

आपत्काले रक्षिष्यामि
GIC Re SA Ltd.

GIC RE SOUTH AFRICA LTD

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

The financial statements have been audited in compliance with Section 30 of the South African Companies Act 71 of 2008.

Prepared under the supervision of:
D. Prasad
Managing Director and Chief Executive Officer

GIC RE SOUTH AFRICA LTD
REGISTRATION NUMBER 1956/003037/06
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

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DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for the preparation and fair presentation of the annual financial statements of GIC Re South Africa Ltd, comprising the statement of financial position as at 31 March 2016, and the statements of comprehensive income, changes in equity and cash flows for the period then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. In addition the directors are responsible for preparing the Directors' report.

The directors are also responsible for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the company to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

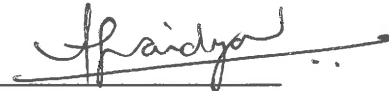
The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the annual financial statements

The annual financial statements of GIC Re South Africa Ltd, as identified in the first paragraph, were approved by the board of directors on 24 June 2016 and are signed on their behalf by



D Prasad
Authorised Managing Director



A G Vaidyan
Chairman

Declaration of the Company Secretary

In terms of S88 (2)(e) of the Companies Act 71 of 2008, I certify that in respect of the financial period ended 31 March 2016, the company has lodged with the Registrar of Companies all such returns that are required by the Companies Act, and that all such returns are to the best of my knowledge and belief, true, correct and up to date.



I Blaikie
Company Secretary

AUDIT COMMITTEE REPORT

In addition to having specific statutory responsibilities, the audit committee is a sub-committee of the board of directors. It assists the board through advising and making recommendations on financial reporting, oversight of financial risk management and internal financial controls, external audit functions and statutory and regulatory compliance of the company. General risk management remains the responsibility of the board.

Terms of reference

The audit committee has adopted the formal terms of reference that have been approved by the board of directors, and has executed its duties during the past financial year in accordance with these terms of reference.

The composition of the audit committee

Name	Appointed	Resigned	Qualifications	Position	Independent
S Bhikha	24-Apr-14		B Compt Hons CA(SA)	Chairman	Yes
N Mohan	24-Apr-14	31-May-15	FCII, B Com, ICSI India	Member	No
J Bagg	24-Apr-14		B.Sc. FASSA, FIA, ASA	Member	Yes
B Balachandra	13-Jul-15	04-Feb-16	B.Sc., AllI	Member	No

The executive directors and external auditor attend the committee meetings by invitation only. The external auditor has unrestricted access to the audit committee.

Meetings

The audit committee held three meetings during the year. Attendance at the meetings is shown below:

	13-Jul-15	09-Sep-15	13-Feb-16
Members			
S Bhikha	Yes	Yes	Yes
J Bagg	Yes	Yes	Yes
B Balachandra	Yes	Yes	-
Guests			
A G Vaidyan (Chairman of the Board, Non-executive)	-	-	Yes
YR Sunkara (Managing Director & Chief Executive Officer)	Yes	Yes	Yes
D Prasad (Managing Director & Chief Executive Officer Designate)	-	-	Yes
A Malherbe (External Auditor)	Yes	No	No
A Vos (External Auditor)	Yes	No	No
C Falconer (Life Actuary)	Yes	No	No

AUDIT COMMITTEE REPORT (CONTINUED)

Statutory duties

In the execution of its statutory duties, as required in terms of the Companies Act, during the past financial year the audit committee has:

- Ensured the re-appointment as external auditor of the company of a registered auditor who, in the opinion of the audit committee, is independent of the company.
- Determined the fees to be paid to the external auditor and such auditor's terms of engagement.
- Ensured that the appointment of the external auditor complies with this Act and any other legislation relating to the appointment of such auditor.
- Considered the independence of the external auditor and has concluded that the external auditor has been independent of the company throughout the year taking into account all other non-audit services performed and circumstances known to the committee.
- Confirmed that there were no complaints relating to the accounting practices of the company, the content or auditing of its financial statements, the internal financial controls of the company, or to any related matter.
- Based on reports from the external auditor, and appropriate inquiries, made submissions to the board on any matter concerning the company's accounting policies, financial control, records and reporting, including input to the board's statement regarding control effectiveness.

Legal requirements

The audit committee has complied with all applicable legal, regulatory and other responsibilities for the year under review.

Annual financial statements

Following our review of the annual financial statements of GIC Re South Africa Ltd for the year ended 31 March 2016, we are of the opinion that, in all material respects, they comply with the relevant provisions of the Companies Act and International Financial Reporting Standards, and that they fairly present the financial position at 31 March 2016 and the results of operations and cash flows for the year then ended.



S Bhikha
Chairman of the audit committee
24 June 2016

INDEPENDENT AUDITOR'S REPORT

To the shareholder of GIC Re South Africa Ltd

Report on the financial statements

We have audited the financial statements of GIC Re South Africa Ltd, which comprise the statement of financial position at 31 March 2016, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, as set out on pages 15 to 49.

Directors' responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of GIC Re South Africa Ltd at 31 March 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

INDEPENDENT AUDITOR'S REPORT (continued)

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 31 March 2016, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Report on other legal and regulatory requirements

In terms of the IRBA rule published in Government Gazette 39475 dated 4 December 2015, we report that KPMG Inc. has been the auditor of GIC Re South Africa Ltd for 2 years.

