RENASA
INSURANCE COMPANY LIMITED

Annual Report 2015
PRIMARY SCALE ACHIEVED

A Ten Year Journey (2006–2015)
2015

RENASA'S ART

Renasa believes that economic insurance flows from insured clients practising good risk management to preserve their insured assets and insuring for the sudden and unforseen, rather than the avoidable. Preservation of our environment, whether our immediate surroundings or our wonderful country, is central to this philosophy. 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'. The 2015 work celebrates this ten year journey.

RENASA

INSURANCE COMPANY LIMITED

Annual Report 2015

PRIMARY SCALE ACHIEVED

RENASA INSURANCE COMPANY LIMITED ("RENASA") ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2015

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HIGHLIGHTS - PRIMARY SCALE ACHIEVED

GROSS PREMIUMS GROW 30,4% AND EXCEED R 1 BILLION

COMMERCIAL LINES CONSTITUTE 50% OF GROSS PREMIUMS

MARKET SEGMENT MARGINS UNDERMINED BY:

WEAK ECONOMY

SHARPLY WEAKENING RAND EXCHANGE RATE

INCREASED COST OF REGULATORY COMPLIANCE

CONTINUED WEATHER RELATED CATASTROPHES

FURTHER MARKET CONSOLIDATION EXPERIENCED

OVERHEADS REPRESENT 5,3% (2014: 6,2%) OF GROSS PREMIUMS

PROFIT BEFORE PREFERENCE DIVIDENDS STATIC

SOLVENCY MARGIN OF 34,3%

A- RATING REAFFIRMED

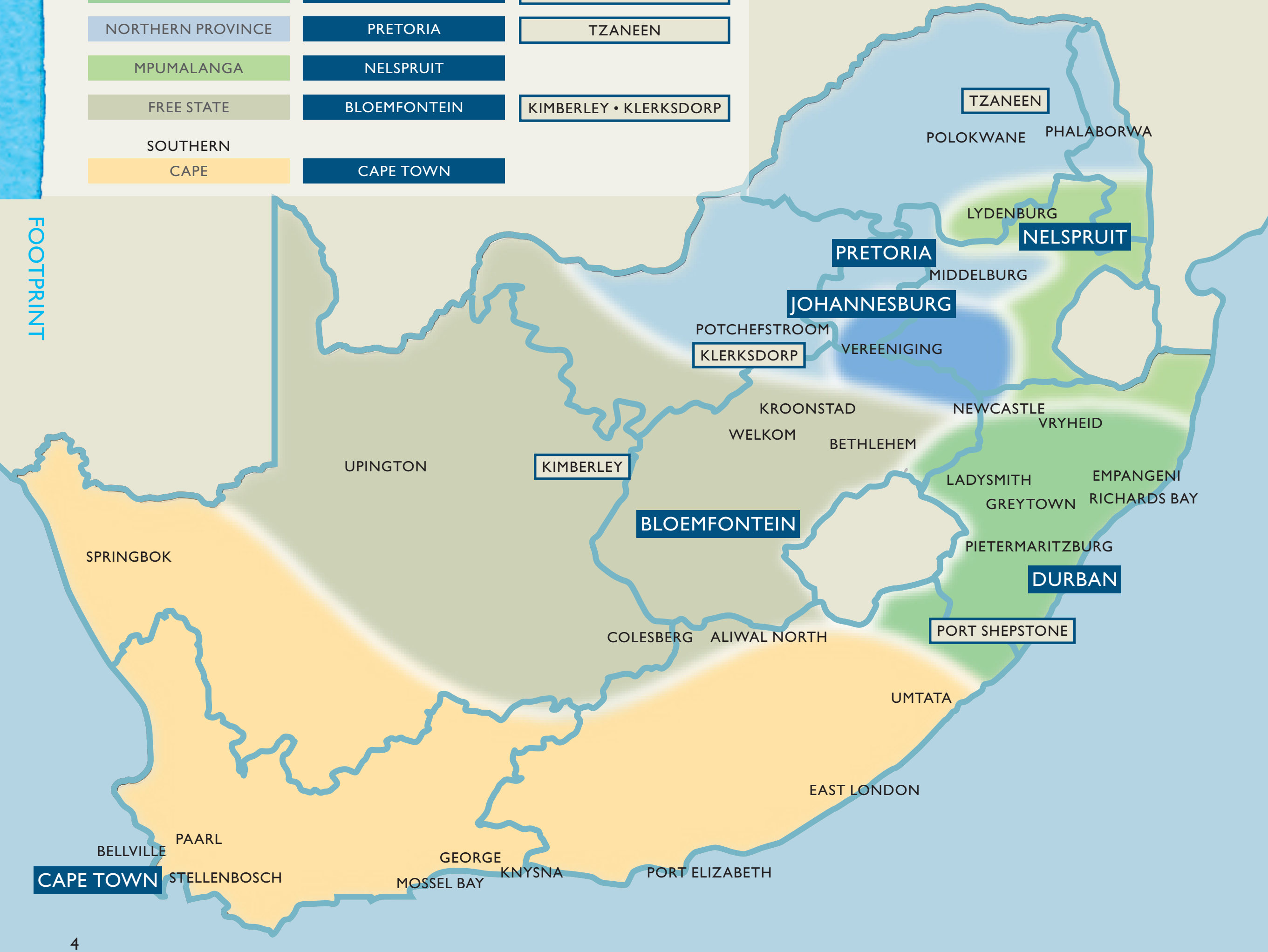
THREE YEAR REINSURANCE TREATY TERMS RENEWED

EXPANDED NATIONAL TELEVISION CAMPAIGN IMPROVES BRAND RECOGNITION

RENASA'S FOOTPRINT

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

FOOTPRINT



ALIGNMENT STRATEGY AND MARKET FOCUS

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.

Home and champion of the independent broker

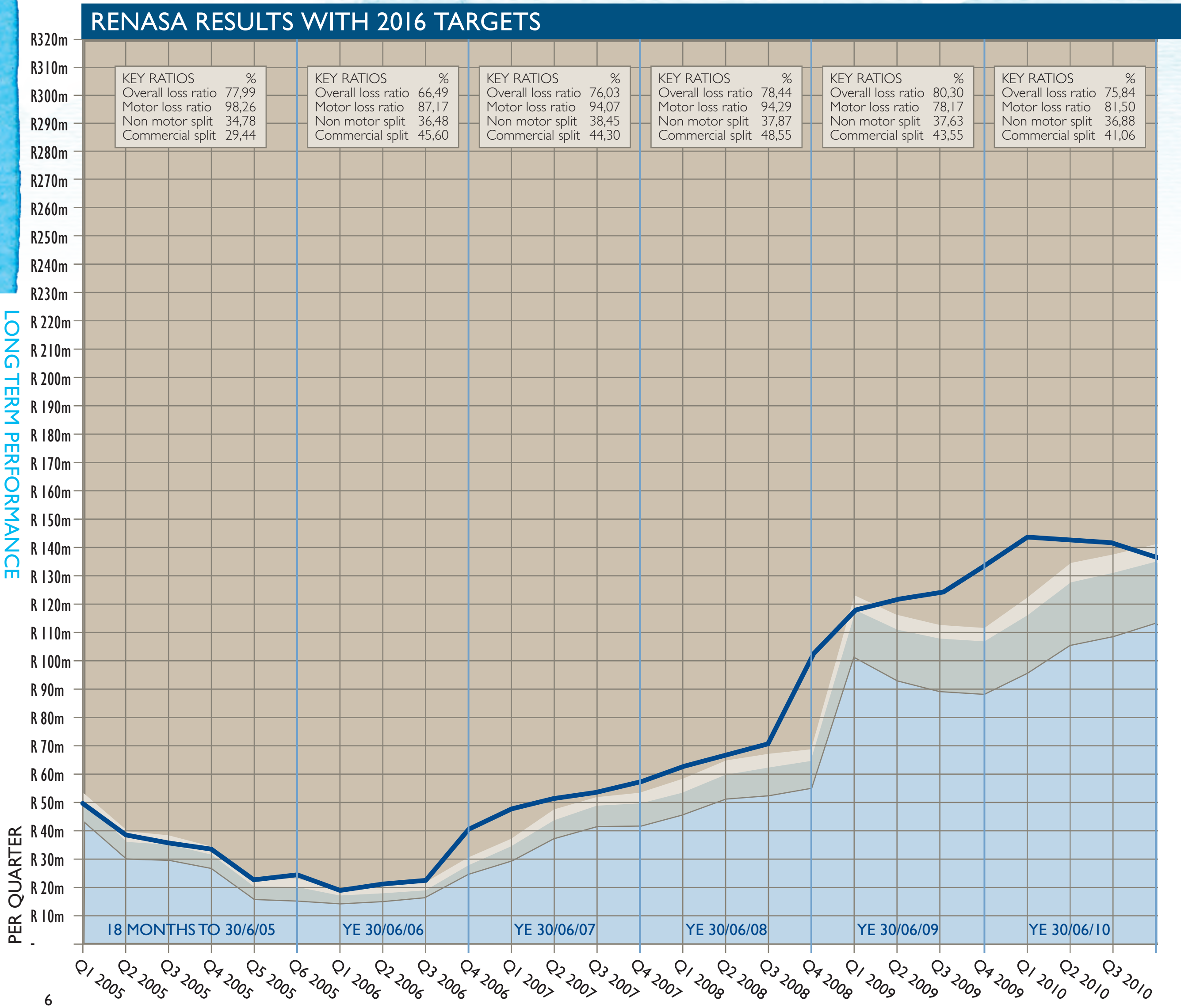
Renasa's philosophy is that economic insurance premiums and improved profits flow from –

