes it possible for us to achieve these results.

Adam Samie
Board Chairperson

Our performance

Solid performance results despite our challenging operating context

This section focuses on our Company's performance during the year ended 31 March 2016. We start off with an interview with our Managing Director, in order to set the scene for Sasria's performance during the period under review. This is followed by our Finance Director's report on our financial performance.

We then provide a detailed account of our performance against the set targets for the year under review, and conclude this section with the targets we have set for the next year, ending 31 March 2017.

Strengthening our ability to deliver on our five-year strategy and transformation focus

- An interview with our Managing Director, Cedric Masondo

The Chairperson has provided more detail on highlights of our performance on Sasria's legislative mandate in his report. We now speak with Cedric Masondo, Sasria's Managing Director, to get more detail on our performance in as far as it relates to our primary mandate during 2015/2016.

Q: Last year saw the implementation of Sasria's 2014 – 2019 strategy, and your key focus then was on consolidating Sasria's position of leadership and financial stability. Has your focus changed in this financial year under review?

No, it has not changed. We remained firmly focused on delivering on our five-year strategy. All our key performance indicators remained linked to the eight strategic pillars and the strategic objectives of our five-year strategy by 2019, as set out on page 52 of this report.

We only increased the targets for 2015/2016. However, there has been a change in that we have added two new key performance indicators for the 2015/2016 year.

This was done to replace two projects that we completed during the 2014/2015 year. More importantly though, was that we added these two new key performance indicators in line with our objective to progressively accelerate our transformation goals year-on-year, to ensure that we deliver positively on our shareholder's primary expectation for us.

As our Chairperson noted earlier in this report, if we want to remain and become even more relevant as a state-owned company, we need to contribute to the development and growth of the South African economy, particularly in the financial sector.

Q: So what is the first new key performance indicator that has been added this year, and why?

The first key performance indicator was to do extensive research into special perils facing South Africa. This was done at the request of the Minister of Finance. This key performance indicator is also specifically linked to our strategic objective for Sasria to become a centre of innovation in special risk insurance. I am pleased to report that we have met this key performance indicator, and delivered a comprehensive research report and recommendations to National Treasury on 31 March 2016.

Going forward, we intend to use the insights gained from our research to increase our customer-centric focus by educating our current and future customers on special risks. We are also planning to create a research unit in our Company, to make sure that we can become and remain at the forefront as experts in special risk insurance.

This will also enable us to continue to deliver an even bigger contribution as a state-owned company. We will be able to enhance the capacity of our government to deal with new special risks that are of national interest, whether man-made or a natural disaster such as drought. We will do that by continuously investigating and recommending solutions to help Government to deal effectively with and mitigate those risks which could significantly impact on its ability to achieve our country's National Development Plan goals.

Q: And the second new key performance indicator that has been added this year?

The other new key performance indicator we added this year was to achieve a Level 1 B-BBEE certification by 31 March 2016. This key performance indicator is specifically linked to our strategic objective to optimally enable business while satisfying regulatory requirements. More importantly, it is also linked to our transformation agenda. As a responsible corporate citizen and a state-owned company we need to contribute to Government's transformation goal. Unfortunately this is the only key performance indicator that we have not been able to meet this year, despite considerable work put into restructuring Sasria's procurement.

During 2015/2016 we centralised our procurement function and placed strong emphasis on streamlining and making our processes more effective. We also invested money in enterprise development and, in partnership with the Gauteng Department of Economic Development, contributed to enterprise development.

Q: How did you perform against all the other key performance indicators set for 2015/2016?

We exceeded two and met four of the seven strategic key performance indicators set for 2015/2016. As I noted above, there was only one key performance indicator that we failed to meet.

When I take the challenging operating context during this year into account, I can confidently say that we have delivered a solid performance, despite the challenges we faced this year.

Q: What were the key challenges that Sasria faced this year?

As noted earlier in this report, the socio-economic challenges in our country had a direct impact on Sasria's operations. The high levels of unemployment, increasing retrenchments and greater demands for service delivery in the country led to increased civil unrest and protests.

This in turn led to us receiving the highest number of claims we have ever received. We also saw an increase in the severity of the claims we received, as well as the single highest claim received to date. More detail in this regard is provided on page 71 of this report.

The increase in the frequency and severity of claims in the past four years meant that we had to increase the number of people we needed to deal with the claims. However, I am proud to note that despite the higher influx of claims, we were still able to meet our turnaround time key performance indicator.

A second challenge that we faced this year was that our investment portfolio did not perform as well as it could have, due to the downturn in the general economic environment. This resulted in us not meeting our net profit target. However, we managed to meet and exceed our underwriting profit because we managed our savings in reinsurance and expense ratio well, despite the increase in the severity of claims.

A third challenge is related to our inherent challenge to retain staff. Even though our staff turnover decreased this year compared to 2014/2015, it remains a challenge. It is for this reason that we placed strong emphasis on staff retention during this year, specifically through fast-tracking the implementation of our employee value proposition, improving staff engagement and providing opportunities to our staff to develop their talent and skills.

Q: What would you regard as the key highlights for 2015/2016?

When I look at the solid financial results we achieved despite the operating challenges we were faced with, I can confidently label this as a key highlight. We have achieved double digit growth; increased our assets under management to R6.2 billion; increased our reserves to R5.3 billion; and sustained our strong financial performance on all our financial measures, except for our net profit.

Despite the increase in the severity of claims, we remained financially strong and stable. This means that we can continue to meet our financial and legal obligations without asking Government for any financial support.

A second highlight is that we have been able to attract top talent in areas where there is a skills shortage, namely internal auditing and actuarial functions. This enabled us to do this work internally, which greatly contributed to us reducing our consultancy fees by 22.5% during the year under review.

I regard the fact that we have started to grow our staff numbers as another key highlight. While many other companies had to resort to retrenching employees, we grew our staff numbers – and we will continue to grow our employee numbers, by bringing in the right skills and talent that we require to deliver on our dual mandate and five-year strategy.

"We have achieved double digit growth; increased our assets under management to R6.2 billion; increased our reserves to R5.3 billion; and sustained our strong financial performance on all our financial measures, except for our net profit"

During this past year substantial work and effort have also been put into strengthening our Sasria brand, and we reached millions of customers and potential customers with a number of initiatives.

Our corporate social investments in contributing to social development and the National Development Plan also remain a key highlight, especially considering that we spent R16.8 million (75%) of our total corporate social investment allocation of R22.2 million to help improve education and training in South Africa, particularly in order to contribute to addressing the critical skills shortage in the financial and insurance sectors, and to increase financial literacy.

We regard corporate social investment initiatives as a crucial business tool in helping us to ensure our own long-term sustainability.

By contributing to the eradication of the skills shortage in our industry, we are making sure that we will have the employees that we need when we need them.

"Sasria is financially strong, and we are able to sustain our performance because we are a responsible, disciplined, well-governed and professional company"

Q: What are some of the key focus areas for 2016/2017?

People. That is our most important focus area for next year. We aim to grow our Company to deliver even more effectively on our dual mandate. So we need to create a pipeline to be able to fill the new positions that we will be creating. We are entering a very exciting phase in our Company's history.

There are many new opportunities coming – we are going to grow and move into new markets and developments, in line with our shareholder's expectation to make a positive contribution to creating a more inclusive economy and to transform the financial and insurance industries in particular.

This means that we need to focus on finding the right people with the right skills, who can join us to create value for our shareholder and for the South African society. So recruiting, developing and retaining our people will be our key focus next year.

Linked to this is a second key focus area, which is to improve and strengthen our engagement with our staff, and create a meaningful, conducive work environment and a high performance culture.

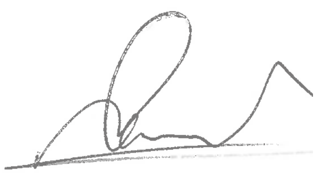
A third key focus for next year is to fully embed a culture where we not only comply with our regulator's requirements in terms of risk management, but where we are completely ready to implement SAM and ORSA when these become effective in 2017/2018.

Q: What is your key message to all our stakeholders?

Sasria is financially strong, and we are able to sustain our performance because we are a responsible, disciplined, well-governed and professional company. We are ready for the future, and we are looking forward to delivering even more effectively on our government's expectation of us as a state-owned company.

On behalf of management and the Sasria family, I would like to thank all our stakeholders for their continuous support especially our customers, intermediaries, NMIs, Board members and our colleagues at National Treasury.

As a proudly South African team we are also excited to further increase our positive contribution to transforming and building a better country for all.



Cedric Masondo
Managing Director
4 August 2016

Our Finance Director's report

Basis of financial reporting

The financial statements for the year ended 31 March 2016 were prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), effective as at 31 March 2016.

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

Financial overview

For the year ended 31 March 2016 Sasria achieved a net profit before tax of R709.3 million (2015: R834.1 million). These solid results were driven by positive net underwriting results of R415.0 million and net investment returns of R294.1 million.

Sasria's balance sheet remains strong, providing a solid base from which to achieve our strategic objectives. Cash generated from operating activities increased from R721.5 million in the previous financial year to R818.4 million in this financial year. Sasria achieved a return on equity of 9.7% (2015: 12.6%). Tables 11 and 12 present a summary of key figures and ratios.

Table 11: Extracts from the statement of comprehensive income: comparison 2014-2016

Statement of comprehensive income	**2016**		**2015**		**2014**
	R'000	**% change**	**R'000**	**% change**	**R'000**
Gross insurance premium written	1 683 895	10.6	1 522 866	9.5	1 390 338
Insurance premiums ceded to reinsurers	(139 084)	(1.4)	(140 994)	11.4	(126 573)
Investment income	318 067	(18.4)	389 755	(12.0)	443 109
Net insurance claims	(587 056)	33.3	(440 559)	43.8	(306 382)
Share of profit / (loss) of associate	-	0.0	-	(100.0)	4 860
Profit before tax	709 369	(15.0)	834 140	(11.6)	944 039
Key ratios (Percentage)					
Administration and marketing expense ratio	21.6	(1.5)	21.9	(4.5)	23.0
Operating ratio	72.4	9.3	66.2	19.0	55.6

Table 12: Extracts from the statement of financial position: comparison 2014-2016

Statement of financial position	**2016**		**2015**		**2014**
	R'000	**% change**	**R'000**	**% change**	**R'000**
Total assets	6 597 925	8.9	6 058 898	10.6	5 478 731
Total equity	5 372 536	6.4	5 051 622	8.7	4 646 716
Total liabilities	1 225 389	21.7	1 007 276	21.1	832 015

Economic environment

The South African economy and its growth outlook continued to deteriorate, with business confidence reaching its lowest point in 10 years. The economic growth rates were revised down by the South African Reserve Bank (SARB) during March 2016, from 1.5% to 0.9%. The bank continued to hike interest rates to manage rising inflation expectations, the weak exchange rate and macro policy credibility.

The causes, which are now structural rather than cyclical in nature, influenced by macro-economic conditions and coupled with global market volatility, provided a challenging economic environment for the period under review.

Underwriting performance

The underwriting results declined by 11.2% compared to the same period last year, as depicted in Figure 16. The slightly lower underwriting performance can mainly be attributed to an increase in gross claims incurred of 34.3%, which was mostly offset by good growth in gross written insurance premium and savings on our reinsurance treaties.

Figure 16: Underwriting results (2012–2016)

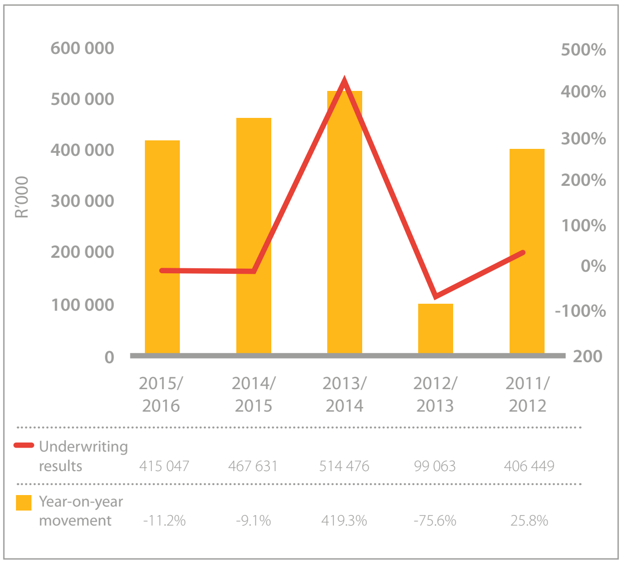


Table 13 details Sasria's insurance activities expressed as a percentage of net earned premium. In this financial year, 39% of net premiums earned were applied to claims, which is an increase of 20.2% over 2014/2015. This was due to an increase in the severity of claims (p 16). The net cost of acquisition increased marginally. Administration and marketing expenses were maintained at an acceptable level. The insurance activities are presented in more detail below.

Table 13: Summary of insurance activities as a percentage of net premiums earned (2012 - 2016)

Insurance activities	2016 %	2015 %	2014 %	2013 %	2012 %
Net claims paid and provided*	39.0	32.4	25.6	61.1	27.6
Cost of acquisition*	33.5	33.2	31.2	27.0	18.1
Net commission paid*	11.9	11.2	8.2	(0.3)	(9.8)
Management expenses*	21.6	21.9	23.0	27.3	27.9
Combined ratio*	72.5	65.6	56.8	88.1	45.7
Underwriting result*	27.5	34.4	43.2	11.9	54.3
Earned premium*	100.0	100.0	100.0	100.0	100.0

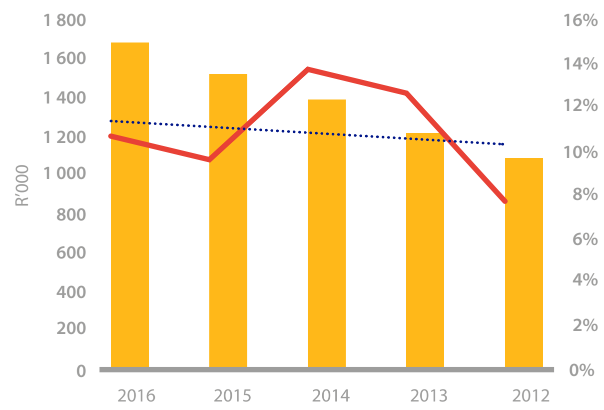
**Activities expressed as a percentage of net earned premium*

Gross written premium (GWP)

Sasria successfully focused on growing its top line this year and is satisfied with the premium growth of 10.6% achieved during the year under review (Figure 17).

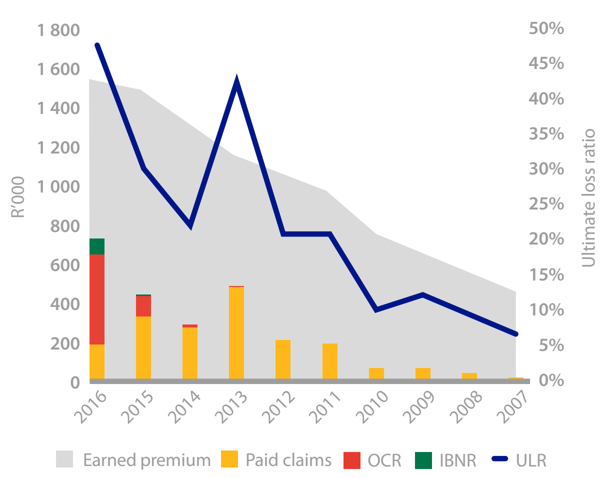
The growth in GWP can be attributed to the successful implementation of the CRM team's plan for the year, targeted marketing initiatives and active sales of the Sasria Wrap product. Sasria enjoyed an annual average compound growth rate of 9.1% over the past five years.

Figure 17: Percentage increase in GWP



	2016	2015	2014	2013	2012
Actual	1 683 895	1 522 866	1 390 338	1 223 530	1 087 133
% Growth	10,6%	9,5%	13,6%	12,5%	7,5%

Figure 18: Ultimate claims and loss ratio breakdown



Claims activity

The ultimate loss ratio as at 31 March 2016 was 35.6% (2015: 29.1%), as depicted in Figure 18. A detailed analysis of Sasria's claims experience during the year under review is provided elsewhere in this report (p 16).

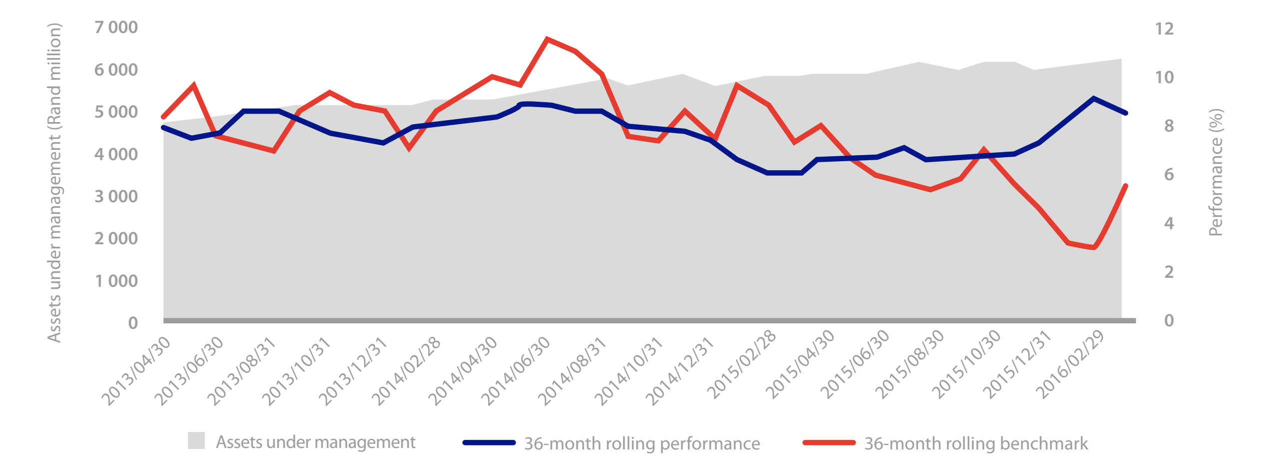
"We measure investment returns over a 36-month rolling period. Over the 36-month period the portfolio fluctuated between 3.05% above to -5.03% below the benchmark of CPI +2%"

Investment income

Investment income consists of interest and dividends together with realised and unrealised investment gains and losses. The relative contribution of each category to Sasria's overall investment income is outlined elsewhere in this report (Note 19 on p. 162).

The achieved investment return is 1.05% below Consumer Price Index (CPI) on a year-to-date basis. On a rolling 12-month basis, the portfolio yielded a return of 5.41% compared to the benchmark of CPI + 2% of 8.47%. The underperformance of 3.06% is still within our risk appetite.

Figure 19: Assets under management and rolling 36-month return



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 -5.03% below the benchmark of CPI +2% (Figure 19). The portfolio initially outperformed the benchmark between 30 May 2013 and 30 June 2013 with performance returns above 8%. The trend continued until 30 June 2015 where performance returns declined to 6%, with underperformance in particular months only.

In the latter part of 2015, performance declined below the benchmark as a result of various macro-economic variables in South Africa. In Figure 19, a steep decline is reflected in December 2015 and January 2016. This decrease can be attributed to the massive market volatility experienced during that period, which some commentators blamed on the change in the Finance Minister's position. However since the appointment of Minister Pravin Gordhan the markets have shown some correction.

The majority of Sasria's investments are in short-term instruments in order to accommodate operational needs related to the nature of our business (Note 4 on p. 139). Sasria monitors its investments from an asset/liability matching perspective, which in turn ensures that sufficient funds are available to meet our Company's insurance liabilities and that the shareholder's fund is not unduly exposed to investment risk.

The composition of Sasria's total investments remained largely unchanged, except for the sale of the remaining assets left in our associate company, the aloeCap BEE Private Equity Trust (Note 12 on p. 159).

The bulk of Sasria's investments are outsourced to independent external asset managers under pre-determined mandates as per Sasria's investment policy. In total, Sasria had R6.2 billion assets under management at the end of the period under review.

Asset managers' overall performance against their mandates is monitored and tracked by the Finance Director, 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 CPI, SWIX and SteFi, include performance objectives; market risk limitations including duration; asset allocation; credit and exposure limitations; use of derivative instruments; and compliance with 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 Finance Director and Chief Risk Officer (CRO), who then monitor the resolution of these breaches.

