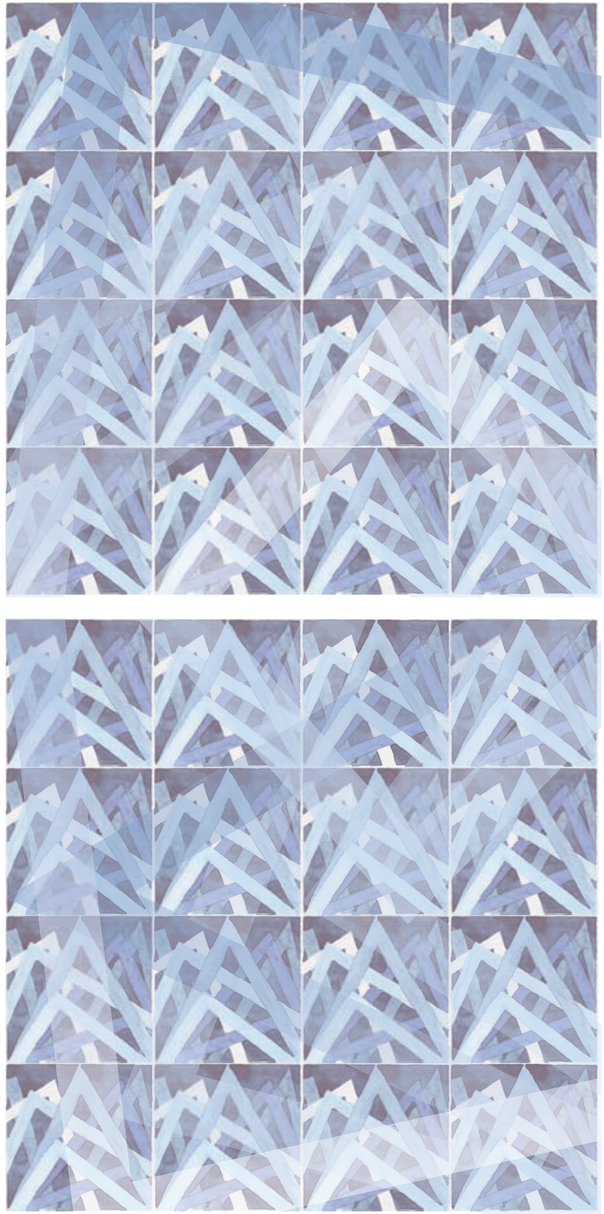
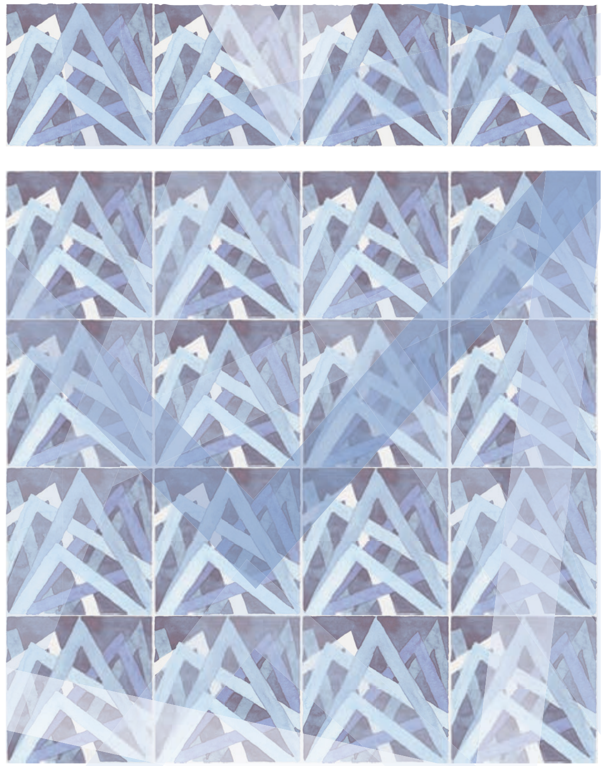


RENASA

INSURANCE COMPANY LIMITED

Annual Report 2019

ROBUST GROWTH AND RECOGNITION



For 2019, Renasa was awarded the Intermediary Experience Award (previously the Insurer of the Year Award) for the Commercial class by the Financial Intermediary Association. This follows Renasa being named both the Commercial and Personal Lines Insurer of the Year in 2018 and, Commercial Insurer of the Year in 2017. Between 2017 and 2019 Renasa was eligible for six potential awards, the Commercial class and the Personal Lines class in each of three years. Of the six potential awards, Renasa won four and was a finalist in the remaining two.

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 2019

ROBUST GROWTH AND RECOGNITION

RENASA INSURANCE COMPANY LIMITED (“RENASA”)
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2019

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2019 GROSS PREMIUMS GROW 45,5% AND EXCEED R 2,0 BILLION

FIA 2019 PERSONAL LINES INSURER OF THE YEAR

POOR ECONOMIC CONDITIONS – COMPETITIVE MARKET– LITTLE GROWTH

CONTINUED IMPACT OF INCREASED REGULATORY COMPLIANCE COST

GROSS LOSS RATIO IMPROVES SUBSTANTIALLY

GROWTH STRAIN CONTRIBUTES TO MARGINAL UNDERWRITING LOSS

CAPITALISATION AND EARNINGS RAISE CAPITAL BY R 81,2 MILLION

SOLVENCY CAPITAL REQUIREMENT 1,2

COMMERCIAL LINES CONSTITUTE 53,7% OF GROSS PREMIUMS

A- RATING REAFFIRMED

TREATIES RENEWED ON FAVOURABLE TERMS

Three South African Dams (Hartbeesfontein Dam, Gariep Dam, Sterkfontein Dam)
2019

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.

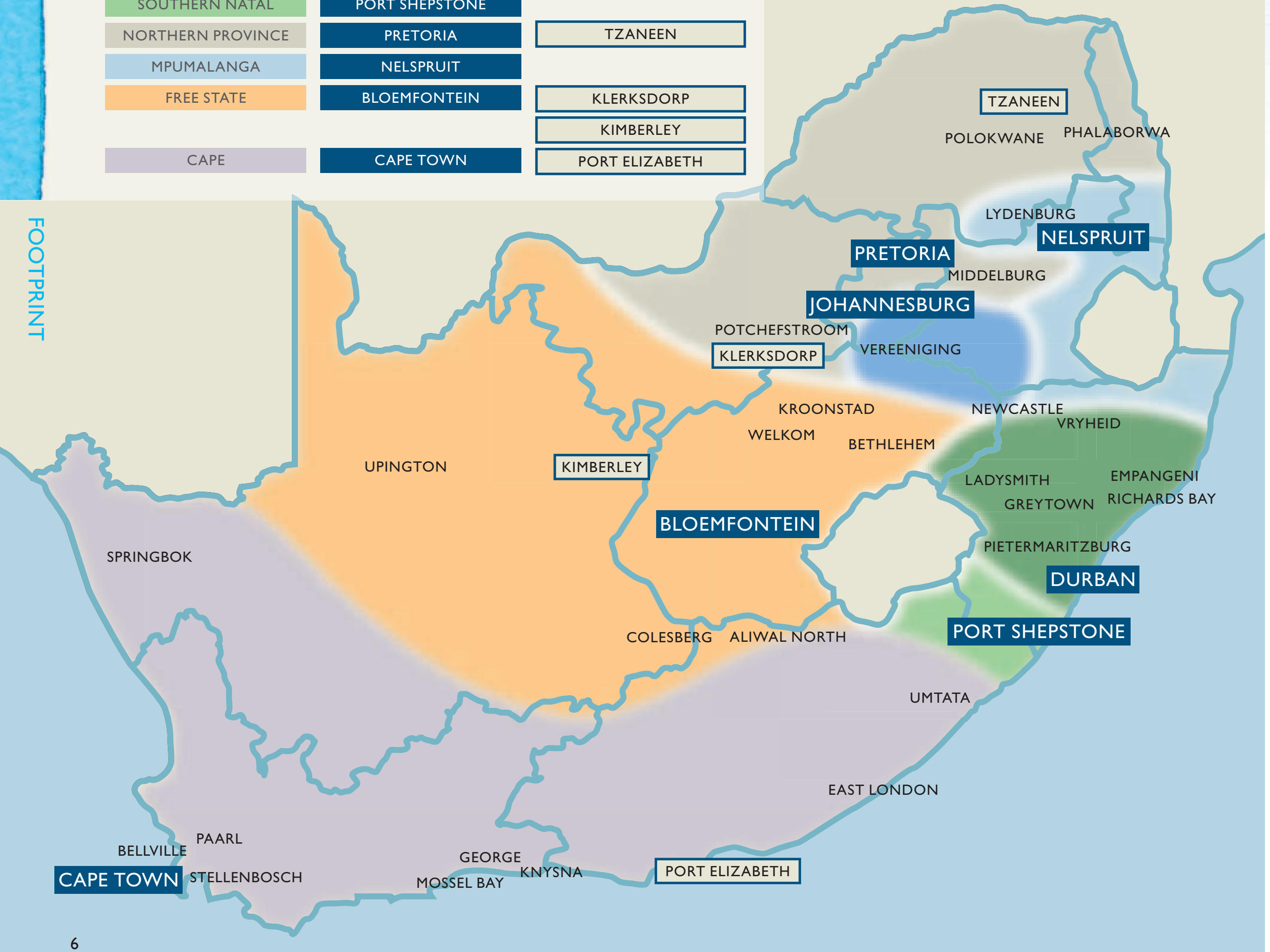
Three South African Harbours (Durban, V&A Waterfront Cape Town, Kalk Bay)
2018

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'.

