RENASA

INSURANCE COMPANY LIMITED

Annual Report 2018

FURTHER RECOGNITION AND SCALE

For 2018, Renasa was named both the Commercial and Personal Lines Insurer of the Year by the Financial Intermediary Association, after having been adjudged 2017 Commercial Insurer of the Year and a finalist for the 2017 Personal Lines Insurer of the Year.
The awards, the most prestigious in the industry, are based on an independent and robust survey which judges insurers on level footing. The awards in successive years evidence the market's recognition of Renasa as a leading national insurer in company with its four long-established and substantial competitors in the intermediated segment and endorses both the value Renasa places on independent advice and its strategy of supporting its intermediaries to outcompete direct insurers and competitors.

RENASA
INSURANCE COMPANY LIMITED
Annual Report 2018

FURTHER RECOGNITION AND SCALE

RENASA INSURANCE COMPANY LIMITED ("RENASA")
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

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HIGHLIGHTS - FURTHER RECOGNITION AND SCALE

FIA 2018 COMMERCIAL INSURER OF THE YEAR

FIA 2018 PERSONAL LINES INSURER OF THE YEAR

2018 GROSS PREMIUMS GROW 12,0% AND EXCEED R 1,4 BILLION

Q1 2019 GROSS PREMIUMS POINT TO ANNUALISED PREMIUM OF R 2 BILLION

NEW REGULATORY REGIME RAISES OPERATIONAL STANDARDS

NEW REGULATORY REGIME RAISES SOLVENCY REQUIREMENTS

DIRE MARKET CONDITIONS – FURTHER 2 INSURERS CEASE OPERATIONS

CONTINUED IMPACT OF INCREASED REGULATORY COMPLIANCE COST

IMPROVED UNDERWRITING/PRICING AND CLAIMS COST CONTROL

UNDERWRITING PROFIT ACHIEVED

CAPITALISATION AND EARNINGS RAISE CAPITAL BY R 110,7 MILLION

SOLVENCY MARGIN IMPROVES TO 118,8%

COMMERCIAL LINES CONSTITUTE 49% OF GROSS PREMIUMS

OVERHEADS REPRESENT 5,7% (2017: 5,8%) OF GROSS PREMIUMS

A- RATING REAFFIRMED

THREE YEAR TREATIES RENEWED

RENASA'S ART

Renasa believes that economic insurance flows from insured clients practising good risk management to preserve their insured assets and insuring for the sudden and unforseen, rather than the avoidable. Preservation of our environment, whether our immediate surroundings or our wonderful country, is central to this philosophy.

Three South African Harbours (Durban, V&A Waterfront Cape Town, Kalk Bay)
2018

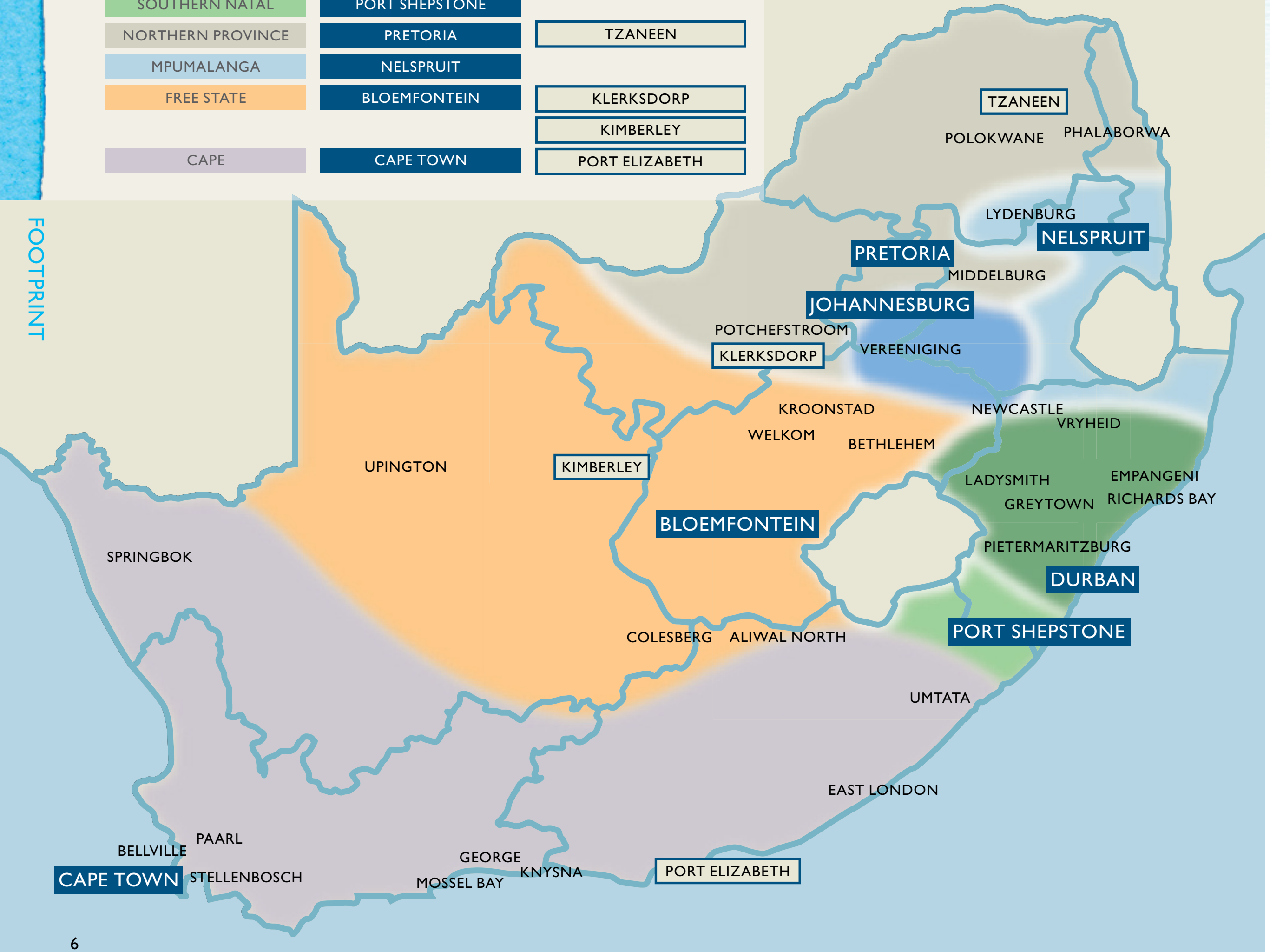
RENASA'S ART

Every year, in celebration of this theme, well recognised South African artist, Bruce Backhouse, interprets for Renasa, in his words, '... a different aspect of the rich fabric of our South African legacy, the sculpture of our surroundings'.

Three South African Lighthouses (Mouille Point (1824), Cape St Francis (1878), Port St Johns (1904).
2017.

RENASA'S FOOTPRINT

REGIONS	BRANCH OFFICES	REPRESENTATIVE OFFICES
GAUTENG	JOHANNESBURG	
KWA-ZULU NATAL	DURBAN	
SOUTHERN NATAL	PORT SHEPSTONE	
NORTHERN PROVINCE	PRETORIA	TZANEEN
MPUMALANGA	NELSPRUIT	
FREE STATE	BLOEMFONTEIN	KLERKSDORP
		KIMBERLEY
CAPE	CAPE TOWN	PORT ELIZABETH



MARKET FOCUS AND ALIGNMENT STRATEGY

Home and champion of the independent broker

Renasa believes unreservedly in the value of independent advice and accordingly distributes solely through the intermediated channel. Renasa is dedicated to providing its distributors with products and services which raise their competitiveness. The insured customers sought gravitate to distributors of excellence. It is these distributors with whom Renasa seeks aligned relationships.

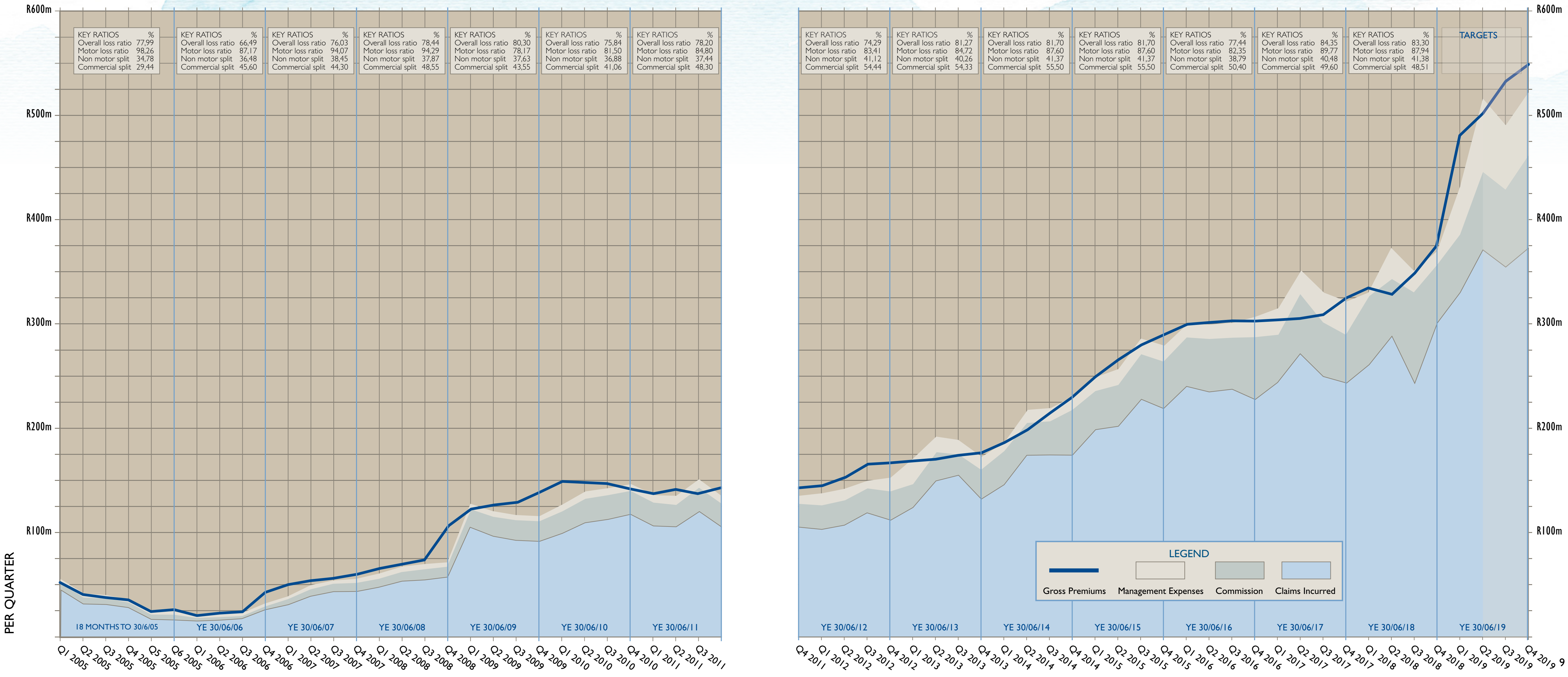
Renasa's systems offer intermediaries the support needed to achieve actuarial risk selection and systemised claims cost control while preserving independence and avoiding overbearing interference in intermediary processes. This makes Renasa, at once, the home and the champion of the independent intermediary.

Aligned relationships are those where all links in the insurance distribution chain, that is reinsurers, insurers, distributors and insured customers are motivated by a common purpose, insuring responsibly for the sudden and unforseen rather than the avoidable.

Renasa has long held that the achievement of sustainable value relies on aligned relationships with its reinsurers, intermediaries and its insured customers. Renasa believes that maintaining those relationships requires economical insurance products (which are actuarially priced and benefit from efficent claims management), personal service levels and direct access to decision-makers within Renasa.

RENASA'S LONG TERM PERFORMANCE

RENASA RESULTS WITH 2019 TARGETS



LONG TERM PERFORMANCE

RENASA'S LONG TERM PERFORMANCE

TURNAROUND
2005 AND 2006 FINANCIAL YEARS

1 Shareholding, board and executive restructured under new control – relocated to Johannesburg
2 Experienced risk executives engaged
3 Commutation of run-off business
4 Stricter underwriting controls – 60% of top line cancelled
5 Stricter claims control initiated
6 Intense marketing campaign – growth commences and UMA's expanded
7 Capital introduced – solvency margin 43%
8 Reinsurance treaties oversubscribed

INFRASTRUCTURE DEVELOPED
2007 AND 2008 FINANCIAL YEARS

1 Board expanded
2 Intensified marketing – top line more than doubles
3 Intensive corrective action addresses effects of high growth
4 Initial IT infrastructure development – rating, admin and claims workflow systems
5 Procurement initiatives control costs – first profits generated
6 Capital introduced and commencement of three-year treaties- solvency margin 51% - BBB+ rating
7 Full administration services offered to brokers
8 RITE social responsibility programme reaches 25 000 learners

GROWTH PHASE
2009 AND 2010 FINANCIAL YEARS

1 Intensive marketing – again top line more than doubles
2 Three large losses including R 45 million fire claim but underwriting profits increase
3 Intensive IT development – scientific rating and claims control, 3rd party systems integration – FAIRFIGHT
4 FAIRFIGHT puts intermediaries on equal footing with direct insurers
5 Salvage, assessing and audit initiatives improve claims cost control
6 Treaty terms favourably renewed, solvency margin 57%
7 A- rating
8 RITE social responsibility programme reaches 55 000 learners

CONSOLIDATON PHASE
2011 AND 2012 FINANCIAL YEARS

1 Marketing team doubled under leadership of Nick Beyers and seven sales offices opened – national footprint
2 Loss to takeover contracts 2011 premium by 3% but expanded footprint and A- rating bring 24,5% growth in 2012
3 Annualised premium tops R 662,5 million by June 2012
4 Motor actuary improves rating/selection/margin while procurement initiatives drive down claim costs
5 Improved technical performance
6 Integrated to all major independent policy/claims administration systems
7 Rolling Three Year Reinsurance Treaty favourably renewed
8 Solvency Margin to 61,7%; Claims Cash Coverage ratio 16 months

RENASA'S LONG TERM PERFORMANCE (continued)

