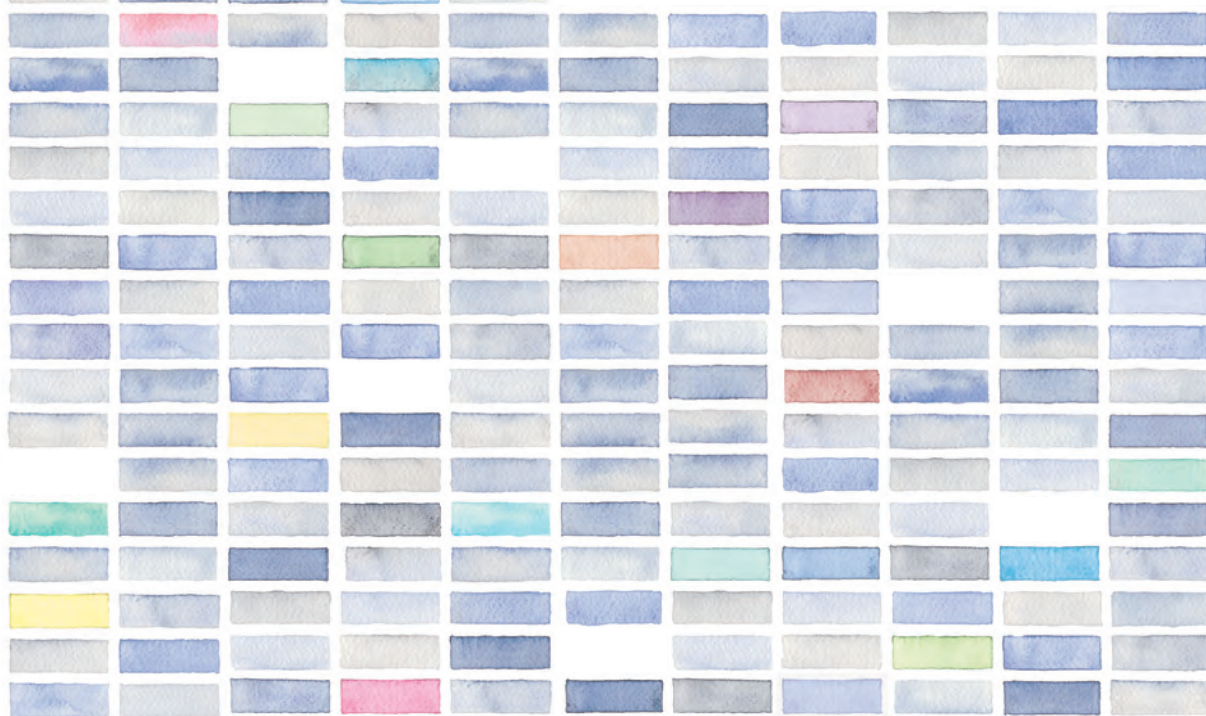


RENASA
INSURANCE COMPANY LIMITED

Annual Report 2014
CLOSER TO SCALE





Three Iconic South African Buildings
2014

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 unforeseen, rather than the avoidable. Preservation of our environment, whether our immediate surroundings or our wonderful country, is central to this philosophy.

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
INSURANCE COMPANY LIMITED

Annual Report 2014

CLOSER TO SCALE

RENASA INSURANCE COMPANY LIMITED (“RENASA”) ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2014

CONTENTS

HIGHLIGHTS - CLOSER TO SCALE	3
RENASA'S FOOTPRINT	4
ALIGNMENT STRATEGY	5
RENASA'S LONG TERM PERFORMANCE	6
CHAIRMAN'S STATEMENT	10
RENASA INSURANCE TRAINING AND EDUCATION	12
CHIEF EXECUTIVE OFFICER'S REPORT	14
RENASA'S BOARD AND MANAGEMENT	26
RENASA'S DIRECTORS	28
RENASA'S EXECUTIVE MANAGEMENT	29
RENASA'S OPERATIONAL MANAGEMENT	30
ANNUAL FINANCIAL STATEMENTS	34
RENASA'S CONTACT AND STATUTORY DETAILS	89
REINSURANCE BUSINESS PARTNERS	92
AUDITORS, RATING AGENCY AND LEGAL COUNSEL	92

HIGHLIGHTS - CLOSER TO SCALE

MARKET MARGINS BATTERED BY:

- NUMEROUS WEATHER-RELATED CATASTROPHES
- POOR ECONOMIC GROWTH
- A WEAKENING RAND EXCHANGE RATE
- HIGHER DISTRIBUTION COSTS FOLLOWING NEW BINDER REGULATIONS

A FURTHER COMPETITOR LEAVES RENASA'S MARKET SEGMENT

2ND AND 4TH LARGEST INSURERS INCUR R 1 BILLION UNDERWRITING LOSSES

22,0% GROWTH IN RENASA 2014 WRITTEN PREMIUMS TO R 803 MILLION

OVERHEAD GROWTH CONTAINED AT 6.0% (2013: 5,7%) – SCALE APPROACHED

MODERATE PROFIT ACHIEVED – SOLVENCY MARGIN OF 43,6%

A - RATING REAFFIRMED

RATING/CLAIMS INTEGRATED WITH INTERMEDIARIES – COMPETITIVE ADVANTAGE

ACTUARIAL/UNDERWRITING STRUCTURES IMPROVED ACROSS CLASSES

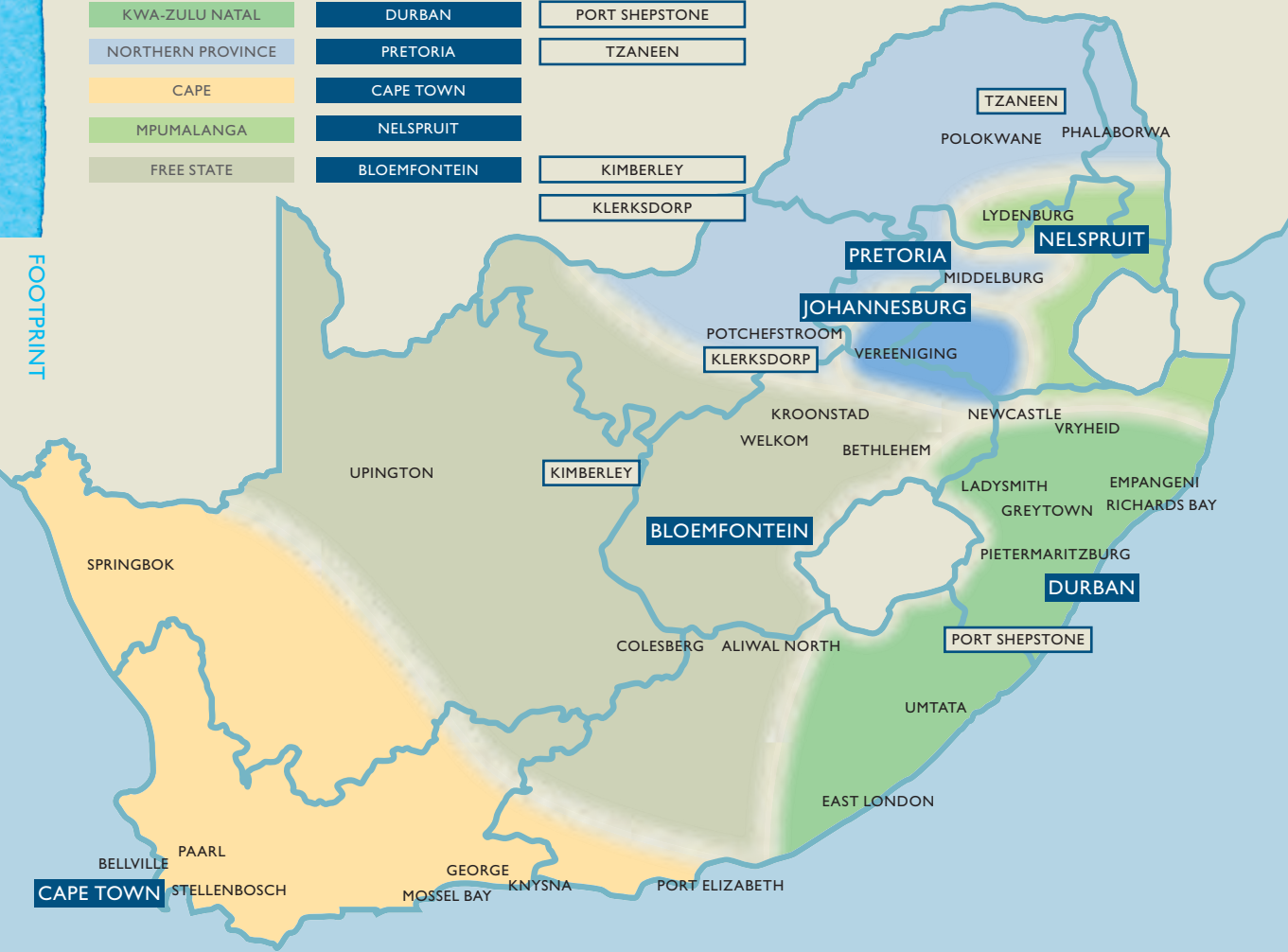
FURTHER REDUCTION ACHIEVED IN CLAIMS COSTS

NATIONAL TV CAMPAIGN CONTINUES TO RAISE PUBLIC BRAND RECOGNITION

TREATIES RENEWED FAVOURABLY FOR THREE YEAR TERM

RENASA'S FOOTPRINT

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



FOOTPRINT

ALIGNMENT STRATEGY

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.

Renasa has long held that the achievement of sustainable value requires sound relationships with its reinsurers, intermediaries and its insured customers. Renasa believes that maintaining those relationships requires economic insurance products backed by personal service levels and direct access to decision-makers within Renasa.

Motivated by a common purpose

Renasa's philosophy is that economic insurance premiums and improved profits flow from –

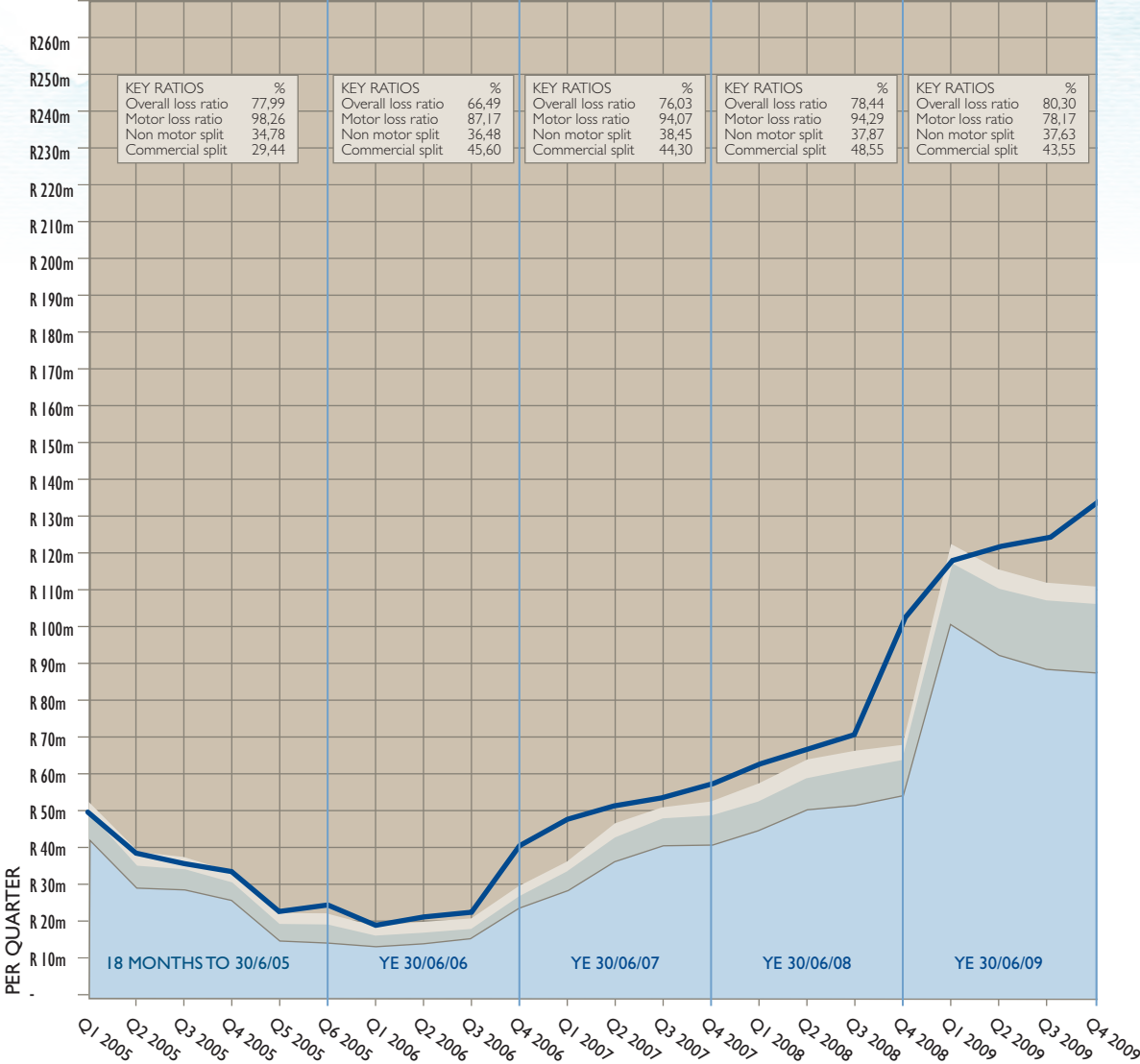
- insuring responsibly for the sudden and unforeseen and not the avoidable;
- sound risk management by insured clients
- the actuarial pricing of risks and
- the achievement of economic claims costs.