Sasria is committed to responsible investing and is an asset owner signatory to the Principles of Responsible Investing (PRI) in South Africa. During the period under review, Sasria again participated in the PRI reporting and assessment process. As per the 2016 PRI assessment report, Sasria achieved an overall band score of B, where A represents the top band and E represents the lowest band. The PRI assessment report is designed to provide feedback to signatories to support ongoing learning and development.

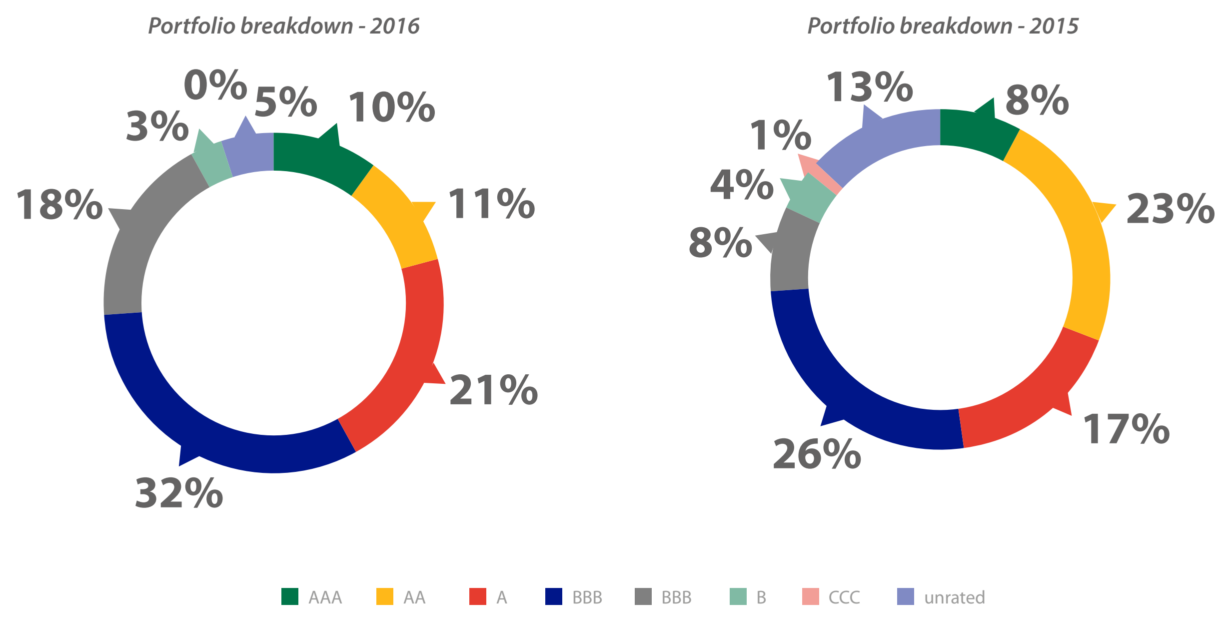
Our investments are only outsourced to independent external investment managers who are signatories to the PRI. Sasria has an understanding of all our asset managers' responsible investing policies and practices and this remains a standing agenda item at our annual operational due diligence meetings.

Sasria is continuously improving its policies and processes pertaining to responsible investing and has requested our asset consultant to perform an environmental, social and governance (ESG) benchmarking exercise for the year ended 31 March 2015, in order to determine a baseline for measuring our performance during the year ended 31 March 2016.

The assessment is based on the scoring methodology applied by MSCI and 95% (2015: 87%) of the equity portfolio was covered by ESG ratings. It is important to note that there was a change in Sasria's equity managers during the period under review due to an amended strategic asset allocation, which replaced the previous mandates with a blend of active and passive equity mandates. The relative change in our ESG assessment score is attributable to our asset managers' stock selection.

The percentage of stocks in the top-rated category AAA was increased while the percentage of stocks in the A to AAA categories was slightly reduced during the period under review (Figure 20). Sasria's allocations to BBB and BB category investments increased quite significantly, primarily at the expense of the B, CCC and "unrated" categories.

Figure 20: Breakdown of Sasria's equity investment portfolio for the 2015/2016 and the 2014/2015 financial years



The results of Sasria's ESG assessment are shown in Table 14. Sasria will continue to measure and monitor this with the aim of improving our rating.

Table 14: Sasria's investment portfolio ESG level score (maximum 10)

		31 March 2016	31 March 2015
Environmental	▼	4.90	5.70
Social	▲	4.50	4.34
Governance	▼	5.70	6.40

Overall ESG score on a scale of 1-10, with 1 being very poor and 10 being excellent.

The year-on-year comparison of Sasria's weighted ESG scores shows a relatively large decrease in our environmental and governance profiles in the period under review, with a small increase in our social profile. This is due primarily to a change in the structure of Sasria's investment portfolio as opposed to significant reductions in the scores of the underlying holdings.

Cash flow

The Company's operating activities generated R818.4 million in cash for the year under review, compared to R721.5 million in the previous financial year. This increase can be attributed mainly to cash generated from our investment activities.

Regulatory solvency and capital requirements

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 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 (p 97). The Company remains in a healthy solvency position as per the current regulatory requirements, with a solvency ratio of 1 236% (p 177).

Dividend

In this financial year, Sasria paid a dividend of R183.2 million to our shareholder (2015: R205.7 million). Sasria's dividend payments are made within the context of the Company's capital management policy and are in line with our dividend policy.

Risk management

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

Outlook

The downturn in global economic growth in 2015 impacted emerging markets severely, marked with a commodity slump and a slowdown in the Chinese economy. South Africa's economy was impacted by the slowing demand from China coupled with sluggish economic growth, capital outflows, currency depreciation and the possibility of a sovereign credit rating downgrade.

The South African Reserve Bank revised our country's economic growth rates down for 2016, from 0.6% to 0.0%, which points towards an increased risk of a recession in the near term. Over the medium term, gross domestic product (GDP) growth is forecast to recover to an average of 2.8% between 2019 and 2021 (Bureau for Economic Research).

While the economy is likely to contract further, consumers' confidence will weaken against the backdrop of accelerating food inflation, higher interest rates, the weaker Rand and high debt costs which drastically impact disposable income. CPI inflation has accelerated to 7% in 2015, continuing to breach the upper level limit of SARB's target range of 3% to 6%. CPI inflation is now forecasted to average 5.8% to 6.3% in 2016. However CPI inflation is expected to reach levels of 5.3% by 2020.

These macro-economic conditions are further impacted by high unemployment rates. South Africa's unemployment rate is expected to breach the 28% mark by 2020, averaging 27% for the five years from 2016 to 2020.

From an earnings perspective, Sasria remains focused on premium growth and it endeavours to grow premium income in excess of industry growth. However, the sluggish economic growth and 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.

Karen Pepler
Finance Director
4 August 2016

Our performance against targets for the year ended 31 March 2016

Majority of KPIs exceeded or met

The results of our performance against our annual strategic plan targets for the year ended 31 March 2016 were satisfactory (Table 15). We exceeded[1] two and met four of the seven strategic KPIs. There is only one KPI that we have not met, namely achieving a B-BBEE Level 1 certification. We provide an explanation for not meeting this KPI in Table 15.

Changes in KPIs for the 2015/2016 performance year

We made changes to our 2015/2016 KPIs in order to expand Sasria's transformation agenda, while retaining those KPIs that help us to consolidate our solid and sustainable performance in terms of our legislative mandate.

The new KPIs that we added in the 2015/2016 performance plan included achieving a B-BBEE Level 1 certification and research into special perils facing South Africa. The former was to further our secondary mandate, which is to support Government's agenda in transforming South Africa and the latter was in response to the Minister of Finance's request in the Sasria Strategic Intent Statement.

We also excluded two KPIs: the previous KPI relating to the filling of vacancies was not deemed a KPI for the 2015/2016 period as most critical positions had been filled during the period under review.

The Solvency Assessment and Management (SAM) project was the second KPI to be excluded. The SAM project, after four years, has been successfully concluded to a point where any additional work and improvements could be done internally as business as usual and not in a project mode.

Table 15: Sasria's performance against its targets for the year ended 31 March 2016

Sustainable revenue growth

Strategic objective:
- To consistently outperform the industry average in premium growth

Key performance indicator:
- GWP income growth[2] (R'000)

Performance target for the year ended 31 March 2016	Budget for the year ended 31 March 2016	Actual performance for the year ended 31 March 2016	Variances for the period and action plans
Achieve GWP income of at least **R 1 622 156**	Budgeted GWP income of **R 1 622 156**	GWP income of **R 1 683 895**	**KPI met** **3.8%** ahead of budgeted GWP

1 If a target is overachieved by more than 5% it is deemed to have been exceeded.
2 Growth is based on the forecast for the year ended 31 March 2015 at the time of preparing the budget for the year ended 31 March 2016.

Sustainable revenue growth

Strategic objective:
- To target a return on equity greater than the government bond yield

Key performance indicator:
- Net underwriting profit growth (R'000)

Performance target for the year ended 31 March 2016	Budget for the year ended 31 March 2016	Actual performance for the year ended 31 March 2016	Variances for the period and action plans
Achieve net underwriting profit of **R339 683**	Budgeted net underwriting profit[3] of **R339 683**	Actual net underwriting profit: **R431 674**	**KPI exceeded** **27.1%** ahead of budgeted net underwriting profit

Budgeted expenses:
1) Reinsurance premiums expense: R187 919
2) Change in unearned premium provisions: R23 160
3) Net claims expense: R567 754
4) Commission earned from reinsurers: R17 547
5) Expenses for the acquisition of insurance contracts: R217 365
6) Expenses for marketing and administration: R303 822

Actual expenses:
1) Reinsurance premiums expense: R139 084
2) Change in unearned premium provisions: R38 162
3) Net claims expense: R587 056
4) Commission earned from reinsurers: R26 123
5) Expenses for the acquisition of insurance contracts: R205 515
6) Expenses for marketing and administration: R 308 527

Customer centricity

Strategic objective:
- To provide superior customer service

Key performance indicator:
- Reduce the internal claim turnaround time

Performance target for the year ended 31 March 2016	Budget for the year ended 31 March 2016	Actual performance for the year ended 31 March 2016	Variances for the period and action plans
85% of all fast-track[4] claims to be settled[5] within 30 days from the date of submission	Included in salary budget	Actual: 86.5% of fast-track claims received, settled within 30 days	**KPI met** **1.5%** ahead of target
60% of large loss claims[6] finalised within 60 days from date of submission		Actual: 68.1% of large loss claims received, settled within 60 days	**KPI exceeded** **8.1%** ahead of target

3 Calculated as follows: Gross written premium less movement in unearned premium reserve, less reinsurance premiums, less claims and loss adjustment expenses, less expenses for the acquisition of insurance contracts, less managing and other expenses (excluding investment manager fees and CSI), plus commission earned from reinsurers.
4 Fast-track claims pertain to claims with an estimate below R250 000.
5 Turnaround time is calculated from the time a claim is recorded on the Insurance Management System to when a release is issued and repairs are authorised. Should liability be declined (letter sent to the insured), the date of letter will be utilised for the turnaround time calculation.
6 Claims with an estimate above R250 000.

People, capacity and capability

Strategic objective:
- To attract, retain and develop skills that support our aspirations

Key performance indicator:
- Develop Sasria's skills base to reduce reliance on external consultants

Performance target for the year ended 31 March 2016	Budget for the year ended 31 March 2016	Actual performance for the year ended 31 March 2016	Variances for the period and action plans
Reduction in consulting fee spent by 20% by 31 March 2016 *(baseline: actual consulting spent for the year ended 31 March 2015)*	Included in salary budget	Actual reduction of **22.5%**	**KPI met** **2.5%** ahead of target

The development of a trusted and visible brand

Strategic objective:
- To create a trusted brand that resonates with all our customers

Key performance indicator:
- Increased brand awareness

Performance target for the year ended 31 March 2016	Budget for the year ended 31 March 2016	Actual performance for the year ended 31 March 2016	Variances for the period and action plans
60% brand awareness index within the industry	Budgeted expenses: **R500 000**	The outcome of the brand audit indicated that we have 100% brand awareness index within the industry	**KPI exceeded** **No variance**

Innovation (product and services)

Strategic objective:
- To become a centre of innovation in special risk insurance

Key performance indicator:
- Research special risk insurance products

Performance target for the year ended 31 March 2016	Budget for the year ended 31 March 2016	Actual performance for the year ended 31 March 2016	Variances for the period and action plans
Research report issued for consideration to the Board by 31 March 2016	Budgeted expenses: **R1 250 000**	The report was submitted for Board review on 1 March 2016	**KPI met** **No variance**

Compliance with the regulatory environment

Strategic objective:
- To proactively manage compliance

Key performance indicator:
- Achieve B-BBEE Level 1 certification

Performance target for the year ended 31 March 2016	Budget for the year ended 31 March 2016	Actual performance for the year ended 31 March 2016	Variances for the period and action plans
Achieve a Level 1 certification against the B-BBEE Codes of Good Practice by 31 March 2016	Budgeted expenses: **R100 000**	**KPI not achieved**	**Variance: Sasria was not able to achieve the KPI due to inclusion on NMI spend as part of procurement spend**

Setting our targets for 2016/2017

The targets we have set for ourselves for the next financial year ending 31 March 2017 are challenging, yet realistic (Table 16). We have included five new KPIs, to replace three projects that were completed during the 2015/2016 performance year. We also split the claims KPIs into the fast-track claims (claims with an estimate of below R250 000) KPI and the large loss claims KPI. This split was necessitated by the increasingly complex nature of the large loss claims.

Following the changes made in our 2015/2016 KPIs, we have now started to accelerate the expansion of Sasria's transformation agenda by including even more transformation elements in our 2016/2017 KPIs.

The first of the five new KPIs for 2016/2017 is an employee engagement KPI to measure staff attitudes on the status of a number of critical success factors. These results will be used to identify areas for attention.

The second KPI that we have added for our 2016/2017 financial year is the development of a talent management framework (for all staff) and succession plans for critical and strategic positions. This has been included to ensure a sustainable future for the Company.

We also included two KPIs linked to improving Sasria's B-BBEE rating. The first KPI will attempt to achieve maximum points for the recruitment and retention of black females at junior and middle management levels; and the second KPI is aimed at elevating our Company's procurement spend on suppliers that are more than 50% black-owned.

The last new KPI is the result of the previous SAM project KPI and relates to our objective to embed the ORSA process in the Company. In addition to the introduction of five new KPIs for 2016/2017, we have also increased our set targets on three of the remaining performance indicators against the 2015/2016 targets, but kept the target for the last remaining indicator, which is related to the reduction of the internal claims turnaround time. Here we have set the same target as the one set for 2015/2016.

This decision was based on a number of reasons. The first is related to the assumption that the increase in the frequency of claims that we experienced in the year ended 31 March 2016 is set to continue in the 2016/2017 financial year. And secondly, we recognise the fact that the nature of claims has become more complex and that it thus takes longer to settle them.

Table 16: Our performance indicators for the year ending 31 March 2017

Sustainable revenue growth

Strategic objective:
- To consistently outperform the industry average in premium growth

Key performance indicator:
- GWP income growth

Performance targets

Achieve GWP income of at least
R1 743 241 802

Strategic risks	Mitigation Strategies
• Incomplete and inaccurate Sasria revenue	• Increase internal audit and regular training to distribution channel • Provide training to external auditors • Receive external audit reports from NMIs' registered auditors • Perform premium analysis, management and monitoring
• Inadequate Sasria product knowledge by the distribution channel	• Provide product awareness campaigns to the distribution channel • Provide Sasria product training
• Ineffective management of the distribution channel	• Implement the stakeholder management framework • Perform analysis of the distribution channel
• Inability to meet set budget	• Provide product awareness campaigns to the distribution channel and to corporate and commercial customers • Perform premium management
• Deterioration in the macro-economic environment	• Implement CRM retention strategies • Build relationships with brokers and NMIs • Perform product awareness training • Implement the marketing campaign

Strategic objective:
- To target an return on equity greater than the government bond yield

Key performance indicator:
- Maintain sustainable underwriting profit

Performance targets

Achieving net underwriting profit of
R458 939 707

Strategic risks	Mitigation Strategies
• Incomplete and inaccurate Sasria revenue	• As per above
• Increase in insurance risk as result of prolonged strikes and service delivery protest	• Perform annual planning • Estimate monthly figures based on five years' data • Monitor monthly inflow of claims against monthly budgeted figures • Perform capacity planning and resource management
• Increase in claims severity due to catastrophic events	• Perform an annual Potential Maximum Loss (PML) study • Perform a scenario analysis
• Failure to adequately reserve	• Estimate claims using loss adjusters' and assessors' reports • Review claims estimates monthly
• Non-compliance with Sasria claims regulations by NMIs	• Monitor NMIs' claims management for non-compliance • Provide stakeholder training and technical support
• Failure to buy adequate reinsurance	• Perform annual PML study • Perform scenario analysis in line with ORSA requirements
• Expenses – failure to account for all expenses in the period	• Prepare and review monthly reconciliations • Perform budget vs actual expense analysis

Customer centricity

Strategic objective:

- To provide superior customer service

Key performance indicator:

- Reduce the internal claim turnaround time

Performance targets

85% of all fast-track claims to be settled within 30 days from the date of submission

and

60% of large loss claims finalised within 60 days from the date of submission

Strategic risks	Mitigation Strategies
• Increase in insurance risk as result of prolonged strikes and service delivery protest	• Perform annual planning • Estimate monthly figures based on five years' data • Monitor monthly inflow of claims against monthly budgeted figures • Perform capacity planning and resource management
• Ineffective claims handling	• Implement delegation of authority and system enforced segregation of duties • Provide regular training to claims staff on best practice as well as Sasria's rules and regulations • Perform ad hoc auditing of files by seniors in the department
• Inability to respond to claims reported as a result of business interruption	• Ensure business continuity management plans are in place with a disaster recovery site for key divisions
• Non-compliance with Sasria Claims regulations by the distribution channel	• Monitor NMIs' claims management for non-compliance • Ensure claims management training and technical support by the Underwriting and Stakeholder Management divisions

People, capacity and capability

Strategic objective:

- To attract, retain and develop skills that support our aspirations

Key performance indicator:

- Drive employee engagement: Individual Perception Monitor (IPM)

Performance targets

Achieve an overall staff IPM

survey score of ≥3.5

Strategic risks	Mitigation Strategies
• Inappropriate and destructive work environment: (Employees are dissatisfied due to poor leadership, inappropriate values, insufficient opportunities for growth or uncompetitive remuneration)	• Conduct IPM survey and analyse findings and action plan • Conduct exit interviews and action plans in areas needing improvement • Incorporate values assessment on employees' scorecards • Train managers on desirable management competencies • Provide each employee with a personal development plan (PDP) which is tracked and reported on • Perform salary benchmarking on an annual basis

People, capacity and capability

Strategic objective:
- To attract, retain and develop skills that support our aspirations

Key performance indicator:
- Development of a talent management framework and succession plans

	Performance targets	
Succession plans completed for all critical (strategic and core) positions	**100%** of all individual staff development plans	**100%** key talent identified and appropriate career review actions completed

Strategic risks	Mitigation Strategies
• Inadequate succession planning for key and core positions	• Develop and implement a talent and succession management framework • Monitor staff movements for key and core positions • Maintain succession plans for key and core positions
• Inadequate and inappropriate learning and development	• Prepare an individual PDP for each employee • Line managers as well as the Human Capital department to monitor adherence to PDPs • Approve only learning and development plans included on each employee's PDP
• Failure to attract specialised staff in the Company	• Use quality recruitment service providers to ensure that the right employees are recruited • Revise and review recruitment partners on a regular basis • Ensure a talent management programme is in place

Brand development

Strategic objective:
- To create a trusted brand that resonates with all our customers

Key performance indicator:
- Maintain Sasria brand awareness in the distribution channels

Performance targets

Maintain ≥80% brand awareness
(independent survey) within the distribution channels

Strategic risks	Mitigation Strategies
• Low brand awareness amongst all stakeholders	• Implement the marketing and communication strategy
• Inconsistent and inadequate communication to stakeholders	• Review surveys performed by NMIs and put action plans in place • Conduct regular stakeholder engagements and training • Put communication metrics in place as per the corporate communication policy
• Inadequate reputation management	• Implement a corporate reputation review framework

Regulatory environment

Strategic objective:
- To proactively manage compliance

Key performance indicator:
- Improve B-BBEE scores as per amended codes – Employment equity

Performance targets

Achieve ≥15 points (out of 20 maximum)
for recruitment and retention of black females at middle- and junior management levels and attract people with disabilities

Strategic risks	Mitigation Strategies
• Failure to retain EE candidates as per economically active group (EAP) % allocations	• Create a healthy work environment (as per IPM survey index dimensions) • Implement talent management and provide growth and development opportunities
• Failure to recruit EE candidates as per EAP % allocations	• Implement targeted recruitment activities • Use the BEE (EAP guidelines) to advise and focus recruitment efforts
• Failure to recruit and retain EE candidates with disabilities as per EAP % allocations	• Recruit one EE candidate with a disability • Recruit one EE candidate on a pivotal training/leadership programme

Key performance indicator:
- Improve B-BBEE scores as per amended codes – Enterprise development

Achieve an increase of 20%
in procurement spent with suppliers that are more than 50% black-owned

• Failure to procure from black-owned and black female-owned service providers	• Implement the transformation plan
• Failure to source suppliers that are compliant to Sasria's B-BEE requirements	• Perform supplier sourcing and monitor suppliers' compliance to Sasria's requirements
• Failure to adhere to procurement policy	• Monitor adherence to the procurement policy • Perform procurement workshops for employees on an annual basis

Capital management

Strategic objective:
- To ensure compliance with statutory capital requirements and the calculation of an economic risk basis for capital

Key performance indicator:
- Embedding of the ORSA process and report

Performance targets

Management to score above 70%
on their understanding of the business use and impact of the ORSA process during the 2016/2017 financial year

Staff training
session to be conducted on ORSA during the 2016/2017 financial year

Key decisions made
in line with the ORSA process during the 2016/2017 financial year:
- New product development
- Strategic asset allocation
- Reinsurance strategy
- Dividend declaration

Strategic risks	Mitigation Strategies
• Non-compliance with statutory requirements to calculate statutory capital	• Monitor FSB and industry body communication for updates to statutory requirements to calculate regulatory capital
• Inaccurate reporting to the regulator	• Mitigate errors in methodology and reporting through an independent review by either Internal Audit, External Audit or an independent actuary
• Failure to adhere to regulatory timelines	• Track timelines and communicate progress regularly to the Risk Committee and Executive Committee
• Inaccurate Economic Capital Model	• Perform model assumptions and validation using an independent reviewer
• Inadequate capital available	• Ensure that the capital reserve is in excess of FSB requirement

Our leadership and governance

Responsible and ethical leadership

Sasria's leadership continued its focus on instilling a culture of responsible corporate citizenship based on the foundation of ethical leadership in guiding Sasria to effectively fulfil our legislative mandate. The Board and executive management recognise the need to integrate strategy, ethics and governance to ensure a sustainable and prosperous future for Sasria in the long term. In doing so, our leaders also ensure that we can continue to make a positive contribution to the transformation, development and growth of South Africa.