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.

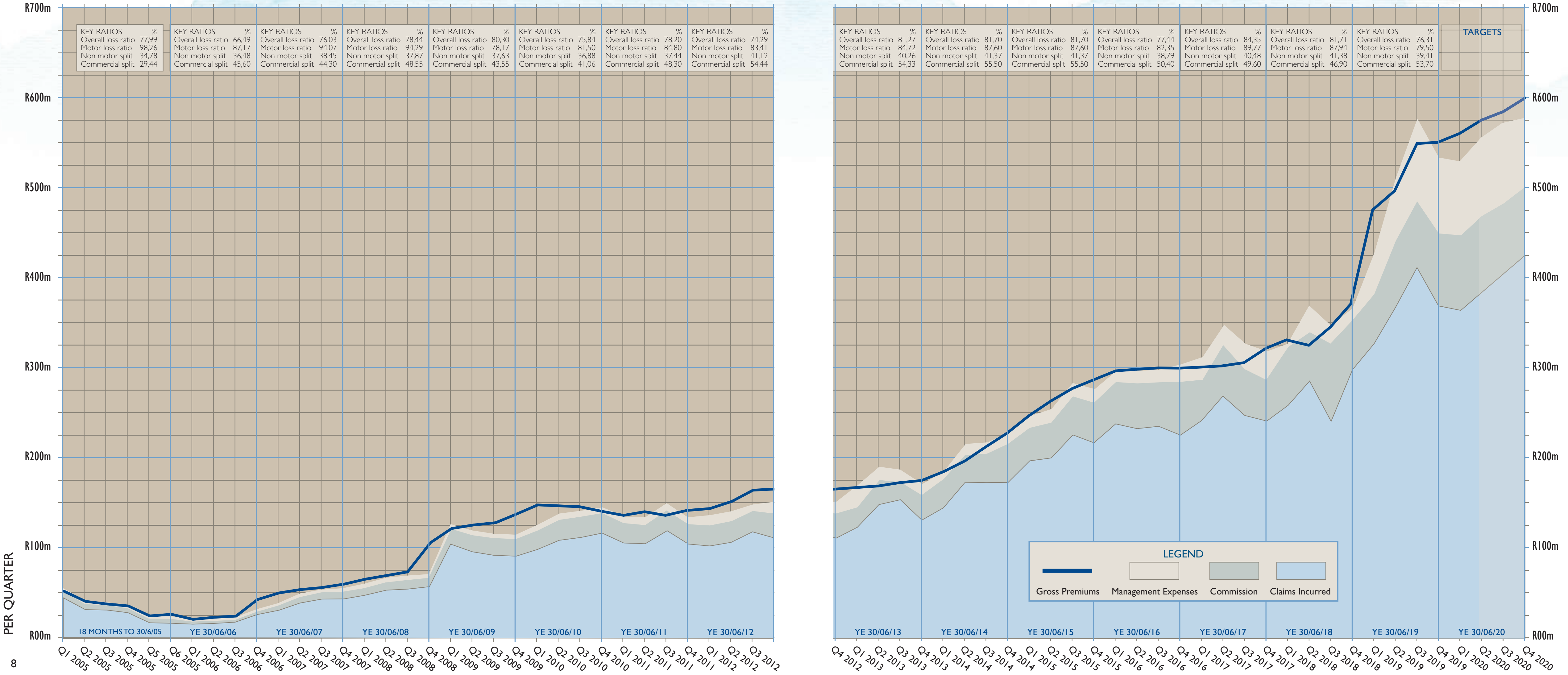
Renasa's systems offer intermediaries the support needed to achieve actuarial risk selection and systemised claims cost control while preserving independence and avoiding overbearing interference in intermediary processes. This makes Renasa, at once, the home and the champion of the independent intermediary.

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 2020 TARGETS



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 AND 2018 FINANCIAL YEARS

1. 2017 FIA "Commercial Insurer of the Year" and finalist "Personal Lines Insurer of the Year"
2. 2018 FIA "Commercial and Personal Lines Insurer of the Year" reflects further market recognition
3. Continued improvement in underwriting/pricing control and claims cost controls
4. Gross premiums grow by a slower 5,5% and then 12,0% reflecting market challenges and corrective actions
5. Underwriting/claims controls and increased compliance costs drive overheads up
6. Capitalisation and earnings raise capital by R 110,7 million in 2018
7. Solvency margin improves to 118,8% and claims cash coverage ratio improves to 21,6 months
8. A- rating reaffirmed

ROBUST GROWTH AND RECOGNITION
2019 FINANCIAL YEAR

1. Gross premiums grow by 45,5% for year
2. 2019 FIA "Personal Lines Intermediary Experience Award"
3. Continued improvement in underwriting and, claims cost control drop Gross Loss Ratio
4. Capitalisation and earnings raise capital by R 81,2 million
5. Financial profit achieved notwithstanding high growth
6. Solvency Capital Requirement 1,2 (2018: 1,3) claims cash coverage ratio 16,3 months (2018: 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

Shortly after the 2019 year end, Renasa was again honoured by the Financial Intermediaries Association ("FIA") awarding Renasa the Intermediary Experience Award (previously Insurer of the Year Award) in the Personal Lines Class after having been announced Insurer of the Year in both the Commercial and Personal Lines classes in 2018 and Insurer of the Year in the Commercial class in 2017. That combined with Renasa achieving Gross premiums in excess of two billion rand for the 2019 financial year categorically reaffirms Renasa's position as one of five leading competitors in the intermediated segment of the Short-term (Property and Casualty) segment of the South African market. That is indeed a singular achievement and one worthy of congratulation for the many years of dedication by Renasa staff and management and the very loyal support of Renasa's intermediaries and business partners.

Given undeniably poor economic conditions and a market weighed down with the burden of regulatory change, Renasa's performance is all the more creditable.

Of course, growth such as that achieved during the 2019 year is not without its cost, principally the strain associated with restoring acceptable performance in those components of business taken on where this is necessary. Given the scale of the current growth, that strain will manifest not only in the 2019 year but in the years to follow. Thereafter, the benefits of scale and Renasa's focus on the generally more profitable commercial classes will emerge.

It is worthy of note that Renasa's ability to accommodate the growth it has achieved resides in its low cost structure when compared with competitors and its technological advancement which give it a strategic advantage which has allowed it to capitalize on consolidation in its market segment.

During the year additional capital was contributed in response to the growth achieved and the strain associated with that growth. Renasa remains sufficiently capitalized given its reinsurance arrangements of which the security increased at renewal. Renasa's reinsurance treaties are placed with the world's leading reinsurers. Renasa's solvency position at year end reflected the financial performance and capital introduction with a Solvency Capital Requirement (SCR) ratio of 1,2 (2018: 1,3) at year end and a claims coverage ratio of 16,3 months (2018: 21,6 months). The "A-" rating accorded by Global

Credit Rating Company since November 2010 was once again reaffirmed.

As to the future, Renasa's strategy will, based on its unreserved belief in the value of independent advice, continue dedicated to the intermediated segment and positioning its intermediaries at a competitive advantage in terms of product, the underwriting of risk and the settlement of claims. Renasa's experienced and mandated managers will continue to provide swift decisions on commercial underwriting and claims matters and superior technology will continue to allow intermediaries the freedom to manage personal lines business under binding authorities.

A year of consolidation lies ahead

As Renasa digests the growth of the past year over the forthcoming financial year, so can its underwriting and earnings performance be expected to improve. We look forward to this with both optimism and caution given the vagaries of Renasa's business and the market in which it operates.

I thank my fellow directors, the executive management and Renasa's staff for their contribution and support during the past year and I look forward to the progress sought during 2020.

DON ERIKSSON
Chairman

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.

R.I.T.E. has 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 R.I.T.E. has consulted the relevant academic authorities to ensure delivery of an effective aid. R.I.T.E. has printed 200 000 books which are being donated and distributed.