APPROACHING SCALE
2013 AND 2014 FINANCIAL YEARS

1 Margins depressed by catastrophes, weak economy and weak Rand
2 Second and third largest insurers lose combined R 1 billion - four competitors leave Renasa's segment
3 Growth trend continues: premiums grow 12,3% in 2013 and 22.0% in 2014
4 Scale approached: overhead growth contained to 5,7% in 2013 and 6,0% in 2014
5 Actuarial/underwriting structures improved across classes - claims costs further reduced
6 Financial profit achieved despite parlous market conditions – A- rating reaffirmed
7 Rolling Three Year Reinsurance Treaty favourably renewed
8 Solvency Margin to 43,6%; Claims Cash Coverage ratio to 11,7 months

GROWTH TO SCALE
2015 AND 2016 FINANCIAL YEARS

1 Real-time control of premium/pricing and claims costs give Renasa a 'unique advantage'
2 Market consolidation, Renasa's national footprint and 'unique advantage' deliver high growth
3 Premiums grow 30,4% in 2015 (exceeding R 1 billion) and 13.6% in 2016 – Commercial classes consitute 50%
4 Scale benefits – despite overhead growth, overheads fall to 5,3% of Gross premiums in 2015 and 5,4% in 2016
5 Margins depressed by atypical catastrophe frequency, weak economy/Rand and high regulatory compliance costs
6 2016 Underwriting and Financial profit achieved despite depressed margins
7 Three Year Reinsurance Treaty renewed, Solvency Margin 42,1%, claims cash coverage ratio 13,4 months
8 A- rating reaffirmed

MARKET RECOGNITION
2017 FINANCIAL YEAR

1 FIA "Commercial Insurer of the Year" and finalist "Personal Lines Insurer of the Year"
2 Continued improvement in underwriting/pricing control and claims cost controls
3 Gross premiums grow by a slower 5,5% reflecting market challenges and corrective actions
4 Underwriting/claims controls and increased compliance costs drive overheads to 5,8% of Gross premiums
5 Underwriting loss sustained due to atypically high catastrophe claims frequency
6 Financial profit achieved notwithstanding high catastrophe claims frequency
7 Solvency margin improves to 44,9% and claims cash coverage ratio improves to 15,9 months
8 A- rating reaffirmed

FURTHER RECOGNITION AND SCALE
2018 FINANCIAL YEAR

1 FIA "Commercial and Personal Lines Insurer of the Year" reflects further market recognition
2 Gross premiums grow by 12,0% for year but increased scale points to sharp increase in 2019 Gross premiums
3 Continued improvement in underwriting/pricing control, claims cost control and underwriting margins
4 Capitalisation and earnings raise capital by R 110,7 millions
5 Underwriting and financial profit achieved notwithstanding high catastrophe claims frequency
6 Solvency margin improves to 118,8% and claims cash coverage ratio improves to 21,6 months
7 Reinsurance treaties renewed largely on expiring terms
8 A- rating reaffirmed

Renasa is positioned as a serious competitor to major insurers

CHAIRMAN'S STATEMENT

In recognition of the great strides Renasa has made in providing an effective and professional service to the general insurance intermediated market, Renasa was awarded both the Commercial and Personal Lines Insurer of the Year Awards for 2018 by the Financial Intermediary Association ("FIA"). These awards follow Renasa having received the FIA's 2017 Commercial Insurer of the Year Award and being adjudged runner up in the FIA's 2017 Personal Lines Insurer of the Year category. The awards reflect Renasa's coming of age and its established position as an alternative to its four more substantial competitors serving the intermediated market.

We are justifiably proud of these achievements which can be attributed to the professional service provided by our dedicated management and staff. Other notable aspects of the 2018 year include:

- the steep growth achieved during the closing stages of the year which lead to significantly higher gross premiums and a 48,6% (2017: 8,7%) post year end first quarter growth and annualized premium levels of almost R 2 billion;
- the introduction throughout the year of new legislation including new solvency capital requirements shortly before year end;
- the further capitalisation of Renasa (both in response to recent growth and new solvency requirements) coupled with the year on year increase in retained earnings, resulting in the Capital and reserves at 30 June 2018 being almost treble that at June 2017;
- The generation of an underwriting profit for the year in a difficult economic environment.

What is particularly gratifying is that these achievements were realized in a market fraught with challenge. Dire economic circumstances (which conspired against both growth and margin, raising input costs and depressing rates) combined with massive, legislation-induced structural change (most focused on the intermediated market and particularly Renasa's segment) to fashion what was almost a perfect storm for Renasa and its competitors to weather. These severe trading conditions have seen the departure over the last two years of four insurers from Renasa's segment. The 2018 results with Gross premium growing by 12,0% (2017: 5,5%) to R1,41 billion (2017: 1,26 billion) and an underwriting profit of R 4,1 million (2017: loss of R 3,4 million) are therefore to be applauded.

Significant growth is expected in the near term

As to Renasa's strategy, it continues to believe unreservedly in the value of independent advice and to dedicate itself to the intermediated segment focusing on placing its intermediaries at a competitive advantage in terms of product, the underwriting of risk and the settlement of claims. In this mission, it uses experienced managers mandated to provide swift decisions on commercial underwriting and claims matters together with technology to allow intermediaries the freedom to manage personal lines business under binding authorities. Renasa's technology also continues to lead the market and positions Renasa's intermediaries to compete with direct insurers on an equal footing.

Renasa is reinsurance, placed with the world's leading reinsurers, including the placement of the term treaties with Renasa's lead reinsurer, continues to provide the additional capital support for the premium volumes written. Renasa's solvency margin at the 2018 year end was 118,8% (2017: 44,9%) while the Capital Adequacy Requirement (CAR) cover ratio in terms of the provisional requirements under the Solvency II regime rose to 3,94 (2017: 1,45). Renasa's A- rating was reaffirmed.

If first quarter 2019 premium levels are achieved for the remaining quarters of the 2019 year, Renasa should generate Gross premiums of close to R 2 billion. Renasa will continue to work hard at managing the experience on its book and will approach further growth opportunities with caution. While recent growth suggests improved performance in the future, caution should always be exercised when considering prospects particularly given the parlous economy and gravity of change in the market.

I thank my fellow directors, the executive management and Renasa's staff for their contribution and steadfast support during the past year and I look forward to further progress during 2019.

DON ERIKSSON

Chairman

R.I.T.E.

RENASA INSURANCE TRAINING AND EDUCATION

Focus on the Foundation Phase of learning

R.I.T.E., for Renasa Insurance Training and Education (a non-profit company of Renasa's social responsibility programme), is an initiative which aims to uplift underprivileged communities by contributing to the "Foundation Phase" of education where the groundwork for future learning is set.

R.I.T.E. continues to target both urban and rural schools in Gauteng and KZN. As well as hosting workshops in Alexandra, Tembisa and Soweto. R.I.T.E. presents at Thandulwazi Rokunda every alternate Saturday. This is the Saint Stithians Outreach Programme, which hosts over 1000 township teachers who give up their own time on a weekend to attend these workshops.

For many years R.I.T.E. conducted teacher training workshops at which it distributed the Alphaland Literacy programme, which provides the basic tools for teaching reading skills. The programme was donated to underprivileged schools in Gauteng and rural areas in the KZN Midlands, reaching more than 65 000 learners. From these workshops it became evident that underprivileged schools have a serious shortage of reading books at the level where learning to read and write is the focus of teaching.

R.I.T.E. had the opportunity to meet many teachers and see and hear first-hand the many challenges they face on a daily basis. To help meet their needs, R.I.T.E. has developed a reading programme starting with Grade 1 readers. In the course of development the relevant academic authorities were consulted to ensure delivery of an effective aid. R.I.T.E. has printed 200 000 books most of which have already been donated to qualifying schools.

R.I.T.E. has also been involved with other very worthy causes including the Midlands Meander Education Project and the Afrika Tikkun Project. Both these organisations are dedicated to the reduction of youth unemployment in South Africa. Afrika Tikkun have invested in 5 community resource centres in disadvantaged communities where young people receive educational, personal development and structured support services for them and their families. R.I.T.E. also visited the community centres in Diepsloot and Braamfontein and it is very uplifting to see the support given to children – from cradle to career. The R.I.T.E. reading books were very well received.

Generous support by Renasa's partners

The workshops that R.I.T.E. hosts at all these organisations are most worthwhile and of great value to the teachers who attend. The teachers are really appreciative and learn so much. They find R.I.T.E.'s input relevant, helpful and refreshing. It is valuable time spent and given to the teachers. It is at these workshops that R.I.T.E. donates a set of 110 readers to each of the teachers. The children benefit from these beautiful reading books and, no doubt, will enjoy them as supplementary readers. Teaching a child to read is to open up a lifetime of knowledge for them.

R.I.T.E. aims to help uplift struggling and needy schools and to provide resources so necessary to educate children. As a team, R.I.T.E. hopes to serve in a way that will open up horizons and offer hope for an improved quality of life for the children through education. R.I.T.E. cannot achieve this without the generous support of its donors. It is a wonderful and yet humbling experience to give time and resources to help those in need. All donations are most welcomed and highly appreciated. R.I.T.E.'s special thanks go to the many who have supported this cause in the past including The Garrun Group, Munich Reinsurance, Swiss Reinsurance, Botha & Sutherland Attorneys and the many others too numerous to mention who have in the past contributed generously and made this most worthwhile project possible.

Renasa House
2015

Three Iconic South African Bridges (Mandela, Bloukrans, Malgas Pont)
2016

CHIEF EXECUTIVE OFFICER'S REPORT

SALIENT FEATURES

Having achieved significant market recognition by Renasa being adjudged Commercial Insurer of the Year in the 2017 Financial Intermediaries Association ("FIA") Awards, the highlight of the 2018 financial year was the cementing of that recognition by Renasa being named both Commercial and Personal Lines Insurer of the Year in the 2018 FIA Awards. That recognition supported significant growth during the closing months of the financial year and has manifested in sharply higher Gross premiums during the 2019 financial year.

Further recognition and scale

While Renasa has recently achieved notable growth, that is not symptomatic of the very poor conditions which prevailed during the 2018 year in Renasa's market segment where all key drivers of economic success, volume, margin and the quantum of capital required to generate that volume and margin were sharply negative following the combined effect of abysmal economic conditions and the impact of new legislation. These conditions saw the departure of a further two insurers from the segment making four the number which have ceased operations over the past two years. Given the further impact of aberrant weather patterns and the associated claims, the Underwriting profit achieved by Renasa for the 2018 financial year was creditable.

During the 2018 year Gross premiums grew by 12,0% (2017: 5,5%) to R 1,41 billion (2017: R 1,26 billion) with first quarter 2019 growth increasing to 48,6% (2018: 8,7%) while the exposure to the more profitable commercial class was maintained at 48,5% (2017: 49,6%) and exposure to specialist classes increased to 18,6% (2017: 17,8%) of Gross premiums. An improved gross claims ratio of 83,3% (2017: 84,4%) (notwithstanding the increase in catastrophe and single large claims), an increase in net commissions to 3.9% (2017: 3,0%) of Gross premiums and a decrease in the overhead growth rate to 9.4% (2017: 12,8%) yielded an Underwriting profit of R 4,1 million (2017: loss of R 3,4 million). With higher cash holdings yielding interest income of R 6,9 million (2017: 7,1 million) and a tax charge of R 3,1 million (2017: R 1,1 million), Profit after taxation but before Preference Share dividends of R 8,0 million (2017: R 2,7 million) was achieved.

During the year, in anticipation of the introduction of the risk-based solvency regime effective from 1 July 2018, and to support Renasa's significant growth, the company was recapitalized by the introduction of ordinary equity of R 92,8 million. This, combined with the revaluation of an investment and the retained income generated during the year, combined to increase Capital and reserves at year end to R 168,1 million (2017: R 57,4 million).

Renasa continues to champion the independent intermediary

Renasa's reinsurance treaties were once more renewed largely on expiring terms with Munich Re continuing as the lead reinsurer. The impact of the significant increase in capital caused sharp increases in Renasa's statutory solvency margin, which rose to 118,8% (2017: 44,9%), the Capital Adequacy Requirement (CAR) cover ratio in terms of the provisional requirements under the Solvency II regime, which rose to 3,94 (2017: 1,45), and the claims coverage ratio which increased to 21,6 months (2017: 15,9 months). Renasa's A- rating was once again reaffirmed by Global Credit Rating Co.

There has been no change to the Board or Executive Management structure during the past year and the Operational Management structure remains largely unchanged.

Renasa remains committed to the delivery of competitive products with an unparalleled service to independent intermediaries. Experienced Service Managers, mandated to provide quick underwriting and claims decisions, continue to serve commercial needs while high personal lines service levels are delivered through Renasa's advanced technology. Together, these position independent intermediaries to compete on equal footing with direct insurers but without intrusive insurer interference in or the need to change intermediary systems.

Renasa's marketing strategy (including its national television campaign, industry journals and web-based media) continues to feature Archie Broker and his faithful dog Roger to raise public and broker awareness of the Renasa brand. As before, the campaign showcases Renasa's support for independent intermediaries and the value of independent advice.

Regarding 2019, the impact of catastrophe weather events aside, the significant increase in scale and margin improvement flowing from intensified portfolio management should contribute to improved performance.

CEO'S REPORT

Modest profit despite subdued market conditions

MARKET CONDITIONS

Challenging conditions again prevailed in Renasa's segment with two further insurers closing down, making four which have ceased operations during the past two years. The reasons for this consolidation remain the same:

- Parlous economic conditions, high inflation and a weak Rand exchange rate together:
  - Suppressing growth; and
  - Contracting margins by:
    - raising repair costs; and
    - depressing premiums;
- The impact of legislation:
  - raising the cost of regulatory compliance and driving up overheads;
  - raising significantly capital adequacy requirements.

Other factors adding to the difficult conditions include an increased catastrophe event frequency and the restrictive reinsurance pricing which has followed poor global insurance performance.

In these very challenging circumstances, Renasa's significant growth towards the end of the financial year is gratifying. While this growth will only manifest in Renasa's 2019 financial year, as evident by annualized Gross Premiums at the time of authorization of the Financial Statements closely approaching R 2 billion, it confirms Renasa as a primary alternative to the four major insurers operating in the intermediated segment.

PREMIUM PERFORMANCE – IMPROVED GROWTH ACHIEVED

With significant growth during the closing months of the 2018 financial year, year on year Gross premiums growth of 12,0% (2017: 5,5%) to R 1,41 billion (2017: 1,26 billion) belies the true extent of the premium growth which is demonstrated by Gross premium growth during the first quarter of the 2019 year which improved to 48,6% (2018: 8,7%).

