sasria SOC LTD

INTEGRATED REPORT

SCAN this QR code for quick access to the digital version of the integrated report 2022

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

Our capitals are the pillars that allow us to thrive and form the foundation for the goals we set for our strategic focus areas, which, in turn, are achieved through the tools – or strategic enablers – at our disposal.

FINANCIAL CAPITAL
Funds to settle claims and meet responsibilities

HUMAN CAPITAL
Our people's competencies and commitment

SOCIAL AND RELATIONSHIP CAPITAL
Our transformative relationships with our stakeholders

INTELLECTUAL CAPITAL
Our intangible infrastructure

NATURAL CAPITAL
Natural resources affected by our activities and those providing opportunities for risk cover

MANUFACTURED CAPITAL
Our infrastructure and customer assets

For more information on the capitals that we employ in our value-creation process, refer to page 19.

Our strategic focus areas

SUSTAINABILITY
An affordable, valuable product will ensure our continued growth

CUSTOMER-CENTRICITY
Operational efficiency improvements increase customer satisfaction

SOCIO-ECONOMIC IMPACT
New products to achieve financial inclusivity

DIGITALISATION
Generating cost-effective solutions for better business

Our strategic enablers

CAPITAL MANAGEMENT
Preserved capital for long-term sustainability

DISTRIBUTION CHANNELS
Responsible and sustainable channels

TALENT
A strong, united and committed team

BUSINESS INTELLIGENCE
Attracting new talent

Refer to page 40 for a detailed description of our five-year strategy (2020 to 2024).

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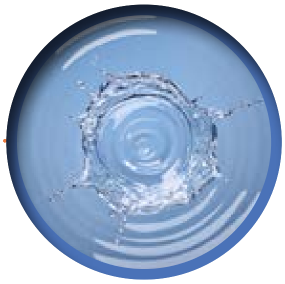

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THEME

RESTORED,
REBUILT,
RESILIENT,
RELEVANT.

This report has adopted the apt theme 'Restored, rebuilt, resilient, relevant', as the year visited on South Africa brought life-changing disruption that caused the cloud of Covid-19 in the previous year to pale in comparison.

The unrest that started on 9 July 2021 in KwaZulu-Natal and spread to parts of Gauteng was as unexpected and unprecedented as the pandemic and similarly destructive, bringing thousands of business owners to their knees and threatening the viability of Sasria for the first time in its 43-year history.

However, through remarkable stakeholder partnerships and cooperation, we were able to handle the R34 billion in claims to restore and build businesses levelled by the unrest, while proving that Sasria is indeed resilient and more relevant than ever.

ABOUT THIS INTEGRATED REPORT

In this integrated report, published following a most unsettling period in South Africa's history, certainly unprecedented in the 28 years of democracy, and with the ongoing quest to meet the multi-billion rand claims that streamed in thereafter, we proudly present the story of how Sasria weathered the greatest storm in its history to emerge stronger and better prepared than ever for the future.

It shows the value added during 2021/22 and the evolution of thinking that has taken place since the events of July 2021.

We share more about our crucial role as the nation's only special risk insurer, which makes us the expert in this area, and about how our dual mandate enables us to restore livelihoods, production and hopes.

We explore our capitals and how each adds value, and detail how we determine and manage material issues and risks inherent in our type of business.

Structure of this report

This integrated report is structured as follows:

- The foreword from the Minister of Finance (refer to page 8) who, in his capacity as representative of the shareholder, receives the integrated report for tabling in Parliament
- The Chairperson's report, in which Moss Ngoasheng presents his impressions of the review year and the outcomes of the July 2021 unrest
- A snapshot of the July 2021 unrest, its impact, implications for Sasria and the organisation's responses
- A discussion on our business, its purpose and its value-creation strategy and how it is affected by our capitals, stakeholders, risks and opportunities
- A review of our performance for the financial year ended 31 March 2022, the third year of our five-year strategic cycle, and an outline our outlook for the future
- Environmental, social and corporate governance approach aspects and the activities of the Board and its committees in supporting the sustainability of the company and the economy
- Our 2021/22 complete annual financial statements with explanatory notes.

Materiality

This report covers all the social, economic and governance aspects that are material to Sasria's ability to create value for its stakeholders over the short-, medium- and long term. A matter is considered material if it can substantively affect our ability to create value. Sasria's Executive Committee annually revisits and determines issues of importance and influence. The committee looks at the relevance of each issue to value creation and Sasria's purpose, and its impact, both quantitative (ability to pay claims) and qualitative (reputational).

For 2021/22, a consultant was contracted to facilitate the material issue assessment process, which involved a materiality workshop on 22 June 2022 attended by the Executive Committee and key internal stakeholders (see identified issues on pages 25 to 27).

Materiality determination process

Research and analysis

Potential issues raised based on:

- 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

The materiality workshop discussed and evaluated the risks and their impact, cross-checking them 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

Identified risks were linked to Sasria's strategic output-oriented goals and then grouped into themes based on management's view of their potential impact.

Disclose

Apply and disclose the identified material issues in the integrated report.

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 (BBBEE)
- 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)
- Treasury Regulations issued in terms of the PFMA.

Approval and assurance

The information in this report was collected and prepared using similar measurement methods and timeframes as in the previous year unless otherwise stated. However, the July 2021 unrest raised concerns of our sustainability and publication of the annual integrated report for 2020/21 was delayed until March 2022, when plans had been finalised to enable the organisation to satisfy its mandate and hopefully continue in business. 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 combined assurance approach was applied 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 oversight by reviewing the integrated report for completeness and accuracy
- Internal audit performed agreed procedures to review the content and information included in the 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
- The Audit Committee reviewed and the Board approved the report.

Scope and boundary

This integrated report covers our strategy and performance from 1 April 2021 to 31 March 2022. The scope and boundary remained as they were in the previous financial year and no restatements were made, unless otherwise indicated in the report.

The report reviews our operational and financial performance, strategies, activities, outcomes and risks. Reporting accounts for perspectives of key stakeholders that influence or are interested in our ability to achieve our mandate.

The report contains comprehensive financial information audited by our external auditor.

Forward-looking statements

Certain statements in this report are forecasts of future results that 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 vary considerably from predictions. Forward-looking statements apply only on the date made and are not updated nor revised despite new events or availability of additional information.

Board responsibility and approval statement

The Board acknowledges its ultimate responsibility for the integrity and completeness of this report. With the assistance of the Board committees, it has considered the preparation and presentation of the 2021/22 integrated report and the audited annual financial statements. It believes 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.

OUR HIGHLIGHTS IN 2021/22

Total value added/(depleted)

Financial Capital

R3.152 BILLION
Gross written premiums
2020/21: R2.786 billion

(R25.890 BILLION)
Net claims Incurred
2020/21: (R352 million)

(R1.711 BILLION)
Cost of other services
2020/21: (R1.043 billion)

R324 MILLION
Investment income
2020/21: R806 million

Total value added/(depleted)
2020/21: R2.197 billion
(R24.125 BILLION)

The value we distributed

Human Capital

R145 MILLION
Employee remuneration
2020/21: R124 million
Staff training and development figures

Social and Relationship Capital

R24 MILLION
Socio-economic development
2020/21: R32 million
- More than 25 000 individuals, schools and communities benefitted from our investment in 2021/22
- R7.7 million spent on projects supportive of the NDP and SDGs

Government

NIL
Shareholder dividend
2020/21: R102 million

Tax

(R837 MILLION)
Income tax
2020/21: R539 million

Manufactured Capital

R29 MILLION
Capital spend on infrastructure
2020/21: R41 million

Financial Capital

(R24.125 BILLION)
Retained income (accumulated loss) before transfer to reserves
2020/21: R1.359 billion

Value distributed

(R24.125 BILLION)
Total value distributed
2020/21: R2.197 billion

Other highlights

Human Capital

135
Permanent employees
2020/21: 117

Financial Capital

R14.616 BILLION
Assets under management
2020/21: R9.584 billion

The Chief Financial Officer report on page 59 includes a detailed review of the performance for the past year. Refer to page 149 for terminology.

FOREWORD FROM THE MINISTER OF FINANCE

Enoch Godongwana
Minister of Finance

Sasria's journey began 43 years ago, after the youth in Soweto took their futures into their hands and their feet to the streets to protest against the use of Afrikaans in schools, and in so doing created a turning point in the country's history. As a result of the 1976 uprising, Sasria was born, out of a need to cover politically motivated acts of civil disobedience.

At the time, the short-term insurance industry distanced itself from underwriting losses from politically driven unrest, as the risk was too high and reinsurance cover was virtually impossible to secure. In July 2021, similar circumstances to those that created the organisation returned to test its resolve. With the unrest events that occurred in South Africa that month, Sasria came full circle. It was the moment of truth for the organisation. Both its purpose and pocket were stretched beyond their limits by a catastrophic event that surpassed even the worst case on its scenario map. Sadly, it cost the country dearly, with 354 lives lost and damage to the economy of about R50 billion. As the claims flooded in and estimates of the full implication swung between R20 billion and R38 billion, the organisation was forced to liquidate its investments to meet claims as they fell due.

It took the full might of Sasria and National Treasury to devise a solution that would adequately compensate the hundreds of affected parties, while ensuring that Sasria would regain sustainability despite having been rendered insolvent. National Treasury weighed up all the options and, taking into account Sasria's track record of sound governance and leadership and its R15.7 billion contribution to the fiscus in the previous years, provided it with R22 billion by February 2022, when the best estimate of claims stood at R36 billion. This enabled Sasria to honour its obligations to policyholders and restore its reserves.

The heightened cooperation between the two parties, and the willingness of stakeholders such as Sasria's global reinsurers to advance payments purely on the strength of Sasria's reputation before they even knew the extent of the losses, speaks of the power of partnerships.

The Prudential Authority, seeing the commitment of all involved to finding a workable way forward, granted Sasria permission to continue operating under the insolvency cloud until 30 June 2022, by which date the organisation would have to prove a return to viability. I am pleased to announce that it did so as a result of the government's allocation of R22 billion. There is no doubt that the events of the past year strengthened National Treasury's relationship with Sasria, and they remain in close collaboration, not only on solvency challenges but on further scenario planning for possible future catastrophes, which I hope will remain purely hypothetical.

Acknowledgements

Amid the pressures and disquiet of the year's all-consuming unrest event, Sasria did not lose sight of its priorities. The organisation still managed to achieve more than half of its performance targets, including the completion of its streamlined claims management system and retention of its loss ratio below the budgeted range. It also took significant steps along the road to Vision 2024, which envisions a high-performing, responsive organisation whose principles, people and portfolio are geared to deliver constant stakeholder value.

The Sasria Board displayed impeccable leadership throughout the most challenging year imaginable. It provided the organisation with expert direction as it sought solutions to unprecedented challenges. I thank Sasria Chairperson Moss Ngoasheng and his Board members for serving the organisation. In addition, Cedric Masondo, who rode the height of the storm as head of the organisation, was able to instil confidence at a very uncertain time, reassuring his team that calm would follow. He made way in May 2022 for Mpumi Tyikwe, another highly respected and knowledgeable financial services sector leader, whom I look forward to working with in the years to come. My thanks go to these gentlemen for their dedication to the organisation.

Enoch Godongwana
Minister of Finance

CHAIRPERSON'S REPORT

Moss Ngoasheng
Chairperson of the Board

A year like no other! That's probably the most apt description for 2021/22. Without losing sight of the needs of customers not directly affected by the events of July 2021, the unrest understandably dominated the Board's diaries, discussions, debates and decisions throughout the year.

The organisation's reaction was swift and decisive, but tested its resources way beyond anything its scenario planning exercises had considered in plotting the implications of mild to severe risks on the finances and operations of the business.

Our direst scenario – simultaneous terrorist attacks on key buildings in Sandton and Cape Town – didn't come close to the reality of the nine days of destruction that rocked the country and destroyed businesses both established and emerging. With a final tally of R34 billion, many couldn't fathom how the organisation would continue in business, and that after what had been its most successful year to date in 2020/21.

However, a year later, we can look back with pride. We are still here, viable again and armed with lessons and new approaches to build an even more successful Sasria.

From the outset, the Board rallied around the team to ensure that everything possible be done to enable Sasria-covered businesses to restore and rebuild their livelihoods with minimum delay.
Sasria accepted its liability immediately and, amid the flood of significant claims, liquidated its investment assets to start paying claims as they became due. Processing of claims of R1 million and, in certain cases, above was outsourced to agents, with floats provided. Additional resources were appointed to the Sasria team to share the workload.

We called on our global reinsurance partners, some of which contributed without hesitation, claims unseen and unaware of the full extent of the damages. They appreciated the importance of and shared with us their commitment to getting the South African economy back on a sound footing. This is testament to the high regard in which Sasria is held among its stakeholders and the integrity of partnerships forged over many years.

National Treasury's agreement to allocate R22 billion for us to honour our claims and meet our solvency capital ratio speaks to Sasria's exemplary governance infrastructure and strong leadership. By end-June 2022, 80% of claims had been settled.

I and my fellow Board members are extremely grateful to the shareholder and our partners in insurance for not only standing with us during a difficult time, but helping to escort us through the tunnel back into the light.

Events of any severity hold the potential for learning and improvement. For this reason, the Board mandated management to conduct a post-mortem to identify areas that should be strengthened in preparation for events of the future. This helped to focus management minds on what is effective, what is lacking and what corrective actions are urgent. Many of these activities will be implemented in 2022/23 to augment our well-entrenched plans to realise Vision 2024, which ended the third of its five years at end-March 2022.

To take us through the final stretch of this strategy, we finalised a change of the guard at year-end, bidding farewell to Cedric Masondo, who made a remarkable difference in his 12 years of captaining the Sasria ship, and welcoming new Chief Executive Officer, Mpumi Tyikwe, in whom we have a worthy successor. Mpumi brings to Sasria impeccable insurance credentials. He created the first black-owned underwriting management agency at Hollard before moving to Santam, Standard Bank, then Land Bank Insurance Company, where he spearheaded the development of an insurance product tailored to black farmers by leveraging his solid relationships with influential role-players.

He is acknowledged for turning visions into solutions, which is the approach Sasria needs as it seeks to expand its portfolio and widen its distribution channels to respond to identified needs and emerging trends. Sasria is in safe hands.

Moss Ngoasheng
Chairperson

SNAPSHOT OF POST-MORTEM

THE JULY 2021 UNREST

July 2021 unrest in numbers

THE EVENT

1 199
Retail stores vandalised

3 000
Stores looted

354
The number of people who lost their lives

161
Malls damaged

161
Liquor outlets and distributers vandalised

40 000
Businesses affected

R50 BILLION
Extent of damage estimated

150 000
Jobs put at risk

50 000
Informal traders affected

Impact on Sasria

ALMOST R10 BILLION
Value of investments liquidated by Sasria to settle initial claims

R33 BILLION
Amount to be paid out ultimately

17 000
Number of claims Sasria will have processed by the time all settlements have been paid

R22 BILLION
National Treasury cash injection to enable Sasria to honour its responsibilities

R7 BILLION
Value of claims submitted to Sasria from 9 to 11 July and the estimated full extent of claims had the unrest been quelled in three days

R26 BILLION
Value of claims received by Sasria from 12 July to 20 July

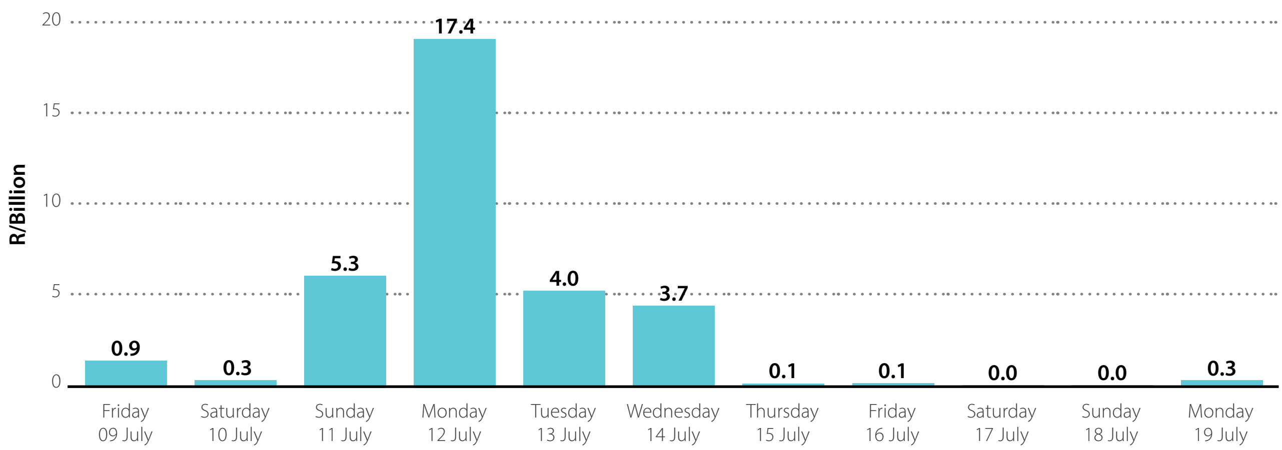
R12 BILLION
The Sasria own risk solvency assessment (ORSA) worst-case scenario for 2020/21 (a terrorist attack) in losses estimated before the unrest, which would have resulted in a solvency capital requirement (SCR) of 128%

100% SCR
Minimum required by the Prudential Authority to continue conducting business (Sasria's SCR was below 100%)

OVER 300%
Sasria's SCR before the unrest

In addition to the R33 billion, Sasria raised and incurred but did not report on provision of R600 million.

Sasria losses over 11 days in July 2021



The Board and management of Sasria commissioned a post-mortem to identify lessons to be learnt from the unrest and to recommend actions to better equip the company to deal with a similar event.

Sasria management activated ORSA scenario for terrorism attacks, which involved, during and after the July 2021 event:

- Asset liquidation
- Quota share
- Premium increases

During the event, Sasria management activities involved:

Major decision-making on the acceptance of liability and the appointment of loss adjustors to assess the extent of the unrest damages

Approaches by the industry to settle claims on behalf of Sasria

After the event, activities focused on:

Information sharing with crucial stakeholders, including Prudential Authority, Financial Services Conduct Authority (FSCA), National Treasury, agents and brokers, reinsurers, major customers and the media, while the war room continued to be a platform for internal information sharing

Decision-making:

- **Implementation of ORSA management actions and the rebuild plan**
- **Continuation to write business**
- **Outsourcing to agents to settle claims of up to R1 million, and in some cases over R1 million, on behalf of the company**
- **Applications to the Prudential Authority to allow the company to operate given the projected breach of SCR**
- **Applications to National Treasury for the recapitalisation of the company**
- **Share issuance and memorandum of incorporation amendments to enable the SCR to exceed 100% following the cash injection**
- **Reinstatements versus cash in lieu to balance the liquidity and solvency requirements**
- **Staff incentives, including bonuses**
- **Renegotiation of reinsurance structures**
- **Withdrawal of the excess of loss product due to lack of reinsurance capacity**

LESSONS LEARNT AND PRIORITISED RECOMMENDATIONS

	LESSONS LEARNT	RECOMMENDATIONS
Availability of data/ intelligence	Availability of data on assets covered and location should enhance claim estimate accuracy	Review current data acquisition project Establish information-sharing platform with major customers
ORSA effectiveness	ORSA is effective in guiding management actions post a catastrophic event	Extend ORSA to include scenarios on public disorder where risk mitigation fails Determine management actions following collaboration with affected stakeholders Align ORSA scenarios to corporate strategy scenarios
Effectiveness of outsourcing	Outsourcing can be effective in adding capacity during a catastrophic event, but certain conditions should be included or amended to align with Sasria objectives	Develop an outsourcing strategy/ plan for catastrophic events, include appropriate service level agreements, appointment of service providers and transformation objectives
Effectiveness of people management	Well-designed communication and incentives for employees during a catastrophic event leads to improved staff wellbeing	Develop an employee communication strategy for catastrophic events Develop a people management plan for catastrophic events, including incentives and overtime Build additional claims skills and experience

	LESSONS LEARNT	RECOMMENDATIONS
War room effectiveness	A war room can be effective in enabling timeous, frequent decision-making and information sharing	Include a war room in a catastrophic event response plan Consider the specific catastrophic event to determine the discussion points (agenda) and required members Track prioritised management actions for monitoring and intervention
Effectiveness of stakeholder collaborations	The appropriate response to a catastrophic event includes extensive and effective stakeholder collaboration, which requires deliberate education during communication from credible leadership	Develop a stakeholder engagement strategy for catastrophic events Provide well-designed content for stakeholder engagements that educates and communicates Develop a media strategy for catastrophic events
Appropriateness of resource planning	An appropriate resource plan for a catastrophic event enables a balance between insourced and outsourced resource requirements to meet claims processing capacity needs	Develop a resource plan for catastrophic events, which includes building claims skills and experience, secondments, recruitments and outsourcing
Appropriateness of reinsurance contracts	Appropriate reinsurance contracts and conditions respond to all ORSA risk scenarios and management actions	Review reinsurance contracts to ensure alignment to ORSA risk scenarios and management actions, thus avoiding technical insolvency clauses
Effectiveness of underwriting	A catastrophic event presents opportunities of increased demand for cover and reinstatements that could be captured with appropriate underwriting capacity	Bolster underwriting capacity if deemed appropriate Consider specific distribution channel after a catastrophic event

	LESSONS LEARNT	RECOMMENDATIONS
Appropriateness of the claims management system (CMS) tool	The well-designed CMS tool enabled the handling of a large volume of claims	Maintain the infrastructure and application improvement process that led to the implementation of the CMS tool Rollout additional CMS modules to enhance tool functionality
Appropriateness of board support	A well-constituted board that understands its roles and responsibilities provides appropriate support to management during a catastrophic event	Maintain a board with the required skills and experience
Effectiveness of management interventions	Effectiveness of management interventions for a specific catastrophic event is dependent on how ORSA deals with that potential event. Events not covered fully by ORSA require an experienced and agile management team to implement additional interventions	Collaborate with affected stakeholders on all management actions (whether in ORSA or not) Continue to provide early clarity on the company's position on acceptance of liability associated with a catastrophic event
Effectiveness of security measures to reduce severity of catastrophic events	Information sharing and collaboration with major customers could lead to effective security measures that mitigate the severity of a catastrophic event	Perform a feasibility study to determine whether security measures would be effective during a catastrophic event Collaborate with major customers before and during a catastrophic public disorder event Consult regulators and other stakeholders on the security initiatives considered and benefits to be gained

01

RESTORED

WHO WE ARE
AND THE VALUE WE ADD

PART ONE

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 use them 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.

WHO WE ARE

Sasria is the only non-life insurer in South Africa that provides cover against special risks such as civil commotion, public disorder, strikes, unrest 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:

- Mandates the South African Reserve Bank (SARB) to maintain and enhance financial stability through the Prudential Authority (PA) to regulate the financial sector
- Established the Financial Sector Conduct Authority (FSCA) – formerly the Financial Services Board – as a market conduct regulator outside SARB.

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

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

VISION 2024

Our current five-year strategic cycle spans 2020 to 2024, in line with National Treasury guidelines.

Following the events of July 2021, Sasria put in place structures and systems that will enhance its preparedness for similar events, although a repeat of the events is not anticipated given the lessons learnt. We will continue to add value to an extending array of stakeholders.

It is hoped that the ambit of our mandate will expand, which will allow us to contribute even more meaningfully to the achievement of National Development Plan (NDP) goals.

Refer to page 40 for more information on Sasria's Vision 2024 goals.

Vision

Special risk covered

Mission

To provide special risk solutions for stability in South Africa

Core values

FAIRNESS

Treating all 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

Our purpose and mandate

Our purpose is 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 to create a better, more sustainable economic environment for all in South Africa.

We provide peace of mind through responsible, disciplined, professional and well-governed business practices. We also play a meaningful role in 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 are single-minded in our quest to accelerate our company's growth and business transformation goals.

Refer to page 66 for more information on Sasria's corporate social investment.

Our capitals

FINANCIAL CAPITAL

Funds from gross written premiums and investment returns used to settle claims, pay salaries, pay suppliers, invest, pay taxes and dividends, and contribute to socio-economic development.

HUMAN CAPITAL

Our people's competencies and commitment to Sasria's mandate and customers.

SOCIAL AND RELATIONSHIP CAPITAL

Our collaborative and transformative relationships with our stakeholders, which enable us to deliver on our legislative and strategic transformation mandates.

INTELLECTUAL CAPITAL

Our intangible infrastructure, including brand value, goodwill, software, rights and licences, and our tacit knowledge, systems, processes and protocols.

NATURAL CAPITAL

Natural resources affected by our investment, risks insurance, claims settlement and procurement activities. Climate risk and extreme weather events present opportunities to expand our mandate for common good.

MANUFACTURED CAPITAL

Our own infrastructure and the physical assets of our customers, which we insure against special risks.

The 2020/21 financial year was the highest point in Sasria's history, when it generated R2 billion in net profit. We achieved a low loss ratio driven mainly by reduced activity in our perils due coinciding with the tail end of the Covid-19 pandemic and its restrictions.

With these positive results, a repeat performance could have been expected for 2021/22. Consequently, 15 strategic goals were put in place with the entity determined to improve customer-centricity, uphold sound corporate governance, create a conducive culture, improve operational excellence and achieve financial stability. Plans were also developed to advance digitalisation initiatives and build business intelligence capability.

However, the positivity was shortlived, ending when the July 2021 unrest took centre stage, with widespread protests in KwaZulu-Natal and Gauteng. With an estimated R50 billion in losses, Sasria's ability to cope came into question and fears surfaced that the organisation may go the way of other state-owned entities. Nevertheless, cope it did, in the most trying conditions.

Claim numbers quadrupled, putting pressure on customer-centricity goals (turnaround time for large losses, fast-tracking claims and complaints) and capital efficiency (loss ratio). Despite this, Sasria achieved 60% of the year's key performance indicators. Management had to keep staff engaged and motivated in a volatile, uncertain, complex and ambiguous environment.

No one knew quite how to respond to the situation. Employees could have jumped ship in numbers given that Sasria was insolvent and not able to meet its claims obligations. Rather, they rallied behind a new cause – serve the country and help restore the economy. The staff turnover ratio was within the normal range, with the employee value proposition presenting Sasria as still a good choice for staff to grow and add value.

A second strategy took priority to keep the organisation a going-concern, facilitate settlement of claims and meet regulatory requirements. Liaison with the shareholder to secure funding to restore our solvency capital requirement took precedence over the strategic objectives in our 2021/22 corporate plan.

Even though the organisation posted its biggest loss since inception, much good came from the experience, including scenario planning to move from a linear way of thinking and of setting strategic objectives. To future proof the organisation, needs were identified for data, improved internal capacity and processes, technological advancement and increased insurance business capacity.

These strategic objectives will stabilise the organisation and lay the foundation for movement into areas of growing the business and establishing new revenue streams.

Our 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.

CUSTOMER-CENTRICITY

We continue to improve our operational efficiencies to increase customer satisfaction. The claims rejection ratio remains negligible and turnaround times have improved markedly, particularly given the processes enacted following July 2021.

SOCIO-ECONOMIC IMPACT

New products are being rolled out to a broader customer base to achieve greater financial inclusivity through existing and new channels.

DIGITALISATION

Our well-advanced digitalisation journey is enabling us to develop cost-effective tools to understand our risk, alleviate fraud, access new customers, grow closer to our customers, increase efficiency and expand our business.

Our strategic enablers

CAPITAL MANAGEMENT

We preserve our capital and manage investments prudently to ensure long-term sustainability. This puts us in the foreground of governance among state-owned entities.

DISTRIBUTION CHANNELS

We develop our channels responsibly and sustainably, constantly reviewing and reinforcing our network of agents and adapting our product portfolio to close market gaps.