KPMG Inc.
Registered Auditor



Per Antoinette Malherbe
Chartered Accountant (SA)
Registered Auditor
Director
24 June 2016

Private Bag 9
Parkview
2122

KPMG Crescent
85 Empire Road
Parktown
2193

GIC RE SOUTH AFRICA LTD
STATUTORY ACTUARY'S REPORT (LIFE BUSINESS)
AS AT 31 MARCH 2016
STATEMENT OF ASSETS, LIABILITIES, EXCESS ASSETS AND
CAPITAL REQUIREMENTS

	<u>Year ended</u> <u>31 March</u> <u>2016</u> <u>R '000</u>	<u>15 months ended</u> <u>31 March</u> <u>2015</u> <u>R '000</u>
Published Reporting Basis		
Total value of life assets as per statement of financial position	42 607	39 565
Actuarial value of policy liabilities	17 898	15 091
Current and other liabilities as per the life statement of financial position	5 868	2 606
Total value of liabilities	23 766	17 697
Excess Assets	<u>18 841</u>	<u>21 868</u>
Statutory Basis		
Total value of assets as per life statement of financial position	42 607	39 565
Disallowed assets	(684)	(546)
Value of assets on the Statutory Basis	<u>41 923</u>	<u>39 019</u>
Actuarial value of life policy liabilities	17 898	15 091
Current and other liabilities as per life statement of financial position	5 868	2 606
Total value of liabilities	<u>23 766</u>	<u>17 697</u>
Excess Assets	18 157	21 321
Capital Adequacy Requirements	10 000	10 000
CAR Cover	182%	213%
Analysis of change in Excess Assets on Published Reporting Basis		
The excess of the value of assets over the value of liabilities has changed as follows over the reporting period:		
Excess Assets at end of reporting period	18 841	21 868
Excess Assets as at beginning of reporting period	21 868	18 587
Change in Excess Assets over the reporting period	<u>(3 027)</u>	<u>3 281</u>

GIC RE SOUTH AFRICA LTD
STATUTORY ACTUARY'S REPORT - LIFE BUSINESS (CONTINUED)
AS AT 31 MARCH 2016
LIFE - STATEMENT OF ASSETS, LIABILITIES, EXCESS ASSETS AND
CAPITAL REQUIREMENTS (CONTINUED)

	<u>Year</u> <u>ended</u> <u>31 March</u> <u>2016</u> <u>R '000</u>	<u>15 months</u> <u>ended</u> <u>31 March</u> <u>2015</u> <u>R '000</u>
The change in the excess assets is due to the following factors:		
Investment return generated by excess assets over liabilities:		
Investment income	1 083	980
Capital appreciation	332	260
Total investment return on excess assets	1 415	1 240
Operating profit/(loss)	(2 161)	728
Changes in valuation methods or assumptions	(2 280)	1 313
Reported profit in annual financial statements	(3 026)	3 281
Total change in Excess Assets	(3 026)	3 281
Reconciliation of Excess Assets between Published Reporting Basis and Statutory Basis		
Excess Assets on Published Reporting Basis	18 841	21 868
Less: Asset Adjustments in terms of Schedule 3 of the Act	(684)	(546)
Excess Assets on Statutory Basis	18 157	21 322

GIC RE SOUTH AFRICA LTD
STATUTORY ACTUARY'S REPORT (LIFE BUSINESS)
AS AT 31 MARCH 2016
NOTES TO THE STATEMENT OF ASSETS, LIABILITIES, EXCESS ASSETS AND
CAPITAL REQUIREMENTS

Changes in Published Reporting Valuation Methods or Assumptions

The value of net liabilities as at 31 March 2016 increased by R2.280 million as a result of changes to the valuation assumptions.

The main assumption changes were as follows (excluding compulsory margins):

- The expense inflation assumption for business valued on a discounted cashflow basis was increased from 5.69% p.a. to 6.97% p.a. due to changes in the inflation curve;
- The interest rate assumption for business valued on a discounted cashflow basis was increased from 7.25% p.a. to 8.75 % p.a.
- The assumed operating ratio increased due to poor claims experience resulting in the need for a deficiency/contingency reserve.

Published Reporting Valuation Methods and Assumptions

The valuation was performed using the Statutory Valuation Method for insurance contracts. Assets and policy liabilities have been valued on methods and assumptions that are consistent with each other.

The result of the valuation methods and assumptions is that profits are released appropriately over the term of each policy, to avoid premature recognition of profits that may give rise to losses in later years.

Published Reporting Liability Valuation Methods and Assumptions

In the calculation of liabilities, provision has been made for:

- * The best-estimate of the future experience, plus
- * The compulsory margins prescribed by SAP104, plus
- * Discretionary margins to ensure the release of profits consistent with policy design and to allow for any additional uncertainty.

The effect of the discretionary margins amounts to R0.451 million. This is the result of the elimination of negative reserves on certain classes of business as well as the inclusion of a 7.5% margin on the UPR.

The reserves for term, PHI and Waiver of Premium classes were established by discounting the future expected net claims and net expense and commission outgo, less the future net office premiums (if any) on a policy-by-policy basis. The main assumptions (inclusive of compulsory margins as outlined in SAP104) were:

GIC RE SOUTH AFRICA LTD
STATUTORY ACTUARY'S REPORT - LIFE BUSINESS (CONTINUED)
AS AT 31 MARCH 2016
LIFE - NOTES TO THE STATEMENT OF ASSETS, LIABILITIES, EXCESS ASSETS AND
CAPITAL REQUIREMENTS (CONTINUED)

For the Term Business:

Investment return	: 8.50% p.a.
Renewal expenses	: 30% of net premiums
Mortality	: 134.4% of SA85/90 plus 5.4% Doyle Pattern II
Lapse rate	: 7.5% in all years
Commission	: 24% of net premiums

For the WOP and PHI Business:

Investment return	: 8.50% p.a.
Renewal expenses	: R275 per policy p.a.
Expense inflation	: 7.66% p.a.
Mortality	: 138.7% of SA85/90
Inception Rate	: 105% of CMIR12 (deferred 14 weeks)
Benefit Escalation	: 6% active; 9% claimants
Premium Escalation	: Benefit escalation + 1%

For risk premium business an Unexpired Risk Reserve was established by multiplying the assumed operating ratio by the Unearned Premium Reserve (UPR).