Despite the growth, Renasa managed to achieve only a modest dilution in its exposure to the generally more profitable commercial classes to 48,5% (2017: 49,6%) of Gross premiums.

Again, however, Gross premiums from specialist classes outstripped overall premium growth to grow by 17,0% (2017: 14,8%) to R 261,3 million (2017: R 223,3 million) and the concentration in specialist classes likewise improved to 18,6% (2017: 17,8%) of Gross premiums.

Renasa's Commercial Lines strategy – Personal Service

RENASA'S MARKET FOCUS

Renasa's strategy remains the pursuit of both commercial and personal lines classes. Experienced Service Managers who are mandated to provide on the spot underwriting and claims decisions deliver a traditional, personal service for commercial classes.

In the personal lines class, systemised risk selection and claims cost control create a broad offering for intermediaries which can elect from various levels of autonomy.

RENASA'S COMMERCIAL LINES SERVICE OFFERING – PERSONAL SERVICE BY AUTHORISED SERVICE MANAGERS

Renasa continues to service commercial lines with a team of experienced Service Managers authorized to place Renasa on cover for most risks and to authorize most claims without reference. Where volume justifies, Service Managers are based in an intermediary's offices. This ensures swift, personal service by qualified and experienced staff. The team, under Nick Beyers, which provides this service understands thoroughly the needs of the intermediated market and is accomplished at service delivery.

RENASA'S PERSONAL LINES SERVICE OFFERING - "SUPERVISED INDEPENDENCE" THROUGH UNIQUE SYSTEMS – ESSENTIAL TOOLS FOR INTERMEDIARIES TO CONTROL MOTOR CLASSES

Personal Lines is the single largest class of business in the South African market and the majority of this business is still written in the intermediated segment despite the onslaught of direct insurers. Personal lines insurance (including, crucially, the motor class) is also the single largest source of intermediary income. However, challenging market conditions and the consolidation among insurers and intermediaries alike has put the intermediated segment under pressure. For personal lines insurance to remain sustainable in the intermediated segment (particularly where intermediaries administer policies and claims on systems independent of insurer ownership and control

Renasa's Personal Lines strategy – Supervised Independence

["independent systems"]) and to compete effectively with the direct market, Renasa believes that claims control and risk selection must be systemized and actuarial but without intrusive interference in intermediary efficiency.

While the independent operation by intermediaries on their own chosen administration system is central to Renasa's strategy, it is essential that Renasa's pricing and claims control systems are seamlessly integrated. This way intermediaries can operate independently but with the benefit of scientific risk selection and economies of scale in the claims settlement arena. That is what Renasa terms "Supervised Independence".

Accordingly, Renasa operates a suite of proprietary cloud-based systems which provide intermediaries with underwriting and claims controls equivalent to those of direct insurers while allowing intermediaries to maintain their administrative independence on their independent systems.

Renasa's systems comprise:

- Cloud-based rating engines which ensures actuarially determined rates at risk item level;
- A cloud-based claims work flow control system which helps to contain claims costs by controlling each aspect of the settlement process of claims intimated on independent systems;
- A data exchange system which feeds into Renasa's data warehouse;

all of which are integrated to all commonly used independent systems.

Renasa's approach improves personal lines efficiencies, particularly in the motor class, which assists independent intermediaries to defend the attack of direct insurers.

Despite particularly challenging market conditions, Renasa's approach has consistently improved its control over the motor class of its independent intermediaries and contained the increase in its average claims cost for that class preserving the sustainability of the personal lines class in the intermediated market.

SPECIALIST CLASSES AND UNDERWRITING MANAGEMENT AGENTS

Renasa currently underwrites eighteen (2017: fourteen) specialist classes through Underwriting Management Agents ("UMA's") which distribute exclusively for Renasa or through dedicated divisions. Classes include engineering risks, minibus taxis, various heavy commercial vehicle cover, off-road vehicle cover, pet health insurance, performance guarantees, medical gap cover, professional indemnity excess buydown, debt counselling products and agreed value motor policies. Renasa will continue its strategy to build this division with additional UMA's under consideration at any time. Renasa will also continue to offer underwriters support in the establishment of UMA businesses, most Renasa UMA's having been established as "greenfields" operations.

Dedication to independent intermediaries continues

THE INTERMEDIARIES' "ONE STOP SHOP"

The above services together provide independent intermediaries with a personalised and swift commercial lines service delivered by experienced professionals, an advanced solution to motor class performance, mandates for personal lines which are supported by highly effective systems and services and a broad range of specialist covers.

TREATING CUSTOMERS FAIRLY

Treating Customers Fairly ("TCF"), central to Renasa's practises, is now being enforced by regulation. Renasa continues to refine controls which ensure that the principle of fairness to customers is entrenched throughout its operations so that all the required TCF outcomes are achieved.

MANAGEMENT STRUCTURE

There has been no change to the Board or Executive Management structure during the past year although there have, as ever, been some changes within the Operational Management structure associated with Renasa's development.and a restaffing of the senior management of the KZN Region subsequent to the year end.

MARKETING AND BRAND DEVELOPMENT

Renasa's marketing strategy using national television, industry journals and web-based media featuring its icons, Archie Broker and his faithful dog Roger, to raise Renasa brand awareness and explain Renasa's intermediary services, has continued unaltered. Renasa's role in providing the most supportive mechanisms and services to assist independent intermediaries who perform policy and claims administration continues to be well explained and the value of independent advice extolled.

ALIGNMENT STRATEGY

Ensuring the sustainability of relationships in Renasa's supply and distribution channels so that all parties benefit fairly remains central to its strategy. Its long association with both suppliers and distributors continues to evidence this.

UNDERWRITING PERFORMANCE

Underwriting performance reflects Renasa's market segment

The Underwriting profit of R 4,1 million achieved for the year (2017: Underwriting loss of R 3,4 million) is, in light of the challenging market endured, a substantial achievement especially taking into account the impact of the increased frequency of catastrophes.

Furthermore, Renasa's underwriting performance must always be read in the light of the market it services. Where an insurer administers policies and claims on a system under its control, it is no great achievement to secure underwriting and claims control. The same is not so for the achievement of underwriting and claims control on business administered on independent systems.

Renasa has developed systems which allow real-time control over claims and, even where business is underwritten on independent systems, this without undermining intermediary efficiency.

Because systemised claims and premium control is rare in the outsourced segment of the intermediated market, and because much of Renasa's recent growth emanates from consolidation in Renasa's segment, the business taken on is mispriced as it has never been subject to the premium and pricing control implemented at Renasa. The result is an exaggeration of the usual growth strain experienced and sub-optimal underwriting performance while corrective action is implemented.

RECAPITALISATION

In line with the confirmation in Renasa's 2017 Annual Report that Renasa was in the process of adjusting its financing structures to ensure sufficient solvency on introduction of the risk-based solvency regime, at the close of the financial year, in light of the new solvency regime effective from 1 July 2018 and to support Renasa's significant growth, the company was recapitalized by shareholders. The introduction of ordinary equity of R 92,8 million, the revaluation of an investment and the retained income generated during the year combined to increase Capital and reserves at year end to R 168,1 million (2017: R 57,4 million).

FINANCIAL REVIEW

During 2018 Gross premiums grew by 12,0% (2017: 5,5%) to R 1.41 billion (2017: R 1,26 billion) with 2019 first quarter gross premiums growing by 48,6% (2017: 8,7%) to an annualised gross premium of R 1,98 billion (first quarter 2017: R 1,33 billion) which reflects the sharp growth achieved towards the end of the financial year.

Despite the underwriting action taken during the year, the impact of catastrophe and single large claims contributed to a gross claims ratio 83,3% (2017: 84,4%) despite the underwriting action taken during the year.

Increase in total comprehensive income

Net commission received as a percentage of gross premiums grew to 3,9% (2017: 3,0%) while administration fee income increased. Net operating expenses rose by 9,4% (2017: 12,8%) owing to the increased cost of regulatory compliance and an increase in underwriting and claims staff costs although the staff complement remained stable at 152 (2017: 152). The overall result, however, was an Underwriting profit of R 4,1 million (2017: loss of R 3,4 million) which is satisfactory in light of the difficult market conditions experienced.

With improved cash holdings, interest income stabilised at R 6,9 million (2017: R 7,1 million) so that Profit before taxation and Preference Share dividends of R 11,1 million (2017: R 2,7 million) was achieved.

Following a tax charge of R 3,1 million (2017: R 1,1 million), the result was Total Comprehensive Income before Preference Share dividends of R 8,0 million (2017: R 2,7 million) and a Return on average Equity of 7,1% (2017: 4,8%) which is considered reasonable in the current circumstances and taking into account the almost trebling of Renasa's capital base between the 2017 and 2018 financial year ends.

REINSURANCE AND FINANCING

Renasa has for many years secured lead reinsurance capacity in treaties with a three year duration which is an endorsement of Renasa and its alignment strategy and commits to Renasa much of the capital required to fund its growth.

Renasa's cession during the 2018 year again remained largely unchanged on most risks.

Renasa's treaties were again led by Munich Re with supporting lines from Partner Re, R&V Re, Santam Re and GIC Re which again raised the overall security of the treaties.

Net Written Premium for the year grew by 7,9% (2017: 0,4%) to R 143,4 million (2017: R 132,9 million). Renasa's solvency margin at the 2018 year end was 118,8% (2017: 44,9%) which reflects the impact of the capital actions during the year. Solvency levels continue to be carefully monitored.

In terms of the requirements under the Solvency II regime, Renasa achieved a Capital Adequacy Requirement (CAR) cover ratio of 3,94 (2017: 1,45). The claims coverage ratio improved during the 2018 year to 21,6 months (2017: 15,9 months). All ratios continue to operate at levels which compare satisfactorily with industry norms.

A- rating reaffirmed

The "A-" rating accorded by Global Credit Rating Company since November 2010 was once again reaffirmed confirming the strength of Renasa's paper and its position as an alternative to the four leading general insurers serving independent intermediaries.

PROSPECTS

In a delayed response to the announcement of Renasa as the FIA's 2017 Commercial Insurer of the Year and a finalist for Personal Lines Insurer of the Year, the flow of new business prospects increased markedly towards the end of the 2018 financial year particularly in the traditionally more profitable commercial classes. Were Renasa to continue to write current monthly premium levels, it is projected that Renasa's Gross premiums for the 2019 financial year will approach R 2 billion. The impact of that growth will be significant and, despite growth strain, an improved margin is targeted given the volume of commercial business introduced.

If there is a similarly delayed response, even muted, to the adjudging of Renasa as the FIA's 2018 Commercial and Personal Lines Insurer of the Year, further growth can, perhaps, be expected.

With all of the factors which have driven the consolidation in Renasa's market segment over the past few years still in force, the potential for further consolidation must continue to provide opportunities. However, as before, Renasa will remain vigilant to the danger of those opportunities. Renasa, remains committed to cautiously building its premium levels so that they are nationally representative of the market it services.

Renasa's commitment of the past few years to improving the performance of personal lines continues to yield dividends and further benefit remains to be extracted. However, the increased frequency of catastrophes associated with aberrant weather patterns must also be considered given the experience of the past few years.

In all, while the above factors suggest improved performance in the future, caution is, as ever, warranted given the impact of legislative change on the intermediated sector so that the maintenance of margins on increased volumes would be a satisfactory result for the 2019 financial year.

APPRECIATION

As anticipated in the 2017 Annual Report, 2018 was expected to be a challenging year. Certainly, the extent of the challenge far exceeded expectation. In such an environment, sustainability and progress owe everything to the ability, capacity, commitment and excellence of the management team and staff alike. My thanks to all for their dedicated contribution. My thanks also to the Board for their encouraging support and considered guidance as we navigated the challenges. My deepest appreciation goes to our intermediaries who have been steadfast in their support and for whom we have to thank for the accolades of Commercial and Personal Lines FIA Insurer of The Year. Finally, to our reinsurers and other business partners, I extend my sincere thanks for their continued support and their contribution to the business Renasa has today become.

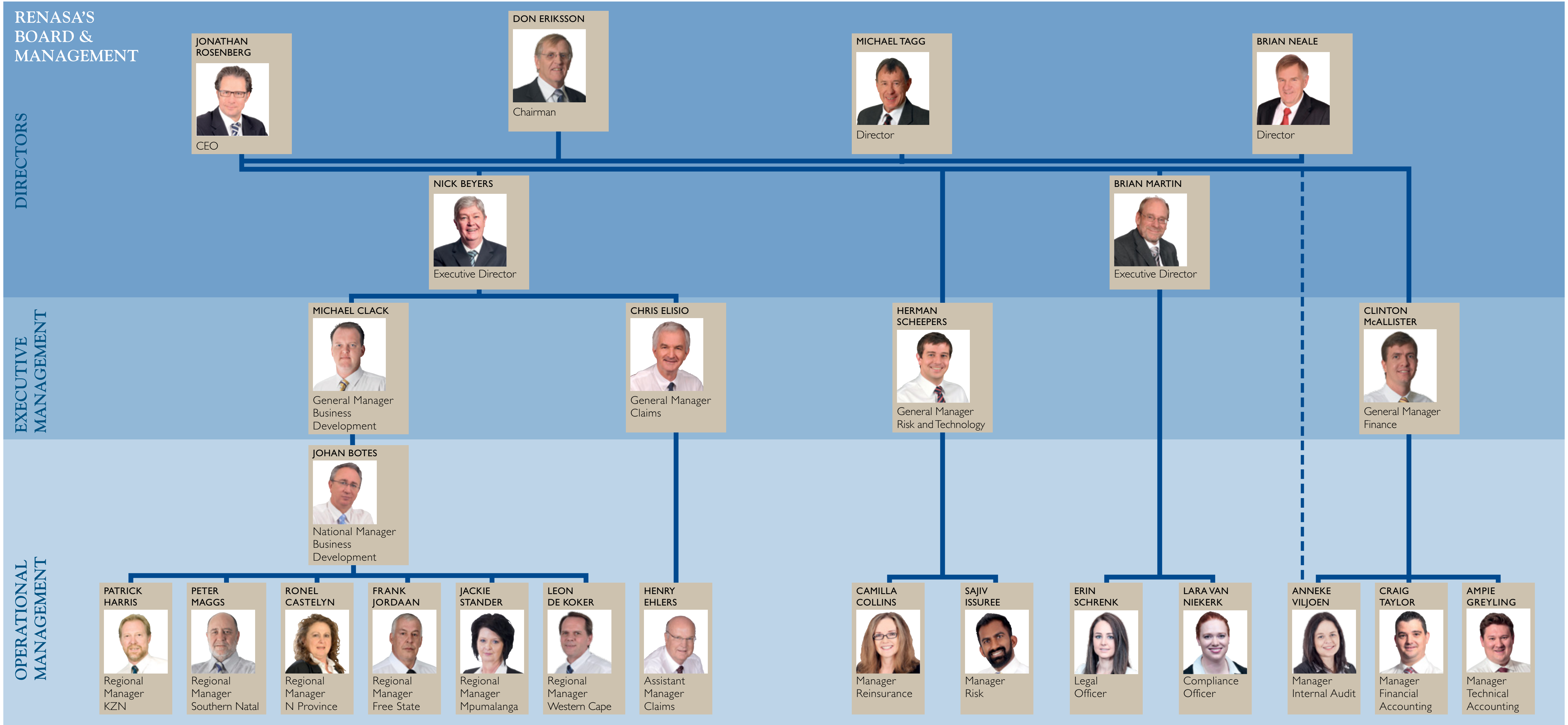
JONATHAN ROSENBERG
Chief Executive Officer

A Ten Year Journey (2006–2015)
2015

Berg, Bush And Beach
2006

RENASA'S MANAGEMENT

RENASA'S BOARD & MANAGEMENT



RENASA'S DIRECTORS

DON ERIKSSON

C.A. (S.A.)