TALENT

We ensure that our employees are a strong, united and committed team, operating in a high-performance environment, focused on common goals and equipped through training and development to achieve them.

We also prioritise attracting new talent to the company to further our growth plans and ensure a wide scope of expertise and skills for continued sustainability.

BUSINESS INTELLIGENCE

We invest in tools and information that allow us to meet the changing needs of our customers and prepare for influxes of new customers.

These investments are underpinned by modern business enterprise systems and internal infrastructure.

Our key relationships

Stakeholder management is central to Sasria's business, including products, customer service, revenue generation, business sustainability, effectiveness and compliance.

Stakeholders must leave each interaction with Sasria assured that have derived true value and with a positive perception and attitude towards the organisation. For this to happen, we need to understand and consistently satisfy stakeholder needs, interests and expectations.

Our key stakeholders, their needs and our responses to them are detailed in the table below.

STAKEHOLDER	MATERIAL NEEDS	WHY THESE STAKEHOLDERS MATTER	HOW WE ENGAGE	OUR RESPONSE	STRATEGIC FOCUS AREAS	STRATEGIC ENABLERS
Shareholder	• Good corporate governance • Sasria's sustainability • The NDP • Economic and social transformation	• Provide enabling environment for Sasria • Approve company strategy and other key documents • Provide support and guidance	• 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	• Brand awareness • Product satisfaction • Prompt claims settlement	Influence company growth and sustainability	• Engage commercial customers • Consumer education • Monitor complaints • Monitor Ombudsman for Short-term Insurance cases	• Treating customers fairly/service • Enhanced products/ relevant solutions • Efficient claims management • Communication plan • Insurance solutions	DIGITALISATION	
Future customers	• Access • Prompt claims settlement	Instrumental in continued growth	• Market research • Consumer education • Monitor customer satisfaction	• New products • Marketing plan	CUSTOMER-CENTRICITY	BUSINESS INTELLIGENCE
Regulators (including PA and FSCA)	• Compliance • Solvency • Market conduct	• Regulations and monitoring enable us to do business • Power to deregister organisations for non-compliance	• Strategic engagement • Regular meetings with the PA and FSCA	• Zero tolerance to non-compliance • Sound corporate governance practices	SOCIO-ECONOMIC IMPACT	
Insurance industry bodies (including the Financial Intermediaries Association of Southern Africa and SAIA)	• Policy fees • Brand awareness • Product knowledge • Service	Our growth strategy is dependent on them influencing their members	• Obtain feedback on products and services • Participate in industry forums	• Policy fee review • Brand and product communication	CUSTOMER-CENTRICITY	DISTRIBUTION CHANNELS
Media	• Information • Reputation	Influence company brand and people's perceptions of the company	• Ad hoc interactions • Television and radio interviews • Articles on special risk	• Media engagement • Strategic partnerships • Public relations management	CUSTOMER-CENTRICITY	BUSINESS INTELLIGENCE
Employees Also refer to page 70	• Sasria's sustainability • Development • Wellbeing • Retention • Reward	• Enable us to achieve our strategies and goals • Power to influence our brand • Influence nature of work climate	• Daily interaction • Talent management • Performance management • Wellness programme • Climate and 360° surveys	• Employee value proposition • Talent management • Succession management • Fair remuneration • Conducive environ-ment and culture • Change management	CUSTOMER-CENTRICITY	TALENT
Agents and intermediaries	• Regulatory changes • Brand awareness • Product knowledge • Service	• Influence company growth and sustainability • Influence customer product choice	• Electronic and face-to-face interaction	• Media engagement • Strategic partnerships • Public relations management	CUSTOMER-CENTRICITY	DISTRIBUTION CHANNELS

Other significant stakeholders include asset managers, banks, reinsurers, socio-economic development partners and the South African public.

Sasria stakeholder quality rating

Sasria has a comprehensive stakeholder planning framework that carefully identifies and classifies various stakeholders into groups based on their level of involvement. Stakeholders are analysed according to their influence, expertise, orientation (combative/collaborative), vulnerability, capacity, trust and interest. From this analysis, management and communication strategies are planned to engage each audience in the most appropriate way. This approach ensures that no stakeholder is overlooked.

STAKEHOLDER	INFLUENCE The influence the stakeholder has over Sasria, directly or through other stakeholders	CAPACITY The degree to which the stakeholder is able to engage at the level desired by Sasria and to meet commitments	TRUST The degree of mutual familiarity and trust between Sasria and the stakeholder and the track record of both parties meeting commitments, respecting confidentiality and engaging in productive dialogue	INTEREST Stakeholders' vested interest in the success or non-success of Sasria's business	ORIENTATION The view of Sasria held by the stakeholder – collaborative or combative. Willingness to engage with Sasria
NATIONAL TREASURY	HIGH	HIGH	HIGH	HIGH	HIGH
PRUDENTIAL AUTHORITY	HIGH	HIGH	HIGH	HIGH	HIGH
CUSTOMERS	HIGH	MEDIUM	HIGH	HIGH	MEDIUM
AGENT COMPANIES	HIGH	HIGH	HIGH	HIGH	HIGH
MEDIA	HIGH	HIGH	HIGH	HIGH	HIGH

Our products

What we cover

Sasria covers motor vehicles, money, material damage, goods in transit, construction risk and business interruption caused by the following perils:

- CIVIL COMMOTION
- PUBLIC DISORDER
- STRIKES
- RIOTS
- TERRORISM

Affordable

R20 A YEAR
for a private vehicle

F4 FOR SMALL BUSINESSES
that may not otherwise qualify for insurance

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 a year, 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.

Corporate cover

R500 MILLION
for primary cover for material damage, business interruption, construction and goods in transit

SASRIA WRAP
up to R1 billion (discontinued at year-end)

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 provided our corporate customers with additional cover of up to R1 billion, called Sasria Wrap, which was subject to a separate rating structure.

Guaranteed

SASRIA MAY NOT CANCEL,
reject or decline cover, irrespective of the customer's claims history

The special risk insurance cover is applicable only within South Africa's borders on both land and water. As the only insurer in South Africa that provides special risk cover, Sasria is not allowed to cancel, reject or decline cover, irrespective of the client's claims history or claims trends.

Special initiatives: 2021/22

Sasria's undertaking with Santam, the Partnership for Risk and Resilience, continued to help municipalities to mitigate risks that could lead to insurance claims. Based on past claims, municipalities in need are identified and memoranda of understanding drawn up.

In Ehlanzeni District Municipality in Mpumalanga, community attacks on municipal buildings and on trucks in transit led to mounting claims from Thaba Chweu and Bushbuckridge. Sasria contracted a consultant to uncover the triggers. This involved interviews with the municipality, councillors, community leaders, elders, church leaders and youth. Frustration was voiced with the state of roads, a lack of youth centres, treatment from clinic staff and poor public engagement by councillors.

It was agreed that Santam would refurbish and upskill the fire stations and repair potholes. Sasria retrained and upskilled councillors.

At an additional R3 million over 12 months, Sasria established youth centres in municipal buildings and fit them out with technology and connectivity on the understanding that the municipalities would manage the facilities on handover.

The municipalities, however, did not further the initiatives after Sasria's exit.

Nevertheless, since the interventions, Sasria received only seven claims, all motor, for almost R220 000, and no claims for material damage to buildings or infrastructure.

The memorandum of understanding with Breede Vallei Municipality in De Doorns, initiated in 2019, completed plans in 2021/22 delayed due to Covid-19.

De Doorns was identified based on the losses suffered by Sasria in 2012 following the farmworkers protests that resulted in a number of farms being damaged. Again, in 2020, a much-needed youth centre was established and equipped, targeting particularly unemployed youth. The R3 million centre was recognised as an official Thusong facility and was named the best in the country.

We also funded a hydro-farm facility for growing of vegetables for sale. The produce feeds 70 families a week.

A local best-selling author was contracted to do writing workshops and the youth submitted short stories for publication in a book in August 2022, whose proceeds will fund further training and food farms in the community.

In the Western Cape, three projects were active, namely writing, publication and motivation workshops to encourage community members to write short stories for publication; establishment of a multipurpose resource centre in Hex Valley to provide training, host meetings with community members, and serve as a collection point for the South African Social Security Agency and a recreation centre for the elderly; and provision of early childhood development training and classroom tools to upskill and educate the younger generation to potentially reduce future risk. A pilot project launched during the year for possible national rollout was an early warning solution for trucks passing the De Doorns corridor.

Creating value for all stakeholders

Given the events of 2021, the material issues identified at the materiality workshop differ markedly from those of 2020/21, with the implications of unrest not surprisingly the top-rated issue. The number of material issues grew from seven to nine and the hierarchy is presented in the table below. In the table, we also show which of our stakeholders are affected by these issues and how we have taken cognisance of their issues in determining our key focus areas in the next strategic cycle.

STAKEHOLDERS	MATERIAL ISSUE	WHY IS IT MATERIAL?	VALUE ADDED TO THE CUSTOMER	STRATEGIC FOCUS AREAS	STRATEGIC ENABLERS
Customers **Shareholder** **Agents** **Brokers** **Employees** **Industry bodies** **Media**	Tolerable levels of unrest risks *(new issue)*	Sasria must enhance understanding of underlying socio-political and -economic drivers of unrest to anticipate future events. Drivers include unemployment, service-delivery/infrastructure failures, xenophobic attacks and political clashes.	Sasria's ability to understand these underlying factors and increase its ability to predict and withstand future events will contribute to its sustainability	SUSTAINABILITY	TALENT
Customers **Agents** **Reinsurers** **Employees** **Regulatory bodies** **Shareholder**	Socio-political and -economic impact *(expanded from socio-economic impact ranked fourth in 2020/21)*	Making an impact on society and the economy means Sasria must lead innovation and solutions in its core business of special risk management, looking to proactive risk management approaches to special risk and participating in policy setting, while anticipating special risk trends. Our socio-economic investments reflect our intention of good corporate citizenship and our focuses are education for societal sustainability, industry skills development through learnerships, internships and leaders development, community upliftment and employee volunteerism. The issue has been expanded to socio-political issues given the political dynamics that underly unrest, especially local government and metro/municipal service delivery failures.	An inclusive Sasria offering will benefit the uninsured market This will be enabled by establishing alternative distribution channels to provide an inclusive offering to uninsured markets	SOCIO-ECONOMIC IMPACT	TALENT
Customers **Agents** **Employees**	Customer-centricity *(number four in 2020/21)*	Sasria retains a strong focus on customer, intermediary and business partner needs and experience through understanding of products and anticipation of market needs and expectations. The ultimate aim is to serve customers in the best way and have a positive impact on the value chain through realising efficiencies.	Development of appropriate and inclusive channels will give all customers access to insurance in the value chain and to appropriate products	CUSTOMER-CENTRICITY	DISTRIBUTION CHANNELS TALENT BUSINESS INTELLIGENCE

The strategic focus areas and strategic enablers are described on pages 20 and 21.

STAKEHOLDERS	MATERIAL ISSUE	WHY IS IT MATERIAL?	VALUE ADDED TO THE CUSTOMER	STRATEGIC FOCUS AREAS	STRATEGIC ENABLERS
Customers **Shareholder** **Agents** **Brokers** **Employees** **Industry bodies**	Talent and transformation *(talent was rated number one in 2020/21 and has been expanded to include transformation)*	Talent is the key to the achievement of Sasria's goals. Attracting and retaining specialised skills and special risk experience are essential to strategy implementation. Sasria must be able to compete against the private sector for scarce insurance, actuarial, data and information and communications technology (ICT) skills and have the ability to develop skills internally. Ensuring appropriate depth and succession planning at leadership level is essential. Our competency framework allows us to acquire, develop and retain the skills that we need, now and in the future. Because organisational culture supersedes strategy, our culture transformation initiatives ensure that our environment is conducive to high performance and that our people are engaged and motivated to deliver excellent performance.	Efficient service and knowledgeable advice	CUSTOMER-CENTRICITY	TALENT
Customers **Agents** **Employees** **Board** **Industry bodies** **Media**	Technology and digitalisation *(number three in 2020/21)*	Digitalisation streamlines user experience and speeds up interaction between the business and its customers. It also results in better products and superior cost-efficiency. With emerging technologies such as big data and analytics, cloud computing, mobile devices, social media, internet of things, blockchain, machine learning and artificial intelligence changing the playground and rules of competition across industries, new technologies, business process re-engineering and culture transformation will continue to guide the Sasria journey to 2024.	Speedier resolution of complaints, processing of queries and settlement of claims	DIGITALISATION	BUSINESS INTELLIGENCE
Customers **Agents** **Industry bodies** **Regulatory bodies** **Media** **Shareholder**	Sustainable growth *(number seven in 2020/21)*	Key to Sasria's success is the ability to grow and sustain the business across all capabilities of relevance, purpose, brand awareness, customer base, balance sheet and risk management, and to achieve optimal scale and diversification relative to risk and value creation.	Growing the organisation sustainably will allow it to develop more solutions for customers with the ability to meet policyholder liability	SUSTAINABILITY	BUSINESS INTELLIGENCE DISTRIBUTION CHANNELS
Customers **Agents** **Shareholder**	Evolving special risk diversification *(number six in 2020/21)*	This entails diversifying and expanding special risk and risk protection gap coverage to evolving areas, considering natural disasters, climate change impacts and cyber-attacks. It includes guiding policy in evolving risk areas and serving as a centre of excellence for special risk management.	Sasria's mandate extends to providing special risk insurance and covering market gaps, thus expanding into other special risks will protect South African customers	CUSTOMER-CENTRICITY SOCIO-ECONOMIC IMPACT	BUSINESS INTELLIGENCE DISTRIBUTION CHANNELS

STAKEHOLDERS	MATERIAL ISSUE	WHY IS IT MATERIAL?	VALUE ADDED TO THE CUSTOMER	STRATEGIC FOCUS AREAS	STRATEGIC ENABLERS
Customers **Shareholder** **Agents** **Brokers** **Industry bodies** **Regulatory bodies** **Media**	Establishing trust, capabilities, agility and presence *(number two in 2020/21)*	As the special risk leader in the insurance sector, Sasria must earn trust and demonstrate capability and service levels with all key stakeholders. Navigating change is key, as is a culture of agility to align with internal and external environment changes such as Covid-19 and manage new risks and regulations. Sasria must demonstrate a solid track record of sound governance, risk management and compliance capability.	The assurance that customers are in the capable hands of an organisation that endures even when tested to breaking point	SUSTAINABILITY	BUSINESS INTELLIGENCE
Shareholder **Customers** **Industry bodies** **Regulatory bodies** **Media**	Climate change and environmental impacts *(new issue)*	The impact on communities, infrastructure and service delivery of climate change physical risks (floods, drought, fire) can lead to unrest. Sasria has an opportunity to develop special risk insurance products linked to climate change transition and physical risks.	As a semi-arid country, South Africa is prone to natural risk disasters such as floods, fire and drought. Expansion of Sasria's mandate to natural risk disasters would create additional capacity to manage these risks	SUSTAINABILITY	

The strategic focus areas and strategic enablers are described on pages 20 and 21.

A BUSINESS MODEL
FOR TODAY AND TOMORROW

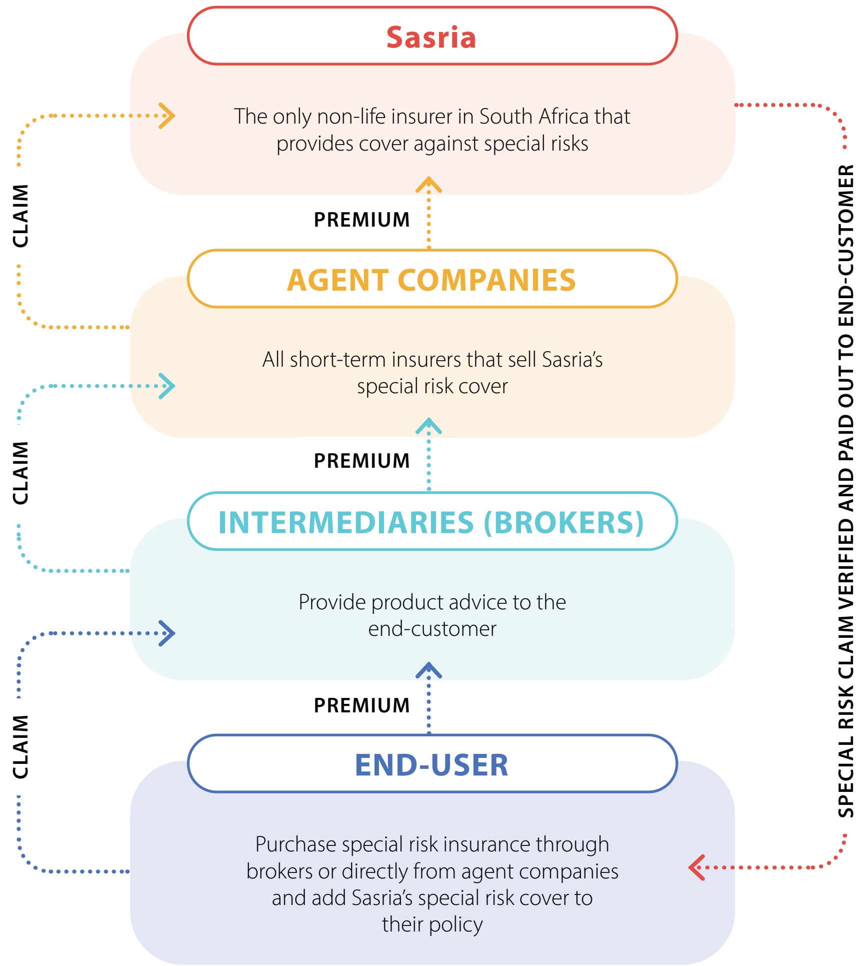
Our business model provides affordable insurance premiums to all individuals and organisations through agreements with the traditional insurance market to distribute our offering of special risk solutions.

The sasria business model depicted below indicates the business processes/relationships between Sasria and its key stakeholders:

We outsource some activities to insurance companies for day-to-day administration and maintenance, including premium collection and facilitation of the claims process.

The diagram below depicts how the simplified business model is applied to show only the premium and claims process:

Simplified business model



CORPORATE GOVERNANCE

Sasria can justly claim a strong corporate governance foundation, as evidenced by the agreement of the shareholder to assist the organisation to pay July 2021 claims through a cash injection of R22 billion. With state-owned enterprises (SOEs) being scrutinised in recent years for governance weaknesses and failures, Sasria remains proud of its unblemished record.

Corporate governance framework

Sasria continued to apply sound governance structures, procedures and processes during the period under review, as these are fundamental to the effective delivery of its dual mandate.

The Board, as the accounting authority, is committed to the King IV principles of openness, transparency, integrity and accountability, which are formalised in company charters, policies and procedures.

To maintain sound corporate governance and ensure that it permeates strategic and operational processes, the company has five Board committees.

Our governance structure

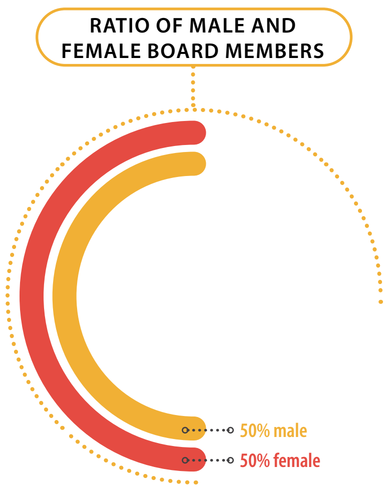
Board of Directors

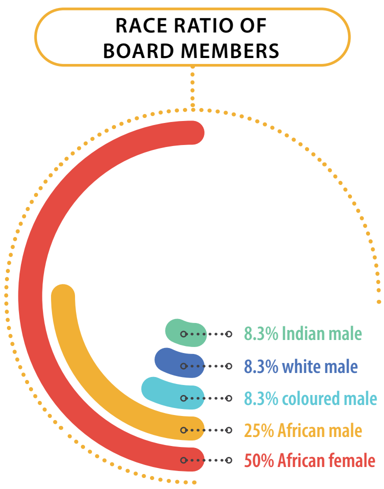
The Board provides Sasria's strategic direction for implementation by the Chief Executive Officer and the Executive Committee. It comprises 50% female members and combines a wide range of skills and expertise, spanning insurance, risk management, actuarial, financial, human capital and strategic leadership. The Board delegates specific functions to committees that assist it in oversight. In line with transformation imperatives, all Board committees are chaired by women.

During the review year, the Board:

- Guided and monitored the fast-tracking of claims arising from the unrest of July 2021 to assist policyholders to rebuild their infrastructure and restore their livelihoods
- Directed the post-mortem on the unrest catastrophic event to reveal lessons learnt and the way forward
- Approved new and revised policies
- Approved the going-concern statement contained in the 2021/22 integrated report
- Implemented an ORSA review, whose approval was delayed as probable maximum loss studies took longer than expected
- Monitored the third year of implementation of the 2020 to 2024 strategic plan.

Board demographics





BOARD MEMBERS

MOSS NGOASHENG (64)

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

Chairperson and independent non-executive director

Economist; co-founder, CEO and deputy chairman of investment holding company Safika Holdings; chairman of Investec Property Fund; member of the boards of Sephaku Holdings, Nelson Mandela Children's Hospital and Nelson Mandela Children's Fund.

ONKGODISITSE MOKONYANE (35)

BSc Hons MCom (Actuarial Science) Associate Member of Actuarial Society of South Africa (AMASSA)

Deputy Chairperson and independent non-executive director

Actuary, head of strategy at Discovery Insure, trustee on the board of the Nelson Mandela Children's Fund.

CHRISTIAAN VAN DYK (56)

BSc (Actuarial Science) Fellow of Actuarial Society of South Africa (FASSA)

Independent non-executive director

Former Assupol group CEO, fellow of the Faculty of Actuaries in Scotland and the Actuarial Society of South Africa.

BOARD **MEMBERS** CONTINUED

JAPHTALINE MANTUKA MAISELA (67)

Masters in Management Postgraduate Diploma Production Management (Japan) Executive Development Programme (Wharton Business School)

Independent non-executive director

Human resources specialist, trustee of the Motor Industry Fund and the Government Employees Pension Fund.

REGINALD HAMAN (48)

MBA Postgraduate Diploma in Business Adminstration National Higher Diplomas in Company Direction Executive Programme

Independent non-executive director

Business executive, group corporate services officer at Aspen Pharmacare.

MOIPONE RAMOIPONE (40)

National Diploma and BTech (Public Finance and Accounting) Registered government auditor

Non-executive director

Member of the Southern African Institute of Government Auditors, director: governance monitoring and compliance in the Office of the Accountant-General at National Treasury, which she represents on the Sasria Board.

REFILWE MOLETSANE (51)

B Juris Management Advancement Programme B Hons (Insurance and Risk Management)

Independent non-executive director

Head of compliance at AIG.

ENOS NGUTSHANE (65)

M Public Administration (Liverpool) Postgraduate Diploma Administrative Studies

Independent non-executive director

Chairperson of the Commission for Conciliation Mediation Arbitration and board member of the Institute of Retirement Funds Africa.

DR NOLWANDLE MGOQI-MBALO (51)

BA MSc PhD

Independent non-executive director

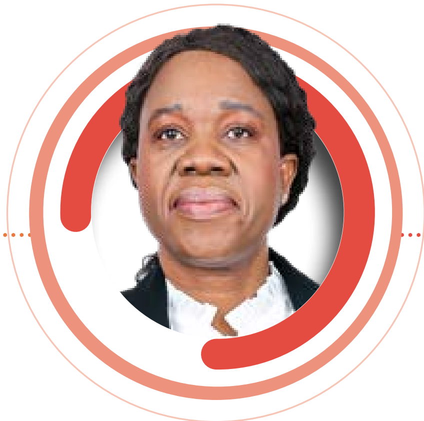
Chief executive: insurance at Standard Bank.

SATHIE GOUNDEN (63)

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

Independent non-executive director

Audit committee chairman of the South African Revenue Service and the National Home Builders Registration Council, member of boards.



MARGARET MOSIBUDI PHIRI (48)

CA(SA)

Independent non-executive director

Managing director of Mohale Seoka Consulting, member of boards and audit committees.

DESMOND MARUMO (62)

LLM (Corporate Law) Higher Certificate Intellectual Property Law

Independent non-executive director

Executive director of DMC, a consultancy specialising in private-public partnerships and intellectual property.

MPUMI TYIKWE (57)*

Fellow of the Insurance Institute of South Africa Postgraduate Diploma in Management

Chief Executive Officer **appointed May 2022*

Executive director

BAJABULILE MTHIYANE (49)

BCom Hons CA(SA) Advanced Management Programme (Harvard Business School)

Chief Financial Officer

Executive director

BOARD AND BOARD COMMITTEES

THE BOARD AND BOARD COMMITTEES

Board member attendance at Board meetings: 1 April 2021 to 31 March 2022

BOARD MEMBER	AREAS OF EXPERTISE	ORDINARY MEETING 21-JUN-21	SPECIAL BOARD MEETING 16-JUL-21	SPECIAL BOARD MEETING 04-AUG-21	ORDINARY MEETING 30-AUG-21	SPECIAL BOARD MEETING 29-NOV-21	ORDINARY MEETING 17-MAR-22	TOTAL MEETINGS 6	TOTAL ATTENDED	PERCENTAGE ATTENDED
Moss Ngoasheng (Chairperson)	Investments	-	√	√	√	√	√	6	5	83%
Onkgodisitse Mokonyane (Deputy Chairperson)	Governance, investments, risk, actuarial, recruitment and human capital	√	√	√	√	-	√	6	5	83%
Christiaan van Dyk	Life insurance, short-term insurance, asset management, investment product and administration, reinsurance, actuarial, own risk and solvency assessment, risk finances audit, remuneration strategy	√	√	√	√	√	√	6	6	100%
Japhtaline Mantuka Maisela	Human capital, investment, social and ethics	√	√	√	√	√	√	6	6	100%
Reginald Haman	Risk management, business strategy, risk financing, insurance, governance, internal audit, forensic audit, information technology, human capital, remuneration	√	-	-	√	√	√	6	4	67%
Moipone Ramoipone	Finance, accounting	√	√	√	√	√	√	6	6	100%
Refilwe Moletsane	Governance, compliance, regulatory affairs	√	√	√	√	√	√	6	6	100%
Enos Ngutshane	Risk, human capital, governance, fraud and fraud prevention	√	√	√	√	√	√	6	6	100%
Dr Nolwandle Mgoqi-Mbalo	Short-term and life insurance, employee benefits, asset management, strategy development and execution, management	√	√	√	√	√	√	6	6	100%
Sathie Gounden	Audit, finance, risk, governance, fraud and fraud prevention	√	√	√	√	√	√	6	6	100%
Margaret Mosibudi Phiri	External and internal audit, financial accounting, risk management, governance, investigations, board evaluations	√	√	√	√	√	√	6	6	100%
Desmond Marumo	Law	√	√	√	√	√	√	6	6	100%
Cedric Masondo	Insurance, reinsurance	√	√	√	√	√	√	6	6	100%
Bajabulile Mthiyane	Finance, investments, audit	√	√	√	√	√	√	6	6	100%
Percentage attained (average)								**80**	**76**	**95%**

All Board members were appointed on 24 June 2020

INVESTMENT COMMITTEE

The committee assists the Board to oversee asset management by monitoring, evaluating and reviewing Sasria's investments.