Our Board members play a critical role in Sasria's success. The directors, under the leadership of our Chairperson, Adam Samie, effectively guide Sasria's strategic direction and enable our sustainable performance. They provide guidance on key business priorities and risks, as well as on other material issues that affect our business, and ensure that appropriate and effective risk management policies and processes are developed and managed. They also hold our Executive Committee accountable by monitoring its operational management progress and performance against the business strategy.

Meet our Board members

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1. Adam Samie
Chairperson

Sasria's Chairperson, Adam Samie, is a Chartered Insurer, and an alumnus of the University of Cape Town Business School. He is a fellow of both the Chartered Insurance Institute (UK) and the Insurance Institute of South Africa, as well as an Associate of the Institute of Risk Managers. He currently runs Timesquare Investments, a business consultancy firm. Adam's term as Chairperson of the Board will end on 30 November 2017.

2. Ranti Mothapo
Deputy Chairperson

Ranti Mothapo is an independent non-executive director of Sasria. He has also served as the Deputy Chairperson of the Board since 1 December 2014 when the Minister of Finance appointed him as such, as part of succession planning. During 2015/2016 he also chaired the Investment Committee and acted as Deputy Chairperson of the Risk Committee. Ranti holds an honours degree in Actuarial Science and Advanced Mathematics of Finance from the University of the Witwatersrand. He is a fellow member of the Actuarial Society of South Africa. Ranti is a financial services entrepreneur with extensive consulting and advisory experience in, amongst others banking, insurance, derivatives, investments and pension benefits, and he is a certified director of the Institute of Directors of Southern Africa. He has served on boards of other insurance companies such as the Land Bank Insurance Company and the Export Credit Insurance Corporation.

3. Cedric Masondo
Executive directors

Sasria's Managing Director, Cedric Masondo, serves as an executive director. He holds a Bachelor of Commerce (Economics) degree from the University of Durban-Westville, and an Advanced Leadership Management certificate from Oxford University. He is a Fellow of the Insurance Institute of South Africa. Cedric is also currently serving as a trustee for aloeCap BEE Private Equity Trust, and as the chairperson for the South African Actuaries Development Programme. Cedric's term as Board Director will end on 30 April 2017, since his directorship term is linked to the duration of his fixed-term employment contract as Managing Director.

4. Karen Pepler

As Sasria's Finance Director, Karen Pepler serves as an executive member on the Sasria Board. Karen holds a Bachelor of Accounting Sciences (Honours) degree from the University of South Africa and is a chartered accountant (SA). She is currently also serving as a trustee for aloeCap BEE Private Equity Trust, and as an alternate director on the board of the SAADP. Karen's term as Board Director will end on 31 May 2017, but since she is a permanent employee she would be reappointed to the Board when her current term expires at the end of May 2017.

5. Higgo du Toit
Non-executive director

Higgo du Toit, a non-executive director and representative from the shareholder, holds a Bachelor of Commerce (Honours) degree in Economics from the University of Pretoria. Higgo's term as a director of the Sasria Board ended on 30 November 2015, but it was extended to 31 May 2016 in terms of the Memorandum of Incorporation. Sasria's shareholder will appoint his replacement in the next financial year.

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6. Baba Mkangisa

Independent non-executive directors

Baba Mkangisa serves as an independent non-executive director and chaired Sasria's Social and Ethics Committee during 2015/2016. She holds a Master of Education degree from Manchester University. Baba's term as director ended on 30 November 2015, but she has been reappointed as a director of Sasria's Board until 30 November 2018. She has also been appointed as Deputy Chairperson of the Remuneration and Nomination Committee during the period under review.

7. Maki Ndlovu

Maki Ndlovu serves as an independent non-executive director and chaired the Board's Remuneration and Nomination Committee during the period under review. She holds a Bachelor of Arts (Social Sciences) degree from the University of the North. Her previous directorships include the boards of Simmer and Jack Mines, Zibula Exploration, Barloworld-Equipment RSA, a division of Barloworld Pty Ltd, and Kagiso Solutions. Maki's term as director ended on 30 November 2015, but she has been reappointed as Board Director until 30 November 2018. She has also been appointed as Deputy Chairperson of the Social and Ethics Committee during the period under review.

8. Herman Schoeman

Herman Schoeman serves as an independent non-executive director. He has also served as the Chairperson of both the Risk Committee and the Audit Committee during the period under review. Herman holds a Master of Business Administration degree from the University of Pretoria. He also serves on numerous other financial services related company boards, both locally and internationally including the Guardrisk and MMI groups, as well as the South African Insurance Association. Herman's term as Board Director will end on 30 November 2017. From 2016/2017 Herman will cease to be Chairperson of the Audit Committee and will only chair the Risk Committee. This is due to the appointment of a new Chairperson of the Audit Committee with effect from 1 April 2016. This appointment was in line with the succession arrangements at the Board.

9. Tando Mbatsha

Tando Mbatsha serves as an independent non-executive director. She holds a Master of Business Leadership degree from the University of South Africa. She is a director at Nexia SAB&T. She has been appointed as a member of the Social and Ethics Committee and also as Deputy Chairperson of the Investment Committee during the reporting period.

10. Tshwarelo Moutlane

Tshwarelo Moutlane serves as an independent non-executive director. She holds a Bachelor of Information Systems and Honours in Accounting Science from the University of South Africa. She is a chartered accountant (SA). Tshwarelo was appointed as Deputy Chairperson of the Audit Committee in November 2015 and has since been appointed the new Chairperson of the Audit Committee with effect from 1 April 2016.

Meet our executive team

1. Cedric Masondo
Managing Director

Cedric was promoted to the position of Sasria's Managing Director in July 2011, after having served as our Executive Manager: Underwriting from July 2009 to June 2011. Prior to joining Sasria, he was responsible for all public enterprise business at Alexander Forbes Cre8 Limited for a period of three years. Cedric has extensive experience in the insurance industry. He started his career in the insurance industry just over 20 years ago, when he joined Allianz Insurance as a trainee. Since then he has gained valuable experience, both locally and internationally, in a number of areas in the short-term insurance industry.

2. Karen Pepler
Finance Director

Karen has been Sasria's Finance Director since July 2011, after she had been seconded to Sasria in April 2010 as Acting Managing Executive. Prior to joining Sasria she had been with the Deloitte and Touche Special Services Group since 2005. She has consulting experience in various industries such as the insurance, mining, transport, pharmaceutical and the media industry. As the Finance Director at Sasria she is responsible for managing the organisation's finances and investments.

3. Keith Fick
Executive Manager: Insurance Operations

Keith has been Sasria's Executive Manager: Insurance Operations since July 2012. Prior to joining Sasria he was with Hannover Re as the Head of Non-Life Facultative business for almost three years. Having worked in the insurance industry for over 23 years, Keith brings a wealth of experience to Sasria. His division is responsible for the management of claims, underwriting and reinsurance.

4. Mzi Mavuso
Executive Manager: Governance and Company Secretariat

Mzi 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 in our Company since June 2011. He continues to fulfil the role of Company Secretary in his new capacity. Before joining Sasria, he was the Company Secretary for the Eastern Cape Development Corporation for a period of four years. Mzi has the following departments within his division: Legal, Compliance and Company Secretariat.

5. Rose Mathafena

Executive Manager: Human Capital

Rose was appointed as Executive Manager: Human Capital in December 2014. Prior to joining Sasria she was an HR manager in a business unit at Aveng Manufacturing from 2007. Heading up Sasria's Human Capital division, her current responsibilities include ensuring the delivery of the entire human capital value chain from recruitment management to exit management by supporting the business through sourcing capacity, and developing capability through skills development in order to meet operational and strategic deliverables.

6. Suzanne Harrop-Allin

Chief Risk Officer

Suzanne joined Sasria in October 2013 when she was appointed as our Chief Risk Officer. She is a qualified CA, and joined Sasria from PricewaterhouseCoopers where she held the position of Senior Manager in the Financial Services Insurance and Investment Management division for 10 years. There she gained valuable experience in the insurance industry. In her current position, she is tasked with the responsibility of helping Sasria to manage its risks. As such, her division is responsible for all the control functions that are critical to proactive and effective risk management. These include risk management, internal audit, quality assurance and actuarial services.

7. Thokozile Ntshiqa

Executive Manager: Stakeholder Management

Thokozile has been a part of the Sasria team since she was appointed as a Senior Claims Controller in 2003. In April 2007 she was promoted to Executive Manager of the Business Operations division and in 2009 she took responsibility for the Stakeholder Management division. She has been in the insurance industry for seventeen years, having started her career in 1999 at Mutual and Federal Insurance and then working for various insurance companies before joining our team. 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.

Focusing on sound governance principles

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.

All our governance structures, procedures and processes are based on Sasria's ethics policy and value-driven culture. As a state-owned company we are committed to act with the highest standards of integrity in all our business activities.

In recognition of the need to integrate strategy and governance to ensure a sustainable business, the Board ensured the continued implementation of ethical standards through compliance with ethics policies. In addition to the declaration of interests by our Board members, executive management and employees, fit and proper checks were conducted for responsible persons which include our directors, managing executives, heads of control functions (internal audit, actuarial, compliance, risk), public officer, key individuals and representatives, in line with FSB requirements.

The Board also ensured enhanced and continued awareness of Sasria's ethics and fraud prevention campaigns and required a compulsory assessment to test employees' understanding of ethics policies. The results of the assessments have been reported to the Social and Ethics Committee and the Board. More than 80% of Sasria staff obtained scores of 80% or above in the ethics awareness assessment during the reporting period. Employees who scored less than 80% on the assessment were required to re-do the assessment to improve their score.

The future goal is to ultimately have all participants obtain scores of 100% on these assessments.

The quarterly fraud hotline report was tabled with the Social and Ethics Committee, the Audit Committee and the Board. There were no reported incidents during the reporting period. The Board noted that the "nil" report on the fraud hotline could be attributed to the continued focus on building and strengthening an ethical culture in the Company, and by making sure that all staff members are sufficiently aware of the hotline and ethics policies.

Corporate governance statement of the Board

The Sasria Board (Annexure C) is committed to the principles of openness, transparency, integrity and accountability as advocated in the King III Code on Corporate Governance. This commitment to good governance is formalised in our Company's charters, policies and procedures.

The Board is comfortable that sufficient efforts have been made to ensure adherence to King III.

The Board further acknowledges its responsibility for the integrity of the integrated report and is of the view that the report fairly reflects Sasria's integrated performance and addresses all material matters. The Board committees and the Board have considered the 2015/2016 Integrated Report at their respective meetings held in July and August 2016.

The composition of our Board

The Sasria Board is appointed by the shareholder, represented by the Minister of Finance. As such, National Treasury is the accounting authority of Sasria. It executes all the roles and functions of an accounting authority as set out in the PFMA (1999), which is in line with Sasria's Memorandum of Incorporation and the Board Charter.

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.

During the period under review the following movements took place regarding Board composition: the terms of directorship of Baba Mkangisa and Maki Ndlovu ended on 30 November 2015 and they were reappointed to the Board until 30 November 2018.

Higgo du Toit's term as director ended on 30 November 2015 and was extended to 31 May 2016 in terms of the Memorandum of Incorporation. This term ended on 31 May 2016 and we await the appointment of his replacement by our shareholder. It must be noted that this vacancy does not present any immediate challenge to the Board Committee composition.

Apart from the skills gap that would result from Higgo's departure from the Board, the Board remains sufficiently capitalised in terms of the core and critical skills required which include insurance, risk, human capital, leadership, actuarial, financial and investment skills. Sasria's Board composition is also still sufficiently balanced in terms of diversity and demographics.

Ensuring independent and robust decision-making at Board level

There are two executive directors and, if the vacancy left by Higgo du Toit is taken into account, seven non-executive directors. All these non-executive directors are independent. The executive element of the Board is therefore balanced by the majority of an independent group of non-executive directors who are all able to influence decision-making.

The clear separation between the roles of the non-executive Chairperson of our Board and our Managing Director has also been maintained. This level of independence ensured a continued robust decision-making process by the Board in the interest of all Sasria's stakeholders.

Putting succession planning in place

The terms of directorship for three directors (Adam Samie, Sasria's Board Chairperson, Ranti Mothapo, Sasria's Board Deputy Chairperson and Chairperson of the Investment Committee, and Herman Schoeman, the Chairperson of the Risk Committee as well as the Chairperson of the Audit Committee) will end on 30 November 2017. To mitigate the risk of losing directors, the Board has put a succession plan in place. All Board committees now have Deputy Chairpersons.

The Board reviewed the succession plan for the executive team, including the executive directors, and is satisfied with the plan and will continue to review the situation.

Continued implementation of recommendations of the independent Board evaluation

The Board continued to implement the recommendations of the independent Board evaluation report of 2015. During the reporting period the Board revised its Charter to allow committee members to attend other Board committee meetings of which they are not members with a view to enhancing synergies between the different Board committees. The Chairpersons of the various committees were required to table their respective committee reports in writing at all Sasria Board meetings, and to present these reports to the Board. This was done to ensure that all Board members have a sufficient understanding of the role and mandates of the different Board committees.

The meeting agenda of the Board has also been revised to focus on key strategic matters. The approval of operational policies has been delegated to the relevant Board committees.

Delegation of authority

The Board has agreed to delegate the approval of specific policies to the relevant Board committees and reserved only those key and material policies stated in the FSB's Board Notice 158 and Sasria's revised Board Charter for approval by the Board.

While the Board delegates authority and some of its powers to these committees and the executive directors, it does so without diluting its own accountability.

Board committees

The Board's effectiveness is enhanced by the delegation of certain responsibilities to Board committees to assist it in the achievement of Sasria's strategic and business objectives.

There are five Board committees which assisted the Board during the period under review to drive Sasria's strategic intent and interventions to remain a good and responsible corporate citizen. 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.

These Board committees consists mainly of independent non-executive directors who exercise their authority in accordance with approved committee charters. These charters, which are reviewed annually, define each committee's composition, role, responsibilities and authority, and are aligned with regulatory requirements and best governance practices. Each committee has an annual work plan aligned to its mandate and applicable regulatory requirements.

Through the Audit and Risk committees, the Board ensures that internal controls are effective and adequately reported on for auditing and regulatory purposes. In this regard the Board is adequately advised by these committees on the effectiveness of critical controls to mitigate Sasria's business risks.

The Remuneration and Nomination Committee is responsible for matters relating to human capital, capacity, succession planning, remuneration and training and development. This committee also renders functions relating to nomination and recommendation of Board and committee members, as well as Board remuneration.

The Social and Ethics Committee has oversight over transformation, social and economic development matters, fair treatment of Sasria stakeholders, and ethics.

The Investment Committee has oversight over and makes recommendations to the Board on investment policy matters, performing Asset Managers and Allocation responsibilities, and reviewing and appraising the performance of all appointed asset managers and updating the Board on their performance.

The membership of these Board committees, as well as an indication of their attendance of meetings of these committees, is outlined in Annexure E.

Key strategic focus areas and policies

The Board and its committees collectively take responsibility for all eight of Sasria's strategic focus areas:

Key strategic focus area	Responsible Board committee
1. Sustainable revenue growth	Audit Committee, Risk Committee; Social and Ethics Committee
2. Effective capital management	Audit Committee, Risk Committee, Investment Committee
3. Innovation in products and services	Risk Committee (Risk Committee has a dual mandate for risk matters and technical insurance matters), Social and Ethics Committee
4. Infrastructure and cost management	Audit Committee, Investment Committee
5. Development of people, capacity and capability	Remuneration and Nomination Committee, Social and Ethics Committee
6. Compliance with the regulatory environment	Risk Committee, Audit Committee, Social and Ethics Committee, Investment Committee
7. A renewed focus on customer-centricity	Social and Ethics Committee
8. The development of a trusted and visible brand	Social and Ethics Committee

In line with the delegation of authority, all material policies that had been updated or developed during the period under review were reviewed by the Board and the relevant Board committees.

Company Secretary

Sasria's directors have access to the advice and guidance of an experienced company secretary. The Company Secretary is responsible for compiling the annual work schedule for the Board and each committee in cooperation with the Chairperson of the Board and the Chairpersons of the various Board committees.

Sasria's Company Secretary is also responsible for the induction of new directors to ensure that they understand their fiduciary duties and other responsibilities as directors, as well as for the continuous training and development of all the directors.

Two training sessions were conducted for Sasria's directors during the period under review. These included training on ORSA, cybercrime and cyber risk. In addition to these sessions our directors attended various training and development interventions in terms of our directors' development policy.

