2020

INTEGRATED REPORT

Behind the nation, supporting a sustainable economy

sasria SOC LTD

Navigating this report

Indicates further information available online, mostly on our website, **www.sasria.co.za**

Directs readers to a page in this integrated report with supplementary information.

Our capitals

Financial capital

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For more information on the capitals that we employ in our value-creation process, refer to page 13.

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Refer to page 8 for a detailed description of our five-year strategy (2020 to 2024).

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About this integrated report

In this integrated report, published amid the COVID-19 pandemic, we show all our stakeholders how Sasria has and will continue to create value over time.

Theme

Behind the nation, supporting a sustainable economy

Everyone in South Africa faces a shared outlook, with an equal claim on the future, irrespective of the past. While Sasria has previously protected many people, companies, organisations and SOCs, our mandate is expanding. Sasria, together with all businesses, rallies for the protection of individuals, communities and livelihoods. This is the bedrock of our future. Importantly too, our future is secured only to the extent that we protect the planet we live on, which speaks directly to our deep commitment to policy and sustainability.

Structure of this report

This integrated report is structured as follows:

- The **foreword from the Minister of Finance** (refer to page 2) who, in his capacity as representative of the shareholder, receives the integrated report for tabling in Parliament;
- We discuss our business, its **purpose** and its value-creation strategy and how it is impacted by our capitals, stakeholders, risks and opportunities;
- We review our **performance** for the financial year ended 31 March 2020 (which we refer to as 2020), the first year of our new five-year strategic cycle, and outline our **outlook** for the future;
- We introduce our **environmental, social and corporate governance** and expand on the activities of the Board and its committees in supporting the sustainability of the Company and the economy; and
- Finally, our 2020 complete **annual financial statements** with notes thereto.

Scope and boundary

This report covers all the social, economic and governance aspects that are material to Sasria's ability to create value for all our stakeholders over the short, medium and long term. A matter is considered material if it can substantively affect our ability to create value. As part of our annual strategy review, we identified and prioritised the issues that could have a material impact on our ability to create value. The process that we followed, as well as the matters that we identified as material issues, are discussed on pages 6 and 7. All material issues have been included and management is not aware of any information that was unavailable or any legal prohibitions to the publication of any information.

The integrated report is informed by the following:

- Constitution of the Republic of South Africa;
- Companies Act 71 of 2008 (Companies Act);
- Conversion of Sasria Act 134 of 1998 (Sasria Act);
- Department of Trade and Industry's Code of Good Practice for Broad-based Black Economic Empowerment (B-BBEE);
- Financial Sector Charter (FSC);
- Financial Sector Regulation Act 9 of 2017 (FSRA);
- Insurance Act 18 of 2017 (Insurance Act);
- Integrated Reporting Framework issued by the International Integrated Reporting Council;
- International Financial Reporting Standards (IFRS);
- King IV Report on Corporate Governance for South Africa 2016 (King IV);
- Public Finance Management Act 1 of 1999 (PFMA); and
- Treasury Regulations issued in terms of the PFMA.

Approval and assurance

The information in this report was collected and prepared on the same basis as in the previous year insofar as measurement methods and time frames are concerned unless otherwise stated. The annual financial statements were prepared in line with IFRS and audited by our external auditor, SizweNtsalubaGobodo Grant Thornton Inc. Financial information included elsewhere in this report was extracted from the audited annual financial statements.

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

- The Executive Committee contributed and contracted the relevant skills and experience to undertake the reporting process in a transparent and complete manner;
- The Integrated Report Steering Committee provided an oversight role by reviewing the integrated report for completeness and accuracy;
- Internal Audit performed agreed upon procedures to review the content and information included in the integrated report;
- Our external auditor reviewed the integrated report to ensure consistency with the audited annual financial statements, without issuing an opinion thereon;
- The Executive Committee recommended the report; and
- The Audit Committee and Board approved the report.

Forward-looking statements

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

Board responsibility and approval statement

The Board acknowledges that it is ultimately responsible for overseeing the integrity and completeness of this report. With the assistance of the Board committees, it has considered the preparation and presentation of the 2020 integrated report and the audited annual financial statements. It is of the opinion that this report addresses all material issues and fairly presents the Company's integrated performance, outlook, strategy and perspective on future value creation in accordance with the Integrated Reporting Framework.

The integrated report was approved by the Board on 10 November 2020:

Moss Ngoasheng
Chairperson

Onkgodisitse Mokonyane
Deputy Chairperson

Cedric Masondo
Managing Director

Bajabulile Mthiyane
Finance Director

Sathie Gounden

Reginald Haman

Japhtaline Mantuka Maisela

Desmond Marumo

Dr Nolwandle Mgoqi-Mbalo

Refilwe Moletsane

Enos Ngutshane

Margaret Mosibudi Phiri

Moipone Ramoipone

Christiaan van Dyk

The value we created in 2020

Financial capital

R2 417 million
Gross written premiums
(2019: R2 169 million)

Financial capital

R991 million
Claims paid
(2019: R1 578 million)

Financial capital

R257 million
Investment income
(2019: R271 million)

The value we distributed

Human capital

R113 million
To employees as remuneration
(2019: R103 million)

Social and relationship capital

R43 million
To the community through socio-economic development
(2019: R27 million)

Social and relationship capital

R268 million
To the government as income tax
(2019: R71 million credit)

Manufactured capital

R15 million
Depreciation, amortisation and maintenance
(2019: R5 million)

Financial capital

R333 million
Retained income before transfer to reserves
(2019: R1 million loss)

Other highlights

Human capital

104
Permanent employees
(2019: 99)

Financial capital

R8 528 million
Assets under management
(2019: R8 111 million)

The Finance Director's report on page 32 includes a detailed review of the performance for the past year.

Refer to page 125 for a list of terminology.

Foreword from the Minister of Finance

TT Mboweni, MP
Minister of Finance

I receive and table these results and this integrated report to Parliament. I thank and congratulate Sasria for its excellent performance in the past year at a time when general economic conditions were challenging.

The economic environment

COVID-19 has turned the global economy upside down and we expect a significant global contraction this year. The South African economy was not spared and is now expected to show the largest contraction in nearly 90 years. Commodity price increases and a weaker oil price have softened the blow, but as a small open economy reliant on exports, we have been hit hard by both the collapse in global demand and the restrictions to economic activity.

Government has acted decisively to prioritise the health and lives of all South Africans. It also adopted a risk-adjusted approach to reopening the economy. Government's R500 billion fiscal support package alongside the monetary policy response will provide substantial support to the economy. Working together with the private sector with a common purpose will help us achieve our goals.

Sasria's achievements

Within the context of the current environment, we are very pleased with Sasria's performance in the past year:

- Sasria completed a turnaround from the previous year to post record revenues and a handsome profit;
- At a time when many state-owned enterprises are faltering, it shows that anything is possible with a commitment to high levels of compliance and dedication in conducting its business;
- It has not burdened the fiscus and has, instead, made a valuable contribution both directly through taxes paid to the shareholder and indirectly through its social upliftment programmes;
- It has achieved financial sustainability with its assets and is well prepared to withstand very high demands in terms of the special risks it covers in an uncertain future;
- Sasria has continued to deliver on its mandate by promptly paying claims or restoring businesses; and
- It has continued to stimulate inclusive economic growth through its transformation focus.

The contribution Sasria is making to our economy

The South African economy is facing a number of challenges, which existed prior to the arrival of the COVID-19 pandemic.

Unemployment remains our single greatest challenge. This leads to socio-economic challenges such as poverty, which, in turn, sparks protests that can be costly to both life and property. Sasria's role in providing cover to individuals and businesses against the effects of these protests is vital. The speed with which it helps those who have suffered damages by paying claims is, furthermore, vital to the effective operation of those individuals and businesses and the economy at large. Sasria's constant attention to improving its response times is therefore very well received.

In conducting its business during the pandemic, it was heartening to see how Sasria organised itself very quickly to continue operating virtually without interruption, especially in attending to the claims received.

The country continues to address economic and social transformation. Sasria has made large strides towards transformation in the financial services industry. This includes comprehensive education and skills development activities designed to benefit the previously disadvantaged and the industry as a whole. The efforts are already starting to bear fruit.

Refer to page 56 for Sasria's socio-economic development activities.

With only ten years to go to 2030, a heroic effort is required to achieve the goals set out by the National Development Plan (NDP), which are due to be achieved by then. Sasria is fulfilling a very important role in contributing towards economic growth, safety and skills development in meeting these goals. In addition, it is also contributing to a number of the United Nations Sustainable Development Goals (SDGs) through a focus on sustainability and reducing inequality.

Refer to page 20 for Sasria's contribution to the SDGs and the NDP.

Sasria's vital role in the country's future sustainability

Sasria has a distinctive role to play in resolving the future challenges facing our nation by:

- Exploring, as a state-owned special risk insurer with vast experience and expertise, COVID-19 and other pandemic insurance;
- Actively participating in the COVID-19 recovery plan announced by the President;
- Continuing to protect the assets of all in South Africa in the case of strikes, riots, civil commotion, public disorder and terrorism;
- Contributing to financial inclusivity by ensuring that its products remain relevant, up-to-date and offer protection to more people in South Africa; and
- Advocating the advancement of continued learning and transformation in the financial sector.

Gratitude

I would like to welcome our new Board of Directors under the leadership of Moss Ngoasheng. I thank them for their future commitment – they have my full support and I wish them well in their roles as they strive to work together in a unified manner for the benefit of the country. I would also like to thank Cedric Masondo, his executive team as well as all Sasria employees for their extra effort in achieving a remarkable performance, especially so without the benefit of a full Board for part of the year.

TT Mboweni, MP
Minister of Finance

OUR PURPOSE – VALUE CREATION

In this chapter we tell you more about Sasria, its unique and affordable products and how it is geared to stand **behind the nation** in meeting its obligation in terms of its dual mandate.

We elaborate on the capitals we have at our disposal and how we utilise these capitals to **add value** in a manner that is impactful, responsible and **sustainable**. This is influenced by our relationships with stakeholders, the material issues and the risks we face.

We emphasise our most valuable asset, our people, and pay tribute to our customers, who give us **purpose**.

Our purpose

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

As with all other insurance companies in South Africa, we operate within a well-developed framework outlined in the Financial Sector Regulation Act (FSRA), which:

- Gives the South African Reserve Bank (SARB) an explicit mandate to maintain and enhance financial stability through the establishment of the Prudential Authority (PA) to regulate the financial sector; and
- Established the Financial Sector Conduct Authority (FSCA) as a market conduct regulator outside the SARB, replacing the Financial Services Board (FSB) on 1 April 2018.

Sasria is a member of the South African Insurance Association (SAIA) and the International Forum for Terrorism Risk (Re)Insurance Pools (IFTRIP).

We are accountable to the Minister of Finance via National Treasury as we are wholly-owned by the state.

Dual mandate

Our purpose lies in our dual mandate:

Our **legislative mandate** is to provide cover for special risk events in terms of the Sasria Act and to research and investigate coverage for any special risk that can be considered to be of national interest.	Our broader **strategic mandate** as a state-owned entity is to make a positive contribution to transforming the financial services industry in line with the NDP in order to create a better, sustainable economic environment for all in South Africa.

Refer to page 20 for more information on Sasria's contribution to the NDP.

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

Refer to page 56 for more information on Sasria's corporate social investment.

Our core values

We endeavour to live up to our core values in all our dealings. They are:

Fairness	Treating all our stakeholders impartially and with respect, recognising our accountability to them.
Ethics	Conducting ourselves in a manner that is transparent and ethical: courageously doing what is right, honouring our commitments and communicating honestly.
Service excellence	Consistently applying our knowledge, experience and best efforts to deliver a relevant and professional service of an exceptional standard.
Collaboration	Engaging with our stakeholders, assuming positive intent, respecting diversity and working together to create uniformly positive outcomes.
Innovation	Applying thought and creativity to the application of new solutions.

What is material to delivering on our purpose

Our Executive Committee takes responsibility for managing Sasria's key material issues and its members follow a structured approach every year to revisit and determine the relevant material issues that could affect Sasria's ability to create value. Our Audit Committee and Risk Committee assume the oversight responsibility in this regard. They consider and approve the material issues prior to presenting them to the Board for endorsement.

Material matters are those matters of relevance we address and report on, considering their significance to both the business and our stakeholders and their potential to affect Sasria's ability to create value over the short, medium and long term. This allows us to evolve our strategy and tailor our reporting to ensure it is aligned with the interests and needs of our audiences, as well as those of the Company.

Determining our material issues

Every year, we review our material issues against the changing context of the business, stakeholder feedback and emerging issues.

An external party was engaged to facilitate a process to enable us to update our material issues assessment for the current year. This process centred on a materiality workshop attended by the Executive Committee and key internal stakeholders to review Sasria's most critical issues.

The materiality processes followed were:

Research and analysis	A list of potential issues was developed based on the review of: • Previously identified material issues • Risks and opportunities • Stakeholder engagement • Corporate reports • Peer reports • Prevalent industry and general economic issues • Discussions with executive management
Evaluate and review	A materiality workshop was held with the Executive Committee and key internal stakeholders on 7 April 2020 to discuss and evaluate the risks and impact these material issues will have on Sasria. As part of the workshop, a cross-check was performed against Sasria's strategic objectives, stakeholder issues, risks and capitals used to create value over the short, medium and long term.
Confirm the key issues	The risks identified were linked to Sasria's strategic output-oriented goals and then grouped into themes. This was undertaken to prioritise Sasria's material issues. The themes were categorised based on management's view of the potential impact that these issues have on Sasria.
Disclose	Apply and disclose the identified material issues in the integrated report.

Material issues

Based on the discussions at the workshop, Sasria management overlaid information on global and sector trends with their view of stakeholder concerns, risks and strategic objectives. The common themes, in essence our material issues, are presented in the following table. In the table, we also show which of our stakeholders are affected by these issues and how we have taken cognisance of these issues in determining our key focus areas in the next strategic cycle.

This list guides the overall content of this integrated report.

Material issues	Description	Stakeholders affected	Strategic focus areas	Strategic enablers
Talent (internal and within distribution channels and agents)	Sasria's future relies on attracting and retaining specialised skills and special risk knowledge in people such as underwriters, actuaries and accountants. The changing environment internally and externally also requires a sharp focus on ICT skills, change capability and dynamic leadership capacity building towards the ability to act with agility and flexibility in a value-driven environment and influencing organisational culture and ethics.	• Customers • Agents • Brokers • Employees • Shareholder • Industry bodies		Talent
Navigating change	Sasria is currently focused on its own renewal through effective management of change. Organisational change impacts all stakeholders Sasria works with. Without effectively managing change, Sasria will not be able to achieve its objectives. Management recognises that it has a direct link to human capital through new recruitments and new ways of working or thinking. Change is noted to be affecting productivity and the well-being of employees, however, a broader set of role players and external clients ultimately also feel its effect.	• Customers • Agents • Brokers • Employees • Shareholder • Industry bodies		
Technology and digitalisation	The digitalisation process remains an important matter for Sasria. This includes adapting the business to a technological world, managing the pace of change and ensuring agile people and systems, improving use of real-time and big data analytics and cybersecurity.	• Customers • Agents • Employees • Board • Industry bodies • Media	Digitalisation	Business intelligence
Financial sustainability	Key to Sasria's success is the ability to keep to its obligations and maintain a strong position. This enables the Company to cope with change and uncertainty, and to realise emerging opportunities. Linked with this is careful focus on insurance risk and underwriting, as well as Sasria's ability to pay claims. The challenges of lack/backlog of service delivery in some areas of the country and low levels of basic services still have an impact on increasing claims.	• Customers • Agents • Industry bodies • Regulatory bodies • Media • Shareholder	Sustainability	Capital management
Customer-centricity	This strategic goal remains central to Sasria's effectiveness. The focus remains on how best to service Sasria's customers and having a positive impact on the value chain i.e. realising efficiencies.	• Customers • Agents • Employees	Customer-centricity	Distribution channels
Socio-economic impact	Viewing the business holistically, Sasria's contribution to areas highlighted in the National Development Plan, and positive impact for stakeholders as a result of doing business, are also important. Sasria's socio-economic focus for a sustainable industry is mainly on education, contributing to the development of young people at foundational, secondary and tertiary levels. Sasria also plays a part in developing suppliers who do business with Sasria and in skills development to help in transforming the short-term industry, especially at middle and senior management levels.	• Customers • Agents • Reinsurers • Employees • Regulatory bodies • Shareholder	Socio-economic impact	
Risk and compliance	As a well-governed state-owned company, the areas of risk management and compliance remain key foundations for how Sasria operates and achieves its strategy/creates value.	• Customers • Agents • Shareholder		

Our top risks are discussed in more detail on page 23.

Our key stakeholder relationships are outlined on page 19.

The strategic focus areas and strategic enablers are described on pages 8 and 9.

Our short- and medium-term strategy

Vision 2024

Our current five-year strategic cycle covers the years 2020 to 2024, as per National Treasury guidelines.

Sasria has set clear focus areas to continue its **growth** trajectory within the risks and opportunities of the marketplace. We will continue in our endeavour to **add value** to an extending array of stakeholders.

We hope to increase the ambit of our mandate and the **impact** on the NDP even further.

Strategic framework

Sasria's strategy is a continuation of the strategy started in 2009, which aimed to transform the organisation into a well-governed, self-sustainable, efficient, innovative special risk company for the citizens of South Africa.

Sasria's strategic framework for the period 2020 to 2024 is portrayed below and illustrates the inter-relationship between vision, mission and strategic focus areas:

Purpose
To provide peace of mind

Mission
To provide special risk solutions for stability in South Africa

Vision
Special risk covered

Strategic focus areas	Strategic enablers
Sustainability	Capital management
Customer-centricity	Distribution channels
Socio-economic impact	Talent
Digitalisation	Business intelligence

The vision will be achieved by addressing each of the strategic objectives under the **strategic focus areas**, assisted by the **strategic enablers**.

Refer to page 11 for more information on our strategy and each of these key strategic focus areas and their underpinning objectives.

Strategic focus areas

Sustainability

Despite the low growth in our economy and increased social unrest, our product remains affordable and valuable for our growing customer base and we are confident that we will continue to grow. Although claims have increased in recent years, our capital and cost management remains prudent and we have a strong statement of financial position to support our future commitments in claims and growth initiatives. This is backed up by good corporate governance to ensure sustainability.

Customer-centricity

We continue to improve our operational efficiencies with the purpose of increasing customer satisfaction. Despite a dramatic increase in the frequency and severity of claims in the previous year, the claims rejection ratio remains negligible and turnaround times continue to improve, rendering a positive experience for the customer. Customers are at the centre of our business and strategy is set with our customers in mind. We want to remain relevant to our customers in terms of delivering products and services that they require.

Socio-economic impact

We have made significant strides in developing our phased roll-out of new products to a broader customer base to achieve greater financial inclusivity of the South African public through existing and new channels. Technology will play a significant role in making sure that we deliver this product in an efficient way.

Sasria wants to continue achieving socio-economic impact through other streams, including supplier and enterprise development, skills development and graduate programmes.

Digitalisation

We have embarked on a digitalisation journey, because we believe technology will help us provide:

- Cost-effective tools to understand our risk;
- Access new clients;
- Bring us closer to our clients; and
- Grow our business.

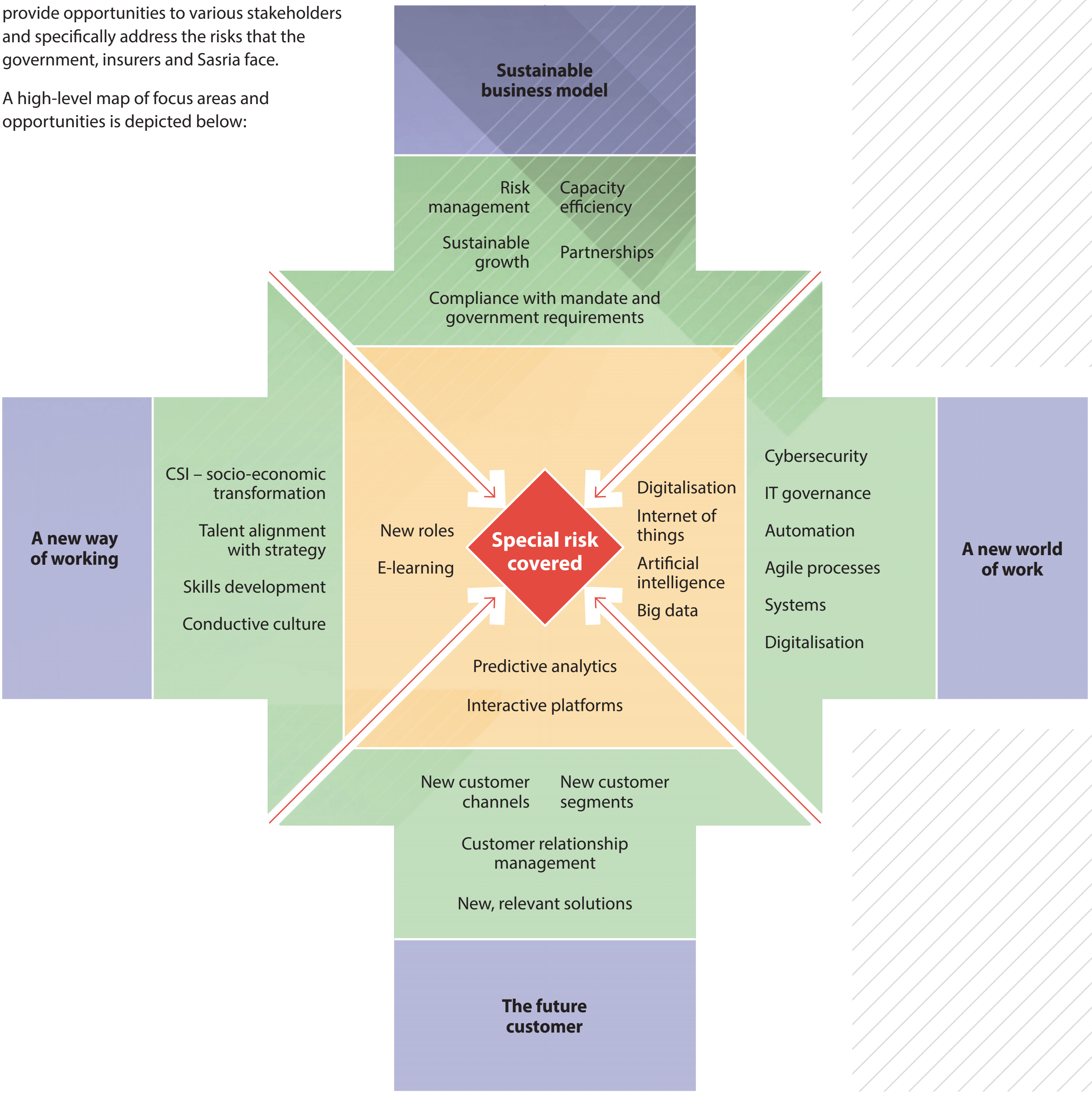
With investment in technology and information comes investment in the right people with the right skills.

Our short- and medium-term strategy continued

Vision 2024

In the five-year strategic plan, Sasria identified areas of focus. These areas of focus provide opportunities to various stakeholders and specifically address the risks that the government, insurers and Sasria face.

A high-level map of focus areas and opportunities is depicted below:



Drivers of change

South Africa continues to experience a tough economic environment, which is characterised by low growth, high unemployment, rising inequality and low business confidence. This is compounded by growing incidence of natural disasters and increased competition. To add to the complexity, significant technological developments will enable new and potentially disruptive business models and new, non-traditional competitors.

In order to meet these challenges, we have developed a robust strategy. Sasria's strategic drivers, focus areas and goals are summarised as follows:

Strategic outcome-oriented goals

The most important considerations under Sasria's control are likely to be the following, which were adopted as our strategic focus areas and underpinning strategic goals:

Key drivers of change	Strategic focus areas		Strategic goals
• National economic underperformance • Need for transformation • Need for enterprise and supplier development	Sustainability	Ensuring sustainable growth by: • Creating cross-sectoral partnerships and collaboration to exploit synergies and new opportunities in previously under-served segments; • Potentially outsourcing non-strategic functions; and • Creating new distribution channels.	• Ensure sustainable growth • Ensure capital efficiency • Ensure sound corporate governance • Maintain existing partnerships • Create new distribution channels • Mitigate risk through partnerships
• Cross-sectoral customer demands • Demand for new products from SMMEs • Demand for special risk insurance due to natural disasters or pandemics	Customer-centricity	• The development of a segmented portfolio of relevant, affordable and accessible products, incorporating dynamic pricing models and bundled offerings, as well as relevant products for new sectors e.g. agriculture. • Ensuring that Sasria's people are aligned with and are sensitive to customer needs within an enabling organisation structure and culture.	• Create a conducive culture • Align talent with strategy • Ensure a value-adding portfolio
• Increasing social pressure • Financial services skills and capacity shortfall • High unemployment and growing inequality	Socio-economic impact	Sasria can have a significant socio-economic impact by: • Balancing premium growth against affordability and inclusion; • Contributing to enterprise and supplier development; • Building extended capacity and capability in the financial sector; and • Being mindful of its environmental, social and governance (ESG) related responsibilities.	• Enterprise development • Supplier development • Financial services capacity building • Contribute to social transformation • Develop solutions to meet shareholder needs
• Increasing claims volumes • Customer demands for speed and efficiency • Efficiency gains through technology • Data analytics opportunities • New business models, channels and platforms	Digitalisation	The adoption and leveraging of fit-for-purpose technologies to: • Manage or reduce costs through the automation of repetitive processes; • Create a sound basis for analytical and predictive capabilities; • Explore new data monetisation opportunities; • Create targeted distribution platforms; and • Mitigate risk.	• Ensure fit-for-purpose digitalisation • Create business intelligence capability • Ensure internal and external operational excellence • Expand distribution capability

Our products

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

The need for our products is reinforced by the recent increase in service delivery protests, student protests and labour strikes and the increase in international terror incidents.

Affordable	We charge a standard premium rate per class of business. For example, Sasria cover on a private motor vehicle costs only R2 a month or R20 per annum, regardless of the car's value. If the car is destroyed in a special risk event such as a protest, Sasria pays out the retail value of the vehicle.
Voluntary	Our cover for special risk is not compulsory and is available to all customers who require it.
Cover	Our current product range offers R500 million primary cover at set rates in the following classes of insurance business: material damage (including motor and money), business interruption, construction and goods-in-transit. On request, we also provide our corporate customers with additional cover of up to R1 billion, called Sasria Wrap, which is subject to a separate rating structure.
In South Africa	The special risk insurance cover is only applicable within South Africa's borders on both land and water. As the only insurer in South Africa that provides special risk cover, we are not allowed to cancel, reject or decline cover, irrespective of the client's claims history or claims trends.