R.I.T.E. has also been involved with other very worthy causes, the top of list being The Neema Foundation in KZN and The Link, with focus on Riversands Farm School in Midrand. The workshops that RITE hosts with these organisations are most worthwhile and of great value to the teachers who attend. The teachers are 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 RITE donates a set of 110 readers to 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.

RITE aims to uplift struggling and needy schools and to provide resources so necessary to educate children. The R.I.T.E. team 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 for R.I.T.E.'s staff to give of their time and resources to help those in need. R.I.T.E.'s annual golf day in October 2018 successfully raised R65 000 and further donations were made during the year to a value of R35 000, sufficient to finance the printing of the the next batch of books. All donations are most welcome and highly appreciated.

Generous support by Renasa's partners

Reading is arguably the most fundamental skill to launch the life of every child who begins school at the age of 6 and it is something that many take for granted. It is the basis, the foundation of education and R.I.T.E. is thrilled to be able to help. R.I.T.E. believes that with the betterment of the education system in our country, South Africa will be a better place for all. R.I.T.E. is determined to make its contribution in the aim for a better South Africa!

Renasa has sponsored the compilation and distribution of the readers through R.I.T.E., and has raised the supplementary funds to meet the cost of illustrations and printing of the readers. R.I.T.E. has raised funds by donation from Renasa business partners. Because Renasa is subsidising the project, all donations go directly to the production, printing and distribution of the readers. R.I.T.E. is most grateful for the donations it receives. The donations have made this fantastic and worthwhile project possible. It has been a truly thrilling project of which R.I.T.E. is justifiably proud. The need is great and the response from teachers is phenomenal.

Renasa House
2015

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

CHIEF EXECUTIVE OFFICER'S REPORT

SALIENT FEATURES

Further recognition and scale

The 2019 year has been one of momentous achievement for Renasa. During the 2018 year Renasa was awarded two further Financial Intermediaries Association ("FIA") Awards (the 2018 Commercial and Personal Lines Awards) which followed the 2017 Commercial Lines Award and preceded the 2019 Personal Lines Award received shortly after year end. Further, the 2019 year marked the breaching of the two billion Rand Gross Written Premium threshold, a singular milestone in Renasa's history. These achievements confirm Renasa's position as one of the five major competitors in the intermediated segment of the market.

These accomplishments are moreover noteworthy given the subdued economic conditions which have prevailed, the unsettled nature of the market as a new regulatory regime is digested and the continued pressure which has manifested in very significant consolidation in Renasa's market segment over the past few years.

The growth is, however, not without cost in the form of growth strain which contributed to a slight Underwriting Loss. To reach the scale achieved during the 2019 year Gross premiums grew by 45,5% (2018: 12,0%) to R 2,05 billion (2018: 1,41 billion). In addition, importantly, the weighting of the traditionally more profitable Commercial Lines increased to 53,7% (2018 46,9%) of total Gross premiums while Gross premiums from specialist classes outstripped overall premium growth to grow by 88,1% (2018: 17,0%) to R 491,4 million (2018: R 261,3 million) to account for 24,03% (2018: 18,6%) of Gross premiums. Despite that, strain associated with the massive growth resulted in an Underwriting loss of R 1,2 million (2018: Underwriting profit of R 4,1 million) but, owing to the benefit of a significantly increased float, Total comprehensive income before Preference Share dividends of R 10,8 million (2018: R 8,0 million) was achieved which lead to a Return on Average Equity of 5,2% (2018: 7,1%).

Concerning Renasa's ability to absorb growth strain, two strategic advantages weigh in its favour. Firstly, Renasa is one of the lowest cost operators in its segment which allows it to absorb higher loss ratios than its competitors and so to better cope with the strain associated with growth. Because Renasa's low cost base is structural and entrenched by its business model, it is a strategic advantage.

Secondly, Renasa's technological advantage positions it to accommodate new business (including the necessary controls) more efficiently. This advantage is, likewise, entrenched and strategic.

That said, the cost associated with rectifying the challenging elements referred to will continue into the new financial year. Such costs are viewed as an investment in the development of the scale long sought and now achieved. The benefits of that scale will manifest only once the growth has been digested and poor performing books sanitized.

Renasa continues to champion the independent intermediary

During the year, in line with the growth achieved, a further R 54,9 million (2018: R 93,0 million) capital was introduced which, together with the revaluation of investments and the retained income generated during the year, combined to increase Capital and reserves at year end to R 254,3 million (2018: R 173,1 million).

Renasa's reinsurance treaties were once more renewed largely on expiring terms with a similar reinsurer subscription base including Munich Re, R & V and others for an overall increase in the security of the treaties. Renasa's solvency position reflected the financial performance and capital change to achieved a Solvency Capital Requirement (SCR) ratio of 1,2 (2018: 1,3) at year end and a normalised claims coverage ratio of 16,3 months (2018: 21,6 months). The "A-" rating accorded by Global Credit Rating Company since November 2010 was once again reaffirmed.

There was no change to the Board or Executive Management structure during the past year and the usual limited changes to Operational Management.

Renasa remains committed to helping position its intermediaries to outcompete their competitors through the delivery of competitive products with unparalleled service levels enabled where possible by superior technology. 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) is unchanged featuring Archie Broker and his faithful dog Roger to raise public and broker awareness of the Renasa brand. As ever, the campaign showcases Renasa's support for independent intermediaries and the value of independent advice.

Regarding 2020, subdued results are expected as the strain associated with the massive growth of 2019 continues to be digested, that being the cost of achieving the scale which has been reached. However, by the end of the 2019 year, strong corrective action had been initiated on all challenging elements of the business taken on during the year and, while that action may not lead to underwriting profitability during the 2020 year, thereafter, the benefits of scale should emerge and, aberrant weather patterns aside, the impact of a greater Commercial Lines weighting should contribute positively to results and progress.

Modest profit despite subdued market conditions

MARKET CONDITIONS

The market segment in which Renasa competes continues to be hotly contested with further insurers exiting the market bringing to seven the number that have ceased operations for one or other reason over the past few years. Lack of growth and poor underwriting performance are the primary reasons for withdrawal. The challenges faced by the segment in maintaining underwriting and claims cost control are, of course, ultimately to blame. However, the impact of raised capital requirements, the massive increase in the cost of regulatory compliance and the need to meet first world regulatory standards as swathes of new legislation have taken effect over the past few years cannot be ignored.

For Renasa, however, the benefits of business taken on towards the end of the prior financial year, some flowing from those which exited the market, contributed to significant growth and to Renasa breaching the R 2 billion Gross Premium threshold.

PREMIUM PERFORMANCE – IMPROVED GROWTH ACHIEVED

Year on year Gross premiums growth of 45,5% (2018: 12,0%) to R 2,05 billion (2018: 1,41 billion) reflected the impact of significant Gross Premium growth during the closing months of the 2018 financial year. This growth furthermore contributed to the 26% Gross premium compound growth rate which Renasa has achieved over the past thirteen years.

Importantly, the increase in the weighting of the traditionally more profitable commercial lines to 53,7% (2018 46,9%) of total Gross premiums bears out Renasa's forte in this service heavy segment.

Once again, Gross premiums from specialist classes outstripped overall premium growth to grow by 88,1% (2018: 17,0%) to R 491,4 million (2018: R 261,3 million) and the concentration in specialist classes consequently improved to 24,0% (2018: 18,6%) of Gross premiums.

Renasa's Commercial Lines strategy – Personal Service

RENASA'S MARKET FOCUS

Renasa continues to pursue a strategy which targets both commercial and personal lines classes combining leading technology with personal service delivered by experienced service managers. The objective is to position intermediaries to outcompete their competitors. Renasa's team understands thoroughly the needs of the intermediated market as is borne out by it having been awarded four out of a possible maximum of six Financial Intermediary Association awards over the past three years which amounts to Renasa achieving six out of six possible awards against its direct competitors.

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

Experienced Service Managers who are mandated to provide on the spot underwriting and claims decisions deliver a traditional but efficient, personal service for commercial classes. Where volumes justify, Service Managers are based in an intermediary's offices.

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

Personal Lines continues to be the single largest class of business in the South African market with the majority of this business still written in the intermediated segment despite the gains of the direct market. It is consequently also the single largest source of intermediary income and, therefore, worthwhile preserving. To remain sustainable in the intermediated segment (particularly where intermediaries administer policies and claims "off platform" on systems independent of insurer control), it is crucial to achieve underwriting and claims cost efficiency. Renasa's approach of "Supervised Independence" achieves this

CEO'S REPORT

with a combination of personal service and leading-edge technology which allows intermediaries a range of autonomy levels.

RENASA'S TECHNOLOGY

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 Personal Lines strategy – Supervised Independence

Renasa's systems comprise:

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

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

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

Renasa's technology has contributed to its ability to accommodate the strain associated with its sustained high growth rate.