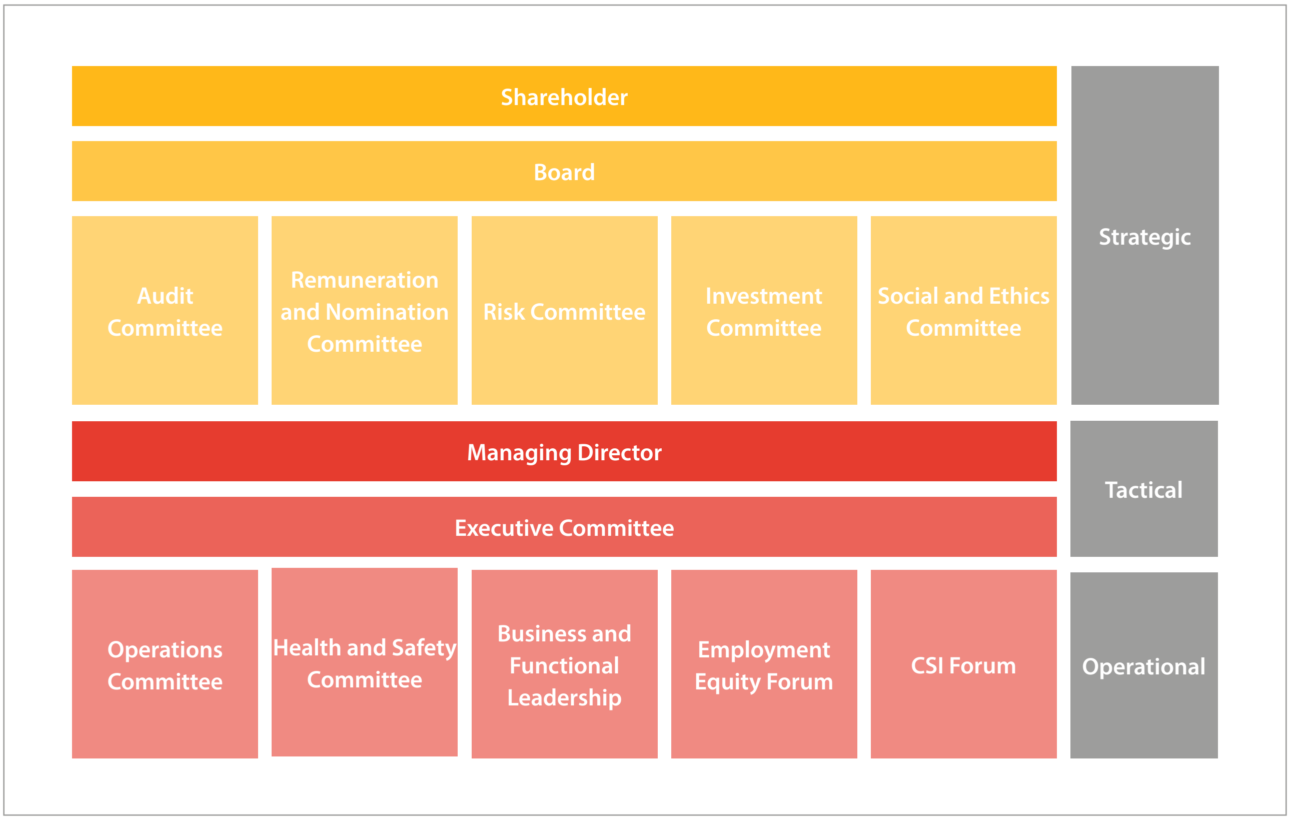
Our governance framework

Our governance framework is based on the foundation of having a clear understanding of the roles between the Board, shareholder and management (Figure 21). This is addressed and outlined in a number of ways. A Memorandum of Incorporation sets out certain powers of the shareholder and the Board. The Shareholder's Compact sets out key performance indicators and targets in support of Sasria's annual corporate plan, which forms the basis of our operations and which outlines Sasria's purpose, values, strategic objectives and budget for each financial year.

In addition to these key documents, our governance framework also includes good governance codes, such as King III and the Protocol on Corporate Governance in the Public Sector, as well as relevant legislation, such as the Companies Act, the PFMA, the Conversion of Sasria Act, the Short-term Insurance Act and the Financial Advisory and Intermediary Services Act.

Furthermore, our governance framework includes a Materiality and Significance framework, which sets out the requirements regarding matters needing approval in terms of the PFMA; a Delegation of Authority framework, which delegates power and authority from our Board to its appointed committees, our executive management and our employees, as well as all the relevant Sasria policies and procedures.

Figure 21: Sasria's corporate governance framework



Applying King III principles

Sasria has once again made considerable strides in achieving full application of the King III principles. Following our objective set out in our previous report to obtain an independent assurance of our 2014/2015 Integrated Report, we appointed two audit firms (PwC and KPMG) to conduct independent reviews of Sasria's integrated report. Each firm presented a report which reflected the areas where Sasria's report was aligned with the principles of the International Integrated Reporting Framework, as well as the areas where we could improve on our reporting process.

One recommendation included that the aspect of sustainability should be more explicitly addressed by the most senior decision-maker. The Company has implemented this (p 58) and other recommendations in this year's Integrated Report.

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.

An independent review of the effectiveness of the compliance function was conducted during the reporting period and the function was found to be effective.

Promotion of access to information

During the period under review we received one request for information in terms of the Promotion of Access to Information Act, 2000. Although Sasria did not have the requested information at its disposal, this request was adequately addressed through an affidavit by our Deputy Chief Information Officer in terms of requirements of the Promotion of Access to Information Act, stating that the requested information could not be secured.

In line with the new developments Sasria also submitted its first Annual Promotion of Access to Information Act Report to the South African Human Rights Commission, covering the period 1 April 2015 to 31 March 2016.

According to the South African Human Rights Commission the submission of the report will be an annual requirement and Sasria has updated its annual Compliance Calendar to include this new compliance requirement.

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 were any commitments made by the state on the Company's 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 30 on p.172). We implemented the necessary disciplinary procedures against the relevant individuals.

Remuneration for non-executive directors

Non-executive directors' fees are reviewed annually and benchmarked against industry standards to ensure that our remuneration policy and practices remain competitive.

The Remuneration and Nomination Committee reviews fees and makes recommendations to the Board for consideration. The Board then recommends these fees to the shareholder for approval at the annual general meeting.

These fees are approved by our shareholder during its AGM, and are in line with the Remuneration Guidelines for State Owned Enterprise, published in 2007.

Managing risk in an integrated way

Effective risk management crucial for long-term sustainability

We believe that a proactive and integrated approach to managing our risks and opportunities is vital to our Company's continued growth, success and long-term sustainability. We acknowledge that this can only be achieved if all three elements of risk – namely threat, uncertainty and opportunity – are managed in an integrated fashion.

During the period under review, Sasria's leadership articulated the annual process we follow to identify, evaluate and prioritise our material matters more succinctly, and we linked the associated risks and opportunities to these material matters (p 32).

However, in addition to managing those matters that can significantly affect our Company's ability to create value in the short, medium or long term, we also recognise that an effective risk management process is crucial to sound corporate governance.

Sasria's risk management framework and process

Our risk philosophy is based on our Company's mandate, which stipulates that Sasria is unable to refuse or decline to provide cover to potential policyholders. This unique attribute increases the importance of carefully considering the balance between underwriting and non-underwriting risks, as well as the extent to which underwriting risk is retained, managed or transferred to third parties. This is why we need to manage and monitor all risk exposures.

- **Enterprise Risk Management (ERM) framework**
  In the execution of our mandate and business strategy, Sasria is exposed to a range of risks which we need to manage within our Company's set risk appetite and tolerances. It is for this reason that we have adopted a strategic, consistent and structured approach to managing risk. By using the ERM framework we can align strategy, processes, people and technology for the purpose of evaluating and managing the uncertainties faced by Sasria.

  This enables us to achieve an appropriate balance between realising opportunities for gains and minimising losses, which enhances our capacity to build value for all our stakeholders.

- **Combined assurance model drives integration**
  We use a combined assurance model to drive integration across all the divisions and assurance providers within Sasria. These include the Finance, Operations, Stakeholder Management, Human Capital, Actuarial, Legal and Compliance divisions. We also make sure there is alignment between our risk management function and Sasria's other assurance providers, including the internal and external audit; compliance and quality assurance functions.

By following this process we make sure that adequate and combined assurance is provided over significant risks and that identified gaps have been effectively addressed. The Combined Assurance Committee and the Audit Committee review the results of the combined assurance provided over significant risks.

Our risk governance structure

The ultimate accountability for risk management lies with our Board of Directors. However, the Risk, Audit and Executive committees and employees all play a key role in managing risks effectively. These roles are outlined in our risk governance structure (Figure 22).

- **Our Risk Committee**
  Our Risk Committee oversees all matters related to Sasria's strategic and material risks, and assists the Board in fulfilling its risk management responsibilities in managing risk and adherence to the relevant requirements of the Short-term Insurance Act. This Committee determines and recommends Sasria's risk

appetite to the Board and reviews and monitors the risk profile against the risk appetite.

This Committee is primarily responsible for oversight over Sasria's governance, internal control and risk management processes. It ensures that the disclosure regarding risk is comprehensive, timely, and relevant.

The independent oversight that this Committee provides enhances the reliance that stakeholders can place on our Company's governance. The Risk Committee also considers Sasria's technical insurance and reinsurance matters and makes recommendations to the Board in this regard.

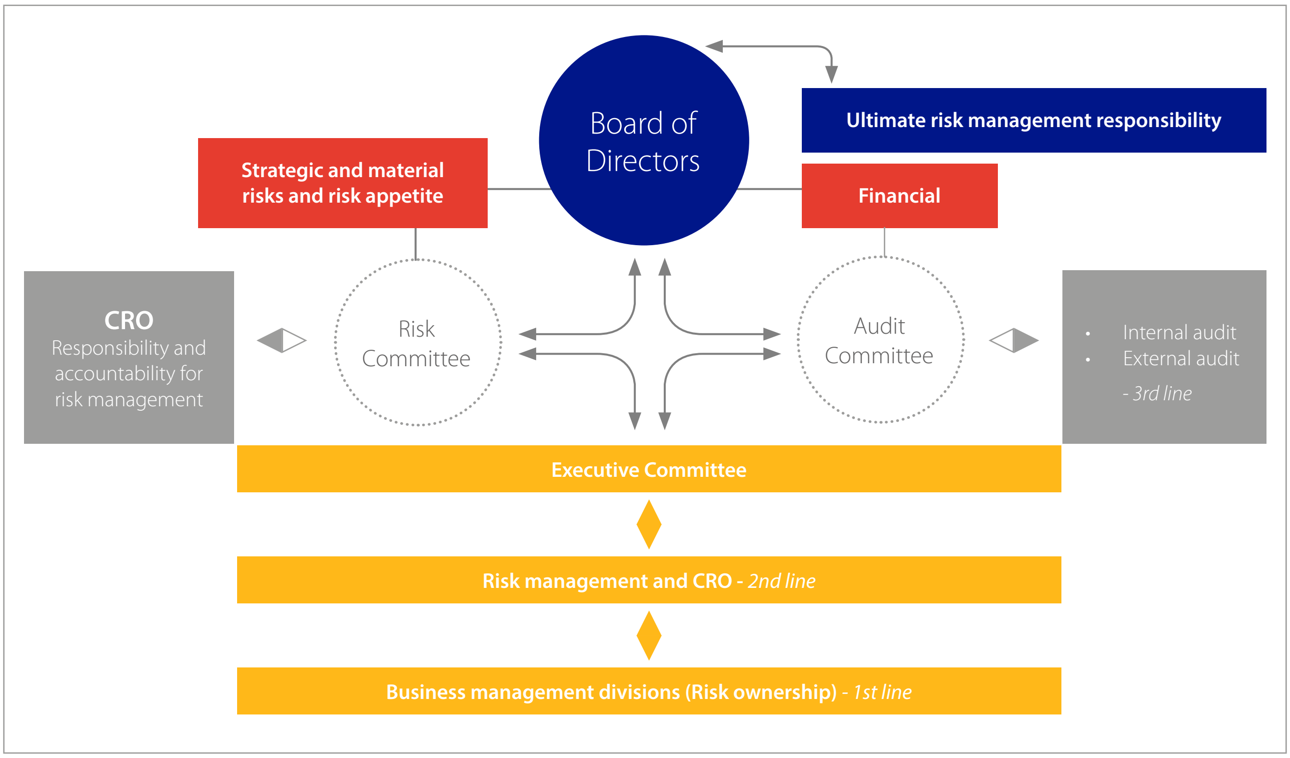
- **Our Audit Committee**
  Sasria's Audit Committee assists the Board with financial information and with selecting and applying accounting principles and policies and monitoring the internal control systems.

- **Our Executive Committee**
  The Company's executive team manages risk management at a divisional level, and the executives of each business division are held responsible and accountable for the management of the risks in their area.

- **Our Chief Risk Officer**
  The responsibility and accountability for our ERM process resides with the CRO. Sasria's CRO is tasked with effectively facilitating risk management; improving the risk culture within our Company; and monitoring to ensure that risks are within our risk appetite. She has direct access to the Risk Committee Chairperson to discuss matters relating to risk.

- **Our Combined Assurance Committee**
  Sasria's Combined Assurance Committee is a sub-committee of the Audit Committee. It includes the heads of Sasria's control functions, which include the risk, compliance and quality assurance functions, as well as the Head of Internal Audit and our independent external auditors who also provide assurance functions. The CRO is the Chairperson of this committee.

Figure 22: Sasria's risk governance structure



Our risk management value chain

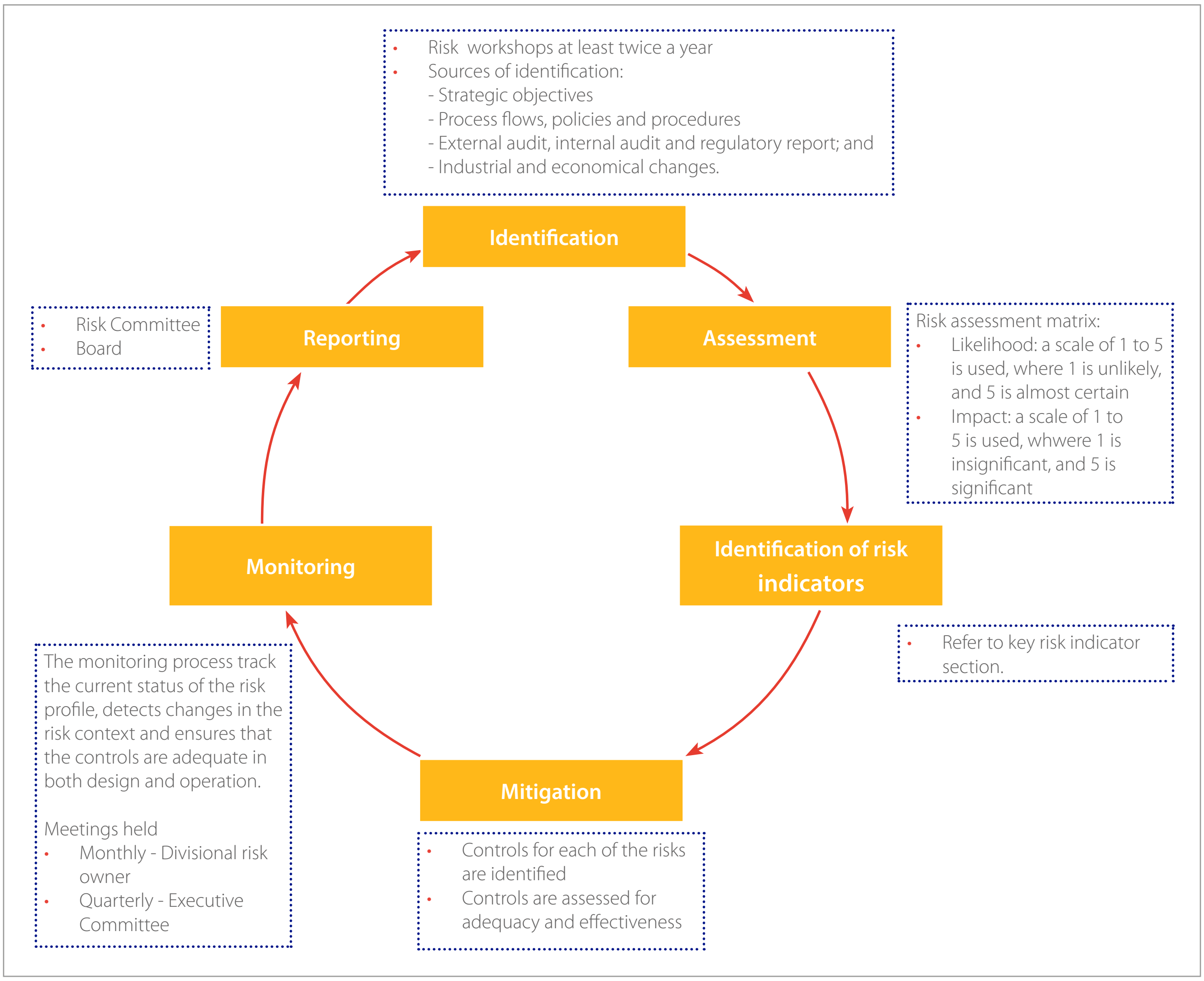
In ensuring that our risk universe is as complete as possible, Sasria's risk management value chain (Figure 23) is used across all divisions of the Company.

- **End-to-end process**
  We use our ERM framework to implement the relevant processes in order to make sure that all aspects and categories of risks are covered, assessed and monitored, and to ensure that we manage those risks within Sasria's identified risk appetite and risk profile. This includes key processes such as risk identification, risk assessment and management actions. We also use internal financial and other control measures to mitigate, manage or reduce our risk exposure.

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

- **Key risk indicators (KRIs) as early warning signals**
  We aim to manage our risk profile in a proactive way. To support this objective, KRIs and triggers have been developed for our top risks, in order to more effectively monitor key trends in relation to each risk. Since KRIs act as early signals in the event that one of the scenarios or stress situations may materialise, we are able to be more responsive to risks. The indicators and triggers are monitored on an ongoing basis and are considered by the Risk Committee. Any breaches in the limits are communicated to the Board.

Figure 23: Sasria's risk management value chain



Determining and managing our risk appetite

We define risk appetite as the amount of risk that we are willing to accept in pursuit of shareholder value and attaining our strategic objectives.

Our risk appetite framework is embedded in key decision-making processes underlying the implementation of our strategy.

This is how we maximise returns without exposing Sasria to levels of risk above our appetite.

- **Our risk appetite framework**
  The risk appetite framework (Figure 24) assists in protecting our financial performance; improves management responsiveness and debate regarding the risk profile; assists executive management in improving the control and coordination of risk-taking across business units; and identifies available risk capacity in pursuit of profitable opportunities. Sasria's risk appetite balances the expectations and interests of a variety of stakeholders, including our shareholder, regulator, NMIs, end-customers and our employees.

Figure 24: Sasria's risk appetite framework

Amount	• Risk appetite is the amount of risk, broadly speaking, Sasria want to take in pursuit of shareholder value and attaining strategic objectives.
Willingness	• It is an expression of the willingness/capacity of Sasria to tolerate high/low levels of exposure to risk and volatility in order to achieve its strategic objectives.
Responsibility	• Risk appetite is set by the Sasria Board of Directors and should reflect the aspirations and expectations of various stakeholders through a mix of quantitative measures and qualitative statements.

- **Key measures for our risk appetite**
  Sasria's risk appetite measures are developed using quantitative methods and are set by the Board and the Risk Committee. We have three key measures for Sasria's risk appetite, in terms of capital, earnings and operational risks (Figure 25).

Figure 25: Key measures for Sasria's risk appetite

Capital at Risk	• Sasria will hold sufficient financial resources to meet fair and equitable policyholder expectations and pay claims as they fall due. Sasria will therefore ensure it operates within the boundaries of its avalable capital resources. • The minimum capital requirement will be the greater of the Economic Capital requirement and the Statutory Solvency Capital requirement.
Earnings at Risk	• Sasria defines Earnings at Risk (EaR) as the difference between actual EBITDA and the budgeted EBITDA for the previous financial period.
Operational Risk	• Sasria operates a high standard regarding the management, prevention and mitigation of losses caused by operational risk events. It has a low tolerance for operational risk but recognises it represents a cost of doing business.

Reporting on key highlights and risk management achievements during 2015/2016

During the period under review we achieved a number of key highlights, despite the increase in the severity and frequency of claims. These serve as an indication of how well Sasria continued to manage its key risks during this time. In this section we provide a brief overview of these highlights and also outline some risk management achievements.

- **No breach reported against any of the risk appetite measures**
  No breach had been identified on any of the three risk appetite measures at the end of the 2015/2016 reporting period (Table 17). The Board and Executive Committee remained comfortable with Sasria's current level of capital.

Table 17: Performance against risk appetite measures during the reporting period.

Measure	Status as at the year ended 31 March 2016
Capital at risk	• No breach
Earnings at risk	• No breach
Operational risk	• No breach

- **Remaining sufficiently capitalised and capable to cope with increased claims**
  As at 31 March 2016, Sasria remained adequately capitalised. As was the case in previous years we sustained a healthy solvency position per the current regulatory requirements.

  When determining our capital requirements, we use a risk appetite measure of capital at risk over a one-year time period. We are committed to hold sufficient eligible financial resources at all times to ensure we can meet the relevant statutory solvency capital requirement (SCR), as well as our own internal economic capital requirement (ECR), which is based on our assessment of the capital required to deliver on our business plans, reasonable policyholder expectations and claim payments as they fall due.