An Incurred But Not Reported (IBNR) reserve of 1.59 months claims was established for risk premium business while an IBNR of 8 months premium was established for PHI business.

The Profit Commission reserve is the sum of all outstanding payments to be made to cedants plus interest owing on these amounts.

Where credible experience data existed, the parameters were based on experience investigations undertaken during the financial year.

Policyholder reasonable benefit expectations have been allowed for. All contractual obligations have been taken into account. All business is written on a non-profit basis.

Published Reporting Asset Valuation Methods and Assumptions

All assets (including the excess of assets over liabilities) have been valued as described in the notes to the company accounts.

GIC RE SOUTH AFRICA LTD
STATUTORY ACTUARY'S REPORT - LIFE BUSINESS (CONTINUED)
AS AT 31 MARCH 2016
LIFE - NOTES TO THE STATEMENT OF ASSETS, LIABILITIES, EXCESS ASSETS AND
CAPITAL REQUIREMENTS (CONTINUED)

Statutory Capital Adequacy Requirements

The Statutory Capital Adequacy Requirement (CAR) is the additional amount required, over and above the actuarial liabilities, to enable the company to meet material deviations in the main parameters affecting the life assurer's business.

The Statutory CAR was calculated in accordance with SAP104 issued by the Actuarial Society of South Africa.

For the purpose of grossing up the Immediate Ordinary Capital Adequacy Requirements (IOCAR) to determine the Ordinary Capital Adequacy Requirements (OCAR), it has been assumed that assets backing the CAR are invested in cash.

The OCAR exceeded the Terminal Capital Adequacy Requirements (TCAR), and thus the CAR has been based on the OCAR.

In terms of the Board Notice of 2010, a minimum Capital Adequacy Requirement (MCAR) applies. The MCAR for the Company is R10 million which exceeds the OCAR described above, and thus the CAR has been based on the MCAR.

Certificate of Financial Position

I hereby certify that:

- * The valuation on the Statutory Basis of GIC Re South Africa Ltd as at 31 March 2016, the results of which are summarised above, has been conducted in accordance with, and this Statutory Actuary's Report has been produced in accordance with, applicable Actuarial Society of South Africa's Advisory Practice Notes and Standard of Actuarial Practice;
- * In terms of Section 31(c) of the Long-Term Act of 1998, some of the Company's assets exceed the maximum allowable level. However, after adjusting the assets for the asset spreading restrictions, the Company is still in a financially sound position.
- * The Company was financially sound on the Statutory basis as at the valuation date, and in my opinion is likely to remain financially sound for the foreseeable future.



PC Falconer
Statutory Actuary
23-Jun-16

GIC RE SOUTH AFRICA LTD
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2016

The directors have pleasure in presenting their report for the year ended 31 March 2016.

Business

GIC Re South Africa Ltd is a 100% owned subsidiary of General Insurance Corporation of India (GIC Re), which is fully owned by the Government of India. GIC Re acquired saXum Reinsurance Limited, a composite (Life and Non-Life) reinsurer in April 2014. The Company name was changed from saXum Reinsurance Limited to GIC Re South Africa Ltd after the approval from the Financial Services Board and the Companies and Intellectual Property Commission.

GIC Re South Africa Ltd holds a composite licence, but to date only short-term reinsurance has been activated. Life Reinsurance is expected to be activated in 2017.

GIC Re South Africa Ltd's vision is to become a truly African Reinsurer. The core business philosophy includes reinsurance capacity development in Sub-Saharan Africa, application of state of the art technology, mutually beneficial relationships, benchmarking reinsurance and service delivery mechanisms and professional attitude.

The company was rated BB+ (Global) and zaA+ (National) with a stable outlook by S&P ratings in July 2015.

GIC Re South Africa Ltd's operation in Johannesburg commenced underwriting business on 1 January 2015. For the year ended 31 March 2016, the company recorded a growth of 113%* in GWP as accounted.

South Africa Economic Outlook:

Global economic growth prospects continued to experience significant challenges. China's slowing growth, declining global commodity prices and the strengthening of the US dollar against emerging market currencies are threatening the growth prospects of economies like South Africa.

The International Monetary Fund (IMF) noted that sub-Saharan Africa's growth has also started to weaken after over a decade of solid numbers. Declining global commodity prices have already had significant negative impacts on economies such as Nigeria, Angola and Namibia. Nevertheless, the IMF is still predicting a combined growth rate of around 4.5% for sub-Saharan Africa in 2016.

The South African economy continued its decline in 2015 as a result of factors ranging from rising interest rates, severe drought in most parts of the country that started impacting food prices, subdued growth in equity markets and continuing pressure on disposable household incomes. Furthermore, the deterioration of the Rand, particularly in December 2015; continuing energy constraints and costs, and the possibility of further downgrades to the country's sovereign ratings are negatively impacting investor confidence in South Africa.

*This growth is because of Non-life business only being operational for 3 months in the last financial year.