Chairman, Independent Non-Executive Director, Chairman Remuneration Committee, Member Audit Committee

Don Eriksson held several senior positions with Price Waterhouse Coopers until 1990 when he joined Commercial Union. He is currently the Chairperson of General Accident Insurance Company and a non-executive director of a number of other companies. He has also held several appointments with the Institute of Directors.

JONATHAN ROSENBERG

B.Acc, M.Comm, C.A. (S.A.)

CEO

In 1980 Jonathan became a broking member of the JSE where he remained a member for most of the 1980's gaining extensive investment and corporate finance experience. From the late 1980's until he joined Renasa in 2003, he gained varied experience in investment and fund management and as the Financial Director of a listed company.

NICK BEYERS

ACII A.M.P (Harvard)

Executive Director

Nick began his career with Royal Insurance Company (now M & F) in 1969. From 1971 Nick had a distinguished career with SA Eagle/Zurich rising from claims superintendant to CEO in 1998 which post he held until he retired in 2009. Nick has a wealth of experience, is well known throughout the industry and above all is liked and trusted.

BRIAN MARTIN

BA LLB (Wits)

Executive Director Legal and Compliance

After serving articles with Deneys Reitz Brian was admitted as an attorney and for 27 years practiced law at various firms specialising in insurance law. While a director of Savage Jooste and Adams, he was elected to be the Ombudsman for Short-term Insurance which he served as for 5 years before joining Renasa in 2011.

RENASA'S DIRECTORS

(continued)

MICHAEL TAGG

B.Sc (Hons)

Independent Non-Executive Director, Member Audit Committee, Member Remuneration Committee

After holding a senior position in the Gold Division of Gold Fields of South Africa since 1988, Michael became the Chairman of a number of listed gold mines and other companies within the Group. He also served on the board of Commercial Union.

BRIAN NEALE

B Com CA (SA)

Independent Non-Executive Director, Chairman Audit Committee, Member Remuneration Committee

Brian held the position of Senior Partner at Nwanda Incorporated (formerly Neale Whitecross and Associates) for 16 years prior to which he was a Partner at Price Waterhouse Coopers where he was a member of the World Council of Partners and the Policy Board. He is currently a financial consultant with Upward Spiral and a director of several leading companies.

RENASA'S EXECUTIVE MANAGEMENT

MICHAEL CLACK

General Manager
Business Development

After commencing his insurance career with a Lloyds underwriter, from 1992 Michael gained wide experience with several underwriters. In 2003 he joined an administrator as an accounts manager. Since 2006, when he joined Renasa, Michael has risen through the ranks to become the leading operations manager at Renasa and is well qualified for his current position.

CHRIS ELISIO

AIISA
General Manager Claims

Chris joined Renasa in 2014 and has over 40 years' experience in the insurance industry. He began his insurance career in 1974 at American International Underwriters, now AIG, as a Junior Underwriter. He has occupied a number of positions in underwriting and claims for Hosken Brokers, IGI and Stalker Hutchison and Associates. During 2015 he was promoted to the position of General Manager: Claims.

HERMAN SCHEEPERS

B.Comm Insurance, B.Comm (Hons) Actuarial Science and Mathematical Statistics
General Manager Risk and Technology

Herman began his short-term insurance career in 2003 with Alexander Forbes Insurance Company where he became the Executive Manager of Underwriting in 2006 and a board member in 2008. He joined Renasa in 2011 bringing extensive expertise in risk rating, re-insurance treaty management and insurance systems.

CLINTON McALLISTER

B.Compt.
General Manager Finance, Company Secretary and Public Officer

Clinton has experience in both accounting and general management. Since joining Renasa in 2002, Clinton has participated at all levels of Renasa's management including the board and its sub-committees. Clinton has valuable experience in dealing with regulators, reinsurance brokers and other Renasa partners.

RENASA'S OPERATIONAL MANAGEMENT

JOHAN BOTES

FIISA, National Management Diploma
Manager Southern Regions

Johan joined Renasa after a sabbatical from the insurance industry during which he managed a family business. Previously, Johan enjoyed a long and diverse career with Santam where he had been National Manager of Business Development. He had also been an Area Manager of several regions and was named "Relationship Manager of the Year" five times. Prior to joining Santam, Johan was with ABSA Insurance Brokers.

PATRICK HARRIS

B.Comm, DII
Regional Manager KZN

Patrick has extensive short term insurance experience, first with East Africa Maritime and Truck and General Underwriting Agency. Before joining Renasa in 2003, Patrick was National Claims Manager at BoE Insurance Company where he was awarded the Candidate of the Year for his results in the Higher Certificate in Insurance Studies.

PETER MAGGS

CIM (Henley University)
Regional Manager Southern Natal

Peter has been in the industry for more than 30 years and is widely known within the market. He has worked for Mutual and Federal, NEG and SA Eagle and has managed his own underwriting company. He brings a wealth of experience to Renasa in all aspects of the business.

RONEL CASTELYN

HCII
Regional Manager Northern Province

Ronel joined Renasa in 2011 after a 32 year career in short-term insurance during which she held various positions in underwriting, claims and marketing for Sentraboer, Santam IGI and SA Eagle/Zurich. She has extensive experience and in-depth knowledge of underwriting, risk management, surveys and claims.

RENASA'S OPERATIONAL MANAGEMENT
(continued)

FRANK JORDAAN

Regional Manager Free State

Frank started his career in the industry in 1975 at Santam. In 1981 he joined SA Eagle as claims manager East Rand. In 2002 he became Area Sales Manager Free State and Northern Cape where he managed all classes of business underwritten by SA Eagle/Zurich. After 28 years with SA Eagle/Zurich, in 2010, Frank joined the Renasa team where he remains committed to high service levels and strong relationships.

JACKIE STANDER

HIIC NQF5

Regional Manager Mpumalanga

Jackie started her career in the insurance industry in 1987 gaining experience at various insurance companies (SA Eagle and Santam) and also brokers (Secunda Brokers and Absa Brokers). She joined Renasa in 2012. During her career, she has held various positions and brings a wealth of experience which includes underwriting, claims, marketing, finance and training.

LEON DE KOKER

HCII

Regional Manager Western Cape

Leon started his career in the short term insurance industry in 1990 at Old Mutual Insure (Mutual & Federal) at which he held various positions in underwriting, claims and marketing in several regions. He has extensive experience and knowledge of underwriting, including the agricultural class as well as claims, risk management and survey experience. Leon Joined Renasa during 2018.

HENRY EHLERS

FCII

Manager Claims

Henry began his career with the AA Mutual Insurance Company in 1971 where he served for fifteen years, the last several as an inspector. In 1986 he joined SA Eagle where he held various senior positions, finally as General Manger responsible for Group Underwriting and Group Claims. He joined Renasa in June 2013 as an Underwriting Manager and moved to the Claims division in January 2014.

RENASA'S OPERATIONAL MANAGEMENT
(continued)

CAMILLA COLLINS

HIISA

Manager: Reinsurance

Camilla is an IISA Licentiate, having completed the UNISA Programme in Short Term Insurance in 2008. She joined Renasa in December 2014 as Reinsurance Manager. Prior to that she was employed as a Senior Broker at Cotswold Reinsurance Services from 2011 and completed her RE1 and RE5 exams in 2012. Previously she was employed as a Reinsurance Broker at Willis Re from 2004.

SAJIV ISSUREE

BSc Actuarial Science, Mathematical Statistics and Mathematics

Manager: Risk and Actuarial

Sajiv has over 9 years' Actuarial experience having worked in the life insurance, reinsurance and short term insurance industries. He brings experience in Solvency Assessment and Management (SAM), Capital Management, Reserving, Product Development and Pricing. Sajiv joined Renasa in 2014 and is responsible for managing the Actuarial and Risk functions.

ERIN SCHRENK

LLB (UP)

Legal Officer

Erin completed her articles of clerkship and was admitted as an Attorney of the High Court of South Africa in 2016, after which she practiced as an attorney before joining Renasa as the Legal Officer in 2017.

LARA VAN NIEKERK

BA (LAW) L.L.B.

Compliance Officer

Lara is an admitted attorney of the High Court of South Africa. She joined Renasa in 2016 as an assistant legal officer and has since been promoted to the internal Compliance Officer. She completed her 2 years articles of clerkship and was admitted as an attorney in July 2011, after which she practised as an attorney for 5 years before joining Renasa.

RENASA'S OPERATIONAL MANAGEMENT
(continued)

ANNEKE VILJOEN

B.Com Internal Audit (Honours), CIA, CCSA

Manager Internal Audit

Anneke has 11 years' experience in Internal Auditing and has a passion for Internal Audit. She started her career as Internal Audit Consultant at PWC and has since provided Internal Audit services across multiple industries for different organisations. Anneke joined Renasa in 2018 as the manager of the Internal Audit Division.

CRAIG TAYLOR

B.Comm Accounting

Manager Finance

After serving his articles at Horwath Leveton Boner, Craig joined Renasa as an assistant accountant in 2011. Since then Craig has gained valuable knowledge of the insurance industry and served in various financial roles before his appointment as Financial Accountant.

AMPIE GREYLING

B.Compt (Accounting Science)

Manager Technical Accounting

Ampie completed his articles at D'Arcy-Herman & Co Inc where he gained valuable audit experience in various sectors of the economy. He joined Renasa in 2012 and gained his technical accounting experience during a period of high growth at Renasa.

RENASA'S ART

Three Aspects Of South Africa
2007

32 South Africans
2008

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

CONTENTS

CORPORATE GOVERNANCE

APPLICATION OF GOVERNANCE

As a public company, Renasa Insurance Company Limited ("the Company" or "Renasa") subscribes to the principles established in the Code of Corporate Practices and Conduct set out in the King Report on Corporate Governance in South Africa ("the King Report"). Renasa is committed to provide its stakeholders with the assurance that it is being managed ethically and in compliance with best practices.

GOVERNANCE STRUCTURES

The Board of Directors

Constitution and Responsibilities of the Board

The board of directors, which is chaired by an independent non-executive director, comprises three independent non-executive directors and three directors who perform executive functions. The directors are all of a calibre and possess the experience and skills required to effectively direct the management of a short-term insurer such as Renasa. The board is well equipped to review and assess the strategy, policies and performance of the Company and the various non-financial issues associated with its good governance.

The board comprises individuals of varied skills, experience and background who are together equipped to perform their function in the judicious manner preferred by the Company. The names and credentials of the directors appear on pages 32 and 33.

The function of the board is to:

- give strategic direction and leadership to the Company;
- maintain effective control over the Company;
- monitor management;
- implement board approved plans, policies, business objectives and strategies;

- ensure that the Company complies with all relevant laws, regulations and codes of business practice;
- exercise control of the financial management of the Company;
- consider non-financial aspects of the Company's business;
- identify key risk areas; and
- determine the Company's investment strategy.

The board records the basis upon which it concludes that the Company will continue as a going concern for the ensuing financial year.

Board Meetings

The board meets regularly at least quarterly and on any other occasion that circumstances dictate.

Committees of the board meet regularly at least on a semi-annual basis and, likewise, whenever else circumstances dictate. Directors and committee members alike are comprehensively briefed in advance of such meetings permitting them to consider and pass judgement on all relevant matters in a professional and responsible manner. Meetings follow a formal agenda ensuring all necessary matters are fully addressed.

The performance of executive directors is monitored and assessed by the Remuneration Committee.

The Company's General Manager of Finance is the appointed secretary and fulfils the necessary statutory duties.

Board Committees

The Audit Committee

Renasa's Audit Committee is mandated by a charter issued by the board. The committee comprises three independent non-executive directors. The purpose of the committee is to assist the board in overseeing and monitoring the

FINANCIAL STATEMENTS

activities of the Company and in adopting, implementing and documenting an effective governance framework. The external auditors and head of internal audit have direct access to the committee. The executives may attend meetings by invitation. The committee, which has responsibility for the placement and dismissal of the Manager of Internal Audit, meets at least semi-annually:

- to approve the internal audit plan;
- to review the adequacy and efficiency of internal control procedures;
- to review all documented operational processes;
- to liaise with the external auditors and internal auditors;
- to evaluate the independence and effectiveness of the external auditors;
- to obtain the necessary level of assurance from the external auditors that adequate accounting records and books of account are being maintained;
- to review the adequacy of financial statements and reports to shareholders; and
- to confirm that the going concern premise is appropriate.

The Actuarial Risk and Compliance Committee

The Actuarial Risk and Compliance Committee is mandated by a charter issued by the board. The committee comprises three directors, two of which are non-executive. The purpose of the committee is to provide effective oversight of and to monitor the various risks to which the Company is exposed and, by so doing, to enhance the ability of the Company to achieve its strategic objectives. Committee meetings are held at least semi-annually and more often if required to:

- ensure that an independent risk management function has been established and is operating;
- develop a risk management strategy;
- identify the concentration and accumulation of risks;
- identify and monitor material risks; and
- introduce measures to enhance the efficiency of the risk management system.