MEMBER	ORDINARY MEETING 24-May-21	ORDINARY MEETING 02-Sep-21	ORDINARY MEETING 21-Nov-21	ORDINARY MEETING 09-Mar-22	TOTAL MEETINGS 4	TOTAL ATTENDED	PERCENTAGE ATTENDED
Dr Nolwandle Mgoqi-Mbalo (Chairperson)	√	√	√	√	4	4	100%
Moss Ngoasheng (Deputy Chairperson)	√	√	√	√	4	4	100%
Sathie Gounden	√	√	√	√	4	4	100%
Christiaan van Dyk	√	√	√	√	4	4	100%
Desmond Marumo	√	√	√	√	4	4	100%
Percentage attained (average)					**20**	**20**	**100%**

Committee appointment date: 29 July 2020

The Investment Committee is satisfied that it fulfilled the responsibilities outlined in its terms of reference.

AUDIT COMMITTEE

The committee oversees financial management, internal control and governance.

MEMBER	ORDINARY MEETING 26-May-21	ORDINARY MEETING 19-Jul-21	ORDINARY MEETING 18-19 Aug-21	ORDINARY MEETING 22-Nov-21	ORDINARY MEETING 23-Feb-22	SPECIAL MEETING 25-Mar-22	TOTAL MEETINGS 6	TOTAL ATTENDED	PERCENTAGE ATTENDED
Margaret Mosibudi Phiri (Chairperson)	√	√	√	√	√	√	6	6	100%
Sathie Gounden (Deputy Chairperson)	√	√	√	√	√	√	6	6	100%
Onkgodisitse Mokonyane	√	√	√	√	√	√	6	6	100%
Reginald Haman	√	-	-	√	√	√	6	4	76%
Moipone Ramoipone	√	√	√	-	√	√	6	5	83%
Japhtaline Mantuka Maisela	√	√	√	√	√	√	6	6	100%
Percentage attained (average)							**36**	**33**	**92%**

Committee appointment date: 29 July 2020

The Audit Committee is satisfied that it fulfilled the responsibilities outlined in its terms of reference.

REMUNERATION AND NOMINATION COMMITTEE

The committee considers, reviews and advises the Board on human capital management, including staff development and remuneration policies.

MEMBER	ORDINARY MEETING 12-Aug-21	ORDINARY MEETING 10-Nov-21	ORDINARY MEETING 17-Feb-22	SPECIAL MEETING 10-Mar-22	TOTAL MEETINGS 4	TOTAL ATTENDED	PERCENTAGE ATTENDED
Japhtaline Mantuka Maisela (Chairperson)	√	√	√	√	4	4	100%
Enos Ngutshane (Deputy Chairperson)	√	√	√	√	4	4	100%
Dr Nolwandle Mgoqi-Mbalo	√	√	√	√	4	4	100%
Margaret Mosibudi Phiri	√	√	√	√	4	4	100%
Moss Ngoasheng	√	√	√	√	4	4	100%
Percentage attained (average)					**20**	**20**	**100%**

Committee appointment date: 29 July 2020

The Remuneration and Nominations Committee is satisfied that it fulfilled the responsibilities outlined in its terms of reference.

RISK COMMITTEE

The committee oversees Sasria's governance, internal control and risk management processes. It ensures that disclosures on risk and opportunity enhance the assurance the organisation offers to stakeholders.

MEMBER	ORDINARY MEETING 27-May-21	ORDINARY MEETING 26-Aug-21	ORDINARY MEETING 17-Nov-21	ORDINARY MEETING 04-Mar-22	TOTAL MEETINGS 4	TOTAL ATTENDED	PERCENTAGE ATTENDED
Onkgodisitse Mokonyane (Chairperson)	√	√	√	√	4	4	100%
Reginald Haman (Deputy Chairperson)	√	√	√	√	4	4	100%
Refilwe Moletsane	√	√	√	√	4	4	100%
Christiaan van Dyk	√	√	√	√	4	4	100%
Cedric Masondo	√	√	√	√	4	4	100%
Percentage attained (average)					**20**	**20**	**100%**

Committee appointment date: 29 July 2020

The Risk Committee is satisfied that it fulfilled the responsibilities outlined in its terms of reference.

SOCIAL AND ETHICS COMMITTEE

The committee monitors Sasria's social- and ethics-related activities, ensuring responsible behaviour commercially and environmentally.

MEMBER	ORDINARY MEETING 31-May-21	ORDINARY MEETING 10-Aug-21	ORDINARY MEETING 09-Nov-22	ORDINARY MEETING 15-Feb-22	TOTAL MEETINGS 4	TOTAL ATTENDED	PERCENTAGE ATTENDED
Refilwe Moletsane (Chairperson)	√	√	√	√	4	4	100%
Desmond Marumo (Deputy Chairperson)	√	√	√	√	4	4	100%
Enos Ngutshane	√	√	√	√	4	4	100%
Moipone Ramoipone	-	√	√	√	4	3	100%
Bajabulile Mthiyane	√	√	√	√	4	4	100
Percentage attained (average)					**20**	**19**	**95%**

Committee appointment date: 29 July 2020

The Social and Ethics Committee is satisfied that it fulfilled the responsibilities outlined in its terms of reference.

EXECUTIVE **COMMITTEE**

MPUMI TYIKWE (57)*

*Chief Executive Officer *appointed May 2022*

Role: Executive leadership and strategy implementation.

BAJABULILE MTHIYANE (49)

Chief Financial Officer

Role: Finance, capital management, statutory reporting, investment and procurement.

FAREEDAH BENJAMIN (48)*

*Executive Manager: Insurance Operations *resigned August 2022*

Role: Claims, underwriting and reinsurance.

MZIWOXOLO MAVUSO (50)

Executive Manager: Governance

Role: Legal, compliance and company secretariat.

SAM NKOSI (52)

Executive Manager: Business Change and Technology

Role: Information systems, technology and business change.

SUZANNE HARROP-ALLIN (42)*

*Chief Risk Officer *resigned May 2022*

Role: Risk management, quality assurance, actuarial services and risk intelligence.

TSHEPISO CHOCHO (42)

Executive Manager: People Management

Role: Human capital, corporate social investment and facilities.

MUZI DLADLA (40)

Executive Manager: Stakeholder Management

Role: Stakeholder management, marketing and communications and business development.

Changes to the Executive Committee structure post year-end:

With the departure of Fareedah Benjamin, the claims management role was taken up by Nkateko Mayimele, while underwriting and reinsurance was combined with the newly created strategy and underwriting roles under Themba Sibiya.

VISION 2024

JOURNEY 2024

Grow sustainably

- Revisit strategy and recalibrate
- Prepare a new platform for growth
- Respond to technological trends
- Deliver on our dual mandate
- Develop new products and revisit value proposition
- Defend our business against disruptors
- Ensure relevance and market appeal
- Pursue effective brand-building
- Attract appropriate resources
- Further develop our team
- Streamline processes
- Finalise new enterprise architecture
- Ensure sound governance
- Ensure a sustainable business model

The digital journey

- Streamline all business processes
- Create an agile and responsive business
- Progressively digitise analogue inputs
- Digitalise the business using new technologies
- Apply new tools and methodologies
- Develop a business intelligence capability
- Ensure sound governance and data security
- Ensure regulatory compliance
- Develop new skills base
- Capacitate the business to support growth
- Support a sustainable business model

A new world of work

- Sasria is a digitally enabled and efficient business
- Our staff have the necessary skills and high-performance culture is entrenched
- We are responsive to the market and customers' needs
- We have an extended and relevant offering portfolio
- Our talent is aligned with our strategy
- We comply with all regulatory requirements
- We are prepared for continuous change
- We routinely deliver our dual mandate
- We are led by dynamic leadership
- We continue to be financially self-sustainable and also create shareholder value

Contribution to the SDGs and NDP

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 • Schools infrastructure development programmes • Donation of technology tools and data to schools
		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 a responsive social protection system • A diverse, socially cohesive society with a common national identity	• Affordable non-life insurance • Contributing to growth and transformation • Developing asset managers • Research
	TALENT	8 DECENT WORK AND ECONOMIC GROWTH Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	Economy and employment	• Fair renumeration and benefits • Enabling work environment • Training and personal development • Career opportunities • Meaningful work
		5 GENDER EQUALITY Achieve gender equality and empower all women and girls	Economy and employment	Attracting and promoting women in the workplace and in industry programmes, and supporting businesses owned by women in our procurement process
CUSTOMER-CENTRICITY	DISTRIBUTION CHANNELS	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	Economy and employment	• Ensuring job continuity • Paying loss-of-income claims • Restoring liquidity • Supporting transformation through the incubation programme • 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		1 NO POVERTY	Ending poverty and hunger for all people	• Economy and employment • Social protection • Nation building and social cohesion • Ongoing education and training	• Contributing to transformation • Enterprise development • Supplier development • Preferential procurement • Contribution towards education and skills development
		10 REDUCED INEQUALITIES	Reduce inequality within and among countries	• Economy and employment • Social protection • Building safer communities • Nation building and social cohesion • Ongoing education and training	• Contributing to the fiscus of South Africa • Dividends and taxation • Supporting transformation through the incubation programme • Disciplined state-owned enterprise • Delivering on the mandate profitably • Researching special perils • Strong governance culture • New business initiatives
		13 CLIMATE ACTION	Take urgent action to combat climate change and its impacts	• Economic infrastructure • Environmental sustainability and resilience	• Initiate (2023/24) research into climate-related perils and implement outcomes once Sasria is at the expand phase of the strategy

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

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

In addition, Sasria's corporate social investment 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	Social protetion	• Sack farming project • Vegetable gardens
6 CLEAN WATER AND SANITATION	Ensure availability and sustainable management of water and sanitation for all	• Economic infrastructure • Environmental sustainability and resilience • Transforming human settlements	• Sanitation and ablution • Schools
11 SUSTAINABLE CITIES AND COMMUNITIES	Make cities and human settlements inclusive, safe, resilient and sustainable.	• Economic infrastructure • Environmental sustainability and resilience • Transforming human settlements • Building a capable and developmental state	Building of classrooms and school infrastructure

Sasria's corporate social investment projects are described on page 66.

Responsible investing

In keeping with the imperative of responsible investing, Sasria:

- Maintains its role as a supporter of the Code for Responsible Investing in South Africa (CRISA) and is a signatory of the United Nations Principals for Responsible Investment (UNPRI)
- Encourages incorporating environmental, social and governance (ESG) factors into investment decisions and processes
- Recognises that the generation of long-term sustainable returns is dependent on stable, well-functioning and well-governed social, environmental and economic systems
- Considers ESG issues on Sasria's multimanager investment portfolio. Furthermore, it takes a wider view, acknowledging the full spectrum of risks and opportunities facing asset managers to allocate its assets in a manner that is aligned with the company's short- and long-term objectives
- Recognises that effective research, analysis, evaluation and incorporation of ESG are fundamental to assessing the value and performance of an investment over the medium- and longer term, and that this analysis should inform asset allocation, security selection, portfolio construction, shareholder engagement and proxy voting.

Sasria lives up to UNPRI principles in the following ways:

PRINCIPLE 1

We will incorporate ESG issues into investment analysis and decision-making processes
Sasria strongly encourages its asset managers to be signatories of UNPRI or endorse CRISA. As part of the appointment and selection process of asset managers, all asset managers need to provide evidence of incorporating ESG analysis into the investment decision-making process.

PRINCIPLE 2

We will be active owners and incorporate ESG issues into ownership policies and practices
Asset managers act in a fiduciary capacity, upholding ESG issues in the decision-making process. Sasria's investment policy is geared strongly towards responsible investing. Asset managers are required to align investment decisions accordingly.

PRINCIPLE 3

We will seek appropriate disclosure on ESG issues by the entities in which we invest
Asset managers disclose and explain their proxy voting results at every quarter-end. They are also required to report to Sasria on ESG and responsible investing, either annually or on an ad-hoc basis. Sasria solicits information on ESG issues from asset managers through the biannual operational due diligence exercise.

PRINCIPLE 4

We will promote acceptance and implementation of the principles within the investment industry
Sasria incorporates rigorous criteria for responsible investing and ESG in the selection, appointment and monitoring of asset managers. It also works with start-up and emerging black-owned asset managers on responsible investing.

PRINCIPLE 5

We will work together to enhance our effectiveness in implementing the principles
Sasria is an active member of UNPRI, having participated in both local and global conferences.

PRINCIPLE 6

We will report on our activities and progress towards implementing the principles
Sasria reports on its responsible investing practices annually and works closely with asset managers to ensure alignment.

SASRIA INVESTMENTS AND THE SDGs/NDP LINK

Sasria continues to prioritise transformation in the investment industry and the local economy. This it does through its incubation programme for start-up and emerging black-owned asset managers.

In July 2019, Sasria launched its first incubation programme, which ended on 31 March 2022. Each incubation asset manager was allocated R400 million, which had a significant impact on its business and enhanced revenue growth and potential.

To align with the United Nations Sustainable Development Goals (SDGs), the incubation programme strongly targets SDG 8, which encompasses decent work and economic growth, and SDG 10, being reduced inequalities.

The incubation programme promotes sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. It targets well-experienced black-owned asset managers who have branched off from the mainstream asset managers in the industry to progress in small and emerging black-owned asset management firms, thus achieving greater transformation impact. The asset managers also have a strong focus on previously disadvantaged individuals, thus promoting SDG 8.

In line with SDG 10, social and economic inclusion is promoted, ensuring equal opportunity and reducing inequalities of outcomes for black investment professionals in the industry.

While the incubation programme ended on 31 March 2022, the next financial year will see a new instalment that targets black-owned start-up and emerging asset managers and will have a greater impact on SDGs 8 and 10. Five asset managers have been signed up for this programme.

Sasria also incorporates the UNPRI, which further strengthens its stance and ensures that it operates as a responsible corporate citizen in the South African economy. Through UNPRI adherence Sasria supports good governance and develops a sound social and economic environment not only in the investment industry but in the country. This is done primarily through the procurement process of selecting and appointing asset managers and through clearly defined service-level agreements and mandates.

The NDP offers a long-term perspective and is aligned with the constitution. It was developed to secure the future for South Africans by eliminating poverty and reducing inequality by 2030. Ultimately, it aims to grow an inclusive economy.

As a state-owned company, Sasria contributes to the success of the NDP, particularly economic growth and economic transformation through, among other initiatives, the incubation programme launched in 2019 to increase the assets under management of emerging black-owned asset managers and assist them to enter the mainstream.

Through the incubation programme, Sasria contributes to the NDP by collaborating and working with asset manager beneficiaries to:

- Reduce inequality in the investment industry
- Increase employment opportunities for previously disadvantaged individuals
- Reinforce the need for the transformation of investment teams at external asset managers
- Contribute to the competitive base of the industry's infrastructure, human resources and regulatory frameworks
- Support the development of skilled, professional and managerial posts to better reflect the country's racial, gender and disability makeup
- Play a strong role in economic and social development

Top Sasria risks

Based on Sasria's forward-looking approach, management identified the top risks that potentially threaten the execution of the business and its strategy. The risks were identified and assessed based on their impact or severity and the likelihood of the risk occurring.

1. Change in the frequency and magnitude of Sasria's catastrophe risk
2. Increase in frequency and severity of claims due to truck-related events
3. Increased insurance risk as a result of volatile strikes, protests and other special risks
4. Failure to retain critical skills in the company
5. Non-compliance with Sasria claims regulations by the distribution channel (agents and brokers)
6. Inadequate service provided to our customers
7. Failure to adhere to manuals and procedures
8. Cybersecurity risk
9. Incomplete and inaccurate Sasria revenue
10. Data management risk
11. Failure to comply with regulatory requirements and governance codes
12. Inability to secure future reinsurance capacity and significant increase in reinsurance costs

Sasria risks and opportunities

The following four risks are explained in greater detail. They were selected to illustrate risk management process outcomes.

1 Change in the frequency and magnitude of Sasria's catastrophe risk

Risk description

The 2021 July unrest was a significant event for Sasria and was seen by most as a systemic risk. It was detrimental, the company having projected to fall short using its own reserves and reinsurance proceeds for the payment of catastrophe claims, which totalled R34 billion.

President Cyril Ramaphosa authorised the public release of the expert panel's report that reviewed the government's response to the unrest. The panel was mandated to examine all aspects of the security response and to make recommendations on how to strengthen security capabilities.

In the report the panel noted that the looting, destruction and violence have come and gone, but that little has changed in the conditions that led to the them, leaving the public worried that there might be similar large-scale unrest in future.

Key mitigations:

- Reinsurance structure put in place at 1 April 2022.
- Ongoing discussions with reinsurers to ensure that we improve reinsurance capacity.
- Scenario analysis performed annually to determine capital requirements and potential management actions to be implemented should insurance risk increase drastically.

Actions/opportunities:

- Use data as a driver for decision-making and building resilience through business intelligence.
- Review our product offering and regulations (underwriting guidelines).
- Foster closer working relationships with stakeholders such as the security cluster.

2 Increase in frequency and severity of claims due to truck-related events

Risk description

The hijacking, burning and looting of trucks, especially on the N3, have resulted in numerous claims being submitted in recent years.

Some have been rejected, resulting in several disputes, increasing the risk of litigation.

This is a challenge for Sasria since not all claims on trucks are Sasria-related. For this reason, truck claims have been centralised (through an M8 product) to ensure they are handled effectively and consistently.

Key mitigations:

- Trucking customers with high loss ratios are reviewed and underwritten at renewal of their policies.
- ORSA scenarios (to determine capital requirements and potential management actions) include the risk relating to frequent labour action (including truck and xenophobic attacks in the trucking industry), resulting in multiple large claims.
- Sasria is taking part in various industry initiatives to mitigate or reduce the risk.

Actions/opportunities:

- Premium rate increases effective 1 February 2022.

Inadequate service provided to our customers

6

Risk description
We depend on our distribution channel to write new business, collect premiums and refer claims. Due to the outsource model, we are far removed from the end-customer, which creates several risks that may result in repudiation of claims due to a lack of cover or inadequate service and advice provided by the distribution channel. This increases our reputational risk.

Key mitigations:
- Conducting a stakeholder needs analysis to assess product offering needs and overall satisfaction.
- Continuous engagements with the distribution channel.
- Sales and product awareness presentations for the distribution channel.
- Annual customer survey.

Actions/opportunities:
- E-learning training for the distribution channel.

Data management risk

10

Risk description
Sasria previously did not receive all policyholder information from its agents.

The outsource agreements between Sasria and the agents allow the former continued access to policyholder data and policy information. The FSCA requires Sasria to obtain policyholder data in terms of the Policyholder Protection Rules. Granular policyholder data is also needed to comply with the IFRS 17 standard. Strategically, Sasria will be able to assess its risk exposure and pricing more accurately when the data are obtained.

Key mitigations:
- Sasria has access to agents' policyholder and policy information.
- Working teams have been established with all agent companies to submit policyholder data.
- Agent data will be reconciled to the monthly received premium annexure and bank statements to ensure data completeness, accuracy and quality.

Actions/opportunities:
Use data as a driver for decision-making and building resilience through business intelligence. Data use will assist to, among others:
- Accurately project the coverage required for reinsurance.
- Risk profiling and product enhancement.
- Enhance geocoding analysis of claims patterns to ensure loss-prevention strategies.
- Better understand geographical risk to drive more accurate premium rates, portfolio growth and provision of claims.
- Assist Sasria to interpret, assess and organise claims data to deliver business value and gain valuable location insight.
- Build capability to better predict liabilities.
- Predict the number of policies to be cancelled as a result of higher premiums.
- Forecast premiums to year-end.

Sasria's emerging risks

Emerging risks are those whose significance may be uncertain and not well understood, that may be difficult to quantify due to lack of data and volatility, whose consequences and implications can be ambiguous, and that may be systemic, outside of organisational control and complex.

There are currently three material emerging risks on the emerging risk register.

Growing risk of un- or underinsurance for Sasria's customers (new)

Risk description

Globally, too many people are un- or underinsured and not protected when a catastrophe strikes. These numbers should be seen against the backdrop of shrinking middle classes, the primary target group for many insurance products. Rising prices and interest rates will erode disposable income. Shrinking disposable incomes may put willingness to pay for insurance coverage to the test.

Furthermore, with rising inflation and a hard market, commercial and corporate insurance customers face the growing risk of underinsurance. This has resulted in a gap in the market due to Sasria exiting the excess of loss cover due to a reduced appetite by the international market for the reinsurance programme.

Management actions:

Sasria is setting up an alternative distribution channel for the small, medium and micro enterprise (SMME) market and has also included as part of its five-year strategy other products and solutions.

Furthermore, discussions are ongoing with reinsurers to ensure that we improve reinsurance capacity. Improved appetite for the reinsurance programme will ensure that Sasria offers excess of loss cover in future.

Growing risk of liquidation for Sasria's agent companies (new)

Risk description

The South Gauteng High Court in Johannesburg placed Constantia Insurance Company into provisional curatorship in July 2022 after it failed to find an investor to inject much-needed capital of at least R450 million.

The company was also temporarily barred from taking on new customers. This increased the risk that the agent company may be liquidated. Other agent companies may be in a similar situation, increasing the risk of Sasria not receiving its premiums and loss of new business, which will affect premium growth.

Management actions:

Our customer relations management team is closely monitoring the matter and liaising with the agent company. Continuous engagements are also held with the distribution channel to assess the severity of this risk.

Mozambique's growing violence and terrorism

Risk description

Northern Mozambique has been engulfed in a conflict with Islamist militants for more than four years. Escalating violence has raised concerns over the power an Islamic State-linked insurgency holds in northern Mozambique. This followed the group's earlier threat to attack South Africa if it became involved in the conflict.

Military action by the Mozambique government, including continued use of mercenaries, has not stopped the attacks and has worsened the plight of civilians. Left unchecked, the insurgency will probably grow and spill over into neighbouring countries.

Management action:

The emerging risk was included in the 2020/21 ORSA as scenario four (to determine capital requirements and potential management actions).

Sasria's strategic opportunities

Sasria acknowledges that strategy, risk and opportunity are inseparable elements. In previous years, the Board started to govern risk and opportunity in a way that supports the company to define its core purpose, and to set and achieve strategic objectives.

Identifying opportunities was based on the risks faced by the company, the industry and the government. In a world characterised by climate change, the frequency and severity of disasters are increasing. Special risks, if not adequately addressed, threaten the economy, social structure and food security.

They will also affect the three primary problems facing South Africa, namely poverty, inequality and unemployment. Public-private partnerships are crucial in ensuring the financial resilience to withstand special risk disasters.

Sasria's long-term strategic opportunities

F4 SMME product

Opportunity
Failure to deliver insurance products to vulnerable communities in South Africa is one of the highest risks facing the government in terms of risk exposure.

Coupled with the high unemployment rate, lack of basic services and poverty, tensions spur protests and violence, which might lead to further losses not covered by general insurance.

These losses place additional burden on local municipalities and government. Sasria needs to develop a product for the target audience.

Aggregator strategy
The July 2021 unrest prompted Sasria to reconsider its current strategies and explore new initiatives. The current business model did not enable the company to reach wider markets, which threatened its sustainability.

The aggregator strategy would enable Sasria to seek strategic partners to act as distribution channels for its cover.

Agriculture insurance administration

Opportunity
The government faces certain uninsurable, but very volatile, risks. In recent years, the country experienced its worst drought followed by floods in various regions. These are expected to continue. Drought affects especially commercial farmers and subsistence farmers. The risk of market failure for the government is, therefore, high. Thus, it recognises the impact of weather and climate shocks on agricultural producers and the challenges they pose to the country's food security and rural development.

Sasria legislation change to cover pandemics

Opportunity
The insurance industry's inability to respond to Covid-19 revealed a protection gap that cannot be ignored. The industry must come up with solutions to respond to future pandemics.

KPMG's 2021 South African Insurance Industry Survey found that the pandemic curtailed the appetite of 40 short-term insurers and seven reinsurers for covering certain risks in future.

The higher-than-expected frequency and severity of natural disasters, including pandemics, will potentially reduce reinsurance coverage. Without the certainty of that cover, or should reinsurance premiums skyrocket, world economies could be negatively affected.

In the short-term insurance industry, many companies have already amended their policies to exclude pandemics after the courts forced them to pay lockdown-related business interruption claims.

There needs to be some binding relationship between private insurers and the government to pool funds to cover risks that culminate in economic rather than insurance losses.

Sasria has an opportunity to revisit and amend current legislation to enable it to participate in opportunities outside of the current mandate or legislation.

Government distribution

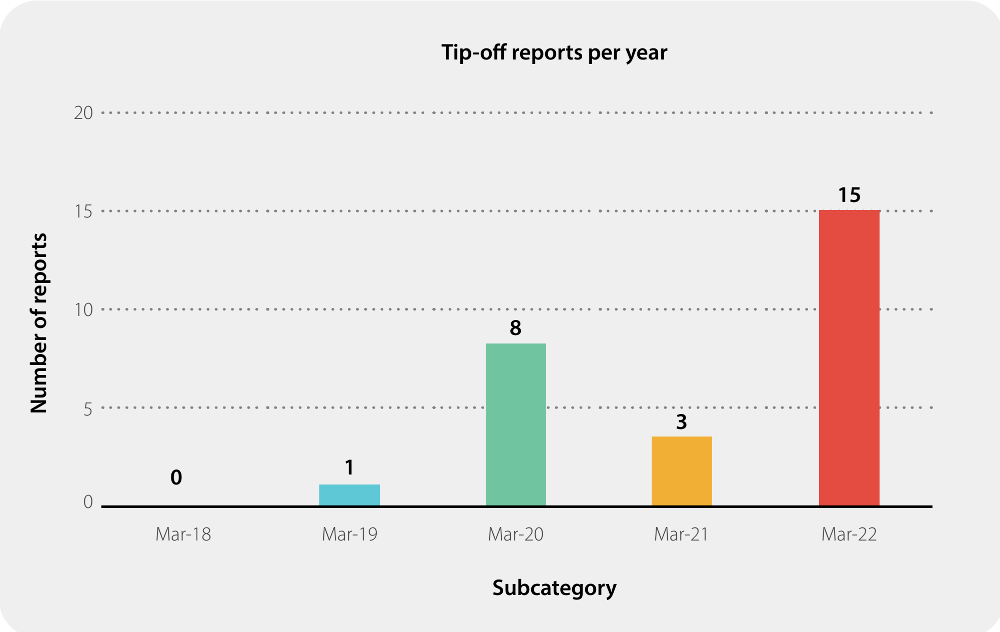
Opportunity
This opportunity refers to an alternative approach to risk management practices to safeguard against possible future malicious acts to government national key points. The recent fires at uninsured buildings in the parliamentary precinct open the way for Sasria to explore the possibility of insuring key national infrastructure.

Bolstering forensic capabilities

Amid the influx of claims, suspicions of fraudulent applications increased and were reported through the tip-off line. Claims reviews were conducted proactively with a panel of forensic investigators to validate the reasonability of claim estimates. Claims assessors and those involved in the Sasria distribution channels were encouraged to be more vigilant and report suspicious claims. All allegations were investigated by internal audit and the panel of forensic investigators.

As of year-end, 28 July unrest claims matters had been reported for further investigations, 11 reported through the tip-off line and 17 referred by the claims department.

The graph below details reports received through the tip-off line. The increase in March 2022 was due to suspicious claims relating to the July unrest.



During 2022/23, the forensic function will be strengthened as a risk mitigation tool to ensure early detection of potential fraud in the interests of cost saving and revenue growth.

The need for forensic intelligence prompted Sasria to expand its expertise through the internal audit function, strengthening its already robust governance system. The scope of agent company internal audit reviews was extended to include a review of processes and controls of agent companies to execute their expanded mandate to settle July unrest claims on behalf of Sasria.


NODE
NODE
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NODE
DATABASE CONNECTIVITY

02

REBUILT

PERFORMANCE AND OUTLOOK

PART TWO

In these pages, our Chief Executive Officer and Chief Financial Officer review the activities and achievements of 2021/22, reflecting the resilience of the organisation against unprecedented challenges.