Share capital

The company issued no shares during the year (2015: 55 750 000 ordinary shares of no par value totalling R100 million).

Overview for the year

The results for the year and the financial position of the company are fully disclosed in the attached financial statements.

Holding company

The company is a wholly owned subsidiary of General Insurance Corporation of India (GIC Re).

GIC RE SOUTH AFRICA LTD
DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2016

Dividends

No dividends were paid or declared during the year (2015 : the subsidiaries were declared as a dividend in specie at their carrying value, on the dividend declaration date of 24 April 2014 for R42 021 633).

Change in the Financial Year

The company changed its financial year end from 31 December to 31 March during 2015. The change in the year end was to align the year end of the company with that of its parent.

Directors

The directors in office at the date of this report are :	Date Appointed	Date Resigned
A G Vaidyan (Chairman, non-executive)	23-Jan-16	
B N Narasimhan (non-executive)	04-Feb-16	
D Prasad (Managing Executive)	22-Feb-16	
AK Roy (Chairman, non-executive)	24-Apr-14	31-Jul-15
N Mohan (non-executive)	24-Apr-14	31-May-15
YR Sunkara (Managing Executive)	24-Apr-14	19-Feb-16
S Kumar (Chairman, non-executive)	31-Jul-15	22-Jan-16
B Balachandra (non-executive)	13-Jul-15	04-Feb-16
S Bhikha (Independent, non-executive)	24-Apr-14	
C Moosa (Independent, non-executive)	24-Apr-14	
J Bagg (Lead Independent, non-executive)	24-Apr-14	

Directors' interest

No directors have an interest in the company.

Secretary and registered office

I Blaikie is the company secretary. The registered office and office of the secretary are:

15 Eton Road
Parktown
2193

Auditor

KPMG Inc.

Company registration number

1956/003037/06

Number of employees

The number of people employed by the company at 31 March 2016 is 14 (2015: 11).

GIC RE SOUTH AFRICA LTD
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2016

	<u>Note</u>	<u>Year ended</u> <u>31 March</u> <u>2016</u> <u>R</u>	<u>15 months</u> <u>ended</u> <u>31 March</u> <u>2015</u> <u>R</u>
<u>ASSETS</u>			
Equipment	5	1 524 957	1 585 004
Technical assets under insurance contracts		417 919 918	124 653 562
Retroceded outstanding claims	6	202 901 429	26 207 193
Retroceded policyholder liabilities	7	5 832 763	5 265 076
Retroceded unearned premium reserve	8	165 324 413	78 852 140
Gross deferred acquisition costs	9	43 861 313	14 329 153
Investments	10	292 403 805	73 724 899
Deferred taxation	11	5 971 195	5 971 195
Amounts due from companies on reinsurance contracts		200 469 156	112 092 397
Other accounts receivable		302 174	2 023 041
Cash at bank and on hand		37 541 978	33 283 828
Total assets		956 133 183	353 333 926
<u>LIABILITIES AND SHAREHOLDER'S EQUITY</u>			
Technical liabilities under insurance contracts		491 441 445	167 626 647
Gross outstanding claims	6	237 563 814	42 817 278
Gross policyholder liabilities under life insurance contracts	7	23 730 776	20 356 542
Gross unearned premium reserve	8	183 409 426	87 613 488
Retroceded deferred acquisition cost	9	46 737 429	16 839 339
Deposits withheld from retrocessionaires		375 711 021	80 392 245
Amounts due to companies on reinsurance contracts		8 461 983	17 674 446
Other accounts payable	12	534 431	1 000 126
Total liabilities		876 148 880	266 693 464
<u>SHAREHOLDER'S EQUITY</u>			
Share capital	13	111 500 000	111 500 000
Revaluation reserve	14	1 664 865	1 392 622
Retained earnings		(33 180 562)	(26 252 160)
Total shareholder's equity		79 984 303	86 640 462
Total liabilities and shareholder's equity		956 133 183	353 333 926

GIC RE SOUTH AFRICA LTD
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2016

	<u>Note</u>	<u>Year ended</u> <u>31 March</u> <u>2016</u> <u>R</u>	<u>15 months</u> <u>ended</u> <u>31 March</u> <u>2015</u> <u>R</u>
Gross premiums written		331 818 342	155 877 705
Retroceded premiums		(291 781 769)	(129 976 349)
Net premiums written		<u>40 036 573</u>	<u>25 901 356</u>
Change in provision for unearned premiums	8	(9 323 665)	(8 761 348)
Gross Reinsured		<u>(95 795 938)</u> <u>86 472 273</u>	<u>(87 613 488)</u> <u>78 852 140</u>
Net premium earned		<u>30 712 908</u>	<u>17 140 008</u>
Commission income	17	61 933 115	11 848 833
Net investment income	15	8 087 125	4 739 502
(Increase)/decrease in net life policyholder liabilities	7	<u>(2 806 547)</u>	<u>3 987 851</u>
Net income		97 926 601	37 716 194
Claims incurred, net of reinsurance	16	(32 603 728)	(12 715 911)
Commission expense	17	(57 982 690)	(10 788 390)
Interest paid		(80 882)	(142 343)
Investment management expenses		(917 816)	(374 443)
Management expenses		(18 583 626)	(10 204 020)
Increase in provision for doubtful debts		(1 090 621)	-
Foreign exchange gain/(loss)		<u>6 676 603</u>	<u>(194 239)</u>
(Loss)/profit before taxation	18	(6 656 159)	3 296 848
Taxation	19	<u>-</u>	<u>-</u>
(Loss)/profit for the year		<u>(6 656 159)</u>	<u>3 296 848</u>
Other comprehensive income for the year, net of taxation		<u>-</u>	<u>-</u>
Total comprehensive loss for the year		<u>(6 656 159)</u>	<u>3 296 848</u>