SPECIALIST CLASSES AND UNDERWRITING MANAGEMENT AGENTS

Specialist classes remain an important element of Renasa's offering, Renasa currently underwriting eighteen (2018: eighteen) specialist classes through Underwriting Management Agents ("UMA's") which distribute exclusively for Renasa or through dedicated divisions. Classes include engineering risks, 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 to expand this division with additional UMA's as opportunity permits. and supporting underwriters in the establishment of UMA's, most Renasa UMA's having been established as "greenfields" operations.

Dedication to independent intermediaries continues

THE INTERMEDIARIES' "ONE STOP SHOP"

The services described provide independent intermediaries with a personalised and swift commercial lines service delivered by experienced professionals, an advanced solution for motor classes 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") remains central to Renasa's practises, and the principle of fairness to customers is entrenched throughout Renasa's operations so that 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 has been the usual level of changes within the Operational Management structure.

MARKETING AND BRAND DEVELOPMENT

Renasa continues to expand its brand profile using national television, industry journals and web-based media in which the familiar icons, Archie Broker and his faithful dog Roger, feature in both the raising of brand awareness and the marketing of Renasa's intermediary services. The importance of independent advice, a tenet of Renasa lore, is emphasized.

ALIGNMENT STRATEGY

In the persuit of sustainability, Renasa remains committed to fair business practices where all its supply and distribution partners benefit commensurately in an aligned fashion.

UNDERWRITING PERFORMANCE

Strain associated with the massive growth achieved during the year contributed to a slight Underwriting loss of R 1,2 million (2018: Underwriting profit of R 4,1 million) but, by the end of the year strong corrective action had been initiated on all challenging elements of the business taken on during the year. That said, the cost associated with rectifying the challenging elements referred to will continue into the new financial year. Such costs are viewed as an investment in the development of the scale long sought and now achieved. The benefits of that scale will manifest only once the growth has been digested and poor performing books rectified.

Underwriting performance reflects Renasa's market segment

As ever, it is important to consider Renasa's underwriting performance in the light of the outsource market it services where business is administered on independent systems. While Renasa has developed systems which allow real-time underwriting and claims control even in the outsource market where business is underwritten on independent systems, processes nonetheless remain under intermediary control as compared with absolute insurer control where the insurer issues policies and administers all claims settlements.

Given the lighter touch control exercised generally in the outsource market in which Renasa competes, much of the business taken on is mispriced having never been subject to the premium and pricing control implemented at Renasa. This exaggerates the growth strain that would be experienced in other markets and which has and will be absorbed by Renasa following the enormous growth achieved.

RECAPITALISATION

So as to ensure sufficient solvency following the high growth achieved, Renasa's capital was supplemented by the introduction of further ordinary equity of R 54,8 million (2018: R 93,0 million). The revaluation of investments and the retained income generated during the year combined to increase Capital and reserves at year end to R 254,3 million (2018: R 173,1 million).

FINANCIAL REVIEW

During 2019 Gross premiums grew by 45,5% (2018: 12,0%) to R 2,05 billion (2018: R 1.41 billion) breaching the strategic R 2 billion threshold which demonstrates the extent of the growth achieved and, by association, the magnitude of the growth strain absorbed during the year.

Despite the growth achieved and the strain associated with that growth, a gross claims ratio of 76,31% (2017: 81,71%) was achieved.

Net commission received as a percentage of gross premiums grew to 10,1% (2018: 3,9%) Net operating expenses rose by 15,4% (2018: 9,4%) after the inclusion of outsource fees as an overhead for the first time with effect from the beginning of the financial year owing to the incorporation of outsource fees into Gross Premium from that date in compliance with regulatory developments. Other contributors to the increase in Net operating expenses include the increased cost of regulatory compliance and an increase in the staff complement to 167 (2018: 158). That said, it should be noted that Renasa is one of the lowest cost operators in its segment which positions it better to absorb the strain associated with growth. This should be recognised as a strategic advantage as its low cost base is structural and entrenched by its business model.

The overall result was an Underwriting loss of R 1,2 million (2018: profit of R 4,1 million) which is acceptable given the growth achieved.

Increase in Total comprehensive income

With improved cash holdings, interest income increased considerably to R 16,2 million (2018: 6,9 million) so that Profit before taxation and Preference Share dividends of R 15,0 million (2018: R 11,1 million) was achieved.

Following a tax charge of R 4,2 million (2018: R 3,1 million), the result was Total comprehensive income before Preference Share dividends of R 10,8 million (2018: R 8,0 million) and a Return on average Equity of 5,2% (2018: 7,1%) which is considered reasonable given the growth achieved and the capital introduced.

REINSURANCE AND FINANCING

Renasa has for many years secured lead reinsurance capacity in treaties with a term duration which commits to Renasa much of the capital required to fund its growth.

Renasa's cession during the 2019 year again remained largely unchanged on most risks.

Renasa's treaties were subscribed by Munich Re, R&V Re, Partner Re, Santam Re and GIC Re with an associated increase in the overall security of the treaties.

Net Written Premium for the year grew by 51,1% (2018: 7,9%) to R 216,8 million (2018: R 143,4 million) . Renasa's solvency margin at the 2019 year end was 117,3 (2018: 120,7) which reflects the impact of growth and 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 Solvency Capital Requirement (SCR) ratio of 1,2 (2018: 1,3). The claims coverage ratio normalised during the 2019 year to 16,3 months (2018: 21,6

CEO'S REPORT

months). All ratios continue to operate at levels which compare satisfactorily with industry norms.

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.

A- rating reaffirmed

PROSPECTS

The successive FIA awards, 2017 Commercial Insurer of the Year, 2018 Commercial and Personal Lines Insurer of the Year and the 2019 Personal Lines category award have all served to raise Renasa's profile and to confirm its position as one of the five main competitors in the intermediated segment. That confirmation promises further growth in the years to come. As before, the factors which have driven consolidation in Renasa's market segment over the past few years remain in force so that consolidation must continue. Renasa will, however, now that scale has been achieved, be cautious in its pursuit of future growth.

Concerning profitability, the massive growth achieved during the year is not without cost and, while portion of the strain associated with that growth has been borne during the 2019 year, further cost will accrue until the effect of corrective action takes hold on those segments of the business taken on which required attention. The forthcoming year should therefore be considered a year of consolidation as the enormous premium taken on is bedded down. However, once that consolidation has occurred, the greater balance of commercial business which has been achieved over the past few years should deliver improved profitability.

Furthermore, Renasa's commitment of the past few years to improving the performance of personal lines, and particularly the motor class, continues to yield dividends but still further benefit remains to be extracted. However, the increasingly aberrant weather patterns must always be remembered when considering likely performance.

The above pointers suggest an improved performance once the massive growth of the past year has been digested so we remain cautiously optimistic for the coming year.

APPRECIATION

My deep appreciation goes to our entire staff and particularly our general management who toil with enormous commitment in pursuit of Renasa's objectives. Without their contribution, the recognition which Renasa has received as a serious competitor in the intermediated segment, as evidenced by the growth achieved and the FIA accolades which we have been privileged to be awarded, would not be possible. To all of our General Managers and to their staff, I express my sincere thanks for their sacrifice and contribution. To our board, I am grateful for their continued sage and measured guidance during challenging times. My very special thanks go to our intermediaries who continue to loyally support Renasa and who we thank for the FIA accolades Renasa has been awarded. Finally, my special thanks also go to our reinsurers and other business partners without whose support, likewise, Renasa would not have progressed as it has.