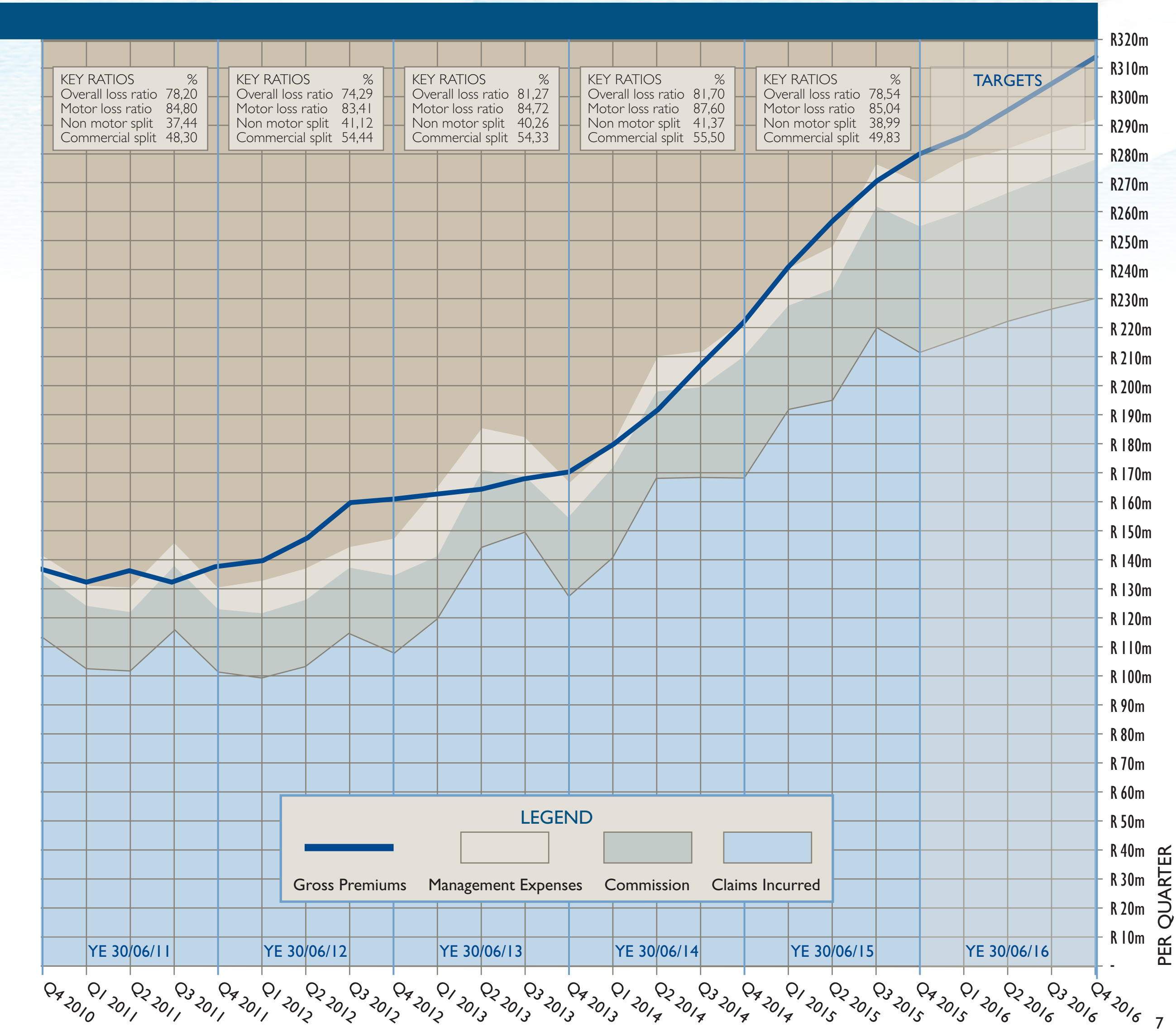
- insuring responsibly for the sudden and unforeseen and not the avoidable;
- sound risk management by insured clients;
- the actuarial pricing of risks; and
- the achievement of economic claims costs.

The insured customers sought gravitate to distributors of excellence. It is these distributors with whom we seek aligned relationships.

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

RENASA'S LONG TERM PERFORMANCE





LONG TERM PERFORMANCE

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 developed
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

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 Treaty terms favourably renewed
9 Solvency margin 57%
10 A- rating
11 RITE social responsibility programme reaches 55 000 learners

RENASA'S LONG TERM PERFORMANCE (continued)

CONSOLIDATON PHASE
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 and 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. Treaty terms favourably renewed
11. Solvency Margin declines to 43,6%; Claims Cash Coverage ratio to 11,7 months

PRIMARY SCALE ACHIEVED
2015 AND 2016 FINANCIAL YEARS

1. Real-time control of premium/pricing and claims costs give Renasa a unique advantage
2. Benefits of market consolidation, Renasa's national footprint and unique advantage deliver high growth
3. Gross premiums grow 30,4% exceeding R 1 billion
4. Commercial classes remain at 50% of Gross premiums despite high Gross premium growth
5. Scale benefits – despite 13,5% overhead growth, overheads fall to 5,3% of Gross premiums
6. Underwriting margins remain depressed by catastrophes, weak economy/Rand and regulatory costs
7. Financial profit achieved despite challenging economic and market segment conditions
8. Three Year Reinsurance Treaty renewed, Solvency Margin 34,6%, claims cash coverage ratio 13,3 months
9. Necessary action commenced to maintain adequate solvency under risk-based regime
10. A- rating reaffirmed
11. Significant corrective action including Real-time premium/pricing control supports future underwriting margin

Renasa is positioned to absorb significant premium growth

CHAIRMAN'S STATEMENT

The 2015 year proved to be a year of both challenge and achievement for Renasa. Market conditions in the intermediated segment serviced by Renasa were particularly taxing with a feeble economy depressing demand, a Rand exchange rate in free-fall driving up claims costs, the increased cost of regulatory change adding to overheads and a continuation of abnormal weather events all eroding margins. The positive news of the year was the surpassing by Renasa of the R 1 billion Gross premium mark which was achieved by a 30,4% (2014: 22,0%) growth rate.

The growth emanated from consolidation in the market in response to the economic pressures mentioned and Renasa's positioning to accept business through a national footprint and, more importantly, with the systems necessary to control business in the segment where intermediaries operate on independent systems. However, the growth did come at the cost of margin as most business in this segment is mis-priced, never having benefited from the singular IT and system infrastructure which Renasa has so painstakingly built over many years.

Fortunately, the impact of catastrophe weather events was tempered so that, while a slight underwriting loss was sustained, Renasa was able to return a profit equivalent to that of the prior year.

Once again Renasa's treaties were successfully renewed with Munich Re remaining the lead and increased interest from other European reinsurers. Although the high growth contributed to a contraction in Renasa's solvency margin to a level below the targeted threshold, solvency levels still compare satisfactorily with industry levels. Solvency levels will be carefully monitored and the necessary action taken to ensure adequate solvency under the risk-based solvency regime.

Sadly, longtime Risk Manager and friend of Renasa, Colin Scott, passed away during the year. He will be sorely missed. Several other changes also occurred in Renasa's management structure the most senior being the appointment shortly before the issue of this report of Johan Botes, a highly qualified and experienced manager who spent most of his career at Santam. He assumes control of all Cape Regions and has the target to grow Renasa's influence in these markets so that it broadly represents the economic activity of those areas.

Renasa has for some time maintained a firm grip on claims costs and, indeed, maintained stable nominal claims costs despite a weak exchange rate, inflation and an overall increase in sums insured to achieve a significant reduction in real claims costs. To widen its margins, the past eighteen months have been dedicated by Renasa to the corrective actions both regular and ad hoc to achieve actuarially determined premiums, market related excesses and the elimination of multi-claimants. Effectively, Renasa will very soon have real-time control over pricing and premiums, a first in its segment and a complement to the real-time control over claims it has maintained for several years already.

System integration, Renasa's strategic competitive advantage

As for the 2016 prospects, an improvement in margins is targeted from the very hard work put into the actions just mentioned, but, the unpredictable nature of recent weather patterns and the volatility of the exchange rate make it difficult to express anything other than cautious optimism.

It has been a long hard road to scale the R 1 billion peak which is all the more noteworthy for the difficult market segment in which this has been achieved and the particular economy of capital which has been maintained throughout. My thanks and congratulations to the Board, management and staff for this remarkable effort and to our business partners for their support during this journey.

DON ERIKSSON

Chairman

R.I.T.E.

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. The development of human capital is a pre-condition for any society to be able to achieve sustained economic growth. Such development requires an investment in education and training, particularly at primary and secondary levels which are fundamental because of their significance for nurturing cognitive capacity, literacy, numeracy and the ability to communicate.

Reading is such an integral part of our lives that no-one should be denied the right to learn this skill. Learning to read is an amazing, exciting time for young learners but tragically, it seems to be fraught with difficulties. R.I.T.E. believes that the Foundation Phase is the basis of all education and this is where its focus lies.

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

In response, R.I.T.E. compiled, produced and donated 80 000 readers to schools that are struggling to make ends meet and do not have the resources to acquire these tools. R.I.T.E.'s readers cover concepts that are learnt in the Foundation Phase, concepts such as colours, shapes, counting, spatial awareness, degrees of comparison, and family to name but a few. At teacher training workshops, R.I.T.E. trains, motivates and inspires teachers to try new innovative methods of teaching, fun ways to engage the children who will experience and learn simultaneously. This is the R.I.T.E. "Reader Project".