For further details on our product range, visit our website, **www.sasria.co.za**

Operating principles

We conduct business in a responsible, disciplined, professional and well-governed way. Our operating principles are to:

- operate with a core staff complement;
- operate via an outsourced distribution network comprising agents and intermediaries;
- have sufficient reinsurance cover in place; and
- strive to achieve optimal investment returns.

We also:

- identify the insurance needs of the public through research and development;
- conduct ourselves in a manner that promotes cooperation, mutual understanding and fosters good relationships with relevant third parties, agents, brokers and customers;
- develop and maintain a work environment that encourages employment equity and skills development; and
- establish a cooperative relationship with employees to achieve common goals of profitability and high performance.

Our value-creating business model

Our business model draws on the capitals as inputs and, through our business activities, converts them to outputs in the fairest way. Our activities and outputs lead to outcomes in terms of the effects on the capitals. We have identified risks and opportunities relevant to our strategy and business model. Our strategy is aimed at mitigating or managing risks and maximising opportunities, while satisfying the legitimate needs of all of our stakeholders.

The capitals we employ

We employ the following capitals in our value-creation process:

Financial capital	The pool of funds available to Sasria to finance our business activities such as settling claims, paying suppliers, investing in technology, providing socio-economic development, paying taxes and dividends to our shareholder, making investments and maintaining adequate levels of capital to meet our current and future liabilities, as required by the Regulator. We generate our own financial capital through gross written premiums and investment returns.
Human capital	Our people's competencies and their commitment to Sasria's mandate and its customers allow them to utilise their skills, knowledge, diversity and experience to improve our products, processes and customer-centric service delivery, as well as contribute to fulfilling our strategic mandate. The value we wish to deliver to our customers drives the selection, management and development of our people.
Intellectual capital	Our intangible infrastructure that we use to conduct our business and to create value. This includes intangibles such as brand value, goodwill, software, rights and licences as well as our tacit knowledge, systems, procedures and protocols. Our knowledge includes our ability to price and manage risk. Our understanding of underwriting of special risk is unique. As the only special risk insurer in South Africa, we are the experts in this area.
Social and relationship capital	The collaborative and transformative relationships that we have with our stakeholders, such as our shareholder, customers, agents, intermediaries, regulators, suppliers and the general population, enable us to deliver on our legislative and strategic transformation mandates. Our relationship with our stakeholders is based on mutual respect, shared norms and values, trust, transparency and upliftment.
Manufactured capital	Our own infrastructure and the physical assets of our clients, which we insure against special risks. We aim to protect those assets from peril and maintain them in the case of insurable events occurring.
Natural capital	The natural resources which we impact through our investment, risks insurance, claims settlement and procurement activities. We are also dependent on natural capital and ecosystem service flows for our investment risk and returns. Climate risk and extreme weather events present opportunities to expand our mandate for common good.

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

Our value-creating business model continued

The impacts and trade-offs we have to consider

Financial capital

- Financial management discipline is key as without this capital, the business cannot be sustained.
- It is a foundation and drives all other activity within the Corporate Plan and strategy.
- Sasria must be able to pay claims, or else it will become irrelevant in the market – this speaks to customer-centricity.
- Sasria needs to be able to collect all premiums due from its distribution channels on time.
- Assets in the statement of financial position need to be protected and preserved to be sustainable and available to meet obligations. Cash and investments need to be managed to ensure that Sasria remains liquid and able to meet its obligations as they fall due e.g. the ability to pay suppliers on time.
- Investment decisions become very important, as well as aligning Sasria to the solvency needs per the Regulator and protecting capital.
- When managing investments, decisions will increasingly be made looking at ESG factors.
- Procurement decisions – right price, in line with governance requirements per National Treasury.
- Avoid irregular and wasteful expenditure and penalties.
- Sasria aims to remain a going concern to not put pressure on the fiscus (solvency) i.e. to ensure that there is no need to ask for a guarantee from the government.
- Expenditure on intellectual property results in less funds to plough back, but not enhancing intellectual capital may result in the business stagnating.

Human capital

- Continued focus on reward and recognition.
- Key for effective management of human capital is the ability to attract top talent from the market, develop these people and retain good talent, which will come at increased cost.
- Sasria needs to identify critical roles within the organisation and create plans to retain those roles within the business.
- There is a focus on change capability (linked to the digitalisation goal), to best enable teams or functions to cope with change where employees are given tools to manage the changing landscape of the Company and the industry.
- Skills enhancement has increased through effective use of digital platforms for learning.
- Another key focus area is nurturing the right culture to see the strategy through i.e. living Sasria's values, ethical behaviour and mitigating reputational risks.
- Leadership capability for the 'work of the future' is critical as there is a different type of leadership that will be needed in the future.

Intellectual capital

- Sasria is a thought leader in the space of special risk. There is a need to continue optimising and nurturing the scarce skills developed through Sasria's unique business.
- This capital is linked to brand and expertise – namely how Sasria operates and its ability to retain its licence to operate.

Social and relationship capital

- Ethical leadership – the activities that Sasria is working on with their internal stakeholders to ensure that business is conducted the right way and with the right people.
- This capital focuses on Sasria's culture and living the values in how stakeholders are engaged.
- Stakeholder relationship breakdown would affect Sasria's business model as it relies on distribution channels and agents to collect premiums and sell products on its behalf.
- The shareholder is a key stakeholder and a good relationship ensures Sasria is effective.
- Regular communication with the Regulator is key to Sasria's licence to operate.
- Sasria takes social responsibility seriously through its CSI programmes.

Manufactured capital

- Sasria has adopted bespoke system enhancements to remain effective in the business of special risk.

Natural capital

- In relation to extreme weather and a natural disaster perspective, Sasria is assessing opportunities to extend its mandate.
- ESG considerations govern investment decisions by the specialised asset team.

Our value-creating business model continued

	Inputs	Business activities	Trade-offs made	Outputs	
Financial capital	**Gross written premiums** **R2 417 million** (2019: R2 169 million) **Investment income** **R257 million** (2019: R271 million)	• Sell products • Collect premiums • Pay commissions • Reinsure • Pay claims • Pay suppliers • Manage investments	**Preserve capital or invest in:**	**Equity** **R6 958 million** (2019: R6 625 million) **Assets under management** **R8 528 million** (2019: R8 111 million) **Claims paid** **R991 million** (2019: R1 578 million)	
Human capital	**Remuneration** **R113 million** (2019: R103 million) **Training** **R9.7 million** (2019: R4.2 million)	• Recruit • Train • Develop • Reward • Retain	• Recruitment • Training • Remuneration	**Staff complement** **104** (2019: 99) **Staff turnover** **11.70%** (2019: 10.10%) **Vacancy rate** **12.50%** (2019: 3.74%)	
Intellectual capital	**New systems and product development** **R10 million** (2019: R1.8 million)	• Research • Manage risk • Manage investments • Marketing	• Knowledge • Customer satisfaction • Innovation • Brand value	**Intangible assets** **R24 million** (2019: R4 million)	
Social and relationship capital	**Dividend paid** **R nil** (2019: R nil)	• Invest in corporate social activities • Improve financial literacy • Develop enterprises and suppliers • Pay taxes • Pay dividends	• Financial skills • Transformation • Delivering on the mandate • Compliance	**Socio-economic development** **R43 million** (2019: R27 million)	
Manufactured capital	**Capital expenditure** **R12 million** (2019: R12 million)		• Systems	**Property and equipment** **R38 million** (2019: R12 million)	
Natural capital	**Carbon footprint – paper, water and electricity**		• The environment	**Paper, water and electricity consumption** **R929 thousand** (2019: R823 thousand)	

	Desired outcomes	Key risks	Stakeholders affected	Strategic focus areas	Strategic enablers
	• Financial stability • Sasria is self-funded • Contribute to growth, development and transformation • Increased shareholder value	• Incomplete and inaccurate revenue • Inaccurate value added tax calculations • Increased special risks • Deterioration of investment markets	• Customers • Agents • Reinsurers • Suppliers • Employees • Regulatory bodies • Shareholder	Sustainability	Capital management
	• Qualified and engaged employees • Enhanced employee experience • High performance • Dynamic leadership • Strategic business objectives met	• Inability to attract and retain critical skills • Inability to remain productive • Inability to manage change • Unconducive environment	• Customers • Agents • Employees • Asset managers • Shareholder • Industry bodies		Talent
	• Improved customer satisfaction and increased revenue • Responsible corporate citizenship • Brand and social relevance • Asset growth	• Core system failure • Non-compliance with claims manual and procedures • Market risk • Credit risk • Cybersecurity risk	• Customers • Agents • Employees • Asset managers • Industry bodies • Media	Digitalisation	Business intelligence
	• Relationship with key stakeholders is improved • An efficient state-owned entity that delivers on its mandate • Skilled and professional sector • Employment equity • Employment opportunities	• Lack of policyholder data • Failure to comply with regulatory requirements and governance codes	• Customers • Agents • Industry bodies • Regulatory bodies • Media • SMMEs • Shareholder	Customer-centricity Socio-economic impact	
	• Protecting policyholder assets • Speedy restitution	• Core system failure	• Customers • Agents • Employees		Distribution channels
	• Doing no harm	• Increased special risks	• Customers • Agents • Employees • Shareholder		

Our top risks are discussed in more detail on page 23.

Our key stakeholder relationships are outlined on page 19.

The strategic focus areas and enablers of our 2020 to 2024 strategy are described on pages 8 and 9.

How we distribute value

We distribute value:

Financial capital

To the broader South African community, through our socio-economic development activities;
To the government and its people, through the payment of taxes; and
To our shareholder, through payment of a dividend.

Social and relationship capital

We use the remaining profits to reinvest into the business to ensure that we can deliver on our legislative mandate and continue to create and distribute value on a sustainable basis.

Human capital

To our employees, by providing affiliation, job security, professional growth and career opportunities.

Value added

Gross written insurance premium		Claims paid and cost of other services		Investment income		Value added
R2 417 million	-	**R1 917 million**	+	**R257 million**	=	**R757 million**
(2019: R2 169 million)		(2019: R2 381 million)		(2019: R271 million)		(2019: R59 million)

Value distributed

Employees		Broader community		Government: Income tax		Retained for reinvesting and future support		Value distributed
R113 million	+	**R43 million**	+	**R268 million**	+	**R333 million**	=	**R757 million**
(2019: R103 million)		(2019: R27 million)		(2019: (R71 million credit)		(2019: R nil)		(2019: R59 million)

Our key relationships

Sasria depends on healthy relationships. Our inclusive approach towards all our stakeholders is based on understanding their needs, interests and expectations. This allows us to create value for both the organisation and our stakeholders.

The approach also helps us understand and respond to their material needs and identify the key risks to delivery.

The results of the 2020 stakeholder management survey indicated an 81% achievement in overall stakeholder satisfaction. It represents a satisfactory achievement against our target satisfaction level of at least 60% per stakeholder. We are actively working to improve our results even further.

Below is an overview of our key stakeholders and their material needs together with our interaction and strategic responses thereto:

Stakeholder	Material needs	How we engage	Our response	Strategic focus area	Strategic enablers
Shareholder	• Good corporate governance • Sasria's sustainability • The NDP • Economic and social transformation	• Regular engagement • Reporting against strategic plans • Participation in public sector forums	• Sound corporate governance practices • Contributing to transformation • Developing inclusive products	Sustainability	Capital management
Customers Also refer to page 29.	• Brand awareness • Product satisfaction • Prompt claims settlement	• Engage commercial customers • Consumer education • Monitor complaints • Monitor Ombudsman cases	• Treating customers fairly/service • Enhanced products/relevant solutions • Efficient claims management • Communication plan • Insurance solutions	Digitalisation	
Future customers	• Access • Prompt claims settlement	• Market research • Consumer education • Monitor customer satisfaction	• New products • Marketing plan		
Regulators (including Prudential Authority and FSCA)	• Compliance • Solvency • Market conduct	• Strategic engagement • Regular meetings with the PA and FSCA	• Zero tolerance to non-compliance • Sound corporate governance practices	Customer-centricity	Business intelligence
Insurance industry bodies (including FIA and SAIA)	• Policy fees • Brand awareness • Product knowledge • Service	• Obtain feedback on products and services • Participate in industry forums	• Policy fee review • Brand and product communication	Socio-economic impact	
Media	• Information • Reputation	• Ad hoc interactions • Television and radio interviews • Articles on special risk	• Media engagement • Strategic partnerships • Public relations management		
Employees Also refer to page 30.	• Sasria's sustainability • Development • Well-being • Retention • Reward	• Daily interaction • Talent management • Performance management • Wellness programme • Climate and 360° surveys	• Employee value proposition • Talent management • Succession management • Fair remuneration • Conducive environment and culture • Change management		Talent
Agents and intermediaries	• Regulatory changes • Brand awareness • Product knowledge • Service	• Electronic and face-to-face interaction	• Monitoring complaints and service levels • Product training • Insurance solutions		Distribution channels

Other significant stakeholders that we interact with include asset managers, banks, reinsurers, our socio-economic development partners and the general South African public. The stakeholders included above are those we believe are key and have a more direct impact on our business.

The strategic focus areas and enablers of our 2020 to 2024 strategy are described on pages 8 and 9.

Our long-term contribution to the SDGs and the NDP

Sasria's objective is to deliver on its mandate, which is to protect the assets of all in South Africa against special risk and adding to the country's ability to attract and retain foreign investment. This is done through the provision of guaranteed special risk insurance cover at reasonable cost, irrespective of the political risk in South Africa.

The 2030 Agenda for Sustainable Development and the 17 associated **Sustainable Development Goals (SDGs)** balance the three dimensions of sustainable development: economic, social and environmental.

South Africa's **National Development Plan (NDP)**, launched in 2012, is a detailed blueprint for how the country can eliminate poverty and reduce inequality by the year 2030. It is a plan to unite South Africans, grow an inclusive economy and build capabilities.

The table below indicates the specific contribution that Sasria makes towards meeting the SDGs and government's NDP priorities in terms of its strategic focus:

Strategic focus areas	Strategic enablers	SDG outcomes	NDP outcomes	Sasria's contribution
Sustainability	Capital management	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE **Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation**	• An efficient, competitive and responsive economic infrastructure network	• Investing profits responsibly and developing infrastructure • Special construction risk insurance • Investing profits responsibly • Schools development programmes
		11 SUSTAINABLE CITIES AND COMMUNITIES **Make cities and human settlements inclusive, safe, resilient and sustainable**	• Create a better South Africa and contribute to a better and safer Africa in a better world • All people in South Africa are and feel safe	• Instilling investor confidence • Guaranteeing that all claims will be paid • Instilling an ethical culture in Sasria
		17 PARTNERSHIPS FOR THE GOALS **Strengthen the means of implementation and revitalise the Global Partnership for Sustainable Development**	• An inclusive and responsive social protection system • A diverse, socially cohesive society with a common national identity	• Affordable short-term insurance • Contributing to growth and transformation • Develop asset managers • Research
	Talent	4 QUALITY EDUCATION **Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all**	• Quality basic education • A skilled and capable workforce to support an inclusive growth path	• Learnership programmes • SAADP Programme • Graduates and interns • Consumer education on the benefits of financial inclusion and insurance
		5 GENDER EQUALITY **Achieve gender equality and empower all women and girls**		• Attracting and promoting women and supporting businesses owned by women in our procurement process
Customer-centricity	Distribution channels	8 DECENT WORK AND ECONOMIC GROWTH **Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all**	• Decent employment through inclusive economic growth	• Ensuring job continuity • Paying loss of income claims • Restoring liquidity • Developing financial sector skills • Socio-economic development initiatives • Talent management

Strategic focus areas	Strategic enablers	SDG outcomes	NDP outcomes	Sasria's contribution
Socio-economic impact		**10 Reduced inequalities** – **Reduce inequality within and among countries**		• Contributing to transformation • Enterprise development • Supplier development • Preferential procurement • Contribution towards education and skills development
		16 Peace, justice and strong institutions – **Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels**	• An efficient, effective and development-oriented public service • A responsive, accountable, effective and efficient developmental local government system	• Contributing to the fiscus of South Africa • Dividends and taxation • Disciplined SOE • Delivering on the mandate profitably • Researching special perils • Strong governance culture • New business initiatives
Digitalisation	Business intelligence	**13 Climate action** – **Take urgent action to combat climate change and its impacts**		• Research into climate-related perils

More details regarding the NDP can be found online at **www.gov.za/issues/national-development-plan-2030**

More details regarding the SDGs can be found online at **www.un.org/sustainabledevelopment/sustainable-development-goals**

In addition, Sasria's CSI projects make a contribution to the following goals:

SDG outcomes	NDP outcomes	Sasria's contribution
2 Zero hunger – End hunger, achieve food security and improved nutrition and promote sustainable agriculture	• Vibrant, equitable and sustainable rural communities contributing to food security for all	• Sack farming • Food parcels during the COVID-19 pandemic
6 Clean water and sanitation – Ensure availability and sustainable management of water and sanitation for all		• Sanitation and ablution
12 Responsible consumption and production – Ensure sustainable consumption and production patterns	• Protecting and enhancing our environmental assets and natural resources	• Sack farming

Sasria's CSI projects are described on page 56.

Our risks and opportunities

STRATEGIC FOCUS

Sustainability

STRATEGIC ENABLER

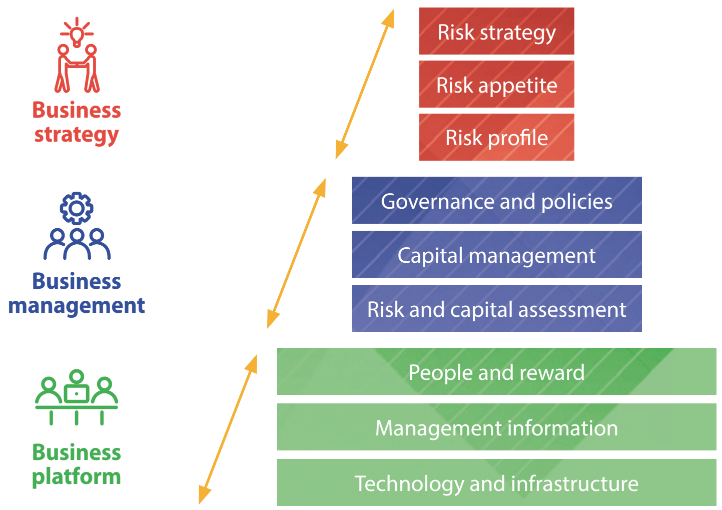
Business intelligence

Enterprise risk management (ERM)

Sasria has developed a respected and effective Risk department. Sasria has adopted a strategic, consistent and structured approach to ERM to achieve an appropriate balance between realising opportunities for gains and minimising losses. In addition, it is developing strong risk skills, which have assisted in implementing the major changes in regulation in the financial services industry.

Our ERM process is mature and market leading in South Africa, given our size and complexity. The Board is confident that ERM is adequate in identifying current and emerging risks and ensuring that these risks are managed appropriately.

ERM Framework



Risk appetite

The risk appetite limits are reviewed on an annual basis in line with the strategy setting of the Company. Sasria has three risk appetite measures:

Capital at risk

Sasria has not breached its capital at risk measure in the past five years. Sasria is currently adequately capitalised.

Our approach is to determine what size of catastrophe Sasria will be able to withstand. The worst-case scenarios or catastrophes have been calculated as part of Sasria's own risk and solvency assessment (ORSA) and therefore our target is set at 230%.

Earnings at risk

Two earnings at risk measures are used by Sasria:

- The difference between actual EBITDA and budgeted EBITDA, with Sasria's risk appetite for the absolute value difference not to exceed 15%; and
- The probability of an underwriting loss.

Both limits were breached in the current year. Despite Sasria making an underwriting profit, investment income was 58% below budget. The probability of an underwriting loss was calculated at 29.62% (once in 3.4 years) as at 31 March 2020, which breached Sasria's limit of 20% (once in five years).

Operational risk

Sasria has breached its operational risk measure due to the irregular, fruitless and wasteful expenditure incurred in the year.

Our top risks

Management has identified the top risks that pose a potential threat to the execution of the business and its strategy. The risks were identified and assessed based on their impact or severity of the risk event and the likelihood of the risk occurring.

The table below details the top five risks per inherent risk rating. The register also includes the control effectiveness and the residual risk rating.

2020	2019	Risk	Classification	Inherent risk*	Control rating	Residual risk**
1	(new)	**Increase in frequency and severity of claims due to truck-related events**	Underwriting risk	Very high	Fair	High
2	1	**Increased insurance risk as a result of volatile strikes, protests and other special risks**	Operational risk	Very high	Fair	High
3	(new)	**COVID-19 impact on Sasria**	Strategic risk	High	Fair	Medium
4	9	**Cybersecurity risk**	Operational risk	High	Fair	Medium
5	4	**Erosion of capital due to the deterioration of investment markets**	Market risk	High	Fair	Medium

* **Inherent risk** is an assessed level of untreated risk i.e. the natural level of risk inherent in a business process/activity without doing anything to mitigate the likelihood or reduce the impact of the risk.

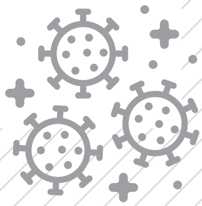
** **Residual risk** refers to the risk that remains given the mitigating controls that have been implemented and the adequacy and effectiveness of these controls.

Major risks to impact Sasria post the COVID-19 national lockdown

Along with most of the insurance industry, Sasria has been impacted by COVID-19 underwriting risks and by the associated disruption to financial markets. There is still much uncertainty surrounding the ultimate claims exposure, as a result of the socio-economic risks linked to our perils, to provide an estimated financial impact at this stage.

We have carried out a range of scenario tests, which have demonstrated that we expect to withstand the most reasonably foreseeable combinations of market and underwriting risk impacts.

We are taking all the necessary measures to ensure that Sasria remains adequately capitalised and liquid in order to meet its future commitments.



Key strategic opportunities

Climate change significantly impacts the insurance industry and we are currently exploring various opportunities in this area.

We elaborate on climate change on page 62.

Below are other opportunities which we will assess post the COVID-19 national lockdown:

Key opportunities

New product and product enhancement	Creates relevance for Sasria's business and products (products designed to protect the poor).
Gain policyholders' trust	Ensure that there is a good understanding of Sasria's products through training and communication, by explaining the potential outlook and importance of having Sasria cover. This could be done through the use of online platforms.
Streamlining of processes	The need to redesign and streamline our processes to respond to the current pandemic and beyond has been pushed forward aggressively as a high priority.
Accelerate claims process redesign	Our claims process is being improved. We need to ensure that the outcome of the current project will deliver frictionless claims through smart systems and processes.
Create a flexible operating model	A flexible operating model is more agile and can respond to disruptions quickly and efficiently e.g. new products can be developed immediately and with ease in order to exploit opportunities presented by the disruption.
Improved stakeholder engagement	We need to find new ways of engaging with our stakeholders in order to understand and address their evolving needs.

OUR PERFORMANCE AND OUTLOOK

In this chapter, we look back at our performance over the past year. We show Sasria's ongoing **growth** and the **value added** to the South African economy in general and our stakeholders in particular.

We also outline the **impact** of the organisation on transformation and making a positive contribution to the NDP.

Key performance indicators

Strategic objective		KPI	Performance target			Weighting		
			2020 target	2020 actual	Achieved	2020	2021	2022
Sustainability	Sustainable growth	**Gross written premium**	R2 352 million	R2 417 million	◆	10%	10%	10%
		Premium income from alternative distribution channel	R2 million	R nil	◆ [1]	5%	-	-
		% operational expense ratio excluding binder fees, CSI and bonus provision	≤9%	7.4%	◆	5%	5%	5%
	Capital efficiency	**Gross incurred loss ratio (%)**	≤46% (three-year rolling)	41.90%	◆	5%	5%	5%
	Ensure sound corporate governance	**Irregular, fruitless or wasteful expenditure**	0% of expenditure	Fruitless and wasteful expenditure: R1.472 million Irregular expenditure: R543 041	◆ [2]	5%	5%	5%
		Ethical behaviour	All allegations of unethical behaviour investigated and action taken	All allegations investigated and action taken, where relevant	◆	5%	5%	5%
		PFMA submissions	All submissions on time	All submissions on time	◆	5%	5%	5%
		Audit opinion	Unqualified, without matter of emphasis	Unqualified, without matter of emphasis	◆	5%	5%	5%
	Ensure talent aligns with business strategy	**Succession plans for critical roles**	Approved, development plans in place, monitored and reported on	Approved, development plans in place, monitored and reported on	◆	5%	5%	5%
Customer-centricity	Customer service	**Fast-track claims turnaround**	90% settled within 25 days	83.68% settled within 25 days	◆ [3]	10%	10%	10%
		Large loss claims turnaround	70% settled within 50 days	82.6% settled within 50 days	◆	10%	10%	10%
	Customer satisfaction	**Claims reported to the short-term insurance Ombudsman**	0.1% of all claims	0.1% of all claims	◆	5%	5%	5%
		Complaints related to poor customer service	>50% reduction	63% reduction	◆	5%	5%	5%

◆ KPI met fully ◆ KPI met partially ◆ KPI not met

Strategic objective		KPI	Performance target			Weighting		
			2020 target	2020 actual	Achieved	2020	2021	2022
Socio-economic impact	Social transformation	**Financial Sector Charter – skills development**	23 out of 25	25 out of 25	KPI met fully	5%	5%	5%
Digitalisation	Fit-for-purpose	**ERP system project – technology integration (Finance, Procurement, HR)**	100% completion of the project as per agreed project plan	100% completion of the project as per agreed project plan	KPI met fully	5%	-	-
	Operational excellence	**% automation of claims and accounting management**	100% completion of the project as per agreed project plan	100% completion of the project as per agreed project plan	KPI met fully	5%	5%	-
	Distribution capability	**Expand digital reach/ footprint (%)**	25% website traffic increase to social media footprint	>25% website traffic increase	KPI met fully	5%	5%	5%

KPI met fully   KPI met partially   KPI not met

Sasria constantly strives to improve its performance and, in doing so, addresses all failures to achieve its KPIs:

1 We did not launch the proposed SMME product in time to derive premium income from an alternative distribution channel. We underestimated the vastness of the project and its significant impact and resolved to resume the project when it is sufficiently funded.

2 We have taken action to prevent a recurrence of any irregular, fruitless and wasteful expenditure by reviewing all internal control procedures.

3 Sasria's new claims management system is due to go live in November 2020. We are optimistic that it will assist us in delivering a faster turnaround to all claims from customers.

Managing Director's report

I am very excited to outline Sasria's performance over the past year. It marked a turnaround, not only financially, but also in the organisation's customer-centricity and external focus. We have delivered on our commitment to the shareholder to grow our customer base and be self-sustainable.

Cedric Masondo
Managing Director

The economic environment

Our operating environment in the 2020 calendar year was dominated by the **COVID-19** pandemic. The unfolding, global pandemic is a human crisis of historic scale and complexity. It is straining healthcare systems, government fiscal capacity, global markets and economies and the ability of many organisations to cope with the changes wrought by the virus and the response thereto, which includes worldwide lockdowns.