JONATHAN ROSENBERG
Chief Executive Officer

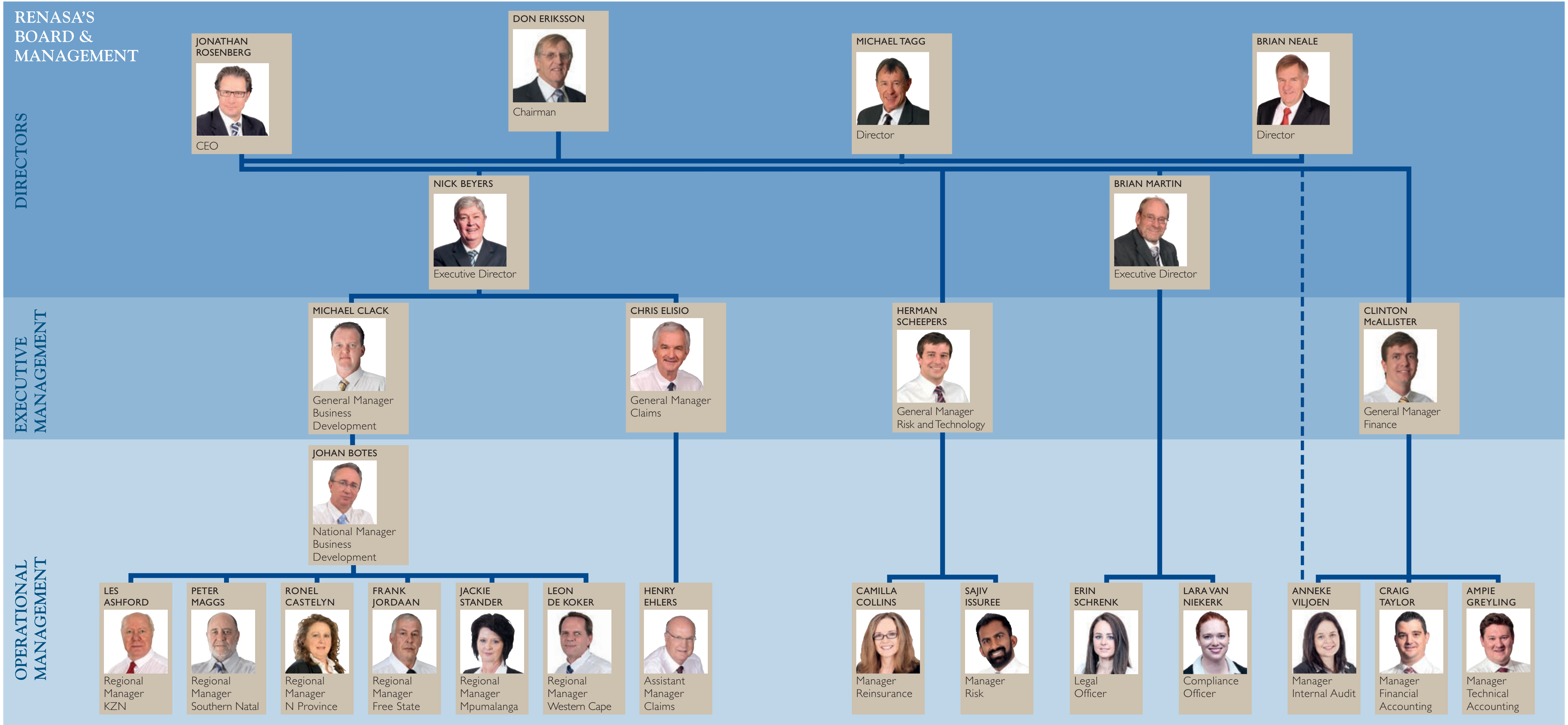
CEO'S REPORT

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

A Ten Year Journey (2006–2015)
2015

RENASA'S MANAGEMENT

RENASA'S BOARD & MANAGEMENT



RENASA'S MANAGEMENT

RENASA'S DIRECTORS

DON ERIKSSON

C.A. (S.A.)

Chairman, Independent Non-Executive Director, Chairman Remuneration Committee, Chairman, Actuarial Risk and Compliance 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.

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, Member Actuarial Risk and Compliance 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, Member Actuarial Risk and Compliance Committee

Brian was 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 and director of several 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

National Manager Business Development

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.

LESLIE ASHFORD

ACII, AIISA

Regional Manager, KZN

Les Ashford started his career in the insurance industry in London in 1965. Since relocating to RSA in 1968, he has held various senior management/executive positions with Allianz, Guardian National, Santam and finally Emerald Risk Transfer. Les relocated to Kwa-Zulu Natal in 2013 and, in January 2019, joined Renasa as the Kwa-Zulu Natal Regional Manager. Les brings a wealth of experience to Renasa.

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 Financial Accounting
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 a manager.

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 MANAGEMENT

RENASA'S ART

Berg, Bush And Beach
2006

RENASA'S ART

RENASA'S ART

Three Aspects Of South Africa
2007

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

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"), the Companies Act and the Insurance Act together with the Governance and Operational Standards for Insurers. 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 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 independent non-executive directors. 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;
- maintain a suite of risk management procedures and tools that enables it to assess, monitor, report on and mitigate the material risks;
- develop a risk management strategy;

- identify the concentration and accumulation of risks;
- quantify and manage specified individual material risks;
- apply scenario analysis and stress testing programs;
- assess enterprise wide risk management through an ORSA (own risk and solvency assessment);
- introduce measures to enhance the efficiency of the risk management system and ensure that it remains effective;
- manage and oversee that Treat Customer Fairly ("TCF") deliverables are met and implemented across the Company and to report to the Committee and the Board on achieving TCF outcomes;
- identify and report on TCF risks and TCF failures; and
- identify and monitor new and emerging material risks.

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 practises;
- the Company's adherence to employment legislation and internal labour protocols;
- social investments;
- the Company's contribution towards educational development of its employees;

- implementation of policies and norms to set out what is acceptable ethical behaviour;
- good corporate governance;
- awareness concerning disciplinary actions in response to unacceptable behaviour;
- the encouragement to employees to communicate unethical or illegal behaviour to their senior managers;

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 independent 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.

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 distributed 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

CORPORATE GOVERNANCE REPORT
for the year ended 30 June 2019 (continued)

effectiveness to the Company's ultimate success. Renasa also recognises the limitations which have prevented previously disadvantaged groups from realizing 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 2019 72,92% (2018: 70,71%) 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.

FINANCIAL STATEMENTS

CORPORATE GOVERNANCE REPORT

for the year ended 30 June 2019 (continued)

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, and there is compliance with the Companies Act as well as the Insurance Act and the Governance and Operational Standards for Insurers.

RENASA'S ART

32 South Africans
2008

RESPONSIBILITY FOR AND DIRECTORS' APPROVAL OF THE FINANCIAL STATEMENTS *for the year ended 30 June 2019*

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 66 to 99 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

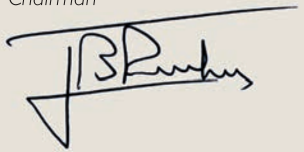
The Company has adopted a policy of employment equity based on the principles contained in current labour legislation.

RESPONSIBILITY FOR AND DIRECTORS' APPROVAL OF THE FINANCIAL STATEMENTS *for the year ended 30 June 2019 (continued)*

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements appearing on pages 66 to 99, were approved by the board of directors on 24 October 2019 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 2019 all such returns as are required by the Companies Act.

CT McAllister
Company Secretary
24 October 2019

AUDIT COMMITTEE REPORT

for the year ended 30 June 2019

The committee is pleased to present our report for the financial year ended 30 June 2019 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 2019; and
- it considered the effectiveness of internal audit.

The Audit Committee is of the opinion that the objectives of the committee were met during the year under review.

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 2019 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 14 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.

AUDIT COMMITTEE REPORT
for the year ended 30 June 2019 (continued)

FINANCIAL STATEMENTS

The committee has reviewed the performance of the external auditors and nominated, for approval at the annual general meeting, Deloitte & Touche as the external auditor for the 2020 financial year, and Mrs Penny Binnie as the designated auditor. This will be her fifth year as auditor of the Company.

ANNUAL FINANCIAL STATEMENTS

The Audit Committee has evaluated the annual financial statements for the year ended 30 June 2019 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 66 to 99 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
24 October 2019

DIRECTORS' REPORT

for the year ended 30 June 2019

The directors present their report, which forms part of the financial statements of the Company, for the year ended 30 June 2019.

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 R10 370 490 for the year under review (2018: R7 552 426). 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 R407 534 were accrued or paid during the period (2018: R409 932) made up as R407 534 (2018: R409 932) in respect of preference share dividends. No ordinary dividends were declared or paid during the period (2018: Nil).

Share capital

The issued share capital changed during the year with the issue of 43 674 ordinary shares to Renasa Holdings (Pty) Ltd. (2018: 152 603). None of the directors held shares at year end.

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 117.3% (2018: 120.7%).

DIRECTORS' REPORT

for the year ended 30 June 2019 (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.

TO THE SHAREHOLDERS OF RENASA INSURANCE COMPANY LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Renasa Insurance Company Limited set out on pages 66 to 99, which comprise the statement of financial position as at 30 June 2019, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Renasa Insurance Company Limited as at 30 June 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and

the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises of the statement of the Responsibility for and directors' approval of annual financial statements and the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

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

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

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

DELOITTE & TOUCHE

Deloitte & Touche *Registered Auditors*
Per: P Binnie *Partner*
11 November 2019
Johannesburg.