As well as hosting workshops in Alexandra, Tembisa and Soweto, R.I.T.E. 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 generous support of Renasa's partners

Renasa has sponsored the compilation and distribution of the readers through R.I.T.E., and has raised 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 donated goes directly into the production, printing and distribution of the readers. Renasa is most grateful for these donations.

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.

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.

Renasa House
2015

Berg, Bush And Beach
2006

R1 billion premium level breached

CHIEF EXECUTIVE OFFICER'S REPORT

SALIENT FEATURES

Challenging market conditions were again experienced in Renasa's segment in 2015 together with a weak economy, a disastrous rand exchange rate, increased regulatory costs and continued, albeit less severe, aberrant weather events which all combined to depress underwriting margins and result in further consolidation. As one of the top five insurers in its segment Renasa was able to capitalise on its previous branch expansion strategy to absorb the benefits of consolidation and achieve a strident 30,4% Gross premium growth to breach the R 1 billion hurdle. However, margin strain from the high growth contributed to a marginal underwriting loss and a modest Profit. A raft of corrective action (systemised and otherwise) including real-time control over pricing for the first time in the intermediated market is expected to alleviate this strain. Renasa's A- rating was reaffirmed. Regarding 2016, the benefits of scale and corrective actions should mitigate the effects of a weak economy and rand exchange rate and the impact of costs associated with the new regulatory regime. Accordingly, aberrant weather events aside, prospects may be regarded with cautious optimism.

During the 2015 financial year, the short-term insurance industry again faced challenging circumstances, particularly in the intermediated segment. Poor economic growth, a singularly weak Rand exchange rate, the consequential cost of regulatory compliance and the effect, albeit less dramatic than in previous years, of aberrant weather events depressed underwriting margins and culminated in further consolidation in Renasa's segment.

Regarding growth, Renasa again capitalised on its expansion strategy (commenced in 2011 with the opening of six new branches and the doubling of its marketing team under the leadership of Nick Beyers - previously CEO of Zurich and before that SA Eagle). Helped by consolidation in its segment Renasa's Gross premiums grew 30,4% in 2015 (2014: 22,0%) to breach the R 1 billion hurdle while the concentration in the more profitable commercial and specialist classes was maintained at 49,8% (2014: 54,0%) and 16,9% (2014: 18,9%) respectively of Gross premiums.

Despite margin strain associated with the high growth achieved and subdued pricing in a competitive segment not yet reflecting the effects of consolidation, owing mainly to a reduced catastrophe experience in 2015, the gross claims ratio improved to 78,5% (2014: 81,7%). However, in line with stricter reinsurance terms, net commission received fell while administration fee income rose in line with Gross premiums. Net operating expenses rose by 14,3% (2014: 5,9%), mainly attributable to increased regulatory compliance costs. In all, an Underwriting loss of R 1,6 million (2014: profit of R 0,4 million) was sustained and, taking investment income into account, a modest Profit of R 2,2 million (2014: Profit of R 2,3 million) was achieved.

Reasonable performance in a difficult market

Renasa's Treaties were renewed on slightly stricter terms (following the impact of catastrophes on Renasa's results). Munich Re continues as the lead reinsurer and the cession remains unchanged. Renasa ended the year with a statutory solvency margin of 34,3% (2014: 43,6%) (which, although below Renasa's target threshold, remains at an acceptable level) and a Capital Adequacy Requirement (CAR) cover ratio in terms of the provisional requirements under the Solvency II regime of 1,13 (2014: 1,45). By the end of the first quarter of 2016, the solvency margin had recovered to 38,7% and the CAR ratio to 1,30. The claims coverage ratio increased to 13,3 months (2014: 11,7 months) and Renasa's A- rating was once again reaffirmed by Global Credit Rating Co.

The senior executive continued virtually unchanged, however, there were various changes to Renasa's management including the appointment post year end of a Cape based Manager: Southern Regions whose target it is to achieve growth in all the Cape provinces so that the Southern Regions contribute to Renasa business which is proportionate to the economic activity in those regions. There were also several changes in Renasa's operational management including the sad passing of Colin Scott, the Head of Risk. Colin was a great contributor to Renasa's progress for almost a decade and he will be sorely missed.

Renasa's goal continues to be the delivery of unparalleled service to independent intermediaries. This is achieved for commercial lines by providing a personalised 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. The "Home of the Independent Broker" campaign which emphasises that Renasa's offering is the most supportive of independent intermediaries and the "Champion of the Independent Broker" campaign which extols the virtues of independent brokers (and counters the critical advertising sponsored by certain direct insurers in years gone by) both continue.

Challenging market conditions persist

While Renasa encountered underwriting margin strain associated with its high growth during the 2015 year, the benefits of the raft of corrective actions (both systemised and otherwise) initiated over the past eighteen months including the achievement of systemised real-time control over premium and pricing for the first time in the intermediated market are expected to be felt during the 2016 year.

Concerning Renasa's 2016 prospects, the severely weakened Rand exchange rate, the added regulatory costs and a parlous economy will all undermine margins, while lower growth (the main impact of consolidation having been absorbed) and the raft of corrective actions implemented during the 2015 year should counteract this and improve margins. Weather patterns, however, remain the unpredictable element, so that cautious optimism can be expressed only subject to there being no aberrant weather events.

MARKET CONDITIONS

As for the two preceding financial years, challenging conditions persisted for the short-term insurance industry and in particular for the intermediated segment.

Still further economic weakness lead to an even more competitive environment in which it remained difficult to raise premiums, improve margins and generate positive underwriting results.

The singular deterioration in the Rand exchange rate lead to upward pressure on repair costs, in particular in the motor class, and a further undermining of margins and results.

Another significant catastrophe hail event resulted in claims comparable in amount with those experienced in the previous year, however, this was mitigated for Renasa by the significant premium growth experienced during the year. This notwithstanding, once again, the impact of these claims contributed to the underwriting loss and increased the cost of reinsurance catastrophe cover despite repeated reports of excess capital in the international reinsurance market.

As before, the cost of regulatory compliance in the modern regulatory regime rose significantly, increasing operating costs and depressing margins. This trend is expected to continue as the impact of the Retail Distribution Review and other regulatory initiatives begins to be felt.

Strong growth despite subdued market conditions

During the 2013 financial year, three direct competitors of Renasa withdrew from the market segment serviced by independent intermediaries and a further competitor withdrew during 2014. Recently two insurers fell prey to consolidation so that there are now very few alternative general insurers which, with Renasa, qualify as alternatives to the four main participants operating in the intermediated segment. The resulting increase in concentration in this market segment is, once more, the primary reason for the significant growth achieved by Renasa as demonstrated by the steep rise in Gross premiums written by Renasa during the current year.

PREMIUM PERFORMANCE – GROWTH TREND CONTINUES

With reference to Renasa's long-term premium income history, after a hiatus during the 2011 year (caused by corrective action and the loss of a significant book of business), when Gross premiums declined, Renasa's strategic response of widening its branch infrastructure under the guidance of Nick Beyers yielded successive increases in Gross premiums in the 2012 and 2013 financial years. As momentum gathered and competitors left Renasa's market segment, this was followed by two years of steep Gross premium growth.

During 2015, Gross premiums grew by 30,4% (2014: 22,0%) to R 1,05 billion (2014: 803,1 million). In response to more stringent underwriting which is possible in the consolidated market which has resulted from the conditions described above, for the first quarter of the 2016 year, Gross premiums grew by a more usual 18,0% (2015: 34,9%) pointing to continued if more subdued growth.

Despite the high growth achieved, the concentration in the generally more profitable commercial classes was maintained within Renasa's target range during 2015 with commercial classes amounting to 49,8% (2014: 54,0%) of Gross premiums. Renasa's strategy remains the pursuit of both commercial and personal lines classes. This is based on the progress Renasa has made in systemised risk selection and claims cost control in the personal lines motor class and its, traditional, personal service of commercial classes where intermediaries are supported by qualified Service Managers who are mandated to provide on the spot underwriting and claims decisions.

Renasa's Personal Lines strategy – supervised independence

Gross premiums from specialist classes grew by 16,8% (2014: 23,2%) to R 176,8 million (2014: R 151,4 million) but off a higher base with annualised year end Gross premiums from these classes amounting to R 201,9 million (2014: R 171,0 million). The achievement of a growth rate for specialist classes which is lower than that for the Company as a whole is a reflection of the pressure in the intermediated segment of the general insurance market. The concentration in specialist classes of 17,7% (2014: 18,7%), however, 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, effective competition by the intermediated market where intermediaries administer policies and claims on systems which are independent of insurer ownership and control ("independent systems"), the same segment which has suffered the consolidation described above, requires an ending of the Laissez-faire approach where insurer control is abdicated. Lack of pricing control affects risk selection, dilutes procurement efficiency and drives up claims costs.

However, Renasa is mindful that the "supervision" it exercises over pricing and claims should not be intrusive and interfere with intermediary operations and procedures or hamper 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. That is "Supervised Independence".

To compete effectively in motor classes when repair costs are escalating (driven by a weak Rand exchange rate and modular vehicle design which raises costly part replacement at repair time) requires disciplined scientifically-based systems. However, until the advent of Renasa's strategy, no such system was available to the 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 personal lines efficiencies, particularly the motor class, which assists 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 authorised to place Renasa on cover for most risks and to authorise 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 is accomplished at service delivery.