  Sasria aims to hold adequate capital to remain solvent in the event of substantial deviations, such as a 1-in-200-year event.

  We monitored Sasria's solvency levels and required solvency range in light of industry changes and regulatory requirements on a continuous basis during 2015/2016. This was done in line with our commitment to efficient capital management and to maintaining an appropriate level of capital to ensure that our policyholders' assets are protected against special and catastrophic risks.

  The SCR coverage ratio of 234% and ECR coverage ratio of 237% is in excess of Sasria risk appetite target ratio of 180%. SCR was calculated to be higher than ECR.

  The increase in the capital coverage ratio is attributable to an increase in Sasria's available capital. Our available capital as at 31 March 2016 was R5.4 billion.

- **Operational risks effectively managed during 2015/2016**
  Sasria had no material losses or near misses during the period under review. We identified 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 (Note 30 on p.172).

  Because of our unique mandate Sasria does not set a benchmark for material losses against other 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. 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 we continued to identify, track and report on emerging risks on an ongoing basis in order to remain proactive in our 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 large-scale events or circumstances are beyond one's direct capacity to control that impact in ways difficult to imagine today. 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.

  During 2015/2016 we included two new significant emerging risks in our emerging risk register. These are related to the level and frequency of terrorism as well as the sustainability of the business model which includes technology changes and innovation within the insurance industry.

- **Compliant with SAM Pillar II requirements**
  We have made excellent progress in our efforts to further enhance the effectiveness of Sasria's risk management function during the year under review. In addition, a risk maturity assessment was performed by our co-sourced internal auditors. Overall it was noted that Sasria's risk function is market-leading relative to South African practice, especially compared to organisations of a similar size. We will continue with the implementation of SAM until its effective date. This includes the implementation of the ORSA process, which will assist us in assessing the short- and long-term risks and to ensure that the capital requirements are met at all times.

- **Embedding the ORSA process and report**
  We regard the ORSA process as an integral part of our business strategy, which means that we take this into account on an ongoing basis in all the strategic decisions we take in the Company as well as in our ORSA report.

  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 ECR have been tested during the period under review. We will submit our second ORSA report after it has been approved by the Board during September 2016.

Our top risks and how we managed them in 2015/2016

In line with the material matters that Sasria's leadership had identified and managed during the period under review (p 32), we also identified the top risks that posed a potential threat to the execution of Sasria's business strategy for the year under review.

We 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.

During the period under review our risk management function monitored Sasria's risk environment on an ongoing basis. This team held monthly meetings with the risk champions in the various business units to address enterprise-wide risks.

They also held quarterly meetings with the Executive Committee and Risk Committee to discuss new developments, risks and the monitoring of risks and controls. One-on-one meetings were held with executive leaders when required to address risks on an individual business unit level.

Our CRO and her team also monitored the implementation of the mitigation strategies and remedial actions that had been agreed upon. They ensured that these were being implemented within the required timelines and that any gaps in controls had been addressed in order to reduce risks and avoid losses.

Movements in our risk register

Before outlining some of the top risks that we identified during 2015/2016, as well as the actions we took to manage these, in Table 18, it is important to highlight some of the new risks that entered our top 10 risks on the risk register during the period under review.

- **Cyber risk**
  The risks and opportunities which today's digital technologies, devices and media hold are patently clear. Based on the increasing probability of this risk occurring in the near future, we decided to move cyber risk from our emerging risk register and to include it in our 2015/2016 risk register in the operational risk category. We define cyber risk as any risk of financial loss, disruption or damage to Sasria's reputation following some type of failure in our information technology systems.

- **Lack of policyholder data**
  Sasria currently does not receive all policyholder information from its NMIs. The current binder agreements between Sasria and the NMIs make provision for Sasria to have continued access to the policyholder and the Sasria policy information held by the NMI. Sasria will be able to assess its risk exposure and pricing more accurately if the data can be obtained. In addition, the FSB is requiring Sasria to obtain the policyholder data and has further indicated that Sasria should disclose our plan to obtain the data. The risk was therefore added to the risk register during the year.

In Table 18 we outline some of the top risks that we identified during 2015/2016 per risk category, and we give a brief overview of our actions to manage these risks.

Table 18: Some of Sasria's top risks per risk category for 2015/2016

Risk	How did we manage the risk in 2015/2016?
	Insurance/non-life underwriting risks
Increased insurance risk as a result of prolonged strikes and service delivery protest	Our Claims department monitored the loss ratio and performed a detailed review of each claim before accepting it 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 conducted specifically PML studies. The frequency and severity of strikes were tracked by our Underwriting, Claims and Risk departments. Actual losses incurred compared to budgeted losses were also tracked on a monthly basis.
Incomplete and inaccurate Sasria revenue	We provided training to the short-term insurance industry on Sasria, our cover, regulations and accounting procedures. Our internal audit team performed onsite audits at our NMIs based on the approved audit plan for the year. Where any findings had been identified, our quality assurance team assisted the NMIs to resolve any identified problems. We received external audit certificates from each NMI during the period under review. The external audit opinion provides assurance on the accuracy and completeness of the premium received. Our Customer Relationship Managers tracked changes in premium volumes on a monthly basis. In addition to the points above, our risk management team monitored the following key risk indicators on a monthly basis: 1. Whether we received any qualified audit reports from external auditors; and 2. Whether NMIs were reversing premiums (both the quantum and how often it occurred).
	Market and credit risks
Erosion of capital due to deterioration of investment markets	We compiled investment mandates with regard to the investment policy (risk/allocation) to ensure that asset managers only invested in certain instruments, and we monitored the investment mandates. Sasria's investment policy statement limits the use of high-risk instruments, thereby limiting the losses that can be suffered during a deteriorating market. Standard Bank, as Sasria's single custodian and investment administration service provider, recorded all trades, reconciled these to the asset managers' accounts on a monthly basis, and prepared a consolidated report which was then further reconciled. Our investment strategy is linked to our risk appetite. We reviewed our investment strategy during 2015/2016 to determine whether it was still appropriate. 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-. As part of the ORSA, Sasria investigated the impact of hedging its equity and fixed-interest exposure. The cost versus benefit is a key consideration for any hedge. As at 31 March 2016, we had not implemented any hedging strategies in our portfolio. 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.

Risk	How did we manage the risk in 2015/2016?
Failure to recover claim payments from treaty reinsurers	We implemented a policy to ensure that only A-rated reinsurers would be considered to be part of our programme, and added a further downgrade clause.
	Operational risks
Cyber risk	Firewalls have been deployed on our network which screen incoming and outgoing traffic. Where servers were accessible to users outside of Sasria, as in the case of the customer-web portal, we made use of a demilitarised zone, which restricted the access to information available to these users. All authentication was handled by SSL security certificates. Access control was monitored and logon credentials were regularly updated. Antivirus software was installed on all our computers and servers and updated daily. We also performed daily backups of all our data which could be restored in the event that a cyber-attack resulted in lost or corrupted data. We initiated the review of the IT environment and in particular the access controls and the IT security maturity. We also started the process of performing penetration tests (internally and externally) to test the computer systems, network and web application for any vulnerabilities and access to the system that an attacker could exploit.
Lack of policyholder data	Sasria has started the process of collecting as much data as possible. A letter to request information was sent to all NMIs. We have also begun to ensure that the quality and quantity of the data was appropriate for the NMIs that had submitted data. Sasria has developed a data warehouse system in order to capture all information appropriately, and to generate reports from the system. We will continue to track the progress through the set KRIs on a monthly basis.

Our finances

Delivering solid financial results despite challenging circumstances

Sasria achieved a net profit before tax of R709.3 million for the year ended 31 March 2016. These solid results were driven by positive net underwriting results of R415 million and net investment returns of R294.1 million. Our balance sheet remains strong, providing a solid base from which to achieve our strategic objectives. Cash generated from operating activities increased from R721.5 million in the previous financial year to R818.4 million in this financial year, and we achieved a return on equity of 9.7%.

In this section we provide the relevant reports from our Audit Committee, Independent Auditor, Directors and Company Secretary, before presenting a full set of Sasria's Annual Financial Statements for the year ended 31 March 2016.

Our directors' report and Company Secretary certificate

Directors' responsibility and approval of annual financial statements

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

The financial statements set out in this report have been prepared by management in accordance with the provisions of the Companies Act and the PFMA and comply with International Financial Reporting Standards (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 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 2015/2016 financial statements were audited by the independent auditor consortium, KPMG 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 of Directors and sub-committees of the Board. The Board of Directors is comfortable with the integrity of all information and representations made to the independent auditors during their audit. The unqualified audit report of KPMG and AM PhakaMalele Inc. is presented on page 106.

The Board, assisted by its sub-committees, 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 2015/2016 Integrated Report and its annual financial statements, set out on pages 110 to 172, were approved by the Board of Directors in accordance with their responsibilities and were signed on their behalf by:

MA Samie
Board Chairperson
4 August 2016

CM Masondo
Managing Director
4 August 2016

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.

Mzi Mavuso
Company Secretary
4 August 2016

Independent auditor's report

to Parliament on Sasria SOC Limited

Report on the financial statements

We have audited the financial statements of Sasria SOC Limited set out on pages 110 to 172, which comprise the statement of financial position as at 31 March 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The Board of Directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Public Finance Management Act of South Africa and the Companies Act of South Africa, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Sasria SOC Limited as at 31 March 2016, 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.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 31 March 2016, we have read the Directors' report, the Audit Committee's report and the Company Secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Report on other legal and regulatory requirements

Public Audit Act requirements

In accordance with the Public Audit Act of South Africa and the General Notice issued in terms thereof, we have a responsibility to report findings on the reported performance information against predetermined objectives of selected objectives presented in the annual report, compliance with legislation and internal control. We performed tests to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, we do not express an opinion or conclusion on these matters.

Predetermined objectives

We performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages 75 to 78 of the annual report, and reported thereon to the accounting authority. The procedures performed were limited to the following selected objectives:

- Sustainable revenue growth: To consistently outperform the industry average premium growth on page 75;
- Sustainable revenue growth: To target a return on equity greater than the government bond yield on page 76;
- People, capacity and capability: To attract, retain and develop skills that support our aspirations on page 77;
- Customer-centricity: To provide superior customer service on page 76; and
- Compliance with the regulatory environment: To proactively manage compliance on page 78.

The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the reported performance against predetermined objectives relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives.

The usefulness of information further relates to whether indicators and targets are well-defined, verifiable, specific, measurable, time bound and relevant as required by the National Treasury's *Framework for managing programme performance information*.

The reliability of the information in the reported performance against predetermined objectives is assessed to determine whether it is 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.

Additional matter

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

Achievement of planned targets

Refer to the annual performance report on page 75 for the information on the achievement of planned targets for the year.

Compliance with legislation

We performed procedures to obtain evidence that the entity had complied with legislation regarding financial matters, financial management and other related matters. 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.

Internal control

We considered internal control relevant to our audit of the financial statements, annual performance report and compliance with legislation, but not for the purpose of expressing an opinion on the effectiveness of internal control. We did not identify any significant deficiencies in internal control.

KPMG Inc.
Registered Auditor

Per Omera Naiker
Chartered Accountant (SA)
Registered Auditor
Director
31 August 2016

KPMG Crescent
85 Empire Road
Parktown
2193

Our Audit Committee report

For the year ended 31 March 2016

Audit Committee responsibility

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

Effectiveness of internal controls

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 the 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.

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

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

Finance function

We believe that Ms. Karen Pepler CA (SA), Sasria's Finance Director, possesses the appropriate expertise and experience to meet her responsibilities in that position. We are satisfied with the expertise and adequacy of the resources 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.

Regulatory compliance

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

External audit

The consortium of KPMG and AM PhakaMalele Inc. (the Consortium) was appointed as external auditors for the year ended 31 March 2016.

The Audit Committee reviewed and is satisfied with the independence of the Consortium as the new external auditors since their date of appointment on 1 December 2015.

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

- The fulfilment of the agreed audit plan and variations from the plan; and
- The robustness of the external auditor in its handling of the key accounting and audit judgements.

Regarding the oversight of the external audit process, the Committee reviewed:

- The areas of responsibility and scope of the audit;
- Issues that arose from the audit and their resolution;
- Key accounting and audit judgements; and
- Recommendations made by the external auditor and management's response.

Evaluation of financial statements

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

The Audit Committee concurs with and accepts the opinion of the external auditor 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.

Herman Schoeman
Audit Committee Chairperson
28 July 2016

Statement of financial position

As at 31 March 2016

Figures in Rand thousand	Note(s)	2016	2015
Assets			
Property and equipment	5	10 158	10 404
Intangible assets	6	4 466	6 126
Deferred acquisition costs	7	45 428	37 668
Financial assets			
- at fair value through profit or loss	8.1	4 390 597	4 346 601
- loans and receivables	8.2	200 739	130 851
- derivative assets	8.3	-	1 065
Insurance receivables	9	158 709	125 999
Reinsurance contracts	10	20 717	19 618
Cash and cash equivalents	11	1 767 111	1 344 566
Non-current asset held for sale	12	-	36 000
Total assets		**6 597 925**	**6 058 898**
Equity			
Share capital	13	-	-
Capital adequacy reserve		434 750	377 385
Retained earnings		4 937 786	4 674 237
Total equity		**5 372 536**	**5 051 622**
Liabilities			
Deferred income	16	5 968	5 146
Deferred income tax	17	15 361	47 223
Employee benefit liability	15	15 021	11 547
Insurance contract liabilities	10	1 044 395	839 586
Derivative liabilities	8.3	-	4 107
Current income tax payable		78 903	22 138
Payables	14	65 741	77 529
Total liabilities		**1 225 389**	**1 007 276**
Total equity and liabilities		**6 597 925**	**6 058 898**

Statement of comprehensive income

For the year ended 31 March 2016

Figures in Rand thousand	Note(s)	2016	2015
Gross insurance premium written	18	1 683 895	1 522 866
Insurance premiums ceded to reinsurers	18	(139 084)	(140 994)
Net insurance premium income		**1 544 811**	**1 381 872**
Change in gross unearned premium provision	18	(40 902)	(26 512)
Change in reinsurers' share of unearned premium provision	18	2 740	3 289
Net insurance premiums earned	18	**1 506 649**	**1 358 649**
Commission earned from reinsurers		26 123	24 049
Investment income	19	318 067	389 755
Other income		124	129
Net income		**1 850 963**	**1 772 582**
Gross insurance claims and loss adjustment expenses	20	(585 786)	(436 222)
Claims and loss adjustment expenses recovered from reinsurers	20	(1 270)	(4 337)
Net insurance claims		**(587 056)**	**(440 559)**
Expenses for the acquisition of insurance contracts	21	(205 515)	(176 730)
Expenses for administration and marketing	22	(349 023)	(321 153)
Total expenses		**(554 538)**	**(497 883)**
Profit before tax		**709 369**	**834 140**
Income tax expense	24	(205 250)	(223 456)
Profit for the year		**504 119**	**610 684**
Total comprehensive income attributable to:			
Ordinary shareholder		**504 119**	**610 684**

Statement of changes in equity

For the year ended 31 March 2016

Figures in Rand thousand	Share capital	Capital adequacy reserve	Retained earnings	Total equity
Balance at 1 April 2014	**-**	**350 610**	**4 296 106**	**4 646 716**
Changes in equity				
Comprehensive income for the year	-	-	610 684	610 684
Transfer to capital adequacy reserve	-	26 775	(26 775)	-
Dividends paid	-	-	(205 778)	(205 778)
Total changes	**-**	**26 775**	**378 131**	**404 906**
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 31 March 2016	**-**	**434 750**	**4 937 786**	**5 372 536**

Statement of cash flows

For the year ended 31 March 2016

Figures in Rand thousand	Note(s)	2016	2015
Cash flows from operating activities			
Cash generated from operations	27	520 258	556 261
Dividends received	19	35 054	32 225
Interest received	19	332 278	277 835
Realised gains on investments	19	111 160	65 926
Income tax paid	29	(180 348)	(210 722)
Net cash from operating activities		**818 402**	**721 525**
Cash flows from investing activities			
Purchase of property and equipment	5	(3 545)	(2 922)
Proceeds on disposal of property and equipment		27	-
Proceeds on disposal of investment in associate		-	15 189
Purchases relating to intangible assets	6	(1 671)	(1 176)
Purchase of investments		(207 463)	(422 560)
Net cash used in investing activities		**(212 652)**	**(411 469)**
Cash flows from financing activities			
Dividends paid		(183 205)	(205 778)
Net increase in cash and cash equivalents		**422 545**	**104 278**
Cash and cash equivalents at beginning of year		1 344 566	1 240 288
Cash and cash equivalents at end of year	**11**	**1 767 111**	**1 344 566**

Notes to the financial statements

For the year ended 31 March 2016

1. Introduction

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

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

These products are offered only to the domestic market.

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

1.1 Statement of compliance

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

1.2 Basis of presentation

These financial statements have been prepared in accordance with IFRS and the interpretations issued by the International Financial Reporting Interpretations Committee that were effective as at 31 March 2016.

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 Company's statement of financial position is not presented using a current/non-current classification. The following balances are current: cash and cash equivalents, loans and receivables, current income tax payable, payables and employee benefit liability.

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

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. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. 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 2.19 and Note 10.

Notes to the financial statements

For the year ended 31 March 2016

2. Accounting policies

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.

2.1 New and amended standards adopted by Sasria

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

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

2.1.1 Amendments to IAS 1, 'Disclosure initiatives'

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.

2.1.2 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.

2.2 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are available but neither effective nor early adopted yet. These will not be applied in preparing the financial statements for the year ended 31 March 2016. None of these is expected to have a significant effect on the financial statements of the Company, except the ones set out below:

2.2.1 IFRS 9, 'Financial Instruments' – effective 1 January 2018

On 24 July 2014, the 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 still assessing the impact of this standard on Sasria.

2.2.2 IFRS 15, 'Revenue from contracts with customers' – effective 1 January 2018

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".

Notes to the financial statements

For the year ended 31 March 2016

2. Accounting policies (continued)

2.2.2 IFRS 15, 'Revenue from contracts with customers' – effective 1 January 2018 (continued)

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, if any.

2.2.3 IFRS 16, 'Leases' – effective 1 January 2019

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 potential impact of this standard on Sasria.

2.3 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.

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 de-recognition of an item of property and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from de-recognition 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.

Notes to the financial statements

For the year ended 31 March 2016

2. Accounting policies (continued)

2.4 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 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	Average useful life
Computer software	3 – 5 years

2.5 Non-current assets held for sale

Non-current assets are classified as held for sale if the carrying amount will be recovered principally through sale rather than through continuing use. This condition is regarded as met only

- when the sale is highly probable,
- the asset is available for immediate sale in its present condition and management is committed to the sale,
- which should be expected to qualify for recognition as a completed sale within one year from the date of this classification,
- the asset is being actively marketed for sale at a sales price reasonable in relation to its fair value; and
- actions required to complete the plan indicate that it is unlikely that the plan will be significantly changed or withdrawn.

Immediately prior to being classified as held for sale, the carrying amount of the non-current asset is measured in accordance with the applicable IFRS. After classification as held for sale, it is measured at the lower of the carrying amount or its fair value less cost to sell.

Notes to the financial statements

For the year ended 31 March 2016

2. Accounting policies (continued)

2.5 Non-current assets held for sale (continued)

An impairment loss is recognised in profit or loss for any initial and subsequent write–down of the asset to fair value less costs to sell. A gain for any subsequent increase in fair value less costs to sell is recognised in profit or loss to the extent that it is not in excess of the cumulative impairment loss previously recognised.

Non-current assets that are classified as held for sale are not depreciated.

2.6 Financial assets

2.6.1 Classification

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

2.6.1.1 Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated as at fair value through profit or loss at inception. A financial asset is classified as a trading instrument if acquired principally for selling in the short-term if it forms part of the portfolio of financial assets in which there is evidence of profit-taking, or if so designated by management. Derivatives are also 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.

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.

Notes to the financial statements

For the year ended 31 March 2016

2. Accounting policies (continued)

2.6.1.1 Financial assets at fair value through profit or loss (continued)

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.

2.6.1.2 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.

2.6.1.3 Offsetting

Offsetting financial instruments: 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.

2.6.1.4 Loans and receivables

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

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss. Trade and other receivables are classified as loans and receivables.