GIC RE SOUTH AFRICA LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2016

	<u>Share capital</u> R	<u>Revaluation reserve</u> R	<u>Retained earnings</u> R	<u>Total</u> R
<u>31 March 2016</u>				
Balance as at 1 April 2015	111 500 000	1 392 622	(26 252 160)	86 640 462
Share issue	-	-	-	-
Non-life	-	-	-	-
Total comprehensive profit for the period	-	-	(6 656 159)	(6 656 159)
Non-life	-	-	(3 630 115)	(3 630 115)
Life	-	-	(3 026 044)	(3 026 044)
Transfer to reserves				
Revaluation of investments	-	272 243	(272 243)	-
Balance as at 31 March 2016	<u>111 500 000</u>	<u>1 664 865</u>	<u>(33 180 562)</u>	<u>79 984 303</u>
<u>31 March 2015</u>				
Balance as at 1 January 2014	11 500 000	(9 103 613)	22 968 860	25 365 247
Share issue	100 000 000	-	-	100 000 000
Non-life	100 000 000	-	-	100 000 000
Total comprehensive profit for the year	-	-	3 296 848	3 296 848
Non-life	-	-	17 624	17 624
Life	-	-	3 279 224	3 279 224
Dividend in specie			(42 021 633)	(42 021 633)
Non-life	-	-	(42 021 633)	(42 021 633)
Transfer from reserves				
Revaluation of investments	-	10 496 235	(10 496 235)	-
Balance as at 31 March 2015	<u>111 500 000</u>	<u>1 392 622</u>	<u>(26 252 160)</u>	<u>86 640 462</u>

GIC RE SOUTH AFRICA LTD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2016

	<u>Note</u>	<u>Year ended</u> <u>31 March</u> <u>2016</u> <u>R</u>	<u>15 months ended</u> <u>31 March</u> <u>2015</u> <u>R</u>
<u>Cash flows from operating activities</u>			
Cash generated/(utilised) by operations	25.1	215 355 019	(21 246 110)
Interest received		7 717 401	6 487 627
Interest paid		(80 882)	(142 343)
Dividends received		60 649	74 518
		<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities		223 052 187	(14 826 308)
<u>Cash flows from investing activities</u>			
Net acquisition of investments		(218 369 831)	(65 765 772)
Additions to property and equipment		(424 206)	(1 805 721)
Proceeds on disposal of equipment		-	592 159
		<hr/>	<hr/>
Net cash outflow from investing activities		(218 794 037)	(66 979 334)
Net increase/(decrease) in cash and cash equivalents		<hr/>	<hr/>
		4 258 150	(81 805 642)
<u>Cash flows from financing activities</u>			
Shares issued		-	100 000 000
<u>Cash and cash equivalents</u>			
At the beginning of year		<hr/>	<hr/>
		33 283 828	15 089 470
At the end of year	25.2	<hr/> <hr/>	<hr/> <hr/>
		37 541 978	33 283 828

GIC RE SOUTH AFRICA LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

1 Accounting policies

1.1 Statement of compliance

The financial statements of the company are prepared on the going concern basis and in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa. The accounting policies set out below have been applied consistently to all years presented in the financial statements.

1.2 Basis of preparation

The company is domiciled in South Africa and its reporting currency is Rand. The company changed its financial year end from 31 December to 31 March last year to align with the year end of its parent company. The amounts presented as comparative figures are the fifteen months to 31 March 2015.

Basis of measurement

The financial statements are prepared on the historical cost basis, adjusted by the revaluation of investments to fair value.

Use of estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, 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 judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The most significant judgements, estimates and assumptions relate to technical provisions and liabilities under insurance contracts detailed in note 4. In addition, assumptions are made about the recoverability of insurance receivables and credit control is strictly monitored.

1.3 Classification of contracts

Contracts under which the company accepts significant insurance risk from another party (the policyholder) through reinsurance inwards by agreeing to compensate the policyholder or other beneficiary if a specific uncertain future event (the insured event) adversely affects the policyholder or other beneficiary are classified as insurance contracts. The same definition is applied to reinsurance outwards. Insurance risk is risk other than financial risk. Financial risk is the risk of a possible future change in one or more of a specific interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Contracts that do not meet the above definition are classified as investment contracts and are deposit accounted.

GIC RE SOUTH AFRICA LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2016

1 Accounting policies (continued)

1.4 Equipment

Equipment, furniture and motor vehicles are stated at cost less accumulated depreciation which is calculated to write off the cost of the assets to its residual value over their useful lives in a pattern that reflects their economic benefits.

The current estimated useful lives are as follows:

- Equipment
 - Office Equipment 6 years
 - Computer equipment 3 years
- Furniture and fittings 6 years
- Motor vehicles 5 years

The useful lives and depreciation methods are reassessed annually. The residual values, if not insignificant, are also reassessed annually. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the assets and are included in profit or loss.

1.5 Outstanding and unexpired claims

Provisions are made for claims incurred up to the reporting date. The provisions exclude Value Added Tax but include an estimate for future claims handling costs.