South Africa's economic woes were compounded by **ratings downgrades** by all the major agencies, which has had a significant negative effect on the Rand. The economy has been hit by short-term shocks and persistently weak and negative business sentiment. GDP growth for the 2019 calendar year slowed to 0.2%, the weakest outcome since the 2009 recession and is expected to be negative 7% to 10% in 2020 on the back of the COVID-19 pandemic.

Record **unemployment**, particularly among the youth, poses a serious risk to economic recovery and social cohesion.

Protests and strikes by those dissatisfied with the lack of opportunities and poor service delivery have escalated, often leading to violent clashes with authorities and disrupted production due to employees being unable to get to work.

Climate change will affect everyone in many different ways if drastic action is not taken. All fields of human activity, from agriculture to energy supply, are changing as awareness of the need to transform the way business is conducted to protect the environment grows.

Our performance and response to the environment

Despite a turbulent year the country faced in terms of our perils, we have completed a turnaround in our financial results. We increased revenue to a new record level and received fewer claims, resulting in a substantial profit and cash generation.

Refer to the Finance Director's report on page 32 for a detailed review of our financial performance over the past year.

We were able to achieve this by focusing on our customers, putting into place the right technology and people to deliver on their needs.

The COVID-19 pandemic

To curb the spread of COVID-19, the government announced a lockdown across South Africa. This led to a significant reduction in claims from drivers such as service delivery protests. We may, however, see new drivers as hunger could become widespread. The lockdown will have a major impact on the economy and the real impact can only be assessed once the lockdown is lifted.

Because of our digitalisation initiatives, we were able to set up all staff to work from home within 24 hours. Only certain designated staff members returned to the office during levels 4 and 3 of the lockdown. We were able to perform all functions remotely and attend fully to all customers' needs.

To date, the pandemic has had no material effect on our revenue, costs or reserves. In addition, the pandemic has had no impact on our operational activities - we continue to collect revenue, sell Sasria products and pay claims.

During the past year, we were able to make a significant impact to society with the value we created by targeting our clearly-defined strategic focus areas. We will continue this work over the next four years.

Strategic focus	Strategic enablers	Performance in the past year (2020)	Outlook for the next four years (to 2024)
Customer-centricity	Distribution channels	• Improved claims settlement throughput	• Ensuring uninterrupted service during the COVID-19 pandemic • Improved customer service
Digitalisation	Business intelligence	• All staff equipped with technology to deliver on customer needs • New ERP system installed • New hardware installed	• Bedding down new technology investments • Install new claims management system
Socio-economic impact		• New product development commenced • Supporting transformation	• New products launched • Make a social impact • Research protection from future pandemics
	Talent	• Finding the right people • Socialised values • Built change capability • Developed a management capability development framework	• Focus on culture change and retaining the right skills • Building management capability
Sustainability	Capital management	• Profitable • Cash-generative • Strong statement of financial position	• Aid the post-COVID-19 recovery • Self-sustaining ability to settle all valid claims

Refer to pages 26 and 27 for our key performance indicators for the past year.

Below, I elaborate on these strategic areas:

STRATEGIC FOCUS

Customer-centricity

STRATEGIC ENABLER

Distribution channels

Our customers

Our customers and prospective customers remain our primary focus.

We are committed to standing behind all South Africans in protecting them from harm in terms of the perils which we are mandated to cover.

In doing so, we will increasingly rely on technology for both reliability, agility and depend on finding and retaining the right skills to deliver the best possible service to our customers. They will support our external focus – complete customer-centricity.

Our ongoing digitalisation assisted us in responding very quickly to the implementation of a lockdown by the government in response to the **COVID-19** pandemic.

We were able to continue our customer interactions seamlessly with all staff being able to work remotely within 24 hours. This was done at no material cost to Sasria.

We reviewed our client portfolio in response to the loss in the previous year and implemented certain rate increases, most notably in connection with trucks and commercial projects, to ensure that all customers are treated fairly. During the year under review, **claims** were down both in number and value. Claims arising from service delivery protests or damage to trucks remain a problem and we are working with SAIA and the industry to find solutions with impact.

We are very excited about replacing our 16-year-old legacy claims management system with new technology (Guidewire) which will move Sasria into the future through the use of big data, and becoming truly customer-centric. The first phase of the implementation is due to go live in November 2020.

We are planning to launch our **SMME product** during the 2021 financial year, thereby expanding our customer base significantly and protecting a greater number of people in South Africa from our mandated perils.

STRATEGIC FOCUS

Digitalisation

STRATEGIC ENABLER

Business intelligence

Technology and innovation

We continue our efforts to transform Sasria into a digital organisation.

In 2017, we undertook an ambitious **digital transformation** journey, reimagining and optimising end-to-end IT operations, continuous innovation and seamless execution across the business. With **data** being the most critical asset of our business, we commenced the transition from analogue and paper to digital processes and systems, serving as the basis for subsequent digitalisation. We enhanced the ability to garner insights from data using analytics. These business intelligence insights present a significant opportunity to improve the way the business performs, make decisions and serve customers.

In 2018 and 2019, our focus was on upgrading the aged infrastructure and legacy software. We replaced it with systems suitable for today's dynamic and agile **digital technologies such as the cloud** with enormous connectivity capabilities. We commenced streamlining processes and the result is measurably improved business outcomes. Our employees were enabled to work anywhere, anytime through easy-to-use, cloud-enabled integrated solutions. We invested considerable time, effort and resources in creating a security-conscious culture.

Our digitalisation initiatives gained considerable momentum in the past year. We continued to drive more automation, cybersecurity, agility and ease of use for our colleagues and customers. Speed of response and simplicity of interaction are critical for us. During the lockdown period, we successfully implemented the new enterprise resource planning (**ERP**) software, Microsoft Dynamics 365, which went live in April 2020. The new claims management system is due to go live in November 2020.

We are well ahead of the strategy and are now focused on **stabilising the environment** in 2021. Going forward, artificial intelligence, automation and advanced data analytics will have the power to drive true business process automation, thereby enabling lean functions and enhanced productivity.

STRATEGIC ENABLER

Talent

People management

Managing our talent ensures that we have the right people in the right numbers at the right time in the right place; able, willing, wanting and being allowed to perform, thereby enabling high performance. This contributes to all four of our strategic pillars in meeting our goals.

During this strategic cycle, we are building the foundation of the future Sasria with people who are able to adapt to the new way of working, delivering growth while adding value towards our various stakeholders and ultimately delivering on our strategic pillars.

During the year, we filled all critical vacancies, except for the Head of Actuarial position, which remains a critical but scarce skill in the industry. We appointed a black female as a Senior Actuarial Analyst. We are working towards an internal pipeline for all positions that are difficult to fill.

Headcount has grown mainly in the Business Change and Technology division, in line with our strategy to digitalise. This has brought a focus to managing the change that new technologies bring.

We continue to support and encourage transformation and this year was no different as more than 60% of our staff are female and more than 80% are black employees.

In direct response to feedback from our staff, we launched a **culture transformation** project which I am personally overseeing. It is aimed at ensuring that Sasria's values are shared at all levels within the organisation. We hope to improve the competence of our management and everyone's faith in the leadership of the organisation through a values-led culture.

We are well aware of the stress that change puts on our people. In response to the recent increase in the staff turnover rate to 11.7%, we believe that the **culture transformation** project will assist to keep the loss of critical skills at a minimum. Our change management framework supports this project. All managers and employees have been trained in the methodology.

Future growth and sustainability is supported by **talent and succession management** for each division which defines specific development activities for each staff member.

Our **learning and development** focus was mainly on developing a strategy for management aligned to Sasria's competency framework and leadership development. In the past five years, Sasria has invested more than R28 million into learning and development, including R9.7 million in 2020. LinkedIn learning was introduced with the aim to embed a digital learning culture. Learning and development in the next year will focus on customer-centricity and ICT skills, specifically regarding cybersecurity.

Sasria responded positively to the outbreak of the **COVID-19** pandemic in a way that safeguarded all of its employees and their livelihoods. By 31 March 2020, all employees, other than our office cleaning staff, were able to work productively from home. During the lockdown, only 7% of staff needed to return to the office in terms of our return-to-work plan, which included all the recommended safety precautions. All staff are guided by their performance management scorecards which contain clear performance targets. We remain in constant contact with all our people, assuring them of our continued liquidity and their resultant job security. As at the date of this report, we have recorded two positive tests from employees, both of whom have recovered.

During the next financial year, we will continue with the implementation of Vision 2024, with the main focus on embedding the projects relating to digitisation. In addition, we will ensure that we deliver efficient and seamless service to our customers.

Gratitude

I am grateful to our customers, agent companies and intermediaries for helping us grow the business, and my Executive Committee and all Sasria employees for their ongoing enthusiasm and dedication to continue delivering on our customers' needs. I want to thank our colleagues at National Treasury and the regulatory bodies for their valuable input and look forward to working with the new Board under the leadership of Moss Ngoasheng to achieve our strategy.

The collective effort will continue to enable Sasria to deliver on its mandate.

Cedric Masondo
Managing Director

10 November 2020

Finance Director's report

Bajabulile Mthiyane
Finance Director

The organisation was able to meet all its obligations to customers, staff and the shareholder.

2020 financial performance

I am pleased to report on the turnaround at Sasria during the year under review.

We were able to learn from mistakes made in the past, perform a thorough pricing review and deliver double-digit growth in gross written premium in 2020. This has filtered down to the bottom line.

The organisation was able to meet all its obligations to customers, staff and the shareholder. We were able to weather the storm experienced in the previous year and make a positive contribution to our long-term sustainability. Importantly, we placed no additional burden on the fiscus but, instead, improved the health of our statement of financial position.

Some of the prominent financial highlights for the year include:

- **Gross written premium** is up 11% to R2.417 billion;
- Gross insurance **claims** were down 37% to R992 million;
- **Net income** is up 8% to R2.487 billion;
- **Profit before tax** is R601 million, a turnaround from a loss of R73 million;
- **Profit after tax** is R333 million, up from a loss of R1 million;
- **Cash generated from operations** of R318 million is a complete turnaround from the R866 million consumed in the previous year; and
- **Total assets** are up 5% to R8.921 billon**.**

Refer to the detailed review of our financial performance over the past year on pages 33 to 35.

Sasria was able to contribute to enterprise and supplier development and address the skills shortage in the insurance industry with its support of black-owned asset managers. As part of our investment strategy, aimed at ensuring proper liquidity to meet all the organisation's needs, Sasria exercised a put option during the year.

The performance for the year underlines the value of hope in the recovery of South Africa's economy.

The COVID-19 pandemic

Sasria, on the back of a successful year and its ongoing contribution to long-term sustainability, was able to leverage its investments in digitalisation to ensure a seamless transition to its employees working from home in response to the government lockdown to combat the spread of the COVID-19 pandemic. We were conscious of the resilience required to guard against the increased cyber risk presented by the work-from-home scenario.

We were able to fulfil all the needs of our customers. We were also able to protect our employees and their livelihoods as no jobs were lost in the process.

There were no material costs associated with the transition and it did not expose any liquidity issues.

Sasria does not insure business interruption due to a pandemic, however, riots are typically covered as a peril. While we have not witnessed an escalation in riots, the full effect of the pandemic has not yet been experienced in relation to its contribution to substantial loss of employment and resultant frustrations.

Risk management

Sasria is exposed to several financial and other related risks, namely market risk, credit risk, insurance risk, liquidity risk, operational risk and legal risk. These risks are discussed in the risk management section and also in the annual financial statements included in this integrated report.

Further information on risk management can be found in the risk section of the integrated report on page 22.

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 catastrophe risks through a high standard of governance and financial control. Management continuously monitors Sasria's solvency levels and required solvency range in light of industry changes, regulatory requirements and the Insurance Act.

Summarised financial performance

Figures in Rand thousand	2018	Variance	2019	Variance	2020	Note
Gross written insurance premiums	1 994 199	8.8%	2 168 955	11.4%	2 416 914	1
Unearned premium reserve movement	(21 372)	(114.5%)	3 099	(1 719.6%)	(50 191)	
Acquisition of insurance contracts expenses	(271 091)	18.0%	(319 814)	8.6%	(347 301)	
Administration and marketing expenses	(371 945)	12.3%	(417 727)	17.4%	(490 485)	2
Gross insurance claims and loss adjustment expenses	(662 881)	138.2%	(1 578 805)	(37.2%)	(991 799)	3
Gross underwriting results	**666 910**	**(121.6%)**	**(144 292)**	**472.4%**	**537 138**	
Insurance premiums ceded to reinsurers	(148 802)	24.9%	(185 865)	(1.9%)	(182 411)	
Reinsurance portion of claims incurred	(10)	(3 910.0%)	381	55.4%	592	
Commission earned from reinsurers	61 963	(38.2%)	38 277	18.1%	45 212	
Net reinsurance expense	**(86 849)**	**69.5%**	**(147 207)**	**(7.2%)**	**(136 607)**	4
Net underwriting results	580 061	(150.3%)	(291 499)	237.4%	400 531	
Net investment income	811 734	(69.7%)	245 664	(1.2%)	242 626	5
Other income	1 116	(82.9%)	191	222.5%	616	
Corporate social investment	(25 446)	5.6%	(26 874)	(60.3%)	(43 077)	6
Total investment and other income	**787 404**	**(72.2%)**	**218 981**	**(8.6%)**	**200 165**	
Profit/(loss) before tax	**1 367 465**	**(105.3%)**	**(72 518)**	**928.3%**	**600 696**	

Ratios	2018	2019	2020
Claims ratio	33.6%	72.8%	41.0%
Management expenses ratio	18.9%	19.3%	20.3%
Cost of acquisition ratio	13.7%	14.8%	14.4%
Underwriting ratio	34%	(6.9%)	22.2%
Gross written premium per employee	22 922	21 909	23 240
CSI % of net profit after tax	2.5%	-	12.9%
Effective tax rate	25.0%	(98.5%)	44.6%
Reinsurance as a % of gross premium	7.5%	8.6%	7.6%

Notes:

1. Gross written premium has grown mostly due to organic growth and premium rate increases.
2. Administrative and marketing expenses increased in line with increased spend on IT and strategic projects, IFRS 16 additional depreciation of R6.2 million raised, the amortisation of new systems implementation and increase in salaries and employee benefits.
3. Claims decreased dramatically, though service delivery protests and trucking-related claims remain concerning.
4. The net reinsurance expense decreased as a result of the lower claims expenses and increased premiums.
5. Investment income came under pressure, in line with decreasing interest rates and diminished market pricing on the back of the oil and COVID-19 crises.
6. The socio-economic development expense was used largely on education. Sasria pledged R20 million to the Solidarity Fund in response to COVID-19.

Refer to page 56 for further information.

Summarised financial position

The Company's statement of financial position also remains strong, providing a solid base from which to achieve our five-year strategic objectives.

Figures in Rand thousand	2018	Variance	2019	Variance	2020	Note
Assets						
Property, equipment and intangibles	7 299	112.7%	15 522	299.0%	61 933	1
Deferred acquisition costs	59 498	3.1%	61 325	13.2%	69 405	
Deferred income tax	-	-	49 387	(37.6%)	30 816	
Financial assets at fair value through profit or loss	5 644 715	(31.9%)	3 842 110	9.1%	4 190 416	2
Reinsurance contracts	24 830	18.8%	29 509	17.7%	34 719	
Cash and cash equivalents	1 940 774	114.5%	4 162 225	2.2%	4 251 741	2
Other assets	339 269	(7.8%)	312 683	(9.8%)	281 889	
Total assets	**8 016 385**	**5.7%**	**8 472 761**	**5.3%**	**8 920 919**	
Equity	6 626 789	-	6 625 406	5.0%	6 958 209	
Liabilities						
Deferred income	4 321	104.8%	8 850	15.7%	10 236	
Deferred income tax	91 860	(23.7%)	70 112	(100.0%)	-	
Insurance contract liabilities	1 179 404	42.5%	1 680 839	0.9%	1 696 512	3
Other liabilities	114 011	(23.2%)	87 554	192.3%	255 962	4
Total liabilities	**1 389 596**	**32.9%**	**1 847 355**	**6.2%**	**1 962 710**	
Total equity and liabilities	**8 016 385**	**5.7%**	**8 472 761**	**5.3%**	**8 920 919**	

Notes:

1. Property, equipment and intangibles increased dramatically as a result of creating a right-of-use asset for the office rental in terms of IFRS 16 (R19.3 million), new computer equipment for infrastructure replatforming (R7.1 million) and capital work in progress on software being developed to the value of R10 million.
2. Sasria has R8.4 billion in assets under management as at 31 March 2020, compared to R8.0 million in the prior year. The achieved investment return is 0.96% below CPI. On a rolling 12-month basis, the portfolio yielded a return of 3.1% compared to the benchmark of 4.1%.
3. Insurance contract liabilities consist of claims reported, claims incurred but not yet reported (IBNR) and unearned premiums. The increase is in line with the change in IBNR.
4. Per IFRS 16, a liability for the office rental was created for the corresponding right-of-use asset.

Summarised cash flow

Sasria generated R869 million from its operating activities, compared to using R343 million in the prior year, predominantly as a result of making a substantial profit before tax.

Figures in Rand thousand	2018	Variance	2019	Variance	2020	Note
Operating activities						
Cash generated from operations	517 462	(267.4%)	(866 093)	143.1%	373 000	
Dividend income	52 337	22.0%	63 869	7.2%	68 487	
Interest income	418 003	9.8%	458 852	3.4%	474 646	
Realised gains/(losses) on investments	21 889	(207.3%)	(23 491)	604.6%	118 540	
Income tax (paid)/received	(279 796)	(108.6%)	24 128	(787.9%)	(165 985)	
Net cash from/(used in) operating activities	**729 895**	**(147.0%)**	**(342 735)**	**(353.5%)**	**868 688**	1
Investing activities						
Purchase of property and equipment	(2 049)	487.3%	(12 033)	(37.5%)	(7 521)	
Proceeds on disposal of property, equipment and intangibles	86	(31.4%)	59	(100.0%)	-	
Purchases relating to intangible assets	(1 282)	238.4%	(4 338)	412.3%	(22 224)	
Net sale/(purchase) of investments	(1 413 231)	(282.6%)	2 580 498	(128.8%)	(742 272)	
Cash from/(used in) investing activities	**(1 416 476)**	**(281.0%)**	**2 564 186**	**(130.1%)**	**(772 017)**	2
Financing activities						
Payment on principal lease liability	-		-	-	(7 155)	
Dividends paid	(162 979)	(100.0%)	-	-	-	
Cash used in financing activities	**(162 979)**	**(100.0%)**	**-**	**-**	**(7 155)**	3
Net movement in cash	(849 560)	(361.5%)	2 221 451	(96.0%)	89 516	
Cash and cash equivalents at the beginning of the year	2 790 334	(30.4%)	1 940 774	114.5%	4 162 225	
Cash and cash equivalents at the end of the year	**1 940 774**	**114.5%**	**4 162 225**	**2.2%**	**4 251 741**	4

Notes:

1. Significantly reduced claims allowed Sasria to generate substantial cash from its operations.
2. Cash flow used in investing activities reflects the implementation of Sasria's investment strategy.
3. No dividend was paid in 2020, as was the case in 2019.
4. Sasria holds significant cash balances in line with the investment strategy and liquidity parameters.

2021 outlook

Sasria is buoyed by a healthy statement of financial position and sound, ethical behaviour. This will be used towards the following enablers of our strategic focus areas:

Talent	Building and maintaining a strong and healthy workforce while attracting new and capable employees to cater for our growth and expansion, training them and empowering them for the road ahead within Sasria’s culture of performance.
Capital management	Preserving our capital and managing our investments in a prudent way in order to ensure long-term sustainability, reflecting leading SOE governance.
Business intelligence	Investing in the tools and information required to know and serve the needs of our existing and new customers better.
Distribution channels	Developing our channel in a modern, responsible and sustainable way.

New accounting standards

IFRS 16: Leases, which replaced the previous leases standard, IAS 17: Leases, has one model for lessees which will result in almost all leases being included on the statement of financial position with the exception of low value leases and leases with a term less than 12 months from the date of application. As a result of adopting the standard, Sasria is reflecting a lease liability of R20.0 million and a right-of-use asset of R19.3 million as at 31 March 2020.

IFRS 17: Insurance Contracts, which supersedes IFRS 4: Insurance Contracts, will have a significant impact on Sasria’s recognition, measurement, presentation and disclosure in the financial statements of insurance contracts issued. It requires the measurment of insurance contracts using updated estimates and assumptions that reflected the timing of cash flows and take into account any uncertainties. Management has started to assess the impact of this standard on Sasria which we are expecting to adopt in our annual financial statements for the year ending 31 March 2023.

Gratitude

I echo the Managing Director’s gratitude towards the Executive Committee and all Sasria employees for their dedication in delivering a solid set of results in 2020.

I look forward to us all building on this in 2021 and thereafter, together with the new Board.

Bajabulile Mthiyane
Finance Director

10 November 2020

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

Sasria is justifiably proud of its governance record, especially seen in the context of pressure bearing down on other SOEs.

In this chapter, we introduce our experienced and diverse Board of Directors and our competent Executive Committee who are responsible for Sasria's **growth** and **ability to add value** for all our stakeholders.

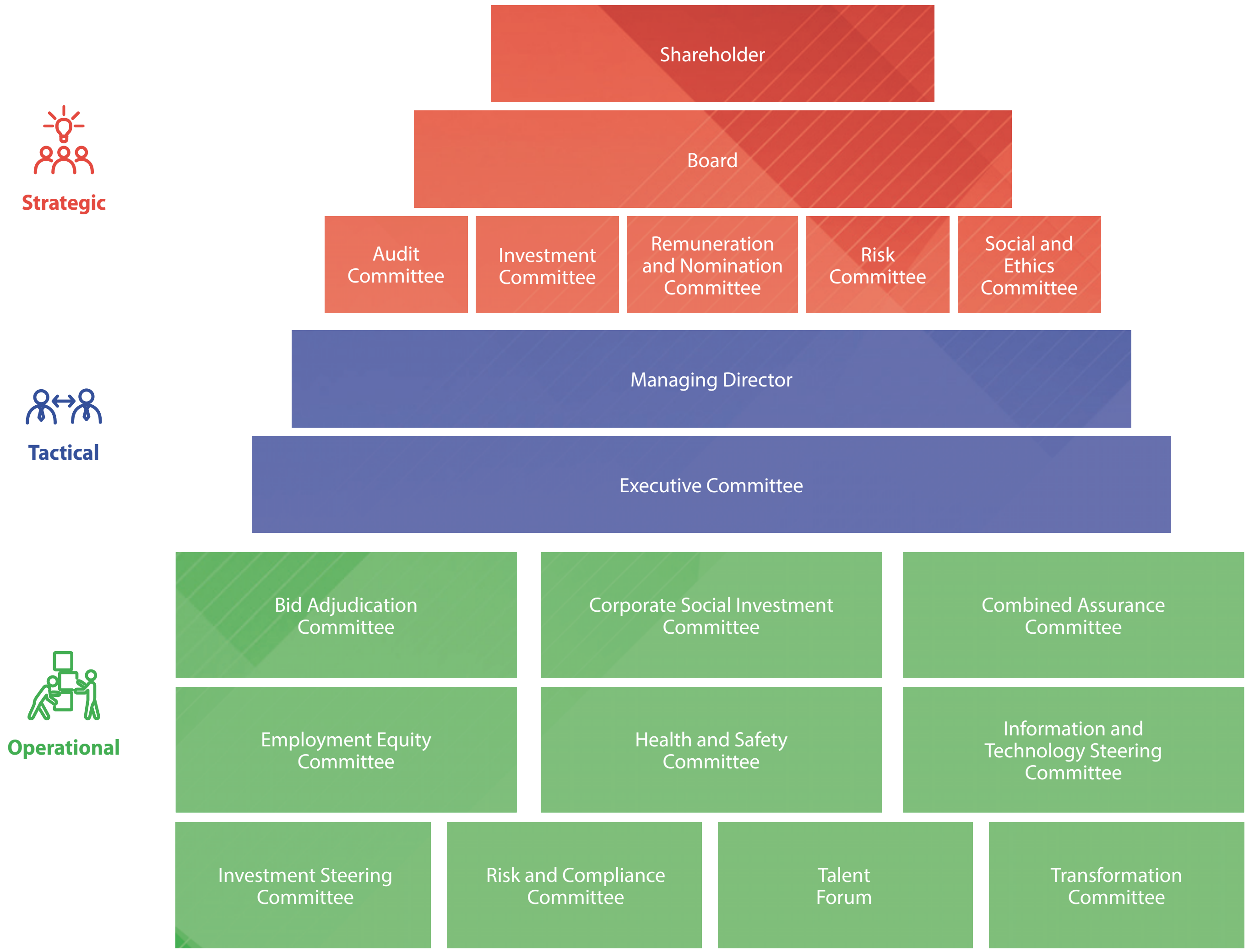
We include concise reports on the activities of the Board's committees in the past year and their plans for the ensuing year to continue delivering maximum **impact** and making a positive contribution to the NDP.

Corporate governance framework

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

The Board, as the accounting authority, is committed to the principles of openness, transparency, integrity and accountability as advocated in King IV. This commitment to good governance is formalised in our Company's charters, policies and procedures.

To achieve the principles of corporate governance, and to ensure that these are embedded throughout strategic and operational processes, four statutory committees, namely the Audit Committee, Remuneration and Nomination Committee, Risk Committee and the Social and Ethics Committee, as well as the Investment Committee, were established as Board sub-committees. The roles of the committees are embedded in their charters.



Chairperson's statement

We firmly believe that Sasria has a huge role to play in the South African economic landscape.

Moss Ngoasheng
Chairperson

Introduction

I am delighted to present my first statement as Chairperson of Sasria.

The performance for the year ended 31 March 2020 was presented to the Board and we have congratulated the executive management team on their achievements.

The new non-executives were appointed by Cabinet after a special virtual meeting held on 24 June 2020 and we are all delighted to join the Board of Sasria. We are fully committed to meeting the challenges and opportunities that will be presented to the organisation for the rest of our tenure. We firmly believe that Sasria has a huge role to play in the South African economic landscape.

On 20 July, we met with the Minister of Finance, who outlined his expectations for the functioning of the Board and confirmed his support.

The economy

The past months were dominated by the COVID-19 pandemic, which has wreaked havoc on people and economies globally. Unfortunately, SA was not spared, and we expect the country's economic recovery to be slow and patchy for the foreseeable future.

The pandemic came as yet another shock to the South African economy, which was already suffering from persistently weak performance, resulting in low GDP growth and negative investor sentiment. This has led to ratings downgrades which has put investment returns under more pressure.

Record unemployment also poses serious risks to the country's economic recovery and social cohesion. This, together with high levels of poverty and service delivery deficiencies has led to a series of service delivery protests and strikes.

These service delivery protests, strikes and riots have a direct bearing on Sasria.