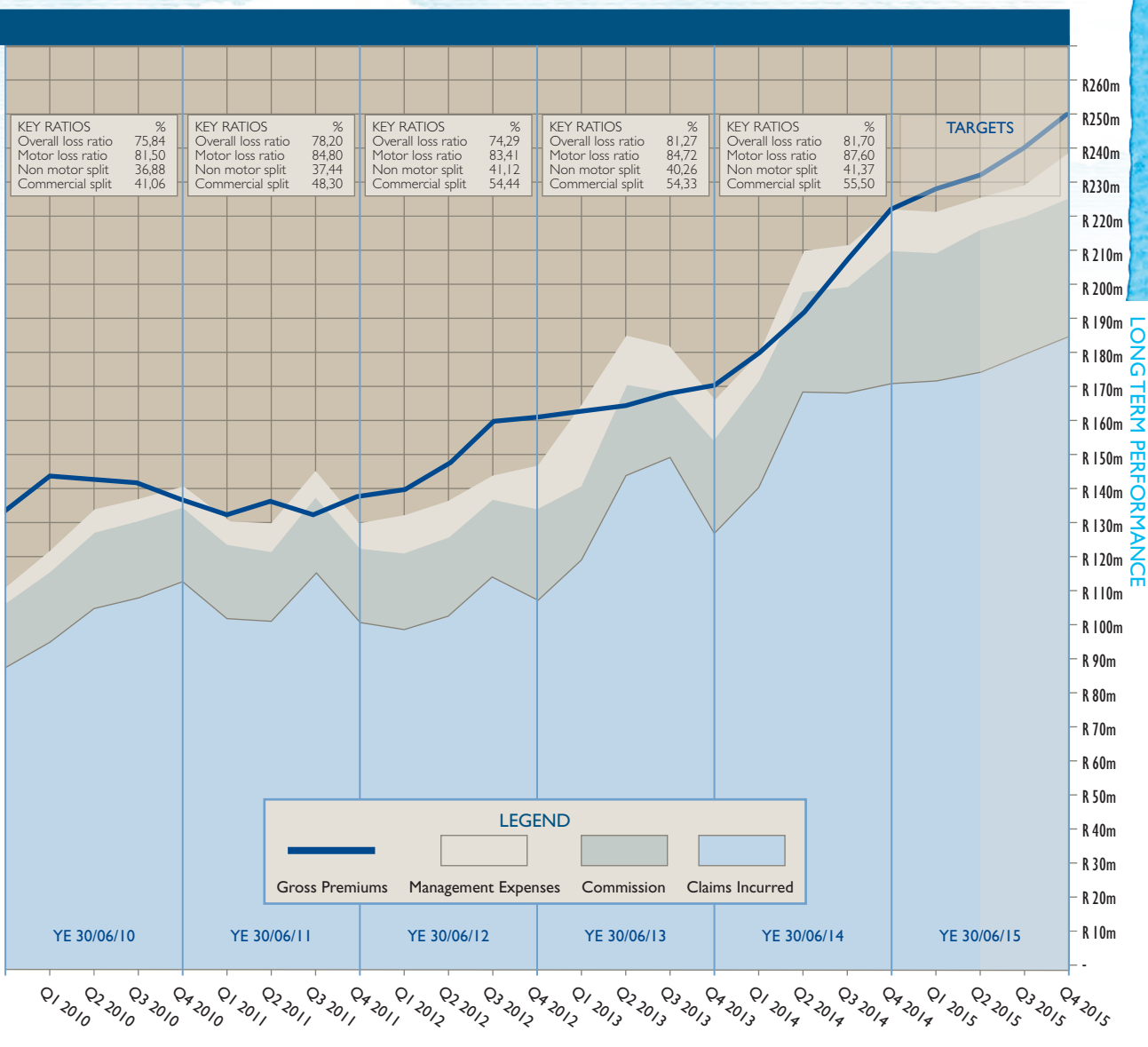
Renasa also believes that insured customers are best serviced (at inception of cover and at claims stage) by independent intermediaries of excellence. It is these intermediaries with whom we seek aligned relationships and Renasa is, as such, "The Champion of the Independent Broker".

Renasa's systems offer intermediaries the opportunity to achieve actuarial risk selection and systemized claims cost control without overbearing interference in intermediary processes. With these systems and as their champion, Renasa sees itself as "The Home of the Independent Broker".

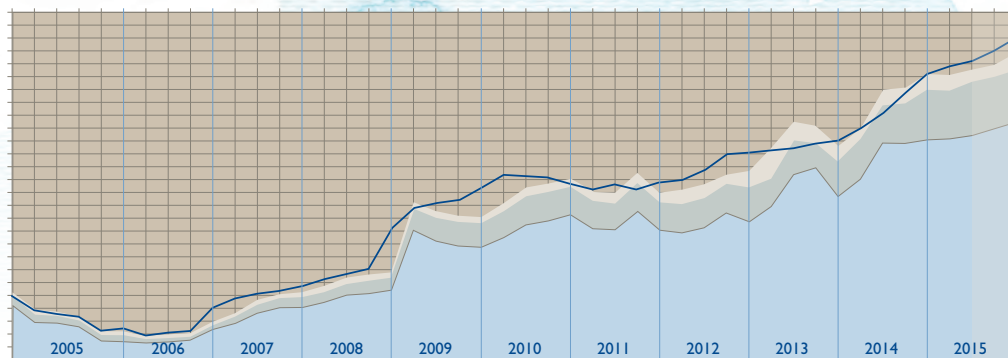
RENASA'S LONG TERM PERFORMANCE

RENASA RESULTS WITH 2015 TARGETS





RENASA'S LONG TERM PERFORMANCE



TURNAROUND 2005 AND 2006 FINANCIAL YEARS

- 1 Shareholding consolidated under new control
- 2 Head office relocated to Johannesburg
- 3 Executive management restructured
- 4 Experienced risk executives engaged
- 5 Commutation of run-off business
- 6 Stricter underwriting controls – 60% of top line cancelled
- 7 Stricter claims control initiated
- 8 Intense marketing campaign – growth commences
- 9 UMA's expanded
- 10 Capital introduced – solvency margin 43%
- 11 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 corrects effects of high growth
- 4 IT infrastructure – rating, admin and claims workflow systems
- 5 Procurement initiatives control costs
- 6 First profits generated
- 7 Three year treaties introduced
- 8 Capital introduced - solvency margin 51%
- 9 BBB+ rating
- 10 Full administration services offered to brokers
- 11 RITE social responsibility programme reaches 25 000 learners

RENASA'S LONG TERM PERFORMANCE (continued)

GROWTH PHASE 2009 AND 2010 FINANCIAL YEARS

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

GROWTH RESTORED 2011 AND 2012 FINANCIAL YEARS

- 1 Loss to a takeover contracts written premium by 3%
- 2 Marketing team doubled under leadership of Nick Beyers
- 3 Seven new sales offices opened – national footprint
- 4 New market reach and A- upgrade sponsors 24,5% growth
- 5 Annualised premium tops R 662,5 million by June 2012
- 6 Motor actuary + rating structure improve selection/margin
- 7 Integrated to all major independent policy/claims systems
- 8 Procurement process developments drive down claim costs
- 9 Improved technical performance
- 10 Rolling Three Year Reinsurance Treaty favourably renewed
- 11 Solvency Margin to 61,7%; claims cash coverage ratio 16 months

APPROACHING SCALE 2013 AND 2014 FINANCIAL YEARS

- 1 Margins depressed by catastrophes, weak economy and weak Rand
- 2 Four competitors leave Renasa's independent intermediary segment
- 3 Second and third largest insurers lose combined R 1 billion
- 4 Growth trend continues: premiums grow 12,3% in 2013 and 22,0% in 2014
- 5 Scale approached: overhead growth contained to 5,7% in 2013 and 6,0% in 2014
- 6 Financial profit achieved despite parlous market conditions
- 7 A- rating reaffirmed
- 8 Actuarial/underwriting structures improved across classes
- 9 Claims costs further reduced
- 10 Three Year Reinsurance Treaty favourably renewed
- 11 Solvency Margin declines to 43,6%; Claims Cash Coverage ratio to 11,7 months

CHAIRMAN'S STATEMENT



*Renasa is positioned
to absorb significant
premium growth*

During the 2014 financial year, in circumstances very similar to those experienced in the 2013 year, the general insurance industry was again battered by aberrant weather patterns and the associated catastrophe events, a sluggish economy, a depressed Rand exchange rate and increased costs associated with the new regulatory regime all of which combined to contract underwriting margins. Following the exit from Renasa's market segment during the prior financial year of three direct competitors of Renasa in response to these pressures, yet another direct competitor exited the segment during the current year leaving Renasa as one of the five leading general insurers servicing independent intermediaries, a segment of the general insurance market which constitutes approximately twenty-five per cent of the total short-term market.

In this environment, for the 2013 calendar year in which the catastrophe events fell, several insurers recorded record losses which severely depressed margins. By contrast, Renasa achieved gross premium growth of 22% (2013: 12,3%) while maintaining its exposure to the generally more profitable commercial and specialist classes. Furthermore, despite economic pressures, Renasa maintained its gross claims ratio and contained the increase in overheads to 6,0% (2013: 5,7%) to achieve a marginal underwriting profit and a profit which is creditable in the circumstances.

Given the top-line growth and moderate profit, the year-end statutory solvency margin fell but to a level which remains above Renasa's tolerance level. The cash coverage ratio, however, improved and all ratios compare favorably with the industry averages. Renasa's A- rating was, once again, reaffirmed. Renasa continues to secure reinsurance capacity from leading reinsurers under treaty arrangements which have a duration of three years. Renasa works closely with its reinsurance partners thus enabling Renasa to grow its general insurance business and maintain an acceptable solvency level.

The developments described above reflect the transition in Renasa which is occurring following a greater degree of acceptance by the broker market of Renasa as an alternate to the three leading carriers servicing the independent intermediary segment. With this acceptance has come significant growth which has delivered the first benefits of scale and places Renasa in sight of the R1 billion annual gross premium target. As Renasa progresses, these benefits

*System integration,
Renasa's strategic
competitive advantage*

are expected to become more pronounced. The challenge, of course, is to maintain adequate solvency in a growth environment particularly when much of the growth is business which requires some remedial action and, in the commercial classes at any rate, this remedial action must await policy renewal to restore premium levels and achieve effective risk selection. The pressure on margins which results between take-on and remedial action, therefore, is proportionate to the level of growth.