STATEMENT OF FINANCIAL POSITION

at 30 June 2019

	NOTES	30 JUNE 2019	30 JUNE 2018
		R'000	R'000
ASSETS			
Non current assets		174 176	117 815
Fixed assets	2	6 957	6 525
Intangible assets	3	2 153	2 074
Investment in subsidiary	4	17 209	16 216
Investment in associate	5	147 857	93 000
Technical assets			
Reinsurers' share of technical provisions		420 458	314 839
- Unearned premiums		60 489	44 752
- Gross IBNR		121 022	70 462
- Outstanding claims		238 947	199 625
Current assets		282 689	263 066
Accounts receivable		15 593	11 576
Premiums receivable	6	39 895	39 379
Investments at fair value	7	61	61
Deferred acquisition costs		10 692	8 304
Cash and cash equivalents		216 448	203 746
TOTAL ASSETS		877 323	695 720

STATEMENT OF FINANCIAL POSITION

at 30 June 2019 (continued)

	NOTES	30 JUNE 2019	30 JUNE 2018
		R'000	R'000
EQUITY AND LIABILITIES			
Capital and reserves		249 288	168 068
Share capital	8	203	159
Share premium	9	197 204	149 391
Retained income		51 881	18 518
Non-current liabilities			
Preference shares	10	5 000	5 000
Equity and preference shares		254 288	173 068
Technical provisions		463 376	346 732
Gross outstanding claims		264 591	219 347
Gross IBNR	11	131 803	77 902
Gross provision for unearned premiums		66 982	49 483
Current liabilities		159 659	175 920
Accounts payable	12	63 840	56 656
Amount owing to reinsurers		94 667	118 350
Current tax payable		820	565
Value added tax		332	349
TOTAL EQUITY AND LIABILITIES		877 323	695 720

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2019

	NOTES	30 JUNE 2019	30 JUNE 2018
		R'000	R'000
Gross premiums		2 044 864	1 405 270
Reinsurance premiums		(1 828 105)	(1 261 836)
Net premiums		216 759	143 434
Change in provision for unearned premiums net of reinsurance		(1 762)	(2 191)
Change in gross provision		(17 499)	(24 855)
Reinsurers' share		15 737	22 664
Net earned premium		214 997	141 243
Net commission		207 522	55 274
Commission incurred		(307 175)	(215 156)
Commission recovered		514 697	270 430
Claims incurred net of reinsurance		(159 823)	(112 978)
Claims paid		(150 561)	(106 175)
- gross amount		(1 461 218)	(1 065 745)
- reinsurers' share		1 310 657	959 570
Change in provision for claims		(9 262)	(6 803)
- gross amount		(99 144)	(82 519)
- reinsurers' share		89 882	75 716
Administration fee (expense) / revenue		(143 345)	25 118
Net operating expenses		(120 584)	(104 520)
Underwriting (loss) / profit		(1 233)	4 137
Interest expense		(55)	(8)
Interest income		16 258	6 929
Profit before taxation and finance cost on preference shares	14	14 970	11 058
Taxation	15	(4 192)	(3 096)
PROFIT BEFORE FINANCE COST ON PREFERENCE SHARES		10 778	7 962

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2019 (continued)

	NOTES	30 JUNE 2019	30 JUNE 2018
		R'000	R'000
Finance cost on preference shares		(408)	(410)
Profit for the year		10 370	7 552
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss:			
Revaluation surplus on investments	4,5	22 993	10 166
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		33 363	17 718

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2019

	NOTES	SHARE CAPITAL	SHARE PREMIUM	RETAINED INCOME/ (ACCUMULATED LOSS)	TOTAL
		R'000	R'000	R'000	R'000
Balance at 1 July 2018		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
Total comprehensive income for the year		-	-	10 370	10 370
Other comprehensive income for the year	4	-	-	22 993	22 993
Shares issued during the year	8,9	44	47 813	-	47 857
Balance at 30 June 2019		203	197 204	51 881	249 288
Notes		8	9		

FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS

for the year ended 30 June 2019

	30 JUNE 2019	30 JUNE 2018
	R'000	R'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Underwriting (loss) / profit	(1 233)	4 137
Depreciation	3 931	3 274
Amortisation of intangible assets	765	518
Adjustment to provision for unearned premium	1 762	2 191
Operating profit before working capital changes	5 225	10 120
Working capital changes	(14 175)	61 910
(Increase) / Decrease in accounts receivable	(6 405)	12 613
(Increase) in premiums receivable	(516)	(5 121)
Increase in outstanding claims and IBNR	9 262	6 802
Increase in accounts payable	7 167	12 092
(Decrease) / Increase in amounts due to reinsurers	(23 683)	35 524
Cash (utilised in) / generated by operating activities	(8 950)	72 030
Interest paid	(463)	(418)
Interest income	16 258	6 929
Taxation paid	(3 936)	(3 712)
NET CASH INFLOW FROM OPERATING ACTIVITIES	2 909	74 829

FINANCIAL STATEMENTS

	30 JUNE 2019	30 JUNE 2018
	R'000	R'000
CASH UTILISED IN INVESTING ACTIVITIES	(5 207)	(5 470)
Purchase of fixed assets and intangible assets	(5 207)	(5 470)
CASH GENERATED FROM FINANCING ACTIVITIES	15 000	-
Change in share capital	15 000	-
NET INCREASE IN CASH AND CASH EQUIVALENTS FOR THE YEAR	12 702	69 359
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	203 746	134 387
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	216 448	203 746

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.

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 Critical accounting estimates and judgements

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are highlighted below:

- Claims incurred but not reported (IBNR)
- Fair value of financial instruments that are not listed or quoted.

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 Measures 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. The Company considers its provision to be adequate.

1 ACCOUNTING POLICIES (continued)

1.11 Investment income

Investment income comprises of interest earned on cash and call deposits held. Interest income is accounted for using the effective interest method.

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. 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 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

1 ACCOUNTING POLICIES (continued)

1.13 Financial instruments (continued)

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.

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 ACCOUNTING POLICIES (continued)

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.

1.18 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)

1 ACCOUNTING POLICIES (continued)

- IFRS 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 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

1 ACCOUNTING POLICIES (continued)

1.20 Operating leases (continued)

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 through other comprehensive income.

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 2019						
Opening net book value	5 759	357	109	182	118	6 525
Additions	4 152	211	-	-	-	4 363
Depreciation	(3 725)	(132)	(12)	(62)	-	(3 931)
Closing net book value	6 186	436	97	120	118	6 957
AT 30 JUNE 2019						
Cost	35 230	3 432	183	1 876	118	40 839
Accumulated depreciation	(29 044)	(2 996)	(86)	(1 756)	-	(33 882)
Net book value	6 186	436	97	120	118	6 957
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

3. INTANGIBLE ASSETS

	SELF-DEVELOPED COMPUTER SOFTWARE	LONG-TERM CONTRACTS WITH CUSTOMERS	AQUISITION-RELATED INTANGIBLE ASSETS	TOTAL
	R'000	R'000	R'000	R'000
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
Additions	844	-	-	844
Amortisation	(748)	(17)	-	(765)
Balance at 30 June 2019	1 209	-	944	2 153

4. INVESTMENT IN SUBSIDIARY

NAME OF SUBSIDIARY	PRINCIPAL ACTIVITY	PLACE OF INCORPORATION AND OPERATION	PROPORTION OF OWNERSHIP INTEREST AND VOTING POWER HELD	
			2019	2018
Concourse Properties Proprietary Limited	Investment in property	South Africa	100%	100%

	30 JUNE 2019	30 JUNE 2018
	R'000	R'000
Concourse Properties Proprietary Limited	17 209	16 216

The net asset value of Concourse Properties (Pty) Ltd increased at 30 June 2019. 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 2019, was used to determine the fair value of the investment.

			30 JUNE 2019	30 JUNE 2018
			R'000	R'000

5. INVESTMENT IN ASSOCIATE

NAME OF SUBSIDIARY	PRINCIPAL ACTIVITY	PLACE OF INCORPORATION AND OPERATION	PROPORTION OF OWNERSHIP INTEREST AND VOTING POWER HELD	
			2019	2018
Concourse Holdings Proprietary Limited	Investment in holding company	South Africa	30,80%	25,70%
Concourse Holdings Proprietary Limited			147 857	93 000

As at 30 June 2019, the Company acquired an addtional 10% in Concourse Holdings (Pty) Ltd. The investment in Concourse Holdings (Pty) Ltd has been fairly valued for IFRS purposes at R147 857 143 (2018: R93 000 000). Management are in control of the investment and it is probable that the investment will not be realised in the foreseeable future therefore no deferred tax liability was raised in line with IAS 12.39. 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. PREMIUM RECEIVABLE

Premium Receivable			39 895	39 379

The premium receivable balance includes an amount of R30 612 250 owing in respect of premium collected by Insure Group Managers Limited, currently they are under statutory management. An amount of R13 916 753 is outstanding for longer than 90 days. The Company has obtained a guarantee in the amount of R12 350 000 against this amount owing.