SPECIALIST CLASSES AND UNDERWRITING MANAGEMENT AGENTS

Renasa's Commercial Lines strategy – Personal Service

Renasa currently underwrites fourteen (2014: fourteen) specialist classes 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 buydown, 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 greenfields 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 and all the required TCF outcomes are achieved. This is born out by Renasa achieving the lowest ombudsman overturn rate per thousand claims among multiline insurers as defined by Global Credit Rating Company.

MANAGEMENT STRUCTURE

While Renasa's senior executive remained virtually unchanged, for various reasons including those associated with regulatory amendments, there have been other changes to Renasa's Board and management structure during 2015.

During the 2015 year, having retired as Consulting Reinsurance Manager, Mark Haken was reappointed to Renasa's board in a non-executive capacity. His responsibilities have been assumed by a newly appointed Reinsurance Manager, Camilla Collins.

Dedication to independent intermediaries continues

Colin Scott, Renasa's Risk Manager, who was responsible for the underwriting function at Renasa, passed away during the year after nearly ten years with the Company. Colin is sadly missed but remembered for his enormous knowledge and the insight which he so generously shared. Robin Burgess has been appointed as Manager: Underwriting and the Risk function transferred to the newly created position of Manager: Risk and Actuarial, to which Sajiv Issuree has been appointed.

With the development of the Specialist Classes Department into the Specialist Division, now responsible for all distribution which does not fall under main-stream intermediated commercial and personal lines, Matthew Rosenberg, who previously headed the Department, has been appointed Manager of the Division.

Renasa's long-serving Compliance Officer Danie Swart, who also managed the internal audit function, also resigned during the year and his duties have been divided between the newly appointed Internal Audit Manager, Johan Venter and the replacement Compliance Officer, Kaylin de Coning Jacobsz, who rejoins Renasa after qualifying as an attorney. These appointments and that of Sajiv Issuree as Manager: Risk and Actuarial complete the division of duties in the Control Function as required by the current regulatory regime.

Henry Ehlers resigned from the position of General Manager of Claims (but continues as Assistant Manager in the Claims Division) and Chris Elisio, a highly experienced senior insurance executive who holds an ACII qualification, has now assumed that role.

Finally, Neal Engelbrecht, Regional Manager Cape, resigned to return to broking and the position has been filled by Richard Stevens who has previously served in that role. In addition, post year end, Johan Botes, who had previously enjoyed a long and successful career with Santam where he attained a senior management position, was appointed as the Manager: Southern Regions with the responsibility to develop business in the Cape provinces to a level proportionate to their national economic contribution.

MARKETING AND BRAND DEVELOPMENT

Growth and tough markets subdue margins

Renasa has maintained virtually unaltered its marketing strategy, which uses national television, industry journals and web-based media featuring Renasa's icons, Archie Broker and his faithful dog Roger, to raise public and broker awareness of the Renasa brand and also to convey Renasa's range of services and support for the intermediary. The "Home of the Independent Broker" campaign continued, driving home as it does the message that Renasa's offering provides the most supportive mechanisms and services to assist independent intermediaries who perform policy and claims administration. The "Champion of the Independent Broker Campaign", which seeks to extol the virtues of independent brokers and undo some of the harm caused by critical advertising sponsored by certain direct insurers in years gone by, also continued for the 2015 year.

ALIGNMENT STRATEGY

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 marketing campaigns referred to above while Renasa's unique multiple year reinsurance treaties, which commit capacity for the medium term, symbolise this alignment in Renasa's supply arrangements.

UNDERWRITING PERFORMANCE

The usual growth strain associated with the high Gross premium growth experienced by Renasa over the past two years has expectedly manifested in unspectacular underwriting results over the period. While an Underwriting loss of R 1,56 million (2014: Underwriting profit of R 0,4 million) was sustained, this must be considered in the perspective of conditions prevailing in Renasa's market segment. The majority of Renasa's Gross premiums are derived from brokers which administer policies and claims under binder arrangements from several insurers on systems traditionally independent of insurer control, the so-called "independent systems" referred to above.

Where an insurer administers policies and claims on a system under its control, it is no great achievement to secure underwriting and claims control. The same cannot, however, be said for the achievement of underwriting and claims control on business administered on independent systems.

Renasa has for many years worked hard to develop its systems to the point that they 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 independent systems. By these means Renasa has, effectively, achieved systemised real-time control over claims, including where independent systems are used by brokers to administer claims. Shortly, Renasa will be the first insurer to achieve systemised real-time control over premiums and pricing where business is underwritten on independent systems. This latest initiative, which has been in development for the past eighteen months, has already been successfully deployed and is expected to be effective on the vast majority of Renasa's business during the forthcoming year.

Gross claims ratio improves

As mentioned above, the high growth achieved by Renasa is, in part, attributable to the consolidation being experienced in the market. As a significant portion of the business flowing to Renasa pursuant to this consolidation has never had the benefit of the type of premium and pricing control now implemented at Renasa, it is largely mispriced and the growth strain mentioned is in no small measure a result of the absence prior to take on of the controls now implemented at Renasa. Although corrective action at the take on by Renasa seeks to redress the impact of this mispricing, it is generally not possible to exhaust the required action at take on and some time is needed to achieve the desired result. Therefore, newer business tends to depress underwriting margins.

In addition to the development of the real-time control mentioned, a plethora of corrective action has been implemented on Renasa's book over the past eighteen months. This, together with a less strident growth rate, is expected to have a positive impact on underwriting performance in the 2016 year.

FINANCIAL REVIEW

During 2015 Gross premiums grew by 30,4% (2014: 22,0%) to R 1,05 billion (2014: R 803,1 million) with 2016 first quarter gross premiums growing by 18,0% (2014: 34,9%) to an annualised gross premium of R 1,16 billion (first quarter 2014: R 1,19 billion) which indicates the more subdued growth rate following the financial year end.

Owing mainly to reduced catastrophes experienced during the 2015 year, the gross claims ratio improved to 78,5% (2014: 81,7%). While not ideal, the impact on underwriting margins of the growth achieved must be remembered.

Total comprehensive income maintained

Net commission received as a percentage of gross premiums fell to 1,8% (2014: 2,6%) driven by still stricter reinsurance terms in line with local and international market conditions for reinsurance treaties such as Renasa's. Administration fee income grew in line with the increase in Gross premiums while Net operating expenses rose by 14,3% (2014: 5,9%) mainly attributable to increased regulatory compliance costs and an increase in the staff complement of 9,3% to 129 staff (2014: 118) against an increase in Gross premiums of 30,4% (2014: 22,0%). The overall result, however, was an Underwriting loss of R 1,6 million (2014: profit of R 0,4 million). This result is considered satisfactory in light of the difficult marketing conditions and the high growth achieved.

Given improved cash holdings, interest income grew to R 4,6 million (2014: 2,7 million) so that Profit before taxation and Preference Share dividends of R 3,1 million (2014: R 3,1 million) was achieved.

With a tax charge of R 0,9 million (2014: R 0,8 million), the result was Total comprehensive income before Preference Share dividends of R 2,2 million (2014: R2,3 million) and a Return on average Equity of 4,6% (2014: 5,0%).

With market conditions in mind, Renasa's performance for the 2015 year is considered reasonable.

REINSURANCE AND FINANCING

For many years Renasa has secured reinsurance capacity from its leading reinsurers in treaties which have a three year duration 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 is an endorsement of Renasa by reinsurers and commits the capital required to fund Renasa's future growth.

As has been the case for many years, Renasa's cession for the 2015 year was approximately 89,0% and this has increased marginally to 89,5% for the 2016 treaty year.

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

Net Written Premium for the year grew by 27,2% (2014: 22,0%) to R 130,8 million (2014:R 102,8 million). Renasa's solvency margin at the 2015 year end was 34,3% (2014: 43,6%) which, although below Renasa's target threshold, remains acceptable especially given post year end performance and the recovery of the solvency margin and CAR respectively to 38,7% and 1,30 as at 30 September 2015. Careful watch will be maintained on solvency levels and the necessary action taken to maintain adequate solvency until the risk-based solvency regime is finally implemented. Renasa is advanced in its preparation for the risk-based solvency regime and will, before the advent of the new regulations, adjust its capital and reinsurance structure to ensure sufficient solvency.

A- rating reaffirmed

In terms of the provisional requirements under the Solvency II regime, Renasa maintained a Capital Adequacy Requirement (CAR) cover ratio of 1,13 (2014: 1,45) at year end. The claims coverage ratio improved during the 2015 year to 13,3 months (2014:11,7 months). All ratios continue to operate at levels which compare satisfactorily with industry levels.

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

PROSPECTS

Over the past few years, the following factors were identified as being the drivers of future performance:

- The benefits of scale where an overhead growth rate which is lower than the premium growth rate can be achieved;
- Concentration in Renasa's market segment;
- The state of the economy;
- The performance of the Rand exchange rate given its impact on claims costs and, in turn, underwriting margins;
- Weather patterns, in particular, the recurrence of catastrophic hail and flood events; and
- The cost of regulatory change.