Regarding strategy, Renasa will continue to focus its attention on satisfying the needs of the independent intermediary. Commercial lines will be delivered by the personal service of experienced service managers who are mandated underwriting and claims decision-makers. Personal lines will be managed using scientifically determined rates and systemized claims control. Renasa will also continue to expand its specialist classes offering which now comprises approximately 18,7% (2013: 18,4%) of Gross premiums.

In Renasa's market segment, distributors administer policies and claims on systems independent of insurer control. The integration of these independent systems to Renasa's own control systems has long been a key focus and, while the state of Renasa's progress in this regard is believed to lead the industry in this market segment and provide Renasa with a strategic competitive advantage, significant further work is underway to achieve still greater improvement in the scientific selection of risks and the control of claims by intermediaries issuing policies using independent systems. The benefits of the latest initiatives are expected to manifest in improved margins even in a growth environment.

Regarding the outlook for 2015, we remain cautiously optimistic. Much of the potential success, however, is dependent on favourable market conditions.

I extend my sincere appreciation to the Board, management and staff of Renasa for their effort, contribution and achievement in challenging times and to our business partners for their continued support.

DON ERIKSSON
Chairman





RENASA INSURANCE TRAINING AND EDUCATION

*The groundwork
for future 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. With literacy still a national crisis, it remains the objective of R.I.T.E. to contribute to an improvement in the quality of education. Reading is a critical skill in the life of every child who begins school at the age of six and it is taken for granted all too often. It is the foundation of education. R.I.T.E. believes that the betterment of education in South Africa is crucial to making it a better place for all. R.I.T.E. is committed to this goal.

R.I.T.E. is staffed by two qualified teachers, one the co-developer of the Alphaland Literacy Programme to which R.I.T.E. has the rights. In past years, through R.I.T.E.'s donations of the Programme to three hundred underprivileged schools in Gauteng and rural schools in the KZN Midlands, more than 65 000 learners benefited from the Alphaland Literacy Programme. During the associated training workshops R.I.T.E. learned of the many challenges facing teachers working in these circumstances principal amongst which are large classes (over 50 children to a class) and a lack of teaching aids, specifically "readers". In response, during 2013 R.I.T.E. launched its second initiative, the donation of 100 000 readers to these same schools.

"The Reader Project" began in 2013 by donating a set of 110 readers to each Grade R and Grade 1 teacher that attends R.I.T.E.'s workshops. The first batch of 44 000 readers has been donated and the second batch of 55 000 books is to be donated and distributed during 2015. The need is great and the teachers are desperate for teaching materials and books.

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 from the generous donations of its business partners. Because Renasa is subsidising the project, all of the money

*The generous support
of Renasa's partners*

donated goes directly into the production and printing of the readers. Renasa is most grateful for these donations.

As well as hosting workshops in Alexandra, Tembisa and Soweto, RITE has been invited to present at Thandulwazi Rokunda every alternate Saturday. This is the Saint Stithians Outreach Programme, which hosts 1000 township teachers who give up their own time on a weekend to attend these workshops. The teachers are so responsive and eager to improve their own teaching skills that it is an absolute pleasure to contribute in this way. It also provides a base for RITE to meet teachers over and above those teachers already on its beneficiary list. At Thandulwazi, the focus is on giving the teachers practical ideas to use in the classroom that are fun, exciting and cost effective. The workshops are interactive and teachers are reminded of the importance of their roles as teachers.

R.I.T.E.'s appreciation goes to Aon Re, Africa Reinsurance Ltd, Insurance Outsourcing Managers – IOM, The Garrun Group, Munich Reinsurance, Botha & Sutherland Attorneys and the many others too numerous to mention who have in the past contributed generously and made this most worthwhile project possible.



CHIEF EXECUTIVE OFFICER'S REPORT

SALIENT FEATURES



*Reasonable
performance in a
difficult market*

Challenging market conditions persisted for the short-term insurance industry and Renasa's segment in particular in 2014 with a weak economy, a weak Rand exchange rate, the increased cost of regulatory change and aberrant weather patterns all serving to depress underwriting margins. A further direct competitor exited Renasa's market segment confirming Renasa as one of the top five insurers in that segment. Renasa's restored premium growth trend continued in 2014 and, despite challenging market conditions, the benefits of scale contributed to a marginal underwriting profit and a modest Profit. Renasa's A- rating was reaffirmed. Given Renasa's position in its segment and the likely benefits of scale, subject to a favorable performance of the economy and the Rand exchange rate and the absence of the aberrant weather patterns of recent years, prospects are cautiously optimistic.

In great similarity with the 2013 year; during the 2014 financial year; challenging circumstances persisted for the short-term insurance industry and in particular for the intermediated segment. Poor economic growth, a weak Rand exchange rate, a repeat of the poor catastrophe record of 2013 and the consequential cost of regulation continued to depress underwriting margins and culminated in the withdrawal from Renasa's market segment of another competitor.

When, for the first time since 2005, Gross premiums contracted in 2011, Renasa responded by opening six new branches and doubling its marketing team under the leadership of Nick Beyers (previously CEO of Zurich and before that SA Eagle). In response, Gross premiums grew 7,5% in 2012, 12,3% in 2013, 22,0% in 2014 and, for the first quarter of 2015 by 34,9% (first quarter 2014: 15,8%) while the concentration in the more profitable commercial and specialist classes was maintained at 54,0% (2013: 54,3%) and 18,7% (2013: 18,4%) respectively of Gross premiums.

Owing mainly to a repeat of the catastrophe experience of 2013, the gross claims ratio deteriorated marginally to 81,7% (2013: 81,3%) with the normalised loss ratio (adjusted to exclude inordinate catastrophes) deteriorating to 76,9%

*Poised to exploit
competitive advantages*

(2013: 75,7%) reflecting the persistently difficult market conditions. However, cognisance should be taken of the growth in this environment. In line with stricter reinsurance terms, net commission received fell while administration fee income rose in line with Gross premiums. Net operating expenses again rose modestly by 5,97% (2013: 5,7%) reflecting the benefits of scale. All told, an Underwriting profit R 0,4 million (2013: loss of R 3,3 million) was generated and, taking investment income into account, a reasonable Profit of R 3,1 million (2013: Loss of R 0,2 million) was achieved.

Renasa's Treaties were renewed on slightly stricter terms (following the impact of catastrophes on Renasa's results) with capacity guaranteed for three years. Munich Re continues as the lead reinsurer and the cession remains unchanged. Renasa ended the year with a statutory solvency margin of 43,6% (2012: 51,0%) which, although below Renasa's target range of 50,0% to 60,0% remains above its tolerance of 40,0%, and a Capital Adequacy Requirement (CAR) cover ratio in terms of the provisional requirements under the Solvency II of 1,3 (2013: 1,7). The claims coverage ratio increased to 11,7 months (2013: 8,8 months) and all ratios continue to compare favorably with industry averages. Renasa's A- rating was once again reaffirmed by Global Credit Rating Co.

The executive continued unchanged during the year but for the replacement as General Manager of Claims of Chris Alsworth-Elvey by Henry Ehlers, a highly experienced and senior insurance executive who holds a FCII qualification. Chris Alsworth-Elvey has assumed a senior management position in Renasa's procurement associate.

Renasa's goal continues to be the delivery of unparalleled service to independent intermediaries. This is achieved for commercial lines by providing a personalized service by experienced Service Managers who are mandated to provide quick underwriting and claims decisions. For personal lines, high service levels are delivered through Renasa's unique system offering which positions independent intermediaries to compete in the personal lines market on equal footing with direct insurers but without overbearing insurer control or change to their systems. Renasa's marketing strategy (which employs a national television campaign, industry journals and web-based media) continues to feature Archie Broker and his faithful dog Roger to raise public and broker awareness of the Renasa brand. Two new campaigns were launched during



Benefits of expansion emerge

2014, The "Home of the Independent Broker" which emphasizes that Renasa's offering is the most supportive of independent intermediaries and the "Champion of the Independent Broker" which extols the virtues of independent brokers, countering the critical advertising sponsored by certain direct insurers in years gone by.

Renasa's prospects will be influenced by the benefits of scale (provided that growth continues) and the fewer competitors which remain in Renasa's segment. However, the persistently poor economic conditions and weak Rand exchange rate being experienced will, together with the increased cost of regulatory change, subdued margins and any repeat of the aberrant weather patterns of 2013 and 2014 will exacerbate this. While Renasa aims to capitalize on its position in the top five general insurers in its segment, account must be had for the impact on margins of poor economic growth, a weak Rand exchange rate, the cost of regulatory change and the potential impact of aberrant weather patterns so that an optimistic outlook is conditional on positive market conditions.

MARKET CONDITIONS

In great similarity with the 2013 year, during the 2014 financial year, challenging circumstances persisted for the short-term insurance industry and in particular for the intermediated segment.

Continued economic weakness yielded little in the way of growth intensifying still further the competitive environment which maintained downward pressure on premiums and yielded poor underwriting margins and weak results.

In addition, the marked deterioration in the Rand exchange rate drove up repair costs, particularly in the motor class, which further depressing underwriting margins and results.

Then, there was a repeat of the disastrous catastrophe record of the previous year attributable mainly to exceptional hail and flood damage. This drove up underwriting losses and the cost of reinsurance catastrophe cover; again despite the widely reported excess of capital in the international reinsurance market.

Finally, regulatory changes continue to increase operating costs and depress margins and the market will in all likelihood face yet a further cost impact flowing from the Retail Distribution Review and other regulatory initiatives.

*Strong growth
despite subdued
market conditions*



During the previous financial year three direct competitors of Renasa withdrew from the market segment serviced by independent intermediaries and a further competitor withdrew recently reducing further the number of general insurers which, with Renasa, qualify as an alternative to the four main participants operating in this segment. The resulting increase in concentration in this market segment has again contributed to the significant growth achieved by Renasa and evident in the sharp increase in Gross premiums written by Renasa during the current year.

PREMIUM PERFORMANCE – GROWTH TREND CONTINUES

By way of history, following corrective action and the loss of a book of business in 2010, in 2011, Gross premiums contracted by 3% which interrupted the growth trend in Renasa's Gross premiums, which had risen from R 102,0 million in 2006 to R 563,7 million in 2010. In response, between 2011 and 2012, Renasa opened six new branches and doubled its marketing team including several seasoned marketers under the leadership of Nick Beyers (previously CEO of Zurich and before that SA Eagle). In 2012 the benefits began to emerge as gross premiums grew 7,5% which was followed by growth of 12,3% in 2013.

During 2014, Gross premiums grew by a further 22,0% to R 803,1 million (2013: 658,2 million). For the first quarter of the 2015 year, gross premiums grew by 34,9% (2014: 15,8%) to an annualised gross premium of R 1 022,8 million (2014: R 730,4 million) which quantifies the flow of new business to Renasa in the market environment described above.

Notwithstanding the growth achieved, the concentration in the generally more profitable commercial classes was maintained during 2014 with commercial classes amounting to 54,0% (2013: 54,3%) of Gross premiums. Renasa's strategy to pursue both commercial and personal lines classes is founded on Renasa's capabilities in terms of risk selection and claims cost control in the personal lines motor class and its traditional commercial class services where intermediaries are serviced by qualified Service Managers who are mandated to provide on the spot underwriting and claims decisions.

Gross premiums from specialist classes grew by 23,2% (2013: 61,8%) to R 151,4 million (2013: R 122,9 million) but off a higher base. However,

*Renasa's
Personal Lines
strategy – supervised
independence*

annualised year end gross premiums from these classes, which amounted to R 171,1 million (2013: R 123,9 million) , grew 38,0% (2013: 6,7%) which reflects that current growth in these classes is in line with overall Gross premium growth so that the concentration in specialist classes of 18,7% (2013: 18,4%) remains relatively consistent.