2.6.2 Cash and cash equivalents

Cash and cash equivalents 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.

2.6.3 Derivatives

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

Notes to the financial statements

For the year ended 31 March 2016

2. Accounting policies (continued)

2.6.4 De-recognition of financial assets and liabilities

The entity shall derecognise 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 derecognise a financial liability when the obligation specified in the contract is discharged, cancelled or expires.

2.7 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.

2.7.1 Receivables including insurance-related receivables

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

Notes to the financial statements

For the year ended 31 March 2016

2. Accounting policies (continued)

2.7.1 Receivables including insurance-related receivables (continued)

Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the issuer's ability to pay all amounts due under the contractual terms of the debt instrument being evaluated.

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

2.8 Impairment of other non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation 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.

2.9 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 agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects them. Such contracts may also transfer financial risk. Receipts and payments under insurance contracts are accounted for in the statement of comprehensive income in accordance with the requirements of IFRS 4. The insurance contracts that Sasria underwrites are classified and described below:

Notes to the financial statements

For the year ended 31 March 2016

2. Accounting policies (continued)

2.9 Insurance classification (continued)

2.9.1 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.

2.10 Recognition and measurement of insurance contracts

2.10.1 Gross written premiums

Gross written premiums (GWP) 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.

2.10.2 Provision for unearned premiums

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

2.10.3 Claims Incurred

Claims incurred exclude value added tax and consist of claims and claims handling expenses paid during the financial year together with the movement in the provision for outstanding claims and provision for claims incurred but not reported (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. 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).

2.10.4 Provision for outstanding claims

Provision is made on a prudent basis for the estimated final cost of all claims that had not been settled on the accounting date, less amounts already paid. Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to policyholders. 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.

Notes to the financial statements

For the year ended 31 March 2016

2. Accounting policies (continued)

2.10.4 Provision for outstanding claims (continued)

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.

2.11 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.

2.11.1 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.

2.11.2 IBNR provision is held so as to be at least sufficient at the 75^{th} 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.

Notes to the financial statements

For the year ended 31 March 2016

2. Accounting policies (continued)

2.11.2 IBNR provision is held so as to be at least sufficient at the 75th percentile (continued)

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.

2.11.3 Deferred acquisition costs (DAC)

The costs of acquiring new and renewal insurance business that are primarily related to the production of that business are deferred and recognised when they can be identified and measured reliably and it is probable that they will be recovered. The costs are subsequently amortised to the income statement as the premium income is earned. Similarly, any reinsurance commissions received are deferred and recognised as income over the term of the reinsurance contract. At each end of the reporting period, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related DAC assets. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision). Any DAC written off as a result of this test cannot subsequently be reinstated.

2.11.4 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.

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.

Notes to the financial statements

For the year ended 31 March 2016

2. Accounting policies (continued)

2.11.4 Reinsurance contracts held (continued)

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.

2.11.5 Reinsurance commission

Commissions paid to intermediaries are accounted for over the risk period of the policy to which they relate. The portion of the commission which is deferred to subsequent accounting periods is termed deferred acquisition revenue. 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.

2.11.6 Receivables and payables related to insurance contracts

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

2.11.7 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.

2.12 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.

2.12.1 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.

Notes to the financial statements

For the year ended 31 March 2016

2. Accounting policies (continued)

2.12.2 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.

2.13 Employee benefits

2.13.1 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.

2.13.2 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.

2.13.3 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.

2.13.4 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.

Notes to the financial statements

For the year ended 31 March 2016

2. Accounting policies (continued)

2.14 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.

2.15 Trade and other payables

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.

2.16 Revenue recognition

The accounting policy relating to the recognition of revenue from insurance contracts is disclosed as part of 2.9 and 2.10 above, which describes the recognition and measurement of insurance contracts in detail.

2.16.1 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. When a receivable is impaired, Sasria reduces the carrying amount to its recoverable amount.

2.16.2 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.

2.17 Leases

2.17.1 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.

Notes to the financial statements

For the year ended 31 March 2016

2. Accounting policies (continued)

2.18 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.

2.19 Critical accounting estimates and judgements in applying accounting policies

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates in the valuation of certain assets and liabilities. It also requires management to exercise its judgement in the process of applying Sasria's accounting policies. This is specifically true for the estimation of liabilities from insurance contracts, including the estimate of the liability for claims 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.

2.19.1 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 that Sasria will ultimately be exposed to for such claims. The risk environment can change quickly and unexpectedly owing to a wide range of events or influences. 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.

2.19.2 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 2.6 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 2.6 above.

2.19.3 Capital adequacy requirement reserve

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

Notes to the financial statements

For the year ended 31 March 2016

3. Management of insurance risk

Insurance 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 insurance 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 insurance risks through its underwriting strategy, adequate reinsurance arrangements and pro-active claims handling.

Exposure to insurance 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 non-mandated intermediaries (NMIs). This includes the issue of Sasria coupons, as well as the collection of Sasria premiums. The Sasria NMIs allow the Sasria coupons to attach to their policies. A Sasria NMI is typically a registered conventional short-term insurer or short-term insurer underwriter who has entered into an agreement with the Company. The NMI agreement clearly sets out the manner in which the NMI company should administer the Sasria business. The NMI companies are also provided with a comprehensive set of guidelines detailing the processes and procedures relating to the issue of the 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.
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 insurance 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

Notes to the financial statements

For the year ended 31 March 2016

3. Management of insurance risk (continued)

rates that the NMI 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 non-mandated intermediary 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 insurance risk

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

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

	2016 %	2015 %
Category of risk policy		
Property	78.68	77.91
Transportation	0.98	1.17
Motor	14.72	16.16
Guarantee	0.10	0.08
Engineering	4.98	4.31
Miscellaneous	0.54	0.37
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 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.

Notes to the financial statements

For the year ended 31 March 2016

3. Management of insurance risk (continued)

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:

	2016 %	2015 %
Split by type of policyholder		
Personal policies	28.14	25.33
Commercial policies	71.86	74.67
Total personal and commercial policies	**100.00**	**100.00**

The Company ensures that NMI companies adhere to the set underwriting guidelines through bi-annual audits conducted at each NMI company. In addition, the Company's own Internal Audit department conducts reviews of the Sasria process carried out on the Company's behalf by NMI 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.

Any changes to the guidelines are communicated to all NMI 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.

Notes to the financial statements

For the year ended 31 March 2016

3. Management of insurance risk (continued)

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

	2016 %	2015 %
Split by type of policy		
Annual policies	49.48	48.97
Monthly policies	50.52	51.03
Total annual and monthly policies	**100.00**	**100.00**

The incidence of fraud is reduced by robust claims handling processes and regular review of these processes. The Company's 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 pre-determined budgets. The premium income and reversals are also monitored for each NMI 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 2.9 above. The process regarding the claims development is discussed in Note 10, which includes sensitivities.

Notes to the financial statements

For the year ended 31 March 2016

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 whose values fluctuate with interest rates and equities, all of which are exposed to general and specific market price movements.

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

Figures in Rand thousands	2016	2015
Financial and insurance assets		
Listed and quoted equity securities	1 178 868	1 162 314
Unlisted and unquoted equity securities	6 300	6 300
Total equity securities	**1 185 168**	**1 168 614**
Unitised linked investments	200 719	205 239
Money market fund (>3 months)	1 401 613	1 065 242
Government and semi-government bonds	425 479	346 312
Other bills and bonds (fixed rate)	1 177 618	1 561 194
Total debt and money market securities	**3 205 429**	**3 177 987**
Total financial assets at fair value through profit or loss	**4 390 597**	**4 346 601**
Derivatives		
Assets	-	1 065
Liabilities	-	(4 107)
	-	**(3 042)**
	4 390 597	**4 343 559**
Insurance receivables	158 709	125 999
Loans and receivables	200 739	130 851
Total loans and receivables including insurance receivables	**359 448**	**256 850**

Notes to the financial statements

For the year ended 31 March 2016

4. Management of financial risk (continued)

Figures in Rand thousands	2016	2015
Reinsurance assets	20 717	19 618
Cash and cash equivalents	1 767 111	1 344 566
Total financial, insurance and reinsurance assets, loans and receivables and cash and cash equivalents	**1 787 828**	**1 364 184**
Financial and insurance liabilities		
Deferred income	5 968	5 146
Insurance contracts	1 044 395	839 586
Payables	65 741	77 529
Total financial and insurance liabilities	**1 116 104**	**922 261**

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 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 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.

Notes to the financial statements

For the year ended 31 March 2016

4. Management of financial risk (continued)

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. The risk is furthermore limited by regular trading of the portfolio, providing diversification in terms of yield profiles and an asset and liability matching strategy.

A hypothetical 1% decline or increase in the interest rate relating to cash and interest-bearing securities would result in an increase in interest earned of R47.7 million (2015: R42.9 million) or a decrease in profit before tax of R47.7 million (2015: R42.9 million) respectively.

A 1% increase in interest rates would expose the Company to the risk of losing value in other bills and bonds by R32.1 million (2015: R35.1 million), while a decrease would expose the Company to the risk of gaining value by R35.9 million (2015: R35.1 million). A 1% increase in interest rates would expose the Company to the risk of losing value in the infrastructure development bond fund by R12.7 million (2015: R14.6 million) while a decrease would expose the Company to the risk of gaining value by R12.7 million (2015: R14.6 million).

The loans and receivables and trade and payables are not sensitive to interest rate fluctuations as they are expected to be settled within nil to 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. 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 risk profile and the related investment decisions.

Notes to the financial statements

For the year ended 31 March 2016

4. Management of financial risk (continued)

At 31 March 2016, the Company had quoted ordinary share investments which have been disclosed at their fair values. A hypothetical 10% decline or increase in quoted investments would result in a decrease/increase in profit before tax by R117.9 million (2015: R116.2 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 thousands	At 31 March 2016	At 31 March 2015
Quoted investments		
Effect on profit before tax at 10% (fluctuation)	117 887	116 231
Effect on profit before tax at 15% (fluctuation)	176 830	174 347

Credit risk

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

- reinsurers' share of insurance liabilities that have not yet been paid;
- reinsurers' share of claims already paid;
- amounts due from insurance contract holders;
- premiums and other amounts due from NMI companies; and
- amounts invested with investment counterparties.

The Company structures the levels of credit risk it accepts by placing limits on its exposure to a single NMI company or reinsurer. 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 NMI companies is managed by only conducting business with approved NMIs. 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 insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on 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.

Notes to the financial statements

For the year ended 31 March 2016

4. Management of financial risk (continued)

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

As at 31 March 2016

Reinsurer	% of total cover provided	Fitch 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+

As at 31 March 2015	% of total cover provided	Fitch rating
Hannover Reinsurance Africa Limited, South Africa	25.69	AA
Swiss Reinsurance Company, Switzerland	19.18	AA-
Lloyd's Underwriters	14.32	AA-
SCOR Africa Limited, South Africa	13.50	A+
Lancashire Insurance Company Limited, UK	9.96	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 2016 is R124 million. Gains reported during the financial year ended 31 March 2016 are R28.8 million.

Notes to the financial statements

For the year ended 31 March 2016

4. Management of financial risk (continued)

As at 31 March 2016 *Figures in Rand thousands*

Financial and insurance assets	AAA	AA	A	BBB	BB	CCC	Not rated	Total
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
Total	**1 574 164**	**2 614 932**	**465 549**	**68 948**	**-**	**123 682**	**484 713**	**5 331 988**

As at 31 March 2015 *Figures in Rand thousands*

Financial and insurance assets	AAA	AA	A	BBB	BB	CCC	Not rated	Total
Government bonds	271 021	75 291	-	-	-	-	-	346 312
Other bills and bonds	166 277	347 315	782 750	175 859	24 837	31 934	32 222	1 561 194
Money market fund	-	70 749	829 050	64 534	-	18 000	82 909	1 065 242
Unitised linked investments	-	-	204 287	-	-	-	952	205 239
Insurance receivables	-	-	-	-	-	-	125 999	125 999
Loans and receivables	-	-	-	-	-	45 302	85 549	130 851
Reinsurance contracts	-	11 618	8 000	-	-	-	-	19 618
Cash and cash equivalents	607 911	408 231	315 851	-	-	-	12 573	1 344 566
Total	**1 045 209**	**913 204**	**2 139 938**	**240 393**	**24 837**	**95 236**	**340 204**	**4 799 021**

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. Prior year ratings were based on Fitch ratings.

Notes to the financial statements

For the year ended 31 March 2016

4. Management of financial risk (continued)

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.

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 maturity 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.

Notes to the financial statements

For the year ended 31 March 2016

4. Management of financial risk (continued)

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

Figures in Rand thousands *As at 31 March 2016*	Within 0 to 3 months	3 months to 1 year	1 to 2 years	Other	Total
Deferred income*	2 952	3 016	-	-	5 968
Insurance contract liabilities	543 868	443 242	54 036	3 249	1 044 395
Trade and other payables	65 741	-	-	-	65 741
Total	**612 561**	**446 258**	**54 036**	**3 249**	**1 116 104**

Figures in Rand thousands *As at 31 March 2015*	Within 0 to 3 months	3 months to 1 year	1 to 2 years	Other	Total
Deferred income*	2 862	2 284	-	-	5 146
Insurance contract liabilities	288 233	427 502	120 662	3 189	839 586
Trade and other payables	77 529	-	-	-	77 529
Total	**368 624**	**429 786**	**120 662**	**3 189**	**922 261**

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

Notes to the financial statements

For the year ended 31 March 2016

4. Management of financial risk (continued)

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

Figures in Rand thousands *As at 31 March 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 contract assets	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**

Figures in Rand thousands *As at 31 March 2015*	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	1 468 246	972 350	938 211	967 794	4 346 601
Loans and receivables	85 549	-	45 302	-	130 851
Insurance receivables	125 999	-	-	-	125 999
Reinsurance assets	8 330	9 804	1 473	11	19 618
Cash and cash equivalents	1 344 566	-	-	-	1 344 566
Total	**3 032 690**	**982 154**	**984 986**	**967 805**	**5 967 635**

The above ratings are based on the original contract maturity, however we have moved ABIL exposure from the 0 to 3 months category to the 1 to 3 years category due to the uncertainty on when payment may be expected.

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.

Notes to the financial statements

For the year ended 31 March 2016

4. Management of financial risk (continued)

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, KRIs, scenario 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 plan.

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 for the first time during November 2014 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.

Notes to the financial statements

For the year ended 31 March 2016

4. Management of financial risk (continued)

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.

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.

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:

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

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

Notes to the financial statements

For the year ended 31 March 2016

4. Management of financial risk (continued)

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

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

The following table analyses within the fair value hierarchy the Company's financial assets and liabilities (by class) measured at fair value at 31 March 2016.

Figures in Rand thousands
31 March 2016

Asset	Level 1	Level 2	Level 3	Total
Financial assets and liabilities designated at fair value through profit or loss:				
- Equity securities - listed	1 178 804	64	-	1 178 868
- Equity securities - unlisted	-	-	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	87 728	9 244	103 747	200 719
Total financial assets and liabilities designated at fair value through profit or loss	**1 692 011**	**2 588 539**	**110 047**	**4 390 597**

Figures in Rand thousands
31 March 2015

Asset	Level 1	Level 2	Level 3	Total
Financial assets and liabilities designated at fair value through profit or loss:				
- Equity securities - listed	1 162 251	63	-	1 162 314
- Equity securities - unlisted	-	-	6 300	6 300
- Debt securities	423 067	1 484 439	-	1 907 506
- Money market fund	-	1 065 242	-	1 065 242
- Unitised linked investments	-	205 239	-	205 239
- Derivative assets	-	1 065	-	1 065
- Derivative liabilities	-	(4 107)	-	(4 107)
Total financial assets designated at fair value through profit or loss	**1 585 318**	**2 751 941**	**6 300**	**4 343 559**

Notes to the financial statements

For the year ended 31 March 2016

4. Management of financial risk (continued)

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.

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 year ended 31 March 2016 and 2015 by class of financial instrument.

Figures in Rand thousands **Asset**	**Equity instruments**	**Total**
Opening balance	6 300	6 300
Additional investment made	-	-
Gains and losses recognised in income	-	-
Dividends received	-	-
Closing balance	**6 300**	**6 300**

Notes to the financial statements

For the year ended 31 March 2016

4. Management of financial risk (continued)

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 thousands	**2016**	**2015**
Level 3 investments		
Effect on profit before tax at 10% (fluctuation)	630	630
Effect on profit before tax at 15% (fluctuation)	945	945

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 2.19 - Critical accounting estimates and judgements for detail.

Notes to the financial statements

For the year ended 31 March 2016

5. Property and equipment

Figures in Rand thousands	2016 Cost / valuation	2016 Accumulated depreciation	2016 Carrying value	2015 Cost / valuation	2015 Accumulated depreciation	2015 Carrying value
Computer equipment	6 722	(5 240)	1 482	6 003	(4 413)	1 590
Furniture and fittings	3 184	(1 401)	1 783	3 122	(1 128)	1 994
Motor vehicles	594	(400)	194	594	(298)	296
Office equipment	1 842	(1 501)	341	1 846	(1 671)	175
Leasehold improvements	11 528	(5 170)	6 358	9 317	(2 968)	6 349
Total	**23 870**	**(13 712)**	**10 158**	**20 882**	**(10 478)**	**10 404**

Reconciliation of property and equipment - 2016

Figures in Rand thousands	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
Total	**10 404**	**3 545**	**(32)**	**(3 759)**	**10 158**

Reconciliation of property and equipment - 2015

Figures in Rand thousands	Opening net book amount	Additions	Disposals	Depreciation charge	Total
Computer equipment	1 706	836	(7)	(945)	1 590
Furniture and fittings	2 030	253	-	(289)	1 994
Motor vehicles	415	-	-	(119)	296
Office equipment	323	5	-	(153)	175
Leasehold improvements	6 174	1 828	-	(1 653)	6 349
Total	**10 648**	**2 922**	**(7)**	**(3 159)**	**10 404**

Depreciation expense of R3.75 million (2015: R3.15 million) has been included in expenses for administration and marketing.

Notes to the financial statements

For the year ended 31 March 2016

6. Intangible assets

Figures in Rand thousands	2016 Cost / valuation	2016 Accumulated amortisation	2016 Carrying value	2015 Cost / valuation	2015 Accumulated amortisation	2015 Carrying value
Software	24 971	(20 505)	4 466	23 300	(17 174)	6 126
Total	**24 971**	**(20 505)**	**4 466**	**23 300**	**(17 174)**	**6 126**

Reconciliation of intangible assets - 2016

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

Reconciliation of intangible assets - 2015

Figures in Rand thousands	Opening net book amount	Additions	Amortisation charge	Total
Software	8 056	1 176	(3 106)	6 126
Total	**8 056**	**1 176**	**(3 106)**	**6 126**

7. Deferred acquisition costs (DAC)

	2016	2015
Balance at beginning of the year	37 668	39 065
Movement in income statement	7 760	(1 397)
Balance at end of the year	**45 428**	**37 668**

Notes to the financial statements

For the year ended 31 March 2016

8. Financial assets

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

Figures in Rand thousands	Notes	2016	2015
Fair value through profit or loss	8.1	4 390 597	4 346 601
Loans and receivables	8.2	200 739	130 851
Derivative assets	8.3	-	1 065
Total financial assets		**4 591 336**	**4 478 517**

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		
Equity securities		
Listed and quoted	1 178 868	1 162 314
Unlisted and unquoted	6 300	6 300
	1 185 168	**1 168 614**
Unlisted linked investments		
Listed and quoted	-	952
Unlisted and unquoted		
- Infrastructure development bond fund	200 719	204 287
	200 719	**205 239**
Money market fund		
Money market fund	**1 401 613**	**1 065 242**
Other bills and bonds		
Debt securities – fixed interest rate:		
Other bills and bonds	1 177 618	1 561 194
Government and semi–government bonds	425 479	346 312
	1 603 097	**1 907 506**
Total financial assets at fair value through profit or loss	**4 390 597**	**4 346 601**

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 2016

8. Financial assets (continued)

Figures in Rand thousands	2016	2015
Movement in financial assets at fair value through profit or loss		
Balance at beginning of the year	4 346 601	3 904 577
Transfer (to)/from cash and cash equivalents	(193 634)	115 172
Interest received	275 710	236 577
Dividends received	35 054	32 225
Realised net fair value gains	111 160	65 926
Unrealised net fair value gains/losses	(160 425)	15 500
Investment administration expense	(23 869)	(23 376)
Total	**4 390 597**	**4 346 601**

8.2 Loans and receivables

	2016	2015
Other loans and receivables	**200 739**	**130 851**

The above balances are receivable within twelve months. Fair values therefore largely approximate carrying values. Interest accrued of R51 million (2015: R38.9 million) is included.