We are also mindful of the significant role of climate change on the planet and the future of everyone on it. Accordingly, we intend to develop appropriate products to respond to the climate change related challenges faced by our customers

The COVID-19 pandemic

In the short term, the Board's focus will be on ensuring that the organisation is equipped to continue dealing with the challenges posed by the COVID-19 pandemic. All employees were deployed to continue serving Sasria's stakeholders working from home.

The pandemic has had a dramatic impact on the South African economy which will reflect in a significant contraction of at least 7% in GDP in 2020. The lower activity has further exacerbated the already alarming levels of poverty and unemployment in the country. This, together with general dissatisfaction with service delivery, is bound to lead to heightened levels of social discontent and, ultimately, unrest.

The pandemic has therefore highlighted the importance of special risk insurers like Sasria in protecting the livelihoods of its customers. Furthermore, it stresses the importance of pre-empting human catastrophes in order to develop suitable products. Sasria is well positioned to assist government and society through the development of appropriate products and services dealing with special risks, including the risk of future pandemics.

Vision 2024

The Executive Committee has presented the strategy set in the previous year to the Board, together with the process of arriving at the strategic focus areas and enablers.

We are confident that the strategy is relevant and well positioned to respond to the challenges of today and tomorrow. We are also heartened by the Company's good progress in the past year towards meeting the five-year goals. The five-year strategy is anchored around four key areas:

Sustainability	We will ensure that capital management remains prudent and that a strong statement of financial position is maintained to support future commitments in claims and growth initiatives.
Customer-centricity	Ultimately, Sasria is striving to become a fully customer-focused organisation. We continue to improve our operational efficiencies and strive to offer our products to more people, covering more perils and settling valid claims more promptly with a positive experience for the customer.
Socio-economic impact	Technology will play a significant role in making sure that Sasria delivers its new products to a broader customer base to achieve greater financial inclusivity of the South African public through existing and new channels.
Digitalisation	Sasria's substantial investments in technology and information will be done to support customer-centricity while growing the business and its customer base. We will continue to promote methodologies to attract, develop and retain the right people with the right skills.

Gratitude

As a Board, we appreciate the faith that the shareholder has put in us to lead Sasria forward and we are committed to repaying the confidence shown through our commitment to achieving the strategic goals of Sasria. I thank my fellow Board members for agreeing to serve on this premise.

I congratulate Cedric Masondo and the Executive Committee on delivering the solid results of the past year and look forward to working with him in delivering on the strategy.

I also thank all Sasria's employees and stakeholders in contributing to the organisation's success in the past year and ongoing loyalty in the future.

Moss Ngoasheng
Chairperson

10 November 2020

Board of Directors

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

Sasria has a delegation of authority which provides an approval framework to ensure that it is optimally managed within a decentralised management environment. The Board delegates the power to run the day-to-day affairs of the Company to the Managing Director, who may delegate some of these powers. The delegation of authority policy codifies and regulates any such delegation of authority within the Company.

The majority of the Board members are non-executive directors, namely 12, of whom 11 are independent. At year-end, there were two executive directors, the Managing Director and the Finance Director.

The Board is appropriately balanced in terms of gender, race, age distribution and experience. The Board was sufficiently capitalised in terms of core and critical skills. These include insurance, reinsurance, financial, risk, actuarial, investment, leadership, governance and human capital. To facilitate an orderly rotation of directors that preserves the core skills required of the Board at any given time, the Remuneration and Nomination Committee adopted a Board succession plan in 2014.

The plan calls for early identification of suitable candidates, on-boarding a mix of youth and experienced directors to the Board and rotation of responsibilities in the committees to develop and enhance directors' experience and exposure. The Board is also satisfied with the succession plan for the Managing Director and the Finance Director.

The Board has delegated specific functions to committees to assist it in meeting its oversight responsibilities. This ensures that Sasria's activities are managed in a manner consistent with its ethical leadership and values. All committees are chaired by independent non-executive directors.

During the past year, the Board:

- approved and recommended the dividend methodology to the shareholder;
- approved new and revised policies reserved for Board approval;
- approved the going concern statement contained in the 2019 integrated report;
- approved the ORSA results; and
- approved the 2020 to 2024 plan.

During the coming year, the Board will be focusing on the new five-year strategy of the Company. This will permeate through to the work of the Board committees and to the key focus areas of the management team.

Board demographics

Our directors have diverse skills and business experience in the areas of insurance, risk management, actuarial, financial, human capital and strategic leadership. The composition of the Board of Directors is based on principles of transformation and gender representation and also takes into consideration South Africa's diverse society. The Board of Directors includes 12 non-executive directors and two executive directors of which seven are male and seven are women. A breakdown at the date of this report is outlined below:

RATIO OF MALE AND FEMALE BOARD MEMBERS

RATIO OF BOARD MEMBERS BY RACE

Board of Directors continued

As at the date of this report, our Board of Directors comprises:

Chairperson and independent non-executive director

Moss Ngoasheng
BA (Economics and International Politics) BSocSci Hons (Industrial Sociology) MPhil (Development Studies)

Moss is an economist who served as an economic adviser in the South African Presidency from 1995 to 2000. He consulted to the World Bank and National Housing Forum on aspects of economic policy in South Africa.

He is currently CEO and Deputy Chairman of investment holding company Safika Holdings, which he co-founded. Moss also sits on the boards of Dimension Data (Middle East and Africa), Business Leadership South Africa and others and is a trustee of the Nelson Mandela Children's Hospital.

Deputy Chairperson and independent non-executive director

Onkgodisitse Mokonyane
BSc Hons MCom Actuarial Science AMASSA

Onkgodisitse is a qualified actuary and a member of Discovery Insure's executive committee as Head of Strategy, being responsible for the execution of strategic initiatives, and as Head of Value Added and Ancillary Products (VAPS), a key focus unit for the business. Onkgodisitse serves as a Trustee on the board of the Nelson Mandela Children's Fund.

She is a past President of the Association of South African Black Actuarial Professionals (ASABA). Before then, she was Founding Chair of the Actuarial Women's Committee which continues to ensure that gender equality and inclusivity are prioritised in the profession and industries that actuaries work in.

Independent non-executive director

Sathie Gounden
BCompt CTA CA(SA) Harvard Business School Executive Leadership Development Programme

Sathie has extensive auditing, accounting, forensics, consulting and tax experience. He is an expert in financial reporting using IFRS and GAAP, with strong ethical and professional values. In addition, he is well versed in risk management, the PFMA and Treasury Regulations, King IV, the Companies Act and B-BBEE.

He is a past CEO of Gobodo Inc. and past President of the national board of the Association for the Advancement of Black Accountants of Southern Africa.

Currently, he is Audit Committee Chairman of the South African Revenue Service and the National Home Builders Registration Council in addition to other board memberships.

Independent non-executive director

Reginald Haman
MBA PDBA NHD Diploma in Company Direction Executive Programme

Reginald is an experienced business executive with extensive knowledge and qualifications in business strategy, corporate and business planning, corporate governance, risk management, assurance (internal audit and forensics), regulatory compliance, corporate insurance, business sustainability (ESG) and general management in various sectors. In addition, he has extensive experience as an independent non-executive director or member of various boards, audit and risk and other board sub-committees.

Reginald is Group Corporate Services Officer at Aspen Pharmacare.

Independent non-executive director

Japhtaline Mantuka Maisela
Masters in Management
PGD Management
Production Management (Japan)
EDP (Wharton Business School)

Mantuka is a well-respected professional with considerable experience as a human resources executive who has contributed extensively to transformation within South African businesses and pension funds. Over the years, Mantuka has served many boards including Air Traffic and Navigation Services, Murray & Roberts, the Motor Industry Bargaining Council, the National Consumer Council, South African National Parks and the World Petroleum Council.

Since 2017, Mantuka has been the Chairperson of the Eskom Pension and Provident Fund, where she was instrumental in the transformation of the fund in terms of black-owned, especially women-owned, asset managers. She also serves as a trustee on the Motor Industry Fund as well as the Government Employees Pension Fund.

Independent non-executive director

Desmond Marumo
LLM (Corporate Law) Higher Certificate Intellectual Property Law

Desmond is a qualified legal administration professional with extensive experience in drafting and advising on collateral securities on loans, mergers and acquisitions as well as judicial management. He has lectured and delivered papers on intellectual property and has represented South Africa in various countries.

He is a past Chief Operating Officer of CIPRO and currently an executive director of DMC, a consultancy specialising in private-public partnerships and intellectual property.

Independent non-executive director

Dr Nolwandle Mgoqi-Mbalo
BA MSc PhD

Nolwandle is an executive with domestic and African experience in strategy development, implementation and monitoring, product development, sales and distribution, marketing and people management within both start-up and growth organisations across short-term insurance, life insurance and group schemes, employee benefits and asset management businesses.

She has an overall track record in increasing sales and growing bottom line while spearheading operational improvements and driving change within businesses.

Nolwandle is currently the Chief Executive: Insurance at Standard Bank.

Independent non-executive director

Refilwe Moletsane
B Juris MAP B Hons Insurance and Risk Management

Refilwe has 27 years' experience in insurance. She served as Deputy CEO of the South African Insurance Association, where she was responsible for the insurance industry's motor insurance, legal and compliance portfolios. She joined AIG South Africa in July 2010 as the Country Compliance Officer. In 2013, she was appointed as the Compliance Leader for Africa responsible for South Africa, Kenya and Uganda, and Middle East and Africa Regional Head of Compliance in 2018. She was also instrumental in the insurance industry's legislation and regulations debates under the Parliamentary Portfolio Committee of Finance until June 2010.

Before joining SAIA in 2007, Refilwe held various portfolios in Hollard Insurance.

Independent non-executive director

Enos Ngutshane
M Public Administration (Liverpool)
PGD Administrative Studies

Enos is a leader in local government, occupational health and safety, risk management and an expert in leadership, corporate governance, public policy, change management and transformation. He provides thought leadership in organisation development, employment equity, public transport, pension fund governance and investment. He was a trustee and the Chairperson of the PRASA Provident Fund for 17 years.

He is currently the President of the Institute of Retirement Funds Africa.

Independent non-executive director

Margaret Mosibudi Phiri
CA(SA)

Margaret is Managing Director of Mohale Seoka Consulting. Her main areas of expertise are external audit, internal audit, investigations, financial statement preparation and review, probity audit, board evaluations, internal financial control and risk management, technology and information governance and corporate governance.

She worked at the Auditor-General South Africa for 20 years and has a good understanding of the PFMA, MFMA, GRAP, IFRS, Municipal Systems Act, SCM, National Treasury Regulations and Practice notes, Preferential Procurement Policy Framework Act, B-BBEE, Skills Development Levy Act and corporate governance principles. She serves on numerous boards and audit committees.

Independent non-executive director

Christiaan van Dyk
BSc Actuarial Science FFA FASSA

Christiaan's career spans three decades. He is a Fellow of the Faculty of Actuaries in Scotland as well as of the Actuarial Society of South Africa. He has worked with Natsure, Momentum Wealth and Metropolitan Life. He is currently the Group CEO of Assupol.

Non-executive director

Moipone Ramoipone
National Diploma and BTech Public Finance and Accounting Registered Government Auditor

Moipone is a member of the Southern African Institute of Government Auditors. She holds the position as Director: Governance Monitoring and Compliance in the Office of the Accountant-General at the National Treasury. In this position, she is responsible for improving implementation of the PFMA.

She is currently studying towards a Post-graduate Diploma in Business Administration.

She represents the National Treasury on the Board of Sasria.

Board of Directors continued

Executive director

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

Managing Director

Sasria's Managing Director, Cedric Masondo, was appointed in 2011 and reappointed in May 2018 for a further five-year term, ending April 2022. He is the Chairperson of the South African Insurance Association.

He has over 25 years' experience at leadership level. Prior to joining Sasria, he worked at Allianz, XL Capital and Alexander Forbes.

Executive director

Bajabulile Mthiyane
BCom Hons CA(SA) AMP (Harvard Business School)

Finance Director

Bajabulile joined Sasria in May 2018 and was appointed executive director in June 2018. Bajabulile is a highly achieved business leader with over 20 years of progressively diverse experience in finance and business operations. She has served on various boards, including as a non-executive director and Audit and Risk Committee Chairperson at ACSA, Eskom, Union Life and Nestlife. Her current responsibilities include statutory reporting, investments, capital management and procurement.

Board committees

Audit Committee

The activities of the Audit Committee are discussed in its report on page 68.

Investment Committee

Activities in 2020	Additional priorities for 2021
Monitored the overall performance of the investment portfolio and updated the Board quarterly on performance and any material deviations from return objectives. Reviewed its charter for relevance. Reviewed and monitored the investment strategy, policy, asset allocation, investment goals and objectives. Reviewed and monitored implementation of the investment strategy and policy. Monitored adherence to credit and market risk limits. Reviewed the implementation of the Principles for Responsible Investments (PRI) and the integrated report to the PRI. Reviewed and provided feedback on the investment income and expenses budget.	Monitor and provide guidance on the transformation of the asset management industry.

Risk Committee

Activities in 2020	Additional priorities for 2021
Approved the 2020 strategic risks. Reviewed its charter for relevance. Approved the technical valuation methodology and results. Reviewed and approved its annual work plan, agenda and policies. Reviewed and recommended the extension of the reinsurance broker tender to the Board for approval. Exercised oversight over the Risk Management, Compliance and Insurance Operations reports during the year and made recommendations for improvements where relevant. Recommended the 2020 risk appetite limits for Board approval. Recommended the ORSA report for Board approval. Reviewed and approved all risk policies within its mandate and recommended others to the Board for approval as part of a periodic review of policies. Approved the 2020 key risk indicators. Ensured that risk governance encompasses: • The opportunities and associated risks to be considered when developing strategy; and • The potential positive and negative effects of the same risks in the achievement of organisational objectives.	Monitor the progress of the data acquisition project. Monitor the progress of the business intelligence unit within Sasria.

Remuneration and Nomination Committee and Social and Ethics Committee

The mandates of these committees were handled by the Board. This was due to there being no quorum for these two committees as the terms of the Chairperson and Deputy Chairperson for both of these committees expired on 31 May 2019.

Board committees continued

Attendance at meetings during the financial year

Number of meetings	Field of expertise	Board	Audit Committee	Investment Committee	Remuneration and Nomination Committee	Risk Committee	Social and Ethics Committee	Annual general meeting
		3	2	2	0	2	0	1
Norman Baloyi***	Research and finance	3*	N/A	2		2		1
Onkgodisitse Mokonyane***	Financial services	3		2		1		1
Tando Mbatsha***	Finance and auditing	3	2	2*				1
Baba Mkangisa	Healthcare	N/A**					*	N/A
Tshwarelo Moutlane***	Financial services	1	1*			1		A
Jayaseelan Nair***	Government finance	1	2					A
Maki Ndlovu	Human resources	N/A**		1	*			N/A
Christiaan van Dyk***	Financial services	3	2			2*		1

* Chairperson

** Term ended on 31 May 2019

*** The non-executive directors resolved to resign at the AGM held on 13 September 2019

A Apology

Remuneration report

Over the past five years, the committee has driven its committed oversight on the Sasria employee value proposition. Sasria offers fair and competitive remuneration and benefits in order to attract and retain valued employees. Sasria recognises that rewards have a direct link to performance and retention.

Remuneration approach

Sasria's remuneration approach is aligned to its Total Rewards framework thereby ensuring that the remuneration practices support the business objectives. The Remuneration Policy is applicable to the Managing Director, Finance Director, executives and all employees. This policy has also been aligned with the requirements of the State-owned Enterprises Remuneration Guidelines, Financial Services Board and King IV to ensure that directors and executives are remunerated fairly and responsibly. The remuneration of the Managing Director, Finance Director and the Executive Managers is approved by the Minister of Finance.

All salaries are managed by salary bands and are benchmarked annually against industry standards and participation in salary surveys conducted in the national and short-term insurance labour market. This ensures that employees receive market-related remuneration in terms of their grade, role and level of experience. The annual remuneration and benefit benchmark review is conducted in November of every year. The 50th percentile is regarded as the most appropriate market reference point for Sasria, however, the 75th percentile is used to attract and retain rare and critical skills.

Salary increases for 2020

The salary increase process for 2020 was concluded, providing an average increase of 5.5% for skilled professionals and middle management and 6% for the semi-skilled levels. This process was based on and informed by a number of factors, such as affordability and individual employees' performance. Executive Managers' salaries were increased by 5% and the Managing Director received an increase of 4.5%.

Salary increases for Executive Managers and the Managing Director are subject to shareholder approval.

The table below reflects the average salary increases:

Average salary increase

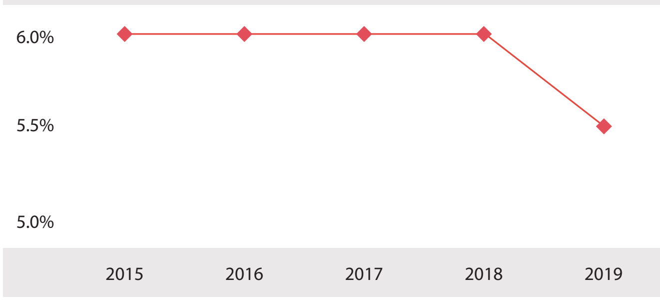
Staff categories	2020	2019
Top management – Directors	5%	4.5%
Senior management – Executives	3.5 – 5%	5.2%
Middle management	5.5%	7%
Specialists	5.5%	7%
Skilled technically/ junior management	5.5%	7%
Semi-skilled	6%	8%
Unskilled	6%	8%

Board remuneration

Directors' remuneration is reviewed annually by the shareholder and approved at the annual general meeting. In considering the revision of Board remuneration, the shareholder takes into account the Board's performance against the strategy and Corporate Plan of the Company, as well as the effectiveness of the Board in executing the strategy, Board annual assessment results and meeting attendance by each director.

The increase is effective in January of every year. The graph below shows the annual increase afforded to non-executive directors since 2015.

ANNUAL INCREASE AFFORDED TO NON-EXECUTIVE DIRECTORS



Company and individual performance

Short-term incentives of 2019 administered in 2020

The approved Total Rewards Policy focuses on two key elements when determining individual short-term incentive payments, namely business and personal performance metrics. The business metric is based on the following KPIs which are critical to the achievement of our business objectives:

- Measures of underwriting profit;
- Gross written premium growth;
- Reducing claims turnaround times;
- Driving employee engagement;
- Increasing brand awareness;
- Implementing a new ICT strategy; and
- Improving transformation scores against the targets set by the Financial Sector Code.

The personal metric focuses on an individual employee's performance, as determined through the performance management process. The implementation of incentive schemes takes into account the different hierarchical levels informed by complexity, decision-making and judgement. This results in a higher weighting towards financial outcomes and is applied to the most senior management individuals, who have a more significant influence on these outcomes. Individuals in the lower levels of the organisation, with limited ability to influence such outcomes, have little or no weighting assigned to financial achievements.

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

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

No performance bonuses were payable as Sasria did not meet its KPIs in 2019.

Performance bonuses

The bonus pool for the year ending 31 March 2020 is capped at a maximum of 2.5% of the budgeted net profit after tax for the year. (Actual 2019: 0%, actual 2018: 2.8%, actual 2017: 1.9%, actual 2016: 2.2%.) The bonus pool for the year ending 31 March 2020 is capped at 20% of the total employee expenditure, including bonuses. (Actual 2019: 0%, actual 2018: 27%, actual 2017: 16.8%, actual 2016: 27.7%).

The bonus pool will only be paid once three gatekeepers have been met as per the Sasria Total Rewards Policy. The gatekeepers are:

- Achievement of an unqualified audit report;
- Achievement of 60% of the Company's KPIs as per the Corporate Plan; and
- Achievement of 70% of the forecast underwriting profit.

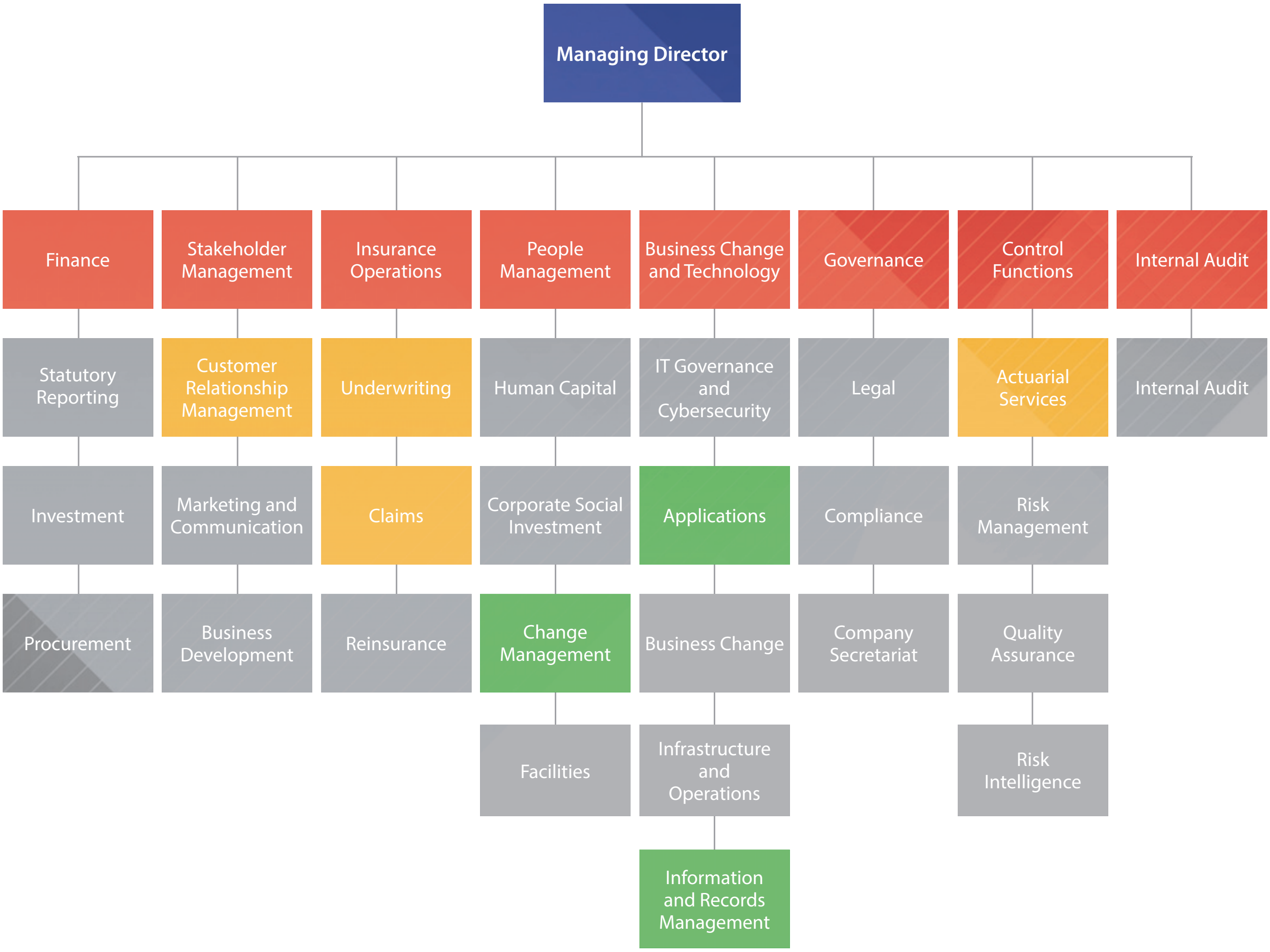
Other benefits that form Sasria's Employee Value Proposition

In addition to benefits related to Sasria's competitive remuneration, Sasria also offers its employees a number of other comprehensive benefits.

The Sasria pension fund is administered by Momentum and currently has assets of more than R51 million as at 31 March 2020. The performance of the fund is monitored by the advisory body within Sasria, which meets quarterly. One hundred people are registered on the fund. Nine withdrawals and one disability claim were recorded during the year. The pension fund covers group life, dread disease, temporary- and permanent disability and funerals.

Operational structure

Sasria has established a clear and comprehensive structure to deliver on its strategy:



Divisions · Core departments · Departments · New departments

Executive Committee

Cedric Masondo
BCom, FIISA, AMLP (Oxford University, Saïd Business School)

Managing Director

Cedric was promoted to the position of Managing Director in July 2011 after serving as Executive Manager: Underwriting. Prior to joining Sasria, he was responsible for all public enterprise business at Alexander Forbes Cre8. Cedric has more than 26 years' experience, both locally and internationally, in the short-term insurance industry.

Role: Executive leadership and implementation of strategy.

Refer to page 28 for the Managing Director's report.

Bajabulile Mthiyane
BCom Hons CA(SA) AMP (Harvard Business School)

Finance Director

Bajabulile kick-started her career at Deloitte. In her CFO and financial leadership roles in South African Port Operations, Unilever SA and Hewlett Packard SA, she demonstrated her ability to increase efficiencies while improving profitability and cash flows. She has served on various boards, including as a non-executive director and Audit and Risk Committee Chairperson for ACSA and Eskom.

Role: Statutory reporting, Investment and Procurement.

Refer to page 32 for the Finance Director's report.

Fareedah Benjamin

Executive Manager: Insurance Operations

Fareedah joined Sasria as the Executive Manager: Insurance Operations in March 2017. She has over 21 years' experience in the short-term insurance industry.

Role: Claims, Underwriting and Reinsurance.

Refer to page 29 for more detail about Sasria's customers.

Mziwoxolo Mavuso
BProc LLB GMP GEDP

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 held since June 2011. Previously he was the Company Secretary for the Eastern Cape Development Corporation.

Role: Legal, Compliance and Company Secretariat.

Refer to page 38 for more information about governance at Sasria.

Sam Nkosi
Digital Transformation and Strategy (HBS) CIO Academy (Saïd Business School) ITIL (BCS) HDip BS (IBS) MSc IS (Leeds Beckett University)

Executive Manager: Business Change and Technology

Sam joined Sasria in July 2017 from the Auditor-General of South Africa where he was a Chief Information Officer. His extensive experience was gained at Barclays Africa Group (Absa), Fujitsu, the South African Revenue Service, Wincor Nixdorf in the United Kingdom and the State Information Technology Agency. He commenced his career at Investec.

Role: Information systems and technology and business change.

Refer to page 30 for more information about technology and innovation at Sasria.

Suzanne Harrop-Allin
BCom Hons (RAU) CA(SA) SEPA (Harvard Business School)

Chief Risk Officer

Suzanne joined Sasria in October 2013 from PricewaterhouseCoopers where she was a senior manager in the Financial Services Insurance and Investment Management divisions.

Role: Risk Management, Quality Assurance, Actuarial Services and Risk Intelligence.

Refer to page 22 for more information about risk management at Sasria.

Tshepiso Chocho
BA Hons MMDP

Executive Manager: People Management

Tshepiso was appointed as the Executive Manager: People Management on 1 February 2019 after having worked as the Human Capital manager at Sasria since May 2015.