7. 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 2019	30 JUNE 2018
	R'000	R'000

8. 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	159	6
Shares issued during the period at 1 cent each	44	153
Balance at end of the period	203	159

9. SHARE PREMIUM

ORDINARY SHARES		
Balance at the beginning of the period	149 391	56 544
Shares issued during the period	47 813	92 847
Share premium at the end of the period	197 204	149 391

10. 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 2019	30 JUNE 2018
	R'000	R'000

10. 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
	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 2019. 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 R407 534 (2018: R409 932) 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.

11. GROSS INCURRED BUT NOT REPORTED PROVISION ("IBNR")

At the beginning of the year	77 902	70 439
Change during the year	53 901	7 463
At the end of the year	131 803	77 902

Management considers the IBNR provision level to be adequate.

12. ACCOUNTS PAYABLE

Trade payables	7 796	6 942
Provisions	19 007	16 484
Guarantee collateral	33 890	31 499
Other payables	3 147	1 731
	63 840	56 656

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2019 (continued)

	30 JUNE 2019	30 JUNE 2018
	R'000	R'000

13. 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)	254 288	173 068
Net premium	216 759	143 434
Solvency margin	117,3%	120,7%

14. PROFIT BEFORE TAXATION

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

Auditor's remuneration	981	917
- Audit fees	981	917
- Directors' Emoluments – Refer to Annexure A	12 293	10 754
Operating lease charges	5 499	4 992
- Buildings	5 137	4 614
- Equipment	362	378
Depreciation	3 931	3 274
- Computer equipment and software	3 725	3 053
- Furniture, fittings and office equipment	132	140
- Machinery	12	12
- Leasehold improvements	62	69
Amortisation of intangible assets	765	518
- Self-developed computer software	748	493
- Long-term contracts with customers	17	25

(continued on page 86)

FINANCIAL STATEMENTS

	30 JUNE 2019	30 JUNE 2018
	R'000	R'000

14. PROFIT BEFORE TAXATION (continued)

Staff costs	66 475	59 594
- Current year costs	66 475	59 594
Remuneration other than to employees	6 773	2 119
- Consultancy fees	4 701	1 717
- Legal fees	2 072	402

15. TAXATION

SOUTH AFRICAN NORMAL TAXATION		
Current taxation charge	4 192	3 096
	4 192	3 096
DEFERRED TAXATION:		
Opening balance	-	-
Temporary difference arising on revaluation of investment in associate	4 928	-
Closing balance	4 928	-
Taxation as per Statement of Comprehensive Income	4 192	3 096
Tax rate recon:		
Effective rate	29%	29%
Disallowable expenditure	(1%)	(1%)
Standard rate	28%	28%

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2019 (continued)

	30 JUNE 2019	30 JUNE 2018
	R'000	R'000

16. LEASE COMMITMENTS

Due within 1 year:	1 787	1 928
- Buildings	1 594	1 666
- Equipment	193	262
Due after 1 year:	1 469	2 608
- Buildings	1 469	2 125
- Equipment	-	483
TOTAL DUE	3 256	4 536

17. 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.

If the interest rate changes by 1%, the impact on interest earned would be an increase or decrease in profit.	1 513	1 217

FINANCIAL STATEMENTS

17. 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 2019				
Financial liabilities	93 399	62 266	7 842	163 507
Claims IBNR	3 717	5 309	1 593	10 619
Net outstanding claims	8 977	12 822	3 845	25 644
TOTAL	106 093	80 397	13 280	199 770
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

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.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

	30 JUNE 2019	30 JUNE 2018
	R'000	R'000
MAXIMUM EXPOSURE TO CREDIT RISK		
Premiums receivable	39 895	39 379
Accounts receivable	15 593	11 576
- Related party receivables	8 837	6 320
- Other receivables	6 756	5 256
Cash and cash equivalents	216 448	203 746
Reinsurers' share of outstanding claims	238 947	201 110
	510 883	455 811
CREDIT RISK ANALYSIS		
Receivables neither past due nor impaired	490 210	450 555
- Related party receivables	8 837	6 320
- Premiums receivable	25 978	39 379
- Reinsurers' share of outstanding claims	238 947	201 110
- Cash and cash equivalents	216 448	203 746
Receivables past due but not impaired		
- Premiums receivable	13 917	-
- Other receivables	6 756	5 256
	510 883	455 811

FINANCIAL STATEMENTS

17. 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.

18. 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.

18. 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 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 2019 is adequate.

18. INSURANCE RISK MANAGEMENT (continued)

AT 30 JUNE 2019	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	6 735	15 538	90	4 800	27 163
Claims incurred	24 892	120 014	(731)	15 647	159 822
Claims paid	(26 707)	(108 726)	663	(15 791)	(150 561)
Outstanding claims and IBNR Closing	4 920	26 826	22	4 656	36 424
PREMIUMS					
Gross premiums	469 602	1 238 927	12 777	323 558	2 044 864
UPR movement	(6 388)	(9 763)	1 578	(2 926)	(17 499)
Gross earned premiums	463 214	1 229 164	14 355	320 632	2 027 365
Premiums ceded to reinsurers	(437 848)	(1 071 869)	(12 920)	(289 731)	(1 812 368)
Net earned premiums	25 366	157 295	1 435	30 901	214 997
DEFERRED ACQUISITION COSTS					
Opening balance	4 572	434	484	2 814	8 304
Movement	988	1 217	(329)	512	2 388
Closing balance	5 560	1 651	155	3 326	10 692

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2019 (continued)

18. 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)	(228 382)	(1 239 172)
Net earned premiums	14 888	104 810	1 114	20 431	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

19. 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 2019	30 JUNE 2018
	R'000	R'000
RELATED PARTY BALANCES		
Amount owing to/(from) related parties	8 837	6 320
Renasa Holdings (Pty) Ltd (ultimate holding company incorporated in South Africa) [1]	2 228	3 631
Concourse Properties (Pty) Ltd [1]	2 937	611
Concourse Holdings (Pty) Ltd [1]	1 539	345
RITE (NPC)[1]	1 631	1 232
IVP (Pty) Ltd [1]	502	501

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

RELATED PARTY TRANSACTIONS		
Net sales to / purchases received from / (paid to) related parties	198 332	201 451
Concourse Holdings (Pty) Ltd	202 562	205 095
Concourse Properties (Pty) Ltd	(4 478)	(3 867)
RITE (NPC)	248	223

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.