CHIEF EXECUTIVE OFFICER'S REPORT

Mpumi Tyikwe
Chief Executive Officer

The July 2021 unrest was a defining moment for Sasria since its formation in 1979. The protests that started on 9 July 2021 soon after the detention of former president Zuma spread like wildfire though the big cities and small towns of KwaZulu-Natal and certain parts of Gauteng. It would take 11 days for all the organs of security to gain control of the situation and dampen the protests.

By that time, the widespread looting of shops and businesses, accompanied by setting alight of public and private properties had caused losses estimated by the South African Property Owners Association to be R50 billion.

Sadly, some paid the ultimate sacrifice as more than 350 lives were lost during the mayhem. We now know at the time of publication of Sasria's financial results that our share of the loss was R32 billion, which is somewhat lower than the R37 billion estimate that we reported at the end of our financial year. These claims led to a loss unprecedented in Sasria's history, which was also the biggest loss ever reported by a non-life insurer in South Africa.

Sasria's operational capability and capital position were severely tested by the July 2021 event, and it was heartening to see all the contingency plans outlined in the ORSA scenarios being effectively implemented by the various stakeholders. We are grateful for government's role through National Treasury, which responded with speed and recapitalised the company to the tune of R22 billion to enable Sasria to meet its claims liabilities as they become due and also its minimum solvency capital ratio.

The July event not only depleted our reserve of R9.5 billion but also our catastrophe reinsurance lines, which anticipated an event not exceeding R12.5 billion. Our global insurers also assisted with liquidity by paying before claims were submitted. Smaller claims were outsourced to our agent insurers and were gladly accepted, and the Board met frequently to steer the ship into calmer waters.

The executive team under the formidable leadership of our former Managing Director Cedric Masondo and our dedicated staff worked tirelessly to alleviate panic, establish clear communication lines with all stakeholders and keep regulators informed about the situation and our turnaround plan. We are grateful to civil society and the taxi industry, which also stepped in to stop the carnage and prevent further loss of life and destruction of property. Special tribute goes to our customers and brokers who were patient with us as we progressively processed and settled their claims.

This is an event we wished never to have witnessed in our young democracy but the response of everyone involved is a powerful reminder that the South African spirit cannot be subdued and, that even though we have our differences, when the crunch comes, we unite for the better good of our country.

Back to profitability

Top of my agenda is ensuring that Sasria can weather a storm of up to R20 billion without shareholder or taxpayer support over the next three years. This means strengthening the balance sheet by restoring profitability and making sensible use of reinsurance, which is in a hard market. It won't happen overnight, but we have already increased premiums to reflect our underwriting risk and hope in due course to diversify our product suite, making our cover more widely known, innovative and accessible, particularly among untapped markets such as informal traders and other uninsured individuals.

Our digitalisation project is proving its worth as a solid enabler for the organisation. It is now termed the 'just in time' strategy based on its performance over the last two crucial years, epitomised by the ability to change within 24 hours from an office-based operation to a home-based one as the hard Covid lockdown was enacted. It is also delivering greatly enhanced customer engagement and reduced turnaround times to settle claims. Our advanced claims management system was able to handle claims nine times the volume of claims than would normally be processed in a year.

We are also going to invest further in our predictive analytics to obtain insights as to what triggers violent and destructive protests in our country that lead to loss of life, stretch police ability to manage them and damage infrastructure. South Africa has the most progressive constitution, but unlike countries that have similar or worse socio-political and economic environments, we have not quite mastered peaceful protests.

Partnerships for progress

Sasria has a long history of corporate social investments designed to give South Africans hope. Many are focused on education, a topic close to my heart.

Sasria will continue to partner with the private sector to create a funding mechanism for a big push in school education to promote much-needed maths and science skills, but also to encourage proficiency and interest in the arts and other disciplines. We will join forces with institutions that offer world-class online learning so that any high school learner who wants to get ahead has access to the best content and teaching to augment his or her traditional studies at day school. In addition, we will provide career guidance to enable schoolgoers to make informed subject choices that will enhance their ability to secure jobs or form companies once they complete their tertiary education. Currently, thousands of graduates are unemployable because they chose a stream of study not required in today's labour market.

The last municipal assessment revealed that only 27 of the 257 municipalities received unqualified audits, indicating that they are functioning effectively. Thus, we will continue to collaborate with other business formations to provide municipal officials and elected councillors with technical skills training. We hope to incentivise failing municipalities to emulate their better-performing counterparts by sharing the methods and systems that winning municipalities apply.

Addressing gaps

I have found in Sasria a group of talented people who are dedicated to fulfilling the mandate of the company. The biggest challenge we have is the ability to predict future losses because events that trigger a Sasria claim are not necessarily correlated or interdependent. Beefing up our actuarial and analyst capability and making greater use of predictive technology and artificial intelligence will help to fill this gap. Also crucial, when one considers that Sasria was a response to the political, social and economic situation that ignited the Soweto riots of 1976, is our need for more politically aware people with a sound grasp of where the country is moving and of its emerging risks.

Our mandate states that our role includes advising the government and being a thought leader on any special risk that comes to the fore. This includes pandemics and climate change that leads to droughts and flooding. Without usurping the role of other institutions that are subject-matter specialists in these areas, we should be providing guidance on the value of insurance in managing these risks.

It is imperative that we go beyond the perils we currently insure to diversify our income streams. But first we need to ensure that Sasria's core business and capital position are strong, which brings me back to my priority. As this is only Sasria's first trading loss in 43 years, I have no doubt we will make good on that objective. This is largely dependent on the country not experiencing something similar to July 2021 in the medium term.

Also in our corner is our very strong, competent Board, which brings diverse skills blended with insurance expertise. We are on the right track.

Appreciation

I would like to express my gratitude for the warm reception that I received from the Sasria team, the guidance and advice of the Board and the unwavering support we enjoy from our colleagues in Treasury. I am humbled by the manner in which my predecessor, Cedric Masondo, who was at the helm for 12 years, made sure I had a quick grasp of the issues during the handover process. This enabled me to hit the ground running.

Special thanks go to the Minister of Finance who provided leadership and direction to enable Sasria to fulfil its mandate under the most trying circumstances. He has made his future expectations of the organisation clear. The rest is up to us.

Mpumi Tyikwe
Chief Executive Officer

PERFORMANCE INFORMATION FOR THE YEAR ENDED 31 MARCH 2022

STRATEGIC OBJECTIVE	WEIGHTING[1]	KEY PERFORMANCE INDICATOR	PERFORMANCE TARGET 2021/22 R'000	BUDGET 2021/22 R'000	ACTUAL PERFORMANCE 2021/22 R'000	VARIANCE
1. Sustainability – sustainable growth	10%	Percentage growth of gross written premium (GWP) income compared to previous year	8% to 10% (inclusive)	Budget GWP (31 March 2022): R2 863 462	**Achieved** Actual GWP (to 31 March 2022): R3 152 458 Actual GWP (to 31 March 2021): R2 785 825 GWP is 13.2% above 2020/21	None
2. Sustainability – capital growth	10%	Percentage average gross incurred loss ratio range over three-year rolling period, excluding incurred but not reported reserve	45% to 55% (inclusive)	Included in budget	**Achieved** Budgeted loss ratio between 45% and 55% Loss ratio of 27%	None
3. Sustainability – good corporate governance	5%	No irregular, fruitless and wasteful expenditure	No irregular, fruitless and wasteful expenditure	Included in budget	**Not achieved** Budgeted fruitless and wasteful expenditure: R0. Actual fruitless and wasteful expenditure: R36 407 Budgeted irregular expenditure: R0 Actual irregular expenditure: R469	The fruitless and wasteful expenditure was the result of overpayment of a supplier, interest charges by the South African Revenue Service and duplicate payment of claims. From the total R36 407, R11 910 has been recovered.
4. Sustainability – sound corporate governance	5%	Percentage of unethical behaviour incidents/ cases by any staff member investigated and action taken	100%	Included in budget	**Achieved** All reported incidents/ cases were investigated by internal audit	None
5. Sustainability – sound corporate governance	5%	Submit all PFMA submissions within the stipulated deadlines	Submit all PFMA submissions within the stipulated deadlines	Included in budget	**Not achieved**	The following submissions were late: 1. Annual financial statements and annual report, including their tabling to Parliament 2. February 2022 Covid-19 expenditure report on procurement 3. March 2022 Covid-19 expenditure report on procurement
6. Sustainability – sound corporate governance	5%	Achieve unqualified audit opinion for the financial year ending March 2022	Achieve unqualified audit opinion for the financial year ending March 2022	Included in budget	**Achieved**	Unqualified audit achieved

STRATEGIC OBJECTIVE		WEIGHTING[1]	KEY PERFORMANCE INDICATOR	PERFORMANCE TARGET 2021/22 R'000	BUDGET 2021/22 R'000	ACTUAL PERFORMANCE 2021/22 R'000	VARIANCE
7.	Socio-economic impact – capacity building in the financial sector	5%	Score achieved relating to the Financial Sector Code for skills development	23 out of 25	Included in budget	**Not achieved** Planned performance: 23 out of 25 Actual performance: 21.56 out of 25	Final performance affected by Covid-19 and lockdown conditions, which limited the availability of training programmes
8.	Customer-centricity – deliver value-add to the customer	10%	Fast-track claims turnaround time	90% of fast-track claims settled within 25 days	Included in budget	**Not achieved**	Indicator not monitored due to influx of claims for July 2021 unrest. Claims for this category mandated to agent companies
9.	Customer-centricity – deliver value-add to the customer	10%	Large loss claims turnaround time	70% of large loss claims settled within 50 days	Included in budget	**Not achieved**	Indicator not monitored due to influx of claims for July 2021 unrest. Claims for this category mandated to agent companies
10.	Customer-centricity – deliver value-add to the customer	5%	Percentage of total claims received overturned by Ombudsman for Short-term Insurance	≤0.5%	Included in budget	**Achieved** Sasria received 47 complaints during the period against 20 993 claims received The Ombudsman overturned five complaints	None
11.	Customer-centricity – deliver value-add to the customer	5%	Percentage reduction of customers, brokers and agent company complaints about poor claims department service against the 2020/21 baseline	≥25%	Included in budget	**Not achieved** Planned performance: Reduce the number of complaints by 50% (the 2020/21 baseline was 37 complaints) The number of indicator-related complaints for Q1 was 11, Q2 was 19, Q3 was 23 and Q4 was 10, totalling 63 (32 pertaining to the unrest) The total indicator-related complaints for the period was 31 (excluding the unrest complaints)	Claims department has implemented an intervention to reduce the number of customer complaints The compliance office will continue to monitor
12.	Digitalisation - distribution capability	5%	Percentage increase in website and social media traffic against the 2020/21 baseline	≥10%	Included in the budget	**Achieved** Actual performance: 35%	None

STRATEGIC OBJECTIVE		WEIGHTING[1]	KEY PERFORMANCE INDICATOR	PERFORMANCE TARGET	BUDGET	ACTUAL PERFORMANCE	VARIANCE
				2021/22 R'000	2021/22 R'000	2021/22 R'000	
13.	Sustainability – sustainable growth	5%	Percentage operational expense ratio, excluding depreciation, binder fees, corporate social investment and bonus provision, both short-term and long-term incentives	7% to 9% (inclusive)	Included in the budget	**Achieved** Planned performance: 7% to 9% Actual performance: 7.43%	None
14.	Customer-centricity – conducive culture	5%	Percentage implementation of the culture project as per the project plan	63%	Estimated R1.7 million[2]	**Achieved** Planned performance: 63%[3] completion Actual performance: 63% completion	None
15.	Digitalisation – operational excellence	10%	Percentage implementation of the second phase new claims management system as per project plan	100%	Estimated R35 million[4]	**Achieved** Planned performance: 100%[5] completion Actual performance: 100% completion	None

1 *The key performance indicators relevant to our key financial and claims indicators are weighted at 10%, whereas the remaining indicators are weighted at 5%.*

2 *Estimated cost for the current financial year may vary depending on rescheduling and additional activities in the light of the July 2021 catastrophe. The additional activities will be accommodated without a time or cost overrun.*

3 *The performance measurement refers to the performance against the full project plan from November 2019 to December 2022. The performance target of 100% refers to the full achievement of the indicator set for the financial year and does not refer to the full project completion as the project spans several financial reporting periods. One task spanned the reporting financial year and continued into the next financial year and is included in this calculation.*

4 *The Board approved a project budget of R85 million for the total project duration, R35 million of which was for phase two.*

5 *The performance measurement refers to the implementation of release (phase) two on 11 June 2021. A delay in the development of the external integrations resulted in the project being delivered in three sub-phases. Actual phase 2.0 implementation was 13 June, phase 2.1 on 4 July and phase 2.2 go-live date 19 July. Straight-through processing was delivered on 3 September, and bank account verification, ID verification and company registration verification were delivered 1 August. Two items were descoped from phase 2.2. The voice recording integration and eNatis integrations are planned for implementation by 31 August 2022 as part of the post-go-live support period.*

CHIEF FINANCIAL OFFICER'S REPORT

Bajabulile Mthiyane
Chief Financial Officer

Sasria experienced its most challenging year since inception during 2021/22, with the July 2021 unrest casting doubt on its ability to remain viable. Financial performance and position deteriorated rapidly following the solid performance of the previous year. The impact in the 2021/22 financial year numbers is reflected in the following highlights:

2022 financial performance highlights

R3.15 BILLION
Gross insurance premiums written
2021: R2.79 million

R35.15 BILLION
Gross claims incurred
2021: R352 million

(R8.60 BILLION)
Net reinsurance expense/(income)
2021: R188.68 million

(R24.60 BILLION)
Net underwriting results
2021: R1.25 billion

R315.80 MILLION
Net investment income
2021: R792.27 million

(R23.46 BILLION)
Net profit/(loss) after tax
2021: R1.5 billion

- During the review year, Sasria's **gross insurance premium written** increased significantly, from R2.79 billion to R3.15 billion. The increase was attributable to organic uptake of Sasria cover and the price increase that was effective in February 2022.
- As was to be expected, following the looting and destruction of property during the July 2021 unrest, **gross claims incurred** skyrocketed – to R35 billion. The catastrophe claims from the unrest alone were estimated at R34 billion.
- For the first time in history, Sasria claimed against its reinsurers, resulting in reinsurance recoveries of R10 billion for unrest claims. **Net reinsurance expense/(income)** increased from an expense of R188.68 million to an income of R8.60 billion.

The above highlights resulted in a decrease in **net underwriting results** from a profit of R1.25 billion to a highly material underwriting loss of R24.60 billion.

To settle the surging claims, Sasria had to liquidate a total of its investments in line with the ORSA, resulting in a loss of investment income. Net **investment income** decreased from R792 million to R316 million.

The unfavourable variance on both net underwriting results and net investment income resulted in a historical loss after tax of R23.46 billion.

2022 financial position highlights

R14.62 BILLION
Asset under management
2021: R9.58 billion

R2.68 BILLION
Reinsurance contracts
2021: R37.18 million

R6.90 BILLION
Equity
2021: R8.36 billion

R12.69 BILLION
Insurance contracts liabilities
2021: R1.32 billion

- Financial year 2021/22 was so unique that the shareholder had to inject capital of R22 billion to pay for the catastrophe claims and ensure Sasria would meet its solvency requirements. This affected **assets under management,** which increased from R9.58 billion to R14.62 billion.
- At year-end, Sasria still had outstanding reinsurance recoveries from the reinsurance programme for claims following the July 2021 unrest and the reserves from the new reinsurance programme. **Reinsurance contracts** increased from R37.18 million to R2.85 billion.
- **Equity** decreased significantly but later recovered as a result of the capital injection from the shareholder, from R8.36 billion to R6.90 billion.

Insurance contract liabilities remain high, at R12.69 billion, reflecting the balance of claims that still need to be settled from the July 2021 unrest. Our SCR fell below 100% necessitating us to apply the PA for permission to continue to trade while financially unsound and implementing management actions to restore the SCR to 100%. The PA allowed us to continue writing new business until 30 June 2022, provided we could prove the reinstatement of 100% SCR. A further extension was requested until 30 November 2022 to finalise the process.

The agent companies played a pivotal role in the settlement of some claims from the unrest on behalf of the company through a mandate. The execution of the mandate by agents contributed to the achievement of a total claims settlement of R22 billion by the end of the financial year.

All energies were focused on the settlement of claims. The nature of the arrangement with the agent companies posed a risk of duplicate payments, where the same claim is settled by the company and the agent. At year-end, the company incurred fruitless and wasteful expenditure from these duplicate payments, some of which were recovered. Others are still being recovered.

Procurement

In view of the restrictions imposed by remote working on handling of tenders, we had to develop a solution to manage bid reception electronically. The online tender portal was developed and successfully implemented, providing a secure and stable platform for tender management that will enhance the controls and integrity of tender processes in this new working environment.

The Enterprise and Supplier Development Policy was reviewed to strengthen our transformation goals and it was approved by the Board. The supplier development programme, which bolsters our asset manager incubation programme, was temporarily halted to allow assets to be redirected into rebuilding our sustainability.

The decision by the Constitutional Court that the country's procurement regulations are inconsistent with the Preferential Procurement Policy Framework Act created uncertainty across all state organs and business. There was no definite direction from National Treasury and we had to consult our legal department. On its advice, we maintained procurement processes in line with the Act and our Procurement Policy, which we deemed important for business continuity. The decision has been vindicated by the recent court order that confirmed the regulations' validity until February 2023.

Outlook

The finance focus for 2022/23 is the implementation of IFRS 17: Insurance Contracts and IFRS 9: Financial Instruments. The company expects to adopt both standards on 1 April 2023. The standards will have far-reaching implications for our annual financial statements, affecting data management processes, systems, key performance indicators and our financial and management reporting processes.

Gratitude

The finance team thanks the shareholder, Board and the Executive Committee for their single-mindedness in steering the organisation through the most trying year in its history and for their steadfast support and encouragement. The year demanded much of everybody in the organisation and not a person nor a mind was missing. United we stood and the stronger we are for it.

Bajabulile Mthiyane
Chief Financial Officer

SUMMARISED FINANCIAL PERFORMANCE

For the year ended 31 March 2022

		2021/22	Movement 2021/2022	2020/21	Movement 2020/2021	2019/20
	Note	R'000	%	R'000	%	R'000
Gross insurance premiums written	1	3 152 458	13,2%	2 785 825	15%	2 416 914
Unearned premium reserve movement		(117 059)	(2188%)	(7 572)	86%	(50 191)
Acquisition of insurance contracts expenses		(445 778)	(9%)	(408 429)	(18%)	(347 301)
Administration and marketing expenses		(645 054)	(11%)	(580 654)	(18%)	(490 485)
Gross claims incurred	2	(35 145 291)	(9892%)	(351 718)	65%	(991 799)
GROSS UNDERWRITING RESULTS		**(33 200 724)**	**(2410%)**	**1 437 452**	**168%**	**537 138**
Insurance premiums ceded to reinsurers	3	(973 118)	(331%)	(225 860)	(24%)	(182 411)
Reinsurance portion of claims incurred	4	9 255 422	100%	-	(100%)	592
Commission earned from reinsurers	5	314 302	745%	37 179	(18%)	45 212
NET REINSURANCE EXPENSE		**8 596 606**	**4656%**	**(188 681)**	**(38%)**	**(136 607)**
Net underwriting results		**(24 604 118)**	**(2070%)**	**1 248 771**	**212%**	**400 531**
Net investment income	6	315 795	(60%)	792 271	227%	242 626
Other income	7	17 846	6954%	253	(59%)	616
Corporate social investment	8	(23 566)	(14629%)	(160)	100%	(43 077)
Profit/(loss) before tax		**(24 294 043)**	**(1290%)**	**2 041 135**	**240%**	**600 696**
Taxation	9	836 970	255%	(538 574)	(101%)	(267 893)
PROFIT AFTER TAX		**(23 457 073)**	**(1661%)**	**1 502 561**	**351%**	**332 803**
Claims ratio		1114,9%		12,6%		41,0%
Management expenses ratio		20,5%		20,9%		20,3%
Cost of acquisition ratio		14,1%		14,7%		14,4%
Net underwriting ratio		-780,5%		44,8%		16,6%
Gross written premium per employee		R23 352		R23 810		R23 240
Effective tax rate		0,0%		26,4%		44,6%
Reinsurance as a % of gross premium		30,9%		8,1%		7,5%

Notes

1. *Gross written premium has grown due to organic growth and premium rate increases.*
2. *The increase in gross claims incurred is attributable to claims from the July 2021 unrest.*
3. *The increase in reinsurance premiums ceded to reinsurers is attributable to reinstatement premiums and the introduction of the new reinsurance programme.*
4. *The increase in reinsurance portion of claims incurred is attributable to the July 2021 unrest reinsurance recoveries.*
5. *The increase in commission earned from reinsurers is attributable to the introduction of the new reinsurance programme.*
6. *The decrease in net investment income is attributable to the liquidation of investments during the second quarter of the financial year to settle the July 2021 unrest claims.*
7. *The increase in other income is attributable to interest that was remitted by SARS in the 2021/22 financial year*
8. *The increase in corporate social investment is attributable to a reversal of corporate social responsibility-related provisions in the prior financial year*
9. *The decrease in taxation is attributable to the tax loss position for the 2021/22 financial year.*

SUMMARISED FINANCIAL POSITION

At 31 March 2022

	Note	2021/22 R'000	Movement 2020/2021 %	2020/21 R'000	Movement 2020/2021 %	2019/20 R'000
ASSETS						
Property, equipment and intangible assets		81 065	8%	74 871	21%	61 933
Deferred acquisition costs and administration fees		161 966	25%	129 516	1%	127 990
Deferred income tax	1	776 713	100%	-	(100%)	30 816
Financial assets at fair value through profit or loss and held for trading	2	37 302	(99%)	6 346 952	51%	4 190 416
Reinsurance contracts	3	2 845 137	5094%	54 782	58%	34 719
Cash and cash equivalents	4	14 578 781	360%	3 166 600	(18%)	3 875 469
Other assets	5	1 428 118	418%	275 631	54%	599 576
TOTAL ASSETS		**19 909 082**	**98%**	**10 048 352**	**13%**	**8 920 919**
Shareholder capital contribution	6	22 000 000	100%	-	0%	-
Retained income/(loss)	7	(15 098 628)	(281%)	8 358 455	20%	6 958 209
EQUITY		**6 901 372**	**(17%)**	**8 358 455**	**20%**	**6 958 209**
LIABILITIES						
Deferred income	8	99 374	806%	10 972	7%	10 236
Deferred income tax	1	-	100%	59 740	100%	-
Insurance contract liabilities	9	12 694 166	865%	1 315 963	(22%)	1 696 512
Other payables		214 170	(29%)	303 222	18%	255 962
TOTAL LIABILITIES		**13 007 710**	**670%**	**1 689 897**	**(14%)**	**1 962 710**
TOTAL EQUITY AND LIABILITIES		**19 909 082**	**98%**	**10 048 352**	**13%**	**8 920 919**

Notes

1. *The increase in deferred tax asset is attributable to the tax loss position for the 2021/22 financial year.*
2. *The decrease in financial assets at fair value through profit or loss and held for trading is attributable to the liquidation of investments during the second quarter of the financial year to settle July 2021 claims.*
3. *The increase in reinsurance contracts asset is attributable to outstanding reinsurance recoveries emanating from the unrest.*
4. *The increase in cash and cash equivalents is attributable to cash reserves held to settle July 2021 claims.*
5. *The increase in other assets is attributable to VAT receivable arising from the July 2021 claims and an increase in prepayments as a result of floats payments to Sasria's agent companies to settle claims on behalf of the company.*
6. *The shareholder capital contribution represents an equity injection from the shareholder.*
7. *The accumulated loss for 2021/22 is attributable mainly to the July 2021 claims.*
8. *The increase in deferred income is attributable to the introduction of the reinsurance structure.*
9. *The increase in insurance contract liabilities is attributable mainly to outstanding unrest claims.*

SUMMARISED CASH FLOW

For the year ended 31 March 2022

	Note	2021/22 R'000	Movement 2020/2021 %	2020/21 R'000	Movement 2019/2020 %	2019/20 R'000
OPERATING ACTIVITIES						
Cash generated from operations	1	(17 069 680)	(2060%)	870 956	134%	373 000
Investment income received	2	307 034	(30%)	439 096	(19%)	543 133
Income tax paid	3	(147 652)	68%	(460 277)	(177%)	(165 985)
Interest paid		(5 395)	100%	(5 066)	(100%)	-
NET CASH FROM(USED IN) OPERATING ACTIVITIES		**(16 915 693)**	**(2103%)**	**844 709**	**13%**	**750 148**
INVESTING ACTIVITIES						
Net purchase of property, equipment and intangible assets	4	(28 542)	30%	(40 794)	(37%)	(29 745)
Net sale/(purchase) of financial assets	5	6 360 615	553%	(1 403 725)	(40%)	(1 000 004)
CASH FROM (USED IN) INVESTING ACTIVITIES		**6 332 073**	**538%**	**(1 444 519)**	**(40%)**	**(1 029 749)**
FINANCING ACTIVITIES						
Cash payment relating to principal lease liability		(4 199)	38%	(6 734)	6%	(7 155)
Dividends paid		-	100%	(102 325)	(100%)	-
Shareholder capital contribution	6	22 000 000	100%	-	0%	-
CASH USED IN FINANCING ACTIVITIES		**21 995 801**	**20269%**	**(109 059)**	**(1424%)**	**(7 155)**
NET MOVEMENT IN CASH		**11 412 181**	**1242%**	**(708 869)**	**(1207%)**	**(286 756)**
Cash and cash equivalents at the beginning of the year		3 166 600	(18%)	3 875 469	(7%)	4 162 225
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**14 578 781**	**360%**	**3 166 600**	**(18%)**	**3 875 469**

Notes

1. *The cash used in operating activities is attributable mainly to the settlement of July 2021 claims offset partly by reinsurance recoveries.*
2. *The decrease in net investment income received is attributable to the liquidation of investments during the second quarter of the financial year to settle July 2021 claims.*
3. *The decrease in tax paid is attributable to the tax loss position for the 2021/22 financial year.*
4. *The decrease in net purchase of property, equipment and intangible assets is attributable to payments for the development of the claims management system made in the previous year.*
5. *Sale of investments is attributable to the liquidation of investments during the second quarter of the financial year to settle July 2021 claims.*
6. *The shareholder capital contributed is an equity injection from the shareholder.*

03 RESILIENT

SOCIAL

PERFORMANCE AND COMPLIANCE

PART THREE

Sasria's social responsibility initiatives, commitment to employee wellbeing and adherence to best practice reinforce its reputation as a responsible corporate citizen.

SOCIO-ECONOMIC DEVELOPMENT

Sasria's socio-economic development activities are aligned to NDP outcomes, SDG goals and the socio-economic pillar of the organisation's Vision 2024.