CORPORATE GOVERNANCE REPORT
for the year ended 30 June 2018 (continued)

The Social and Ethics Committee

The Social and Ethics Committee is established in terms of the Companies Act, 2008 and is mandated by the board. The committee comprises two executive directors and one non-executive director and may be attended by other members of the board by invitation. The purpose of the committee is to monitor:

- the Company's activities in respect of legal requirements and prevailing codes of best practice in the social and economic development of the Company and the environment;
- the health and safety of employees;
- the Company's consumer relationships; and
- the Company's employment relationships;

and to report to shareholders on these matters.

The Remuneration Committee

The Remuneration Committee is subject to the direction and control of the board. The committee comprises three non-executive directors. The purpose of the committee is to ensure that the Company's executive directors and senior management are fairly rewarded for their individual contribution to the Company's performance. The committee also addresses matters of policy relating to terms of employment thereby ensuring that the Company is able to suitably motivate and retain the executives required to manage the Company.

Executive Committee

The Executive Committee comprises the Chief Executive Officer and the Company's General Managers of Finance, Risk and Technology, Claims, Legal and Compliance and Business Development. Its purpose is to discharge the obligations of the board on a daily basis. The Executive Committee meets at least three times each week one of which meetings is focused on a specific division of the Company.

FINANCIAL STATEMENTS

The committee is responsible for the following functions:

Finance, Reporting and Compliance

These functions include the technical reporting of underwriting results, financial, taxation, regulatory compliance and secretarial administration of the Company as well as responsibility for internal control;

Treasury and Investment

These functions include the management of cash flows, the assessment of investment opportunities and the placing of funds available for investment in accordance with the mandates stipulated by the board and the prevailing legislation;

Underwriting and Reinsurance

These functions include:

- management of the rating of all risks; and
- the placing and administration of reinsurance treaties and facultative reinsurance;

Information Systems

This function entails the development and operation of the Company's information and management systems including the Company's IT infrastructure;

Claims Management and Procurement

This function includes:

- management of claims settlements; and
- management of all procurement functions engaged in the settlement of claims;

Legal and Compliance

This function includes:

- monitoring of the Company's compliance with all relevant statutes and codes;
- conclusion of all contracts entered into by the Company; and
- management of all contested claims and third party recoveries;

Business Development

This function entails the marketing of the Company, the determination and securing of premium income targets and the management of all delegations of authority;

Human Resources

This function entails the determination and management of the Company's executive structure and the establishment and implementation of employment policies.

RISK MANAGEMENT AND INTERNAL CONTROL

The responsibility for the total risk management process rests with the board as does the obligation to assess the effectiveness of the process. The implementation, monitoring and integration of the process into the Company's daily activities are management's responsibility.

An effective process for the identification, evaluation and management of risk has been implemented by the Company. The process is ongoing and is consistently reviewed for its effectiveness in identifying unacceptable exposures and initiating actions to limit exposure to acceptable levels.

The Company's structure requires that operating divisions report to the General Manager Business Development in respect of all matters concerning Business Development, to the General Manager Risk and Technology in respect of all matters concerning Underwriting while matters concerning Claims Settlement fall to the responsibility of the General Manager Claims. Motor rating falls under the responsibility of the General Manager Risk and Technology as does the Risk Department. The Internal Audit resource, which conducts monthly assessments of exposure in addition to other regular functions, is managed by the General Manager Finance but has direct access to the Chief Executive Officer and the Audit Committee. All General Managers report directly to the Chief Executive Officer.

This reporting structure is integral to the Company's risk management procedures and key to the identification of internal control lapses and risk exposures in due time through ongoing regular review by General Managers of the following:

- regular reports by functional business unit of key information including premium levels and loss ratios;
- the Company's risk exposures by class of business and location to ensure adequacy of reinsurance catastrophe cover;
- interest rate and foreign exchange exposure;
- the Company's data warehouse to ensure that no risks are on cover which exceed the mandates delegated to the relevant outsource partners so as to prevent outsource partners to whom policy issuing authority has been granted from inadvertently exceeding those authorities; and
- each division's performance based on detailed management accounts and comprehensive supporting technical accounts which record, by book of business, the underwriting performance of the relevant division.

These procedures have brought to light no significant internal control lapses.

The division of responsibility described above allows performance measurement, financial control and risk management associated with underlying operations to be assessed and exercised in an independent manner.

Due diligence investigations in respect of all book transfers to the Company are performed. All delegations of authority in respect of significant books of business are subject to term agreements. All other arrangements are subject to agency agreements. Authority limits are included in all delegations of authority to limit the Company's exposures to the appropriate levels. Shortcomings which are discovered during due diligence investigations are addressed by appropriate corrective action.

The risk assessment structures employed by the Company seek to apply uniform standards and efficient forms of communication so that reporting accuracy, early identification of shortcomings and containment of exposures can be achieved.

The Executive Committee reviews risk management and internal control outcomes on a

frequent ongoing basis taking expedient action to limit exposures when appropriate.

The Company's risk assessment procedures address human resource risks, operational risks, compliance risks, business continuity risks, technology risks and market risks.

Weaknesses and failings are addressed at board meetings, at Audit Committee meetings and at Actuatrial Risk and Compliance Committee meetings.

INTERNAL AUDIT

Internal audit procedures are performed as part of the Company's reporting system described above. The focus of internal audit is on key exposures and the performance of the Company's distributors, i.e. intermediaries. Review procedures follow standard programs. The Company's Manager of Internal Audit reports to the General Manager Finance but has direct access to the Chief Executive Officer and the Audit Committee.

SUSTAINABILITY REPORTING

Social Responsibilities

Renasa's social responsibility commitment has two objectives:

- the promotion within Renasa of the "family" concept in terms of which the Company strives to ensure the general welfare of all employed at Renasa; and
- the promotion externally of selected and deserving projects in which the aim of empowering previously disadvantaged groups with knowledge transfer is the key objective.

In terms of Renasa's external social responsibility, attention is drawn to the Renasa Insurance Training and Education (R.I.T.E.) initiative described more fully on page 14 of this Annual Report in terms of which Renasa has sponsored the distribution of free education material designed to assist schools in underprivileged communities to raise the level of literacy. R.I.T.E. has to date distributed the Alphaland Literacy Programme to schools reaching approximately 65 000 learners and almost 200 000 reading books to schools in underprivileged communities. Renasa's objective is to provide further teaching aids to the beneficiary schools over the forthcoming year.

Transformation Responsibilities

Renasa acknowledges the importance of its employees and their loyalty and effectiveness to the Company's ultimate success. Renasa also recognises the limitations which have prevented previously disadvantaged groups from realising their full potential. The appointment and promotion of suitably qualified members of these groups is, accordingly, a commitment of the Company.

Employee participation through improved communication and direct access by all employees to senior management, particularly in matters of common concern, is addressed in an active policy which also encourages self-development, the promotion of equal opportunity and the elimination of discrimination. Recommendations by Renasa's employees which are for the good of the Company and its stakeholders are encouraged. Renasa further strives to raise discrimination awareness and makes available, as required, The Employment Equity Act (Act 75 of 1997) and summaries thereof as well as its manual of employment policies, practices and procedures to ensure that there are no barriers to employment equity.

The relevant Employment Equity returns are completed and furnished to the Department of Labour. Every effort is made to ensure that Renasa's Employment Equity objectives are met.

The Company continues to encourage designated groups. As at 30 June 2018 70,71% (2017: 68,4%) of the total staff complement were from historically designated groups.

Self development and the promotion of equal opportunity are advanced by Renasa in formal training programmes.

Code of Ethics

Renasa's philosophy of striving for and maintaining the highest standards dictates that all its employees must adhere to the highest ethical standards and behave in an honest way and with high integrity in all their dealings both within and without the Company.

ACCOUNTING AND AUDIT

External auditors are responsible for reporting on whether the financial statements are fairly presented and in conformity with International Financial Reporting Standards. The external auditors offer reasonable, but not absolute, assurance on the fair presentation of financial disclosure.

Consultation occurs between the external auditors and the Audit Committee regarding the efficiency of the audit process.

Responsibility for the adequacy of the accounting records, the effectiveness of risk management and the Company's internal control structures, the appropriateness of accounting policies and the consistency of estimates rests with the board. The preparation of the financial statements, adherence to applicable accounting standards and the presentation of information that fairly presents the state of affairs and the results of the Company are also the board's responsibility.

RELATIONS WITH SHARE OWNERS

The board acknowledges its responsibility to communicate a balanced and understandable assessment of the Company's position to its stakeholders covering both financial and non-financial information and addressing material matters of significant interest and concern.

IMPLEMENTATION OF GOVERNANCE CODES

The board, its committees, individual directors, officers and senior management of the Company acknowledge their responsibility to ensure that the principles set out in the King Code are observed.

RESPONSIBILITY FOR AND DIRECTORS' APPROVAL OF THE FINANCIAL STATEMENTS *for the year ended 30 June 2018*

RESPONSIBILITY FOR ANNUAL FINANCIAL STATEMENTS

The directors of the Company are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information. The financial statements presented on pages 62 to 95 have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa, and include amounts based on judgements and estimates made by management. The going concern basis has been adopted in preparing the 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.

INTERNAL CONTROLS AND RISK MANAGEMENT

The directors are responsible for the systems of internal control. These are designed to provide reasonable, although not absolute, assurance as to the reliability of the annual financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect material misstatement and loss. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the period under review.

CORPORATE GOVERNANCE

The directors endorse the Code of Corporate Practices and Conduct as set out in the King IV Report issued during November 2016. By supporting the code the directors recognise the need to conduct the affairs of the Company with integrity and accountability.

BOARD OF DIRECTORS

Names of the executive and non-executive directors are shown on page 32 and 33 of this report. The board of directors meets at least on a quarterly basis to monitor the Company's performance as well as to set strategy and policy for the Company.

AUDIT COMMITTEE

The primary function of the Audit Committee is to assist the board of directors in overseeing that the Company's management maintains adequate systems of internal control and the integrity of the Company's financial statements and processes to ensure compliance by the Company with all applicable legal and regulatory requirements and Company policy. In addition, the Audit Committee shall maintain an effective, open avenue of communication between the independent auditors, senior management and the board of directors.

During the course of the year, the membership of the committee comprised solely independent non-executive directors. They are:

DG Eriksson
B Neale (*Chairman*)
MJ Tagg.

REMUNERATION COMMITTEE

The Company has a remuneration committee that regularly reviews and determines the remuneration packages of senior management. The committee also reviews the broad terms and conditions of service of all staff to ensure that these are fair and competitive.

The members of the Remuneration Committee are:

DG Eriksson (*Chairman*)
B Neale
MJ Tagg.

EMPLOYMENT EQUITY

The Company has adopted a policy of employment equity based on the principles contained in current labour legislation.

RESPONSIBILITY FOR AND DIRECTORS' APPROVAL OF THE FINANCIAL STATEMENTS *for the year ended 30 June 2018 (continued)*

APPROVAL OF THE FINANCIAL STATEMENTS

The annual financial statements appearing on pages 62 to 95, were approved by the board of directors on 28 November 2018 and are signed on its behalf by:

DG Eriksson
Chairman

JB Rosenberg
Chief Executive Officer

CERTIFICATION BY COMPANY SECRETARY

In terms of S88(e) of the Companies Act of South Africa, I certify that, to the best of my knowledge and belief, the Company has lodged with the Registrar of Companies for the year ended 30 June 2018 all such returns as are required by the Companies Act.

CT McAllister
Company Secretary
28 November 2018

AUDIT COMMITTEE REPORT

for the year ended 30 June 2018

The committee is pleased to present our report for the financial year ended 30 June 2018 as recommended by the King IV Report on Corporate Governance ("King IV") and in line with the Companies Act ("the Act").

The committee's operation is guided by a formal detailed charter that is in line with the Act and is approved by the board as and when it is amended. The committee has discharged all of its responsibilities as contained in the charter.

OBJECTIVE AND SCOPE

The overall objectives of the committee are:

- to assist the board in discharging its duties relating to the safeguarding of assets and the operation of adequate systems and controls;
- the control of reporting processes and the preparation of accurate reporting of the financial statements in compliance with the applicable legal requirements and accounting standards;
- to provide a forum for discussing the business risk and control issues and developing recommendations for consideration by the board;
- to oversee the activities of internal and external audit; and
- to perform duties that are attributed to it by the Act and King IV.

The committee performed the following activities:

- it received and reviewed reports from both internal and external auditors concerning the effectiveness of the internal control environment, systems and processes;
- it reviewed the reports of both internal and external auditors detailing their concerns arising out of their audits and requested appropriate responses from management resulting in their concerns being addressed;
- it made appropriate recommendations to the board of directors regarding the corrective actions to be taken as a consequence of the audit findings;
- it considered the independence and objectivity of the external auditors and ensured that the scope of their additional services provided was not such that they could be seen to have impaired their independence;

- it reviewed and recommended for adoption by the board such financial information as is publicly disclosed in the annual report for the year ended 30 June 2018; and
- it considered the effectiveness of internal audit.

Where weaknesses in specific controls had been identified, management undertook to implement appropriate corrective actions to mitigate the weakness identified.

MEMBERSHIP

During the course of the year, the membership of the committee comprised solely independent non-executive directors. They are:

B Neale (Chairman)
DG Eriksson
MJ Tagg.

EXTERNAL AUDIT

The committee has satisfied itself through enquiry that the auditor of Renasa Insurance Company Limited is independent as defined by the Act..

The committee, in consultation with executive management, agreed to an audit fee for the 2018 financial year. The fee is considered appropriate for the work that could reasonably have been foreseen at that time. Audit fees are disclosed in note 13 to the financial statements.

There is a formal procedure that governs the process whereby the external auditor is considered for the provision of non-audit services and each engagement letter for such work is reviewed by the committee in advance.

Meetings were held with the auditor where management was not present, and no matters of concern were raised.

The committee has reviewed the performance of the external auditors and nominated, for approval at the annual general meeting, Deloitte & Touche as the

AUDIT COMMITTEE REPORT
for the year ended 30 June 2018 (continued)

external auditor for the 2019 financial year, and Mrs Penny Binnie as the designated auditor. This will be her third year as auditor of the Company.