8.3 Derivative assets/(liabilities)

	2016	2015
Derivative assets		
Financial assets - at fair value through profit or loss		
- Exchange traded future agreements	-	721
- Exchange traded option contracts	-	344
	-	**1 065**
Derivative liabilities		
Financial liabilities - at fair value through profit or loss		
- Exchange traded future agreements	-	(1 408)
- Exchange traded option contracts	-	(2 699)
	-	**(4 107)**

Notes to the financial statements

For the year ended 31 March 2016

9. Insurance receivables

Figures in Rand thousands	2016	2015
Profit commission	18 857	12 170
Outstanding premiums	139 852	113 829
Total insurance receivables	**158 709**	**125 999**

	At 31 March 2016		At 31 March 2015	
Figures in Rand thousands	Gross	Impairment	Gross	Impairment
The trade receivables due from agents at reporting date was:				
Not past due	132 564	-	106 262	-
Past due	7 288	-	7 567	-
	139 852	**-**	**113 829**	**-**

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 2016

10. Insurance contract liabilities and reinsurance contract assets

Figures in Rand thousands	2016	2015
Gross		
Outstanding claims and loss adjusting expenses	600 682	438 216
Claims incurred but not reported	93 356	91 915
Outstanding claims, including claims incurred but not reported	694 038	530 131
Unearned premiums	350 357	309 455
Total insurance contract liabilities, gross	**1 044 395**	**839 586**
Recoverable from reinsurers		
Outstanding claims and loss-adjustment expenses	810	2 407
Claims incurred but not reported	13	58
Outstanding claims, including claims incurred but not reported	823	2 465
Unearned premiums	19 894	17 153
Total reinsurers' share of insurance contract liabilities	**20 717**	**19 618**
Net insurance contract liabilities		
Outstanding claims and loss-adjustment expenses	599 872	435 809
Claims incurred but not reported	93 343	91 857
Outstanding claims, including claims incurred but not reported	693 215	527 666
Unearned premiums	330 463	292 302
Total insurance contract liabilities (net)	**1 023 678**	**819 968**

The '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 2016 are R2.01 million and for 31 March 2015 is R1.24 million. These are not material.

Notes to the financial statements

For the year ended 31 March 2016

10. Insurance contract liabilities and reinsurance contract assets (continued)

Movements in insurance liabilities and reinsurance assets

The movements for the year are summarised below:

a) Outstanding claims, including claims incurred but not reported

Figures in Rand thousands **At 31 March 2016**	Gross	Reinsurance	Net
Balance at beginning of the year	530 133	2 465	527 668
Less: Claims paid relating to the prior years	(225 469)	-	(225 469)
Claims paid, relating to current year	(196 415)	-	(196 415)
Claims incurred during the year	581 936	-	581 936
Claims incurred but not reported	1 440	(44)	1 484
Change in ULAE* provision	2 413	-	2 413
Change in prior year estimate	-	(1 598)	1 598
Balance at end of the year	**694 038**	**823**	**693 215**

**Unallocated loss adjusting expenses*

Figures in Rand thousands **At 31 March 2015**	Gross	Reinsurance	Net
Balance at beginning of the year	394 061	13 228	380 833
Less: Claims paid relating to the prior years	(138 005)	(6 426)	(131 579)
Claims paid, relating to current year	(162 146)	-	(162 146)
Claims incurred during the year	467 860	-	467 860
Claims incurred but not reported	(35 924)	(3 870)	(32 054)
Change in ULAE provision	3 124	-	3 124
Change in prior year estimate	1 163	(467)	1 630
Balance at end of the year	**530 133**	**2 465**	**527 668**

Notes to the financial statements

For the year ended 31 March 2016

10. Insurance contract liabilities and reinsurance contract assets (continued)

b) Provision for unearned premiums

Figures in Rand thousands	Gross	Reinsurance	Net
At 31 March 2016			
Balance at beginning of the year	309 454	17 153	292 301
Premiums written during the year	1 683 895	139 084	1 544 811
Less: Premiums earned during the year	(1 642 993)	(136 344)	(1 506 649)
Balance at end of the year	**350 356**	**19 893**	**330 463**
At 31 March 2015			
Balance at beginning of the year	282 943	13 864	269 079
Premiums written during the year	1 522 866	140 994	1 381 872
Less: Premiums earned during the year	(1 496 354)	(137 705)	(1 358 649)
Balance at end of the year	**309 455**	**17 153**	**292 302**

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

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

(c) Process used to decide on assumptions

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

10.1 Claim provisions

The Company's outstanding claims provisions 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).

Notes to the financial statements

For the year ended 31 March 2016

10. Insurance contract liabilities and reinsurance contract assets (continued)

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.

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 the current regulatory prescribed method as set out by the FSB in Board Notice 169 of 2011.

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.

Notes to the financial statements

For the year ended 31 March 2016

10. Insurance contract liabilities and reinsurance contract assets (continued)

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 R173.4 million (2015: R132.5 million). The net impact after reinsurance on profit before tax would be R173.4 million (2015: R131.9 million).

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 and property classes.

The sensitivity was based on the following:

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

Notes to the financial statements

For the year ended 31 March 2016

10. Insurance contract liabilities and reinsurance contract assets (continued)

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

Sensitivity analysis - gross

Figures in Rand thousands

Gross	Base (recommended)	Sensitivity 1 (LR - 10% higher)			Sensitivity 2 (LR - 10% lower)		
Class of business	**IBNR**	**IBNR**	**Change**	**% change**	**IBNR**	**Change**	**% change**
Engineering	10 344	9 436	(908)	(-8.8)	11 247	903	8.7
Motor	23 989	21 921	(2 068)	(-8.6)	26 047	2 058	8.6
Property	56 365	43 566	(12 799)	(-22.7)	69 040	12 675	22.5

The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims. The top half of each table below illustrates how the Company's estimate of the movement of claims outstanding for each loss year has changed at successive year-ends. The bottom half of the table reflects the net movement in outstanding claims. A breakdown of the utilisation of the respective IBNR provisions is provided. The IBNR is based on the best estimate assumption by using the claims and assuming that the past experiences reflect the future. The net IBNR has increased from R91.9 million in 2015 to R93.3 million in 2016.

IBNR – gross claims

Figures in Rand thousands **Reporting year**	**31 March 2011**	**31 March 2012**	**31 March 2013**	**31 March 2014**	**31 March 2015**
31 March 2016					
Claims reported after year-end:	41 799	60 668	87 895	69 014	49 820
IBNR provision	62 290	87 437	162 640	127 841	91 915
Utilisation of IBNR (%)	**67.10**	**69.38**	**54.04**	**53.98**	**54.20**

IBNR – net claims

31 March 2016					
Claims reported after year-end:	29 259	48 608	71 218	67 106	49 678
IBNR provision	35 387	69 064	125 808	123 913	91 857
Utilisation of IBNR (%)	**82.68**	**70.38**	**56.61**	**54.16**	**54.08**

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

Notes to the financial statements

For the year ended 31 March 2016

10. Insurance contract liabilities and reinsurance contract assets (continued)

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

The '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 2016 are R2.1 million and at 31 March 2015 are R1.24 million. These numbers are immaterial.

11. Cash and cash equivalents

Figures in Rand thousands	2016	2015
Cash and cash equivalents comprise:		
Call account	1 165 582	814 611
Money market instruments with maturities of less than three months	429 287	443 168
Short-term deposits and cash on call	1 594 869	1 257 779
Bank and cash balances	172 242	86 787
Total	**1 767 111**	**1 344 566**

The effective interest rate on short-term bank deposits with maturities of less than three months ranges between 7.70% and 9.93% (2015: 5.95% and 7.55%). The effective interest rate on the call account at the reporting date averaged between 5.50% and 6.75% (2015: 5.50% and 5.25%) and on the reserve bank account average between 5.76% and 7.14% (2015: 5.76% and 5.64%).

Notes to the financial statements

For the year ended 31 March 2016

12. Non-current assets held for sale

Figures in Rand thousands	2016	2015
Assets that are classified as held for sale:		
Investment in aloeCap BEE Private Equity Trust transferred from Associate	36 000	37 731
Impairment of investment in aloeCap BEE Private Equity Trust	-	(1 731)
Transfer to receivables	(36 000)	-
Total	**-**	**36 000**

Non-current assets held for sale included the following:

Investment in aloeCap

The Company has realised its investments made through the aloeCap BEE Private Equity Trust in order to give effect to the trust deed, which stipulates that the Trust will terminate by effluxion of time. A sufficient amount of time has passed since inception of the Trust, giving effect to the termination condition. The Trust received an offer to purchase the remaining two investments in the Trust, for R90 million and the Trustees accepted the offer in the previous financial year. The Company's share was valued at R36 million.

Approval of the funding for the sale of aloeCap was obtained. Sasria's Investment Committee approved the sale during the 2015 financial year.

The funds are expected to flow within the next four months.

13. Share capital

Figures in Rand thousands	2016	2015
Authorised		
1 ordinary share of 100 cents	-	-
Issued		
1 ordinary share of 100 cents	-	-

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

Notes to the financial statements

For the year ended 31 March 2016

14. Payables

Figures in Rand thousands	2016	2015
Trade payables and accrued expenses	46 012	50 994
Value Added Tax	11 676	7 941
Amounts due to reinsurers	8 053	18 594
Total	**65 741**	**77 529**

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

15. Employee benefit liability

Figures in Rand thousands	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Reconciliation of employee benefit liability - 2016					
Leave pay	1 570	3 092	(3 130)	-	1 532
Bonus	9 977	14 614	(11 102)	-	13 489
Total	**11 547**	**17 706**	**(14 232)**	**-**	**15 021**
Reconciliation of employee benefit liability - 2015					
Leave pay	1 681	2 714	(2 825)	-	1 570
Bonus	10 247	10 197	(10 467)	-	9 977
Total	**11 928**	**12 911**	**(13 292)**	-	**11 547**

The leave pay provision relates to vested leave pay to which employees may become entitled 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 predetermined financial and qualitative targets.

Notes to the financial statements

For the year ended 31 March 2016

16. Deferred income

Figures in Rand thousands	2016	2015
Balance at beginning of the year	5 146	4 159
Movement in income statement	822	987
Total	**5 968**	**5 146**

17. 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 thousands	2016	2015
At beginning of the year	(47 223)	(48 705)
Income statement charge	31 862	1 482
Total	**(15 361)**	**(47 223)**

Figures in Rand thousands	Balance 1 April 2014	(Charged)/ credited to the income statement	Balance 31 March 2015	(Charged)/ credited to the income statement	Balance 31 March 2016
Provisions	9 723	526	10 249	(6 041)	4 208
DAC and other intangible assets	(17 786)	(2 151)	(19 937)	(3 374)	(23 311)
Unrealised appreciation of investments	(40 642)	3 107	(37 535)	41 277	3 742
Total	**(48 705)**	**1 482**	**(47 223)**	**31 862**	**(15 361)**

Figures in Rand thousands	2016	2015
Deferred income tax assets	9 620	13 772
Deferred income tax liabilities	(24 981)	(60 995)
Net deferred tax balance	**(15 361)**	**(47 223)**

Notes to the financial statements

For the year ended 31 March 2016

18. Net insurance premium earned

Figures in Rand thousands	2016	2015
Insurance contracts		
Premium written	1 683 895	1 522 866
Change in unearned premium provision	(40 902)	(26 512)
Premium revenue arising from insurance contracts	1 642 993	1 496 354
Reinsurance contract		
Premium ceded	(139 084)	(140 994)
Change in unearned premium provision	2 740	3 289
Premium revenue ceded to reinsurers	(136 344)	(137 705)
Net insurance premium earned	**1 506 649**	**1 358 649**

Excess of loss reinsurance cover was purchased for 2016 at a cost of R85.2 million (2015: R91. 4 million). There were no events in either 2016 or 2015 that prompted losses of sufficient size to trigger a recovery from these contracts.

19. Investment income

Figures in Rand thousands	2016	2015
Investment income on cash and cash equivalents:		
Interest income	**332 278**	**277 835**
Investment income on financial assets held at fair value through income:		
Dividend income	35 054	32 225
Unrealised net fair value gains	(160 425)	15 500
Realised net fair value gains	111 160	65 926
Impairment of non-current assets held for sale	-	(1 731)
	(14 211)	**111 920**
	318 067	**389 755**

Notes to the financial statements

For the year ended 31 March 2016

20. Insurance claims and loss-adjustment expenses

Figures in Rand thousands	2016	2015
Gross		
Claims paid	421 880	300 151
Movement in outstanding claims and IBNR	163 906	136 071
	585 786	**436 222**
Reinsurers share		
Claims paid	(372)	(6 426)
Movement in outstanding claims and IBNR	1 642	10 763
	1 270	**4 337**

21. Expenses for the acquisition of insurance contracts

Figures in Rand thousands	2016	2015
Gross commission paid	212 452	181 097
Movement in net deferred acquisition cost	(6 937)	(4 367)
	205 515	**176 730**

Notes to the financial statements

For the year ended 31 March 2016

22. Expenses for administration and marketing

Figures in Rand thousands	2016	2015
Expenses for administration and marketing include:		
Advertising expenses	5 502	5 646
Auditor remuneration: statutory audit	1 298	1 215
Auditor remuneration: other services	540	897
Total auditor remuneration	1 838	2 112
Depreciation - property and equipment	3 759	3 159
Investment administration expenses	23 869	23 376
Employee benefit expense	57 734	48 709
Social responsibility allocation	16 627	21 695
Loss/(profit) on sale of property and equipment	5	(26)
Consulting and professional fees	2 546	3 084
Policy administration fees	205 861	187 234
Operating lease expense	4 845	4 789
Amortisation - intangible assets	3 331	3 106

23. Employee benefit expense

Figures in Rand thousands	2016	2015
Wages and salaries	35 655	31 271
Bonuses	13 613	10 198
Medical aid	1 756	1 725
Leave pay provision charge	(37)	(111)
Post-employment benefits: Pension - Defined contribution plan	6 747	5 626
	57 734	**48 709**
Number of employees (full-time)	64	56

Notes to the financial statements

For the year ended 31 March 2016

24. Income tax expense

Figures in Rand thousands	2016	2015
Major components of the tax expense		
Current		
Current year normal tax	239 244	224 694
Prior year adjustment	(2 132)	244
	237 112	**224 938**
Deferred		
Deferred income tax	(31 862)	(1 482)
	205 250	**223 456**
Reconciliation of the taxation		
Profit before tax	709 369	834 140
Tax at the applicable tax rate of 28% (2015: 28%)	198 623	233 559
Effects of: Income not subject to tax:		
Other income exempt for tax purposes	15 397	(15 914)
Other expenses not allowable for tax purposes	(9 514)	5 273
Capital gains tax	-	-
Prior year adjustment - income tax	(2 132)	244
Prior period over provision - deferred tax	2 876	294
Tax charge for the period	**205 250**	**223 456**
Effective rate (%)	28.93	26.79

Notes to the financial statements

For the year ended 31 March 2016

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

The comparative information has been based on the list of public entities and their subsidiaries effective at 31 March 2016.

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 NMIs and passed on to Sasria in total through a bordereaux without disclosing the identities of the individual insureds. Sasria would only interact with individual insureds in the event of a claim being presented through the NMIs.

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

Notes to the financial statements

For the year ended 31 March 2016

25. Related party transactions and balances (continued)

Dividend payment

A dividend of R183.2 million (2015: R205.78 million) was declared and paid to the shareholder during the year.

Figures in Rand thousands	2016	2015
Purchase of goods and services		
Shareholder, including government departments	1 436	1 649
South African Revenue Services (SARS)		
Taxation paid to SARS	298 378	214 872
Interest and refunds received (SARB and INSETA)	39 977	23 201

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

Key management compensation

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

Figures in Rand thousands	2016	2015
Year-end balances arising from transactions		
Assets included in the statement of financial position		
Bonds issued by government and semi-government	446 789	462 700
Money market instruments issued by government and semi-government	244 025	24 800
Cash held at government and semi-government	889 314	649 900
Closing balance	**1 580 128**	**1137 400**

Notes to the financial statements

For the year ended 31 March 2016

26. Directors and executive management emoluments

Non-executive directors

Figures in Rand thousands

2016	Salary/fees	Bonus and retention	Contributions	Car allowance	Total
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**
2015					
MA Samie	603	-	-	-	603
CH du Toit**	213	-	-	-	213
BJ Mkangisa	261	-	-	-	261
SH Schoeman	320	-	-	-	320
R Mothapo	287	-	-	-	287
MO Ndlovu	251	-	-	-	251
T Mbatsha	253	-	-	-	253
MT Moutlane	253	-	-	-	253
	2 441	-	-	-	2 441

*** Fees paid to National Treasury.*

Notes to the financial statements

For the year ended 31 March 2016

26. Directors and executive management emoluments (continued)

Executive directors

Figures in Rand thousands

2016	Salary/fees	Bonus and retention	Contributions	Car allowance	Total
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**
2015					
CM Masondo	1 753	1 010	148	76	2 987
K Pepler	1 484	857	119	-	2 460
	3 237	**1 867**	**267**	**76**	**5 447**

Executive managers

2016	Salary/fees	Bonus and retention	Contributions	Car allowance	Total
TC Ntshiqa	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**
2015					
TC Ntshiqa	1 058	682	156	66	1 962
NG Mazibuko	814	652	96	24	1 586
KTW Fick	1 039	686	206	66	1 997
S Harrop-Allin	1 136	315	94	21	1 566
M Mavuso	913	465	191	-	1 569
R Mathafena	321	-	34	-	355
	5 281	**2 800**	**777**	**177**	**9 035**

Notes to the financial statements

For the year ended 31 March 2016

27. Cash generated from operations

Figures in Rand thousands	**2016**	**2015**
Profit before tax	709 369	834 140
Adjustments for:		
Investment income	(318 067)	(391 486)
Non-current asset held for sale	-	1 605
Depreciation	3 759	3 159
Amortisation of intangible assets	3 331	3 106
Loss/(profit) on sale of assets	5	(26)
Movements in provisions	3 474	(382)
Operating profit before working capital changes	401 871	450 116
Reinsurance contracts	(1 099)	7 474
Deferred acquisition costs	(7 760)	(5 353)
Insurance receivables	(32 710)	(1 164)
Loans and receivables	(33 888)	(54 217)
Insurance contract liabilities	204 809	162 582
Deferred income	822	987
Payables	(11 787)	(4 164)
	520 258	**556 261**

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

Notes to the financial statements

For the year ended 31 March 2016

28. Capital commitments

Figures in Rand thousands	2016	2015
Operating leases – as lessee (expense)		
Minimum lease payments due		
- within one year	5 288	4 851
- one year to five years	5 764	11 052
- later than five years	-	-
	11 052	**15 903**

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.

29. Tax paid

Figures in Rand thousands	2016	2015
Balance at beginning of the year	(22 138)	(7 922)
Current tax for the year recognised in profit or loss	(237 113)	(224 938)
Balance at end of the year	78 903	22 138
	(180 348)	**(210 722)**

Notes to the financial statements

For the year ended 31 March 2016

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

Figures in Rand thousands	2016	2015
Balance at beginning of the year	-	-
Current year expenditure	123	-
Amounts recovered	(87)	-
Balance at 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 11 incidents of fruitless and wasteful expenditure incurred by the Company during the year amounting to a total of R123 281.

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

At year-end R86 116 has been recovered; R20 175 will not be recovered due to the cost implications in attempting to reclaim this money. The sum of R16 990 is in the process of being investigated with final demands being issued and requests for payment sent out.

31. 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.

32. Events after the statement of financial position date

No issues have arisen after the date of statement of financial position that are significant and need reporting in the financial statements, other than the reallocation of the non-current asset held for sale to loans and receivables due to the fact that the sale agreement conditions were fulfilled subsequent to year-end. The funding was received after year-end on 1 August 2016.

Annexure A: Our 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 have taken place, 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.
Coupon	A coupon is a Sasria document which is attached to the NMI's insurance policy. This coupon outlines the Sasria cover that the customer enjoys and incorporates Sasria's terms and conditions.
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.