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

Renasa believes that, to compete effectively in the segment of the market dominated by intermediaries which administer policies and claims on systems which are independent of insurer ownership and control (“independent systems”), the same segment from which several competitors have withdrawn over the past two years, an alternative is required to a laissez faire strategy by insurers where control is abdicated. This is because lack of control affects risk selection and dilutes the procurement efficiency which is crucial to containing claims costs. Both can only be effectively achieved with insurer involvement. Hence Renasa's strategy of “supervised independence”.

However, Renasa is mindful that the “supervision” it exercises does not manifest in an overbearing insurer interference in intermediary operations and procedures which hampers their efficiency. Accordingly, central to Renasa's strategy is the independent operation by intermediaries on their own chosen administration system to which Renasa's pricing and claims control systems are seamlessly integrated. Intermediaries operate independently but with the benefit of scientific risk selection and economies of scale in the claims settlement arena.

To compete effectively in motor classes in an environment of escalating repair costs (amplified by a weak Rand exchange rate and modular vehicle design which raises the costly part replacement at repair time) requires disciplined and scientifically based systems. However, until the advent of Renasa's strategy, no such system has been available to this market segment which represents approximately twenty-five per cent of the national insurance market.

While the industry is pursuing initiatives to integrate into insurer systems the data captured in independent systems, Renasa completed the task some years ago and has already addressed many of the challenges which follow successful integration.

Renasa's systems – a competitive advantage

Renasa operates a suite of proprietary web-based systems which provide intermediaries with underwriting and claims control tools equivalent to those used by direct insurers while allowing intermediaries to maintain their administrative independence by continuing to operate on their independent systems.

Renasa's systems comprise:

- A web-based rating engine which ensures actuarially determined rates at risk item level;
- A web-based claims work flow control system which helps to contain claims costs by controlling each aspect of the settlement process of claims intimated on independent systems;
- An "extract, transform and load" (ETL) system which feeds into Renasa's data warehouse;

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

Renasa's offering improves efficiencies in handling personal lines business, particularly the motor class, which positions independent intermediaries to defend the attack of direct insurers.

Using these systems, and despite the market pressures of recent times, Renasa has consistently improved its control over the motor class of its independent intermediaries and contained the increase in its average claims cost for that class.

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

Renasa continues to service commercial lines with a team of experienced Service Managers authorized to place Renasa on cover for most risks and to authorize most claims without reference. Where business with Renasa is extensive, Service Managers are based permanently in the intermediary's offices. Alternatively, Service Managers visit intermediaries regularly or on demand to ensure a speedy, personal service by qualified and experienced staff. The team under Nick Beyers which provides this service understands thoroughly the needs of the intermediated market and are accomplished at service delivery.

SPECIALIST CLASSES AND UNDERWRITING MANAGEMENT AGENTS

Renasa currently underwrites fourteen (2013: eight) specialist classes



*Renasa's
Commercial Lines
strategy – Personal
Service*

through Underwriting Management Agents ("UMA's") who distribute exclusively for Renasa or through dedicated divisions. Classes include engineering risks, minibus taxis, various heavy commercial vehicle products, off-road vehicles, pet health insurance, goods in transit risks, performance guarantees, medical gap cover, professional indemnity excess buy-down, body corporate, debt counselling products and agreed value motor policies. Renasa will continue its strategy to build this division and currently has several further classes under development. Renasa will also continue to offer underwriters support in the establishment of UMA businesses, most Renasa UMA's having been established as green-fields operations.

THE INTERMEDIARIES' "ONE STOP SHOP"

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

TREATING CUSTOMERS FAIRLY

Treating Customers Fairly ("TCF"), which has always been central to Renasa's practises, is now being enforced by regulation. Renasa has implemented controls which ensure that the principle of fairness to customers is embodied within every aspect of Renasa's operations in terms of a strategic "road map" which addresses all TCF outcomes.

MANAGEMENT STRUCTURE

During the 2014 year there has been no change to Renasa's management or board structure other than the replacement as General Manager of Claims of Chris Alsworth-Elvey by Henry Ehlers, a highly experienced and senior insurance executive who holds a FCII qualification. Chris Alsworth-Elvey has assumed a senior management position in Renasa's procurement associate.

MARKETING AND BRAND DEVELOPMENT

Renasa's marketing strategy, which uses national television, industry journals and web-based media, continues to feature Renasa's icons, Archie Broker and his faithful dog Roger, to raise public and broker awareness of the

*Widening market
appeal and
competitiveness*

Renasa brand and also to convey Renasa's range of services to and support for the intermediary. Both the print media and the television campaign, which has been singularly successful, were expanded during 2014 to achieve a greater impact. The "Home of the Independent Broker" campaign was launched to drive home the message that Renasa's offering provides the most supportive mechanisms and services to assist independent intermediaries who perform policy and claims administration. This was followed by the "Champion of the Independent Broker Campaign" which seeks to extol the virtues of independent brokers and undo some of the harm caused by the critical advertising sponsored by certain direct insurers in years gone by.

ALIGNMENT STRATEGY

Although Renasa continues to follow a strategy aimed at ensuring the sustainability of relationships in both its supply and distribution channels in terms of which all parties benefit fairly, in the distribution arena, this has been expounded by the recent marketing campaigns referred to above. Renasa's unique multiple year reinsurance treaties, which commit capacity for the medium term, continue to symbolise this alignment.

FINANCIAL REVIEW

During 2014 Gross premiums grew by 22,0% (2013: 12,3%) to R 803,1 million (2013: R 658,2 million) with 2015 first quarter gross premiums growing by 34,9% (2013: 15,8%) to an annualised gross premium of R 1 022,8 million (first quarter 2013: R 730,4) which indicates the uptick in growth pursuant to the market conditions described above.

Owing mainly to the repeated catastrophes experienced during the 2014 year, the gross claims ratio deteriorated marginally to 81,7% (2013: 81,3%). The normalised loss ratio, adjusted to exclude the inordinate catastrophe experience, likewise reflected a slight deterioration to 76,9% (2013: 75,7%). While not ideal, when evaluating this performance, cognisance should, however, be taken of the extent of the growth achieved and the market environment in which that growth occurred.

Net commission received as a percentage of gross premiums fell to 2,6% (2013: 3,2%) impacted by stricter reinsurance terms in line with local and international market conditions. Administration fee income, grew in line with



*Scale is being
approached*

the increase in Gross premiums. Net operating expenses again rose by a modest 5,9% (2013: 5,7% %) reflecting the benefits of scale as the staff complement was maintained against a 22,0% (2013:12,3%) growth in Gross premiums. The overall result, however, was an Underwriting profit of R 0,4 million (2013: loss of R 3,3 million). This demonstrates the benefits of scale notwithstanding difficult marketing conditions and the high growth achieved.

Given slightly lower cash holdings, interest income fell to R 2,7 million (2013: 3,8 million) so that Profit before taxation and Preference Share dividends of R 3,1 million (2013: Loss of R 0,2 million) was achieved.

With a tax charge of R 0,8 million (2013: recoupment of R 0,3 million), the result was Total comprehensive Income before Preference Share dividends of R 2,3 million (2013: R0,2 million) and a Return on average Equity of 5,0% (2013: 0,3%).

In light of market conditions, Renasa's performance for the 2014 year is considered reasonable.

REINSURANCE AND FINANCING

For many years Renasa has secured reinsurance capacity from its leading reinsurers in treaties which have a duration of three years on the basis that, in accordance with Renasa's alignment strategy, rates are adjusted annually to reflect performance and the cost of capital. Unusual as this arrangement is in South Africa, it represents an endorsement of Renasa by reinsurers and commits to Renasa the capital required to fund its future growth.

As has been the case for many years, Renasa's cession for the 2014 year was 88,0% on most risks and this remains unchanged for the 2015 treaty year.

Renasa's treaties are led by Munich Re with significant supporting lines from Africa Re, Santam Re, Hanover Re and R & V Re all of which are "A" rated.

Net Written Premium for the year grew by 22,0% (2013 : 10,9%) to R 102,8 million (2012:R 84,3 million). Renasa's solvency margin at the 2014 year end was 43,6% (2013: 51,0%) which, although below Renasa's target range of 50,0% to 60,0%, remains above Renasa's tolerance of 40%. Careful watch will be maintained on solvency levels and the necessary action taken to maintain solvency above Renasa's tolerance level of 40% until the risk-based

A- rating reaffirmed

solvency regime is finally implemented. Renasa is advanced in its preparation for the risk-based solvency regime and plans to adjust its capital / reinsurance structure as required to ensure sufficient solvency before 31 December 2015.

In terms of the provisional requirements under the Solvency II regime, Renasa is currently maintaining a Capital Adequacy Requirement (CAR) cover ratio of 1,3 (2013: 1,7). The claims coverage ratio rose to 11,7 months (2013: 8,8 months). All ratios continue to compare favorably with industry averages.

The "A-" rating accorded by Global Credit Rating Company since November 2010 was again reaffirmed at the end of 2014 confirming the strength of Renasa's paper and its position as an alternative to the three leading general insurers serving independent intermediaries.

PROSPECTS

At the end of the 2013 year, the following factors were identified as being the drivers of future performance:

- The first benefits of scale which are evident in the low rate of growth in Renasa overheads compared with the rate of premium growth;
- Further concentration in Renasa's market segment following the departure from the segment of three direct competitors during the last six months of 2013;
- The state of the economy which impacts on general growth;
- The performance of the Rand exchange rate given its impact on claims costs and, in turn, underwriting margins;
- Weather patterns, in particular, whether the exceptional catastrophic hail and flood events of 2013 were to become a trend; and
- The cost of regulatory change.

Concerning the benefits of scale, Renasa remains in the position that, aside from the pressure on its staffing complement applied by the regulatory landscape, its current infrastructure, bar some refinement, is capable of servicing significantly higher levels of premium income. Despite the growth of the 2014 year, Renasa requires neither additional senior management, nor additional branch offices perhaps with the exception of the Eastern

*Cautious optimism if
markets not unkind*

Cape (or indeed any further office accommodation) nor any new or additional systems in order to accommodate still further premium growth. Therefore, provided that premium growth continues, with overhead growth expected to be contained, the benefits of scale should accrue.

As regards concentration in Renasa's market segment, yet another competitor departed from the segment during the 2014 year confirming Renasa's position as one of the top five insurers in that segment (servicing independent intermediaries). Given the additional concentration in Renasa's market segment, which is estimated to exceed R 15 billion in annual premium, and Renasa's current share which amounts to less than 7% further opportunity for premium growth exists, particularly when the advantages of Renasa's "supervised independence" strategy are considered.

On the subject of the influence of general economic performance, the state of the economy and its growth rate affect levels of demand and competition translating into pressure on margins. If the current parlous state of the economy persists, margins could be further undermined.

Likewise, any further weakening of the Rand exchange rate will exacerbate the narrowing of margins.

Next, with the repetition in 2014 of the weather patterns of 2013 threatening to become a trend and, in light of clear evidence of the deterioration in global weather patterns, the potential for weather to compromise margins cannot be ignored.

Finally, the costs of regulatory change, both intended and otherwise, will continue to diminish margins. Until the market compensates (with commensurate premium increases) to accommodate such circumstance, the collective impact of these margin pressures will translate into subdued profits.

At the end of the 2013 year, with the Renasa's focus on capitalizing on its newfound position in the top five general insurers in its segment, cautious optimism was expressed regarding prospects with the proviso that market conditions were not unkind. Once again, however, as predicted, market conditions were to have the last say with a repetition in 2014 of the catastrophe record of 2013, a parlous economic performance and weak Rand exchange rate all taking their toll.

Accordingly, regarding Renasa's likely 2015 performance, while Renasa will continue to exploit the benefits of scale as one of the top five general insurers in its segment, once again, cautious optimism can only be expressed with the proviso that market conditions are kind.