Cautious optimism if markets not unkind

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. However, with the growth of the 2015 year, and having regard to the national distribution of general economic activity, it has become more evident that the level of Renasa business in all of the Cape provinces is disproportionately low when compared with that in the rest of the country. Accordingly Renasa's regions have been divided into those falling within the Cape provinces which report to the newly appointed Manager: Southern Regions and the remainder which form the Northern Regions and report as in the past directly to the General Manager: Business Development. The objective of the Manager: Southern Regions, is to develop these regions so that a nationally proportionate spread of Business is achieved. This will in all likelihood require the establishment of additional branches. Therefore, while the benefits of scale are beginning to accrue, some increase in overhead must be expected as new branches are commissioned.

Following the market consolidation of the past few years, nothing similar is immediately expected, however, as consolidations bed down, it is anticipated that business will become more mobile and that opportunities for further market growth will present themselves. Renasa will approach these with caution, implementing appropriate control.

Regarding the influence of general economic performance, it is patent that the poor state of the economy and its growth rate will continue to affect levels of demand and competition translating into pressure on margins.

Likewise, the impact of a severely weakened Rand exchange rate will continue to undermine margins.

Of the weather patterns, it is still not clear whether the catastrophic events of the past few years in South Africa is an established trend, however, in light of poor global weather patterns, the potential for weather events 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 these costs, the collective impact of these margin pressures will translate into subdued profits.

At the end of the 2014 year, with the Renasa's focus on capitalising on its newfound position in the top five general insurers in its segment, cautious optimism was expressed regarding prospects for the 2015 year subject to market conditions not being too unkind. Once again, however, weather related events took their toll and, together with the subdued pricing which foreshadowed market consolidation, combined to subvert margins. Of course, this was exacerbated by the strain of the high growth achieved.

As for Renasa's likely 2016 performance, the impact of the severely weakened Rand exchange rate, additional regulatory related overheads and a parlous economy will all undermine margins. However, slower growth (now that the main impact of consolidation has been absorbed) and the benefit of the raft of corrective actions, systemised and otherwise, implemented during the 2015 year will, hopefully, together, counteract these influences and lead to slightly improved margins. The unpredictable element, however, remains the effect of weather patterns. So, once again, cautious optimism is expressed subject to aberrant weather events.

APPRECIATION

The 2015 year was again one of challenge and accomplishment. Breaching the hurdle of a billion Rand Gross premium was a singular achievement particularly in light of market conditions. Again, my sincere thanks go to our dedicated executive, Board, and staff for their role in this achievement and for the support of our reinsurers and intermediaries without which this would not have been possible.

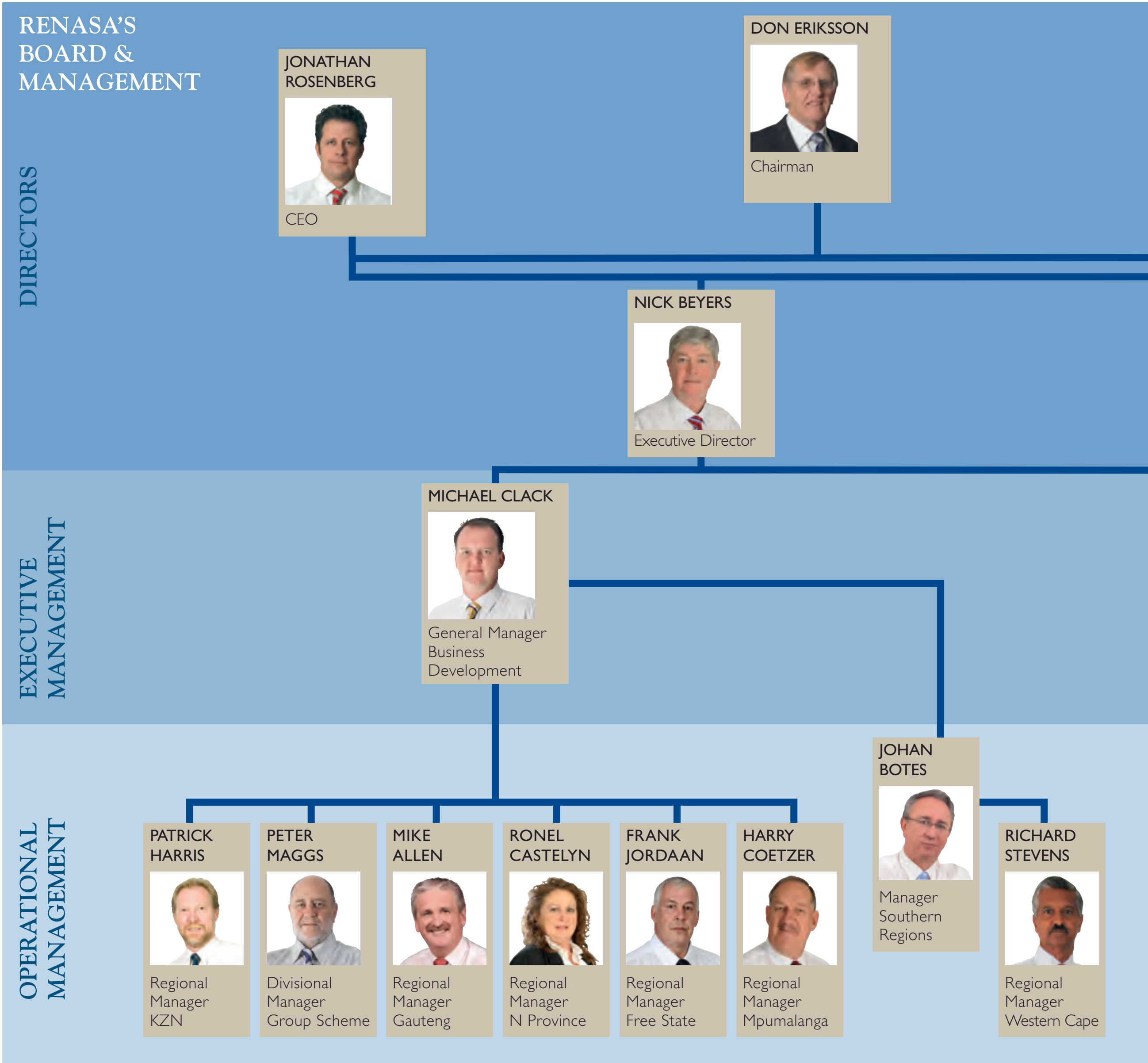
JONATHAN ROSENBERG
Chief Executive Officer