ANNUAL FINANCIAL STATEMENTS

The Audit Committee has evaluated the annual report for the year ended 30 June 2018 and considers that it complies, in all material aspects, with the requirements of the Act and International Financial Reporting Standards. The committee has therefore recommended the annual financial statements as set out on pages 62 to 95 for approval by the board. The board has subsequently approved the financial statements which will be open for discussion at the forthcoming annual general meeting.

Chairman of the Audit Committee
28 November 2018

FINANCIAL STATEMENTS

DIRECTORS' REPORT

for the year ended 30 June 2018

The directors present their report, which forms part of the financial statements of the Company, for the year ended 30 June 2018.

Principle activities and the review of business.

The principal activity of the Company is the underwriting of short-term insurance.

Financial results

The financial results of the Company are set out in the annual financial statements and accompanying notes. The Company recorded comprehensive income of R7 552 426 for the year under review (2017: R2 282 421). The Company is expected to report a profit for the forthcoming financial year and is considered to be a going concern.

Dividends

Dividends in the sum of R409 932 were accrued or paid during the period (2017: R425 000) made up as R409 932 (2017: R425 000) in respect of preference share dividends. No ordinary dividends were declared or paid during the period (2017: Nil).

Share capital

The issued share capital changed during the year with the issue of 152 603 ordinary shares to Renasa Holdings (Pty) Ltd. None of the directors held shares at year end. (2017: Nil).

Events after reporting period

Subsequent to the year end there has been no material fact or circumstance that will have a material adverse effect on the Company's financial position.

Solvency

The solvency ratio as calculated in terms of the annual financial statements on the statutory basis at year end is 120.7% (2017: 46.9%).

DIRECTORS' REPORT

for the year ended 30 June 2018 (continued)

Directors

At the date of this report the directors of the Company are as follows:
Mr DG Eriksson (Independent Non-executive Chairperson)
Mr JB Rosenberg (Chief Executive Officer)
Mr NV Beyers (Executive)
Mr EB Martin (Executive)
Mr B Neale (Independent Non-executive)
Mr MJ Tagg (Independent Non-executive)

Company Secretary

The secretary of the company is CT McAllister.

Registered office:	Postal address:
Renasa House	PO Box 412072
170 Oxford Road	Craighall
Melrose	2024
2196	

Auditors

Deloitte & Touche

Holding Company

The Company is a subsidiary of Renasa Holdings Proprietary Limited, a company incorporated in the Republic of South Africa.

INDEPENDENT AUDITOR'S REPORT
for the year ended 30 June 2018

TO THE SHAREHOLDERS OF RENASA INSURANCE COMPANY LIMITED

We have audited the financial statements of Renasa Insurance Company Limited set out on pages 62 to 95, which comprise the statement of financial position as at 30 June 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of Renasa Insurance Company Limited as at 30 June 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the financial statements for the year ended 30 June 2018, we have read the Directors' Report, the Audit Committee Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Deloitte & Touche

Deloitte & Touche *Registered Auditors*
Per: P Binnie *Partner*
30 November 2018
Johannesburg.

National Executive: *LL Bam *Chief Executive Officer* *TMM Jordan *Deputy Chief Executive Officer; Clients and Industries* *MJ Jarvis *Chief Operating Officer* *AF Makie *Audit and Assurance* *N Singh *Risk Advisory* DP Ndlovu *Tax and Legal* TP Pillay *Consulting* *JK Mazzocco *Talent & Transformation* *MG Dicks *Risk Independence and Legal* *KL Hodgson Corporate Finance *TJ Brown *Chairman of the Board*
A full list of partners and directors is available on request.
*Partner and Registered Auditor
B-BBEE rating: Level 1 contribution in terms of the DTI Generic Scorecard as per the amended Codes of Good Practice.
Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

STATEMENT OF FINANCIAL POSITION

at 30 June 2018

	NOTES	30 JUNE 2018	30 JUNE 2017
		R'000	R'000
ASSETS			
Non current assets		117 815	12 971
Fixed assets	2	6 525	5 134
Intangible assets	3	2 074	1 787
Investment in subsidiary	4	16 216	6 050
Investment in associate	5	93 000	-
Technical assets			
Reinsurers' share of technical provisions		245 862	153 401
- Unearned premiums		44 752	22 088
- Outstanding claims		201 110	131 313
Current assets		263 066	201 199
Accounts receivable		11 576	28 010
Premiums receivable		39 379	34 258
Investments at fair value	6	61	61
Deferred acquisition costs		8 304	4 483
Cash and cash equivalents		203 746	134 387
TOTAL ASSETS		626 743	367 571

STATEMENT OF FINANCIAL POSITION

at 30 June 2018 (continued)

	NOTES	30 JUNE 2018	30 JUNE 2017
		R'000	R'000
EQUITY AND LIABILITIES			
Capital and reserves		168 068	57 350
Share capital	7	159	6
Share premium	8	149 391	56 544
Retained income		18 518	800
Non-current liabilities			
Preference shares	9	5 000	5 000
Equity and preference shares		173 068	62 350
Technical provisions		277 755	176 301
Gross outstanding claims		220 832	144 291
IBNR provision	10	7 440	7 382
Gross provision for unearned premiums		49 483	24 628
Current liabilities		175 920	128 920
Accounts payable	11	56 656	44 616
Amount owing to reinsurers		118 350	82 826
Current tax payable		565	1 181
Value added tax		349	297
TOTAL EQUITY AND LIABILITIES		626 743	367 571

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2018

	NOTES	30 JUNE 2018	30 JUNE 2017
		R'000	R'000
Gross premiums		1 405 270	1 255 126
Reinsurance premiums		(1 261 836)	(1 122 195)
Net premiums		143 434	132 931
Change in provision for unearned premiums net of reinsurance		(2 191)	(155)
Change in gross provision		(24 855)	(2 853)
Reinsurers' share		22 664	2 698
Net earned premium		141 243	132 776
Net commission		55 274	37 826
Commission incurred		(215 156)	(193 920)
Commission recovered		270 430	231 746
Claims incurred net of reinsurance		(112 978)	(101 366)
Claims paid		(106 175)	(100 545)
- gross amount		(1 093 981)	(1 051 530)
- reinsurers' share		987 806	950 985
Change in provision for claims		(6 803)	(821)
- gross amount		(76 599)	(7 186)
- reinsurers' share		69 796	6 365
Administration fee income		25 118	21 701
Net operating expenses		(104 520)	(94 310)
Underwriting profit/ (loss)		4 137	(3 373)
Interest paid		(8)	(35)
Interest income		6 929	7 168
Profit before taxation and finance cost on preference shares	13	11 058	3 760
Taxation	14	(3 096)	(1 053)
PROFIT BEFORE FINANCE COST ON PREFERENCE SHARES		7 962	2 707

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2018 (continued)

	NOTES	30 JUNE 2018	30 JUNE 2017
		R'000	R'000
Finance cost on preference shares		(410)	(425)
Profit for the year		7 552	2 282
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss:			
Revaluation surplus on investment in subsidiary	4	10 166	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		17 718	2 282

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2018

	NOTES	SHARE CAPITAL	SHARE PREMIUM	RETAINED INCOME/ (ACCUMULATED LOSS)	TOTAL
		R'000	R'000	R'000	R'000
Balance at 1 July 2016		6	56 544	(1 482)	55 068
Total comprehensive income for the year		-	-	2 282	2 282
Balance at 30 June 2017	7,8	6	56 544	800	57 350
Total comprehensive income for the year		-	-	7 552	7 552
Other comprehensive income for the year	4	-	-	10 166	10 166
Shares issued during the year	7,8	153	92 847	-	93 000
Balance at 30 June 2018		159	149 391	18 518	168 068

STATEMENT OF CASH FLOWS

for the year ended 30 June 2018

	30 JUNE 2018	30 JUNE 2017
	R'000	R'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Underwriting profit / (loss)	4 137	(3 373)
Depreciation	3 274	3 185
Amortisation of intangible assets	518	265
Adjustment to provision for unearned premium	2 191	155
Operating profit before working capital changes	10 120	232
Working capital changes	61 910	18 840
Decrease / (Increase) in accounts receivable	12 613	(329)
Increase / (Decrease) in premiums receivable	(5 121)	16 236
Increase in outstanding claims and IBNR	6 802	822
Increase in accounts payable	12 092	2 678
Increase / (Decrease) in amounts due to reinsurers	35 524	(567)
Cash generated by operating activities	72 030	19 072
Interest paid	(418)	(460)
Interest income	6 929	7 168
Taxation paid	(3 712)	(1 851)
NET CASH INFLOW FROM OPERATING ACTIVITIES	74 829	23 929

STATEMENT OF CASH FLOWS

for the year ended 30 June 2018 (continued)

	30 JUNE 2018	30 JUNE 2017
	R'000	R'000
CASH UTILISED IN INVESTING ACTIVITIES	(5 470)	(3 622)
Purchase of fixed assets and intangible assets	(5 470)	(3 622)
NET INCREASE IN CASH AND CASH EQUIVALENTS FOR THE YEAR	69 359	20 307
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	134 387	114 080
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	203 746	134 387

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018

1. ACCOUNTING POLICIES

1.1 Basis of preparation

The preparation of the annual financial statements in conformity with International Financial Reporting Standards ("IFRS") requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

1.2 Statement of compliance

The annual financial statements are prepared in accordance with IFRS, its interpretations issued by the International Accounting Standards Board and the requirements of the Companies Act of South Africa.

1.3 Classification of contracts

Contracts under which the Company accepts significant insurance risk from the policyholders, by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event affects the policyholder or other beneficiary are classified as insurance contracts. Insurance risk is, other than financial risk, transferred from the holder of the contract to the issuer. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rate, credit rating or credit index or other variable.

1 ACCOUNTING POLICIES (continued)

1.3 Classification of contracts (continued)

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Reinsurance

Contracts entered into with reinsurers by the Company, under which the Company is compensated for losses on one or more contracts, and which meet the classification requirements for insurance contracts, are classified as reinsurance contracts held.

The benefits to which the Company is entitled under the reinsurance contracts held are recognised as reinsurance assets and consist of short-term balances due from reinsurers that are dependent on the expected claims and benefits. Reinsurance liabilities are primarily premiums payable and are recognised as an expense when due. Reinsurance assets are assessed for impairment on an annual basis, reducing the carrying amount of the reinsurance asset to its recoverable amount through the Statement of Comprehensive Income.

1.4 Recognition and measurement of contracts

Premium

Gross premiums comprise the premiums on contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are disclosed gross of commissions payable to intermediaries and exclude Value Added Tax. Premiums written include adjustments to premiums written in prior accounting periods and are accounted for over the indemnity period commencing in the financial year during which the related risk incepts. Outward reinsurance premiums are

1 ACCOUNTING POLICIES (continued)

1.4 Recognition and measurement of contracts (continued)

recognised as an expense in accordance with the pattern of reinsurance service received.

Unearned premium provision

Unearned premiums represent the portion of the premiums written, less reinsurance, that relate to periods of risk extending beyond the financial year. Unearned premiums are calculated on the daily pro rata method.

Claims

Claims are accounted for in the financial year in which they are incurred. Provision is made for the estimated claims notified but not settled at the statement of financial position date, and the estimated claims incurred but not reported until after that date, net of reinsurance, using estimates with reference to the best information available. The estimates include provision for expenses and inflation and other contingencies arising in settlement of the claims and take cognisance of anticipated recoveries under reinsurance arrangements. Anticipated reinsurance recoveries are disclosed separately as assets. Reinsurance and other recoveries are assessed in a manner similar to the assessment of claims outstanding.

The directors consider that the gross provisions for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them. The methods used, and the estimates made, are reviewed regularly.

Deferred acquisition costs

Deferred acquisition costs, which represent commissions and other related expenses, are deferred over the period in which the related premiums are earned.

Reinsurance

Amounts recoverable under reinsurance contracts are assessed for impairment at each Statement of Financial Position date. Such assets are

1 ACCOUNTING POLICIES (continued)

1.4 Recognition and measurement of contracts (continued)

deemed to be impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The Company ceded reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Reinsurance arrangements do not relieve the Company of its direct obligations to its policyholders. Premiums ceded and benefits reimbursed are presented in the Statement of Comprehensive Income and Statement of Financial Position on a gross basis.

1.5 Fixed assets

The syndicated ownership unit is stated at cost. Other fixed assets are stated at cost less accumulated depreciation. Depreciation is applied on a straight line basis at rates that amortise the cost of the assets over their estimated useful lives. The write-off periods used are as follows:

Computer equipment	3 years
Computer software	3 years
Furniture, fittings and office equipment	5 years
Leasehold improvements	5 years
Machinery	15 years
Motor vehicles	5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2018 (continued)

FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES (continued)

1.5 Fixed assets (continued)

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other gains/(losses)' in the Statement of Comprehensive Income.

1.6 Retirement benefits

Contributions to a defined contribution retirement benefit plan are charged against income as incurred.

1.7 Use of estimates

The preparation of the Company's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the period. Actual results could differ from these estimates. Estimates have been used on the following items:

- outstanding claims reserve and incurred but not reported (IBNR) provision;
- provision for doubtful debt; and
- residual values, depreciation periods.

1.8 Contingencies and commitments

Transactions are classified as contingencies where the Company's obligations depend on uncertain future events.

1 ACCOUNTING POLICIES (continued)

1.9 Intangible assets

The intangible assets consist of long-term contracts with customers and aquisition-related intangible assets.

Intangible assets with finite useful lives (long-term contracts with customers) that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The estimated useful life of the contracts with customers is 8 years. Intangible assets with indefinite useful lives (aquisition-related intangible assets) that are acquired separately are carried at cost less accumulated impairment losses. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

1.10 IBNR provision

Under the Solvency Assessment and Management Interim Measures (effective: 1 January 2012) the Company is required to raise an IBNR provision. The IBNR provision is in respect of claims arising from events that occurred before the close of the accounting period but which had not been reported to the Company by that date. These percentages can only be reduced with the prior permission of the Financial Services Conduct

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2018 (continued)

1 ACCOUNTING POLICIES (continued)

1.10 IBNR provision (continued)

Authority. The IBNR provision is calculated for regulatory purposes by applying predetermined factors to net earned premiums per line of insurance for the past six underwriting years. The Company considers its provision to be adequate.