70 STUDENTS
supported through Sasria, SAADP and Thuthuka bursary schemes

75 QUALIFIED ACTUARIES
since the inception of the programme in 2003

155 DELEGATES
benefitted from skills development initiatives (learnerships, mentorship and leadership development)

24 977 LEARNERS
from eight provinces benefitted through the maths and science programme

5 COMMUNITIES
bolstered by the food security project

95 SCHOOLS
received Covid-19 relief (infrastructure, hygiene packs, tablets and data)

Education

R15.0 MILLION SPENT

CONSUMER EDUCATION, TERTIARY INTERVENTIONS, SCHOOL INFRASTRUCTURE PROJECTS

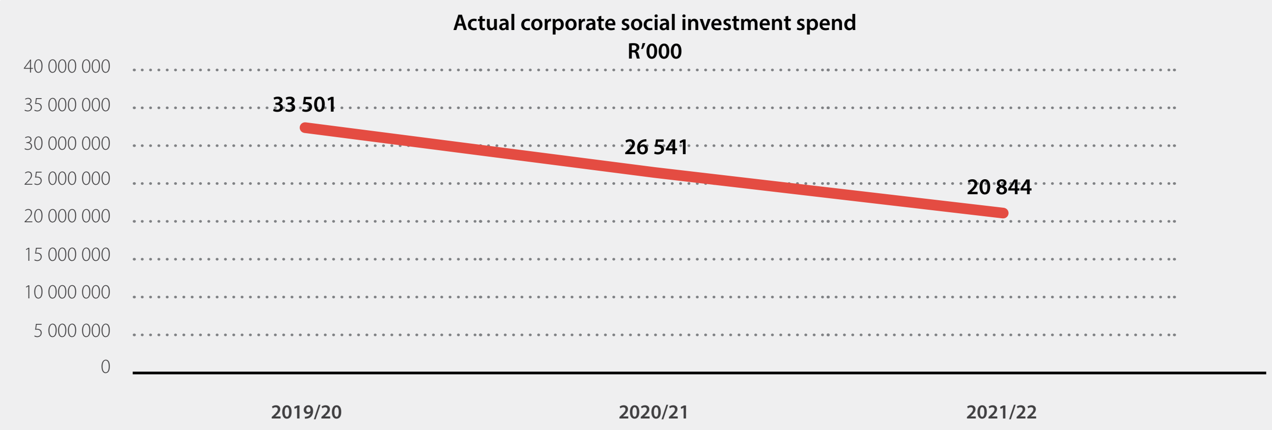
Skills development

R5.2 MILLION SPENT

SASRIA/INDUSTRY PARTNERSHIP, YOUTH DEVELOPMENT, GRADUATE PROGRAMMES

Community upliftment

R621 750 SPENT



Contribution to the SDGs and NDP

SDG		NDP OUTCOMES	FOCUS AREA	ACTIVITY AND ACHIEVEMENT	AMOUNT ALLOCATED
4 QUALITY EDUCATION	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	• Quality basic education • Improving education, training and innovation		• Sasria bursary scheme, aiming to improve pass rate by 10% • 20 bursaries awarded, 55% to males, 45% to females; 75% of students passed	R2 million
				• Thuthuka bursaries – increasing the number of African and coloured accounting students • 70 students supported (20 Sasria bursary scheme, 20 Thuthuka and 30 SAADP)	R1 million
				• SAADP – addressing shortage of black actuarial skills • 75 qualified actuaries, with percentage of qualified females increasing from 27% to 38%	R5 million
				• Extra classes/teacher development programme to improve maths and science marks • Learners reached: 25 000, schools reached: 94; teachers reached: 600	R2.5 million
				• New school library and computer centre built in Maile, North West (investment in 2020/21)	
				• School infrastructure at Morogong Primary School	

Contribution to the SDGs and NDP

SDG		NDP OUTCOMES	FOCUS AREA	ACTIVITY AND ACHIEVEMENT	AMOUNT ALLOCATED
8 DECENT WORK AND ECONOMIC GROWTH	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	A skilled and capable workforce to support an inclusive growth path		• Insurance leadership development programmes with GIBS and IIG • 20 delegates enrolled, three of whom withdrew; 71% African, 57% female	R2.5 million
				• Sasria graduate and learnership programme to address youth unemployment and create a talent pipeline for Sasria • 15 learners and interns: three unemployed and two employed learners short-term insurance National Qualifications Framework (NQF) 4, two unemployed learners seconded to a broker and eight interns	R1.5 million
				• Insurance Institute of South Africa (IISA)/IIG/GIBS and other industry initiatives • Technical training webinars coordinated by IISA • 25 delegates registered for Roots & Wings mentorship programme • 26 delegates graduated from class of 2021 programme • 44 learners registered on IIG NQF 5 learnership	R1.5 million
				• New insurance graduate programme in information science and technology on NQF level 7 • 24 individuals graduated	R1 million
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/boys' mentoring programme/youth programmes, introducing sustainability programmes to vulnerable communities in partnership with Children of the Dawn and Arebakeng • Food parcels and daily meals provided, vegetable gardens and agricultural programmes, income-generating activities (creating food-buying power) in Bushbuckridge, QwaQwa, Matatiele, Mangweni and Tembisa	R600 000
				• Donations, Mandela Day, back-to-school initiatives, house builds • IIG youth day event	R600 000

> *The programme bridged the gap for me between the challenges of the short-term insurance industry and how technology can solve them. It took me out of my comfort zone to provide the tools and knowledge I will need in a more senior management position.*
>
> Insurance graduate programme beneficiary Million Maringa, data manager and support: Infiniti Africa

> *The programme was very interactive and relevant to my work. The need for emerging information technology talent, particularly in insurance, has long been acknowledged and this programme is a great way to grow young people.*
>
> Thandeka Khoza, IT helpdesk, Constantia Insurance Company Limited

Relief programmes

Several relief programmes launched in 2020/21 were continued during the review year, notably:

- Building of four classrooms and Grade R ablution facilities and installation of handwashers at Lot Phalatse Primary school and handover of 784 hygiene packs
- Covid-19 supplementary curriculum for Diepsloot and Nomnekane primary schools
- Borehole installed and VIP ablution facilities installed at Hlahlindela Secondary School
- Through the Step Up a Start-up youth entrepreneurship programme, 91 high schools and more than 115 000 grades 10 to 12 pupils reached, 57% of them female
- Teachers from KwaZulu-Natal, Western Cape, Eastern Cape and Gauteng capacitated through Edufundi teacher development programme.

Outlook for 2022/23

Given the unrest in July 2021, the company may not be able to contribute to many of its corporate social investment programmes in 2022/23. However, we believe it essential to continue funding bursary students who have completed year one of study.

Other initiatives earmarked for 2022/23 include:

- Continuation of maths and science extra classes
- Workplace learning opportunities for interns and graduates
- Loss adjusters learnership programme with IISA, including talks with various institutions for implementation
- Work with a municipality for Sasria's risk mitigation.

SASRIA PEOPLE

The road to a new culture

The culture transformation project initiated in 2018 in preparation for the start of the five-year strategy, Vision 2024, was the focal point of people management during 2021/22. In 2018, a climate survey raised issues of values, trust, management competence and change capabilities and a follow-up survey in 2020 recorded a marked improvement in certain areas. By 2021, already having contended with Covid, staff were confronted with the unsettling prospect of Sasria insolvency.

In the midst of uncertainty about their future and elevated expectations of staff given the volumes of claims needing to be processed, it was agreed that the culture project would continue apace as an indispensable tool to support progress and encourage a positive outlook.

Post-July 2021, the organisation swiftly instituted a two-pronged people management approach:

CRISIS MANAGEMENT PHASE

- Ensure continued staff confidence in Sasria as a viable employer
- Provide rapid response to human resources requirements to the affected divisions/departments, including contracting external specialists
- Facilitate sustained internal stakeholder engagement and communication to ensure alignment, including messages from the Chairperson and interactive sessions with the Chief Executive Officer
- Coordinate employee wellness programme to support staff who may be experiencing anxiety

REBUILDING PHASE

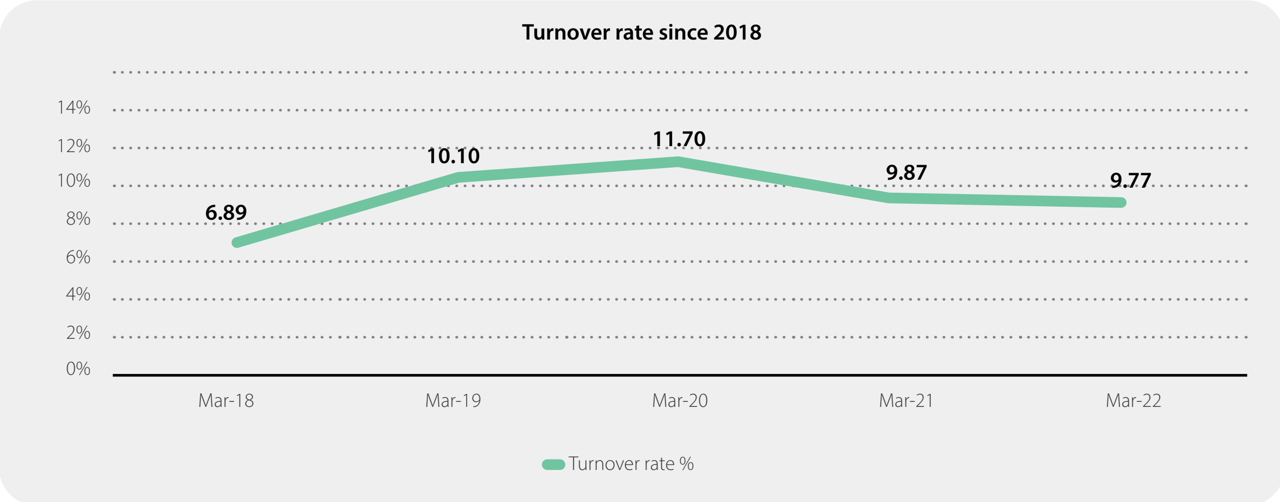
- Align organisational structure to revised strategy
- Conduct people capability analysis
- Enhance employer brand to attract and retain talented individuals, including retention strategy, employee value proposition and remuneration, all of which were reassessed
- Ensure continuation of strategic people-related projects such as culture and management development

Staff turnover

In an extremely trying year, Sasria could have lost valuable and difficult-to-replace skills. However, the turnover rate was contained, ending the year at 9.77%, which was within the 10% threshold. Sasria lost no crucial nor scarce skills and no operational disruptions were experienced.

Retention strategy offerings in response to the unrest claims crisis

- Contractors appointed to assist with workload
- Revised and recommunicated strong employee value proposition
- Quarterly survival packs
- Regular communication and feedback
- Incentives such as special days, early payday, happy hour



FSC employment equity scorecard – target vs actuals

Total staff **180**

Black disabled staff **5**

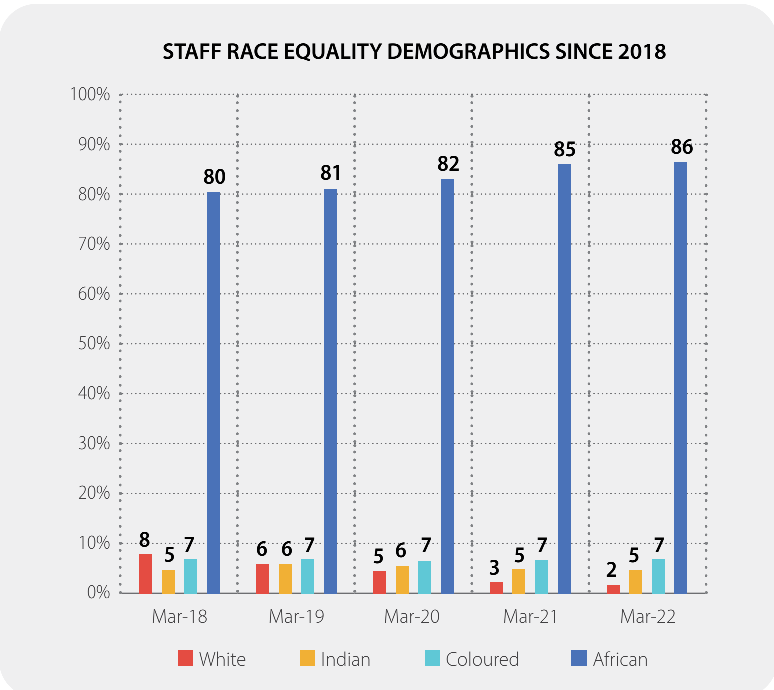
Black disabled target **4**

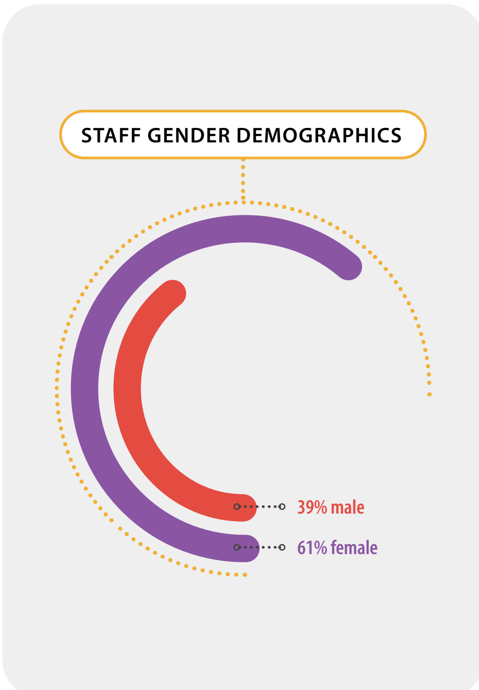
CRITERIA	POINTS	TARGETS	ACTUAL	SCORE
BOARD PARTICIPATION				
Exercisable voting rights of black members	1.00	50.00%	92.86%	1.00
Exercisable voting rights of black women members	1.00	25.00%	50.00%	1.00
African executive directors as a % of all executive directors	2.00	50.00%	100.00%	2.00
African women executive directors as a % of all executive directors	1.00	25.00%	50.00%	1.00
SENIOR MANAGEMENT AND OTHER EXECUTIVE MANAGEMENT COMBINED				
African executive management as a % of other executive management	4.00	60.00%	83.33%	4.00
African women executive management as a % of other executive management	2.00	30.00%	33.33%	2.00
African executive management (applies only when combining management levels)	1.00	52.29%	66.67%	1.00
COMBINED WITH OTHER EXECUTIVE MANAGEMENT				
African employees in senior management	0.00	0.00%	100%	0.00
African women employees in senior management	0.00	0.00%	0.00%	0.00
African employees in senior management (employee assistance programme applied)	0.00	0.00%	0.00%	0.00
MIDDLE MANAGEMENT				
African employees in middle management	2.00	75.00%	96.43%	2.00
African women employees in middle management	1.00	38.00%	57.14%	1.00
African employees in middle management (economically active population applied)	1.00	65.36%	82.14%	1.00
JUNIOR MANAGEMENT				
African employees in junior management	1.00	88.00%	99.21%	1.00
African women employees in junior management	1.00	44.00%	55.56%	1.00
African employees in junior management (economically active population applied)	1.00	76.69%	90.48%	1.00
DISABLED EMPLOYEES				
Black disabled employees	1.00	2.00%	2.78%	1.00
TOTAL	**20.00**			**20.00**

The skills development score was 21.56 out of 25 points, excluding bonus points. The score was affected by reduced face-to-face learning due to Covid-19 restrictions.

CRITERIA BASED ON SOUTH AFRICA'S OVERALL DEMOGRAPHIC REPRESENTATION POINTS AND TARGETS BASED ON ALL STAFF LEVELS PRESENT	POINTS	TARGET	ACTUAL	SCORE
SENIOR AND EXECUTIVE MANAGEMENT				
Expenditure on learning programmes for black senior and executive management	2.00	2.00%	6.12%	2.00
Expenditure on learning programmes for black female senior and executive management	1.00	1.00%	0.44%	0.44
MIDDLE MANAGEMENT				
Expenditure on learning programmes for black middle management	2.00	3.00%	2.70%	1.80
Expenditure on learning programmes for black female middle management	1.00	1.50%	2.18%	1.00
JUNIOR MANAGEMENT				
Expenditure on learning programmes for black junior management	3.00	5.00%	4.75%	2.85
Expenditure on learning programmes for black female junior management	2.00	2.50%	1.46%	1.17
NON-MANAGEMENT				
Expenditure on learning programmes for black people and non-management staff	3.00	8.00%	22.23%	3.00
Expenditure on learning programmes for black female and non-management staff	1.00	4.00%	5.67%	1.00
OTHER CATEGORIES				
Expenditure on learning programmes for disabled black employees	2.00	0.30%	0.05%	0.30
Number of black people (employed or unemployed) participating in learnerships	8.00	5.00%	7.22%	8.00
BONUS POINTS				
Number of black people absorbed at the end of learnership programmes	3.00	100%	0.00%	0.00
TOTAL	**28.00**			**21.56**

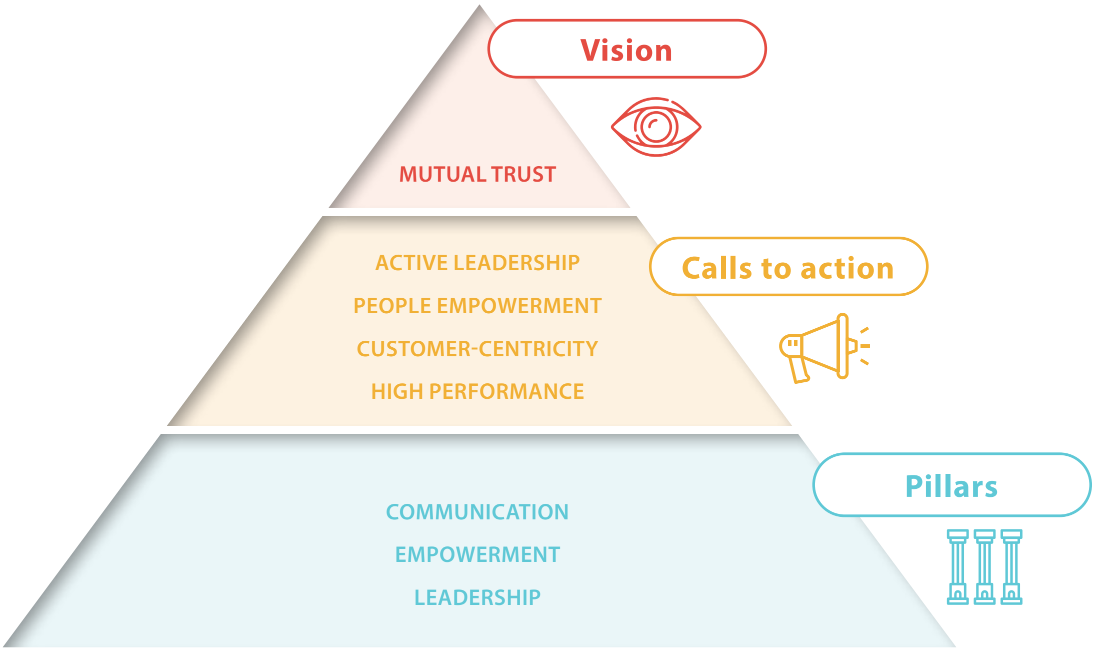
Sasria's race profile is above the provincial economically active population guidelines by 0.52% and the percentage of African employees has grown steadily in recent years, reflecting the company's commitment to appointing and promoting black individuals and females in senior positions.





Outlook

With the continuation of the culture project throughout the review year, a series of workshops and focus sessions developed an agreed culture vision that would carry the process forward. It aspires to 'mutual trust' to be achieved through a set of goals, pillars and calls to action, as depicted below.



Revised talent management strategy resulting from the July 2021 crisis

In the new financial year, a set of skills for each call to action will be formulated, developed and implemented.

King IV

Sasria subscribes to the 17 principles of the King IV Report on Corporate Governance for South Africa 2016 (King IV), as indicated below.

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. The Board Chair signed an ethics statement by the Board espousing the Board's ethics commitment. Board members also note the declaration of conflicts of interest in all Board and Board committee meetings. Declaration of interests is a standard agenda item in these forums and any declarations are noted in the minutes of each meeting. Board member declaration of directorships is also considered at least annually at a Board meeting. The list of all directorships declared by each member is included in the Board meeting pack for other members to note and for future reference. The Board has a Social and Ethics Committee with a clear mandate and terms of reference on ethics. This committee submits quarterly written reports that are presented by the committee Chairperson to the Board. The Board also reports annually on ethics to the shareholder at the annual general meeting through the Social and Ethics Committee Chairperson. The company also has a key performance indicator in its corporate plan on management of ethics and reports against this quarterly to the shareholder
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 that applies to Board members and employees. The code of conduct is contained in the Employee Relations Policy and Procedure. Sasria will compile an ethics risk register in 2022/23. These will be managed through an ethics strategy also in development. This follows an ethics maturity gap analysis conducted on the company by the Ethics Institute
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
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 continually the positive and negative outcomes resulting from its business model and responds to them 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 sustainable value creation in the economic, social and environmental context in which it operates

PRINCIPLES	COMPLIANT	BRIEF EXPLANATION
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 are also 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
8. The Accounting Authority should ensure that its arrangements for delegation within its own structures promote independent judgment, 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 are balanced and do not lend themselves to individuals dominating decision-making in governance structures or undue dependency
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	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
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 enterprise risk management framework and approach to managing risk. The Risk Committee assists the Board with the governance of risk
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 they are inter-related to Sasria's strategy, performance and sustainability. 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

For more detail on the composition of the Board of Directors, refer to page 34.

For more detail on the composition of the Board's committees, refer to pages 35 to 37.

PRINCIPLES	COMPLIANT	BRIEF EXPLANATION
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 77.		
15. The Accounting Authority should ensure that assurance services and functions enable an effective control environment, and that these support 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 on our key relationships on page 21.		
17. The Accounting Authority should ensure 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 UNPRI and has supported CRISA since 2012
Refer to page 43 for more information.		

Compliance

During the review period, 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, the organisation received a capital injection of R22 billion from the shareholder to enable it to honour claims from the July 2021 unrest and to restore its SCR.

No material loss was incurred through criminal conduct and no criminal charges arose.

We maintain a zero-tolerance approach to fraud and corruption. Employees are made aware of the latest trends and the code of ethics applies to all.

Irregular, fruitless and wasteful expenditure amounting to R36 407 million was recorded in 2021/22, mostly as a result of duplicate payments of claims lodged after July 2021. This is also reported as part of the annual financial statements (note 29). These funds are being recovered.

Remuneration

Sasria's remuneration policy is aligned with the State-owned Enterprises Remuneration Guidelines, Financial Sector Conduct Authority and King IV to ensure that directors and executives are remunerated fairly and responsibly. These guidelines were applied for the 2021/22 reporting period. The remuneration of executives is approved by the Minister of Finance.

All salaries are managed by salary bands and are benchmarked annually against industry standards, the benchmark review taking place in November. The 2021/22 benchmark review was approved by the Remuneration and Nomination Committee.

This approach ensures that employees receive market-related remuneration commensurate with their grade, duties and experience. The 50th percentile is seen as the most appropriate market reference point for Sasria, but the 75th percentile is applied to attract and retain rare and critical skills.

Sasria is comfortable that the remuneration approach is fair and applied constantly.

Average salary increases over three years

STAFF CATEGORIES	2021/22	2020/21	2019/20
Top management – Chief Executive Officer	5%	-	5%
Senior management – executives	4.5%	3.5%	3.5% – 5%
Middle management	4.5%	4.5%	5.5%
Specialists	4.5%	4.5%	5.5%
Skilled technically/junior management	4.5%	4.5%	5.5%
Semi-skilled	4.5%	4.5%	6%
Unskilled	4.5%	4.5%	6%

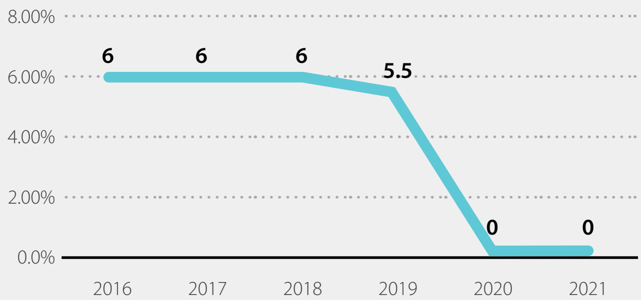
Remuneration of top managers is detailed on page 145.

Board remuneration

The shareholder reviews directors' remuneration and approve adjustments at the annual general meeting, based on performance against strategy and corporate plan, effectiveness of the Board and individual meeting attendance.

The increase is effective in January. The graph shows the annual increase granted to non-executive directors since 2016.

ANNUAL INCREASE AFFORDED TO NON-EXECUTIVE DIRECTORS



Short-term incentives of 2020/21 administered in 2021/22

Short-term incentive payments are based on business and personal metrics. The former spans the following key performance indicators, crucial 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 the ICT strategy
- Improving transformation scores against the targets set by the Financial Sector Code.

The personal metric is judged on the employee's performance, determined through the performance management process.

A higher weighting is given to financial outcomes and is applied to the most senior managers, who have a more significant influence on these outcomes.

Weightings for business and personal performance metrics to determine short-term incentives 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)	-	40

Performance bonuses

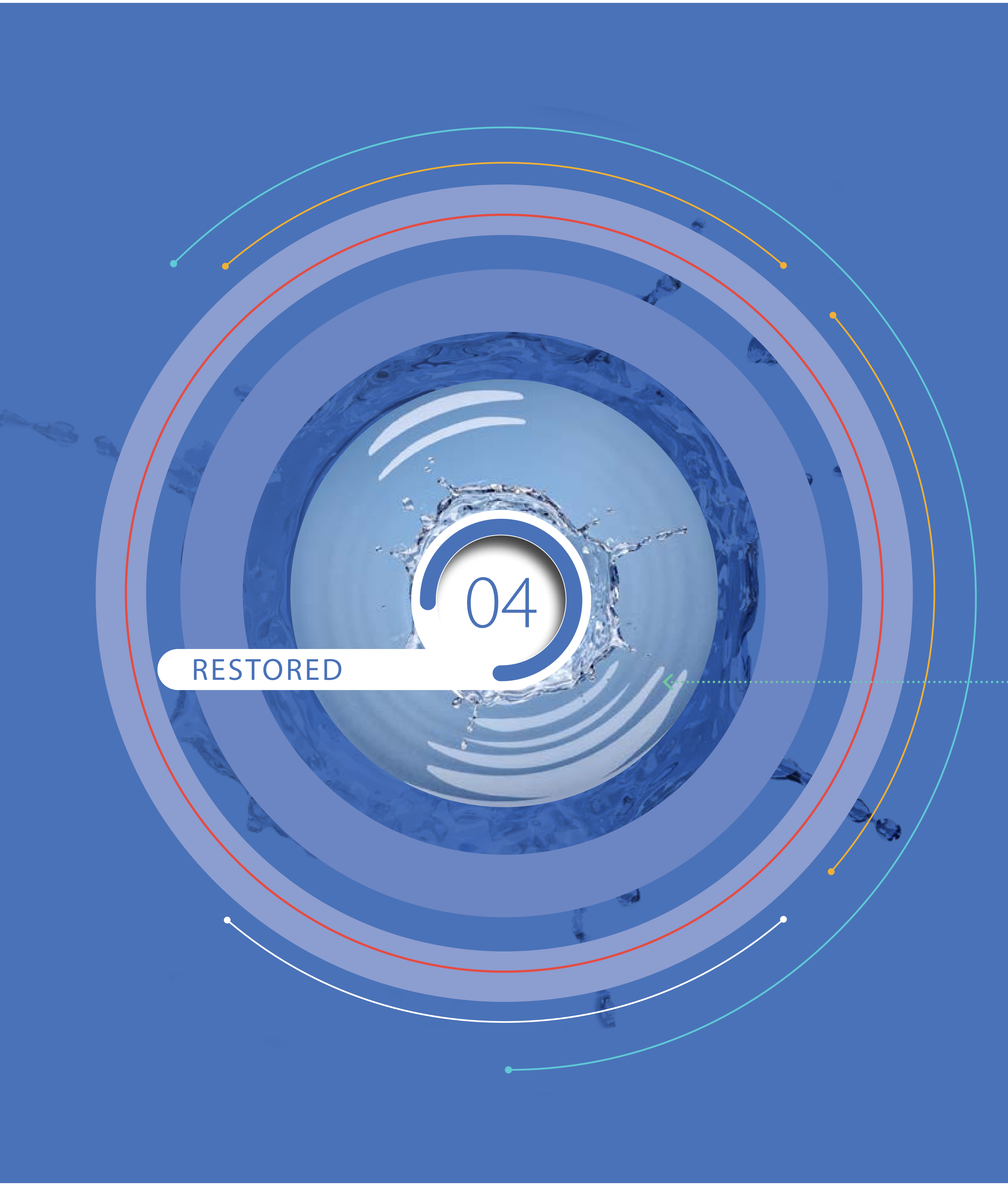
Payment of a bonus pool is dependent on achieving:

- An unqualified audit report
- 60% of the company's key performance indicators
- 70% of the forecast underwriting profit against budget.