APPRECIATION

The 2014 year was one of challenge but also an equal measure of success. This success is owed to the efforts of our dedicated executive, Board, and staff and the support which our reinsurers and intermediaries continue to provide. To all of you I express my sincere thanks.

JONATHAN ROSENBERG
Chief Executive Officer

RENASA'S BOARD & MANAGEMENT

DIRECTORS

JONATHAN
ROSENBERG



CEO

DON ERIKSSON



Chairman

NICK BEYERS



Executive Director

MARK HAKEN



Consulting
Reinsurance
Manager

MICHAEL CLACK



General Manager
Business
Development

HENRY EHLERS



General Manager
Claims

EXECUTIVE MANAGEMENT

PATRICK
HARRIS



Regional
Manager KZN

PETER
MAGGS



Divisional
Manager
Group Scheme

MIKE
ALLEN



Regional
Manager
Gauteng

RONEL
CASTELYN



Regional
Manager
Northern
Province

FRANK
JORDAAN



Regional
Manager
Free State


HARRY
COETZER



Regional
Manager
Mpumalanga


OPERATIONAL MANAGEMENT

MICHAEL TAGG




Director

BRIAN NEALE




Director

BRIAN MARTIN




Executive Director

HERMAN SCHEEPERS




General Manager
Risk and Technology

CLINTON McALLISTER




General Manager
Finance

NEAL ENGELBRECHT



Regional
Manager
Western Cape

JASON JUDGE




IT & Systems
Manager
(Outsourced)

COLIN SCOTT



Risk Manager

DANIE SWART



Compliance
Officer

CHRISTOFF BRINK



Financial
Manager

RENASA'S DIRECTORS



DON ERIKSSON

C.A. (S.A.)
Chairman,
Independent
Non-Executive
Director, Chairman
Remuneration
Committee

Don Eriksson held several senior positions with Price Waterhouse

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



JONATHAN ROSENBERG

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

In 1980 Jonathan became a broking member of the JSE where he remained a member for most of the 1980's gaining extensive

investment and corporate finance experience. From the late 1980's until he joined Renasa in 2003, he gained varied experience in investment and fund management and as the Financial Director of a listed company.



NICK BEYERS

ACII A.M.P (Harvard)
Executive Director

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



BRIAN MARTIN

BA LLB (Wits)
Executive Director Legal and Compliance

After serving articles with Deney's 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.



MICHAEL TAGG

B.Sc (Hons)
Independent Non-Executive Director, Member Audit
Committee, Member Remuneration Committee

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



BRIAN NEALE

B Com CA (SA)
Independent Non-Executive Director, Chairman Audit
Committee

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

RENASA'S EXECUTIVE MANAGEMENT



MARK HAKEN
F.C.I.I., F.I.I.S.A.
Consulting
Reinsurance
Manager

Mark Haken has been involved in the insurance industry for over 30 years in which time he has held several senior and board positions.

His last corporate position was CEO of Aon's sub-Saharan business where he sat on 13 boards including chairing both the Aon Risk Services South Africa and Aon Re boards. Mark has also been intimately involved with industry bodies serving inter alia on the boards of the SAIA and IISA, has been an examiner for the IISA and was chairman of The South African Pool for the Insurance of Nuclear Risks.



MICHAEL CLACK

Acting 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.



HENRY EHLERS

FCII
General 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 Manager responsible for Group Underwriting and Group Claims. He joined Renasa in June 2013 as an Underwriting Manager and was appointed General Manager of Claims in January 2014.



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, reinsurance 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



PATRICK HARRIS

B.Comm, DII
Regional Manager KZN

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



PETER MAGGS

CIM (Henley University)
Divisional Manager Group Scheme

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.



MIKE ALLEN

Regional Manager Gauteng

Mike began his short-term insurance career in 1979 at Mutual And Federal Insurance Company and then at Aegis Insurance Company where he became the assistant branch manger of the Benoni and then Johannesburg branches. He was then appointed a branch manager at Allianz, National Commercial Manger at Regent. and an Underwriting Manger at Kiln before joining Renasa in 2014.



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.



HARRY COETZER

Regional Manager Mpumalanga

Harry started his insurance career with Sentrakas as a motor underwriter in 1964. In May 1988 he joined SA Eagle in Nelspruit as Claims Manager after which he held various positions with SA Eagle/Zurich until 2010 when he was Zurich's Nelspruit Branch Manager. Harry joined Renasa as Regional Manager Mpumalanga in December 2010.



NEAL ENGELBRECHT

Regional Manager Western Cape

Neal entered the insurance industry in 1997 and has held various positions at major insurers in South Africa and Namibia. Whilst working as a broker, he served as a Business Development Manager on commercial accounts in the Western Cape region and as Branch Manager in Cape Town, gaining valuable knowledge of the underwriting and placement of national and global accounts. Neal joined Renasa in 2011.



JASON JUDGE

B.Sc (Hons)

IT and Systems Manager (Outsourced)

Jason started his career as an IT consultant with Arthur Andersen and then for JP Morgan Investment Bank. He joined Renasa in 2009 and is now outsourced by a Renasa associate to manage Renasa's technology department.

RENASA'S OPERATIONAL MANAGEMENT

(continued)



COLIN SCOTT

F.I.I.S.A.

Risk Manager

Colin began his insurance career with Royal Insurance Company (now M&F) and remained there for 32 years until his retirement. After assisting SA Eagle and a term with administrators/UMAs Colin joined Renasa in 2006 and has had responsibility for its risk desk since 2007. Colin is highly skilled in the underwriting and acceptance of commercial risks.



CHRISTOFF BRINK

B.Comm (Accounting and Informatics) B.compt. (Hons)

Financial Manager

After completing his articles at JCB Incorporated, Christoff was appointed as an accountant for Transrep and Busaf Bauer, which are divisions of Route Management. Subsequently, Christoff joined Renasa in 2012 as a Technical Accountant and is now the Financial Manager.



DANIE SWART

B.Comm

Compliance Officer

Danie was appointed Compliance Officer at Renasa during 2003 and later assumed responsibility for its internal audit function. Through his more than 15 years' financial services experience Danie is well versed with compliance procedures and Renasa's regulatory and control environments. He is a member of the South African Insurance Association Legal and Compliance Committee and the Compliance Institute of South Africa.

RENASA'S ART



Berg, bush and beach
2006



Three aspects of South Africa
2007

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

CONTENTS

CORPORATE GOVERNANCE REPORT	35
RESPONSIBILITY FOR AND DIRECTORS' APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS	44
AUDIT COMMITTEE REPORT	47
DIRECTORS' REPORT	50
INDEPENDENT AUDITOR'S REPORT	52
STATEMENT OF FINANCIAL POSITION	54
STATEMENT OF COMPREHENSIVE INCOME	56
STATEMENT OF CHANGES IN EQUITY	58
STATEMENT OF CASH FLOWS	59
NOTES TO THE ANNUAL FINANCIAL STATEMENTS	61

CORPORATE GOVERNANCE

for the year ended 30 June 2014

CORPORATE GOVERNANCE

APPLICATION OF GOVERNANCE

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

GOVERNANCE STRUCTURES

The Board of Directors

Constitution and Responsibilities of the Board

The board of directors, which is chaired by an independent non-executive director, comprises three independent non-executive directors and three directors who perform executive functions. The directors are all of a calibre and possess the experience and skills required to effectively direct the management of a short-term insurer such as Renasa. The board is well equipped to review and assess the strategy 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 page 28.

The function of the board is to:

- give strategic direction to the Company;
- maintain effective control over the Company;
- monitor management;

CORPORATE GOVERNANCE

for the year ended 30 June 2014 (continued)

- implement board plans and strategies;
- ensure that the Company complies with all relevant laws, regulations and codes of business practice;
- 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, Risk and Compliance Committee

Renasa's Audit, Risk and Compliance Committee is mandated by a charter issued by the board. The committee comprises three independent non-executive directors. The external auditors and head of internal audit have direct access to

CORPORATE GOVERNANCE

for the year ended 30 June 2014 (continued)

the committee. The committee meets at least semi-annually:

- to review the adequacy of financial records;
- to review the appropriateness of accounting records;
- to review the adequacy of the internal control procedures; and
- to confirm that the going concern premise is appropriate.

The Remuneration Committee

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

Executive Committee

The Executive Committee comprises the Chief Executive Officer, its executive directors and the Company's General Managers of Finance, Risk and Technology, Claims, Legal and Business Development. Its purpose is to discharge the obligations of the board on a daily basis. The Executive Committee meets at least weekly. Each meeting 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 Short-Term

CORPORATE GOVERNANCE

for the year ended 30 June 2014 (continued)

Insurance Act, 1998;

Underwriting and Reinsurance

These functions include:

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

CORPORATE GOVERNANCE

for the year ended 30 June 2014 (continued)

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 including 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, Risk and Compliance 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 monthly 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;

CORPORATE GOVERNANCE

for the year ended 30 June 2014 (continued)

- systemised data reviews 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 and ongoing basis taking expedient action to limit exposures when appropriate.

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

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

CORPORATE GOVERNANCE

for the year ended 30 June 2014 (continued)

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, and review procedures follow standard programs. The Company's internal auditor reports to the General Manager Finance but has direct access to the Chief Executive Officer and the Audit, Risk and Compliance 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 (RITE) initiative described more fully on page 12 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. Having reached approximately 65 000 learners to date through RITE's Alphaland programme, Renasa is currently providing further teaching aids to the beneficiary schools, its immediate target being the production and distribution of 100 000 reading books over the forthcoming year.

Transformation Responsibilities

Renasa acknowledges the importance of its employees and their loyalty and effectiveness to the Company's ultimate success. Renasa also recognises the limitations which have prevented previously disadvantaged groups from realising

CORPORATE GOVERNANCE

for the year ended 30 June 2014 (continued)

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 the Chief Executive Officer, 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 2014 68,8% (2013: 67,5%) of the total staff complement were from historically designated groups.

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

Code of Ethics

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

ACCOUNTING AND AUDIT

External auditors are responsible for reporting on whether the financial statements are fairly presented and in conformity with International Financial

CORPORATE GOVERNANCE

for the year ended 30 June 2014 (continued)

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, Risk and Compliance 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 annual financial statements, adherence to applicable accounting standards and the presentation of information that fairly presents the state of affairs and the results of the Company are also the board's responsibility.

RELATIONS WITH SHARE OWNERS

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

IMPLEMENTATION OF GOVERNANCE CODES

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

RESPONSIBILITY FOR AND DIRECTORS' APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS *for the year ended 30 June 2014*

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 35 to 87 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 III Report issued during September 2009. 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 51 of

RESPONSIBILITY FOR AND DIRECTORS' APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS *for the year ended 30 June 2014* (continued)

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 (*Chairman*)

B Neale

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*)

MJ Tagg.

EMPLOYMENT EQUITY

The Company has adopted a policy of employment equity based on the

RESPONSIBILITY FOR AND DIRECTORS' APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS *for the year ended 30 June 2014 (continued)*

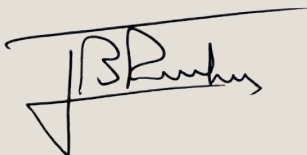
principles contained in current labour legislation.

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements appearing on pages 35 to 87 were approved by the board of directors on 26 September 2014 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 2014 all such returns as are required by the Companies Act.



CT McAllister
Company Secretary
26 September 2014

AUDIT COMMITTEE REPORT

for the year ended 30 June 2014

The committee is pleased to present our report for the financial year ended 30 June 2014 as recommended by the King III Report on Corporate Governance ("King III") 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 III.

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

AUDIT COMMITTEE REPORT

for the year ended 30 June 2014 (continued)

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 2014; 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 of 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 2014 financial year. The fee is considered appropriate for the work that could reasonably have been foreseen at that time. Audit fees are disclosed in note 13 to the financial statements.

There is a formal procedure that governs the process whereby the external auditor is considered for the provision of non-audit services and each engagement letter for such work is reviewed by the committee in advance. Meetings were held with the auditor where management was not present, and

AUDIT COMMITTEE REPORT

for the year ended 30 June 2014 (continued)

no matters of concern were raised.