Role: Human Capital, Corporate Social Investment and Facilities.

Refer to page 30 for more information about people management at Sasria.

King IV

Sasria has benchmarked its practices against the principles of the King IV Report on Corporate Governance for South Africa 2016 (King IV). Below is a summary of our progress towards achieving the 17 principles and desired governance outcomes. The Board is satisfied that Sasria has applied the requisite principles.

Principles	Compliant	Brief explanation
Governance outcome: Ethical culture		
1. The Accounting Authority should lead ethically and effectively	Yes	Sasria's directors hold one another accountable for decision-making and act in a way that displays the ethical characteristics stated in King IV.
2. The Accounting Authority should govern the ethics of the SOE in a way that supports the establishment of an ethical culture	Yes	Sasria has an Ethics Policy in place which applies to Board members and employees.
3. The Accounting Authority should ensure that the SOE is and is seen to be a responsible corporate citizen	Yes	The Board has delegated to the Social and Ethics Committee, among others, the responsibility for monitoring the overall responsible corporate citizenship performance of Sasria. For more detail on how Sasria addresses responsible citizenship, refer to the activities of the Social and Ethics Committee on page 48.
Governance outcome: Performance and value creation		
4. The Accounting Authority should appreciate that the SOE's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value-creation process	Yes	The Board assesses, on a continual basis, the positive and negative outcomes resulting from its business model and responds to it as highlighted in this integrated report.
5. The Accounting Authority should ensure that reports issued by the SOE enable stakeholders to make informed assessments of the SOE's performance and its short-, medium- and long-term prospects	Yes	This integrated report provides users with a holistic, clear, concise and understandable presentation of Sasria's performance in terms of sustainable value creation in the economic, social and environmental context within which it operates.
Governance outcome: Adequate and effective control		
6. The Accounting Authority should serve as the focal point and custodian of corporate governance in the SOE	Yes	The role and responsibilities of the Board are as set out under principle 6 of King IV. These roles and responsibilities are articulated in the Board Charter.
7. The Accounting Authority should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively	Yes	The Board is satisfied that there is a balance of skills, experience, diversity, independence and knowledge needed to discharge its role and responsibilities. For more detail on the composition of the Board of Directors, refer to page 41.
8. The Accounting Authority should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with the balance of power and the effective discharge of its duties	Yes	The composition of the Board committees and the distribution of authority between the Chairperson and other directors is balanced and does not lead to instances where an individual(s) dominates decision-making within governance structures or where undue dependency is caused. For more detail on the composition of the Board's committees, refer to page 47.
9. The Accounting Authority should ensure that the evaluation of its own performance and that of its committees, its Chairperson and its individual members support continued improvement in its performance and effectiveness	Yes	The evaluations of the performance of the Board structures and its members are conducted simultaneously every three years.
10. The Accounting Authority should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities	Yes	A detailed delegation of authority is in place. The Board is satisfied that Sasria is appropriately resourced and that its delegation to management contributes to an effective arrangement by which authority and responsibilities are exercised.

Principles	Compliant	Brief explanation
11. The Accounting Authority should govern risk in a way that supports the SOE in setting and achieving its strategic objectives	Yes	The Board adopted an ERM framework and approach to managing risk. The Risk Committee assists the Board with the governance of risk. Refer to page 22 for more information about risk management at Sasria.
12. The Accounting Authority should govern technology and information in a way that supports the SOE setting and achieving its strategic objectives	Yes	The Board is aware of the importance of technology and information as it is inter-related to the strategy, performance and sustainability of Sasria. The Audit Committee assists the Board with the governance of information technology.
13. The Accounting Authority should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the SOE being ethical and a good corporate citizen	Yes	There were no material or repeated regulatory penalties, sanctions or fines for contraventions of, or non-compliance with, statutory obligations.
14. The Accounting Authority should ensure that the SOE remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term	Yes	Sasria remunerates fairly, responsibly and transparently to deliver on its strategic initiatives and to promote the creation of value in a sustainable manner. Refer to the remuneration report on page 49.
15. The Accounting Authority should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the SOE's external reports	Yes	The Board is satisfied that the combined risk assurance model results in an adequate and effective control environment and integrity of reports for better decision-making.
Governance outcome: Trust, good reputation and legitimacy		
16. In the execution of its governance role and responsibilities, the Accounting Authority should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the SOE over time	Yes	Sasria has identified key stakeholder groupings and their legitimate and reasonable needs, interests and expectations. Refer to the section our key relationships on page 19.
17. The Accounting Authority ensures that responsible investment is practised by the organisation to promote good governance and the creation of value by the companies in which it invests	Yes	Sasria continues to be a proud signatory of the United Nations Principles for Responsible Investments (UNPRI) and has supported the Code for Responsible Investing in South Africa (CRISA) since 2012. Refer to page 63 for more information.

Compliance with laws

Sasria is driven by prescribed legislative and regulatory frameworks and standards, including its own regulatory framework aligned with the overarching policies. 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 it has achieved a satisfactory level of compliance throughout the year including submission of compliance reports to all regulatory structures.

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

During the year under review there was:

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

We have a zero-tolerance policy regarding fraud and corruption. Employees are made aware of the latest trends. The Code of Ethics is applicable to all employees.

Incidents of irregular, fruitless and wasteful expenditure during the reporting period were identified and reported to National Treasury. This is also reported as part of the annual financial statements (note 28). We are confident that appropriate policies and procedures are in place and that the necessary disciplinary procedures against the relevant individuals were implemented.

Socio-economic development

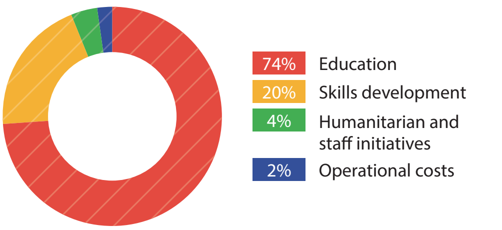
STRATEGIC FOCUS

Socio-economic impact

Our socio-economic development activities are integral to our value-creation process and assist Sasria in contributing to employment, reducing poverty and capacity building in the financial industry. For the past five years, more than R140 million has been invested in social responsibility initiatives in line with our strategic objectives.

In 2020, R23 million was invested in social responsibility initiatives with R20 million pledged for COVID-19 responses. Below are details of the investments made in different projects and the achievements that we value:

CORPORATE SOCIAL INVESTMENT SPEND 2020



Education

In support of the NDP, 74% of our socio-economic development budget is directed towards education. We allocated resources to build more school facilities such as classrooms, a library, computer labs and ablution facilities. For the past five years, our focus on tertiary education led to an increase in our bursaries granted, creating a talent pipeline and contributing to other bursary schemes.

The following are notable achievements:

South African Actuaries Development Programme (SAADP)

Sasria has supported the programme, set to address the problem of the acute shortage of actuarial skills in the black community in South Africa, since inception. The programme has produced 58 qualified actuaries with 442 graduates still studying.

Sasria bursary scheme

The bursary scheme has changed the lives of many underprivileged students. Many of them had to leave their homes in deep rural areas to live and study in unfamiliar environments in big cities where most universities are located.

In the 2020 academic year, we did not take on new students. This will enable us to revise the programme's design and implementation model.

The students during bootcamp in the Drakensberg

Thuthuka Bursary scheme

The Thuthuka Bursary scheme annually accepts first-year students to be enrolled at various universities for studies towards qualifying as Chartered Accountants (CAs). In 2019, a total of 227 first-year African and Coloured students were funded by the scheme at 11 universities across South Africa. Of the 227 first-year students, 179 passed, achieving a 79% pass rate. The Thuthuka throughput rate is generally higher than that of general university students due to the programme's wrap-around support model. Sasria supported 10 students in 2019 through this programme.

Mathematics and science programme

As a socially responsible organisation, Sasria invests in mathematics and science programmes and initiatives in an endeavour to stimulate and encourage growth of engineers and scientists in the country. This programme is aimed at providing examination-focused support to Grade 12 learners from underprivileged communities in preparation for the final matriculation examinations and is done through our partnership with Primestars, a youth development programme for high school learners from under-served communities, with the support of the Department of Education. The programme uses Ster Kinekor cinemas nationally as 'Educational Theatres of Learning'. The table below reflects the number of beneficiaries since the inception of the programme:

	2016	2017	2018	2019
Number of learners attended	30 561	30 107	30 263	19 874
Number of teachers reached	788	713	721	94
Number of schools reached	127	131	119	673

Infrastructure development

With the assistance of the Department of Education, we identified two disadvantaged schools which we can assist. We will build the ablution facilities in the North West and Eastern Cape, to be completed in 2021.

In Rustenburg in the North West province, we started building a library at a primary school. Construction was halted with the outbreak of COVID-19.

Consumer relations

For the past five years, as a SAIA member, we have complied with the FSC by spending at least 0.4% of our after-tax profit on consumer education. Consumer education leads to an informed community that makes better financial choices, thus positively contributing to the economic welfare of society and allowing consumers to use insurance products more appropriately.

Skills development

As part of our contribution to growing and developing skilled professionals in the insurance sector, we have embarked on various programmes over the past five years, which include:

Insurance Leadership Development Programme

The Insurance Leadership Development Programme was launched in 2016 by the Insurance Institute of Gauteng, Gordon Institute of Business and Sasria to respond to the skills challenge within the short-term insurance industry, particularly the challenges around historically disadvantaged individuals at senior level.

Delegates have the unique opportunity to engage with their peers from a cross-section of the industry and, in doing so, enhance their learning experience. In the 2020 academic year, 25 delegates were enrolled, 18 of which are female.

The 2019 Insurance Leadership Development Programme graduation

Socio-economic development continued

Industry skills development programmes

Sasria partners with the Insurance Institute of Gauteng (IIG) to develop young people in the industry. Contributions include:

Roots and Wings

This mentorship programme provides mentees with a competitive edge and access to experienced professionals in the short-term insurance industry. Learners benefit from, among other, increased exposure to the industry and networking opportunities and guidance on maintaining a work-life balance.

Class of 2019

The IIG "Class Of" programme is a one-year programme designed to give a select group of young insurance professionals currently working in the industry exposure to a wide range of companies in the insurance industry.

Graduate Institute of Financial Services – Learnership

The Insurance Academic Programme is a formal, structured one-year programme aligned to the national certificate in short-term insurance (NQF 5). The programme targets school leavers from previously disadvantaged backgrounds and comprises mentorship elements and work readiness workshops. In the 2019 academic year, 13 delegates have been accepted to the programme with 100% competence rates. All delegates were placed in permanent jobs with institutions in the insurance industry.

Sasria graduate programme

This is a two-year programme that provides young graduates with professional skills and exposure to the corporate environment. Currently, we have 22 graduates and learners in the programme.

Humanitarian/employee initiatives

The staff initiative and volunteer programme allows our employees to feel part of something worthwhile and make a difference in their communities. We have seen an increase in staff participation in these initiatives. Their good work includes:

- **Back-to-school initiative** – Our employees personally donated school uniforms to learners in KwaZulu-Natal and Gauteng.
- **Mandela Day** – Sasria employees have donated toiletries and renovated an orphanage in Soshanguve.
- **Sanitary pads drive** – Our staff members personally donated sanitary pads to a school in Gauteng.

Community upliftment

Sasria believes that, in its journey of creating value, growth and creating impact, it must take its communities along – hence our community upliftment programmes. Our initiatives support a better understanding and proactive mitigation of social and business risk in identified communities. Through these programmes, we educate and bring awareness to the inhabitants of the district municipalities regarding the prevention and mitigation of risk incidents. We also promote a broad-based culture of risk avoidance in the communities through detailed and comprehensive campaigns. The following highlights are notable:

Santam/SALGA/Sasria initiative

The Ehlanzeni District Municipality embarked on a study to understand the various facets of disaster and disaster risk management in the area. Through our partnership with Santam, we aim to impact and reduce the number of service delivery protests.

Sack farming

Sasria partnered with Enactus students to increase the availability and accessibility of nutritious food in communities through the establishment of permaculture food gardens in schools. Schools are encouraged to grow their own food to supplement their school feeding schemes and generate income. The project has already expanded from KwaZulu-Natal to the Eastern Cape.

Mandela Day project before the renovations

Mandela Day project after the renovations

Social transformation

Sasria is committed to transformation in South Africa. We contribute to transformation in the country and in the insurance industry through our efforts to attract, develop and retain young African professionals.

Employment equity

In 2020, we exceeded our KPI target of 13 by achieving 14.84 out of a maximum score of 15 on the FSC Employment Equity Scorecard, made up as follows:

Scorecard item	Weight	Target	Achieved 2016	Achieved 2017	Achieved 2018	Achieved 2019	Score 2020
Black disabled employees as a percentage of all employees	0.5	3.0%	**1.79%**	**1.56%**	**1.4%**	**2.06%**	**0.34**
Black women disabled employees as a percentage of all employees	0.5	1.5%	**1.79%**	**1.56%**	**1.4%**	**2.06%**	**0.50**
Black senior management as a percentage of all senior management	3	60.0%	**66.67%**	**66.67%**	**80.0%**	**80.00%**	**3.00**
Black women senior management as a percentage of all senior management	2	30.0%	**33.33%**	**33.33%**	**60.0%**	**40.00%**	**2.00**
Black middle management as a percentage of all middle management	3	75.0%	**76.19%**	**81.48%**	**84.9%**	**91.30%**	**3.00**
Black women middle management as a percentage of all middle management	2	37.5%	**47.62%**	**44.44%**	**48.5%**	**56.52%**	**2.00**
Black junior management as a percentage of all junior management	2	80.0%	**94.74%**	**94.74%**	**95.5%**	**96.97%**	**2.00**
Black women junior management as a percentage of all junior management	2	40.0%	**57.89%**	**63.16%**	**63.6%**	**69.70%**	**2.00**
Total	**15**						**14.84**

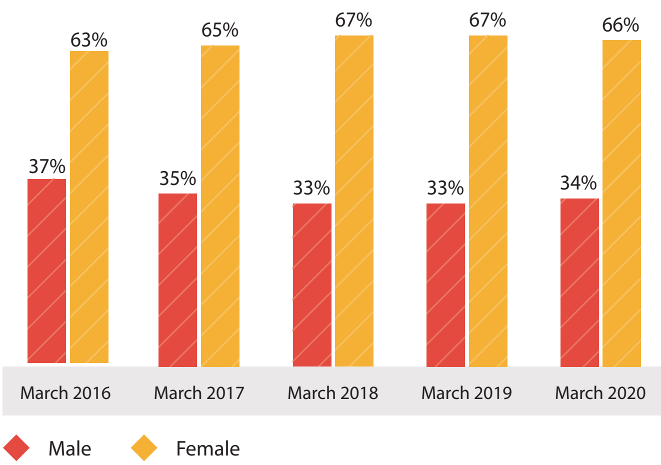
During the year, we appointed a woman with a disability in a management position.

Social transformation continued

Gender equity

We have appointed and promoted women in senior positions in the organisation, in line with our mandate from the Department of Labour and evident from the graph for the past five years below:

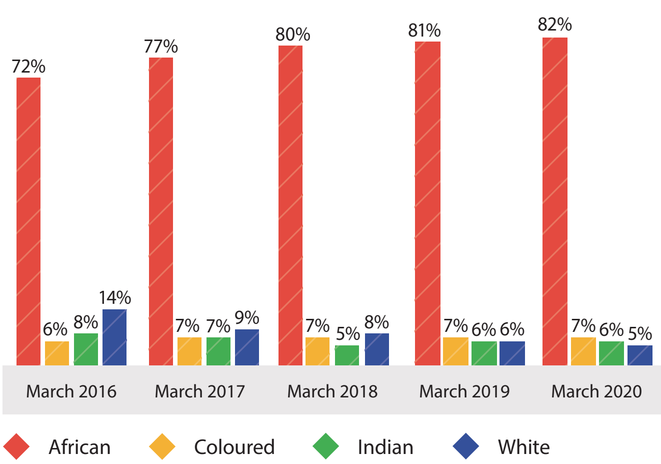
GENDER EQUITY



Race equity

There has been an evident increase in the number of African employees over the past five years, in line with our workforce, talent management and employment equity plans.

RACE EQUITY



Procurement

Sasria's procurement transformation agenda is inspired by the Broad-based Black Economic Empowerment Act and sector codes of good practices, specifically the Financial Sector Codes. The primary purpose is to address the economic imbalances from the past and promote inclusive economic participation in the South African economy. Procurement is able to act as a key lever in achieving this purpose and does so in a three-pronged approach:

Preferential procurement

For all open tenders, minimum B-BBEE level requirements are set where relevant and practical. Our preference is to conduct business with suppliers who meet at least B-BBEE level 4 requirements.

The table below reflects our spend profile for 2020 (excluding claims procurement and binder fees):

	Spend %	
Element	**2020**	**2019**
Level 4 or better	83%	84%
51% or more black ownership	38%	33%
30% or more black-women ownership	18%	12%
Qualifying small enterprises (QSEs)	13%	14%
Exempted micro enterprises (EMEs)	19%	23%
Total spend	**R136 million**	**R83 million**

For targeted procurement, we strive to identify black-owned suppliers in driving preferential procurement spend. We have set ourselves a target to award 80% (in value) of all RFQs to black-owned suppliers. In 2020, we awarded 75% of the value of targeted procurement to black-owned entities.

Supplier development

An incubation programme for black asset managers has been set up as the vehicle for supplier development over the next three years. Three asset managers enrolled in the incubation programme were identified as deserving beneficiaries of supplier development contributions.

The table below reflects the supplier development payments for 2020, being 98% of the budget:

Beneficiary	Amount Rand thousand
Balondolozi Investment Services (Pty) Ltd	1 874
Ngwedi Investment Managers (Pty) Ltd	1 583
Prowess Investment Managers (Pty) Ltd	2 041
Total grant payments	**5 498**

The grants supported the asset managers with various business requirements, including operational expenses, human resources, marketing to improve visibility of their businesses and procurement of new IT infrastructure. These grants had huge impacts on these businesses who all realised growth in their assets under management.

The purpose of the incubation programme is not just to provide support through grants. Sasria has also committed to allocating assets to emerging and black-owned asset managers. During the year, R400 million was allocated to four black-owned asset managers. The intention is to grow the allocation to 20% of all assets under management.

Enterprise development

Sasria has limited exposure to qualifying beneficiaries in its business operating model, which involves settling claims and interacting with other short-term insurers. It has, however, by evaluating currently contracted suppliers, existing funds, leads from other short-term insurance companies and applications, identified qualifying beneficiaries of enterprise development contributions such as QSEs, EMEs or qualifying small financial institutions that are at least 51% black-owned or 51% black-women-owned.

Sasria made the following enterprise development payments in 2020:

Beneficiary	Amount Rand thousand
Unam Foods (Pty) Ltd	675
Black Umbrellas NPC	1 800
IDF Capital (Pty) Ltd	1 800
Total grant payments	**4 275**

- **Natural Applied Media Foods (Pty) Ltd trading as UNAM Foods:** Unam is an EME which is 100% black-women-owned. Their business offers the following services: Catering for corporate events/functions and meetings, full event management services, photography, hospitality staffing and hiring of furniture and décor accessories. They have requested assistance with a delivery van with a cooling unit, training and marketing and business development.
- **Black Umbrellas NPC** is an enterprise development incubation organisation partnering with the private sector, government and civil society to address the low levels of entrepreneurship and high failure rate of 100% black-owned emerging businesses on the African continent. The programme focuses on promoting entrepreneurship as a desirable economic path and nurturing 100% black-owned businesses in the critical first three years of their existence through the provision of the nationwide incubator.
- **IDF Capital** is 100% black-owned and their nominated enterprise supplier development programme (I'M IN) tech start-up accelerator is aimed at providing support to SMEs operating in the technology sector. These are entities which come up with innovative and disruptive solutions across industries including fintech, which require financial and infrastructure support and demonstrate potential to grow.

Combating climate change and caring for the environment

Climate change will affect everyone in many ways if drastic action is not taken.

Unpredictable weather patterns, dry conditions and drought impact agriculture production, resulting in food scarcity, diminished spending on non-food items and inflation.

All fields of human activity, from agriculture to energy supply, are changing as awareness of the need to transform the way business is conducted to protect the environment grows.

Ongoing degradation of natural capital impacts not only the availability of resources but livelihoods and human development. A reduction in the quality of soil, biodiversity and water impacts food security, the value of land and resettlement of people, and a degraded environment has further impact on health, nutrition and susceptibility to disease.

Agriculture insurance administration project

Certain uninsurable risks facing government are also very volatile. Recently, South Africa has experienced its worst drought followed by floods in various regions. These are expected to continue. Drought is affecting both commercial and subsistence farmers. As a result, the risk of market failure for the government is high.

The government of South Africa has recognised the impact of weather and climate shocks on agricultural producers and the challenges they pose to the country's development objectives in terms of food security and rural development.

Upside risks

- Reduced risk of market failure for the government
- Improved food security and rural development
- Reduced systemic risk for South African banks
- Increased insurance penetration
- Sustainability of insurers and the agriculture sector
- Increased income for Sasria (management fees)

Downside risks

- Land expropriation without compensation
- Failed public-private partnership (PPP)
- Identifying the wrong partners in the PPP i.e. partners who do not share the same vision and goal
- Insufficient capital
- Frequency of claims (floods, drought) increasing at a higher rate than the allocated capital

Principles for responsible investing

Sasria continues to be a proud signatory of the United Nations Principles for Responsible Investments (UNPRI) and has supported the Code for Responsible Investing in South Africa (CRISA) since 2012. We recognise that the generation of long-term sustainable returns is dependent on stable, well-functioning and well-governed social, environmental and economic systems. Responsible investing is an approach to investments that explicitly acknowledges the relevance to the investor of environmental, social and governance (ESG) factors, and the long-term health and stability of the market as a whole. Sasria has lived up to the principles in the following ways:

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

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

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

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

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

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

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

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

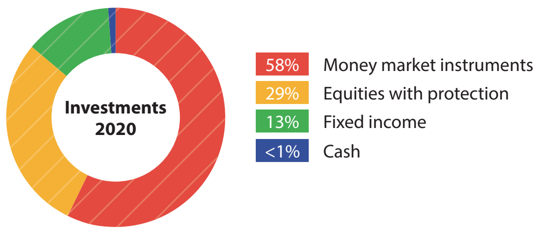
Principle 5: We will work together to enhance our effectiveness in implementing the principles.

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

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

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

OUR INVESTMENT PORTFOLIO SPREAD



ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

The annual financial statements were prepared by:
Gerrard de Vos CA(SA)

The annual financial statements were reviewed by:
Bajabulile Mthiyane CA(SA)

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

Approval of the annual financial statements

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

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

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

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

Sasria's 2020 annual financial statements were audited by independent auditor SizweNtsalubaGobodo Grant Thornton Inc.

The auditor was given unrestricted access to all financial records and related data, including minutes of meetings with the shareholder, the Board and Board committees. The Board is comfortable with the integrity of all information and representations made to the independent auditor during their audit.

The unqualified audit report is presented on page 71.

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 2020 integrated report and its annual financial statements, set out on pages 74 to 124, were approved by the Board of Directors in accordance with their responsibilities and were signed on their behalf by:

Moss Ngoasheng
Chairperson

Cedric Masondo
Managing Director

10 November 2020

Company Secretary certificate

In accordance with section 88(2)(e) of the Companies Act 71 of 2008, as amended (the Companies 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 Companies Act and that such returns are true, correct and up to date.

Mziwoxolo Mavuso
Company Secretary

10 November 2020

Directors' report

The directors have pleasure in submitting the annual financial statements of Sasria SOC Limited (Sasria) for the year ended 31 March 2020.

Nature of the business

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

This is unique cover against risks such as civil commotion, public disorder, strikes, riots and terrorism, making South Africa one of the few countries in the world that provides this insurance, particularly at affordable premiums.

By enabling businesses to restore their liquidity or operations quickly and efficiently after experiencing loss or damage due to special risk events, Sasria plays a significant role in preventing job losses, maintaining livelihoods, restoring pride and dignity and facilitating economic stability.

A state-owned company, Sasria has a legislative mandate that governs day-to-day business operations and a broader strategic mandate to make a positive contribution to transformation within the industry and South Africa.

There have been no material changes to the nature of the Company's business during the year.

Financial affairs

The statement of comprehensive income of the Company shows a profit of R333 million for the year ended 31 March 2020 compared to a loss of R1 million for the prior year.

The annual financial statements for the year ended 31 March 2020 appear on pages 74 to 124 and comply with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Dividends

Sasria has adopted a steady, consistent and transparent dividend policy that will not place undue strain on the cash resources and liquidity of the Company, or result in inadequate cash reserves to meet future growth requirements.

Share capital

There were no changes to the authorised or issued share capital. Further details regarding the authorised and issued share capital appear in note 12 to the annual financial statements.

Directors and Company Secretary

During the year under review, no contracts were entered into in which directors of the Company had an interest.

As at the date of this report, the directors of the Company were as follows:

Chairperson and independent non-executive director
Moss Ngoasheng

Deputy Chairperson and independent non-executive director
Onkgodisitse Mokonyane

Independent non-executive directors
Sathie Gounden
Reginald Haman
Japhtaline Mantuka Maisela
Desmond Marumo
Dr Nolwandle Mgoqi-Mbalo
Refilwe Moletsane
Enos Ngutshane
Margaret Mosibudi Phiri
Christiaan van Dyk

Non-executive director
Moipone Ramoipone

Executive directors
Cedric Masondo (Managing Director)
Bajabulile Mthiyane (Finance Director)

The Company Secretary is Mziwoxolo Mavuso and his business and postal addresses appear on the inside back cover of this integrated report.

Special resolutions

The following special resolutions were passed by the Company during the year:

- Approval of remuneration of executive directors and executive managers of Sasria SOC Limited; and
- Approval of annual inflationary adjustment remuneration of non-executive directors.

Regulatory matters

The Audit Committee and Risk Committee discharged all functions delegated to them in terms of their mandate and section 94(7) of the Companies Act. Further details on the roles and functions of the committees may be found in respect of the Risk Committee on page 47 and the Audit Committee on page 68.

Auditor

SizweNtsalubaGobodo Grant Thornton Inc. was appointed as Sasria's external auditor for the year ended 31 March 2020. Refer to the inside back cover for further details. They were assisted by AM PhakaMalele.

Events after the reporting date

No event material to the understanding of this report has occurred between the reporting date and the date of this report. Refer to note 30 to the annual financial statements.

Going concern

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

Audit Committee report

for the year ended 31 March 2020

The Audit Committee is pleased to present its report for the financial year ended 31 March 2020.

Audit Committee responsibilities

The Audit Committee has complied with its responsibilities arising from the Board and section 51 of the PFMA, Treasury Regulation 27.1 and the Companies Act. 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 it has discharged its responsibilities contained in the charter.

Membership

The Audit Committee is an independent statutory committee whose members are appointed at the annual general meeting by the shareholder. Members and their attendance of meetings during the year are reflected on page 48.