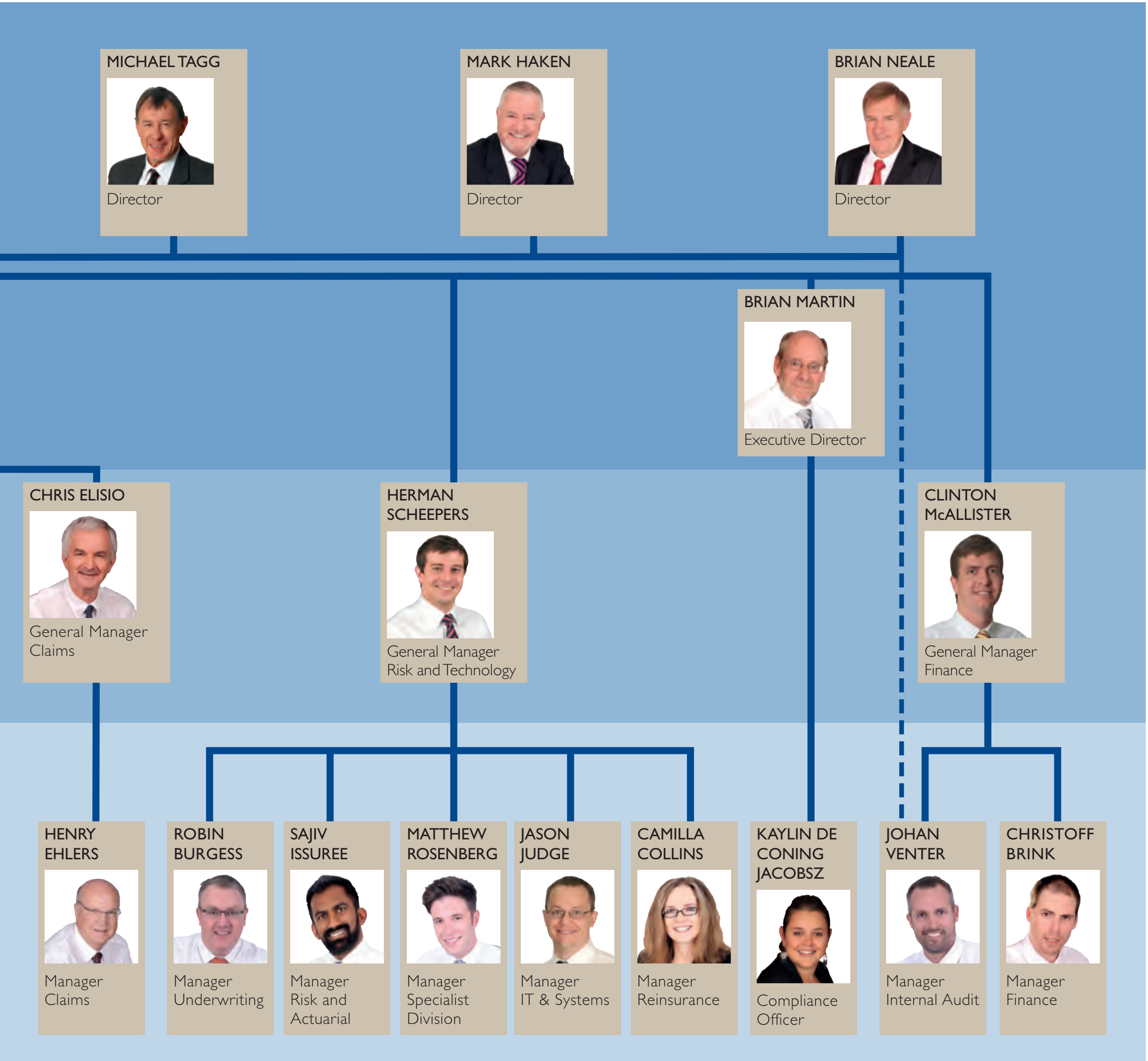
Three Aspects Of South Africa
2007

32 South Africans
2008

RENASA'S ART

RENASA'S BOARD & MANAGEMENT




MICHAEL TAGG
Director
MARK HAKEN
Director
BRIAN NEALE
Director
BRIAN MARTIN
Executive Director
CHRIS ELISIO
General Manager Claims
HERMAN SCHEEPERS
General Manager Risk and Technology
CLINTON McALLISTER
General Manager Finance
HENRY EHLERS
Manager Claims
ROBIN BURGESS
Manager Underwriting
SAJIV ISSUREE
Manager Risk and Actuarial
MATTHEW ROSENBERG
Manager Specialist Division
JASON JUDGE
Manager IT & Systems
CAMILLA COLLINS
Manager Reinsurance
KAYLIN DE CONING JACOBSZ
Compliance Officer
JOHAN VENTER
Manager Internal Audit
CHRISTOFF BRINK
Manager Finance

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

RENASA'S DIRECTORS
(continued)

MICHAEL TAGG

B.Sc (Hons)

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

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

BRIAN NEALE

B Com CA (SA)

Independent Non-Executive Director, Chairman Audit Committee

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.

MARK HAKEN

F.C.I.I., F.I.I.S.A.

Non-Executive Director

Mark 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. Mark has also served 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.

RENASA'S EXECUTIVE MANAGEMENT

MICHAEL CLACK

General Manager
Business Development

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

CHRIS ELISIO

AIISA

General Manager Claims

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

HERMAN SCHEEPERS

B.Comm Insurance, B.Comm (Hons) Actuarial Science and Mathematical Statistics

General Manager Risk and Technology

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

CLINTON McALLISTER

B.Compt.

General Manager Finance, Company Secretary and Public Officer

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

RENASA'S OPERATIONAL MANAGEMENT

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.

JOHAN BOTES

FIISA, National Management Diploma

Manager Southern Regions

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

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 S A 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.

RICHARD STEVENS

Regional Manager Western Cape

Richard spent more than thirty years with Mutual and Federal, Commercial Union and CGU, before joining Renasa in 2005. He is well respected in the Western Cape markets as a knowledgeable and experienced underwriter. Richard assumed his current position in 2015.

HENRY EHLERS

FCII

Manager Claims

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

RENASA'S OPERATIONAL MANAGEMENT
(continued)

ROBIN BURGESS
AIISA
Manager: Underwriting
Robin Burgess started his carrier as a junior underwriter with Mutual & Federal in 1992. After a spell with Fedsure General Insurance Company as a Portfolio Manager he joined ABSA Insurance Brokers before joining Centriq Insurance Company as a Senior underwriter. Robin joined Renasa in 2015. He holds a professional associateship with the Insurance Institute of South Africa and is currently completing his fellowship.

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

MATTHEW ROSENBERG
B.Comm Business Finance and Insurance and Risk Management, B.Comm (Hons) Business Finance
Manager: Specialist Division
After achieving qualifications pertinent to the industry,,, Matthew joined Renasa as a Business Development Consultant in 2011. In 2013 he was appointed Portfolio Manager responsible for Specialist Classes, and then Department Manager. He now heads the recently formed Specialist Division.

JASON JUDGE
B.Sc (Hons)
Manager IT and Systems
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)

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

KAYLIN DE CONING JACOBSZ
LLB, Postgrad Dip Contracts
Compliance Officer
Kaylin is an admitted attorney of the High Court of South Africa. She joined Renasa in 2010 as a legal advisor and was promoted to Claims Legal Manager in 2011. In 2014 she took a sabbatical to complete her articles of clerkship and to be admitted as an attorney. Kaylin rejoined Renasa in 2015 as the Internal Compliance Officer.

JOHAN VENTER
CIA, CRMA
Manager: Internal Audit
Johan has over 13 years' experience in Internal Auditing, Forensics and Operational Risk Management. He began his career in the retail sector where he was involved in several positions responsible for managing Internal Audit and various compliance processes. Johan joined Renasa in 2015 as the manager of the Internal Audit division.

CHRISTOFF BRINK
B.Comm (Accounting and Informatics) B.compt. (Hons) CA (SA)
Manager *Finance*
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.

Three Large Herds
2009

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

CONTENTS

CORPORATE GOVERNANCE

APPLICATION OF GOVERNANCE

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

GOVERNANCE STRUCTURES

The Board of Directors

Constitution and Responsibilities of the Board

The board of directors, which is chaired by an independent non-executive director, comprises four 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 pages 34 and 35.

The function of the board is to:

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

- 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 Committee

Renasa's Audit Committee is mandated by a charter issued by the board. The committee comprises three independent non-executive directors. The purpose of the committee is to assist the board in overseeing and monitoring the activities of the Company and in adopting, implementing and documenting an effective governance framework. The external auditors and head of internal audit have direct access to the committee. The executives may attend meetings by invitation. The committee, which has responsibility for the placement and dismissal of the Manager of Internal Audit, meets at least semi-annually:

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

The Actuarial Risk and Compliance Committee

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

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

- to identify material risks.

The Social and Ethics Committee

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

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

and to report to shareholders on these matters.

The Remuneration Committee

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

Executive Committee

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

Information Systems

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

Claims Management and Procurement

This function includes:

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

Legal and Compliance

This function includes:

- monitoring of the Company's compliance with all relevant statutes and codes;

- conclusion of all contracts entered into by the Company; and
- management of all contested claims and third party recoveries;

Business Development

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

Human Resources

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

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

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

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

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

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

The Executive Committee reviews risk management and internal control outcomes on a frequent ongoing basis taking expedient action to limit exposures when appropriate.

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

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

INTERNAL AUDIT

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

SUSTAINABILITY REPORTING

Social Responsibilities

Renasa's social responsibility commitment has two objectives:

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

In terms of Renasa's external social responsibility, attention is drawn to the Renasa Insurance Training and Education (R.I.T.E.) initiative described more fully on page 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. R.I.T.E has to date distributed the Alphaland Literacy Programme to schools reaching approximately 65 000 learners and in excess of 80 000 reading books to schools in underprivileged communities. Renasa's objective is to provide further teaching aids to the beneficiary schools over the forthcoming year.

Transformation Responsibilities

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

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

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

The Company continues to encourage designated groups. As at 30 June 2015 68.6% (2014: 68.8%) of the total staff complement were from historically designated groups.

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

Code of Ethics

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

ACCOUNTING AND AUDIT

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

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

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

RELATIONS WITH SHARE OWNERS

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

IMPLEMENTATION OF GOVERNANCE CODES

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

RESPONSIBILITY FOR AND DIRECTORS' APPROVAL OF THE FINANCIAL STATEMENTS *for the year ended 30 June 2015*

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The directors of the Company are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The financial statements presented on pages 58 to 91 have been prepared in accordance with International Financial Reporting Standards 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 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 pages 34 and 35 of this report. The board of directors meets at least on a

RESPONSIBILITY FOR AND DIRECTORS' APPROVAL OF THE FINANCIAL STATEMENTS *for the year ended 30 June 2015* (continued)

quarterly basis to monitor the Company's performance as well as to set strategy and policy for the Company.

AUDIT COMMITTEE

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

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

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

REMUNERATION COMMITTEE

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

The members of the Remuneration Committee are:

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

EMPLOYMENT EQUITY

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

RESPONSIBILITY FOR AND DIRECTORS' APPROVAL OF THE FINANCIAL STATEMENTS *for the year ended 30 June 2015* (continued)

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements appearing on pages 58 to 91 were approved by the board of directors on 28 October 2015 and are signed on its behalf by:

DG Eriksson
Chairman

JB Rosenberg
Chief Executive Officer

INDEPENDENT AUDITOR'S REPORT

for the year ended 30 June 2015

TO THE SHAREHOLDERS OF RENASA INSURANCE COMPANY LIMITED

We have audited the financial statements of Renasa Insurance Company Limited set out on pages 58 to 91, which comprise the statement of financial position as at 30 June 2015, 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 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 about 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 judgment, 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

INDEPENDENT AUDITOR'S REPORT

for the year ended 30 June 2015 (continued)

accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of Renasa Insurance Company Limited as at 30 June 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

OTHER MATTER

Users should note that these are not the annual financial statements, as required by Section 30 of the Companies Act of South Africa. Renasa Insurance Company Limited has prepared annual financial statements for the year ended 30 June 2015, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa on which we issued a separate auditor's report to the shareholders of Renasa Insurance Company Limited dated 28 October 2015.

Deloitte & Touche

Deloitte & Touche *Registered Auditors*
Per: P Stedall *Partner*
28 October 2015
Deloitte Place, 20 Woodlands Drive, Woodmead.