The committee has reviewed the performance of the external auditors and nominated, for approval at the annual general meeting, Deloitte & Touche as the external auditor for the 2015 financial year, and Mr Paul Stedall as the designated auditor. This will be his second year as auditor of the Company.

ANNUAL FINANCIAL STATEMENTS

The Audit Committee has evaluated the annual report for the year ended 30 June 2014 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 35 to 87 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
26 September 2014

DIRECTORS' REPORT

for the year ended 30 June 2014

The directors present their report, which forms part of the financial statements of the Company, for the year ended 30 June 2014.

PRINCIPAL ACTIVITIES AND REVIEW OF THE 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 R1 954 861 for the year under review (2013: comprehensive loss of R502 089). 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 R 335 342 were declared or paid during the period (2013: R 1 916 785) made up as R335 342 (2013: R 658 177) in respect of preference share dividends and R 0 (2013: R 1 258 608) in respect of ordinary share dividends.

SHARE CAPITAL

The issued share capital remained unchanged during the period which is illustrated in the statement of changes in equity. 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 45.8% (2013: 53.6%).

DIRECTORS' REPORT

for the year ended 30 June 2014 (continued)

DIRECTORS

At the date of this report the directors of the Company are as follows:

DG Eriksson (*Independent Non-executive Chairman*)

JB Rosenberg (*Chief Executive Officer*)

NV Beyers (*Executive*)

EB Martin (*Executive*)

B Neale (*Independent Non-executive*)

MJ Tagg (*Independent Non-executive*)

COMPANY SECRETARY

The secretary of the Company is CT McAllister.

REGISTERED OFFICE:

Renasa House
170 Oxford Road
Melrose
2196

POSTAL ADDRESS:

PO Box 412072
Craighall
2024

AUDITORS

Deloitte & Touche

HOLDING COMPANY

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

INDEPENDENT AUDITOR'S REPORT

for the year ended 30 June 2014

TO THE SHAREHOLDERS OF RENASA INSURANCE COMPANY LIMITED

We have audited the financial statements of Renasa Insurance Company Limited set out on pages 54 to 87, which comprise the statement of financial position as at 30 June 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

INDEPENDENT AUDITOR'S REPORT

for the year ended 30 June 2014 (continued)

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

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of Renasa Insurance Company Limited as at 30 June 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the financial statements for the year ended 30 June 2014, we have read the Audit Committee Report, the Directors' Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Deloitte & Touche

Deloitte & Touche

Registered Auditors

Per: P Stedall

Partner

28 October 2014

Deloitte Place, 20 Woodlands Drive, Woodmead

National Executive: LL Bam *Chief Executive* AE Swiegers *Chief Operating Officer* GM Pinnock *Audit*

DL Kennedy *Risk Advisory* NB Kader *Tax* TP Pillay *Consulting* K Black *Clients and Industries*

JK Mazzocco *Talent & Transformation* MJ Jarvis *Finance* M Jordan *Strategy* S Gwala *Managed Services*

TJ Brown *Chairman of the Board* MJ Comber *Deputy Chairman of the Board*.

A full list of partners and directors is available on request.

B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code. Member of Deloitte Touche Tohmatsu Limited

STATEMENT OF FINANCIAL POSITION

at 30 June 2014

	NOTES	30 JUNE 2014	30 JUNE 2013
		R'000	R'000
ASSETS			
Non current assets		5 536	6 116
Fixed assets	2	4 475	4 686
Intangible assets	3	1 061	1 087
Deferred tax	4	-	343
Investment in subsidiary	5	-	-
Technical assets			
Reinsurers' share of technical provisions		159 354	134 865
- Unearned premiums		21 257	15 856
- Outstanding claims		138 097	119 009
Current assets		163 675	126 462
Accounts receivable		38 416	41 698
Premiums receivable		47 980	36 704
Amounts owing from reinsurers	6	1 620	1 620
Investments at fair value	7	61	61
Deferred acquisition costs		4 183	3 343
Value added tax		274	-
Cash and cash equivalents		71 141	43 036
TOTAL ASSETS		328 565	267 443

STATEMENT OF FINANCIAL POSITION

at 30 June 2014 (continued)

	NOTES	30 JUNE 2014	30 JUNE 2013
		R'000	R'000
EQUITY AND LIABILITIES			
Capital and reserves		42 099	40 144
Share capital	8	5	5
Share premium	9	50 495	50 495
Accumulated loss		(8 401)	(10 356)
Non-current liabilities			
Preference shares	10	5 000	5 000
Equity and preference shares		47 099	45 144
Technical provisions		182 029	154 156
Gross outstanding claims		150 697	130 299
IBNR provision	11	7 216	5 875
Gross provision for unearned premiums		24 116	17 982
Current liabilities		99 437	68 143
Accounts payable		32 242	23 278
Amount owing to reinsurers		66 963	43 894
Current tax payable		232	-
Value added tax		-	971
TOTAL EQUITY AND LIABILITIES		328 565	267 443

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2014

	NOTES	30 JUNE 2014	30 JUNE 2013
		R'000	R'000
Gross premiums		803 114	658 224
Reinsurance premiums		(700 275)	(573 950)
Net premiums		102 839	84 274
Change in provision for unearned premiums net of reinsurance		(734)	(107)
Change in gross provision		(6 134)	(754)
Reinsurers' share		5 400	647
Net earned premium		102 105	84 167
Net commission		20 867	21 014
Commission incurred		(123 299)	(102 251)
Commission recovered		144 166	123 265
Claims incurred net of reinsurance		(72 900)	(58 513)
Claims paid		(70 250)	(56 258)
- Gross amount		(629 718)	(494 255)
- Reinsurers' share		559 468	437 997
Change in provision for claims		(2 650)	(2 255)
- Gross amount		(21 738)	(40 028)
- Reinsurers' share		19 088	37 773
Administration fee income		17 122	12 467
Net operating expenses		(66 791)	(63 069)
Underwriting (loss) / profit		403	(3 934)
Interest paid		(16)	(39)
Interest income		2 742	3 786
Profit / (Loss) before taxation and finance cost on preference shares	13	3 129	(187)
Taxation	14	(839)	343
PROFIT BEFORE FINANCE COSTS ON PREFERENCE SHARES		2 290	156

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2014 (continued)

	NOTES	30 JUNE 2014	30 JUNE 2013
		R'000	R'000
PROFIT BEFORE FINANCE COSTS ON PREFERENCE SHARES		2 290	156
Finance cost on preference shares		(335)	(658)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		1 955	(502)

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2014

	SHARE CAPITAL	SHARE PREMIUM	ACCUMULATED LOSS	TOTAL
	R'000	R'000	R'000	R'000
Balance at 1 July 2012	5	50 495	(8 595)	41 905
Total comprehensive loss for the year	-	-	(502)	(502)
Dividends declared	-	-	(1 259)	(1 259)
Balance at 30 June 2013	5	50 495	(10 356)	40 144
Total comprehensive income for the year	-	-	1 955	1 955
Dividends declared	-	-	-	-
Balance at 30 June 2014	5	50 495	(8 401)	42 099
Notes	8	9		

STATEMENT OF CASH FLOWS

for the year ended 30 June 2014

	30 JUNE 2014	30 JUNE 2013
	R'000	R'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Underwriting profit / (loss)	403	(3 934)
Depreciation	3 059	2 507
Amortisation of intangible assets	26	25
(Profit) on sale of fixed asset	-	(5)
Adjustment to provision for unearned premium	734	107
Operating profit / (loss) before working capital changes	4 222	(1 300)
Working capital changes	24 603	(17 402)
Increase in outstanding claims and IBNR	2 650	2 254
Decrease / (Increase) in accounts receivable	3 282	(5 955)
Increase in accounts payable	6 878	9 868
Increase / (Decrease) in amounts due to reinsurers	23 069	(25 110)
(Increase) / Decrease in premiums receivable	(11 276)	1 541
Cash utilised / (generated) by operating activities	28 825	(18 702)
Interest paid	(351)	(697)
Interest income	2 742	3 786
Taxation paid	(263)	(505)
NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES	30 953	(16 118)

STATEMENT OF CASH FLOWS

for the year ended 30 June 2014 (continued)

	30 JUNE 2014	30 JUNE 2013
	R'000	R'000
CASH UTILISED IN INVESTING ACTIVITIES	(2 848)	(2 703)
Purchase of fixed assets	(2 848)	(2 703)
CASH UTILISED IN FINANCING ACTIVITIES	-	(1 259)
Dividends distributed	-	(1 259)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS FOR THE YEAR	28 105	(20 080)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	43 036	63 116
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	71 141	43 036

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2014

I. ACCOUNTING POLICIES

I.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.

I.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 in South Africa.

I.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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2014 (continued)

I ACCOUNTING POLICIES (continued)

I.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.

I.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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2014 (continued)

I ACCOUNTING POLICIES (continued)

I.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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2014 (continued)

I ACCOUNTING POLICIES (continued)

I.4 Recognition and measurement of contracts (continued)

Such assets are 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 from 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.

I.5 Fixed assets

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

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2014 (continued)

I ACCOUNTING POLICIES (continued)

I.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.

I.6 Retirement benefits

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

I.7 Use of estimates

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

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

I.8 Contingencies and commitments

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2014 (continued)

I ACCOUNTING POLICIES (continued)

I.9 Intangible assets

The intangible assets consist of long-term contracts with customers and acquisition-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 (acquisition-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.

I.10 IBNR provision

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2014 (continued)

I ACCOUNTING POLICIES (continued)

I.10 IBNR provision (continued)

Insurance. The IBNR provision is calculated by applying predetermined factors to net earned premiums per line of insurance for the past six underwriting years. The company considers its provision, which is in excess of the regulatory provision, to be adequate.

I.11 Investment income

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

I.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.

I.13 Financial instruments

Measurement

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2014 (continued)

I ACCOUNTING POLICIES (continued)

I.13 Financial instruments (continued)

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

Loans and receivables

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

Cash and cash equivalents

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

Financial liabilities

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

Equity instruments

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

Financial assets

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2014 (continued)

I ACCOUNTING POLICIES (continued)

I.13 Financial instruments (continued)

Offset

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

I.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.

I.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.

I.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.

I.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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2014 (continued)

I ACCOUNTING POLICIES (continued)

I.18 Standards and interpretations in issue not yet adopted

The directors do not anticipate the standards below to have a material impact on future financial statements.

- IAS 32 - Offsetting Financial Assets and Financial Liabilities (January 2014)
- IFRS 10 - Investment Entities (January 2014)
- IFRS 12 - Investment Entities (January 2014)
- IAS 27 - Investment Entities (January 2014)
- IFRS 36 - Recoverable Amount Disclosures for Non-Financial Assets (January 2014)
- IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting (January 2014)
- IAS 32 - Financial Instruments: Presentation (January 2014)
- IFRS 9 - Financial Instruments (January 2015)

I.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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2014 (continued)

I ACCOUNTING POLICIES (continued)

I.19 Taxation (continued)

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.