Term	Description
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 to from prior years. Also defined as premiums written and received but before deduction of reinsurance ceded.
Intermediary	A person who negotiates contracts of insurance or reinsurance with the insurer or reinsurer on behalf of the insured or reinsured.
Net written premium	Gross premium written or received on all business less return premium and premium ceded to reinsurers.
ORSA	Own risk and solvency assessment.
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.
Solvency margin	A measurement of the financial strength of a short-term insurer. It represents the shareholders' funds, expressed as a percentage of net written premium income. This method of measurement is generally accepted internationally.
Underwriting	The process of examining, accepting or rejecting insurance risks, and classifying or segmenting those selected, in order to 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.

Annexure B: Our five-year financial review

Our five-year financial review

	2016 R'000	2015 R'000	2014 R'000	2013 R'000	2012 R'000
Financial performance					
Gross written insurance premium	1 683 895	1 522 866	1 390 338	1 223 530	1 087 133
Insurance premium ceded to reinsurers	(139 084)	(140 994)	(126 573)	(362 476)	(309 881)
Net written insurance premium	1 544 811	1 381 872	1 263 765	861 054	777 251
Change in unearned premium	(38 162)	(23 223)	(69 035)	(30 527)	(28 615)
Net insurance premium earned	**1 506 649**	**1 358 649**	**1 194 730**	**830 527**	**748 636**
Net insurance claims	(587 056)	(440 559)	(306 382)	(507 433)	(206 854)
Net commission earned/(paid)	(179 392)	(152 683)	(98 354)	2 694	73 240
Expenses for administration and marketing (excl. investment management fees)	(325 154)	(297 777)	(275 516)	(226 725)	(208 573)
Net underwriting results	**415 047**	**467 631**	**514 476**	**99 063**	**406 449**
Investment income	318 067	389 755	443 109	406 616	299 277
Investment management fees	(23 869)	(23 376)	(18 444)	(16 889)	(19 133)
Other income	124	129	37	12 394	90
Share of profit/(loss) of associate	-	-	4 860	(18 752)	(6 872)
Income tax	(205 250)	(223 456)	(258 113)	(124 807)	(156 814)
Profit for the year	**504 119**	**610 684**	**685 926**	**357 625**	**522 998**
Dividends paid	(183 205)	(205 778)	(107 287)	(156 900)	(126 656)
Financial position					
Property and equipment	10 158	10 404	10 648	4 304	4 238
Intangible assets	4 466	6 126	8 057	3 760	2 792
Deferred acquistion cost	45 428	37 668	32 314	30 412	22 648
Investment in associate	-	-	52 794	48 099	68 670
Financial assets					
- at fair value through profit and loss	4 390 597	4 346 601	3 904 577	3 385 835	2 993 897
- loans and receivables	200 739	130 851	76 634	76 866	171 458
- derivative assets	-	1 065	1 492	-	-
Insurance receivables	158 709	125 999	124 835	104 060	120 710
Reinsurance contracts	20 717	19 618	27 092	194 351	103 768
Current tax receivable	-	-	-	1 715	9 869
Cash and cash equivalents	1 767 111	1 344 566	1 240 288	1 251 964	957 533
Non-current asset held for sale	-	36 000	-	-	31 802
Total assets	**6 597 925**	**6 058 898**	**5 478 731**	**5 101 365**	**4 487 385**

	2016 R'000	2015 R'000	2014 R'000	2013 R'000	2012 R'000
Non-distributable regulatory reserves	434 750	377 385	350 610	245 142	221 132
Retained earnings	4 937 786	4 674 237	4 296 106	3 822 935	3 646 218
Deferred income	5 968	5 146	4 159	13 127	10 320
Deferred income tax	15 361	47 223	48 705	6 232	47 203
Employee benefit liability	15 021	11 547	11 928	1 053	9 001
Insurance contracts	1 044 395	839 586	677 004	901 470	468 531
Derivative liabilities	-	4 107	606	-	-
Current tax liability	78 903	22 138	7 922	-	-
Trade and other payables	65 741	77 529	81 691	111 405	84 979
Total equity and liabilities	**6 597 925**	**6 058 898**	**5 478 731**	**5 101 365**	**4 487 385**
Cash flow statement					
Cash flows from operating activities					
Cash generated from operations	520 258	556 261	393 531	553 962	449 948
Dividends received	35 054	32 225	28 882	25 605	25 129
Interest received	332 278	277 835	247 086	228 566	205 005
Realised gains on investments	111 160	65 926	94 030	404 936	35 831
Income tax paid	(180 348)	(210 722)	(206 003)	(157 624)	(191 133)
Net cash from operating activities	**818 402**	**721 525**	**557 526**	**1 055 445**	**524 780**
Cash flows from investing activities					
Purchase of property and equipment	(3 545)	(2 922)	(9 785)	(1 566)	(1 481)
Proceeds on disposal of investment in associate	-	15 189	-	-	-
Proceeds on disposal of property and equipment	27	-	-	42 152	45
Purchases relating to intangible assets	(1 671)	(1 176)	(5 780)	(2 089)	(2 566)
Purchase of investments	(207 463)	(422 560)	(446 350)	(642 611)	(420 075)
Net cash flows on sale of investment in associate	-	-	-	-	46 978
Net cash used in investing activities	**(212 652)**	**(411 469)**	**(461 915)**	**(604 114)**	**(377 099)**
Cash flows from financing activities					
Dividend paid	(183 205)	(205 778)	(107 287)	(156 900)	(126 656)
Net cash used in financing activities	**(183 205)**	**(205 778)**	**(107 287)**	**(156 900)**	**(126 656)**
Net increase (decrease) in cash and cash equivalents	422 545	104 278	(11 676)	294 431	21 025
Cash and cash equivalents at beginning of the year	1 344 566	1 240 288	1 251 964	957 533	936 507
Cash and cash equivalents at end of the year	**1 767 111**	**1 344 566**	**1 240 288**	**1 251 964**	**957 533**

Key ratios	2016 R'000 2016 %	2015 R'000 2015 %	2014 R'000 2014 %	2013 R'000 2013 %	2012 R'000 2012 %
Insurance activities					
Net claims paid and provided *	39.0	32.4	25.6	61.1	27.6
Cost of acquisition *	33.5	33.2	31.2	27.0	18.1
Net commission paid / (earned) *	11.9	11.2	8.2	(0.3)	(9.8)
Management expenses *	21.6	21.9	23.0	27.3	27.9
Combined ratio *	72.5	65.6	56.8	88.1	45.7
Underwriting result *	27.5	34.4	43.2	11.9	54.3
Earned premium *	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
** Activities expressed as a % of net earned premium*					
Investment activities					
Interest income	332 278	277 835	247 086	228 566	205 005
Dividend income	35 054	32 225	28 382	23 786	25 129
Realised gains	111 160	65 926	94 030	404 936	35 831
Unrealised (losses)/gainsl	(160 425)	15 500	73 611	(250 673)	33 312
Impairment of non-current assets held for sale	-	(1 731)	-	-	-
Investment income	**318 067**	**389 755**	**443 109**	**406 616**	**299 277**

	2016 %	2015 %	2014 %	2013 %	2012 %
Return and productivity					
ROaE** (including urealised gains	9.7	12.7	15.7	9.0	14.3
(Net income / shareholder equity)					
***Return on average equity*					

	2016 %	2015 %	2014 %	2013 %	2012 %
Regulatory solvency position					
Capital required as % of premium	26	28	28	29	28
Capital available as % of premium	319	371	368	473	500
Available as % of required	1 236	1 334	1 325	1 656	1 757
Other statistics					
Number of employees	64	56	53	42	42

Annexure C: Profile of Board of Directors

Board of Directors for year the ended 31 March 2016

Director	Status on Board	Qualifications	Other directorships
Adam Samie (64)	Independent Non-executive Director: Chairperson	• Bachelor of Commerce (University of South Africa) 1986 • AIRMSA (University of Cape Town) 2004 • Management Development Programme (University of Cape Town) 1991 • Master of Business Administration • (University of Cape Town)1992 • Fellow of the Chartered Insurance Institute 1978 • Fellow of the Insurance Institute of South Africa 1982	• South African Insurance Association • Timesquare Investments Pty Ltd • South African Nuclear Pool Administrators • Auxis Underwriting Managers
Cedric Masondo (48)	Executive Director: Managing Director	• Bachelor of Commerce (Economics) (University of Durban Westville) 1991 • Fellow of the Insurance Institute of South Africa 1998 • Advanced Management and Leadership Programme (Saïd Business School, University of Oxford) 2015	• Trustee: aloeCap BEE Private Equity Trust • Chairperson: South African Actuaries Development Programme
Higgo du Toit (65)	Non-executive Director	• Bachelor of Commerce (Economics) • (University of Pretoria) 1973 • Bachelor of Commerce (Honours)(Economics) (University of Pretoria) 1975	• Value Loans
Baba Mkangisa (57)	Independent Non-executive Director	• Diploma in General Nursing (Mount Coke Hospital) 1980 • Diploma in Midwifery (Frere College of Nursing) 1982 • Diploma in (Advanced) Health Education (Leeds Polytechnic England) 1986 • Master of Education for Primary Health Care (Manchester University) 1989 • Diploma in Human Resource Management (University of South Africa) 1996	• Bosasa Operations • Inyanda Energy • Ntambanane Resources, • Salamay 1505 • Maletoba Investments & projects • Khangela Paanda • Topaz Sky Trading • Karpati Investments • Maxshell 90 Investment • Mkangisa Investments • Plascor 25 • Latitaa • Sharpmove Trading • Fleet Africa • K20140868882 • Cedra Point Trading • Bulebo Trading Project • Richtrav No. 47 • Topaz Sky Trading 109 • Opimart
Ranti Mothapo (34)	Independent Non-executive Director	• Bachelor of Economic Science (Actuarial Science and Mathematical Statistics) (University of the Witwatersrand) 2001 • Bachelor of Science (Honours) (Actuarial Science and Advanced Mathematics) (University of the Witwatersrand) 2002 • Fellow of the Faculty of Actuaries 2004 • Fellow of the Actuarial Society of South Africa 2004	• Land Bank Insurance Company • Moruba Consultants and Actuaries • Matlotlo Group Pty Ltd

Director	Status on Board	Qualifications	Other directorships
Maki Ndlovu (64)	Independent Non-executive Director	• Bachelor of Arts Social Sciences (University of the North) 1977 • Management Programme (Lincoln University) 1992 • Study of Leadership, Authority & Organisation (Tavistock Institute of Human Relations) 1987	• Simmer and Jack Limited • Vulisango Holdings • Kagiso Solutions Pty Ltd • Rite Future Careers cc • Bosasa Operations • Andricon • Kangela Phanda Investments • Opimart • Sefelana Productions
Karen Pepler (37)	Executive Director: Financial Director	• Bachelor of Commerce (Accounting) • (University of Johannesburg) 2002 • Bachelor of Accounting Sciences (Honours) (University of South Africa) 2005 • Chartered Accountant (SA)(SAICA) 2010	• Trustee: aloeCap BEE Private Equity Trust • Director: South African Actuaries Development Programme
Herman Schoeman (52)	Independent Non-executive Director	• Bachelor of Commerce (University of Pretoria) 1983 • Higher Education Diploma (University of Pretoria) 1984 • Master of Business Administration (University of Pretoria) 1989	• Guardrisk Group • Guardrisk Insurance Company • Guardrisk Holdings • Guardrisk Allied Products and Services • Lomacraft • Ronelibie • Main Street 1405 • Methealth • MMI Health • Providence Risk Managers • Providence Healthcare Risk Managers • Occupational Care South Africa • Onecare Health • Carecross Health • Metropolitan Health Corporate • Metropolitan Health • Metropolitan Health Risk Management • Momentum Healthcare Distribution • Momentum Investments • Momentum Ability • Momentum Alternative Insurance • Momentum Structure Insurance • Momentum Interactive • Aidsguard
Tando Mbatsha (43)	Independent Non-executive Director	• Bachelor of Commerce (University of Fort Hare) 1995 • Master of Business Leadership (University of South Africa) 2010	• Indyebo Consulting • SAB&T Business Consulting
Tshwarelo Moutlane (41)	Independent Non-executive Director	• Bachelor of Commerce (Information Systems) (University of South Africa) 1996 • Bachelor of Computer Sciences (Honours) (Accounting Science) (University of South Africa) 1999 • Chartered Accountant (SA) (SAICA) 2003	• RF Projects CC

Annexure D: Profile of executive team

Executive team for the year ended 31 March 2015

Name	Title	Qualifications
Cedric Masondo (48)	Executive Director: Managing Director	• Bachelor of Commerce (Economics)(University of Durban Westville) 1991 • Fellow of the Insurance Institute of South Africa 1998 • Advanced Management and Leadership Programme (Saïd Business School, University of Oxford) 2015
Karen Pepler (37)	Executive Director: Financial Director	• Bachelor of Commerce (Accounting) (University of Johannesburg) 2002 • Bachelor of Accounting Sciences (Honours) (University of South Africa) 2005 • Chartered Accountant (SA) (SAICA) 2010
Keith Fick (43)	Executive Manager Insurance Operations	• Management Development Programme (Graduate Institute for Management and Technology) 2005 • Associate of the Insurance Institute of South Africa 2009 • Programme for Management Development (Gordon Institute of Business Science) 2014
Mzi Mavuso (44)	Executive Manager: Governance and Secretariat	• BProcurationis (University of Fort Hare) 1993 • Bachelor of Law (University of Fort Hare) 1995 • General Management Programme (Gordon Institute of Business Science) 2013
Rose Mathafena (37)	Executive Manager: Human Capital	• Bachelor of Technology (Management) (University of South Africa) 2001 • Bachelor of Commerce (Honours) (Human Resource Development) (Rand Afrikaans University) 2003 • Master of Technology (Human Resource Development) (University of South Africa) 2007 • PhD (Industrial Psychology) (University of the Free State) 2015
Suzanne Har-rop-Allin (37)	Chief Risk Officer	• Bachelor of Commerce (Accounting)(University of Pretoria) 2000 • Bachelor of Commerce (Honours) (Accounting) (University of Johannesburg) 2002 • Chartered Accountant (SA) (SAICA) 2005
Thokozile Ntshiqa (38)	Executive Manager Stakeholder Management	• BJuris (University of South Africa) 1998 • Management Development Programme (Gordon Institute of Business Science) 2006 • Higher Certificate in Insurance (University of South Africa) 2007 • Master of Business Leadership (University of South Africa) 2014

Annexure E: Composition and attendance of the Board and Board committees

Board attendance: 1 April 2015 – 31 March 2016

Board	11 June 2015	6 August 2015	30 September 2015	1 December 2015	16 March 2016
1. Adam Samie (Chairperson)	Apology	Present	Present	Present	Present
2. Ranti Mothapo (Deputy Chairperson)	Present	Present	Apology	Present	Present
3. Higgo du Toit	Present	Present	Present	Present	Apology
4. Baba Mkangisa	Present	Present	Present	Present	Present
5. Maki Ndlovu	Present	Present	Present	Present	Present
6. Herman Schoeman	Present	Apology	Apology	Present	Apology
7. Tando Mbatsha	Present	Present	Present	Present	Apology
8. Tshwarelo Moutlane	Present	Present	Present	Present	Present
9. Cedric Masondo	Apology	Present	Present	Present	Present
10. Karen Pepler	Present	Present	Present	Present	Present

Composition of Board committees: 1 April 2015 – 31 March 2016

With effect from 11 June 2015 the following appointments to Board committees were made:

- Maki Ndlovu was appointed to the Investment Committee;
- Tando Mbatsha was appointed to the Social and Ethics Committee; and
- Ranti Mothapo was appointed to the Remuneration and Nomination Committee.

With effect from 1 December 2015 the following directors were also appointed as Deputy Chairpersons of the Board committees:

- Tshwarelo Moutlane was appointed as Deputy Chairperson of the Audit Committee;
- Ranti Mothapo was appointed as Deputy Chairperson of the Risk Committee;
- Baba Mkangisa was appointed as Deputy Chairperson of the Remuneration and
- Nomination Committee;
- Maki Ndlovu was appointed as Deputy Chairperson of the Social and Ethics
- Committee; and
- Tando Mbatsha was appointed as Deputy Chairperson of the Investment Committee.

The Board also appointed Tshwarelo Moutlane as Chairperson of the Audit Committee with effect from 1 April 2016.

Attendance of Board committees: 1 April 2015 – 31 March 2016

Investment Committee	6 May 2015	7 May 2015	25 May 2015	20 July 2015	19 November 2015	29 February 2016
1. Ranti Mothapo (Chairperson)	Present	Present	Present	Present	Present	Present
2. Tando Mbatsha (Deputy Chairperson)	Present	Present	Present	Present	Present	Present
3. Adam Samie	Present	Present	Present	Present	Present	Present
4. Maki Ndlovu	Not member yet		Not member yet	Present	Present	Present
5. Cedric Masondo	Apology	Apology	Present	Present	Present	Present
6. Karen Pepler	Present	Present	Present	Present	Present	Present

Audit Committee	28 May 2015	24 July 2015	10 November 2015	25 November 2015	25 February 2016
1. Herman Schoeman (Chairperson)	Present	Present	Present	Present	Present
2. Tshwarelo Moutlane (Deputy Chairperson)	Present	Present	Apology	Present	Present
3. Tando Mbatsha	Present	Present	Present	Present	Present
4. Higgo du Toit	Present	Apology	Present	Present	Present
5. Cedric Masondo	Present	Present	Apology	Present	Present
6. Karen Pepler	Present	Present	Present	Present	Present

Risk Committee	28 May 2015	24 July 2015	25 September 2015	30 November 2015	25 February 2016
1. Herman Schoeman (Chairperson)	Present	Present	Present	Present	Present
2. Ranti Mothapo (Deputy Chairperson)	Present	Present	Present	Present	Present
3. Adam Samie	Present	Present	Present	Apology	Present
4. Tshwarelo Moutlane	Present	Present	Apology	Present	Present
5. Cedric Masondo	Present	Present	Present	Present	Present
6. Karen Pepler	Present	Present	Present	Present	Present

Social and Ethics Committee	17 July 2015	10 November 2015	16 February 2016
1. Baba Mkangisa (Chairperson)	Present	Present	Present
2. Maki Ndlovu (Deputy Chairperson)	Present	Present	Present
3. Higgo du Toit	Present	Present	Apology
4. Tando Mbatsha	Present	Present	Present
5. Cedric Masondo	Present	Present	Apology
6. Karen Pepler	Apology	Present	Present

Remuneration and Nomination Committee	19 May 2015	22 July 2015	10 November 2015	16 February 2016
1. Maki Ndlovu (Chairperson)	Present	Present	Present	Present
2. Baba Mkangisa (Deputy Chairperson)	Present	Present	Present	Present
3. Adam Samie	Present	Present	Present	Present
4. Ranti Mothapo	Not member yet	Present	Present	Present
5. Cedric Masondo	Present	Present	Present	Apology
6. Karen Pepler	Apology	Apology	Present	Present

Going forward

In this 2015/2016 Integrated Report, we share the progress we have made in the second year of implementing Sasria's five-year strategy for the period 2014 to 2019.

In 2017 and beyond, our strategic focus will remain firmly centred on consolidating our Company's current position of leadership; on intensifying our efforts to ensure Sasria's sustainable performance; and on accelerating our business transformation journey to remain relevant in the South African market. The unique role that Sasria plays in the insurance industry enables us to make a meaningful contribution to Government's 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.

We are confident that the direction we are taking going forward will allow us to continue to fulfil our legislative mandate responsibly and so strengthen our solid performance record and strong financial position. It is also our firm belief that the business transformation journey that we embarked on in 2015, and that we accelerated in 2016, will gain even greater momentum going forward, enabling us to deliver even more effectively on our strategic transformation mandate. Going forward, we will steadfastly increase our focus on delivering on our strategic mandate. Essentially, this is because every Sasria team member is passionately committed to continue to contribute to the growth, development and transformation of the South African economy, to the benefit of all her people.

"We will steadfastly increase our focus to deliver on Sasria's strategic mandate and accelerate our business transformation journey to remain relevant to South Africa"

covering the extraordinary

Physical address:
36 Fricker Road, Illovo, 2196

Postal address:
PO Box 653367, Benmore, 2010

Tel:
+27 11 214 0800

Fax:
+27 11 447 8630

Email:
contactus@sasria.co.za

Website:
www.sasria.co.za