The impact of King IV

King IV recommends a combined assurance model to enable an effective control environment to strengthen decision-making. This has been addressed within Sasria. Horizontal assurance includes internal audit, risk and compliance while vertical assurance consists of line managers. Internal audit remains a pivotal part of governance relating to assurance. The internal audit function is relied on to not only contribute insight into the organisation, but also to provide foresight through the use of pattern recognition, trend assessment, analysis and scenarios. The Audit Committee is responsible for the statutory auditor oversight.

Effectiveness of internal controls

The system of internal controls is designed to provide cost-effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. The effectiveness of internal controls and the system of internal controls were reviewed principally through a process of management self-assessment, including formal confirmation per representation letters by executive management. Other relevant input to the review included reports from Sasria's internal and external auditors, as well as its compliance and ERM processes. Where necessary, programmes for corrective action have been initiated. Nothing material 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.

Effectiveness of internal audit

Internal audit is an effective independent appraisal function and employs a risk-based audit approach. The effectiveness of the internal audit function and the Head of Internal Audit are assessed on an annual basis by the Audit Committee and further tested through an external quality assessment review in line with the international standards for the professional practice of internal auditing. The Head of Internal Audit has direct access to the Chairperson of the Audit Committee, as well as to the Chairperson of the Board.

Enterprise risk management

The Board considers reports on the effectiveness of risk management activities. A strategic and operational risk assessment for the year under review was conducted. The Audit Committee has reviewed the risk registers on a quarterly basis and has made recommendations for the improvement of the registers. Moreover, a culture of risk management needs to be embedded in the daily activities of Sasria to ensure effective enterprise-wide risk management. The Audit Committee will monitor progress in this regard. The Audit Committee ensures that the assurance functions of management and internal and external audit are sufficiently integrated.

Quality of monthly and quarterly reports

The Audit Committee is satisfied with the content and quality of the reports prepared and submitted to it by Sasria management. The Audit Committee reviewed the integrated report for the year ended 31 March 2020 and confirms that management is presenting an appropriate view of the Company's position and performance.

To this effect, the Audit Committee is of the opinion, based on the information provided by management and the results of audits performed by the internal and external auditors, that the financial information provided by management to the users of such information is adequate, reliable and accurate.

Regulatory compliance

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

Independent external audit

The auditor was appointed as external auditor for a five-year period after a decision taken by the Minister of Finance to appoint them at the annual general meeting on 4 December 2018. Each year, the auditor is assessed and formally reappointed within their five-year term.

A consortium of AM PhakaMalele and SizweNtsalubaGobodo Grant Thornton Inc. was reappointed.

In line with the Companies Act, the Audit Committee reviewed and is satisfied with the independence, skills and competence of the external auditor.

To assess the effectiveness of the external auditor, the Audit 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 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.

The Audit Committee is satisfied with the audit work of the external auditors.

Evaluation of the annual financial statements in accordance with the framework

The Audit Committee has assessed the functionality of the finance function as well as the external auditor who participated in reviewing the annual financial statements.

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

Based on the processes and assurance obtained, the Audit Committee believes that the accounting practices applied in the period under review were effective.

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

Review of the integrated report

The Audit Committee reviewed the integrated report for the year ended 31 March 2020 and confirms that management is presenting an appropriate view of the Company's position and performance. To this effect, the Audit Committee is of the opinion, based on the information provided by management and the results of audits performed by the internal and external auditors, that the financial information provided by management to the users of such information is adequate, reliable and accurate.

IT governance

The Audit Committee provides oversight over the IT systems and controls. The Audit Committee ensures that the IT framework is up to date, a business recovery plan and off-site disaster recovery plan are in place and daily backups and testing occurs.

Activities during the year and priorities for the year ahead:

Activities in 2020	Additional priorities for 2021
Recommended the appointment of the external auditor for the year ended 31 March 2020 to the Board.	Review of reappointment of the external auditor.
Reviewed the combined assurance model.	Assess the progress of the IFRS 17 implementation project.
Reviewed the external audit opinion in respect of the year ended 31 March 2020.	Assess the implementation and progress of the IT strategy.
Reviewed IT, technology, tax and legal proceedings, strategy and governance.	
In consultation with other committees, dealt with any internal and external audit matters.	
Liaised with other committees to exchange information relating to investments and underwriting results.	
Approved the internal audit plan and reviewed and discussed the internal audit reports.	
Reviewed and recommended the 2021 budget to the Board.	
Reviewed and approved the external audit plan and fees for the year ended 31 March 2020.	

Conclusion

Based on information provided by management, the internal and external auditors, the Audit Committee considers that these statements comply, in all material respects, with the requirements of the PFMA, and the basis of preparation as set out in the accounting policies in note 1.2 to the annual financial statements. The Audit Committee concurs that adopting the going concern assertion in preparing the annual financial statements is appropriate.

The Audit Committee recommended the approval of the annual financial statements and the integrated report to the Board.

Signed on behalf of the Audit Committee:

Margaret Phiri
Audit Committee Chairperson

9 November 2020

Independent auditor’s report to Parliament

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Sasria SOC Limited (the Public Entity), as set out on pages 74 to 124, which comprise the statement of financial position as at 31 March 2020, 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 to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sasria SOC Limited as at 31 March 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Companies Act of South Africa, No. 71 of 2008 (Companies Act of South Africa).

Basis of opinion

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

We are independent of the Public Entity in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors’ Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors’ Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) respectively.

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

Responsibility of the accounting authority 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 the IFRS and the requirements of the PFMA and the Companies Act of South Africa, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor’s responsibility for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is included in the annexure to this auditor’s report.

Report on the audit of the annual performance report*

Introduction and scope

In accordance with the Public Audit Act of South Africa, 2004 (PAA) and the *General Notice* issued in terms thereof, we have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. We performed procedures to identify findings but not to gather evidence to express assurance.

Our procedures address the usefulness and reliability of the reported performance information, which must be based on the approved performance planning documents of the Public Entity. We have not

* As reported in the Integrated Report.

evaluated the completeness and appropriateness of the performance indicators/measures included in the planning documents. Our procedures do not examine whether the actions taken by the Public Entity enabled service delivery. Our procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of the future periods that may be included as part of the reported performance information. Accordingly our findings do not extend to these matters.

We evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objective presented in the annual performance report of the Public Entity for the year ended 31 March 2020:

Objective	Pages in the annual performance report
Objective 1: Sustainable growth: Gross written premium (GWP) income growth as a % of budget	26 – 27

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

We did not raise any material findings on the usefulness and reliability of the reported performance information for: Objective 1: Sustainable growth

Other matters

We draw attention to the matters below.

Achievement of planned targets

Refer to the annual performance report on pages 26 to 27 for information on the achievement of planned targets for the year.

Report on the audit of compliance with legislation

Introduction and scope

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

The material finding on compliance with specific matters in key legislation are as follows:

Annual report and financial statements

The accounting authority for the Public Entity did not submit within the prescribed period to the relevant treasury, to the executive authority responsible for that Public Entity and to the Auditor General, as required by the section 55(1)(d) of the PFMA, the following:

(i) an annual report on the activities of that Public Entity during that financial year (annual report);
(ii) the financial statements for that financial year after the statements have been audited (audited financial statements); and
(iii) the report of the auditors on those statements (auditor's report).

This material finding on compliance with specific matters in key legislation did not result in a modification in our audit opinion.

Other information

The accounting authority is responsible for the other information. The other information comprises the information included in the integrated report, which includes the Directors' report, the Audit Committee report and the Company's Secretary's certificate as required by the Companies Act of South Africa. The other information does not include the financial statements, the auditor's report and those selected objective presented in the annual performance report that have been specifically reported in this auditor's report.

Our opinion of the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement in this other information, we are required to report that fact. We have nothing to report in this regard.

Internal control deficiencies

We considered internal control relevant to our audit of the financial statements, reported performance information with applicable legislation, however, our objective was not to express any form of assurance on it.

The matters reported below are limited to the significant control deficiency that resulted in the finding on compliance with legislation included in this report.

Independent auditor's report to Parliament on Sasria SOC Limited continued

Annual report and financial statements

The accounting authority were unable to exercise adequate oversight responsibility regarding compliance with section 55(1)(d) of the PFMA due to the late finalisation of the annual reappointment process of the external auditors of the Public Entity.

Other reports

We draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of our opinion on the financial statements or our findings on the reported performance information or compliance with legislation.

We were engaged to perform the following audit-related services:

- Qualitative Regulatory Template (QRT) in compliance with the Insurance Act 2017, (the Insurance Act) for the year ended 31 March 2020.

Auditor tenure

Auditor tenure In terms of the IRBA rule published in Government Gazette Number 39475 dated 4 December 2015, we report that SizweNtsalubaGobodo Grant Thornton Inc. has been the auditor of Sasria SOC Ltd for three (3) years.

Director: Nhlanhla Sigasa
Chartered Accountant (SA)
Registered Auditor

SizweNtsalubaGobodo Grant Thornton Inc.

16 November 2020
20 Morris Street East, Woodmead, 2191

Annexure – Auditor's responsibility for the audit

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

Financial statements

In addition to our responsibility for the audit of the financial statements as described in this auditor's report, we also:

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

Communication with those charged with governance

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

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

From the matters communicated with the accounting authority, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Statement of financial position

As at 31 March 2020

Figures in Rand thousand	**Note**	**2020**	**2019**
Assets			
Property and equipment	5	37 967	11 854
Intangible assets	6	23 966	3 668
Deferred acquisition costs	7	69 405	61 325
Deferred income tax	16	30 816	49 387
Financial assets			
- At fair value through profit or loss	8.1	4 190 416	3 842 110
- Loans and receivables	8.2	85 720	109 150
Prepayments	9.1	2 670	2 080
Insurance receivables	9.2	193 499	187 514
Reinsurance contracts	10	34 719	29 509
Current income tax receivable		-	13 939
Cash and cash equivalents	11	4 251 741	4 162 225
Total assets		**8 920 919**	**8 472 761**
Equity			
Share capital	12	-	-
Retained earnings		6 958 209	6 625 406
Total equity		**6 958 209**	**6 625 406**
Liabilities			
Lease liability	5.1	20 094	-
Deferred income tax	16	-	70 112
Deferred income	15	10 236	8 850
Employee benefit liability	14	31 978	14 329
Insurance contract liabilities	10	1 696 512	1 680 839
Current income tax payable		139 509	-
Payables	13	64 381	73 225
Total liabilities		**1 962 710**	**1 847 355**
Total equity and liabilities		**8 920 919**	**8 472 761**

Statement of comprehensive income

For the year ended 31 March 2020

Figures in Rand thousand	Note	2020	2019
Gross insurance premiums written	17	2 416 914	2 168 955
Insurance premiums ceded to reinsurers	17	(182 411)	(185 865)
Net insurance premiums income		**2 234 503**	**1 983 090**
Change in gross unearned premiums provision	17	(54 809)	(1 680)
Change in reinsurers' share of unearned premiums provision	17	4 618	4 779
Net insurance premiums earned	17	**2 184 312**	**1 986 189**
Commission earned from reinsurers		45 212	38 277
Investment income	18	256 556	271 059
Other income		616	191
Net income		**2 486 696**	**2 295 716**
Gross insurance claims and loss adjustment expenses	19	(991 799)	(1 578 805)
Claims and loss adjustment expenses recovered from reinsurers	19	592	381
Net insurance claims		**(991 207)**	**(1 578 424)**
Expenses for the acquisition of insurance contracts	20	(347 301)	(319 814)
Expenses for administration and marketing	21	(547 492)	(469 996)
Total expenses		**(894 793)**	**(789 810)**
Profit/(loss) before tax		**600 696**	**(72 518)**
Income tax expense	23	(267 893)	71 135
Profit/(loss) for the year		**332 803**	**(1 383)**
Total comprehensive income attributable to:			
Ordinary shareholder		**332 803**	**(1 383)**

Statement of changes in equity

For the year ended 31 March 2020

Figures in Rand thousand	Share capital	Capital adequacy reserve*	Retained earnings	Total equity
Balance as at 1 April 2018	**-**	**529 709**	**6 097 080**	**6 626 789**
Comprehensive loss for the year	-	-	(1 383)	(1 383)
Transfer to retained earnings	-	(529 709)	529 709	-
Total changes	-	(529 709)	528 326	(1 383)
Balance as at 1 April 2019	**-**	**-**	**6 625 406**	**6 625 406**
Comprehensive income/(loss) for the year	-	-	332 803	332 803
Total changes	-	-	332 803	332 803
Balance as at 31 March 2020	**-**	**-**	**6 958 209**	**6 958 209**
	Note 12			

* The capital adequacy reserve has been moved back to retained earnings due to the changes to the Insurance Act.

Statement of cash flows

For the year ended 31 March 2020

Figures in Rand thousand	Note	2020	2019
Cash flows from operating activities			
Cash generated from operations	26	373 000	(866 093)
Dividends income	18	68 487	63 869
Interest income	18	474 646	458 852
Realised gains/(losses) on investments	18	118 540	(23 491)
Income tax paid	27	(165 985)	24 128
Net cash from operating activities		**868 688**	**(342 735)**
Cash flows from investing activities			
Purchase of property and equipment	5	(7 521)	(12 033)
Proceeds on disposal of property and equipment and intangible assets		-	59
Purchases relating to intangible assets	6	(22 224)	(4 338)
Net (purchase)/sale of financial assets		(742 272)	2 580 498
Net cash used in investing activities		**(772 017)**	**2 564 186**
Cash flows from financing activities			
Cash payment relating to principal lease liability	5.1	(7 155)	-
Net increase in cash and cash equivalents		**89 516**	**2 221 451**
Cash and cash equivalents at the beginning of the year	11	4 162 225	1 940 774
Cash and cash equivalents at the end of the year	11	**4 251 741**	**4 162 225**

Accounting policies and critical accounting estimates and judgements in applying accounting policies

1. Introduction

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

- any act (whether on behalf of any organisation, body or person, or group of persons) calculated or directed to overthrow or influence any state or government, or any provincial, local or tribal authority 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 annual financial statements are prepared in accordance with the requirements of the Companies Act of South Africa, the Public Finance Management Act 1 of 1999 (PFMA) and International Financial Reporting Standards (IFRS).

1.2 Basis of presentation

The annual financial statements have been prepared on a going concern basis in compliance with IFRS. The historical cost basis has been used for measurement purposes except where financial instruments are measured at fair value through profit or loss. The Company has consistently applied the accounting policies to the current and prior periods presented except for leases as the Company has adopted IFRS 16 in the current financial year. The new accounting standards, interpretations and amendments to existing accounting standards and interpretations in the current year that have a material impact on the Company have been disclosed. The amendments to the standards not yet effective as at 31 March 2020 are not expected to have a significant impact except for IFRS 17: Insurance Contracts.

Sasria prepares and reports its annual financial statements in Rand thousand. Due to rounding, numbers presented may not add up precisely to totals provided.

The Company's statement of financial position is not presented using a current/non-current classification, rather it is disclosed using the liquidity basis.

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

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

The following asset balances are a mixture of current and non-current: financial assets at fair value through profit or loss and loans and receivables.

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

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

1.3 Use of estimates and judgements

The preparation of the annual financial statements in accordance with IFRS requires the use of certain critical accounting estimates of certain assets and liabilities. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. This is specifically true for the estimation of liabilities from insurance contracts, including the estimate of the provision for claims incurred but not reported. 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 historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements, are disclosed in note 2.15.

2. Accounting policies

2.1 Summary of significant accounting policies

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

New and amended standards adopted by Sasria effective in the current financial year that have an impact on Sasria

IASB effective date	Standards
1 April 2019	**IFRS 16: Leases** This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract i.e. the customer (lessee) and the supplier (lessor). IFRS 16 replaces the previous leases standard, IAS 17: Leases, and the related interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the statement of financial position. No significant changes have been included for lessors.

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretation are available but neither effective nor early adopted. These have not been applied in preparing the annual financial statements for the year 31 March 2020. None of these are expected to have a significant effect on the annual financial statements of the Company, except those set out below:

IASB effective date	Standards
1 January 2023	**IFRS 17: Insurance Contracts** The standard supersedes IFRS 4: Insurance Contracts. IFRS 17 creates one accounting model for all insurance contracts in all jurisdictions that apply IFRS. It requires an entity to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and take into account any uncertainties relating to insurance contracts. The financial statements of any entity will reflect the time value of money in estimated payments required to settle incurred claims. Insurance contracts are required to be measured based on the obligations created by the contracts. An entity is required to recognise profits as an insurance service is delivered rather than on receipt of premiums. The new standard will have a significant impact on Sasria's recognition, measurement, presentation and disclosure in the financial statements of insurance contracts issued. Management has begun assessing the impact of this standard on Sasria. The standard is effective for annual periods beginning on or after 1 January 2023 and has to be applied retrospectively. Early adoption is permitted. Sasria is expecting to adopt IFRS 17 in its annual financial statements for the year ending 31 March 2023.
1 January 2023	**IFRS 4: Insurance Contracts** Extension of the temporary exemption from applying IFRS 9 defers the fixed expiry date of the following temporary exemptions from applying IFRS 9 to annual periods beginning on or after 1 January 2023: • A temporary exemption from IFRS 9 granted to an insurer that meets the specified criteria; and • An optional accounting policy choice allowing an insurer to apply the overlay approach to designated financial assets when it first applies IFRS 9. Management has begun assessing the impact of this standard on Sasria. The standard is effective for annual periods beginning on or after 1 January 2023 and has to be applied retrospectively. Sasria is expecting to adopt this in its annual financial statements for the year ending 31 March 2023 in line with IFRS 17.

Accounting policies and critical accounting estimates and judgements in applying accounting policies continued

IASB effective date	Standards
1 January 2020	**IFRS 7: Financial Instruments: Disclosures and IFRS 9: Financial Instruments** **Interest rate benchmark reform** The amendments to IFRS 9, IAS 39 and IFRS 7 amend requirements for hedge accounting to support the provision of useful financial information during the period of uncertainty caused by the phasing out of interest i.e. rate benchmarks such as interbank offered rates on hedge accounting. Management has begun assessing the impact of this standard on Sasria. The standard is effective for annual periods beginning on or after 1 January 2020 and will be adopted in the annual financial statements for the year ending 31 March 2021.
1 January 2022	**IFRS 9: Financial Instruments** **Annual improvements to IFRS 2018 – 2020** The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognise a financial liability. Management has begun assessing the impact of this standard on Sasria. The standard is effective for annual periods beginning on or after 1 January 2022 and will be adopted in the annual financial statements for the year ending 31 March 2023.
1 January 2020	**IAS 1: Presentation of Financial Statements and IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors** **Definition of material** The amendment clarifies and aligns the definition of 'material' and provides guidance to help improve consistency in the application of the concept whenever it is used in IFRS (1 January 2020). Management has begun assessing the impact of this standard on Sasria. The standard is effective for annual periods beginning on or after 1 January 2020 and will be adopted in the annual financial statements for the year ending 31 March 2021.
1 January 2022	**IAS 16: Property, Plant and Equipment** **Proceeds before intended use** The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss. Management has begun assessing the impact of this standard on Sasria. The standard is effective for annual periods beginning on or after 1 January 2022 and will be adopted in the annual financial statements for the year ending 31 March 2023.
1 January 2022	**IAS 37: Provisions, Contingent Liabilities and Contingent Assets** **Onerous contracts – Cost of fulfilling a contract** The amendments specify which costs should be included in an entity's assessment and whether a contract will be loss-making. Management has begun assessing the impact of this standard on Sasria. The standard is effective for annual periods beginning on or after 1 January 2022 and will be adopted in the annual financial statements for the year ending 31 March 2023.

2.2 Property and equipment

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

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

Property and equipment is initially recognised and measured at cost.

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

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

Item	Average useful life
Computer equipment	3 years
Furniture and fittings	10 years
Leasehold improvements	5 years
Motor vehicles	5 years
Office equipment	5 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset. The gain or loss arising from derecognition of an item of property and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. The gain or loss on disposal is the difference between the net proceeds received and the carrying amount of the assets. The carrying amount of an item of property and equipment shall be derecognised on disposal, or when no future economic benefits are expected from its use or disposal.

Right-of-use asset

In 2019, the Company adopted the new guidance for the recognition of leases (note 5). Accordingly, the Company is not required to present a third statement of financial position as at that date.

IFRS 16: Leases replaces IAS 17: Leases, SIC 15, SIC 27 and IFRIC 4. IFRS 16 results in the Company recognising a right-of-use asset and related lease liability in connection with all formed operating leases except those identified as low-value leases and leases with a remaining lease term of less than 12 months from the date of application.

The Company has elected to not include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 April 2019. The Company elected to measure this right-of-use asset as an amount equal to the lease liability, adjusted for accrued lease payments that existed at that date.

Instead of performing an impairment review on right-of-use assets at the date of application, the Company relied on its historical assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

A right-of-use asset is depreciated on a straight-line basis from the lease commencement date to the earlier of its useful life term or the end of the lease.

Measurement of the lease liability is based on the discount rate which is the implicit interest rate in the lease. If this is not available, the incremental borrowing rate is used. Subsequent measurement will be reduced for payments made and interest thereon.

2.3 Leases

At inception of a contract, Sasria assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. Sasria has elected to apply the practical expedient to account for each lease component and any non-lease components as a single lease component.

Sasria recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of future economic benefits.

Accounting policies and critical accounting estimates and judgements in applying accounting policies continued

The lease term includes periods covered by an option to extend if Sasria is reasonably certain to exercise that option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Sasria's incremental borrowing rate. Generally, Sasria uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in Sasria's estimate of the amount expected to be payable under a residual value guarantee, or if Sasria changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

As a lessee, the Company leases assets including property and printers. The Company previously classified all leases as operating leases. Under IFRS 16, the Company recognises a right-of-use asset and lease liability for the property lease.

Sasria has elected to apply the practical expedient not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. Low-value assets are less than R75 000. The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

On transition, leases with a remaining life term of 12 months were accounted for as short-term leases, therefore no lease liability and right-of-use asset were recognised for those leases.

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

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

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Useful life
Computer software	3 – 5 years

2.5 Financial assets and liabilities

2.5.1 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.

2.5.1.1 Financial assets at fair value through profit or loss

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

Financial assets designated 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 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. If the market for a financial asset is not active or if it is unquoted, Sasria establishes fair value by using valuation techniques. These include discounted cash flow analysis, recent arm's length transactions, premium/discount to net asset value and price-earnings techniques. Sasria's main valuation techniques incorporate all factors that market participants would consider and make maximum use of observable market data. Debt securities are measured at fair value based on the market rate of an equivalent non-convertible bond. Unit trusts are measured at fair value based on the quoted repurchase prices.

Derivatives
Derivatives are initially recognised in the statement of financial position at fair value on the date on which the contract is entered into and are subsequently measured at their fair value. These derivatives are regarded as non-hedge derivatives. Changes in the fair value of such derivative instruments are recognised immediately in the statement of comprehensive income. Quoted derivative instruments are valued at quoted market prices, while unquoted derivatives are valued independently using valuation techniques such as discounted cash flow models and option models. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a current legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.5.1.2 Assets at amortised cost

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 or loss.

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

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

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

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.

2.5.2 Offsetting

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

Accounting policies and critical accounting estimates and judgements in applying accounting policies continued

2.5.3 Derecognition of financial assets and financial 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 derecognition. An entity shall derecognise a financial liability when the obligation specified in the contract is discharged, cancelled or expires.

2.5.4 Impairment of financial assets

Impairment of financial assets is recognised when there is objective evidence of impairment.

2.5.5 Receivables

Receivable 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 are impaired includes observable data that comes to the attention of Sasria in relation to 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) and is 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 the contract. As a practical expedient, Sasria may measure impairment on the basis of an instrument's fair value using an observable market price. For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the issuer's ability to pay all amounts due under the contractual terms of the debt instrument being evaluated.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improved credit rating), the previously recognised impairment loss is reversed. The amount of the reversal is recognised through profit or loss.

2.6 Impairment of non-financial assets

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

For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. In the case of non-financial assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. The reversal is taken through profit or loss unless the asset is carried at a revalued amount in accordance with another standard. 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.

2.7 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: Insurance Contracts. The insurance contracts that Sasria underwrites are classified and described below:

2.7.1 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.

2.8 Recognition and measurement of insurance contracts

2.8.1 Gross written premiums and outward reinsurance premiums

Gross written insurance premiums exclude value added tax and comprise the premiums on contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period and are disclosed gross of commission payable to intermediaries. Gross written insurance 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.

2.8.2 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 365^{th} method.

2.8.3 Deferred acquisition costs (DAC) and deferred income

The costs of acquiring new and renewal insurance business that are primarily related to the production of that business are deferred and recognised when they can be identified and measured reliably, and it is probable that they will be recovered. The costs are subsequently amortised to the statement of comprehensive income as the premium income is earned. Deferred income relates to the deferred reinsurance acquisition revenue. This is recognised in respect of fees paid at inception of the contract by the policyholder that are directly attributable to a contract. A liability is raised and released to revenue as the services are provided over the expected duration of the contract.

2.8.4 Commission paid

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

2.8.5 Liability adequacy test

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

2.8.6 Claims incurred

Claims incurred exclude value added tax and consist of claims and claims handling expenses paid during the financial year together with the movement in the provision for outstanding claims and provision for claims incurred but not reported. Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to Sasria.

2.8.7 Provision for outstanding claims and reinsurance recoveries

Provision is made, on a prudent basis, for the estimated final cost of all claims that have not been settled on the accounting date, less amounts already paid. Sasria's own assessors or contracted external assessors individually assess claims. The claims provision includes an estimated portion of the direct expenses of the claims and internal and external handling expenses. Claims provisions are not discounted.

Claims provisions are determined based on previous claims experience, knowledge of events, the terms and conditions of the relevant policies and on the interpretation of circumstances. Each notified claim is assessed on a separate case-by-case basis with due regard to the specific circumstances, information available from the insured and/or loss adjuster and past experience with similar cases and historical claims payment trends. The approach also includes the consideration of the development of loss payment trends, the levels of unpaid claims, legislative changes, judicial decisions and economic conditions. Sasria employs individuals experienced in claims handling and rigorously applies standardised policies and procedures to claims assessments. 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.

Accounting policies and critical accounting estimates and judgements in applying accounting policies continued

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.

2.8.8 Provision for claims incurred but not reported (IBNR)

Provision is also made for claims arising from insured events that occurred before the close of the accounting period, but which had not been reported to Sasria at that date. This provision is calculated using actuarial modelling with at least five years' historical claims experience where possible. Sasria adopts multiple techniques to estimate the required level of provisions. This assists in developing a greater understanding of the trends inherent in the data being projected. Sasria does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to Sasria and statistical analysis 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).

2.8.8.1 The basic chain-ladder methodology, Bornhuetter-Ferguson and average cost per claim methods

Sasria uses the basic chain-ladder, Bornhuetter-Ferguson 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.