I.20 Operating leases

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

I.21 Related-party transactions

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

I.22 Investment in subsidiary

Investments in subsidiaries are accounted for at cost less provision for impairments.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2014 (continued)

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 2014						
Opening net book value	3 873	361	169	165	118	4 686
Additions	2 570	158	-	120	-	2 848
Depreciation	(2 839)	(127)	(12)	(81)	-	(3 059)
Closing net book value	3 604	392	157	204	118	4 475
AT 30 JUNE 2014						
Cost	17 270	2 729	183	1 630	118	21 930
Accumulated depreciation	(13 666)	(2 337)	(26)	(1 426)	-	(17 455)
Net book value	3 604	392	157	204	118	4 475
30 JUNE 2013						
Opening net book value	3 696	329	181	166	118	4 490
Additions	2 481	153	-	69	-	2 703
Depreciation	(2 304)	(121)	(12)	(70)	-	(2 507)
Closing net book value	3 873	361	169	165	118	4 686
AT 30 JUNE 2013						
Cost	14 700	2 571	183	1 510	118	19 082
Accumulated depreciation	(10 827)	(2 210)	(14)	(1 345)	-	(14 396)
Net book value	3 873	361	169	165	118	4 686

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2014 (continued)

3. INTANGIBLE ASSETS

	LONG-TERM CONTRACTS WITH CUSTOMERS	AQUISITION- RELATED INTANGIBLE ASSETS	TOTAL
	R'000	R'000	R'000
Balance at 1 July 2012	168	944	1 112
Amortisation	(25)	-	(25)
Balance at 30 June 2013	143	944	1 087
Amortisation	(26)	-	(26)
Balance at 30 June 2014	117	944	1 061

4. DEFERRED TAX

	30 JUNE 2014	30 JUNE 2013
	R '000	R '000
Deferred tax asset	-	343
RECONCILIATION OF DEFERRED TAX ASSET		
Estimated assessed loss raised	-	380
Temporary difference due to movement in provision for bad debts	-	(37)
	-	343

5. INVESTMENT IN SUBSIDIARY

	30 JUNE 2014	30 JUNE 2013
	R	R
Unlisted equity, at a cost	100	100

The Company owns 100% of the shares in Really Useful Investment No 181 Proprietary Limited which was established in the Republic of South Africa. Really Useful Investment No 181 Proprietary Limited holds a 47,3% equity stake in Cross Country Insurance Consultants (Pty) Ltd.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2014 (continued)

	30 JUNE 2014	30 JUNE 2013
	R'000	R'000

6. AMOUNTS OWING FROM REINSURERS

Originated loans and receivables	2 155	2 155
Impairment provision at beginning of year	(535)	(535)
Net balance	1 620	1 620

7. INVESTMENTS AT FAIR VALUE

Shares at beginning of year	61	21
Reclassification	-	40
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 1" and "Level 2" respectively in terms of the Fair Value Hierarchy.

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	5	5
Shares issued during the period at 1 cent each	-	-
Balance at end of the period	5	5

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2014 (continued)

	30 JUNE 2014	30 JUNE 2013
	R'000	R'000

9. SHARE PREMIUM

ORDINARY SHARES		
Balance at the beginning of the period	50 495	50 495
Shares issued during the period	-	-
Share premium at the end of the period	50 495	50 495

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

The preference shares are cumulative preference shares redeemable at the option of the preference shareholder not earlier than 3 years after the first issue date. The shareholder has not redeemed preference shares in the current financial year ended 30 June 2014. 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.

(continued on page 76)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2014 (continued)

	30 JUNE 2014	30 JUNE 2013
	R'000	R'000

(From page 75)

At the reporting date dividends in the sum of R 335 342 had been declared and 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. INCURRED BUT NOT REPORTED PROVISION ("IBNR")

At the beginning of the year	5 875	5 314
Change during the year	1 341	561
At the end of the year	7 216	5 875

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

12. SOLVENCY MARGIN

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

Total equity and preference shares (including preference share capital for regulatory purposes)	47 099	45 144
Net premium	102 839	84 274
Solvency margin	45.8%	53.6%

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2014 (continued)

	30 JUNE 2014	30 JUNE 2013
	R'000	R'000

13. PROFIT BEFORE TAXATION

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

Auditor's remuneration	670	717
- Audit fees	670	717
Directors' and Prescribed Officers' emoluments	8 039	6 986
- Executive Directors and Prescribed Officers	7 377	6 361
- Non-executive Director 1	304	287
- Non-executive Director 2	179	169
- Non-executive Director 3	179	85
- Non-executive Director 4	-	84
Operating lease charges	3 357	2 876
- Building	2 993	2 564
- Equipment	364	312
Depreciation	3 059	2 507
- Computer equipment and software	2 839	2 304
- Furniture, fittings and office equipment	127	121
- Machinery	12	12
- Leasehold improvements	81	70
Amortisation of intangible assets	26	25
- Long-term contracts with customers	26	25
Staff costs	34 386	32 733
- Current year costs	34 386	32 733
Remuneration other than to employees	2 699	2 714
- Consultancy fees	2 458	2 219
- Legal fees	241	495

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2014 (continued)

	30 JUNE 2014	30 JUNE 2013
	R'000	R'000

14. TAXATION

SOUTH AFRICAN NORMAL TAXATION		
Current taxation charge	496	-
	496	-
DEFERRED TAXATION		
Current year	343	(343)
	343	(343)
Taxation as per statement of comprehensive income	839	(343)
Tax rate recon:		
Effective rate	30%	(41%)
Disallowable expenditure	(2%)	13%
Standard rate	28%	(28%)

15. LEASE COMMITMENTS

Due within 1 year:	4 408	688
- Building	4 180	469
- Equipment	228	219
Due after 1 year:	7 720	1 923
- Building	7 261	1 463
- Equipment	459	460
TOTAL DUE	12 128	2 611

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2014 (continued)

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Market risk

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

Interest rate risk

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

	30 JUNE 2014	30 JUNE 2013
	R'000	R'000
If the interest rate changes by 10%, the impact on interest earned would be an increase or decrease in profits.	571	531

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2014 (continued)

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Company does not have sufficient assets or liquid resources to meet its liabilities. The Company's liabilities are backed by appropriate assets and it has sufficient liquid resources.

The amount 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 2014				
Financial liabilities	59 523	39 682	5 000	104 204
Claims IBNR	2 526	3 608	1 082	7 216
Net outstanding claims	4 410	6 300	1 889	12 600
TOTAL	66 459	49 590	7 971	124 020
AT 30 JUNE 2013				
Financial liabilities	40 303	26 869	5 000	72 172
Claims IBNR	2 056	2 938	881	5 875
Net outstanding claims	3 952	5 645	1 693	11 290
TOTAL	46 311	35 452	7 574	89 337

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 are 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2014 (continued)

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

	30 JUNE 2014	30 JUNE 2013
	R'000	R'000
MAXIMUM EXPOSURE TO CREDIT RISK		
Premiums receivable	47 980	36 704
Accounts receivable	38 416	41 698
- Related party receivables	25 377	28 702
- Other receivables	13 039	12 996
Cash and cash equivalents	71 141	43 036
Reinsurers' share of outstanding claims	138 097	119 009
Amount owing from reinsurers	1 620	1 620
	297 254	242 067
CREDIT RISK ANALYSIS		
Receivables neither past due nor impaired	282 595	233 545
- Related party receivables	25 377	28 702
- Premiums receivable	47 980	36 704
- Reinsurers' share of outstanding claims	138 097	119 009
- Cash and cash equivalents	71 141	43 036
- Other receivables	-	6 094
Receivables past due but not impaired		
- Other receivables	13 039	6 902
Receivables past due and impaired	1 620	1 620
- Amount owing from reinsurers	2 155	2 155
- Other receivables	-	-
- Impairment raised	(535)	(535)
TOTAL	297 254	242 067

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2014 (continued)

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Capital risk

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

17. INSURANCE RISK MANAGEMENT

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

The Company uses several methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. These methods include internal risk measurement models and sensitivity analyses. The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts. The principal 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2014 (continued)

17. INSURANCE RISK MANAGEMENT (continued)

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

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

Outstanding claims and the IBNR ("incurred but not reported") provisions are estimated using generally accepted insurance practice. Such methods extrapolate the development of paid and incurred claims, average cost per claim and ultimate claim numbers for each accident year based on observed development of earlier years and expected loss ratios. The Company believes that the estimate of total claims outstanding as at 30 June 2014 is adequate.

A 1% increase / (decrease) in the IBNR provisioning rate would lead to an increase / (decrease) in the IBNR reserve of R1 028 384 (2013: R842 740).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2014 (continued)

17. INSURANCE RISK MANAGEMENT (continued)

AT 30 JUNE 2014					
	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	2 895	10 858	220	3 193	17 166
Claims incurred	11 911	50 601	569	9 868	72 949
Claims paid	(11 801)	(48 177)	(631)	(9 690)	(70 299)
Outstanding claims and IBNR Closing	3 005	13 282	158	3 371	19 816
PREMIUMS					
Gross premiums	180 392	480 607	7 656	134 459	803 114
UPR movement	(953)	(3 421)	(310)	(1 450)	(6 134)
Gross earned premiums	179 439	477 186	7 346	133 009	796 980
Premiums ceded to reinsurers	(163 460)	(406 957)	(6 612)	(117 846)	(694 875)
Net earned premiums	15 979	70 229	734	15 163	102 105
DEFERRED ACQUISITION COSTS					
Opening balance	2 001	358	493	491	3 343
Movement	(914)	318	1	1 435	840
Closing balance	1 087	676	494	1 926	4 183

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2014 (continued)

17. INSURANCE RISK MANAGEMENT (continued)

AT 30 JUNE 2013					
	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	2 518	10 891	(20)	1 522	14 911
Claims incurred	3 110	48 126	671	6 606	58 513
Claims paid	(2 733)	(48 159)	(431)	(4 935)	(56 258)
Outstanding claims and IBNR Closing	2 895	10 858	220	3 193	17 166
PREMIUMS					
Gross premiums	149 767	394 677	6 565	107 215	658 224
UPR movement	(922)	542	(45)	(329)	(754)
Gross earned premiums	148 845	395 219	6 520	106 886	657 470
Premiums ceded to reinsurers	(134 881)	(338 233)	(5 865)	(94 324)	(573 303)
Net earned premiums	13 964	56 986	655	12 562	84 167
DEFERRED ACQUISITION COSTS					
Opening balance	1 654	418	487	429	2 988
Movement	347	(60)	6	62	355
Closing balance	2 001	358	493	491	3 343

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2014 (continued)

18. RELATED PARTY TRANSACTIONS

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

	30 JUNE 2014	30 JUNE 2013
	R'000	R'000
RELATED PARTY BALANCES		
Amounts owing by related parties	25 377	28 702
- Holding company	19 993	12 924
- Subsidiaries	6 809	6 936
- Group companies	2 627	8 816
- Key management	40	26
- Other	(4 092)	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2014 (continued)

18. RELATED PARTY TRANSACTIONS (continued)

	30 JUNE 2014	30 JUNE 2013
	R'000	R'000
RELATED PARTY TRANSACTIONS		
Interest and rentals received from related parties	2 017	1 757
- Holding company	-	-
- Subsidiaries	-	-
- Group companies	2 017	1 757
- Other	-	-
Net (Sales to) / purchases from related parties	9 685	6 352
- Holding company	-	-
- Subsidiaries	-	-
- Group companies	9 685	6 352
- Other	-	-

Remuneration of key management (directors and prescribed officers) is disclosed in note 13.

19. 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.

RENASA'S ART



32 South Africans
2008



Three large herds
2009

RENASA'S CONTACT AND STATUTORY DETAILS

HEAD OFFICE

RENASA HOUSE, 170 Oxford Road, Melrose, Johannesburg, 2196
P O Box 412072, Craighall, 2024, Johannesburg, South Africa
Tel: + 27 (0)11 380 3080 • Fax: + 27 (0)11 380 3088
Renasa Insurance Company Limited Registration Number 1998/000916/06
is a registered financial service provider (license number 15491).