1.6 Policyholder liabilities for life insurance contracts

The liabilities under life insurance contracts are valued in terms of the Financial Soundness Valuation ("FSV") basis contained in SAP104 issued by the Actuarial Society of South Africa and are reflected as policyholder liabilities under life insurance contracts in the statement of financial position. The operating surpluses or losses arising from insurance contracts are determined by the annual actuarial valuation. These surpluses or losses are arrived at after taking into account the movement in actuarial liabilities under unexpired policies, provisions for profit commissions accrued and adjustments to contingency and other reserves within the policyholder liabilities as well as recoveries under retrocession agreements.

1.7 Deposits

Deposits retained on retrocession placed are stated at amortised cost.

GIC RE SOUTH AFRICA LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2016

1 Accounting policies (continued)

1.8 Revaluation reserve

The company has chosen to disaggregate equity into more classes than the minimum required by creating a revaluation reserve as an additional class within equity. This is to present unrealised gains and losses on investments separately from other profits or losses and is shown separately on the statement of financial position.

The revaluation reserve comprises of the revaluation of investments above or below their original cost, after deferred tax is recognised on the revaluation. A gain or loss arising from a change in fair value is recognised in net profit or loss for the period in which it arises and thereafter is transferred to a revaluation reserve. When investments are disposed of, the cumulative gain or loss previously recognised in the revaluation reserve is transferred to retained income.

1.9 Premiums

Premium income on insurance contracts is brought to account at the earlier of the date of notification or the date of receipt. At year end, an estimate is raised for premiums where notification has not been timeously received.

1.10 Unearned premium provision

The provision for unearned premium comprises the portion of premiums written which are estimated to be earned in future periods. The unearned premium provision is calculated separately for each contract at the balance sheet date using principally the 50% method basis for proportional treaty business and the 365 days basis for facultative business and non-proportional business.

1.11 Commission expense

Acquisition costs comprise commission and other variable costs directly connected with the acquisition or renewal of insurance policies. Commission expenses are charged to profit or loss as incurred and include commission, brokerage, taxes, and profit commission which is paid to cedants based on the performance of the contracts underwritten.

1.12 Investment income

Interest income is recognised as it accrues, using the effective interest method. Dividends are recognised when the right of receipt is established.

1.13 Gain or loss on realisation of investments

Gains or losses on realisation of investments are calculated on a weighted average basis.

GIC RE SOUTH AFRICA LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2016

1 Accounting policies (continued)

1.14 Income tax

Income tax on profit and loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity, or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on 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.

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

1.15 Provisions

A provision is recognised in the statement of financial position when the company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

1.16 Impairment

The carrying amounts of the company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If there is any indication that an asset is impaired, its recoverable amount is estimated. The recoverable amount is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount. In assessing the value in use, the expected future cash flows from the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined (net of amortisation) had an impairment loss not been recognised in prior years.

1.17 Financial instruments

Financial assets are recognised when the company becomes a party to the contractual terms that comprise an asset. On initial recognition these instruments are recognised at fair value or for financial instruments not carried at fair value, the cost thereof, including transaction costs. Subsequent to initial recognition, these instruments are measured as set out below:

GIC RE SOUTH AFRICA LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2016

1 Accounting policies (continued)

1.18 Financial instruments (continued)

Investments

Investments are classified at fair value through profit or loss. The investments are managed and their performance evaluated and reported internally on a fair value basis in terms of a documented investment strategy. The fair value of listed investments is measured with reference to their quoted bid prices at the reporting date.

Trade and other receivables

Trade and other receivables are stated at amortised cost using the effective interest rate method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Cash and cash equivalents are stated at amortised cost.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisations.

Derecognition

A financial asset is derecognised when the company loses control over the contractual rights that comprise an asset and consequently transfers the risks and benefits associated with the asset on trade date. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when it is legally extinguished.

Offset

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

1.19 Foreign currencies

Assets and liabilities in foreign currencies are translated to South African Rand at rates of exchange ruling at the reporting date.

Foreign currency transactions during the year are recorded at rates of exchange ruling at the transaction date. Realised and unrealised gains or losses on exchange are accounted for in profit and loss during the period that they arise.

GIC RE SOUTH AFRICA LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2016

1.20 Retrocession

The company retrocedes insurance risk in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risk. Retrocession arrangements do not relieve the company from its direct obligation to cedants. Amounts recoverable under retrocession contracts are recognised in the same year as the related claim. Amounts recoverable under retrocession agreements are assessed for impairment at each reporting date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition that the company may not recover all amounts due.

Premiums retroceded, claims reimbursed and commission income are presented in the statement of comprehensive income and statement of financial position separately from the gross amounts. Deferred retrocession income is recognised on a basis consistent with the provision for earned premiums.

2 Reinsurance risk management

2.1 Non-life reinsurance contracts

2.1.1 Risk management objectives and policies for mitigating reinsurance risk

The company reactivated its underwriting non-life reinsurance business as of 1 January 2015 after having been in run off since 2002. The cover periods for all historical reinsurance contracts, which were annual in nature, had expired by the end of 2005. The company's exposure is therefore limited to the uncertainty surrounding the timing of payment and severity of claims already incurred under historical reinsurance contracts. This is commonly referred to as claims development risk.

Sound underwriting principles are applied when the reinsurance contracts are underwritten. In order to ensure that each contract was comprehensively evaluated for underwriting and rating purposes, strict underwriting guidelines, agreed to with the parent company, are followed. The underwriting guidelines stipulate the type of risks that could be underwritten, as well as the exposure per risk that was acceptable.