2.8.8.2 IBNR provision is held so as to be at least sufficient at the 75th percentile

As this method uses historical claims development information, it assumes that the historical claims development pattern will occur again in future. There are reasons why this may not be the case.

Such reasons include:

- change in processes that affect the development/recording of claims paid and incurred;
- economic, legal, political and social trends;
- changes in mix of business; and
- random fluctuations, including the impact of large losses.

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

2.8.9 Reinsurance contracts held

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

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

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

2.8.10 Reinsurance commission

Reinsurance commission is deferred in line with the reinsurance premium expense. Profit commissions receivable should be taken into account when they are likely to be realised and are measurable.

2.8.11 Receivables and payables related to insurance contracts

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

2.8.12 Salvage reimbursements

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

2.8.13 Impairment of insurance contracts

Insurance contracts are assessed for impairment when there is objective evidence of impairment.

2.9 Taxation

Income taxation expense comprises current and deferred taxation and 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.

2.9.1 Current income tax

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

2.9.2 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 annual financial statements. Deferred tax liabilities, however, 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.

2.10 Employee benefits

2.10.1 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' 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 future payments is assured.

2.10.2 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 12 months after the reporting date are discounted to present value.

2.10.3 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 shareholder after certain adjustments. Sasria recognises a provision where contractually obliged, or where there is a past practice that has created a constructive obligation.

Accounting policies and critical accounting estimates and judgements in applying accounting policies continued

2.10.4 Leave pay

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

2.11 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.

2.12 Revenue recognition

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

2.12.1 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 profit or loss using the effective interest method.

2.12.2 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.

2.13 Short-term leases

Short-term leases are leases with a lease term of 12 months or less. The difference between the amounts recognised as an expense and the contractual payments is recognised as an operating lease asset or operating lease liability.

2.14 Dividend distribution

Dividend distributions to the Company's shareholder 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.

2.15 Critical accounting estimates and judgements in applying accounting policies

2.15.1 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, however, means that there are natural limits. 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 claim's liability.

With the onset of COVID-19, the methods for calculating the ultimate liability from claims have not been amended.

2.15.2 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 note 4.3.1 below. 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.

2.15.3 COVID-19

Valuations will be more challenging to estimate the value in use calculations. The current volatility in financial markets has introduced additional challenges to this process. Values for assumptions which had been somewhat settled in the past, such as the use of long-term government bond yields as a proxy for the risk-free rate, may no longer be appropriate. This means that, more than ever, discount rates need to be assessed after a thorough review of:

- current market conditions;
- any guidance provided by market evidence of value for comparable companies or assets; and
- the risk of an asset for which a recoverable amount is being estimated.

Notes to the annual financial statements

For the year ended 31 March 2020

3. Management of insurance risk

As an insurance company, Sasria is exposed to various insurance and financial risks.

3.1 Risk and capital management

Strategic risk is the risk of the current and prospective impact on earnings or capital arising from Sasria's inability to implement appropriate business plans, proper market conduct processes, strategies, decisions, improper implementation of decisions or lack of responsiveness to industry changes. Sasria's capital management philosophy is to maximise the return on the shareholder's capital within an appropriate risk management framework and ensure that its policyholders' assets are protected against special and catastrophe risk. 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.

Risk appetite defines the amount of risk that Sasria is willing to accept in pursuit of shareholder value and the attainment of strategic objectives including the fair treatment of customers. It provides a mechanism by which the Board of Directors can set the boundaries within which the businesses should operate. It articulates the amount of risk the Board is willing to accept. Risk appetite balances the expectations and interests of a variety of stakeholders. These include the shareholder, policyholders and staff as well as regulators and outsourced functions. Risk appetite drives reporting and therefore decision-making.

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

3.1.1 Own risk and solvency assessment (ORSA)

The Prudential Standards for Insurers introduces a requirement for insurers licenced under the Insurance Act 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, comparing the capital requirement to the own funds available on its statement of financial position. The ORSA process allows management to identify appropriate management actions and embed these actions in the event of a specific event realising.

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

3.1.2 Capital at risk

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

The Company has established risk appetite measures for 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.

3.2 Economic capital required

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.

3.3 Solvency capital requirement

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

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

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

3.4 Insurance risk

Insurance risk refers to the risk of loss as a result of underwriting insurance contracts. Insurance risk includes:

- underwriting risk; and
- reinsurance risk.

3.4.1 Underwriting risk

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

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

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, administration is outsourced to Sasria's agents. This includes the issue of Sasria coupons, as well as the collection of Sasria premiums. The Sasria agents allow the Sasria coupons to attach to their policies. A Sasria agent is typically a registered conventional short-term insurer or short-term insurer underwriter who has entered into an agreement with the Company. The agent agreement clearly sets out the manner in which the agent Company should administer the Sasria business.

The agents are also provided with a comprehensive set of guidelines detailing the processes and procedures relating to the issue of the Sasria 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.

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 tested annually for adequacy as part of the liability adequacy test noted in 2.7. The process regarding claims development is discussed in note 10 which includes sensitivities.

3.4.1.1 Limiting exposure to underwriting risk

Due to the business model followed by Sasria, there is no direct underwriting performed on coupons up to R500 million. Sasria directly underwrites all coupons in excess of R500 million but not exceeding R1.5 billion. Sasria offers cover on a non-refusable basis. The premium rates that the agent companies use are set by Sasria in its underwriting guidelines. The underwriting risk is mitigated by the fact that the Sasria cover, being a coupon policy, attaches to a conventional insurer's underlying policy. If no cover is provided by the Sasria agent, then no Sasria cover attaches.

The insured have an option of taking up Sasria cover at holding company level or at subsidiary level. Adequate reinsurance has been arranged to mitigate the increased exposure.

3.4.1.2 Underwriting strategy and limits and policies for mitigating underwriting risk

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

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

Category of risk policy	2020 %	2019 %
Property	79.27	79.10
Motor	13.84	14.21
Engineering	4.81	4.99
Other	2.08	1.70
Total for all categories	**100.00**	**100.00**

3.4.1.3 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. 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.

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

Split by type of policyholder	2020 %	2019 %
Personal policies	20.85	27.98
Commercial policies	79.15	72.02
Total personal and commercial policies	**100.00**	**100.00**

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

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

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

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

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

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

Split by type of policyholder	2020 %	2019 %
Annual policies	48.68	49.03
Monthly policies	51.32	50.97
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 predetermined budgets. The premium income and reversals are also monitored for each agent on a monthly basis and compared to the previous period. Any major fluctuations are investigated.

3.4.2 Reinsurance risk

Reinsurance risk is the risk of loss due to insufficient or inappropriate reinsurance cover relative to the risk management strategy and objectives.

Reinsurance is used to manage underwriting risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder.

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

4. Management of financial risk

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

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

Figures in Rand thousand	2020	2019
Financial and insurance assets		
Listed and quoted equity securities	1 393 556	1 843 450
Unlisted and unquoted equity securities	-	6 300
Total equity securities	**1 393 556**	**1 849 750**
Unitised linked investments	-	1 354
Money market fund (>3 months)	1 949 099	1 172 625
Government and semi-government bonds	779 970	812 235
Other bills and bonds (fixed rate)	67 791	6 146
Total debt and money market securities	**2 796 860**	**1 992 360**
Total financial assets at fair value through profit or loss	**4 190 416**	**3 842 110**
Insurance receivables	193 499	187 514
Loans and receivables	85 720	109 150
Total loans and receivables including insurance receivables	**279 219**	**296 664**
Reinsurance assets	34 719	29 509
Cash and cash equivalents	4 251 741	4 162 225
Total financial and insurance assets	**4 286 460**	**4 191 734**
Insurance liabilities		
Deferred income	10 236	8 850
Insurance contracts	1 696 512	1 680 839
Payables	64 381	73 225
Total insurance liabilities	**1 771 129**	**1 762 914**

Derivatives are entered into solely for risk management purposes and not as speculative investments. The Company investment policy specifies approved instruments which may be used to economically hedge the Company's exposure to variable interest rates to manage and maintain market risk exposures within the parameters set out in the investment strategy.

Such instruments are recognised at fair value on the date on which a derivatives contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. All gains and losses from changes in the fair value of derivatives are accounted for immediately in profit or loss.

4.1 Market risk

Market risk is defined as 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. The Company uses several sensitivities or stress tests to understand the impact of the above risks on earnings and capital in normal and stressed conditions.

Market risk arises due to fluctuations in both the value of financial liabilities and the value of investments held. The management of the Company is tasked with the responsibility of managing key market risks to which the Company is exposed. Sasria's investment portfolio is structured to withstand shocks such as a credit rating downgrade through its strategic asset allocation which allows for diversification and flexibility to reduce a significant drag on relative performance. Sasria's investment philosophy is centred on an asset-liability matched investment approach which ensures that the underlying assets into which the funds are invested are matched to meet the duration and Rand value of the liabilities at a given point in time. When a suitable asset-liability matched position is achieved, Sasria will optimise returns on the non-liability matching assets within the risk appetite limits. The investments market positions are monitored daily by the external investment managers and reviewed monthly by the Finance Director, the Risk department and quarterly by the Investment Committee. For each of the major components of market risk, described in more detail below, the Company's Board has put in place policies and procedures to set out how each risk should be managed and monitored, and the approach to setting an appropriate risk appetite.

4.1.1 Interest rate risk

Interest rate risk arises from the net effect on assets and liabilities due to a change in the level of interest rates. The Company is exposed to interest rate risk on its investments due to variable rate instruments such as other bills and bonds, which exposes the Company to fair value risk. Other interest-bearing securities such as cash on fixed deposits, call accounts and other money market instruments expose the Company to interest rate risk.

This risk is limited through a well-diversified portfolio which allows for flexibility to ensure that managers can adopt a defensive stance in the current environment. The risk is further limited by regular trading of the portfolio, providing diversification in terms of yield profiles and an asset and liability matching strategy.

A hypothetical 2% decline or increase in the interest rate relating to cash and interest-bearing securities would result in an increase/decrease in interest earned of R37.2 million (2019: R18.6 million – at 1% sensitivity) or an increase/decrease in profit before tax of R37.2 million (2019: R18.6 million – at 1% sensitivity) respectively.

A 2% increase in interest rates would expose the Company to the risk of losing value in other bills and bonds by R106 million (2019: R59 million – at 1% sensitivity), while a decrease would expose the Company to the risk of gaining value by R106 million (2019: R67 million – at 1% sensitivity).

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

4.1.2 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 strategy and taking investment decisions within the risk profile and risk appetite.

Sensitivities:

As at 31 March 2020, 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 R139.4 million (2019: R184.3 million). A hypothetical 10% was used during the current financial year due to the expected movements in the equity market. The full impact of a decrease or increase in individual prices of instruments would affect the Company's profit or loss since these investments are in the Company's capital portfolio. The table below clearly illustrates the impact of the assumptions used above:

Figures in Rand thousand	2020	2019
Quoted investments		
Effect on profit before tax at 10% (fluctuation)	139 356	184 345
Effect on profit before tax at 15% (fluctuation)	209 033	276 518

4.2 Credit risk

Credit risk is the risk that Sasria will experience a loss due to a counterparty being unwilling or unable to meets its financial or contractual obligations when they fall due.

The Company has exposure to credit risk, which is the risk that a counterparty will default on debt failing to make payments when due. The key areas which give rise to credit risk exposure for the Company are:

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

The Company only conducts its business with reputable reinsurers rated above a certain level as shown in the following ratings table. The credit risk exposure of agent companies is managed by only conducting business with approved agents. Such risks are subject to an annual review and ongoing monitoring.

The creditworthiness of reinsurers is considered on a monthly basis, along with their external ratings as indicated as follows.

4.2.1 Credit risk on reinsurance contracts

Reinsurance risk arises due to uncertainty regarding the timing and amount of future cash flows from reinsurance contracts. This could be due to the financial standing of the reinsurer, or due to changes in the appropriateness of cover in the future.

The credit risk that originates from the reinsurance transactions is managed as follows:

Published independent credit ratings of all existing and prospective reinsurers are monitored prior to entering into reinsurance transactions. The published credit ratings of all existing reinsurers are also monitored on an ongoing basis throughout the year and remedial action taken if required. In addition, reinsurance contracts make allowance to replace reinsurers in the case of a downgrade of the reinsurer's rating below an acceptable level. The following table shows the Company's five largest reinsurers on the reinsurance programme.

2020 Reinsurer	% of total cover provided
Swiss Reinsurance Company Limited, Switzerland	22.26
Lloyd's Underwriters	9.14
Hannover Reinsurance Africa Limited, South Africa	11.3
Munich Reinsurance Company of Africa Limited, South Africa	8.96
SCOR Africa Limited	11.34

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

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2019 **Reinsurer**	**% of total cover provided**
Swiss Reinsurance Company Limited, Switzerland	21.83
Lloyd's Underwriters	14.24
Hannover Reinsurance Africa Limited, South Africa	14.37
Munich Reinsurance Company of Africa Limited, South Africa	11.97
SCOR Africa Limited	11.15

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

4.2.2 Credit risk of financial assets

Sasria qualifies for the temporary exemption in IFRS 9 due to the decision taken to adopt IFRS 9 concurrently with IFRS 17 and is applying the temporary exemption. Sasria qualifies to apply the temporary exemption as it has not previously applied any version of IFRS 9, other than the requirements for the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss and because its activities are and were predominantly connected with insurance, at its annual reporting date immediately preceding 1 April 2016. Sasria's activities were predominantly connected with insurance at the annual reporting date immediately preceding 1 April 2016 because the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities was less than or equal to 90 per cent but greater than 80 per cent. The Company does not have collateral, credit enhancements or renegotiated financial assets.

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

Issuer default and credit concentration risk with regard to cash investments, debt instruments, bonds, preference shares, over-the-counter derivatives and instruments used for equity protection risk mitigation are managed by the Risk department in conjunction with the Investment department.

Credit risk from balances with banks and financial institutions is managed by the Investment Committee in accordance with the Company's investment policy. Investments in surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Board of Directors on an annual basis and may be updated throughout the year subject to approval by the Investment Committee. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

The Company's maximum exposure to credit risk for the components of the statement of financial position as at 31 March 2020 and 2019 are the carrying amounts as illustrated in the table below:

2020 **Financial and insurance assets** **Figures in Rand thousand**	**A**	**Baa**	**Ba**	**B**	**Caa**	**C**	**Not rated**	**Total**
Government bonds	-	-	775 348	-	-	-	4 622	779 970
Other bills and bonds	-	16 587	34 813	-	-	-	16 391	67 791
Money market fund	-	694 694	1 243 589	-	-	-	10 816	1 949 099
Insurance receivables	-	-	-	-	-	-	193 499	193 499
Loans and receivables	-	-	-	-	-	-	85 720	85 720
Cash and cash equivalents	888 502	2 243 439	1 063 661	-	-	-	56 139	4 251 741
	888 502	**2 954 720**	**3 117 411**	**-**	**-**	**-**	**367 187**	**7 327 820**

2019 **Financial and insurance assets** **Figures in Rand thousand**	**Aaa**	**Aa2**	**A2**	**Baa2**	**Ba2**	**Caa2**	**Not rated**	**Total**
Government bonds	722 524	8 054	-	35 557	46 100	-	-	812 235
Other bills and bonds	-	5 500	-	646	-	-	-	6 146
Money market fund	-	1 158 395	-	2 230	-	-	12 000	1 172 625
Unitised linked investments	-	1 354	-	-	-	-	-	1 354
Insurance receivables	-	-	-	-	-	-	187 514	187 514
Loans and receivables	-	-	-	-	-	-	109 150	109 150
Cash and cash equivalents	929 306	3 120 058	-	-	-	-	112 861	4 162 225
	1 651 830	**4 293 361**	**-**	**38 433**	**46 100**	**-**	**421 527**	**6 451 251**

The financial assets analysed above are based on published external credit ratings.

The rating scales are based on long-term investment horizon's from ratings agency Moody's under the following broad investment grade definitions:

- Aaa: Prime grade, subject to low credit risk;
- Aa2: Middle high grade, subject to low credit risk;
- A: Upper medium grade , subject to low credit risk;
- A2: Medium grade, subject to low credit risk;
- Baa2: Medium grade, subject to moderate risk;
- Ba2: Judged to be speculative, subject to substantial credit risk;
- B: Considered speculative, subject to high credit risk;
- Caa2: Speculative of poor standing and subject to very high credit risk;
- C: The lowest rated, typically in default, with little prospect for recovery of principal or interest; and
- Not rated: Amounts falling within the not rated category are managed by the Finance department on a daily basis to ensure recoverability of amounts.

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

4.3 Liquidity risk

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

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

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

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

2020 **Figures in Rand thousand**	**Within 0 to 3 months**	**Within 3 months to 1 year**	**Within 1 to 2 years**	**More than 2 years**	**Total**
Deferred income*	10 236	-	-	-	10 236
Payables	64 381	-	-	-	64 381
Lease liabilities	25 401	-	-	-	25 401
Total	**100 018**	**-**	**-**	**-**	**100 018**

2019 **Figures in Rand thousand**	**Within 0 to 3 months**	**Within 3 months to 1 year**	**Within 1 to 2 years**	**More than 2 years**	**Total**
Deferred income*	8 850	-	-	-	8 850
Payables	70 145	-	-	-	70 145
Total	**78 995**	**-**	**-**	**-**	**78 995**

* Unearned premiums and deferred income are realised on a straight-line basis over the period of one year.

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

2020 **Figures in Rand thousand**	**Within 0 to 3 months**	**Within 3 months to 1 year**	**Within 1 to 3 years**	**More than 3 years**	**Total**
Financial assets at fair value through profit or loss	1 406 070	2 017 947	-	766 399	4 190 416
Loans and receivables	25 987	-	59 733	-	85 720
Insurance receivables	193 499	-	-	-	193 499
Reinsurance contracts	34 719	-	-	-	34 719
Cash and cash equivalents	4 251 741	-	-	-	4 251 741
Total	**5 912 016**	**2 017 947**	**59 733**	**766 399**	**8 756 095**

2019 **Figures in Rand thousand**	**Within 0 to 3 months**	**Within 3 months to 1 year**	**Within 1 to 3 years**	**More than 3 years**	**Total**
Financial assets at fair value through profit or loss	1 849 751	1 178 125	27 122	787 112	3 842 110
Loans and receivables	55 822	-	53 330	-	109 152
Insurance receivables	187 514	-	-	-	187 514
Reinsurance contracts	29 509	-	-	-	29 509
Cash and cash equivalents	4 162 225	-	-	-	4 162 225
Total	**6 284 821**	**1 178 125**	**80 452**	**787 112**	**8 330 510**

The above maturity analysis is based on the original contract maturity, however, in the prior year we have moved African Bank Investments Limited 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.

4.3.1 Fair value hierarchy

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

Level 1 – Quoted prices (unadjusted in active markets for identical assets or liabilities that an entity can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

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

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.

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The following table analyses, within the fair value hierarchy, the Company's financial assets (by class) measured at fair value as at 31 March 2020:

2020 **Asset** **Figures in Rand thousand**	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity securities – listed and quoted	1 393 556	-	-	1 393 556
Debt securities	821 915	25 846	-	847 761
Money market fund	-	1 949 099	-	1 949 099
Total financial assets designated at fair value through profit or loss	**2 215 471**	**1 974 945**	**-**	**4 190 416**

2019 **Asset** **Figures in Rand thousand**	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity securities – listed and quoted	1 843 451	-	-	1 843 451
Equity securities – unlisted and unquoted	-	-	6 300	6 300
Debt securities	793 430	24 950	-	818 380
Money market fund	-	1 172 625	-	1 172 625
Unitised linked investments – unlisted and unquoted	-	303	1 051	1 354
Total financial assets designated at fair value through profit or loss	**2 636 881**	**1 197 878**	**7 351**	**3 842 110**

Level 1 – The fair value of financial instruments traded in an active market is based on quoted market prices at the 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 an 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 years ended 31 March 2020 and 2019 by class of financial instrument:

Asset **Figures in Rand thousand**	**Unitised linked investments**	**Equity securities**	**Total**
Opening balance	1 051	6 300	7 351
Movement in investments	(1 051)	-	(1 051)
Fair value loss of investment	-	(6 300)	(6 300)
Closing balance	**-**	**-**	**-**

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

Figures in Rand thousand	**2020**	**2019**
Level 3 investments		
Effect on profit before tax at 10% (fluctuation)	-	184
Effect on profit before tax at 15% (fluctuation)	-	277

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 2.15 – Critical accounting estimates and judgements for detail.

The Level 3 investment relates to an investment Sasria took up in AloeCap in November 2009. The investment was written off during the year.

4.4 Operational risk

Operational risk arises as a result of inadequate or failed internal processes, people and systems, or from external events. These risks are mitigated through a comprehensive system of internal controls comprising policies and standards, procedures, systems and information to assist in achieving established objectives and goals.

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

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5. Property and equipment

Figures in Rand thousand	2020 Cost	2020 Accumulated depreciation	2020 Carrying value	2019 Cost	2019 Accumulated depreciation	2019 Carrying value
Computer equipment	18 370	(9 563)	8 807	12 019	(7 729)	4 290
Furniture and fittings	4 280	(2 651)	1 629	4 344	(2 290)	2 054
Motor vehicles	565	(409)	156	594	(594)	-
Office equipment	2 671	(2 317)	354	2 540	(2 151)	389
Leasehold improvements	16 297	(12 775)	3 522	16 289	(11 168)	5 121
Capital work in progress	4 158	-	4 158	-	-	-
Right-of-use asset	25 788	(6 447)	19 341	-	-	-
Total	**72 129**	**(34 162)**	**37 967**	**35 786**	**(23 932)**	**11 854**

Reconciliation of property and equipment – 2020

Figures in Rand thousand	Opening net book amount	Additions	Disposals	Depreciation charge	Total
Computer equipment	4 290	7 105	(116)	(2 472)	8 807
Furniture and fittings	2 054	92	(149)	(368)	1 629
Motor vehicles	-	177	-	(21)	156
Office equipment	389	140	-	(175)	354
Leasehold improvements	5 121	7	-	(1 606)	3 522
Capital work in progress	-	4 158	-	-	4 158
Right-of-use asset	-	25 788	-	(6 447)	19 341
	11 854	**37 467**	**(265)**	**(11 089)**	**37 967**

Reconciliation of property and equipment – 2019

Figures in Rand thousand	Opening net book amount	Additions	Disposals	Depreciation charge	Total
Computer equipment	1 598	6 616	(2 505)	(1 419)	4 290
Furniture and fittings	1 731	657	(38)	(296)	2 054
Motor vehicles	38	-	-	(38)	-
Office equipment	611	39	(1)	(260)	389
Leasehold improvements	1 776	4 721	-	(1 376)	5 121
	5 754	**12 033**	**(2 544)**	**(3 389)**	**11 854**

5.1 Leases

Figures in Rand thousand	2020	2019
Leases		
Minimum lease payments due:		
- Within one year	7 728	7 155
- One year to five years	17 360	25 087
Total undiscounted lease liability	**25 088**	**32 242**
Operating lease commitments as at 31 March 2019		32 242
Effect of discounting		(5 306)
Lease liability as at 1 April 2019		**26 936**

Lease payments represent rentals payable by the Company for its office properties. Leases are negotiated for an average term of five years and escalate at 8% per annum on average. No contingent rent is payable.

Figures in Rand thousand	2020
Right-of-use asset	19 341
Lease liability is disclosed as a separate line in the liabilities	20 094
Interest expense disclosed under administration and marketing	313
Cash payments relating to the principal portion of the lease liability under finance activities	6 842
Total cash outflow for lease liability	7 155

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6. Intangible assets

Figures in Rand thousand	2020			2019		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Software	40 284	(26 731)	13 553	26 320	(22 652)	3 668
Capital work in progress	10 413	-	10 413	-	-	-
Total	**50 697**	**(26 731)**	**23 966**	**26 320**	**(22 652)**	**3 668**

Reconciliation of intangible assets – 2020

Figures in Rand thousand	Opening net book amount	Additions	Disposals	Amortisation charge	Total
Software	3 668	22 224	(8 260)	(4 079)	13 553
Capital work in progress	-	10 413	-	-	10 413
Total	**3 668**	**32 637**	**(8 260)**	**(4 079)**	**23 966**

Reconciliation of intangible assets – 2019

Figures in Rand thousand	Opening net book amount	Additions	Disposals	Amortisation charge	Total
Software	1 545	4 338	(733)	(1 482)	3 668
Total	**1 545**	**4 338**	**(733)**	**(1 482)**	**3 668**

7. Deferred acquisition costs

Figures in Rand thousand	2020	2019
Balance at the beginning of the year	61 325	59 498
Acquisition cost deferred during the year	362 405	318 939
Acquisition cost expensed during the year	(354 325)	(317 112)
Balance at the end of the year	**69 405**	**61 325**

8. Financial assets

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

Figures in Rand thousand	Note	2020	2019
Fair value through profit or loss	8.1	4 190 416	3 842 110
Loans and receivables	8.2	85 720	109 150
Total financial assets		**4 276 136**	**3 951 360**

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

Figures in Rand thousand	2020	2019
Equity securities		
Listed and quoted	1 393 556	1 843 450
Unlisted and unquoted	-	6 300
	1 393 556	**1 849 750**
Unitised linked investments		
Unlisted and unquoted		
- Infrastructure development bond fund	-	1 354
	-	**1 354**
Money market fund		
Money market fund	1 949 099	1 172 625
	1 949 099	**1 172 625**
Other bills and bonds		
Debt securities – fixed interest rate:		
Other bills and bonds	67 791	6 146
Government and semi-government bonds	779 970	812 235
	847 761	**818 381**
Total financial assets at fair value through profit or loss	**4 190 416**	**3 842 110**

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

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Figures in Rand thousand	2020	2019
Movement in financial assets at fair value through profit or loss		
Balance at the beginning of the year	3 842 110	5 644 715
Transfer from/(to) cash and cash equivalents	580 055	(1 952 080)
Interest received	339 805	362 663
Dividends received	68 487	63 869
Realised net fair value gains/(losses)	25 292	(23 491)
Unrealised net fair value gains/(losses)	(651 403)	(228 171)
Investment administration expense	(13 930)	(25 395)
	4 190 416	**3 842 110**

8.2 Loans and receivables

Figures in Rand thousand	2020	2019
Other loans and receivables	85 720	109 150

8.3 Derivative assets/liabilities

Figures in Rand thousand	2020	2019
Derivative assets		
Financial assets at fair value through profit or loss	1 076 399	58 784
Derivative liabilities		
Financial assets at fair value through profit or loss	(1 076 399)	(58 784)

9. Other assets

9.1 Prepayments

Figures in Rand thousand	2020	2019
Prepayments	2 670	2 080

9.2 Insurance receivables

Figures in Rand thousand	2020	2019
Profit commission	25 283	30 708
Outstanding premiums	168 216	156 806
Total insurance receivables	**193 499**	**187 514**

	2020		2019	
Figures in Rand thousand	**Gross**	**Impairment**	**Gross**	**Impairment**
Trade receivables due from agents at the reporting date were:				
Not past due	168 216	-	156 806	-
Past due	-	-	-	-
	168 216	**-**	**156 806**	**-**

The above balances are receivable within 12 months. Fair value therefore approximates carrying value. The outstanding premiums past due are premiums not yet received from agents a month after being raised. The outstanding premiums have been received after year-end therefore the Company does not deem it necessary to provide for impairment.