STATEMENT OF FINANCIAL POSITION

at 30 June 2015

	NOTES	30 JUNE 2015	30 JUNE 2014
		R'000	R'000
ASSETS			
Non current assets		6 357	5 536
Fixed assets	2	5 321	4 475
Intangible assets	3	1 036	1 061
Investment in subsidiary	4	-	-
Technical assets			
Reinsurers' share of technical provisions		166 491	159 354
- Unearned premiums		25 297	21 257
- Outstanding claims		141 194	138 097
Current assets		186 898	163 675
Accounts receivable		27 739	38 416
Premiums receivable		46 946	47 980
Amounts owing from reinsurers	5	1 620	1 620
Investments at fair value	6	61	61
Deferred acquisition costs		5 066	4 183
Value added tax		306	274
Cash and cash equivalents		105 160	71 141
TOTAL ASSETS		359 746	328 565

STATEMENT OF FINANCIAL POSITION

at 30 June 2015 (continued)

	NOTES	30 JUNE 2015	30 JUNE 2014
		R'000	R'000
EQUITY AND LIABILITIES			
Capital and reserves		43 946	42 099
Share capital	7	5	5
Share premium	8	50 495	50 495
Accumulated loss		(6 554)	(8 401)
Non-current liabilities			
Preference shares	9	5 000	5 000
Equity and preference shares		48 946	47 099
Technical provisions		190 206	182 029
Gross outstanding claims		154 412	150 697
IBNR provision	10	7 071	7 216
Gross provision for unearned premiums		28 723	24 116
Current liabilities		120 594	99 437
Accounts payable		38 167	32 242
Amount owing to reinsurers		81 635	66 963
Current tax payable		792	232
TOTAL EQUITY AND LIABILITIES		359 746	328 565

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2015

	NOTES	30 JUNE 2015	30 JUNE 2014
		R'000	R'000
Gross premiums		1 047 582	803 114
Reinsurance premiums		(916 797)	(700 275)
Net premiums		130 785	102 839
Change in provision for unearned premiums net of reinsurance		(568)	(734)
Change in gross provision		(4 608)	(6 134)
Reinsurers' share		4 040	5 400
Net earned premium		130 217	102 105
Net commission		18 502	20 867
Commission incurred		(159 547)	(123 299)
Commission recovered		178 049	144 166
Claims incurred net of reinsurance		(94 906)	(72 900)
Claims paid		(94 432)	(70 250)
- gross amount		(815 529)	(629 718)
- reinsurers' share		721 097	559 468
Change in provision for claims		(474)	(2 650)
- gross amount		(3 571)	(21 738)
- reinsurers' share		3 097	19 088
Administration fee income		20 962	17 122
Net operating expenses		(76 333)	(66 791)
Underwriting (loss) / profit		(1 558)	403
Interest paid		(60)	(16)
Interest income		4 686	2 742
Profit before taxation and finance cost on preference shares	12	3 068	3 129
Taxation	13	(859)	(839)
PROFIT BEFORE FINANCE COSTS ON PREFERENCE SHARES		2 209	2 290

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2015 (continued)

	NOTES	30 JUNE 2015	30 JUNE 2014
		R'000	R'000
PROFIT BEFORE FINANCE COSTS ON PREFERENCE SHARES		2 209	2 290
Finance cost on preference shares		(362)	(335)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1 847	1 955

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2015

	SHARE CAPITAL	SHARE PREMIUM	ACCUMULATED LOSS	TOTAL
	R'000	R'000	R'000	R'000
Balance at 1 July 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
Total comprehensive income for the year	-	-	1 847	1 847
Dividends declared	-	-	-	-
Balance at 30 June 2015	5	50 495	(6 554)	43 946
Notes	7	8		

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STATEMENT OF CASH FLOWS

for the year ended 30 June 2015

	30 JUNE 2015	30 JUNE 2014
	R'000	R'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Underwriting (loss) / profit	(1 558)	403
Depreciation	2 805	3 059
Amortisation of intangible assets	25	26
Adjustment to provision for unearned premium	568	734
Operating profit before working capital changes	1 840	4 222
Working capital changes	31 866	24 603
Increase in outstanding claims and IBNR	473	2 650
Decrease in accounts receivable	9 762	3 282
Increase in accounts payable	5 925	6 878
Increase in amounts due to reinsurers	14 672	23 069
Decrease / (Increase) in premiums receivable	1 034	(11 276)
Cash generated by operating activities	33 706	28 825
Interest paid	(422)	(351)
Interest income	4 686	2 742
Taxation paid	(300)	(263)
NET CASH INFLOW FROM OPERATING ACTIVITIES	37 670	30 953

STATEMENT OF CASH FLOWS

for the year ended 30 June 2015 (continued)

	30 JUNE 2015	30 JUNE 2014
	R'000	R'000
CASH UTILISED IN INVESTING ACTIVITIES	(3 651)	(2 848)
Purchase of fixed assets	(3 651)	(2 848)
NET INCREASE IN CASH AND CASH EQUIVALENTS FOR THE YEAR	34 019	28 105
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	71 141	43 036
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	105 160	71 141

1. ACCOUNTING POLICIES

1.1 Basis of preparation

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

1.2 Statement of compliance

The financial statements are prepared in accordance with IFRS and its interpretations issued by the International Accounting Standards Board.

1.3 Classification of contracts

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

1 ACCOUNTING POLICIES (continued)

1.3 Classification of contracts (continued)

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

Reinsurance

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

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

1.4 Recognition and measurement of contracts

Premium

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

1 ACCOUNTING POLICIES (continued)

1.4 Recognition and measurement of contracts (continued)

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

Unearned premium provision

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

Claims

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

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

Deferred acquisition costs

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

Reinsurance

Amounts recoverable under reinsurance contracts are assessed for impairment at each statement of financial position date.

1 ACCOUNTING POLICIES (continued)

1.4 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.

1.5 Fixed assets

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

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

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

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

1 ACCOUNTING POLICIES (continued)

1.5 Fixed assets (continued)

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

1.6 Retirement benefits

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

1.7 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.

1.8 Contingencies and commitments

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

1 ACCOUNTING POLICIES (continued)

1.9 Intangible assets

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

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

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

1.10 IBNR provision

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

1 ACCOUNTING POLICIES (continued)

1.10 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 to be adequate.

1.11 Investment income

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

1.12 Commissions

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

1.13 Financial instruments

Measurement

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

1 ACCOUNTING POLICIES (continued)

1.13 Financial instruments (continued)

derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Loans and receivables

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

Cash and cash equivalents

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

Financial liabilities

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

Equity instruments

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

Financial assets

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

1 ACCOUNTING POLICIES (continued)

1.13 Financial instruments (continued)

Offset

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

1.14 Impairment of financial assets

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

1.15 Provisions

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

1.16 Cash and cash equivalents

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

1.17 Provision for claims

Provision for claims is made on a prudent basis for the estimated final cost of all claims that have not been settled at statement of financial position date.

1 ACCOUNTING POLICIES (continued)

1.18 Standards and interpretations in issue not yet adopted

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).

1.19 Taxation

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

Deferred tax is provided using the statement of financial position liability method, based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the reporting date. Deferred tax is charged to the statement of comprehensive income except to the extent that it relates to a transaction that is recognised directly in equity, or a business combination that is an

1 ACCOUNTING POLICIES (continued)

1.19 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.

1.20 Operating leases

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

1.21 Related-party transactions

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

1.22 Investment in subsidiary

Investment in the subsidiary is accounted for at cost less provision for impairments.

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 2015						
Opening net book value	3 604	392	157	204	118	4 475
Additions	3 523	100	-	28	-	3 651
Depreciation	(2 580)	(132)	(12)	(81)	-	(2 805)
Closing net book value	4 547	360	145	151	118	5 321
AT 30 JUNE 2015						
Cost	20 735	2 830	183	1 657	118	25 523
Accumulated depreciation	(16 188)	(2 470)	(38)	(1 506)	-	(20 202)
Net book value	4 547	360	145	151	118	5 321
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

3. INTANGIBLE ASSETS

	LONG-TERM CONTRACTS WITH CUSTOMERS	AQUISITION-RELATED INTANGIBLE ASSETS	TOTAL
	R'000	R'000	R'000
Balance at 1 July 2013	143	944	1 087
Amortisation	(26)	-	(26)
Balance at 30 June 2014	117	944	1 061
Amortisation	(25)	-	(25)
Balance at 30 June 2015	92	944	1 036

4. INVESTMENT IN SUBSIDIARY

	30 JUNE 2015	30 JUNE 2014
	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.

	30 JUNE 2015	30 JUNE 2014
	R'000	R'000

5. 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

6. INVESTMENTS AT FAIR VALUE

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

A register of investments is available for inspection at the registered office of the Company. The unlisted shares are measured at fair value determined at "Level 2" in terms of the Fair Value Hierarchy.

7. SHARE CAPITAL

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

	30 JUNE 2015	30 JUNE 2014
	R'000	R'000

8. 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

9. NON-CURRENT LIABILITIES

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

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 2015. 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 80)

	30 JUNE 2015	30 JUNE 2014
	R'000	R'000

(From page 79)

At the reporting date dividends in the sum of R 361 917 had been accrued or paid in respect of preference shares. The preference shareholders have indicated that they will not redeem the shares in the forthcoming financial year and therefore the preference shares are reflected as a non-current liability. The preference shares are reflected at net of proceeds and are not discounted due to the uncertainty with respect to the future redemption date.