No performance bonuses were paid for 2021/22, but bonuses for 2020/21 were paid in March 2022.

Pension fund

The Sasria pension fund, administered by Momentum, had assets of more than R104 million at 31 March 2022. The performance of the fund is monitored by the advisory body within Sasria, which meets quarterly. The fund has 135 members. There were 12 withdrawals at 31 March 2022 and no disability claims were recorded during the year. The pension fund covers group life, dread disease, temporary- and permanent disability and funerals.


04
RESTORED

AUDITED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

PART FOUR

The annual financial statements were internally prepared by the Senior Finance Manager: Sibusiso Shongwe CA(SA)

The annual financial statements were reviewed by the Chief Financial Officer: 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.

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APPROVAL OF THE **ANNUAL FINANCIAL STATEMENTS**

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

The annual financial statements set out in this report have been prepared by management in accordance with the provisions of the Companies Act, 2008 (Act No 71 of 2008) (Companies Act) and the Public Finance Management Act PFMA (Act No 1 of 1999) (PFMA) and comply with International Financial Reporting Standards (IFRS). They are based on appropriate accounting policies that have been consistently applied and that are supported by reasonable and prudent judgments and estimates.

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

The company's internal controls and systems are designed to provide reasonable assurance on the integrity and reliability of the 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 2022 annual financial statements were audited by the independent auditors, SizweNtsalubaGobodo Grant Thornton Inc and AM PhakaMalele 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 the audit. The unqualified audit report is presented on page 87.

The Board, assisted by its committees, 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 considered the risks, opportunities and material matters. The directors did not note 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 2022 integrated report and its annual financial statements, set out on pages 91 to 148, were approved by the Board of Directors in accordance with its responsibilities and were signed on its behalf by:

Moss Ngoasheng
Chairperson
30 November 2022

Mpumi Tyikwe
Chief Executive Officer
30 November 2022

COMPANY SECRETARY **CERTIFICATE**

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

Mziwoxolo Mavuso
Secretary
30 November 2022

The unqualified audit report is presented on page 87.

DIRECTORS' **REPORT**

The directors are pleased to submit the annual financial statements of Sasria SOC Limited (Sasria) for the year ended 31 March 2022.

Nature of the business

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

This is unique cover against risks such as civil commotion, public disorder, strikes, unrest 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 were 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 loss after tax of R23.457 billion for the year ended 31 March 2022 compared to a net profit after tax of R1.503 billion for the previous year. The annual financial statements for the year ended 31 March 2022 appear on pages 91 to 148 and comply with International Financial Reporting Standards and the requirements of the Companies Act and PFMA.

Dividends

Sasria has adopted a steady, consistent and transparent dividend policy that will not place undue strain on its cash resources and liquidity, or result in inadequate cash reserves to meet future growth requirements. The Board did not declare a dividend during the financial year ended 31 March 2022, (2021: R102 million).

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.

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
Mpumi Tyikwe (Chief Executive Officer)
Bajabulile Mthiyane (Chief Financial Officer)

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

DIRECTORS' REPORT CONTINUED

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.

The Audit Committee report is on page 85 but there's no section detailing the Risk Committee's functions.

Auditor

SizweNtsalubaGobodo Grant Thornton Inc and AM PhakaMalele Inc were appointed Sasria's external auditors for the year ended 31 March 2022. Refer to the inside back cover for further details.

Events after the reporting date

Events after the reporting date are discussed in note 31 of the annual financial statements.

Going concern

The Board believes that the company will continue as a going-concern in the year ahead and, consequently, adopted the going-concern basis in preparing the annual financial statements. Factors that were considered by the Board when conducting the going-concern assessment are discussed in note 32 of the annual financial statements

The roles and functions of the the Audit Committee are on page 85 but there's no section detailing the Risk Committee's functions respectively.

AUDIT COMMITTEE **REPORT**

For the year ended 31 March 2022

The Audit Committee is pleased to present its report for the year ended 31 March 2022.

Audit Committee responsibilities

The Audit Committee has complied with its responsibilities arising from 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 the Board. It has also regulated its affairs in compliance with this charter and discharged all its responsibilities 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 35.

Combined assurance

King IV recommends a combined assurance model to enable an effective control environment to strengthen decision-making. Sasria has addressed this. Horizontal assurance includes internal audit, risk and compliance, while vertical assurance comprises line managers. The committee ensures that the assurance functions of management and internal and external audit are sufficiently integrated. The committee reviewed and approved the annual combined assurance plan and is satisfied with the combined assurance model arrangements in place.

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 enterprise risk management 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 remains a pivotal part of governance relating to assurance. Internal audit is an effective independent appraisal function using a risk-based audit approach. The internal audit function is relied on to contribute not only insight into the organisation, but foresight. The effectiveness of the internal audit function and the Chief Audit Executive are assessed annually by the Audit Committee and further tested through an external quality assessment review in line with international standards for the professional practice of internal auditing. The Chief Audit Executive has direct access to the chairpersons of the Audit Committee and the Board. The committee is satisfied with the independence and effectiveness of internal audit

Enterprise risk management

The Board considers reports on the effectiveness of risk management activities. A strategic and operational risk assessment was conducted for the year under review. The Audit Committee reviewed the risk registers quarterly.

Quality of monthly and quarterly report

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 2022 and confirms that management is presenting an appropriate view of the company's position and performance.

Thus, the committee believes, 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 is satisfied with Sasria's compliance with the applicable legal, regulatory and other responsibilities.

AUDIT COMMITTEE REPORT CONTINUED

Independent external audit

Each year of its five-year term, the auditor is assessed and formally reappointed. The Minister of Finance reappointed SizweNtsalubaGobodo Grant Thornton Inc and appointed AM PhakaMalele Inc at the annual general meeting of 01 June 2022. In line with the Companies Act, the Audit Committee reviewed and is satisfied with the independence, skills and competence of the external auditors.

To assess the effectiveness of the external auditors, the Audit Committee reviewed:

- The fulfilment of the agreed audit plan and variations from the plan; and
- The robustness of the external auditors in their handling of key accounting and audit judgments.

In overseeing 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 judgments; and
- Recommendations made by the external auditors and management's response.

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

Effectiveness of finance function

The effectiveness of the Chief Financial Officer and the finance function are assessed annually. The Audit Committee believes that Bajabulile Mthiyane CA(SA) has the appropriate expertise and experience to meet the responsibilities of the role.

Furthermore, the committee has considered and satisfied itself of the appropriateness, adequacy and effectiveness of the resources of the finance function

Evaluation of financial statements in accordance with the framework

The committee reviewed and discussed with the external auditors and the Chief Financial Officer queries relating to the audited annual financial statements to be included in the integrated report.

Based on the processes and assurance obtained, the 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 2022 and confirms that management is presenting an appropriate view of the company's position and performance. Based on the information provided by management and the results of audits performed by the internal and external auditors, the committee verifies that the financial information provided by management to the users of such information is adequate, reliable and accurate.

IT governance

The Board's accountability for governance of information technology (IT) is delegated to the Audit Committee. The committee's responsibilities include ensuring that the IT strategy supports Sasria's strategic objectives and IT investments are made within acceptable risk parameters, enabling achievement of compliance and business cyberresilience. IT performance is monitored through quarterly reports submitted to the Audit Committee.

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 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
30 November 2022

INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT ON SASRIA SOC LTD

Opinion

1. We have audited the financial statements of Sasria SOC Ltd (the public entity) set out on pages 91 to 148, which comprise the statement of financial position as at 31 March 2022, the statement of comprehensive income, statement of changes in equity and statement cash flows for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In our opinion, the financial statements present fairly, in all material respects, the financial position of Sasria SOC Ltd as at 31 March 2022, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), 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, 2008 (Act No 71 of 2008) (the Companies Act).

Basis of opinion

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

4. We are independent of the public entity in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors ("IRBA Code") and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards).

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

Emphasis of matter

6. We draw attention to note 31 in the annual financial statements, which describes the effects of the July 2021 civil unrest that occurred in KwaZulu-Natal and some parts of Gauteng in the public entity's reported insurance contract liabilities. Our opinion is not modified in respect of this matter.

Responsibilities of the accounting authority for the financial statements

7. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the requirements of the PFMA and the Companies Act, 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.

8. 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 responsibilities for the audit of the financial statements

9. 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.

10. 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

11. 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

** As reported in the performance and outlook report* performance report. We performed procedures to identify material findings but not to gather evidence to express assurance.

12. 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 evaluated the completeness and appropriateness of the performance indicator 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 future periods that may be included as part of the reported performance information. Accordingly, our findings do not extend to these matters.

13. 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 annual performance report of the public entity for the year ended 31 March 2022.

Objective	Page in the annual performance report*
Objective 1 – Sustainability – sustainable growth: Percentage growth of gross written premium (GWP) income compared to previous year	56

14. 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.

15. We did not identify any material findings on the usefulness and reliability of the reported performance information for this objective.

Other matters

16. We draw attention to the matter below. Our opinions are not modified in respect of this matter.

Achievement of planned targets

17. Refer to the annual performance report on page 56 for information on the achievement of planned targets for the year.

Report on the audit of compliance with legislation

Introduction and scope

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

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

Annual report and financial statements

20. 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:

21. an annual report on the activities of that public entity during that financial year (annual report);

22. the financial statements for that financial year after the statements had been audited (audited financial statements); and

23. the report of the auditors on those statements (auditor's report).

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

** As reported in the performance and outlook report*

Other information

25. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the directors' report, the audit committee's report and the company secretary's certificate as required by the Companies Act. The other information does not include the financial statements, the auditor's report and those selected objectives presented in the performance report that have been specifically reported on in the auditor's report.

26. Our opinion on the financial statements and my 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.

27. 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 objective presented in the annual performance report, our knowledge obtained in the audit, or otherwise appears to be materially misstated.

28. 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

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

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

Annual report and financial statements

31. The accounting authority was unable to exercise adequate oversight responsibility regarding compliance with section 55(1)(d) of the PFMA due to the late finalisation of the events after the statement of financial position date as described in note 31 of the annual financial statements.

Other reports

32. We draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the public entity's 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.

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

Quantitative Reporting Template in compliance with the Insurance Act, 2017 (the Act) for the year ended 31 March 2022.

Auditor tenure

34. In terms of the IRBA rule published in Government Gazette Number 39475 dated 4 December 2015, I report that SizweNtsalubaGobodo Grant Thornton Incorporated has been the auditor of Sasria SOC Ltd for five years.

SizweNtsalubaGobodo Grant Thornton Inc
Director: Nhlanhla Sigasa
Chartered Accountant (SA)
Registered Auditor
2 December 2022

20 Morris East Street
Woodmead
2191

ANNEXURE – AUDITOR'S RESPONSIBILITY FOR THE AUDIT

As part of an audit in accordance with the ISAs, we exercise professional judgment and maintain professional scepticism throughout our audit of the financial statements, and the procedures performed on reported performance information for selected objective 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 board of directors, which constitutes the accounting authority.
- conclude on the appropriateness of the board of directors, which constitutes 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 the ability of the Sasria SOC Ltd 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 provide the accounting authority with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to have a bearing on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

STATEMENT OF **FINANCIAL POSITION**

At 31 March 2022

	Note(s)	2022 R'000	2021 R'000
ASSETS			
Property and equipment	5	15 858	23 277
Intangible assets	6	65 207	51 594
Deferred acquisition costs and administration fees	7	161 966	129 516
Deferred income tax	16	776 713	-
Financial assets			
– at fair value through profit or loss - designated	8.1	37 302	6 252 461
– loans and receivables	8.2	9 360	74 851
– held for trading	8.3	-	94 491
Prepayments	9.1	401 194	2 004
Other receivables	9.2	743 147	-
Insurance receivables	9.3	274 417	198 776*
Reinsurance contracts	10	2 845 137	54 782*
Cash and cash equivalents	11	14 578 781	3 166 600
TOTAL ASSETS		**19 909 082**	**10 048 352**
EQUITY			
Share capital	12.1	-	-
Shareholder capital contribution	12.2	22 000 000	-
Retained earnings		(15 098 628)	8 358 445
TOTAL EQUITY		**6 901 372**	**8 358 445**
LIABILITIES			
Lease liability	5.1	8 610	13 360
Deferred income tax	16	-	59 740
Deferred income	15	99 374	10 972
Employee benefit liability	14	21 138	29 196
Insurance contract liabilities	10	12 694 166	1 315 963
Current income tax payable		-	148 169
Trade and other payables	13.1	20 365	64 984
Reinsurance payables	13.2	164 057	47 523
TOTAL LIABILITIES		**13 007 710**	**1 689 907**
TOTAL EQUITY AND LIABILITIES		**19 909 082**	**10 048 352**

** The prior year profit commission receivable from reinsurers has been reclassified from insurance receivables to reinsurance contracts. Refer to note 33.*

STATEMENT OF **COMPREHENSIVE INCOME**

For the year ended 31 March 2022

	Note(s)	2022 R'000	2021 R'000
Gross insurance premiums written	18	3 152 458	2 785 825
Insurance premiums ceded to reinsurers	18	(1 175 387)	(225 860)
NET INSURANCE PREMIUMS INCOME		**1 977 071**	**2 559 965**
Change in gross unearned premiums provision	18	(117 059)	(7 572)
Change in reinsurers' share of unearned premiums provision	18	202 269	2 456
NET INSURANCE PREMIUMS EARNED		**2 062 281**	**2 554 849**
Commission earned from reinsurers		314 302	37 179
Investment income	19	323 623	805 924
Other income		17 846	253
NET INCOME		**2 718 052**	**3 398 205**
Gross insurance claims and loss adjustment expenses	20	(35 145 291)	(351 718)
Claims and loss adjustment expenses recovered from reinsurers	20	9 255 422	-
NET INSURANCE CLAIMS		**(25 889 869)**	**(351 718)**
Expenses for the acquisition of insurance contracts	21	(445 778)	(408 429)
Expenses for administration and marketing	22.1	(668 973)	(587 804)
TOTAL EXPENSES		**(1 114 751)**	**(996 233)**
PROFIT/(LOSS) BEFORE FINANCE COST AND TAX		**(24 286 568)**	**2 050 254**
Finance costs	22.2	(7 475)	(9 119)
PROFIT/(LOSS) BEFORE TAX		**(24 294 043)**	**2 041 135**
Taxation	24	836 970	(538 574)
PROFIT/(LOSS) FOR THE YEAR		**(23 457 073)**	**1 502 561**

STATEMENT OF **CHANGES IN EQUITY**

For the year ended 31 March 2022

	Share capital	Shareholder capital contribution	Retained earnings	Total equity
	R'000	R'000	R'000	R'000
BALANCE AT 1 APRIL 2020	-	-	**6 958 209**	**6 958 209**
Comprehensive income/(loss) for the year	-	-	1 502 561	1 502 561
Dividends paid			(102 325)	(102 325)
BALANCE AT 31 MARCH 2021	-	-	**8 358 445**	**8 358 445**
BALANCE AT 1 APRIL 2021	-	-	**8 358 445**	**8 358 445**
Comprehensive income/(loss) for the year	-	-	(23 457 073)	(23 457 073)
Shareholder capital contribution	-	22 000 000	-	22 000 000
BALANCE AT 31 MARCH 2022	**-**	**22 000 000**	**(15 098 628)**	**6 901 372**
	Note 12.1	Note 12.2		

STATEMENT OF **CASH FLOWS**

For the year ended 31 March 2022

	Note(s)	2022 R'000	2021 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	27	(17 069 680)	870 956
Dividends received		26 756	63 921
Interest received		280 278	375 175
Income tax paid	28	(147 652)	(460 277)
Interest paid		(5 395)	(5 066)
NET CASH FROM OPERATING ACTIVITIES		**(16 915 693)**	**844 709**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	5	(4 988)	(1 005)
Proceeds on disposal of property and equipment		197	187
Purchases relating to intangible assets	6	(23 751)	(39 976)
Net sale/(purchase) of financial assets		6 360 615	1 403 725
NET CASH USED IN INVESTING ACTIVITIES		**6 332 073**	**(1 444 519)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash payment relating to principal lease liability		(4 199)	(6 734)
Dividends paid		-	(102 325)
Shareholder capital contribution		22 000 000	-
NET CASH FLOW FROM FINANCING ACTIVITIES		**21 995 801**	**(109 059)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**11 412 181**	**(708 869)**
Cash and cash equivalents at the beginning of the year	11	3 166 600	3 875 469
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	11	**14 578 781**	**3 166 600**

ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING **ACCOUNTING POLICIES**

1. Introduction

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

- Any act (whether on behalf of any organisation, body or person, or group of persons) calculated or directed to overthrow or influence any state or government, or any provincial, local or tribal authority with force, or by means of fear, terrorism or violence;
- Any act 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 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 71 of 2008, the Public Finance Management Act 1 of 1999 (PFMA), International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations issued and effective at the time of preparing these annual financial statements.

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. The new accounting standards, interpretations and amendments to existing accounting standards and interpretations that have a material impact on the company have been disclosed. The amendments to the standards not yet effective at 31 March 2022 are not expected to have a significant impact except for IFRS 17: Insurance Contracts.

Sasria prepares and reports its annual financial statements in rands. The amounts in the annual financial statements have been rounded to the nearest thousand.

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

The following asset balances are current: cash and cash equivalents, insurance receivables, deferred acquisition costs and administration fees, 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: current income tax payables, payables, insurance contract liabilities, employee benefit liabilities and deferred income.

Deferred income tax liability balance is generally considered to be non-current.

Lease liability balance is generally considered to a mixture of current and non-current.

1.3 Use of estimates and judgments

The preparation of the financial statements in accordance with IFRS requires the use of certain critical accounting estimates of certain assets and liabilities. It also requires management to exercise its judgment in the process of applying the company's accounting policies. This is specifically true for the estimation of liabilities from insurance contracts, including the estimate of the provision for claims incurred but not reported (IBNR). The estimates and assumptions are based on historical experience and various factors that may be relevant at the time. Actual results may subsequently be different from the estimates. Estimates and judgments are annually evaluated and based on the historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.14.

ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES CONTINUED

2. Accounting policies

2.1 Summary of significant accounting policies

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

a) New and amended standards and interpretations issued and effective in the current financial year and have an impact on Sasria

No new or amended standards or interpretations issued and effective in the current financial year had an impact on Sasria.

b) New and amended standards and interpretations not yet adopted by Sasria

New standards, amendments to standards and interpretations issued but neither effective nor early adopted. These have not been applied in preparing the financial statement for the year ended 31 March 2022. None of these are expected to have a significant effect on the financial statements of the company, except the ones set out below:

IASB effective date	Standards
1 January 2023	**IFRS 17: 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 that contract. An entity is required to recognise profits as insurance services are delivered rather than on receipt of premiums. The new standard will supersede the existing standard, IFRS 4: Insurance Contracts and it 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 financial statements for the year ending 31 March 2024.
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 Sasria will adopt in its financial statements for the year ending 31 March 2023.

IASB effective date	Standards
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 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 Sasria will adopt in its financial statements for the year ending 31 March 2023.
1 January 2024	**IAS 1: Presentation of Financial Statements** Classification of liabilities as current or non-current: narrow-scope amendments to IAS 1 to clarify how to classify debt and other liabilities as current or non-current. Management has begun assessing the impact of this standard on Sasria. The standard is effective for annual periods beginning on or after 1 January 2024 and Sasria will adopt in its financial statements for the year ending 31 March 2025.
1 January 2023	**IAS 1: Presentation of Financial Statements** Disclosure of accounting policies: the amendments require companies to disclose their material accounting policy information rather than their significant accounting policies, with additional guidance added to the standard to explain how an entity can identify material accounting policy information with examples of when accounting policy information is likely to be material. 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 Sasria will adopt in its financial statements for the year ending 31 March 2024.
1 January 2023	**IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors** Definition of accounting estimates: the amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, by replacing the definition of a change in accounting estimates with a new definition of accounting estimates. Under the new definition, accounting estimates are 'monetary amounts in financial statements that are subject to measurement uncertainty'. The requirements for recognising the effect of change in accounting prospectively remain unchanged. 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 Sasria will adopt in its financial statements for the year ending 31 March 2024.
1 January 2023	**IAS 12: Income Taxes** Deferred tax related to assets and liabilities arising from a single transaction: the amendment clarifies how a company accounts for income tax, including deferred tax, which represents tax payable or recoverable in the future. In specified circumstances, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations, by clarifying when the exemption from recognising deferred tax would apply to the initial recognition of such items. 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 Sasria will adopt in its financial statements for the year ending 31 March 2024.

ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES ***CONTINUED***

c) New standards effective and not adopted yet

New standards, amendments to standards and interpretations issued and effective and not adopted by Sasria. These have not been applied in preparing the financial statement for the year ended 31 March 2022. None of these is expected to have a significant effect on the financial statements of the company, except the ones set out below:

IASB effective date	Standards
1 January 2023	**IFRS 9: Financial Instruments** IFRS 9 will change the classification of financial assets to amortised cost, fair value through profit or loss or fair value through other comprehensive income. In addition, IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss'. Sasria has elected to defer the implementation of IFRS 9 to 01 April 2023 when IFRS 17 is expected to be effective. Management has begun assessing the impact of this standard on Sasria.

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 are 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 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.

Depreciation on property and equipment, including other owned assets, is calculated using the straight-line method to allocate cost over the estimated useful lives (limited to residual values). Depreciation begins when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5 and the date that the asset is derecognised.

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

Item	Estimated 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. The gain or loss arising from derecognition of an item of property and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from derecognition of an item of property and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. The carrying amount of an item of property and equipment shall be derecognised on disposal, or no future economic benefits are expected from its use or disposal.

Right-of-use asset

The-right-of-use asset is measured at cost, less accumulated depreciation and accumulated impairment losses. Cost is made up of the initial measurement of the lease liability, adjusted by the amount of accrued lease payments that was recognised in the statement of financial position immediately before 01 April 2019, plus any initial direct costs incurred by the company.

Right-of-use asset is depreciated on a straight-line basis from the lease commencement date to the earlier of its useful life or the end of the lease. The company also assesses the right-of-use asset for impairment when such indicators exist.

Right-of-use assets are depreciated over the following periods:

Item	Estimated Useful life
Buildings	4 years

The carrying amount of the right-of-use asset is derecognised on termination of the lease agreement.

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 consideration.

The lease term includes periods covered by an option to extend if Sasria is reasonably certain to exercise that option.

Lease payments included in the measurement of the lease liability are made up of fixed payments.

Sasria recognises a right-of-use asset and a lease liability at the lease commencement date on the statement of financial position.

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 incremental borrowing rate. Subsequent to initial measurement, the liability is reduced by payments made and increased by finance costs. The lease liability is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. The finance cost is recognised in the statement of comprehensive income.

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.

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. The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term. The threshold of these assets is R75 000.

Non-lease component costs such a maintenance, utilities and insurance are expensed as incurred.

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;

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- 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	Estimated useful life
Computer software	3 – 10 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 as at fair value through profit or loss at inception. A financial asset is classified as a trading instrument if acquired principally for selling in the short-term and/or forms part of the portfolio of financial assets in which there is evidence of profit-taking, or if so designated by management. Derivatives are also categorised as held for trading.

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

Financial assets that are managed and their performance is evaluated on a fair-value basis

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

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

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 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.

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 and 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 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 fewer than three months. Cash and cash equivalents are carried 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. 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.

2.5.3 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

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

2.5.5 Impairment of receivables

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

- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as a default or delinquency in payments;
- It is becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;

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- The disappearance of an active market for the financial asset because of financial difficulties; and/or
- Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual assets in the group, including:
  - adverse changes in the payment status of issuers of debtors in the group; and/or
  - national or local economic conditions that correlate with defaults on the assets in the group.

Sasria first assesses whether objective evidence of impairment exists individually for assets that are individually significant. If Sasria determines that no objective evidence of impairment exists for an individually assessed asset, whether significant or not, it includes the asset in a group of assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred on loans and receivables the amount of the loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised through profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract. As a practical expedient, Sasria may measure impairment on the basis of an instrument's fair value using an observable market price. For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the issuer's ability to pay all amounts due under the contractual terms of the debt instrument being evaluated.

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

2.6 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 revalued amount in accordance with another standard. An impairment loss is reversed only 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 that 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 premium

Gross written insurance premiums exclude value added tax and comprise the premiums on contracts entered into during the financial year, irrespective of whether they relates 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 financial year's premiums that relate to risk periods extending into the following financial year. As the majority of the underwriting risks are incurred uniformly over the term of the contract, the unearned premium liability is calculated on the straight-line basis, using the 365th method.

2.8.3 Deferred acquisition costs (DAC), administration fees and deferred income

The costs of acquiring and administrating 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 incurred. 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. The fees are deferred 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 deferred to subsequent accounting periods is termed deferred acquisition cost.

2.8.5 Liability adequacy test

At the end of each 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 (IBNR). Claims and loss-adjustment expenses are charged to the statement of comprehensive 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 had not been settled on the accounting date, less amounts already paid. Sasria's own assessors or contracted external assessors individually assess claims. The claims provision includes an estimated portion of the direct expenses of the claims and internal and external handling expenses. Claims provisions are not discounted.

Claims provisions are determined based upon previous claims experience, knowledge of events, the terms and conditions of the relevant policies and on the interpretation of circumstances. Each notified claim is assessed on a separate case-by-case basis with due

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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.

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 that had not been reported to Sasria at that date. This provision is calculated using actuarial modelling with at least five years' historical claims experience where possible. Sasria adopts multiple techniques to estimate the required level of provisions. This assists in developing a greater understanding of the trends inherent in the data being projected.

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

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 the 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 recognised as such only 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 relates 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

Taxation comprises current and deferred taxation and is recognised in profit or loss.

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. Current tax for current and prior period shall to the extent unpaid be recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

2.9.2 Deferred tax assets and liabilities

Deferred income tax is provided in full, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not recognised if it arises from the initial recognition of an asset or liability that affects neither accounting nor taxable profit or loss at the time of the transaction. 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

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liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

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

2.9.3 Value-added tax

Transactions are recognised net of the value-added tax amount where applicable. The net amount of value-added tax recoverable from, or payable to, the South African Revenue Service (SARS) is included as part of receivables or payable in the statement of financial position.

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 the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is assured.

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

2.10.4 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.

2.10.5 Salaries

Salaries recognised as an expense in profit or loss during the reporting period in which the employee renders the related services.

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, and 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 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 2.7 above, 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 the profit and 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 Share capital and reserves

2.13.1 Share capital

The issued ordinary share is classified as equity.

2.13.2 Shareholder capital contribution

Shareholder capital contributions are recognised in equity when:

- There is no contractual obligation to transfer cash or another financial asset, or exchange of financial instruments under conditions that are potentially unfavourable to the company;
- The instrument is non-derivative and the agreement does not oblige the company to settle the instrument to deliver a variable number of its own equity instruments; and
- The instrument represents a residual interest in the assets of the company after deducting all its liabilities.