The reinsurance contracts underwritten by the company comprise:

- Property reinsurance: contracts that indemnify against physical loss or damage and the financial consequences from a loss or damage to land and buildings.
- Transport reinsurance: contracts that indemnify against losses from the possession, use or ownership of a vessel, aircraft or other craft for the conveyance of persons or goods.
- Accident reinsurance: contracts that indemnify against losses from a variety of risks. These include:
 - Motor
 - Personal accident and health
 - Guarantee
 - Liability
 - Engineering
 - Miscellaneous

The claims liabilities recognised for each of these classes at year end are disclosed in note 7.

The largest claims development uncertainty is concentrated in those classes that are classified as long tail, such as liability and engineering. Long tail business is defined as reinsurance contracts under which claims are typically not settled within one year of the occurrence of the events giving rise to the claims. In long tail classes, there is still significant scope for future development, positive or negative, both in number of claims, as well as the value of the claims. The claims development risk from reinsurance contracts is largely managed through the following actions:

GIC RE SOUTH AFRICA LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2016

2 Reinsurance risk management (continued)

2.1 Non-life reinsurance contracts (continued)

- Having operationalised the subsidiary effective 1 January 2015 the goal has been to achieve geographical spread. The business has been well-diversified across the entire Sub-Saharan Africa and it has written premium from across 17 countries of the continent and is also class diversified. A significant portion of premium is written from South Africa and Kenya. Although hail storm exposures have been considered exceptional, the company has regarded concentration in Kenya as a primary concern. To mitigate the underwriting risk and protect the net account it has purchased a whole account quota share protection of 90% and 85% for 2015 and 2016 respectively which is in line with approval from the Financial Services Board. Based on an internal assessment, the company has calculated a worst case scenario in any one catastrophe and as a matter of precaution also procured an Excess of Loss protection for USD 4.75 million XS USD 250 000. This will protect the capital of the company in any catastrophic event. This Excess of Loss cover was effective from 1 April 2015.
- A portion of the historical risks underwritten by the company pertaining to the run-off book of business was historically retroceded in order to mitigate its net exposure. The retrocession contracts entered into comprise a combination of proportional and non-proportional treaties. These contracts were recaptured and, as such, the company has no protection for the run-off book of business.
- The company follows robust claims assessment procedures to ensure, that the liability it accepts for claims covered by reinsurance contracts is valid and accurate.

2.1.2 Concentrations of reinsurance risk

Concentrations of risk may arise with a particular event or series of events for example in one geographical location.

2.1.3 Claims development information

Consistent with practice in the reinsurance industry, quarterly statements received from reinsurers under proportional reinsurance contracts, do not detail the date of loss of reinsurance claims. Proportional reinsurance contracts make up the largest part of the company's business. The majority of the business underwritten is classified as "short-tail" meaning that claims are settled within a year after the loss date. In terms of IFRS 4, an insurer need only disclose claims run-off information where uncertainty exists about the amount and timing of claim payments not resolved within one year.

Claims development is monitored in aggregate for all loss years. Note 6 provides details of the overall changes in estimates of claims liabilities created in earlier years.

2.2 Life reinsurance contracts

2.2.1 Risk management objectives and policies for mitigating reinsurance risk

The company ceased underwriting life reinsurance business during 2002, and entered into a run-off phase. The company remains on risk for life reinsurance contracts underwritten in the past that have cover periods that extend into the future. The company is exposed to the uncertainty surrounding the timing, severity and frequency of claims under reinsurance contracts.

Sound underwriting principles were applied historically when the reinsurance contracts were underwritten. In order to ensure that each contract was comprehensively evaluated for underwriting and rating purposes, strict underwriting guidelines, agreed to with the then parent company were followed. The underwriting guidelines stipulated the type of risks that could be underwritten, as well as the exposure per risk that was acceptable.

GIC RE SOUTH AFRICA LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2016

2 Reinsurance risk management (continued)

2.2.1 Risk management objectives and policies for mitigating reinsurance risk (continued)

The significant types of reinsurance contracts underwritten in the past, where the company remains on risk are summarised below.

Term

- Policy is limited to a defined term. The sum assured is payable at death should this occur during the term.

Risk premium

- Sum assured is payable at death. Premiums received are based on current age, sum at risk and may be reviewed in some cases. Cover may be extended to include disability and dread disease.

Disability

- A benefit which is paid out if the assured is totally and permanently disabled from carrying out his/her occupation as defined in the policy conditions.

Permanent health insurance

- Compensates the assured for loss of income in case of temporary disability or total and permanent disability during the policy term.

The risk that arises from the reinsurance contracts underwritten in the past is largely managed through the following actions:

- The company has no further exposure to treaties that have been commuted.
- As from 1 January 2010 the life retrocession agreements with Revios Ruckversicherung AG (Scor Germany), which ended on 31 December 2009, was replaced with a single agreement with Scor Africa Limited (Scor Africa), whereby the company's net retention on any one risk is reduced to a maximum of R750,000, as compared to the previous R2,500,000. The agreement is for a quota share of 75% on all risks, previously 50%, with sums assured capped at R750,000.

Scor Africa carries the remaining 25% on quota share risk to R1,000,000, as well as the excess of loss treaty which provides for the remaining cover over R1,000,000. An over-rider commission of 10% on all retrocession premiums ceded to Scor Africa is payable to the company as an expense recovery together with a profit commission of 50% on Scor Africa's annual profits.

- The company follows robust claims assessment procedures to ensure that it pays valid and accurate claims. The company uses medical officers to assess claims, where appropriate.

2.2.2 Concentrations of reinsurance risk

Concentrations of risk may arise where a particular event or series of events impact heavily on the company's resources. The company is not aware of any undue concentrations of risk and its portfolio is generally representative of the risk profiles of the major life offices in South Africa.