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10. Insurance contract liabilities and reinsurance contracts

Figures in Rand thousand	2020	2019
Gross		
Claims reported and loss adjustment expenses	1 125 768	1 193 949
Claims incurred but not yet reported	98 947	69 902
Unearned premium provision	468 615	416 988
Unexpired risk provision	3 182	-
Total insurance contract liabilities	**1 696 512**	**1 680 839**
Recoverable from reinsurers		
Claims reported and loss adjustment expenses	600	8
Claims incurred but not yet reported	-	-
Unearned premium provision	34 119	29 501
Total reinsurers' share of insurance liabilities	**34 719**	**29 509**
Net insurance contract liabilities		
Claims reported and loss adjustment expenses	1 125 168	1 193 941
Claims incurred but not yet reported	98 947	69 902
Unearned premium provision	434 497	387 487
Unexpired risk provision	3 182	-
Total insurance contract liabilities (net)	**1 661 793**	**1 651 330**

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 as at 31 March 2020 are R1.4 million and for 31 March 2019 are R1.58 million. These are not material and therefore are not separately disclosed.

Movements in insurance liabilities and reinsurance assets

The movements for the year are summarised below:

Claims reported and loss adjustment expenses

	2020			2019		
Figures in Rand thousand	Gross	Reinsurance asset	Net	Gross	Reinsurance asset	Net
As at 31 March						
Balance at the beginning of the year	1 193 949	8	1 193 941	729 529	108	729 421
Claims paid	(1 030 631)	(318)	(1 030 313)	(1 079 049)	(481)	(1 078 568)
Claims raised	962 450	910	961 540	1 543 469	381	1 543 088
Balance at the end of the year	**1 125 768**	**600**	**1 125 168**	**1 193 949**	**8**	**1 193 941**

Claims incurred but not yet reported

Figures in Rand thousand	2020 Gross	2020 Reinsurance asset	2020 Net	2019 Gross	2019 Reinsurance asset	2019 Net
As at 31 March						
Balance at the beginning of the year	69 902	-	69 902	34 566	-	34 566
Movements for the year	(29 045)	-	(29 045)	35 336	-	35 336
Claims raised	58 090	-	58 090	-	-	-
Balance at the end of the year	**98 946**	**-**	**98 946**	**69 902**	**-**	**69 902**

Unearned premium provision

Figures in Rand thousand	2020 Gross	2020 Reinsurance asset	2020 Net	2019 Gross	2019 Reinsurance asset	2019 Net
As at 31 March						
Balance at the beginning of the year	416 988	29 501	387 487	413 964	24 722	389 242
Premiums written during the year	2 416 914	(182 411)	2 599 326	2 168 955	185 865	1 983 090
Less: Premiums earned during the year	(2 365 287)	187 030	(2 552 317)	(2 165 931)	(181 086)	(1 984 845)
Balance at the end of the year	**468 615**	**34 119**	**434 496**	**416 988**	**29 501**	**387 487**

Unexpired risk provision

Figures in Rand thousand	2020 Gross	2020 Reinsurance asset	2020 Net	2019 Gross	2019 Reinsurance asset	2019 Net
As at 31 March						
Balance at the beginning of the year	-	-	-	1 345	-	1 345
Movement during the year	3 182	-	3 182	(1 345)	-	(1 345)
Balance at the end of the year	**3 182**	**-**	**3 182**	**-**	**-**	**-**

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

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.

Notes to the annual financial statements

For the year ended 31 March 2020 continued

10.1 Claim provisions

The Company's outstanding claims provisions include notified claims, IBNR claims as well as unallocated loss adjustment expenses.

The claims provisions:

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

In addition to the best estimate, a risk margin is included to bring the claims provision up to the 75% probability of sufficiency level. In other words, a provision 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 historical 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.

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 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 gross insurance premiums were compared to the claims incurred and an additional provision was deemed unnecessary.

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-Ferguson methods;
- loss ratios used in the Bornhuetter-Ferguson 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 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 undertaken 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 R306 million (2019: R317 million). The net impact after reinsurance on profit before tax would be R306 million (2019: R317 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).

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

Gross Figures in Rand thousand	Base (recommended)	Sensitivity 1 (LR – 10% higher)			Sensitivity 2 (LR – 10% lower)		
Class of business	**IBNR**	**IBNR**	**Change**	**% change**	**IBNR**	**Change**	**% change**
Engineering	21 658	15 737	(5 921)	(27.3)	27 580	5 921	27.3
Motor	14 790	(5 755)	(20 545)	(138.9)	35 335	20 545	138.9
Property	5 500	5 351	(149)	(2.7)	5 648	148	2.7
Other	2 186	2 022	(164)	(7.5)	2 350	164	7.5

10.4 Claims development tables

The presentation of the claims development tables is based on the actual date of the event that caused the claim (accident year basis). The claims development tables represent the development of actual claims paid over a period of ten years.

Payment development – gross

Gross Figures in Rand thousand	Total	2020	2019	2018	2017	2016	2015	2014	2013 and prior
Reporting year									
Actual claims costs									
2020	**1 030 631**	355 401	511 137	123 312	31 049	8 120	22	-	1 591
2019	**1 079 050**		668 230	284 975	101 177	21 225	769	-	2 674
2018	**708 218**			263 403	262 700	171 440	8 361	498	1 816
2017	**650 996**				297 447	290 826	55 871	6 109	743
2016	**421 718**					196 415	179 076	38 255	7 972
2015	**300 034**						162 141	105 950	31 943
2014	**500 968**							139 265	361 703
2013	**221 174**								221 174
Cumulative payments to date		355 401	1 179 367	671 690	692 373	688 026	406 240	290 077	629 616

Payment development – net

Net Figures in Rand thousand	Total	2020	2019	2018	2017	2016	2015	2014	2013 and prior
Reporting year									
Actual claims costs									
2020	**1 030 314**	355 401	511 137	123 312	31 049	8 120	22	-	1 273
2019	**1 078 515**		668 230	284 975	101 177	21 225	769	-	2 139
2018	**707 855**			263 403	262 700	171 440	8 361	498	1 453
2017	**650 847**				297 447	290 826	55 871	6 109	594
2016	**420 239**					196 415	179 076	38 255	6 493
2015	**293 645**						162 141	105 950	25 554
2014	**428 627**							139 265	289 362
2013	**176 939**								176 939
Cumulative payments to date		355 401	1 179 367	671 690	692 373	688 026	406 240	290 077	503 807

Reporting development – gross

Gross Figures in Rand thousand	Total	2020	2019	2018	2017	2016	2015	2014	2013 and prior
Reporting year									
Provision raised									
2020	**1 111 139**	463 549	475 284	140 263	17 430	11 613	-	-	3 000
2019	**1 178 163**		777 490	324 085	63 058	12 400	1 088	-	42
2018	**719 294**			430 502	222 924	62 017	3 184	126	541
2017	**747 216**				438 264	269 667	36 951	1 647	687
2016	**587 989**					460 855	107 702	15 380	4 052
2015	**427 936**						307 060	109 772	11 104
2014	**251 881**							205 665	46 216
2013	**473 295**								473 295
Cumulative payments to date		463 549	1 252 774	894 850	741 676	816 552	455 985	332 590	538 937

Reporting development – net

Net Figures in Rand thousand	Total	2020	2019	2018	2017	2016	2015	2014	2013 and prior
Reporting year									
Provision raised									
2020	**1 110 539**	463 549	475 284	140 263	17 430	11 613	-	-	2 400
2019	**1 178 154**		777 490	324 085	63 058	12 400	1 088	-	33
2018	**719 186**			430 502	222 924	62 017	3 184	126	433
2017	**747 079**				438 264	269 667	36 951	1 647	550
2016	**587 179**					460 855	107 702	15 380	3 242
2015	**425 715**						307 060	109 772	8 883
2014	**242 638**							205 665	36 974
2013	**378 637**								378 637
Cumulative payments to date		463 549	1 252 774	894 850	741 676	816 552	455 985	332 590	431 152

11. Cash and cash equivalents

Figures in Rand thousand	2020	2019
Cash and cash equivalents comprise:		
Call account	1 826 295	2 044 697
Money market instruments with maturities of less than three months	1 764 314	690 734
Bank and cash balances	661 132	1 426 794
	4 251 741	**4 162 225**

The effective interest rate on short-term bank deposits with maturities of less than three months ranges between 4.50% and 7.00% (2019: 7.79% and 8.53%). The effective interest rate on the call account at the reporting date ranges between 5.25% and 6.75% (2019: 6.25% and 6.50%) and on the SARB account between 5.58% and 7.26% (2019: 5.50% and 6.37%).

12. Share capital

Figures in Rand thousand	2020	2019
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 annual financial statements
For the year ended 31 March 2020 continued

13. Payables

Figures in Rand thousand	2020	2019
Trade payables and accrued expenses	49 186	47 599
Value added tax	14 381	3 081
Amounts due to reinsurers	814	22 545
Total	**64 381**	**73 225**

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

14. Employee benefit liability

Reconciliation of employee benefit liability – 2020

Figures in Rand thousand	Opening balance	Additions	Utilised during the year	Reversed/ forfeited during the year	Total
Leave pay	2 279	559	(105)	-	2 733
Bonus	12 049	17 196	-	-	29 245
	14 329	**17 755**	**(105)**	**-**	**31 978**

Reconciliation of employee benefit liability – 2019

Figures in Rand thousand	Opening balance	Additions	Utilised during the year	Reversed/ forfeited during the year	Total
Leave pay	2 109	1 916	(1 746)	-	2 280
Bonus	17 064	10 334	(15 349)	-	12 049
	19 173	**12 250**	**(17 095)**	**-**	**14 329**

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

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

15. Deferred income

Figures in Rand thousand	2020	2019
Balance at the beginning of the year	8 850	4 321
Movement in the statement of comprehensive income	1 386	4 529
	10 236	**8 850**

16. Deferred income tax

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

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

Figures in Rand thousand	2020	2019
At the beginning of the year	(20 725)	(91 860)
Statement of comprehensive income charge	51 541	71 135
	30 816	**(20 725)**

Figures in Rand thousand	Balance 31 March 2019	(Charged)/credited to the statement of comprehensive income	Balance 31 March 2020
Provisions	4 633	4 795	9 428
Deferred acquisition costs	(29 367)	(3 616)	(32 983)
Tax value of losses carried forward	49 387	(49 387)	-
Unrealised appreciation of investments	(45 378)	99 748	54 370
Total	**(20 725)**	**51 541**	**30 816**

Figures in Rand thousand	2020	2019
Deferred income tax assets	30 816	49 387
Deferred income tax liabilities	-	(70 112)
Net deferred tax balance	**30 816**	**(20 725)**

Notes to the annual financial statements

For the year ended 31 March 2020 continued

17. Net insurance premium earned

Figures in Rand thousand	2020	2019
Insurance contracts		
Gross insurance premium written	2 416 914	2 168 955
Change in gross unearned premium provision	(54 809)	(1 680)
Premium revenue arising from insurance contracts	**2 362 105**	**2 167 275**
Reinsurance contract		
Insurance premium ceded to reinsurers	(182 411)	(185 865)
Change in reinsurers' share of unearned premium provision	4 618	4 779
Premium revenue ceded to reinsurers	**(177 793)**	**(181 086)**
Net insurance premium earned	**2 184 312**	**1 986 189**

Excess of loss reinsurance cover was purchased for 2020 at a cost of R95.04 million (2019: R107.19 million). There were no events in either 2020 or 2019 that prompted losses of sufficient size to trigger a recovery from these contracts.

18. Investment income

Figures in Rand thousand	2020	2019
Investment income on cash and cash equivalents:		
Interest income	**474 646**	**458 852**
Investment income on financial assets held at fair value through income:		
Dividend income	68 487	63 869
Unrealised net fair value losses	(405 117)	(228 171)
Realised net fair value gains/(losses)	118 540	(23 491)
	(218 090)	**(187 793)**
	256 556	**271 059**

19. Insurance claims and loss adjustment expenses

Figures in Rand thousand	2020	2019
Gross		
Gross insurance claims and loss adjustment expenses	1 030 936	1 079 049
Movement in outstanding claims and IBNR	(39 137)	499 756
	991 799	**1 578 805**
Reinsurers' share		
Reinsurers' share of gross insurance claims and loss adjustment expenses	318	481
Movement in outstanding claims and IBNR and loss adjustment expenses recovered from reinsurers	274	(100)
	592	**381**

20. Expenses for the acquisition of insurance contracts

Figures in Rand thousand	2020	2019
Gross commission paid	353 995	317 112
Movement in net deferred acquisition cost	(6 694)	2 702
	347 301	**319 814**

21. Expenses for administration and marketing

Figures in Rand thousand	Note	2020	2019
Expenses for administration and marketing include:			
Advertising expenses		3 239	7 291
Expenses relating to short-term lease			
Auditor remuneration: statutory audit		2 657	2 362
Total auditor remuneration		**2 657**	**2 362**
Depreciation – property and equipment	5	4 642	3 389
Depreciation – right-of-use asset	5	6 447	-
Interest on lease liabilities		1 095	-
Investment administration expenses		13 930	25 395
Employee benefit expenses	22	113 171	103 163
Social responsibility allocation		43 077	26 874
Loss on sale of property and equipment and intangible assets		2	25
Consulting and professional fees		7 054	4 319
Policy administration fees		296 096	271 129
Operating lease expense		247	7 794
Amortisation – intangible assets	6	4 079	1 482

22. Employee benefit expenses

Figures in Rand thousand	2020	2019
Wages and salaries	65 596	75 949
Medical aid	3 015	2 661
Leave pay accrual	454	171
Bonus expense	29 245	12 049
Post-employment benefits: Pension – defined contribution plan	14 861	12 333
	113 171	**103 163**
Number of employees (full-time)	104	99

23. Income tax expense

Figures in Rand thousand	2020	2019
Major components of the tax expense		
Current		
Current year normal tax	278 788	-
Prior year adjustment	40 647	-
	319 435	**-**
Deferred		
Deferred income tax (note 16)	(51 541)	(71 135)
	267 893	**(71 135)**
Reconciliation of taxation		
Profit/(loss) before tax	600 696	(72 518)
Tax at the applicable tax rate of 28% (2019: 0%)	168 194	(20 305)
Adjusted for:		
- Other income exempt/expenses not allowable	18 741	79 032
- Prior year current tax underprovision	40 647	-
- Prior year deferred tax adjustment*	40 311	-
- Movement in temporary differences	-	(129 862)
Tax charge for the period	**267 893**	**(71 135)**
Effective rate (%)	44.60	98.09

* The prior year deferred tax adjustment relates to an immaterial error that was identified in the prior year tax computation and has been corrected in the current year.

24. Related party transactions and balances

Relationships

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

Sasria is a schedule 3B public entity in terms of the PFMA, as amended. The related party disclosure is in terms of the requirements of IAS 24: Related Party Disclosures.

The related parties of Sasria consist mainly of government departments, state-owned companies, other public entities in the national sphere of government, 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. Names of subsidiaries of public entities are also provided.

Sasria does not have any Prescribed Officers as defined per IAS 24: Related Party Disclosures.

Comparative information has been based on the list of public entities and their subsidiaries effective as at 31 March 2020.

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 agents 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 agents.

Figures in Rand thousand	2020*	2019
Purchase of goods and services		
Shareholder, including government departments	88	27 960
South African Revenue Service (SARS)		
Taxation paid to SARS (income tax, value added tax and PAYE)	425 922	69 445
Financial Sector Conduct Authority (FSCA)		
Fees paid to FSCA	1 121	1 071
Interest and refunds received (SARB and INSETA)	557	58

* Excludes claims payments.

Year-end balances arising from transactions

Figures in Rand thousand	2020	2019
Assets included in the statement of financial position		
Bonds issued by government and semi-government	779 970	812 235
Money market instruments issued by government and semi-government	-	2 231
Cash held at government and semi-government	-	929 306
Cash (payable)/receivable to Receiver of Revenue	(153 891)	10 858
Closing balance	**626 079**	**1 754 630**

Dividend payment

No dividend was declared and paid to the shareholder during the year and prior year.

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. Refer to note 25 for directors and executive management emoluments.

25. Directors and executive management emoluments

Non-executive

2020

Figures in Rand thousand	Salary/fees	Total
BJ Mkangisa*	31	31
MO Ndlovu	48	48
T Mbatsha	213	213
MT Moutlane	147	147
JM Nair**	120	120
T Baloyi	377	377
O Mokonyane	165	165
C van Dyk	201	201
	1 302	**1 302**

* Resigned by rotation.

** Fees paid to National Treasury.

All non-executive directors resigned in September 2019.

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

2019

Figures in Rand thousand	Salary/fees	Total
MA Samie*	227	227
BJ Mkangisa	480	480
SH Schoeman*	106	106
R Mothapo*	452	452
MO Ndlovu	605	605
T Mbatsha	501	501
MT Moutlane	447	447
JM Nair**	374	374
T Baloyi***	755	755
O Mokonyane***	401	401
C van Dyk***	299	299
	4 647	**4 647**

* Resigned by rotation on 31 May 2018.

** Fees paid to National Treasury.

*** Appointed effective 1 June 2018.

Executive

2020 Figures in Rand thousand	Salary/fees	Bonus and retention	Contributions	Car allowance	Total
CM Masondo	3 601	-	374	76	4 051
B Mthiyane	2 845	-	231	-	3 076
	6 446	**-**	**605**	**76**	**7 127**

2019 Figures in Rand thousand	Salary/fees	Bonus and retention	Contributions	Car allowance	Total
CM Masondo	3 399	1 447	403	76	5 325
B Mthiyane*	1 921	-	156	-	2 077
	5 320	**1 447**	**559**	**76**	**7 402**

* Started 1 May 2018, became a director on 1 June 2018.

Key management

2020 Figures in Rand thousand	Salary/fees	Bonus and retention	Contributions	Car allowance	Total
T Chocho	1 782	-	230	-	2 012
S Harrop-Allin	2 167	-	177	21	2 365
M Mavuso	1 966	-	400	-	2 366
F Benjamin	2 095	-	270	-	2 365
AS Nkosi	2 731	-	221	-	2 952
	10 741	**-**	**1 298**	**21**	**12 060**

2019 Figures in Rand thousand	Salary/fees	Bonus and retention	Contributions	Car allowance	Total
T Chocho*	282	-	37	-	319
S Harrop-Allin	2 060	615	169	21	2 865
M Mavuso	1 924	600	325	-	2 850
F Benjamin	1 996	570	254	-	2 820
AS Nkosi	2 597	533	210	-	3 341
	8 859	**2 318**	**995**	**21**	**12 193**

* Started 1 February 2019.

Notes to the annual financial statements

For the year ended 31 March 2020 continued

26. Cash generated from operations

Figures in Rand thousand	2020	2019
Profit/(loss) before tax	600 696	(72 518)
Adjustments for:		
Unrealised net fair value losses	(256 556)	(271 059)
Depreciation	11 089	3 389
Amortisation of intangible assets	4 079	1 482
Loss on sale of assets	2	25
Movements in employee benefit liabilities	17 649	(4 844)
Operating profit before working capital changes	376 959	(343 525)
Reinsurance contracts	(5 210)	(4 679)
Deferred acquisition costs	(8 080)	(1 827)
Insurance receivables	(5 985)	(11 049)
Trade receivables	20 760	13 506
Insurance contract liabilities	(15 673)	(501 435)
Deferred income	1 385	4 529
Payables	8 844	(21 613)
	373 000	**(866 093)**

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

27. Tax paid

Figures in Rand thousand	2020	2019
Balance at the beginning of the year	(13 940)	38 068
Current tax for the year recognised in profit or loss	319 435	-
Balance at the end of the year	(139 510)	(13 940)
	165 985	**24 128**

28. Irregular, fruitless and wasteful expenditure

28.1 Irregular expenditure

Irregular expenditure is recorded in the notes to the annual financial statements when it is confirmed. The amount recorded equals the value of irregular expenditure incurred.

Irregular expenditure is defined in section 1 of the PFMA as "expenditure other than unauthorised expenditure incurred in contravention of or that is not in accordance with a requirement of any applicable legislation including:

- this Act; or
- the State Tender Board Act 86 of 1968 or any regulations made in terms of this Act."

Irregular expenditure during 2020 related to payments made that were not aligned to the PFMA.

Figures in Rand thousand	2020	2019
Balance at the beginning of the year	563	449
Current year expenditure	543	114
Amounts recovered	-	-
Balance at the end of the year	**1 106**	**563**

28.2 Fruitless and wasteful expenditure

Section 1 of the PFMA defines fruitless and wasteful expenditure as "expenditure which was made in vain and would have been avoided had reasonable care been exercised".

Figures in Rand thousand	2020	2019
Balance at the beginning of the year	1 330	-
Current year expenditure	1 472	1 997
Amounts recovered	(1 272)	(667)
Balance at the end of the year	**1 530**	**1 330**

The fruitless and wasteful expenditure identified relates to duplicate payments in claims, legal fees and pension payments.

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

29. Contingencies

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

30. Events after the statement of financial position date

In December 2019, a novel strain of coronavirus (COVID-19) was reported in Wuhan, China. The World Health Organisation has since declared COVID-19 a "public health emergency of international concern." In January 2020, the government also implemented enhanced screenings, quarantine requirements and travel restrictions in connection with the COVID-19 outbreak. Management is closely monitoring the evolution of this pandemic, including how it will affect the Company, the economy and the general population. Management has altered the March 2021 budget to cater for the proposed effects, however, this is being monitored regularly.

31. Going concern

The Board believes that the Company will continue to be a going concern in the year ahead after reviewing the effects of COVID-19. For this reason, the Board continues to adopt the going concern basis in preparing the annual financial statements. The going concern assessment included reviewing:

- reduction in premium income received from agent companies which is in line with industry trends;
- higher claims due to higher unemployment and tensions within communities resulting in strikes and riots;
- lower investment income; and
- changes in expenses.

32. Approval of the annual financial statements

The annual financial statements were authorised for issue by the Company's Board of Directors on 10 November 2020.

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.
Agent	A registered short-term insurer or underwriter that has entered into an agreement with Sasria to sell its products, collect premiums on its behalf and perform certain administrative duties.
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	A bordereau (plural – bordereaux) is a report providing premium or loss data with identified specific risks. Bordereaux are prepared submissions to reinsurers by the ceding insurers or 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 provision at the end of the preceding accounting period, including IBNR provision; and • Plus outstanding claims at the end of the current accounting period, including IBNR.
Claims incurred but not reported (IBNR)	Claims resulting from loss events that occurred prior to year-end, for which the insurer has not yet received notices or reports of loss by the end of the accounting period. An estimate is made of the amount of these claims based on previous experience.
Claims ratio (loss 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; and • 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.
Companies Act	Companies Act 71 of 2008
Deferred acquisition costs (DAC)	Acquisition costs relating to unearned premiums, disclosed as a separate asset on an insurer's balance sheet.
Earned premium	The proportion 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.

Term	Description
Gross written premium (GWP) or gross written insurance premium	The premium that an insurer has received from the insured party in relation to contracts of insurance or from other insurers in relation to inwards reinsurance contracts. These are premiums on contracts entered into during the accounting period or adjustments from prior years. Also defined as premiums written and received but before deduction of reinsurance ceded.
King IV	King IV Report on Corporate Governance for South Africa 2016
Insurance Act	Insurance Act 18 of 2017
Intermediary	A person who negotiates contracts of insurance or reinsurance with the insurer or reinsurer on behalf of the insured or reinsured.
Outstanding claims provision	A provision for claims resulting from loss events that occurred prior to year-end that have not been paid by the insurer by the end of the accounting period.
Prudential Authority (PA)	Regulating authority for the financial sector established by the Financial Sector Regulation Act 9 of 2017.
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.
Sasria Act	Conversion of Sasria Act 134 of 1998
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 to develop a new solvency regime for the South African long- and short-term insurance industries, in order to align these industries with international standards, specifically, the Solvency II initiative underway in Europe.
SAM solvency capital requirement cover ratio	The anticipated solvency capital requirements (SCR) expected under the eventual SAM regime. It is calibrated to ensure that an insurer could withstand a 1-in-200-year stress event. It represents the actual capital held, expressed as a percentage of the SCR.
Unallocated loss adjustment expenses	Expenses that are not attributed to the processing of specific insurance claims. Unallocated loss adjustment expenses are part of an insurer's expense reserves.
Underwriting	The process of examining, accepting or rejecting insurance risks, and classifying or segmenting those selected, in order to charge the proper premium for each.
Underwriting 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.

Abbreviations

Abbreviation	Description
B-BBEE	Broad-based Black Economic Empowerment
BCM	Business continuity management
COVID-19	Coronavirus disease 2019, an infectious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2)
CRISA	Code for Responsible Investing in South Africa
CSI	Corporate social investment
DAC	Deferred acquisition costs
ECR	Equity capital requirement
EME	Exempted micro enterprise
ERM	Enterprise risk management
ERP	Enterprise resource planning
ESG	Environmental, social and governance
FIA	Financial Intermediaries Association of Southern Africa
FSB	The Financial Services Board – the regulator of insurance companies in South Africa up to 31 March 2018. Superseded by FSCA on 1 April 2018.
FSC	Financial Sector Charter
FSCA	The Financial Sector Conduct Authority is the market conduct regulator of financial institutions which superseded the FSB on 1 April 2018.
FSRA	Financial Sector Regulation Act 9 of 2017
GAAP	Generally Accepted Accounting Principles
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IBNER	Incurred but not enough reported reserve provision
IBNR	(Claims) incurred but not reported
ICT	Information and communications technology

Abbreviation	Description
IFRS	International Financial Reporting Standards
ISAs	International Standards on Auditing
KPI	Key performance indicator
LR	Loss ratio
MFMA	Municipal Finance Management Act 56 of 2003
NDP	National Development Plan
ORSA	Own risk and solvency assessment
PA	Prudential Authority
PAA	Public Audit Act 25 of 2004
PFMA	Public Finance Management Act 1 of 1999
PPP	Public-private partnership
QSE	Qualifying small enterprise
RFQ	Request for quotation
SAADP	South African Actuaries Development Programme
SAIA	South African Insurance Association
SARB	South African Reserve Bank
SARS	South African Revenue Service
SCM	Supply chain management
SCR	Solvency capital requirement
SDG	Sustainable Development Goal
SMME	Small, medium and micro enterprise
SOE	State-owned enterprise
UNPRI	United Nations Principles for Responsible Investments

Notes

Company information

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