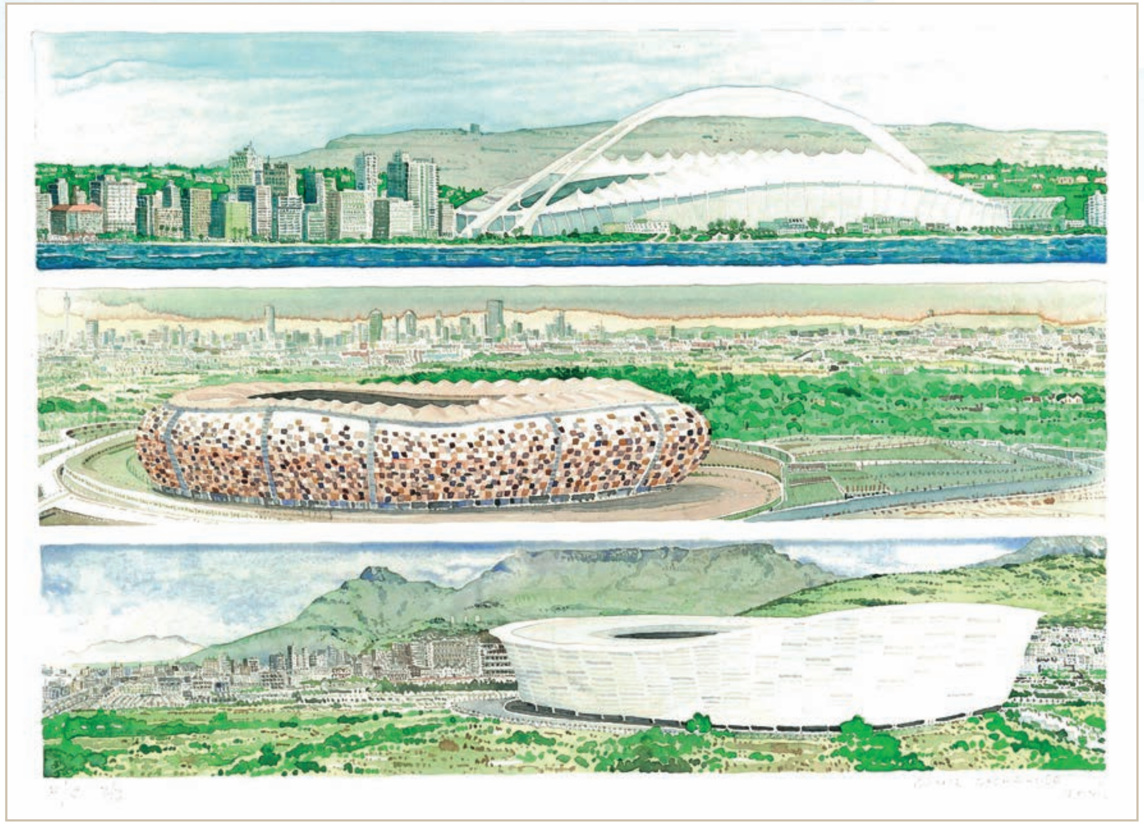
21. SUBSEQUENT EVENTS

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

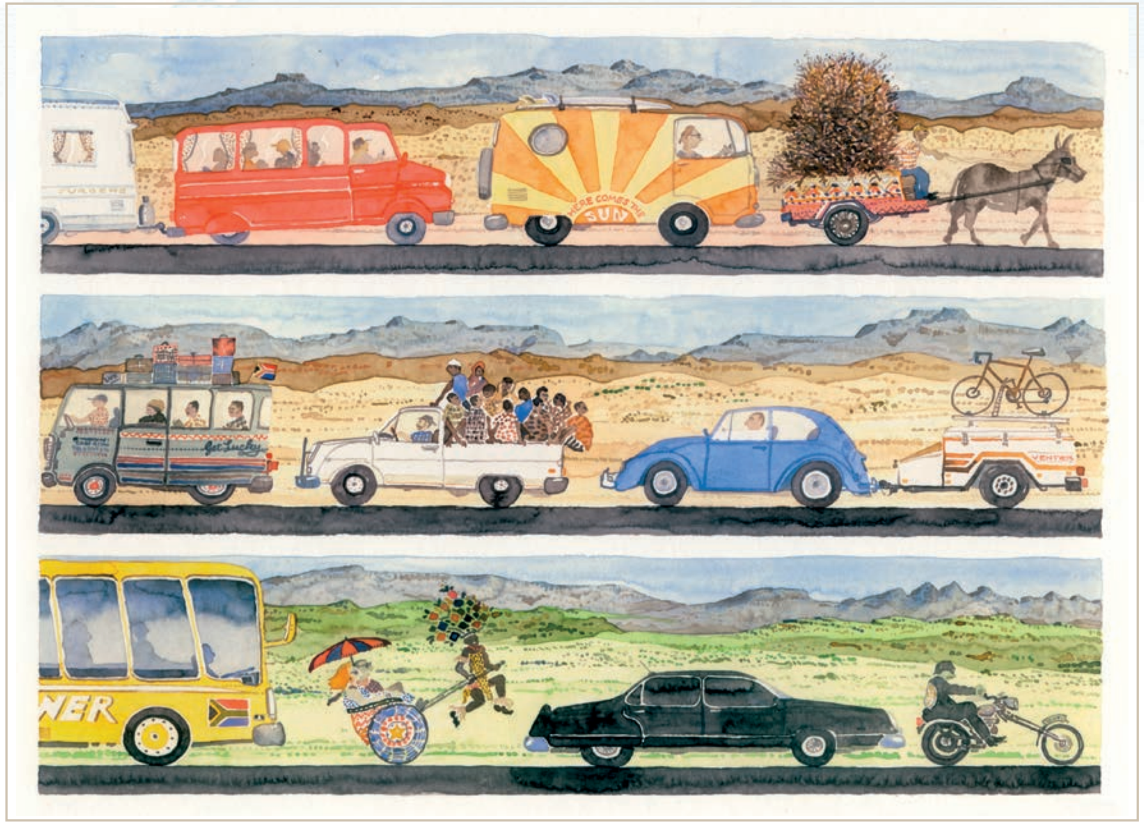
Management have made an assessment of the Company's ability to continue as a going concern and there is no reason to believe that the Company will not be a going concern in the year ahead.

Three Large Herds
2009



Three Stadiums
2010

RENASA'S ART



South African Transport
2011

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specialist in excess waiver for PI cover

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INCEPTION VALUE POLICY, A DIVISION OF RENASA INSURANCE COMPANY LIMITED

specialist in preserving motor value

Renasa House, 170 Oxford Road, Melrose, Johannesburg, 2196 • *P.O. Box 412072 Craighall, 2024*
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LINKSAVE PROPRIETARY LIMITED

specialist in medical gap cover

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OWNSURANCE BROKERS PROPRIETARY LIMITED

specialist in heavy commercial vehicle insurance

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p.uma

PHUMA COMMERCIAL COVER PROPRIETARY LIMITED
specialist in commercial trailer insurance

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PHUMA COMMERCIAL COVER

RENASA INSURANCE COMPANY LIMITED, PERFORMANCE GUARANTEES DIVISION
specialist in construction products

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RENASA
PERFORMANCE GUARANTEES

RENASA TAXI UNDERWRITERS PROPRIETARY LIMITED
specialist in taxi and e-hailing insurance

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RTU

MELIORLEAF PROPRIETARY LIMITED
specialist insurance for people in debt review
A juristic representative of Ownsurance Brokers Proprietary Limited

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meliorleaf

ADMINISTRATION PLUS PROPRIETARY LIMITED
specialist in motorcycle insurance

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VAPS INSURANCE UNDERWRITERS PROPRIETARY LIMITED
specialist in heavy commercial vehicles

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GIC Re SA Ltd.

ECHO RE
Echo Reinsurance Limited

AUDITORS, RATING AGENCY AND LEGAL COUNSEL

Deloitte.

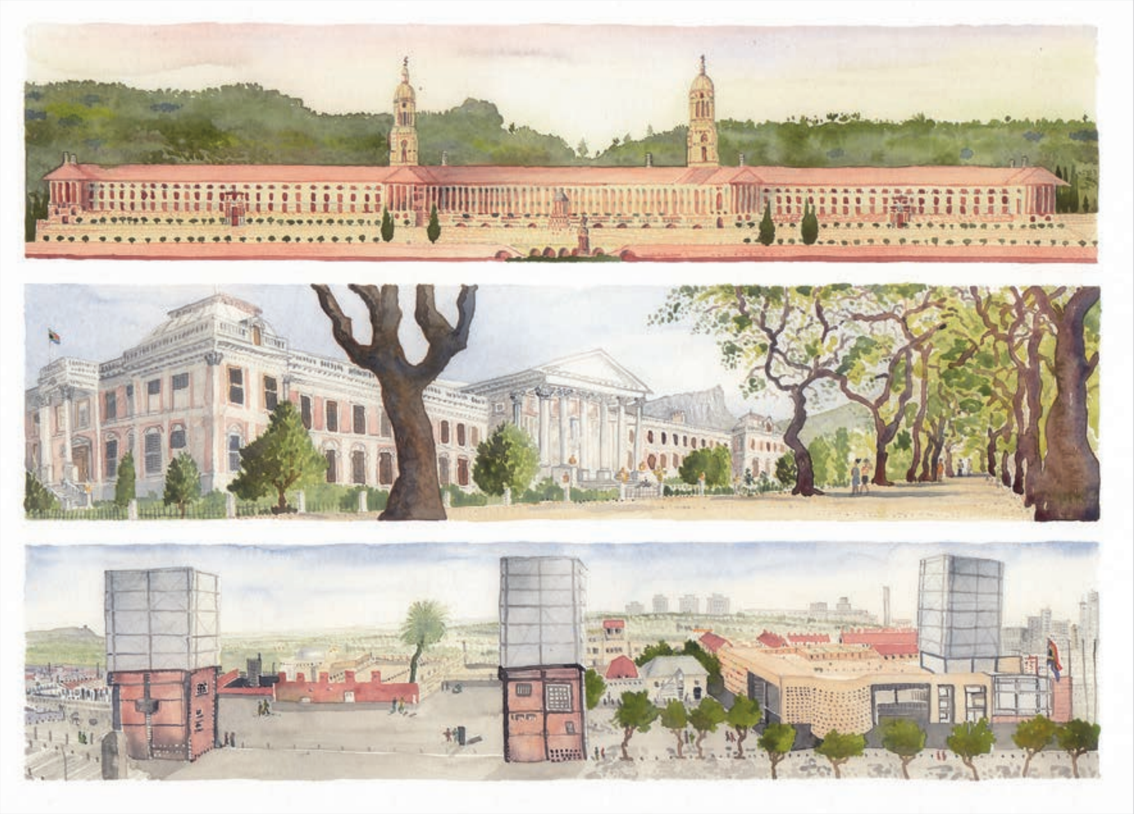
GCR
GLOBAL CREDIT RATING CO.
Local Expertise • Global Presence

NORTON ROSE FULBRIGHT

Three South African Trees
2012

Three South African Landmarks
2013

RENASA'S ART



Three Iconic South African Buildings
2014

RENASA
INSURANCE COMPANY LIMITED

COVER: Designed by Bruce Backhouse inspired by the sculpture *17 Acute Unequal Angles* by Bernar Venet 2016.