1.11 Investment income

Investment income comprises of interest earned on cash and call deposits held. Interest income is accounted for on an accrual basis.

1.12 Commissions

Commissions incurred in acquiring business are accounted for in the same financial year as the related premiums are recognised as income. To the extent that they are considered recoverable, commissions attributable to unearned premiums at year-end are deferred and carried forward to the following financial year.

1.13 Financial instruments

Measurement

Financial instruments carried on the statement of financial position include all assets and liabilities, but exclude commodities, property and equipment, assets and liabilities of insurance operations, deferred tax, tax payable, intangible assets, inventory and post-retirement liabilities. Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS), financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks

FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES (continued)

1.13 Financial instruments (continued)

and rewards of ownership of the asset to another entity. The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Loans and receivables

Loans and receivables are stated at cost less appropriate allowances for any estimated irrecoverable amount, which approximates fair value. Allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities

Financial liabilities issued by the Company are classified according to the substance of the contractual agreements entered into and the definitions of a financial liability.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue cost.

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable costs.

1 ACCOUNTING POLICIES (continued)

1.13 Financial instruments (continued)

Offset

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position where the Company has a legally enforceable right to set off the recognised amounts, and intends to settle either on a net basis, or to realise the asset and settle the liability simultaneously.

1.14 Impairment of financial assets

A financial asset is impaired if the carrying amount is greater than the estimated recoverable amount. At each Statement of Financial Position date, the impairment of financial assets is assessed on the basis of the present value of expected recoveries, using the original effective rate to perform the discounting. After initially recognising an impairment loss, the Company reviews the assets for further impairment at subsequent financial reporting dates.

1.15 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and where a reliable estimate can be made of the amount of the obligation.

1.16 Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents comprise cash on hand and deposits held on call with banks, all of which are available for use by the Company unless otherwise stated.

1.17 Provision for claims

Provision for claims is made on a prudent basis for the estimated final cost of all claims that have not been settled at Statement of Financial Position date.

1 ACCOUNTING POLICIES (continued)

1.18 Standards and interpretations in issue not yet adopted

Other than IFRS 17, the directors do not anticipate the standards below to have a material impact on future financial statements.

- IFRS 1 - Insurance Contracts (January 2018)
- IFRS 4 - Insurance Contracts (January 2018)
- IFRS 9 - Financial Instruments (January 2018)
- IFRS 15 - Revenue from contracts from customers (January 2018)
- IAS 16 - Leases (January 2019)
- IFRS 17 - Insurance Contracts (January 2021).

1.19 Taxation

Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted or substantially enacted at the reporting date, and any adjustment for tax payable for previous years.

Deferred tax is provided using the Statement of Financial Position liability method, based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base.The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the reporting date. Deferred tax is charged to the Statement of Comprehensive Income except to the extent that it relates to a transaction that is recognised directly in equity, or a business combination that is an acquisition.The effect on deferred tax of any changes in tax rates is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items previously charged or credited directly to equity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused

1.19 Taxation (continued)

tax losses and deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

1.20 Operating leases

Leases where substantially all of the risks and rewards of ownership are not transferred to the Company are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss within other operating expenses on a straight-line basis over the period of the lease.

1.21 Related-party transactions

All related-party transactions are at arm's length and are in the ordinary course of business.

1.22 Investment in subsidiary

A subsidiary is an entity over which the Company has control . Investment in the subsidiary is accounted for at fair value in the current financial period, previously investment in subsidiary was accounted for at cost less impairment. Refer to note 19 for changes in accounting policy.

1.23 Investment in associate

An associate is an entity over which the Company has significant influence but not control, generally accompanying shareholding of between 20% and 50% of the voting rights. Investment in the associate is accounted for at fair value through other comprehensive income.

2. FIXED ASSETS

	COMPUTER EQUIPMENT & SOFTWARE	FURNITURE, FITTINGS & OFFICE EQUIPMENT	MACHINERY	LEASEHOLD IMPROVE-MENTS	SYNDICATED OWNERSHIP UNIT	TOTAL
	R'000	R'000	R'000	R'000	R'000	R'000
30 JUNE 2018						
Opening net book value	4 409	287	121	199	118	5 134
Additions	4 403	210	-	52	-	4 665
Depreciation	(3 053)	(140)	(12)	(69)	-	(3 274)
Closing net book value	5 759	357	109	182	118	6 525
AT 30 JUNE 2018						
Cost	31 078	3 221	183	1 876	118	36 476
Accumulated depreciation	(25 319)	(2 864)	(74)	(1 694)	-	(29 951)
Net book value	5 759	357	109	182	118	6 525
30 JUNE 2017						
Opening net book value	4 806	280	133	113	118	5 450
Additions	2 600	123	-	146	-	2 869
Depreciation	(2 997)	(116)	(12)	(60)	-	(3 185)
Closing net book value	4 409	287	121	199	118	5 134
AT 30 JUNE 2017						
Cost	26 675	3 011	183	1 824	118	31 811
Accumulated depreciation	(22 266)	(2 724)	(62)	(1 625)	-	(26 677)
Net book value	4 409	287	121	199	118	5 134

3. INTANGIBLE ASSETS

	SELF-DEVELOPED COMPUTER SOFT-WARE	LONG-TERM CONTRACTS WITH CUSTOMERS	AQUISITION-RELATED INTANGIBLE ASSETS	TOTAL
	R'000	R'000	R'000	R'000
Balance at 30 June 2016	288	67	944	1 299
Additions	753	-	-	753
Amortisation	(240)	(25)	-	(265)
Balance at 30 June 2017	801	42	944	1 787
Additions	805	-	-	805
Amortisation	(493)	(25)	-	(518)
Balance at 30 June 2018	1 113	17	944	2 074

4. INVESTMENT IN SUBSIDIARY

NAME OF SUBSIDIARY	PRINCIPAL ACTIVITY	PLACE OF INCORPORATION AND OPERATION	PROPORTION OF OWNERSHIP INTEREST AND VOTING POWER HELD	
			2018	2017
Concourse Properties Proprietary Limited	Investment in property	South Africa	100%	100%

	30 JUNE 2018	30 JUNE 2017
	R'000	R'000
Concourse Properties Proprietary Limited	16 216	6 050

The net asset value of Concourse Properties (Pty) Ltd increased at 30 June 2018 based on an independant revaluation of the property investment held by Concourse Properties (Pty) Ltd. The valuation of a subsidiary company falls under Level 3 of the fair value hierachy. The fair value is the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date. The net asset value of Concourse Properties (Pty) Ltd at 30 June 2018, pursuant to the revaluation of the property investment, was used to determine the fair value of the investment.

	30 JUNE 2018	30 JUNE 2017
	R'000	R'000

5. INVESTMENT IN ASSOCIATE

NAME OF ASSOCIATE	PRINCIPAL ACTIVITY	PLACE OF INCORPORATION AND OPERATION	PROPORTION OF OWNERSHIP INTEREST AND VOTING POWER HELD	
			2018	2017
Concourse Holdings Proprietary Limited	Investment in holding company	South Africa	35%	0%
			30 JUNE 2018	30 JUNE 2017
			R'000	R'000
Concourse Holdings Proprietary Limited			93 000	-

The Company acquired a 35% interest in Concourse Holdings (Pty) Ltd on 30 June 2018. The investment in Concourse Holdings (Pty) Ltd has been fairly valued for IFRS purposes at R93 000 000. The valuation of an associate company falls under Level 3 of the fair value hierachy. The valuation is performed using the free cash flow (FCF) method. The FCF method values the entity based on the sum of the present value of future cash flows, using a discount rate of 18% and a terminal growth rate of 7%.

6. INVESTMENTS AT FAIR VALUE

Shares at beginning of year	61	61
Reclassification	-	-
Shares at end of year	61	61

A register of investments is available for inspection at the registered office of the Company. The unlisted shares are measured at fair value determined at "Level 2" in terms of the Fair Value Hierarchy. Level 2 inputs are inputs other than quoted prices in level 1 that are observable for that asset or liability.

	30 JUNE 2018	30 JUNE 2017
	R'000	R'000

7. SHARE CAPITAL

Authorised		
5 000 000 ordinary par value shares of 1 cent each	50	50
Issued Ordinary Shares		
Balance at the beginning of the period	6	6
Shares issued during the period at 1 cent each	153	-
Balance at end of the period	159	6

8. SHARE PREMIUM

ORDINARY SHARES		
Balance at the beginning of the period	56 544	56 544
Shares issued during the period	92 847	-
Share premium at the end of the period	149 391	56 544

9. NON-CURRENT LIABILITIES

PREFERENCE SHARES		
Authorised		
50 000 Class A cumulative redeemable preference shares at 1 cent each	1	1
Issued Preference Shares		
Opening balance	1	1
Shares issued during the period	-	-
Balance at end of the period	1	1

	30 JUNE 2018	30 JUNE 2017
	R'000	R'000

9. NON-CURRENT LIABILITIES (continued)

SHARE PREMIUM		
Preference shares		
Balance at the beginning of the period	4 999	4 999
Shares issued during the period	-	-
Share premium at the end of the period	4 999	4 999
Preference shares at the end of the period	5 000	5 000

The preference shares are cumulative preference shares redeemable at the option of the preference shareholder not earlier than 3 years after the first issue date. The shareholder has not redeemed preference shares in the current financial year ended 30 June 2018. Subject to the restrictions imposed by the Companies Act of South Africa, the unissued ordinary and preference shares are under the control of the directors, until the forthcoming annual general meeting. At the reporting date dividends in the sum of R409 932 (2017: R425 000) had been accrued or paid in respect of preference shares. The preference shareholders have indicated that they will not redeem the shares in the forthcoming financial year and therefore the preference shares are reflected as a non-current liability. The preference shares are reflected at net of proceeds and are not discounted due to the uncertainty with respect to the future redemption date.

10. INCURRED BUT NOT REPORTED PROVISION ("IBNR")

At the beginning of the year	7 382	7 233
Change during the year	58	149
At the end of the year	7 440	7 382

Management considers the IBNR provision level to be adequate. The IBNR provision meets the minimum required level under the Solvency Assessment and Management Interim Measures (effective: 1 January 2012)

11. ACCOUNTS PAYABLE

Trade payables	6 942	5 152
Provisions	16 484	14 237
Guarantee collateral	31 499	23 717
Other payables	1 731	1 510
	56 656	44 616

	30 JUNE 2018	30 JUNE 2017
	R'000	R'000

12. SOLVENCY MARGIN

The Company is subject to insurance solvency regulations, and it has complied with all these regulations. The Company solvency margin is calculated as the ratio of total shareholders' funds to the net premium.

Total equity and preference shares (including preference share capital for regulatory purposes)	173 068	62 350
Net premium	143 434	132 931
Solvency margin	120,7%	46,9%

13. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging the following items:

Auditor's remuneration	917	967
- Audit fees	917	967
- Directors' Emoluments	10 754	10 127
Operating lease charges	4 992	4 465
- Buildings	4 614	4 045
- Equipment	378	420
Depreciation	3 274	3 185
- Computer equipment and software	3 053	2 997
- Furniture, fittings and office equipment	140	116
- Machinery	12	12
- Leasehold improvements	69	60
Amortisation of intangible assets	518	265
- Self-developed computer software	493	240
- Long-term contracts with customers	25	25

(continued on page 86)

	30 JUNE 2018	30 JUNE 2017
	R'000	R'000

13. PROFIT BEFORE TAXATION (continued)

	30 JUNE 2018 R'000	30 JUNE 2017 R'000
Staff costs	59 594	52 264
- Current year costs	59 594	52 264
Remuneration other than to employees	2 119	2 920
- Consultancy fees	1 717	1 509
- Legal fees	402	1 411

14. TAXATION

	30 JUNE 2018 R'000	30 JUNE 2017 R'000
SOUTH AFRICAN NORMAL TAXATION		
Current taxation charge	3 096	1 053
	3 096	1 053
DEFERRED TAXATION:		
Current year	-	-
	-	-
Taxation as per Statement of Comprehensive Income	3 096	1 053
Tax rate recon:		
Effective rate	29%	32%
Disallowable expenditure	(1%)	(4%)
Standard rate	28%	28%

FINANCIAL STATEMENTS

	30 JUNE 2018	30 JUNE 2017
	R'000	R'000

15. LEASE COMMITMENTS

	30 JUNE 2018 R'000	30 JUNE 2017 R'000
Due within 1 year:	1 928	5 854
- Buildings	1 666	5 702
- Equipment	262	152
Due after 1 year:	2 608	6 870
- Buildings	2 125	6 046
- Equipment	483	824
TOTAL DUE	4 536	12 724

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to financial risks. These risks are managed as part of the normal operations of the Company and the effectiveness of risk management is overseen by the board of directors. The more important financial risks to which the Company is exposed are described below:

Market risk

All Company investments are valued at market value and are therefore susceptible to market fluctuations. Investments are managed with the aim of maximising returns for shareholders while limiting the risk to acceptable levels. The Company is not exposed to significant market risk.

Interest rate risk

The Company is exposed to interest rate risk, where changes in market interest rates cause fluctuations in the value of financial instruments. This in essence forms part of the market risk detailed above.

	30 JUNE 2018 R'000	30 JUNE 2017 R'000
If the interest rate changes by 1%, the impact on interest earned would be an increase or decrease in profit.	1 217	894

FINANCIAL STATEMENTS

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Company does not have sufficient assets or liquid resources to meet its liabilities. The Company's liabilities are backed by appropriate assets and it has sufficient liquid resources. The amounts included in the maturity table are gross, undiscounted cash flows.

	LESS THAN 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 YEAR AND 5 YEARS	TOTAL
	R'000	R'000	R'000	R'000
AT 30 June 2018				
Financial liabilities	102 823	68 549	8 634	180 006
Claims IBNR	2 604	3 720	1 116	7 440
Net outstanding claims	6 904	9 861	2 957	19 722
TOTAL	112 331	82 130	12 707	207 168
AT 30 June 2017				
Financial liabilities	76 578	51 052	6 430	134 060
Claims IBNR	2 584	3 691	1 107	7 382
Net outstanding claims	4 543	6 489	1 946	12 978
TOTAL	83 705	61 232	9 483	154 420

Credit risk

The Company's financial assets do not represent a significant concentration of credit risk because the Company deals with a variety of major banks and its accounts receivable is spread among a number of major reinsurance companies, customers and related parties. Exposure to outside financial institutions concerning deposits and similar transactions are monitored against approved limits. Receivables that are considered past due or impaired have been provided for and are reflected net of impairment..