The shareholder capital contribution received for equity instruments to be issued is recognised in equity. Equity instruments are initially measured at the proceeds received.

2.13.3 Accumulated profits or losses

Accumulated profit or losses is the amount of cumulative profit or loss retained in the company after taxation and dividend distribution.

Dividend distributions to the shareholders are recognised in the statement of changes in equity in the period in which they are approved by the Board of Directors.

2.14 Critical accounting estimates and judgments in applying accounting policies

2.14.1 Ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is Sasria's most critical accounting estimate. Several sources of uncertainty have to be considered in estimating the liability 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, mean 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.

2.14.2 Valuation of unlisted investments

The unlisted equity investment is reviewed by management for reasonableness on an annual basis. Sasria accounts for its share of the fair value movements as described in 4.3.1 below. The unlisted bond investments, which are held through appointed asset managers, are valued based on market observable data and expert judgment. 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 Irregular expenditure

Irregular expenditure is defined in Section 1 of the PFMA as 'expenditure other than unauthorised expenditure incurred in

ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES **CONTINUED**

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 is accounted for according to the nature of the expense. When confirmed, irregular expenditure is disclosed in note 29 of the annual financial statements. The amount of irregular expenditure incurred is equal to the value of the transactions recognised in terms of IFRS in profit or loss or in the statement of financial position.

Irregular expenditure is removed from the note when it is either (a) condoned by the relevant authority or; (b) transferred to receivables for recovery. A receivable related to irregular expenditure is measured at the amount that is expected to be recovered and must be derecognised when the receivable is settled or subsequently written off as irrecoverable. In instances where recovery is not possible, such irregular expenditure will be written off and removed from the note on approval by the Accounting Authority.

Cases of a criminal nature are reported to the responsible authorities. Any criminal or disciplinary steps taken as a consequence of such losses or irregular expenditure are also disclosed..

2.16 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'.

Fruitless and wasteful expenditure is accounted for according to the nature of the expense. When confirmed, fruitless and wasteful expenditure is disclosed in note 29 of the financial statements. The amount to be recorded in the note is equal to the value of the fruitless and wasteful expenditure incurred.

Expenditure to be recovered is transferred to receivables for recovery. A receivable related to fruitless and wasteful expenditure is measured at the amount that is expected to be recovered and is derecognised when the receivable is settled or subsequently written off as irrecoverable. In instances where recovery is not possible, such fruitless and wasteful expenditure will be written off and removed from the note on approval by the Accounting authority.

Cases of a criminal nature are reported to the responsible authorities. Any criminal or disciplinary steps taken as a consequence of fruitless and wasteful expenditure are also disclosed.

NOTES TO THE FINANCIAL **STATEMENTS**

For the year ended 31 March 2022

3. Management of 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 catastrophic risks. Management will continue to monitor Sasria's solvency levels and required solvency range in light of industry changes and regulatory requirements. Sasria is committed to efficient capital management and a decision was taken by the Board to maintain an appropriate level of capital with the balance of the required capacity being made up of reinsurance in line with the company's risk appetite.

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 Director 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 shareholders, 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, including the following:

3.1.1 Own risk and solvency assessment (ORSA)

The Prudential Standards for Insurers introduces a requirement for insurers licensed 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 company, quantifying the capital requirements for these risks and finally compare the capital requirement to the own funds available on its statement of financial position. The ORSA process allows management to identify appropriate management actions and embed these actions in the event of a specific event realising.

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

3.1.2 Capital at risk

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

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

NOTES TO THE FINANCIAL STATEMENTS **CONTINUED**

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 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
- 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 that 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 that would be affected 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 what has been provided for.

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

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

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

Fire	Provides indemnity for loss of or damage to immovable property. This includes commercial and residential properties.
Transportation	Provides indemnity for loss of or damage to goods-in-transit, marine cargo and marine hull, which includes ships and small craft as well as the marine or inland transit of cargo.
Motor	Provides indemnity for loss of or damage to all types of motor vehicles.
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 construction.

Claims management

The claims department monitors most of the media daily to consider all events likely to result in claims against the company. The outstanding claims provision is monitored monthly 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 2.8 above. The process regarding the 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 the Sasria cover at the 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, resulting in a balanced portfolio spread across personal and commercial policyholders.

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

Category of risk policy	2022	2021
	%	%
Property	81.68	81.59
Motor	11.66	11.77
Engineering	4.05	3.97
Other	2.61	2.67
TOTAL FOR ALL CATEGORIES	**100.00**	**100.00**

NOTES TO THE FINANCIAL STATEMENTS ***CONTINUED***

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. However, as a result of Sasria's predominant presence in this particular market and the types of risks covered, any single event could result in a large number of claims. The maximum any one insured can claim is R1.5 billion. Losses arising from an event (where more than one insured is affected by the same event) in excess of R500 million will trigger Sasria's catastrophe reinsurance.

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	2022	2021
	%	%
Personal policies	20.59	21.80
Commercial policies	79.41	78.20
TOTAL PERSONAL AND COMMERCIAL POLICIES	**100.00**	**100.00**

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

During the financial 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, for either 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 reinsurance.

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

Split by type of policyholder	2022	2021
	%	%
Annual policies	44.33	44.17
Monthly policies	55.67	55.83
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 monthly and 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 cover is purchased 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 efficiently, protect the statement of financial position and hence ensure a sustainable business. The strategy is to retain as much premium as possible subject to a solvency ratio target.

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

4. Management of 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, insurance balances and insurance contract liability are disclosed in classes based on their similar characteristics:

	2022 R'000	2021 R'000
FINANCIAL AND INSURANCE ASSETS		
Listed and quoted equity securities	-	2 696 942
Unlisted and unquoted equity securities	8 000	-
TOTAL EQUITY SECURITIES	**8 000**	**2 696 942**
Money market fund (>3 months)	7 128	2 192 698
Government and semi-government bonds	-	1 080 520
Other bills and bonds (fixed rate)	22 174	282 301
TOTAL DEBT AND MONEY MARKET SECURITIES	**29 302**	**3 555 519**
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**37 302**	**6 252 461**
Insurance receivables	274 417	198 776
Loans and receivables	9 360	74 851
TOTAL LOANS AND RECEIVABLES INCLUDING INSURANCE RECEIVABLES	**283 777**	**273 627**
Reinsurance assets	2 845 137	54 782
Assets for held for trading	-	94 491
Cash and cash equivalents	14 578 781	3 166 600
TOTAL FINANCIAL AND INSURANCE ASSETS	**17 423 918**	**3 315 873**
FINANCIAL AND INSURANCE LIABILITIES		
Deferred income	99 374	10 972
Insurance contracts	12 694 166	1 315 963
Trade and other payables	20 365	64 984
Reinsurance payables	164 057	47 523
TOTAL FINANCIAL AND INSURANCE LIABILITIES	**12 977 962**	**1 439 442**

Derivatives are entered into solely for risk management purposes and not as speculative investments. The company investment policy specifies approved instruments that may be used to economically hedge the company's exposure to variability 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. Management of the company is tasked with managing key market risks to which the company is exposed. Sasria's investment portfolio is structured to withstand shocks such as the credit rating downgrade through its strategic asset allocation, which allows for diversification and flexibility to reduce a significant drag on relative performance. Sasria's investment philosophy is centred on an asset-liability matched investment approach that 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 Chief Financial Officer, 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 expose 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 that 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 profit and an asset and liability matching strategy. A hypothetical 2% decrease or increase in the interest rate relating to cash and interest-bearing securities would result in an increase or decrease in interest earned of R143.6 thousand (2021: R109.12 million – at 2% sensitivity) or an increase/decrease in profit after tax and equity of R103.4 thousand (2021: R78.57 million – at 2% sensitivity), respectively. A 2% increase in interest rates would expose the company to the risk of losing value in other bills and bonds by R443.7 thousand (2021: R27 million – at 2% sensitivity), while a decrease would expose the company to the risk of gaining value by R443.7 thousand (2021: R27 million – at 2% 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.

The repo rate was reduced to a record low of 3.5% in 2019/20 financial year by the SARB to stimulate economic growth in the midst of the Covid-19 outbreak, of which a low-interest environment ensued. SARB has since increased the repo rate following the rise in inflation in the 2021/22 financial year. At 31 March 2022 the repo rate stood at 4.25%.

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.

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. Equity price risk (downside risk) is also mitigated through put options.

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 of 31 March 2022, the company had no exposure to quoted ordinary share investments. Following the unrest in July 2021, all quoted ordinary share investments held in the portfolio were liquidated to settle claims received.

The table below clearly illustrates the impact of a decline or increase in quoted investments:

	2022 R'000	2021 R'000
QUOTED INVESTMENTS		
Effect on after tax at 10% (fluctuation)	-	270
Effect on after tax at 15% (fluctuation)	-	292
Effect on equity 10% (fluctuation)	-	194
Effect on equity 15% (fluctuation)	-	292

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

The creditworthiness of reinsurers is considered monthly, along with their external ratings as indicated below.

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 credit ratings of all existing reinsurers are also monitored on an ongoing basis throughout the year and remedial action taken if required.

In addition, reinsurance contracts make allowance to replace reinsurers in the case of a downgrade of the reinsurers' rating, below an acceptable level.

The table below shows the company's five largest reinsurers on the reinsurance programme:

Reinsurer – 2022	**% of total cover provided**	**Credit risk* rating**
Swiss Re Africa Limited	25.00	Not rated
Fidelis Underwriting Limited	22.50	A-
SCOR Africa Limited	12.50	AA-
Odyssey Reinsurance Company	9.00	A-
XL Re Europe SE, Succursale Francaise	7.50	AA-

Reinsurer – 2021	**% of total cover provided**	**Credit risk* rating**
Swiss Reinsurance Company Limited, Switzerland	17.00	A+
Lancashire insurance Company (UK) Limited	15.00	A-
Hannover Reinsurance Africa Limited, South Africa	8.00	AA-
Munich Reinsurance Company of Africa Limited, South Africa	8.00	AA-
Santam Re: A division of Santam Ltd	8.00	BB

** 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% but greater than 80%. 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 serving its 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 with only approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Board of Directors annually and maybe updated throughout the year subject to

NOTES TO THE FINANCIAL STATEMENTS **CONTINUED**

approval of 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 at 31 March 2022 and 2021 is the carrying amounts as illustrated on the table below:

Financial and insurance assets – 2022	Aaa R'000	Aa R'000	A R'000	Ba R'000	Caa R'000	WR R'000	Not rated R'000	Total R'000
Other bills and bonds	-	-	-	-	-	1 757	20 417	22 174
Money market fund	-	-	-	-	-	7 128	-	7 128
Insurance receivables	-	-	-	-	-	-	274 417	274 417
Loans and receivables	-	-	-	-	-	-	9 360	9 360
Cash and cash equivalents	-	-	10 119 494	4 459 287	-	-	-	14 578 781
	-	**-**	**10 119 494**	**4 459 287**	**-**	**8 885**	**304 194**	**14 891 860**

Financial and insurance assets – 2021	A R'000	Baa R'000	Ba R'000	B R'000	Caa R'000	WR R'000	Not rated R'000	Total R'000
Government bonds	6 239	987	49 440	1 007 620	12 357	-	3 877	1 080 520
Other bills and bonds	145 852	35 055	-	5 561	-	88 009	7 824	282 301
Money market fund	1 874 054	-	-	318 644	-	-	-	2 192 698
Insurance receivables	-	-	-	-	-	-	198 776	198 776
Loans and receivables	-	-	-	-	-	-	74 851	74 851
Derivatives asset	-	-	-	94 491	-	-	-	94 491
Cash and cash equivalents	1 366 023	-	923 106	827 961	-	-	49 510	3 166 600
	3 392 168	**36 042**	**972 546**	**2 254 277**	**12 357**	**88 009**	**334 838**	**7 090 237**

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

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

- Aaa – Prime grade, subject to low credit risk;
- Aa – Very good quality and is subject to very low credit risk;
- A – Upper medium grade, subject to low credit risk;
- Ba – Judged to be speculative, subject to substantial credit risk;
- Baa – Medium grade, subject to moderate risk;
- Caa – Speculative of poor standing and subject to very high credit risk;
- WR – Withdrawn rating
- Not rated – Amounts falling within the not rated category are managed by the finance department daily to ensure recoverability of amounts.

The company has an Investment Committee that reviews the credit risk on all the financial instruments and measures are put in place to minimise the credit risk. The risk on investments is further minimised through limiting the dependency of the company on any one investment manager and through requiring depth and breadth of resources and financial stability in respect of any investment manager appointed by the company.

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

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.

Most 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 that are short-term in nature.

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

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

2022	Within 0 to 3 months	3 months to 1 year	1 to 2 years	More than 2 years	Total
	R'000	R'000	R'000	R'000	R'000
Trade and other payables	20 365	-	-	-	20 365
Reinsurance payables	164 057	-	-	-	164 057
Insurance contract liabilities	12 097 737	-	-	-	12 097 737
Lease liabilities	2 254	6 760	-	-	9 014
TOTAL	**12 284 413**	**6 760**	**-**	**-**	**12 291 173**

2021	Within 0 to 3 months	3 months to 1 year	1 to 2 years	More than 2 years	Total
	R'000	R'000	R'000	R'000	R'000
Trade and other payables	64 984	-	-	-	64 984
Reinsurance payables	47 523	-	-	-	47 523
Insurance contract liabilities	836 593	-	-	-	836 593
Lease liabilities	2 086	6 260	9 014	-	17 360
TOTAL	**951 186**	**6 260**	**9 014**	**-**	**966 460**

NOTES TO THE FINANCIAL STATEMENTS **CONTINUED**

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

2022	Within 0 to 3 months	3 months to 1 year	More than 3 years	Total
	R'000	R'000	R'000	R'000
Financial assets at fair-value through profit or loss	27 999	5 321	3 982	37 302
Loans and receivables	9 360	-	-	9 360
Insurance receivables	274 417	-	-	274 417
Reinsurance contracts	2 845 137	-	-	2 845 137
Cash and cash equivalents	14 578 781	-	-	14 578 781
TOTAL	**17 735 694**	**5 321**	**3 982**	**17 744 997**

2021	Within 0 to 3 months	3 months to 1 year	More than 3 years	Total
	R'000	R'000	R'000	R'000
Financial assets at fair-value through profit or loss	6 252 461	-	-	6 252 461
Loans and receivables	74 851	-	-	74 851
Insurance receivables	216 383	-	-	198 776
Reinsurance contracts	37 175	-	-	54 782
Financial assets held for trading	94 491	-	-	94 491
Cash and cash equivalents	3 166 600	-	-	3 166 600
TOTAL	**9 841 961**	**-**	**-**	**9 841 961**

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 price (unadjusted) in active market for identical assets or liabilities.

Level 2:
Inputs other than quoted prices included in level 1 that are observable for the assets or liabilities.

Level 3:
Unobservable input for the asset or liability.

The following table analyses within the fair-value hierarchy the company's financial assets (by class) measured at fair value at 31 March 2022.

Assets – 2022	Level 1	Level 2	Level 3	Total
	R'000	R'000	R'000	R'000
FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS:				
- Equity securities – unlisted and unquoted	-	-	8 000	8 000
- Debt securities	-	22 174	-	22 174
- Money market fund	-	7 128	-	7 128
TOTAL FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**-**	**29 302**	**8 000**	**37 302**

Assets – 2021	Level 1	Level 2	Level 3	Total
	R'000	R'000	R'000	R'000
FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS:				
- Equity securities – listed and quoted	2 696 942	-	-	2 696 942
- Debt securities	161 015	1 201 806	-	1 362 821
- Money market fund	-	2 192 698	-	2 192 698
TOTAL FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**2 857 957**	**3 394 504**	**-**	**6 252 461**

Valuation techniques used:

Level 1

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

Level 2

Financial instruments that trade in markets that are not considered to be active but are valued using valuation techniques based on assumptions supported by prices from an observable current market transaction. are classified within level 2. Inputs used in the valuation techniques include quoted market prices, interest rates, observable yield curves and credit spreads. The fair value of the instruments calculated using various valuation techniques are obtained from fund managers' reports.

Level 3

Investments classified at level 3 have significant unobservable inputs, as they trade infrequently. The level 3 equity amount consists of a single private equity position. When determining the fair value of the investment, the company considered the price that would be received to sell the instrument at the measurement date. The price is derived from an offer to purchase accepted on 31 March 2022.

NOTES TO THE FINANCIAL STATEMENTS ***CONTINUED***

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 the risk appetite. These tools include risk and control self-assessments and questionnaires, key risk indicators, scenario and sensitivity analyses and loss data collection/notification. In addition, Sasria has developed a number of contingency plans, including Incident/loss notification and a business continuity management plan that is tested regularly and reviewed by an internal audit every three years.

5. Property and equipment

			2022			2021
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
Computer equipment	24 098	(17 477)	6 621	19 769	(13 515)	6 254
Furniture and fittings	4 176	(3 010)	1 166	4 280	(2 978)	1 302
Motor vehicles	565	(480)	85	565	(444)	121
Office equipment	2 556	(2 417)	139	2 671	(2 437)	234
Leasehold improvements	16 297	(14 759)	1 538	16 297	(13 825)	2 472
Right-of-use asset	25 237	(18 928)	6 309	25 788	(12 894)	12 894
TOTAL	**72 929**	**(57 071)**	**15 858**	**69 370**	**(46 093)**	**23 277**

Reconciliation of property and equipment – 2022

Reconciliation of property and equipment 2022	Opening net book amount R'000	Additions R'000	Disposals R'000	Adjustments* R'000	Depreciation charge R'000	Total R'000
Computer equipment	6 254	4 810	(69)	-	(4 374)	6 621
Furniture and fittings	1 302	178	(24)	-	(290)	1 166
Motor vehicles	121	-	-	-	(36)	85
Office equipment	234	-	-	-	(95)	139
Leasehold improvements	2 472	-	-	-	(934)	1 538
Right-of-use asset	12 894		-	(551)	(6 034)	6 309
TOTAL	**23 277**	**4 988**	**(93)**	**(551)**	**(11 763)**	**15 858**

** The initial measurement value of the lease liability was adjusted. As a result the cost of the right-of-use asset was also adjusted.*

Reconciliation of property and equipment – 2021

Reconciliation of property and equipment 2021	Opening net book amount R'000	Additions R'000	Disposals R'000	Transfers R'000	Adjustments* R'000	Depreciation charge R'000	Total R'000
Computer equipment	8 807	1 005	(89)	648	-	(4 117)	6 254
Furniture and fittings	1 629	-	-	-	-	(327)	1 302
Motor vehicles	156	-	-	-	-	(35)	121
Office equipment	354	-	-	-	-	(120)	234
Leasehold improvements	3 522	-	-	-	-	(1 050)	2 472
Capital work in progress	4 158	-	-	(648)	(3 510)	-	-
Right-of-use asset	19 341	-	-	-	-	(6 447)	12 894
TOTAL	**37 967**	**1 005**	**(89)**	**-**	**(3 510)**	**(12 096)**	**23 277**

** A portion of prior-year capital work in progress was reallocated to accruals.*

5.1 Lease

Leases	2022 R'000	2021 R'000
Minimum lease payments due		
– within one year	9 014	8 346
– one year to five years	-	9 014
Undiscounted minimum lease payments	9 014	17 360
– less future interest expense	(404)	(4 000)
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	**8 610**	**13 360**

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% on average. No contingent rent is payable.

	2022 R'000	2021 R'000
RECONCILIATION OF LEASE LIABILITY		
Opening balance	13 360	20 094
Interest expense	4 148	993
Total lease cash outflows	(8 347)	(7 727)
Lease liability adjustment*	(551)	-
LEASE LIABILITY	**8 610**	**13 360**

** The initial measurement value of the lease liability was adjusted as a result of the present value of the lease payment adjustment..*

NOTES TO THE FINANCIAL STATEMENTS ***CONTINUED***

6. Intangible assets

	2022			2021		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
Software	109 031	(45 160)	63 871	78 158	(35 021)	43 137
Capital work in progress	1 336	-	1 336	8 457	-	8 457
TOTAL	**110 367**	**(45 160)**	**65 207**	**86 615**	**(35 021)**	**51 594**

Reconciliation of intangible assets 2022	Opening net book amount R'000	Additions R'000	Transfers R'000	Amortisation charge R'000	Total R'000
Software	43 137	22 416	8 457	(10 139)	63 871
Capital work in progress	8 457	1 336	(8 457)	-	1 336
TOTAL	**51 594**	**23 752**	**-**	**(10 139)**	**65 207**

Reconciliation of intangible assets 2021	Opening net book amount R'000	Additions R'000	Transfers R'000	Adjustments* R'000	Amortisation charge R'000	Total
Software	13 553	31 519	6 355	-	(8 290)	43 137
Capital work in progress	10 413	8 457	(6 355)	(4 058)	-	8 457
TOTAL	**23 966**	**39 976**	**-**	**(4 058)**	**(8 290)**	**51 594**

** A portion of prior capital work in progress was reallocated to licence expenses.*

7. Deferred acquisition costs (DACs) and administration fees

	2022			2021		
	DACs	Administration Fee	Total	DACs	Administration Fee	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Balance at the beginning of the year	69 965	59 551	129 516	69 405	58 585	127 990
Cost deferred during the year	481 602	408 589	890 191	409 548	349 853	759 401
Cost expensed during the year	(463 690)	(394 051)	(857 741)	(408 988)	(348 887)	(757 875)
BALANCE AT THE END OF THE YEAR	**87 877**	**74 089**	**161 966**	**69 965**	**59 551**	**129 516**

8. Financial assets

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

		2022 R'000	2021 R'000
Fair value through profit or loss	8.1	37 302	6 252 461
Loans and receivables	8.2	9 360	74 851
Financial assets held for trading	8.3	-	94 491
TOTAL FINANCIAL ASSETS		**46 662**	**6 421 803**

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

8.1 Financial assets at fair value through profit or loss

	2022 R'000	2021 R'000
EQUITY SECURITIES		
Listed and quoted	-	**2 696 942**
Unlisted and unquoted	8 000	-
	8 000	**2 696 942**
MONEY MARKET FUND	7 128	2 192 698
Money market fund	**7 128**	**2 192 698**
OTHER BILLS AND BONDS		
Debt securities – fixed interest rate:		
Other bills and bonds	22 174	282 301
Government and semi–government bonds	-	1 080 520
	22 174	**1 362 821**
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**37 302**	**6 252 461**

All the above assets have been designated by the company as held at fair value through profit or loss. The financial assets were liquidated during the 2021/22 financial year to settle claims received from the July 2021 civil unrest looting and destruction of property that occurred in KwaZulu-Natal and certain hotspots in Gauteng.

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

	2022 R'000	2021 R'000
MOVEMENT IN FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		
Balance at the beginning of the year	6 252 461	4 190 416
Transfer from/(to) cash and cash equivalents	(6 425 568)	1 324 855
Transfer from/(to) receivables and payables	34 373	10 158
Interest income	118 751	291 759
Dividends income	17 992	68 543
Realised net fair value gains/(losses)	472 515	(101 559)
Unrealised net fair value gains/(losses)	(425 394)	481 940
Investment administration expense	(7 828)	(13 651)
	37 302	**6 252 461**

8.2 Loans and receivables

	2022 R'000	2021 R'000
Other loans and receivables	9 360	74 851

8.3 Financial assets held for trading

	2022	2021
DERIVATIVE ASSETS	R'000	R'000
At fair value	-	94 491

The derivative assets and liabilities relate to put options.

9. Other assets

9.1 Prepayments

	2022 R'000	2021 R'000
Prepayments	401 194	2 004

The prepayment balance for the 2021/22 financial year includes float payments that we made to agent companies to settle the July 2021unrest claims.

9.2 Other receivables

	2022 R'000	2021 R'000
VAT receivable	743 147	-

A significant balance of vat receivable is attributable mainly to the settlement of claims received from the July 2021 unrest.

9.3 Insurance receivables

	2022 R'000	2021 R'000
Outstanding premiums	274 417	198 776

	2022		2021	
	Gross	Impairment	Gross	Impairment
	R'000	R'000	R'000	R'000
The trade receivables due from agents at reporting date were:				
Not past due	274 417	-	198 776	-
TOTAL	**274 417**	**-**	**198 776**	**-**

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 were received after year-end. Therefore the company does not deem it necessary to provide for impairment.

NOTES TO THE FINANCIAL STATEMENTS **CONTINUED**

10. Insurance contract liabilities and reinsurance contracts

	2022 R'000	2021 R'000
GROSS		
Claims reported and loss-adjustment expenses	16 109 192	812 495
Claims incurred but not yet reported*	(4 011 455)	24 098
Unearned premium provision	592 726	473 591
Unexpired risk provision	3 703	5 779
TOTAL INSURANCE CONTRACT LIABILITIES	**12 694 166**	**1 315 963**
RECOVERABLE FROM REINSURERS		
Claims reported and loss-adjustment expenses	3 368 677	600
Claims incurred but not yet reported	(779 991)	-
Unearned premium provision	238 844	36 575
Profit commission	17 607	17 607
TOTAL REINSURERS' SHARE OF INSURANCE LIABILITIES	**2 845 137**	**54 782**
NET INSURANCE CONTRACT LIABILITIES		
Claims reported and loss-adjustment expenses	12 740 515	811 895
Claims incurred but not yet reported	(3 231 464)	24 098
Unearned premium provision	353 882	437 016
Unexpired risk provision	3 703	5 779
Profit commission	(17 607)	(17 607)
TOTAL INSURANCE CONTRACT LIABILITIES (NET)	**9 849 029**	**1 261 181**

** Included in incurred but not reported balance is the incurred but not enough reported adjustment relating to estimate reversals of the July 2021 unrests claims.*

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. Included in total insurance contract liabilities is R10 billion that relates to claims received from the July 2021 civil unrest.

A portion of the losses was ceded to reinsurers and reinsurance recoveries amounting to R2 billion were included in total reinsurers share of insurance liabilities.

Movements in insurance liabilities and reinsurance assets

The movements for the year are summarised below:

a) Claims reported and loss-adjustment expenses

	2022			2021		
	Gross	Reinsurance Asset	Net	Gross	Reinsurance Asset	Net
	R'000	R'000	R'000	R'000	R'000	R'000
AT 31 MARCH						
Balance at the beginning of the year	812 495	600	811 895	1 125 768	600	1 125 168
Claims paid	(23 901 768)	(28 688)	(23 873 080)	(751 176)	(3)	(751 173)
Claims raised	39 198 465	3 396 765	35 784 094	437 903	3	437 900
BALANCE AT THE END OF THE YEAR	**16 109 192**	**3 368 677**	**12 722 909**	**812 495**	**600**	**811 895**

b) Claims incurred but not yet reported (IBNR)

	Gross	Reinsurance Asset	Net	Gross	Reinsurance Asset	Net
AT 31 MARCH						
Balance at the beginning of the year	24 098	-	24 098	98 947	-	98 947
Movements for the year	(4 035 553)	(779 991)	(3 255 562)	(74 849)	-	(74 849)
BALANCE AT THE END OF THE YEAR	**(4 011 455)**	**(779 991)**	**(3 231 464)**	**24 098**	**-**	**24 098**

c) Unearned premium provision

	Gross	Reinsurance Asset	Net	Gross	Reinsurance Asset	Net
AT 31 MARCH						
Balance at the beginning of the year	473 591	36 575	437 016	468 615	34 119	434 496
Premiums written during the year	3 152 458	1 174 187	1 978 271	2 785 825	233 203	2 552 622
Less: premiums earned during the year	(3 033 323)	(971 918)	(2 061 405)	(2 780 849)	(230 747)	(2 550 102)
BALANCE AT THE END OF THE YEAR	**592 726**	**238 844**	**353 882**	**473 591**	**36 575**	**437 016**

d) Unexpired risk provision

	Gross	Reinsurance Asset	Net	Gross	Reinsurance Asset	Net
AT 31 MARCH						
Balance at the beginning of the year	5 779	-	5 779	3 182	-	3 182
Movement during the year	(2 076)	-	(2 076)	2 597	-	2 597
BALANCE AT THE END OF THE YEAR	**3 703**	**-**	**3 703**	**5 779**	**-**	**5 779**

e) Profit commission

	Gross	Reinsurance Asset	Net	Gross	Reinsurance Asset	Net
AT 31 MARCH						
Balance at the beginning of the year	-	17 607	(17 607)	-	25 283	(25 283)
Movement during the year	-	-	-	-	(7 676)	7 676
BALANCE AT THE END OF THE YEAR	**-**	**17 607**	**(17 607)**	**-**	**17 607**	**(17 607)**

NOTES TO THE FINANCIAL STATEMENTS **CONTINUED**

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

f) Process used to decide on assumptions

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

10.1 Claim provisions

The company's outstanding claims provisions include notified claims, IBNR claims as well as 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 according to the 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 vat.