EXCO

Jonathan Rosenberg • CEO • E-mail: jonathan.rosenberg@renasa.co.za
Nick Beyers • Executive Director - Business Development • E-mail: nick.beyers@renasa.co.za
Clinton McAllister • GM Finance, Public Officer & Co. Secretary • E-mail: clinton.mcallister@renasa.co.za
Henry Ehlers • GM Claims • E-mail: henry.ehlers@renasa.co.za
Michael Clack • Acting GM Business Development • E-mail: michael.clack@renasa.co.za
Herman Scheepers • GM Risk & Technology • E-mail: herman.scheepers@renasa.co.za
Brian Martin • Executive Director - Legal and Compliance • E-mail: brian.martin@renasa.co.za

OTHER KEY CONTACTS

Colin Scott • Risk Manager • E-mail: colin.scott@renasa.co.za
Danie Swart • Compliance Officer • E-mail: danie.swart@renasa.co.za

BRANCH OFFICES

GAUTENG

JOHANNESBURG
Renasa House, 170 Oxford Road, Melrose, Johannesburg, 2196
P O Box 412072, Craighall, 2024, Johannesburg, South Africa
Tel: + 27 (0)11 380 3080 • Fax: + 27 (0)11 380 3088
Mike Allen • Regional Manager Gauteng • E-mail: michael.allen@renasa.co.za
Wayne Herwitch • Business Development Manager • E-mail: wayne.herwitch@renasa.co.za
Jacqueline Salter • Business Development Manager • E-mail: jackie.salter@renasa.co.za

KWA-ZULU NATAL

Gateway Auto City, 2 Jubilee Grove, Umhlanga Rocks • PO Box 1423, Umhlanga Rocks, 4320
Tel: + 27 (0)31 566 3337 • Fax: + 27 (0)31 566 4864
Patrick Harris • Regional Manager Kwa-Zulu Natal • E-mail: patrick.harris@renasa.co.za
Billy MacCallum • Portfolio Manager • E-mail: billy.maccallum@renasa.co.za

CAPE

14 Protea Road, Newlands, Cape Town, 7700 • Postnet Suite #6, Private Bag X1005, Claremont, 7735
Tel: + 27 (0)21 671 7110 • Fax: + 27 (0)21 671 6995
Neal Engelbrecht • Regional Manager Cape • E-mail: neal.engelbrecht@renasa.co.za
Richard Stevens • Deputy Regional Manager Cape • E-mail: richard.stevens@renasa.co.za

FREE STATE

106 Kelner Street, Westdene, Bloemfontein. • P O Box 43179, Heuwelsig, 9332
Tel: + 27 (0)51 406 5900 • Fax: + 27 (0)51 447 4042
Frank Jordaan • Regional Manager Free State • E-mail: frank.jordaan@renasa.co.za
Mandie de Meyer • Branch Manager • E-mail: mandie.demeyer@renasa.co.za

MPUMALANGA

The Outpost Building, Cnr van der Merwe & Ehmke St, Nelspruit, 1201

PO Box 26793, Nelspruit, 1200

Tel: 087 806 3249 • Fax: + 27 (0)13 752 3965

Harry Coetzer • Regional Manager Mpumalanga • E-mail: harry.coetzer@renasa.co.za

Jackie Stander • Portfolio Manager • E-mail: jackie.stander@renasa.co.za

Hettie Viljoen • Administration Assistant • E-mail: hettie.viljoen@renasa.co.za

NORTHERN PROVINCE

447 Kirkness Street, Sunnyside, Pretoria, 0181.

Suite 103, Private Bag X1, Menlo Park, 0102

Tel: + 27 (0)12 362 4740 • Fax: + 27 (0)86 566 3918

Ronel Castelyn • Regional Manager Northern Province • E-mail: ronel.castelyn@renasa.co.za

Mark Brummer • Business Development Manager • E-mail: mark.brummer@renasa.co.za

REPRESENTATIVE OFFICES

KIMBERLEY

Tel: + 27 (0)53 831 3011 + 27 (0)82 556 8295

Stefanie du Toit • Portfolio Manager • E-mail: stefanie.dutoit@renasa.co.za

PORT SHEPSTONE

Tel: + 27 (0)39 695 2519

Charles Stretch • Portfolio Manager • E-mail: charles.stretch@renasa.co.za

Maureen Laycock • Portfolio Manager • E-mail: maureen.laycock@renasa.co.za

TZANEEN

Tel: + 27 (0)15 307 5587 + 27 (0)76 273 3836

Peter Maggs • Divisional Manager • E-mail: peter.maggs@renasa.co.za

KLERKSDORP

Tel: + 27 (0)82 496 0477

Johan Wolhuter • Portfolio Manager • E-mail: johan.wolhuter@renasa.co.za

SPECIALIST UNDERWRITERS

FDM ENGINEERING UNDERWRITERS PROPRIETARY LIMITED –

specialist in engineering and contractors all risks

38 Turton Road Boksburg West 1459 • P O Box 10522 Fonteinriet 1464

Tel + 27 (0)11 823 6368/90 • Fax + 27 (0)11 823 6298

Fergus McNamara • Principal • E-mail: fergus@fdm.co.za

Registration Number: 2004/009147/007 • FSP License Number: 20816

CROSS (X) COUNTRY INSURANCE CONSULTANTS PROPRIETARY LIMITED –

specialist in insurance of 4x4 and other adventure lifestyle requirements

Proprietor: Ash Brook Investments 133 PROPRIETARY Limited

253 Smit Street, Fairlands 2170 • P O Box 7864449 Sandton 2146

Tel + 27 (0)11 215 8800 • Fax + 27 (0)11 487 8205

Ian Georgeson • Principal • E-mail: ian@ccic.co.za • www.ccic.co.za

Registration Number: 2008/013847/07 • FSP License Number: 39547



**RENASA TAXI UNDERWRITERS PROPRIETARY LIMITED –
specialist in the insurance of minibus taxis**

7 Selkirk Avenue, Blairgowrie 2154

Tel + 27 (0)11 886 3200 • Fax + 27 (0)11 886 7303

Jonathan Marsden • Principal • E-mail: jonathan@selkirk.co.za • rtu@taxiinsure.co.za
www.taxiinsure.co.za

Registration Number: 2007/018318/07 • FSP License Number: 39312



**(P.UMA) PET UNDERWRITING MANAGING AGENCY PROPRIETARY LIMITED –
specialist in competitive pet insurance products**

14 Parry Road, Claremont 7708

Tel 0800 633 4738 • Fax + 27 (0)21 701 2027

Mark Clark • Managing Director • E-mail: info@p-uma.co.za

Registration Number: 2011/107009/07 • FSP License Number 44387



**GOLDFIELD INSURANCE ADMINISTRATION CC –
specialist in the insurance of transit and carriers' liability**

450 Elgin Ave, Beverley Gardens, Randburg • P O Box 619 Randburg 2125

Tel + 27 (0)11 781 0381 • Fax + 27 (0)86 600 6367

Matthew O'Donnell • Principal • E-mail: matthewo@goldfield.co.za

Goldfield Insurance Administration cc

Registration Number: 1992/012156/23 • FSP License Number: 2565

**GOLDFIELD INSURANCE
ADMINISTRATION cc**

**RENASA INSURANCE COMPANY LIMITED, PERFORMANCE GUARANTEES DIVISION –
specialist in performance, retention, advance payment and bid bonds or guarantees**

2nd Floor, Gateway Auto City, Jubilee Grove, Umhlanga Rocks • P O Box 1423 Umhlanga Rocks 4320

Tel + 27 (0)31 566 3337 • Fax + 27 (0)31 566 4864

Patrick Harris • Manager • E-mail: guarantees@renasa.co.za • www.renasa.co.za

Registration Number: 1998/000916/06 • FSP License Number: 15491



**RENASA INSURANCE COMPANY LIMITED, IVP DIVISION –
specialist in agreed value motor policies**

Renasa House, 170 Oxford Road, Melrose, Johannesburg • P.O. Box 412072 Craighall 2024, Johannesburg

Tel + 27 (0)11 380 3195 • Fax + 27 (0)11 380 3080

Motumi Molewa • Manager • E-mail: ivp-uma@renasa.co.za • www.ivp-uma.co.za

Registration Number: IVP-UMA: 1998/000916/06 • FSP License Number 15491



**REGAL HCV
specialist in heavy commercial vehicle insurance**

323 Ontdekkers Road, Ontdekkers Park • P.O. Box 6869, Westgate, 1734 Johannesburg, South Africa.

Tel + 27 (0)87 803 0580 • Fax + 27 (0)86 682 0340

info@regalhcv.co.za • www.regalhcv.co.za

Registration Number: 2013/052198/07 • FSP License Number: 44721



**PROFSAVE
specialist in excess waiver for PI cover**

Shop 19 Kayden Centre, Scottburgh, 4180

Tel + 27 (0)87 807 8677 • Fax + 27 (0)86 628 1458

info@ibg-uma.co.za • www.ibg-uma.co.za

FSP License Number: 36515



OMNIUM UNDERWRITING MANAGERS

specialist in sectional title insurance

Flora Centre Office Block, c/o Ontdekkers and Conrad Street, Florida 1709.
Tel + 27 (0)11 026 8618 • Cell + 27 (0)72 415 1556
Stephan Richards • Managing Director • E-mail: stephan@omniuminsurance.co.za
www.omniuminsurance.co.za
Proprieter: N&H Executive Consultants (Pty) Ltd.
Registration Number 2005/001715/07 • FSP License Number: 2856



LINKSAVE PROPRIETARY LIMITED

specialist in medical gap cover

87 Northway, Durban North, Kwa-Zulu-Natal 4051
Tel + 27 (0)31 564 8920 • Fax + 27 (0)31 564 8922
info@linksave.co.za • www.linksave.co.za
Linksave is a Juristic Representative of Intergrated Insurance Administrators (Pty) Ltd.
Registration Number 2013/236127/07 • FSP License Number: 43623



REINSURANCE BUSINESS PARTNERS

TECHNICAL PARTNERS



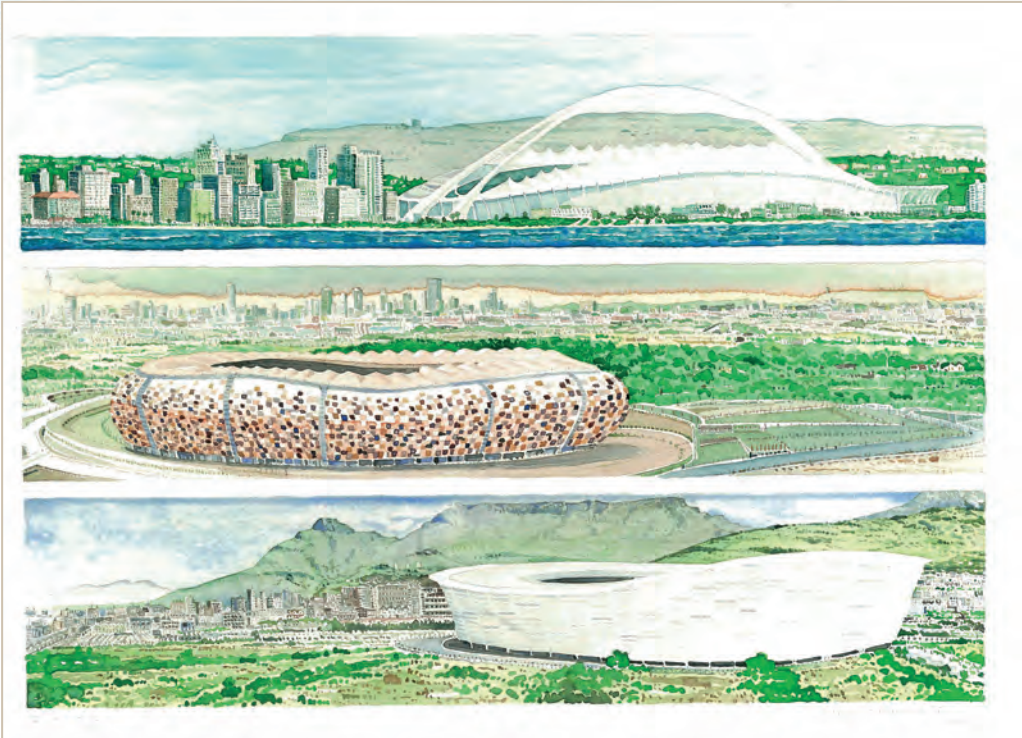
PRINCIPAL REINSURERS



AUDITORS, RATING AGENCY AND LEGAL COUNSEL



RENASA'S ART



*Three stadiums
2010*

RENASA'S ART



South African transport
2011



Three South African trees
2012



Three South African landmarks
2013



RENASA

INSURANCE COMPANY LIMITED