	30 JUNE 2018	30 JUNE 2017
	R'000	R'000
MAXIMUM EXPOSURE TO CREDIT RISK		
Premiums receivable	39 379	34 258
Accounts receivable	11 576	28 010
- Related party receivables	6 320	12 096
- Other receivables	5 256	15 914
Cash and cash equivalents	203 746	134 387
Reinsurers' share of outstanding claims	201 110	131 313
Amount owing from reinsurers	1 620	1 620
	457 431	329 588
CREDIT RISK ANALYSIS		
Receivables neither past due nor impaired	450 555	312 054
- Related party receivables	6 320	12 096
- Premiums receivable	39 379	34 258
- Reinsurers' share of outstanding claims	201 110	131 313
- Cash and cash equivalents	203 746	134 387
Receivables past due but not impaired		
- Other receivables	5 256	15 914
Receivables past due and impaired	1 620	1 620
- Amount owing from reinsurers	2 155	2 155
- Impairment raised	(535)	(535)
TOTAL	457 431	329 588

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Capital risk

The Company manages its capital to ensure that it will be able to continue as a going concern whilst maximising the return to stakeholders. The capital structure of the Company consists of share capital and is invested in cash and cash equivalents.

17. INSURANCE RISK MANAGEMENT

The primary insurance activity carried out by the Company assumes the risk of loss from persons or organisations that are directly subject to the risk. As such the Company is exposed to the uncertainty surrounding the timing and severity of claims under the contract.

The Company uses several methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. These methods include internal risk measurement models and sensitivity analyses. The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts. The principle risk is that the frequency and severity of claims is greater than expected. Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

The underwriting strategy is reviewed quarterly, a claims assessment process is undertaken and market trends are evaluated. In addition management reviews certain information monthly which includes premium income and loss ratios by class.

The Company reinsures a portion of the risks it underwrites in order to control its exposures to losses and protect capital resources. The reinsurers are rated by external rating agencies and the Company reviews its reinsurance arrangements periodically. The Company obtains board approval in setting the minimum security criteria for acceptable reinsurance and the monitoring of the purchase of reinsurance against those criteria.

17. INSURANCE RISK MANAGEMENT (continued)

The Company purchases adequate excess of loss reinsurance cover for protection against catastrophe losses.

Each notified claim is assessed on a separate, case by case basis with due regard to the claim's circumstance, information available from loss adjusters and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information arises.

Outstanding claims and the IBNR ("incurred but not reported") provisions are estimated using generally accepted insurance practice. Such methods extrapolate the development of paid and incurred claims, average cost per claim and ultimate claim numbers for each accident year based on observed development of earlier years and expected loss ratios. The Company believes that the estimate of total claims outstanding as at 30 June 2018 is adequate.

17. INSURANCE RISK MANAGEMENT (continued)

AT 30 JUNE 2018					
	FIRE & ENGINEERING	MOTOR	GUARANTEE	MISCEL-LANEOUS	TOTAL
	R'000	R'000	R'000	R'000	R'000
CLAIMS INCURRED NET OF REINSURANCE					
Outstanding claims and IBNR Opening	5 471	10 259	60	4 570	20 360
Claims incurred	9 560	85 555	85	17 778	112 978
Claims paid	(8 296)	(80 276)	(55)	(17 548)	(106 175)
Outstanding claims and IBNR Closing	6 735	15 538	90	4 800	27 163
PREMIUMS					
Gross premiums	320 313	823 061	12 159	249 737	1 405 270
UPR movement	(9 338)	(13 577)	(1 016)	(924)	(24 855)
Gross earned premiums	310 975	809 484	11 143	248 813	1 380 415
Premiums ceded to reinsurers	(296 087)	(704 674)	(10 029)	(228 383)	(1 239 172)
Net earned premiums	14 888	104 810	1 114	20 430	141 243
DEFERRED ACQUISITION COSTS					
Opening balance	1 203	257	381	2 642	4 483
Movement	3 369	177	103	172	3 821
Closing balance	4 572	434	484	2 814	8 304

17. INSURANCE RISK MANAGEMENT (continued)

AT 30 JUNE 2017					
	FIRE & ENGINEERING	MOTOR	GUARANTEE	MISCEL-LANEOUS	TOTAL
	R'000	R'000	R'000	R'000	R'000
CLAIMS INCURRED NET OF REINSURANCE					
Outstanding claims and IBNR Opening	5 758	8 855	50	4 876	19 539
Claims incurred	5 674	78 215	109	17 368	101 366
Claims paid	(5 961)	(76 811)	(99)	(17 674)	(100 545)
Outstanding claims and IBNR Closing	5 471	10 259	60	4 570	20 360
PREMIUMS					
Gross premiums	281 472	742 409	10 870	220 375	1 255 126
UPR movement	(1 656)	182	(414)	(965)	(2 853)
Gross earned premiums	279 816	742 591	10 456	219 410	1 252 273
Premiums ceded to reinsurers	(258 409)	(657 453)	(9 411)	(194 224)	(1 119 497)
Net earned premiums	21 407	85 138	1 045	25 186	132 776
DEFERRED ACQUISITION COSTS					
Opening balance	863	276	312	2 439	3 890
Movement	340	(19)	69	203	593
Closing balance	1 203	257	381	2 642	4 483

18. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. The transactions occur under terms and conditions that are no more favourable than those entered into with third parties in arms length transactions. Related party transactions for the period under review included, related party loans, with interest, rentals and sales to and from the related parties as disclosed below.

	30 JUNE 2018	30 JUNE 2017
	R'000	R'000
RELATED PARTY BALANCES		
Amount owing to/(from) related parties	6 320	12 096
Renasa Holdings (Pty) Ltd. (ultimate holding company incorporated in South Africa) [1]	3 631	10 238
Oxford Claims Investigations (Pty) Ltd. [1]	-	858
Concourse Properties (Pty) Ltd. [1]	611	(396)
Concourse Holdings (Pty) Ltd. [1]	345	-
RITE (NPC)[1]	1 232	1 113
IVP (Pty) Ltd. [1]	501	283

[1] *These loans are unsecured, bear no interest and have no fixed repayment terms.*

	30 JUNE 2018	30 JUNE 2017
RELATED PARTY TRANSACTIONS		
Net sales to / purchases received from / (paid to) related parties	201 277	(3 644)
Concourse Holdings (Pty) Ltd	205 095	-
Concourse Properties (Pty) Ltd	(4 050)	(3 867)
RITE (NPC)	232	223

19. CHANGES IN ACCOUNTING POLICY

In the current year, the company changed its accounting policy on investment in subsidiaries from cost less impairment to fair value. The effect of this change is as follows:

	INVESTMENT IN SUBSIDIARIES	RETAINED EARNINGS
	R'000	R'000
Balance as at 30 June 2017	6 050	-
Revaluation surplus on Concourse Properties (Pty) Ltd	10 166	(10 166)
Balance as at 30 June 2018	16 216	(10 166)

An independent valuation was performed by LDM Valuation Solutions (Pty) Ltd on the property owned by Concourse Properties (Pty) Ltd. On conclusion of the valuation, the fair value of Concourse Properties (Pty) Ltd was stated at R16 216 000 at 30 June 2018. Reinstatement of prior year figues are not applicable due to valuations not having been performed during the prior periods.

20. CONSOLIDATED FINANCIAL STATEMENTS

The Company is exempted from presenting consolidated financial statements as it is a subsidiary of Renasa Holdings Proprietary Limited which prepares consolidated financial statements in compliance with International Financial Reporting Standards. None of the Company's debt or equity instruments are traded in a public market.

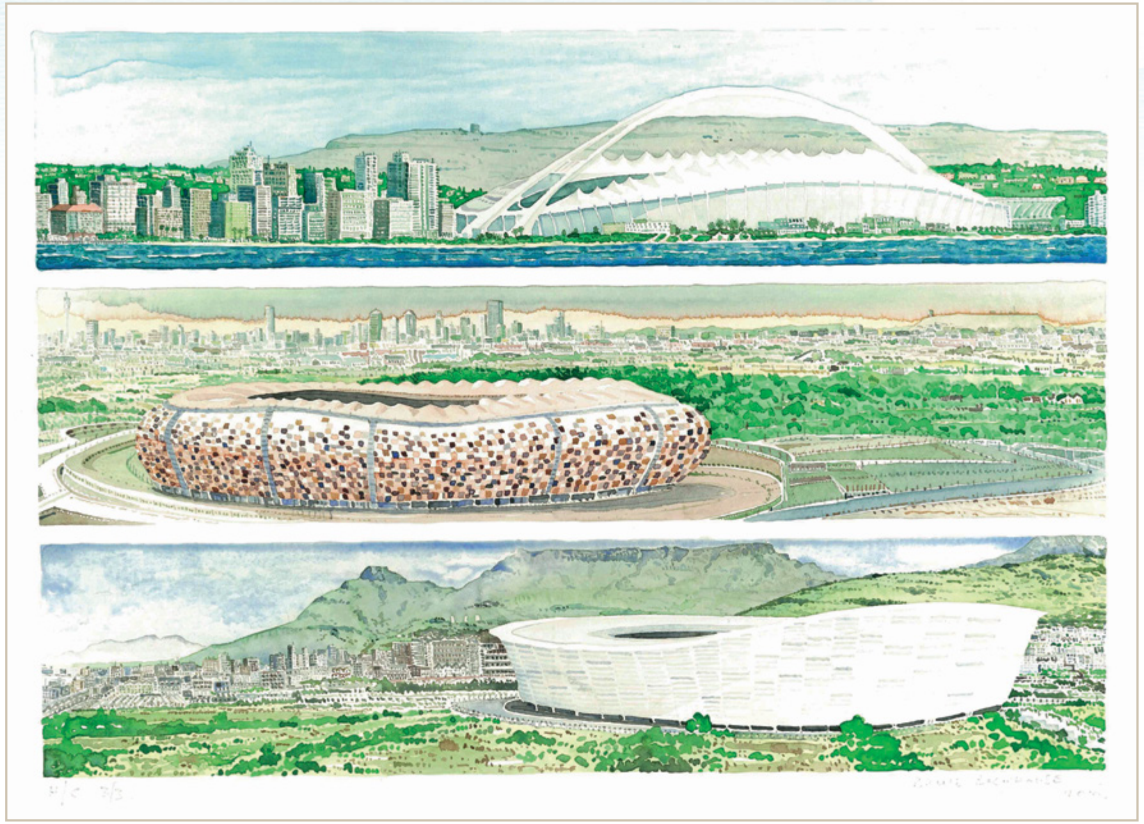
21. SUBSEQUENT EVENTS

No events have occurred subsequent to year end that would result in an adjusting or non-adjusting event being disclosed in the financial statements.

22. GOING CONCERN

Management have made an assessment of the Company's ability to continue as a going concern and there is no reason to believe that the Company will not be a going concern in the year ahead.

Three Large Herds
2009



Three Stadiums
2010

RENASA'S ART

RENASA'S ART

RENASA'S ART

South African Transport
2011

RENASA'S CONTACT AND STATUTORY DETAILS

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Three South African Trees
2012

RENASA'S ART

Three South African Landmarks
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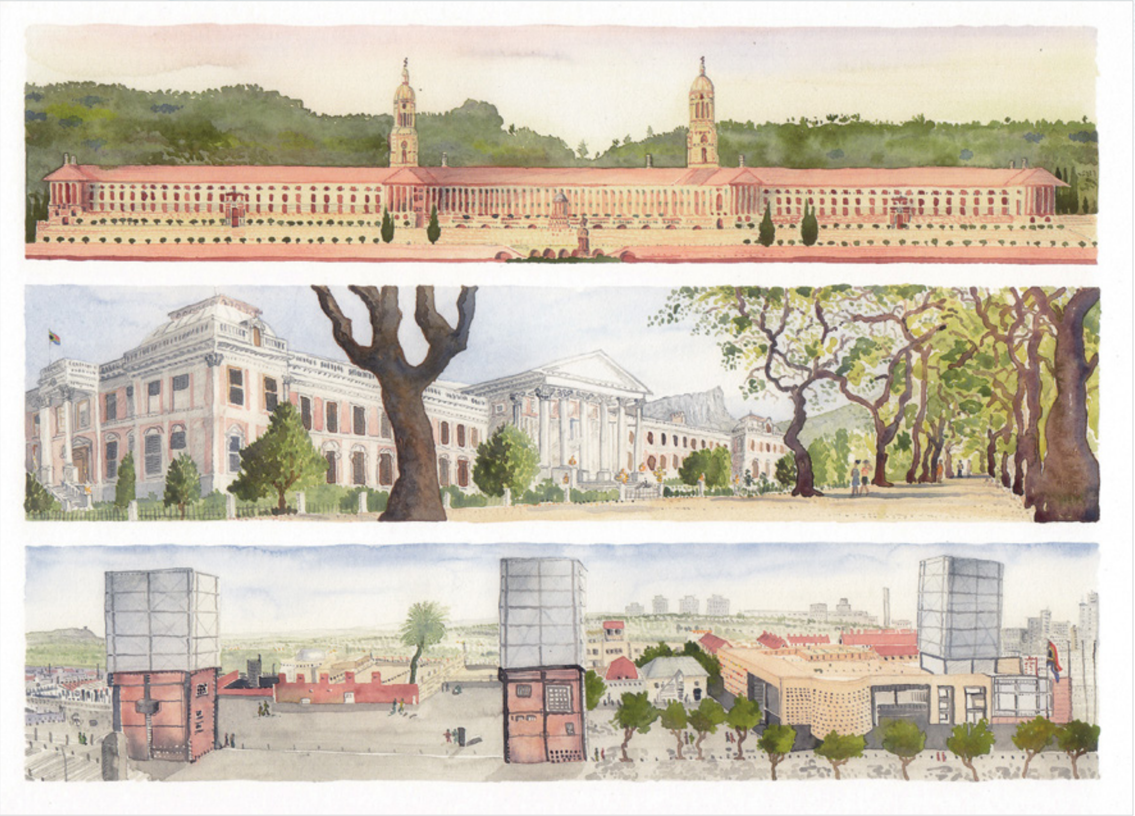

Three Iconic South African Buildings
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COVER: Designed by Bruce Backhouse inspired by the sculpture *17 Acute Unequal Angles* by Bernar Venet 2016.