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

IBNR claims

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

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

The provision for the notified claims and IBNR is initially estimated at a gross level. A separate calculation is then carried out to determine the estimated reinsurance recoveries. The calculation of the reinsurance recoveries considers the type of the risk underwritten, which year the gross claim occurred and, therefore, under which reinsurance programme the recovery will be made, the size of the claim and whether 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 review 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 annually. The source data used in the estimation process is the past claims experience. The company believes that the liability for claims carried at period-end is adequate.

As part of the process of estimating the provision for outstanding claims, the company prepares a sensitivity analysis. The analysis provides an indication of the adequacy of the company's claims estimation process. During the review financial period an analysis was done to determine the sensitivity of profit, assuming an additional 25% in outstanding claims including IBNR. The gross impact on profit before tax would be a reduction of R2.2 billion (2021: R209 million). The net impact after reinsurance on profit before tax would be R2. 8 billion (2021: R209 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.

Sensitivity analysis – gross

Gross	Base (recommended)	Sensitivity 1 (loss ratio – 10% higher)			Sensitivity 2 (loss ratio – 10% lower)		
Class of business	IBNR	IBNR	Change	% Change	IBNR	Change	% Change
2022	R'000	R'000	R'000	%	R'000	R'000	%
Engineering	476	(739)	(1 215)	(255%)	1 690	1 215	255%
Motor	4 579	(2 384)	(6 963)	(152%)	11 541	6 963	152%
Property	16 037	(27 730)	(43 767)	(273%)	62 313	43 767	273%
Other	505	(326)	(8320	(165%)	1 337	832	165%

NOTES TO THE FINANCIAL STATEMENTS **CONTINUED**

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 10 years.

Payment development – gross 2022

	Total	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013 & prior
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
REPORTING YEAR ACTUAL CLAIMS COSTS											
2022	**23 901 770**	23 426 755	228 523	73 477	98 908	73 603	236	209	-	-	59
2021	**751 484**		216 350	323 053	183 438	17 573	9 163	1 046	844	-	17
2020	**1 030 632**			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	**421 884**							196 415	179 076	38 255	8 138
2015	**300 034**								162 141	105 950	31 943
2014	**506 627**									139 265	367 362
2013	**245 779**										245 779
Cumulative payments to date		**23 426 755**	**444 873**	**751 931**	**1 461 713**	**762 866**	**701 772**	**689 281**	**407 084**	**290 077**	**660 122**

Payment development – net 2022

	Total	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013 & prior
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
REPORTING YEAR ACTUAL CLAIMS COSTS											
2022	**23 873 082**	23 398 079	228 523	73 477	98 908	73 603	236	209	-	-	47
2021	**751 481**		216 350	323 053	183 438	17 573	9 163	1 046	844	-	14
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	**420 240**							196 415	179 076	38 255	6 494
2015	**293 645**								162 141	105 950	25 554
2014	**432 589**									139 265	293 324
2013	**194 163**										194 163
Cumulative payments to date		**23 398 079**	**444 873**	**751 931**	**1 461 713**	**762 866**	**701 772**	**689 281**	**407 084**	**290 077**	**525 055**

Reporting development – gross 2022

	Total	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013 & prior
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
REPORTING YEAR PROVISION RAISED											
2022	**15 990 781**	15 664 103	178 141	71 032	44 401	15 746	6 949	6 497	-	(15)	3 927
2021	**805 487**		380 544	146 424	148 038	110 069	9 791	6 605	46	(15)	3 985
2020	**1 111 139**			463 534	475 299	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	**252 070**									205 665	46 405
2013	**476 577**										476 577
Cumulative payments to date		**15 664 103**	**558 685**	**680 990**	**1 445 228**	**1 020 665**	**758 416**	**829 654**	**456 031**	**332 560**	**550 320**

Reporting development – net 2022

	Total	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013 & prior
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
REPORTING YEAR PROVISION RAISED											
2022	**15 937 136**	15 611 244	178 141	71 032	44 401	15 746	6 949	6 497	-	(15)	3 141
2021	**804 690**		380 544	146 424	148 038	110 069	9 791	6 605	46	(15)	3 188
2020	**1 110 539**			463 534	475 299	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	**242 770**									205 665	37 105
2013	**380 933**										380 933
Cumulative payments to date		**15 611 244**	**558 685**	**680 990**	**1 445 228**	**1 020 655**	**758 416**	**829 654**	**456 031**	**332 560**	**439 908**

11. Cash and cash equivalents

	2022 R'000	2021 R'000
Cash and cash equivalents comprise:		
Call account	14 381	233 723
Money market instruments with maturities of fewer than three months	-	1 837 295
Bank and cash balances	14 564 400	1 095 582
	14 578 781	**3 166 600**

The effective interest rate on short-term bank deposits with maturities of fewer than three months ranges between 2.95% and 4.10% (2021: 3.50% and 6.28%). The effective interest rate on the call account at the reporting date ranges between 3.25% and 3.75% (2021: 5.25% and 6.75%) and on the SARB account between 3.69% and 4.25% (2021: 3.35% and 5.78%).

A significant balance of cash and cash and cash equivalents is maintained mainly for the company to settle claims received from the July 2021 civil unrest.

12. Share capital and reserves

12.1 Share capital

	2022 R'000	2021 R'000
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.

12.2 Shareholder capital contribution

	2022 R'000	2021 R'000
BALANCE BEGINNING OF THE YEAR	-	-
Shareholder capital contribution received during the year	22 000 000	-
BALANCE AT YEAR END	**22 000 000**	**-**

The shareholder capital contribution of R22 billion was transferred for the company to be able to settle claims received from the July 2021 civil unrest and to restore its SCR to a required minimum of 100%.

13. Payables

13.1 Trade and other payables

	2022 R'000	2021 R'000
Trade payables and accrued expenses	20 365	35 498
Value added tax	-	29 486
TOTAL TRADE AND OTHER PAYABLES	**20 365**	**64 984**

13.2 Reinsurance payable

	2022 R'000	2021 R'000
Amounts due to reinsurers	164 057	47 523

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

14. Employee benefit liability

Reconciliation of employee benefit liability – 2022	Opening balance R'000	Recognised in the statement of comprehensive income R'000	Cash paid R'000	Total R'000
Leave pay	3 684	3 821	(486)	7 019
Bonus	25 512	9 293	(20 686)	14 119
TOTAL	**29 196**	**13 114**	**(21 172)**	**21 138**

Reconciliation of employee benefit liability – 2021	Opening balance R'000	Recognised in the statement of comprehensive income R'000	Cash paid R'000	Total R'000
Leave pay	2 733	1 460	(509)	3 684
Bonus	29 245	19 058	(22 791)	25 512
TOTAL	**31 978**	**20 518**	**(23 300)**	**29 196**

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

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

	2022 R'000	2021 R'000
Balance at the beginning of the year	10 972	10 236
Raised	180 220	45 433
Earned	(91 818)	(44 697)
	99 374	**10 972**

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:

	2022 R'000	2021 R'000
At beginning of the year	(59 740)	30 816
Recognised in the statement of comprehensive income	836 453	(90 556)
	776 713	**(59 740)**

2022	Balance 31 March 2021 R'000	Recognised in the statement of comprehensive income R'000	Balance 31 March 2022 R'000
Provisions	8 547	(2 234)	6 313
Unrealised appreciation of investments	(68 287)	66 099	(2 188)
Assessed loss	-	772 587	772 587
TOTAL	**(59 740)**	**836 453**	**776 713**

2021	Balance 31 March 2020	Recognised in the statement of comprehensive income	Balance 31 March 2021
	R'000	R'000	R'000
Provisions	9 428	(881)	8 547
Deferred acquisition costs	(32 983)	32 983	-
Unrealised appreciation of investments	54 371	(122 658)	(68 287)
TOTAL	**30 816**	**(90 556)**	**(59 740)**

	2022	2021
	R'000	R'000
Deferred income tax assets	778 901	8 547
Deferred income tax liabilities	(2 188)	(68 287)
NET DEFERRED TAX BALANCE	**776 713**	**(59 740)**

	2022	2021
	R'000	R'000
Estimated tax loss	23 867 339	-
Deferred tax on estimated tax loss	6 444 181	-
Recognised deferred tax on estimated tax loss	(772 587)	-
UNRECOGNISED DEFERRED ESTIMATED TAX LOSS	**5 671 594**	**-**

During the budget speech presented on 23 February 2022, the finance minister announced that the corporate tax rate will be reduced from 28% to 27%. Deferred tax is determined using the tax rates and tax laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax is calculated on all temporary differences under the balance sheet liability method using a principal tax rate of 27% (2021: 28%)

Deferred tax asset of R776.7 million was recognised, which was made up of unused estimated tax loss and movement in temporary difference. Deferred tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable.

A deferred tax asset of R772.6 million relating to unused tax losses that will be offset against the company's future taxable profits for the foreseeable future was recognised. The assessment is based on the budget that has been approved by the Board of Directors, which shows improvement in the company's taxable profits for the financial year and beyond. The company did not recognise a deferred tax of R5.7 billion relating to the use of an estimated tax loss that extends beyond the budget period.

17. Current vs non-current split of assets and liabilities

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:

	2022			2021		
	Total	Non-current	Current	Total	Non-current	Current
	R'000	R'000	R'000	R'000	R'000	R'000
ASSETS						
Property and equipment	15 858	15 858	-	23 277	23 277	-
Intangible assets	65 207	65 207	-	51 594	51 594	-
Deferred acquisition costs and administration fees	161 966	-	161 966	129 516	-	129 516
Deferred Income tax	776 713	570 533	206 180	-	-	-
Financial assets at fair value through profit or loss – designated	37 302	3 982	33 320	6 252 461	-	6 252 461
– loans and receivables	9 360	-	9 360	74 851	-	74 851
– held for trading	-	-	-	94 491	-	94 491
Prepayments	401 194	-	401 194	2 004	-	2 004
Other receivables	743 147	-	743 147	-	-	-
Insurance receivables	274 417	-	274 417	198 776	-	198 776
Reinsurance contracts	2 845 137	-	2 845 137	54 782	-	54 782
Cash and cash equivalents	14 578 781	-	14 578 781	3 166 600	-	3 166 600
TOTAL ASSETS	**19 909 082**	**655 580**	**19 253 502**	**10 048 352**	**74 871**	**9 973 481**
LIABILITIES						
Lease liability	8 610	-	8 610	13 360	6 676	6 684
Deferred income tax	-	-	-	59 740	59 740	-
Deferred income	99 374	-	99 374	10 972	-	10 972
Employee benefit liability	21 138	-	21 138	29 196	-	29 196
Insurance contract liabilities	12 694 166	-	12 694 166	1 315 963	-	1 315 963
Current income tax payable	-	-	-	148 169	-	148 169
Trade and other payables	20 365	-	20 365	64 984	-	64 984
Reinsurance payables	164 057	-	164 057	47 523	-	47 523

TOTAL LIABILITIES	**13 007 710**	-	**13 007 710**	1 689 907	66 416	1 623 491

18. Net insurance premium earned

	2022 R'000	2021 R'000
INSURANCE CONTRACTS		
Gross insurance premium written	3 152 458	2 785 825
Change in gross unearned premium provision	(117 059)	(7 572)
PREMIUM REVENUE ARISING FROM INSURANCE CONTRACTS	**3 035 399**	**2 778 253**
REINSURANCE CONTRACT		
Insurance premium ceded to reinsurers	(1 175 387)	(225 860)
Change in reinsurers' share of unearned premium provision	202 269	2 456
PREMIUM REVENUE CEDED TO REINSURERS	**(973 118)**	**(223 404)**
NET INSURANCE PREMIUM EARNED	**2 062 281**	**2 554 849**

Excess of loss reinsurance cover was purchased for 2021/22 at a cost of R143.49 million (2020/21: R117.43 million). A cost of R112.92 million was incurred to reinstate the cover for 2021/22 following the claims from July 2021 civil unrest. In addition, a third event cover for the same financial year was purchased at a cost of R65.70 million.

19. Investment income

	2022 R'000	2021 R'000
INVESTMENT INCOME ON CASH AND CASH EQUIVALENTS:		
Interest income	**139 760**	**65 241**
INVESTMENT INCOME ON FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH INCOME:		
Dividend income	17 992	68 543
Interest income	118 750	291 759
Unrealised net fair value (losses)/gains	(425 394)	481 940
Realised net fair value (losses)/gains	472 515	(101 559)
	183 863	**740 683**

	323 623	**805 924**

20. Insurance claims and loss-adjustment expenses

	2022 R'000	2021 R'000
GROSS		
Gross insurance claims and loss-adjustment expenses	39 192 466	431 452
Salvages and subrogation	(11 622)	(4 885)
Movement in outstanding claims and IBNR	(4 035 553)	(74 849)
	35 145 291	**351 718**
REINSURERS' SHARE		
Reinsurers' share of gross insurance claims and loss-adjustment expenses	10 035 413	-
Movement in outstanding claims and IBNR and loss-adjustment expenses recovered from reinsurers	(779 991)	-
	9 255 422	**-**

Included in the gross insurance claims and loss-adjustment expenses is R34 billion, which relates to claims received from the July 2021 civil unrest.

A portion of the losses has been ceded to reinsurers and reinsurance recoveries amounting to R9 billion have been included in reinsurers' share of gross insurance claims and loss-adjustment expenses.

21. Expenses for the acquisition of insurance contracts

	2022 R'000	2021 R'000
Gross commission paid	463 690	408 988
Movement in net deferred acquisition cost	(17 912)	(559)

	445 778	**408 429**

22. Expenses for administration and marketing and finance cost

22.1 Expenses for administration and marketing

	Note(s)	2022 R'000	2021 R'000
EXPENSES FOR ADMINISTRATION AND MARKETING INCLUDE:			
Advertising expenses		12 658	9 366
Auditor remuneration: statutory audit		4 518	3 234
Depreciation – property and equipment	5	5 729	5 649
Depreciation – right-of-use asset	5	6 034	6 447
Investment administration expenses		7 828	13 653
Employee benefit expense	23	145 057	123 886
Social responsibility allocation		23 566	160*
Consulting and professional fees		8 246	10 014
Policy administration fees		379 514	347 964
Amortisation – intangible asset	6	10 139	8 290
Software licences		9 851	9 980**
Subscriptions		5 444	4 602
Staff training and seminars		5 254	1 993

*The actual spend for social responsibility is R32 million (the amount above includes accrual adjustments)
** A portion of software licences was reallocated from capital work in progress (see note 6)

22.2 Finance costs

	2022 R'000	2021 R'000
Interest on lease liability	4 148	993
Interest on late payment of taxes	3 327	8 126
	7 475	**9 119**

23. Employee benefit expense

	2022 R'000	2021 R'000
Wages and salaries	117 176	91 401
Medical aid	4 211	3 656
Leave pay accrual	3 821	1 594
Post-employment benefits: pension – defined contribution plan	10 556	8 177
Bonus expense	9 293	19 058

NOTES TO THE FINANCIAL STATEMENTS ***CONTINUED***

	145 057	**123 886**
Number of employees (full-time)	**135**	**117**

24. Taxation

	2022 R'000	2021 R'000
MAJOR COMPONENTS OF THE TAX EXPENSE		
CURRENT		
Current year normal tax	-	422 986
Previous year under/(over)provision	(517)	25 032
	(517)	**448 018**
DEFERRED		
Current year deferred tax	(117 110)	135 824
Prior-year adjustment	53 091	(45 268)
Effect of tax rate change	28 767	-
Assessed loss	(801 201)	-
	(836 970)	**538 574**
RECONCILIATION OF THE TAXATION		
Profit/(loss) before tax	(24 294 043)	2 041 135
Tax at the applicable tax rate of 28% (2021: 28%)	(6 802 332)	571 517
EFFECTS OF INCOME NOT SUBJECT TO TAX:		
Disallowable expenses[1]	17 626	7 773
Exempt dividend income	(12 922)	(18 316)
Deductible lease payments	(2 337)	(2 164)
Previous year under provision: current tax[2]	(517)	25 032
Tax rate change	28 767	-
Unrecognised assessed loss	5 881 654	-
Previous year under/(over)provision: deferred tax[3]	53 091	(45 268)
TAX CHARGE FOR THE PERIOD	**(836 970)**	**538 574**
Effective rate (%)	(3.4%)	26%

Notes:

1. Disallowable expenses relate mainly to fruitless and wasteful expenditure and depreciation of right-of-use asset.
2. Previous year under provision: current tax relates to immaterial prior-year current-tax adjustments that were identified and corrected in

the current year.

3. Previous year under/(over)provision: deferred tax relates to immaterial prior-year deferred tax adjustments that were identified and corrected in the current year.

25. Related party transactions and balances

Relationships

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

Sasria is a schedule 3B public entity in terms of the PFMA, 1999, as amended. The related-party disclosure is in terms of the requirements of IAS 24, 'Related Party Disclosures'.

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

Sasria does not have any prescribed officers as defined per IAS 24: Related Party Disclosures.

The comparative information has been based on the list of public entities and their subsidiaries effective at 31 March 2021.

The following transactions were carried out with related parties:

Sales of goods and services

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

	2022 R'000	2021 R'000
PURCHASE OF GOODS AND SERVICES		
Shareholder, including government departments	1 110	4 910
SOUTH AFRICAN REVENUE SERVICE (SARS)		
Taxation paid to SARS (income tax)	147 653	665 494
REGULATORY FEES		
Fees paid to FSCA	1 036	1 002
Fees paid to SARB	69	-
Company and Intellectual Property Commission	6	-

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Interest earned from investments with SARB	96 389	34 601
Refunds received from Insurance Sector Education and Training Authority	178	134

	2022 R'000	2021 R'000
YEAR-END BALANCES ARISING FROM TRANSACTIONS		
ASSETS INCLUDED IN THE STATEMENT OF FINANCIAL POSITION		
Bonds issued by government and semi-government	-	1 080 520
Money market instruments issued by government and semi-government	-	-
Cash held at SARB	10 119 494	923 106
Receivable from/(payable to) the Receiver of Revenue	743 147	(177 655)
CLOSING BALANCE	**10 862 641**	**1 825 971**

Shareholder capital contribution

The company received a capital contribution of R22 billion from its shareholder during the financial year.

Dividend payment

A dividend of R0 (2021: R102.3 million) was declared and paid to the shareholder during the 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. Please refer to note 26 for directors and executive management emoluments.

26. Directors and executive management emoluments

Non-executive directors	2022 R'000	2021 R'000
M Ngoasheng	998	776
O Mokonyane	483	379
S Gounden	449	333
R Haman	394	320
JM Maisela	682	461
Dr N Mqoqi-Mbalo	510	369
E Ngutshane	421	309
R Moletsane	497	356
M Phiri	587	417
C van Dyk	435	309
M Ramoipone *	435	320
D Marumo	408	309
	6 299	**4 658**

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

** Fees paid to National Treasury*

Executive 2022	Salary/fees R'000	Bonus and retention R'000	Contributions R'000	Car allowance R'000	Total R'000
CM Masondo	3 762	-	396	76	4 234
B Mthiyane	3 047	-	247	-	3 294
	6 809	**-**	**643**	**76**	**7 528**

Executive 2021	Salary/fees R'000	Bonus and retention R'000	Contributions R'000	Car allowance R'000	Total R'000
CM Masondo	3 765	1 496	392	76	5 729
B Mthiyane	2 944	761	239		3 944
	6 709	**2 257**	**631**	**76**	**9 673**

Key management 2022	Salary/fees R'000	Bonus and retention R'000	Contributions R'000	Car allowance R'000	Total R'000
T Chocho	2 101	-	267	-	2 368
S Harrop-Allin	2 346	-	192	21	2 559
M Mavuso	2 105	-	442	-	2 547
F Benjamin	2 233	-	301	-	2 534
M Dladla*	1 710	-	207	-	1 917
AS Nkosi	2 953	-	239	-	3 192
	13 448	**-**	**1 648**	**21**	**15 117**

**Appointed 01 June 2021*

Key management 2021	Salary/fees R'000	Bonus and retention R'000	Contributions R'000	Car allowance R'000	Total R'000
T Chocho	2 031	562	257		2 850
S Harrop-Allin	2 266	614	185	21	3 086
M Mavuso	2 036	605	424	-	3 065
F Benjamin	2 165	546	283	-	2 994
AS Nkosi	2 853	767	231	-	3 851
	11 351	**3 094**	**1 380**	**21**	**15 846**

NOTES TO THE FINANCIAL STATEMENTS ***CONTINUED***

27. Cash generated from operations

	2022 R'000	2021 R'000
(Loss)/profit before tax	(24 294 043)	2041 135
ADJUSTMENTS FOR:		
Investment income	(323 624)	(805 924)
Finance costs	7 475	9 119
Depreciation	11 763	12 096
Amortisation of intangible assets	10 139	8 290
Profit/(loss) on sale of assets	(103)	(98)
Software licences	-	4 058
Capital work in progress adjustment	-	3 510
Penalties payables to SARS	-	16 867
Movement in employee benefit liabilities	(8 058)	(2 782)
Operating profit before working capital changes	**(24 596 451)**	**1 286 271**
Reinsurance contracts	(2 790 355)	(2 456)
Deferred acquisition costs and administration fees	(32 450)	(1 526)
Insurance receivables	(75 641)	(22 219)
Loans and receivables	23 607	(49 918)
Other receivables	(745 227)	-
Insurance contract liabilities	11 378 203	(380 549)
Deferred income	88 402	736
Payables	79 423	40 617
Prepayments	(399 191)	-
	(17 069 680)	**870 956**

28. Tax paid

	2022 R'000	2021 R'000
Balance at the beginning of the year	148 169	139 509
Current tax for the year recognised in profit or loss	(517)	448 018
Interest and penalties payable	-	20 919
Balance at the end of the year	-	(148 169)
	147 652	**460 277**

29. Irregular, fruitless and wasteful expenditure

29.1 Irregular expenditure

	2022 R'000	2021 R'000
Balance at the beginning of the year	1 910	1 106
Current year expenditure	469	804
BALANCE AT THE END OF THE YEAR	**2 379**	**1 910**

29.2 Fruitless and wasteful expenditure

	2022 R'000	2021 R'000
Balance at the beginning of the year	27 476	1 530
Current year expenditure	36 407	25 946
Amounts recovered	(29 470)	-
BALANCE AT THE END OF THE YEAR	**34 413**	**27 476**

30. Contingencies

30.1 Contingent asset

The company is quantifying salvages recovered from the July 2021 unrest. These goods are currently being held by South African Police Service.

30.2 Contingent liabilities

The company, like all other insurers, is subject to litigation in the normal course of business. There are a number of legal or potential claims against the company, the outcome of which at present cannot be foreseen or quantified. Therefore, no liability has been recognised for these potential claims in the financial statements in accordance with the requirements of IAS 37.

31. Events after the statement of financial position date

The total value of the claims from the July 2021 civil unrest has decreased from R38 billion to R34 billion. The decrease is attributable to the outcome of the quantum verification process undertaken by the appointed loss adjustors post the initial estimate. The IBNER adjustment of R4.6 billion partly offset by an IBNR of R600 million is disclosed in note 10.

The event is an adjusting event since it provides evidence of conditions existing at the end of the reporting period, therefore the financial statements for the period ended 31 March 2022 are adjusted.

32. Going concern

The Board assessed of the company’s ability to continue as a going-concern in the foreseeable future. It considered the following during the assessment:

- The performance of the company for the period ended 31 March 2022, including the net loss after tax of R23.5 billion, total asset of R19.9 billion and the total equity of R6.9 billion;
- Continued engagement with stakeholders and monitoring of the rate increase implementation;
- Settlement of the balance of the July 2022 civil unrest claims over the next 12 months;
- The receipt of the balance of the contractual reinsurers' share of the estimated claims from the July 2021 civil unrest;
- The continuation of the existing reinsurance programme;
- The impact of the above factors on the financial performance, financial position and the cash flow for the next 12 months; and
- The finalisation of the process of issuing additional shares for the R22 billion shareholder contribution to restore the company’s SCR to the regulatory required levels.

The Board is satisfied that the company has the ability to continue its operations as a going-concern for the foreseeable future. Consequently, the going-concern basis was adopted in preparing the annual financial statements. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

33. Prior-year reclassifications

Profit commission from reinsurers was presented and disclosed as part of insurance receivables on the statement of financial position and the related notes in the prior-year. The prior year profit commission has been reclassified from insurance receivables to reinsurance contracts. This reclassification results in improved disclosures as the profit commission is receivable from reinsurers. The reclassification resulted in an increase in reinsurance contracts and a decrease in insurance receivable as follows:

Restatements of the statement of financial position	Presented at 31 March 2021	2021 Reclassification	Restated at 31 March 2021
	R’000	R’000	R’000
Insurance receivables	216 383	(17 607)	198 776
Reinsurance contracts	37 175	17 607	54 782

34. Approval of financial statements

The annual financial statements were authorised for issue by the company's Board of Directors on 30 November 2022.

TERMINOLOGY

Term	Description
Acquisition cost	Costs related primarily 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 submission 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; • 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 had 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 that expresses the relationship between claims and premiums (also known as the loss ratio). • 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.
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 proportions of premium attributable to the period of risk that relate to the current accounting period. It represents written premium adjusted by the unearned premium provision at the beginning and end of the accounting period.
Expense ratio	The percentage of premium used to pay all the costs of acquiring, writing and servicing insurance and reinsurance.
Gross written premium (GWP)	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 is ceded.
King IV	King IV Report on Corporate Governance for South Africa 2016
Incurred but not enough reported (IBNER)	Referred to as the development of known claims, this means the estimate of ultimate losses for known claims, less currently reported amounts. Total IBNR is then the total of the IBNR and IBNER.
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-term and short-term insurance industries 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 (ULAE)	Expenses that are not attributed to the processing of a specific insurance claims. Unallocated loss adjustment expenses, or ULAE, are part of an insurer's expense reserves.
Underwriting	The process of examining, accepting or rejecting insurance risks, and classifying or segmenting those selected 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 that are carried forward to such subsequent accounting periods.

ACRONYMS AND ABBREVIATIONS

Abbreviation	Description
BBBEE	Broad-based black economic empowerment
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
DAC	Deferred acquisition costs
ECR	Equity capital requirement
ESG	Environmental, social and governance
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. It 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
IFRS	International Financial Reporting Standards
ISAs	International Standards on Auditing
IT	Information technology
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
SAADP	South African Actuaries Development Programme
SAIA	South African Insurance Association
SARB	South African Reserve Bank
SARS	South African Revenue Service
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

COMPANY INFORMATION

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