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

At the beginning of the year	7 216	5 875
Change during the year	(145)	1 341
At the end of the year	7 071	7 216

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

11. 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)	48 946	47 099
Net premium	130 785	102 839
Solvency margin	37.4%	45.8%

	30 JUNE 2015	30 JUNE 2014
	R'000	R'000

12. PROFIT BEFORE TAXATION

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

Auditor's remuneration	817	670
- Audit fees	817	670
Directors' Emoluments	8 696	8 039
- Executive	7 899	7 377
- Non-Executive	797	662
Operating lease charges	3 729	3 357
- Buildings	3 340	2 993
- Equipment	389	364
Depreciation	2 805	3 059
- Computer equipment and software	2 580	2 839
- Furniture, fittings and office equipment	132	127
- Machinery	12	12
- Leasehold improvements	81	81
Amortisation of intangible assets	25	26
- Long-term contracts with customers	25	26
Staff costs	40 684	34 386
- Current year costs	40 684	34 386
Remuneration other than to employees	2 356	2 699
- Consultancy fees	1 201	2 458
- Legal fees	1 155	241

	30 JUNE 2015	30 JUNE 2014
	R'000	R'000

13. TAXATION

	30 JUNE 2015 R'000	30 JUNE 2014 R'000
SOUTH AFRICAN NORMAL TAXATION		
Current taxation charge	859	496
	859	496
DEFERRED TAXATION:		
Current year	-	343
	-	343
Taxation as per statement of comprehensive income	859	839
Tax rate recon:		
Effective rate	32%	30%
Disallowable expenditure	(4%)	(2%)
Standard rate	28%	28%

14. LEASE COMMITMENTS

	30 JUNE 2015 R'000	30 JUNE 2014 R'000
Due within 1 year:	4 389	4 408
- Buildings	4 197	4 180
- Equipment	192	228
Due after 1 year:	8 138	7 720
- Buildings	7 952	7 261
- Equipment	186	459
TOTAL DUE	12 527	12 128

15. 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 2015	30 JUNE 2014
	R'000	R'000
If the interest rate changes by 1%, the impact on interest earned would be an increase or decrease in profits.	882	571

15. 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 2015				
Financial liabilities	71 289	47 526	5 988	124 803
Claims IBNR	2 475	3 536	1 060	7 071
Net outstanding claims	4 627	6 609	1 982	13 218
TOTAL	78 391	57 671	9 030	145 092
AT 30 JUNE 2014				
Financial liabilities	59 523	39 682	5 000	104 205
Claims IBNR	2 526	3 608	1 082	7 216
Net outstanding claims	4 410	6 300	1 889	12 599
TOTAL	66 459	49 590	7 971	124 020

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.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

	30 JUNE 2015	30 JUNE 2014
	R'000	R'000
MAXIMUM EXPOSURE TO CREDIT RISK		
Premiums receivable	46 946	47 980
Accounts receivable	27 739	38 416
- Related party receivables	19 691	25 377
- Other receivables	8 048	13 039
Cash and cash equivalents	105 160	71 141
Reinsurers' share of outstanding claims	141 194	138 097
Amount owing from reinsurers	1 620	1 620
	322 659	297 254
CREDIT RISK ANALYSIS		
Receivables neither past due nor impaired	312 991	282 595
- Related party receivables	19 691	25 377
- Premiums receivable	46 946	47 980
- Reinsurers' share of outstanding claims	141 194	138 097
- Cash and cash equivalents	105 160	71 141
- Other receivables	-	-
Receivables past due but not impaired		
- Other receivables	8 048	13 039
Receivables past due and impaired	1 620	1 620
- Amount owing from reinsurers	2 155	2 155
- Other receivables	-	-
- Impairment raised	(535)	(535)
TOTAL	322 659	297 254

15. 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.

16. INSURANCE RISK MANAGEMENT

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

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

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

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

16. 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 2015 is adequate.

16. INSURANCE RISK MANAGEMENT (continued)

AT 30 JUNE 2015					
	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	3 005	13 282	158	3 371	19 816
Claims incurred	13 783	68 113	(106)	13 115	94 905
Claims paid	(16 413)	(67 641)	188	(10 566)	(94 432)
Outstanding claims and IBNR Closing	375	13 754	240	5 920	20 289
PREMIUMS					
Gross premiums	234 971	632 108	7 267	173 236	1 047 582
UPR movement	(2 579)	(1 143)	690	(1 576)	(4 608)
Gross earned premiums	232 392	630 965	7 957	171 660	1 042 974
Premiums ceded to reinsurers	(212 289)	(540 213)	(7 162)	(153 093)	(912 757)
Net earned premiums	20 103	90 752	795	18 567	130 217
DEFERRED ACQUISITION COSTS					
Opening balance	1 087	676	494	1 926	4 183
Movement	370	71	(49)	491	883
Closing balance	1 457	747	445	2 417	5 066

16. 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 FINANCIAL STATEMENTS

for the year ended 30 June 2015 (continued)

17. 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.

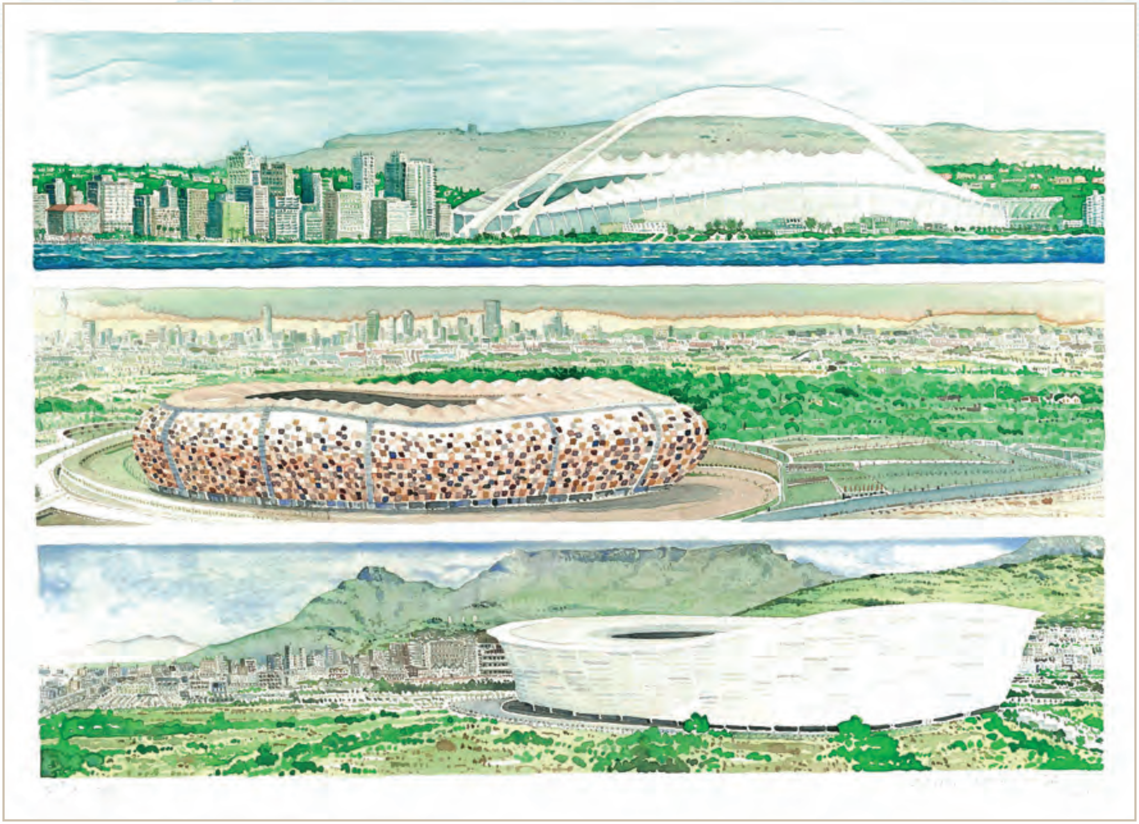
	30 JUNE 2015	30 JUNE 2014
	R'000	R'000
RELATED PARTY BALANCES		
Amounts owing by related parties	19 691	25 377
- Holding company	10 800	19 993
- Subsidiaries	8 119	6 809
- Group companies	3 348	2 627
- Key management	-	40
- Other	(2 576)	(4 092)

17. RELATED PARTY TRANSACTIONS (continued)

	30 JUNE 2015	30 JUNE 2014
	R'000	R'000
RELATED PARTY TRANSACTIONS		
Interest and rentals (received from) / paid to related parties	2 091	2 017
- Holding company	(327)	-
- Subsidiaries	-	-
- Group companies	(540)	(635)
- Other	2 958	2 652
Net (Sales to) / purchases from related parties	7 722	9 685
- Holding company	-	-
- Subsidiaries	-	-
- Group companies	(369)	5 423
- Other	8 091	4 262

18. 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.



Three Stadiums
2010

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specialist in insurance of 4x4 and other adventure lifestyle requirements

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specialist in agreed value motor policies

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IVP INCEPTION VALUE POLICY

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specialist in performance, retention, advance payment and bid bonds or guarantees

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AON BENFIELD

COTSWOLD REINSURANCE SERVICES

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MRoA/MMRC Munich Re Group

R+V RE

PartnerRe

Santam re

infiniti insurance

ECHO RE

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GIC Re SA Ltd.

AUDITORS, RATING AGENCY AND LEGAL COUNSEL

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GCR GLOBAL CREDIT RATING CO.
Local Expertise • Global Presence

NORTON ROSE FULBRIGHT

RENASA'S ART

South African Transport
2011

Three South African Trees
2012

Three South African Landmarks
2013

Three Iconic South African Buildings
2014

RENASA

INSURANCE COMPANY LIMITED