2.2.3 Claims development

In terms of IFRS 4: Insurance Contracts, claims development information need only be presented where uncertainty exists about the amount and timing of claims payments not resolved within one year following the date of the loss. The company has been in run-off for approximately 12 years. The number of new claims reported is limited and as a result run-off information is erratic. Claims development information is therefore not presented. Refer to note 7 for the estimates maturity profile.

GIC RE SOUTH AFRICA LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2016

3 Financial risk

Transactions in financial instruments result in the company assuming financial risks. These include market risk, liquidity risk and credit risk. Each of these risks is described below, together with ways in which the company manages these risks.

3.1 Market risk

Market risk can be described as the risk of a change in the fair value of a financial instrument brought about by changes in interest rates, equity prices, or foreign exchange rates.

- **Equity price risk**
 The portfolio of listed equities, which are stated at fair value at reporting date, has exposure to price risk, being the potential loss in market value resulting from adverse changes in prices. The company's objective is to earn competitive relative returns by investing in a diverse portfolio of securities. Portfolio characteristics are analysed on a regular basis. The portfolio is invested in various industries as detailed in note 10, and the largest investment in any one company comprises 0.14% (2015: 0.09%) of the total assets.

At 31 March 2016, the company's ordinary listed equities were recorded at their fair value of R4.01 million (2015: R1.76 million). A hypothetical 25% decline in each share's price would have decreased profit before taxation by R1.0 million (2015: R0.4 million).

- **Interest rate risk**
 Fluctuations in interest rates impact on the value of government securities and corporate bonds and the interest returns from these investments. The maturity profile of these instruments is set out in note 10. It is estimated that a 2% increase in interest rates for these investments would have increased the company's 2016 profit before taxation by less than R150,000 (2015: R50,000).
- **Foreign currency risk**
 The company is exposed to foreign currency risk for transactions that are denominated in a currency other than Rand. The company is writing business in sub-Saharan African countries. In more than 80% of the contracts, the transacting currency is US dollar. Initially the company's focus is to build foreign currency reserves and match dollar liabilities with dollar assets.

3.2 Liquidity risk

The company ensures that the solvency of the company meets the regulatory requirements at all times by maintaining a high level of liquidity.

The company follows the regulatory provisions, in conjunction with prudential norms laid out by the Board, with regard to the investment of its funds. The general investment strategy is to use cash as the default asset class. In the initial years of operations equity exposure will be maintained at lower levels.

Expected cashflows of liabilities:

	Carrying amount	1 year	2 years	More than 2 years
Deposits withheld from retrocessionaires	375 711 021	375 711 021	-	-
Amounts due to companies on reinsurance contracts	8 461 983	8 461 983	-	-
Other accounts payable	534 431	534 431	-	-

Maturity of Technical liabilities under insurance contracts have been included in Note 6 - 9.

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GIC RE SOUTH AFRICA LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2016

3 Financial risk (continued)

3.2 Liquidity risk (continued)

The company is accumulating foreign currency reserves and not intending to convert foreign currency funds into Rand during the next 2 years. All these funds are invested in short-term deposits in the form of fixed or call deposits.

For Rand funds, the fund managers are instructed to keep funds invested in such a way as to offer maximum flexibility and high liquidity.

Over and above these liquidity measures, a letter of comfort given by the parent company provides support to the company in order to maintain adequate capital, to meet solvency and policy holder liability requirements and financial obligations.

3.3 Credit risk

The company has several exposures to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the company is exposed to credit risk are:

- amounts due from reinsurance policyholders;
- amounts due from reinsurance contract intermediaries;
- investments and cash equivalents; and
- retroceded technical liabilities.

Exposure to individual policyholders and groups of policyholders are monitored as part of the credit control process. Reputable financial institutions are used for investing and cash handling purposes.

Under the terms of the retrocession agreements, retrocessionaires agree to reimburse the ceded amount in the event that a gross claim is paid. However, the company remains liable to its cedants regardless of whether the retrocessionaire meets the obligations it has assumed. Consequently, the company is exposed to credit risk.

GIC Re South Africa Ltd reinsures with its parent, General Insurance Corporation of India (GIC Re) which has been continuously rated A- (Excellent) by AM Best for at least the last 5 years and AAA (In) for Claim Paying ability by the Indian rating agency, Credit Analysis & Research Ltd (CARE). The parent company is wholly owned by the Government of India with sovereign security. As per AM Best, GIC Re ranked 15th among the Top 50 Global reinsurance groups in terms of Gross Written Premium. As at 31 March 2015, it has a net worth of approximately USD 2 billion and total assets of USD 12.5 billion.

From Calendar year 2016, GIC Re South Africa Ltd arranged a 85% whole account quota share treaty whereby 85% of the claims incurred are recovered from GIC Re India. In addition to this GIC Re South Africa Ltd continues to withhold 40% of the premium as an unearned premium reserve deposit and retain 100% of the outstanding claims reserve as an outstanding claims reserve deposit.

None of the company's financial assets exposed to credit risk are past due or impaired.

Age analysis of amounts due from companies on reinsurance contracts

	Total	Current	30 days	60 days	90 days	More than 120 days
Amounts due	200 469 156	156 986 584	2 561 272	2 089 090	16 389 148	22 443 062

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GIC RE SOUTH AFRICA LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2016

3 Financial risk (continued)

3.3 Credit risk (continued)

Analysis of the credit quality of the company's assets

	<u>AAA</u> <u>R</u>	<u>AA</u> <u>R</u>	<u>A</u> <u>R</u>	<u>BBB and</u> <u>lower</u> <u>R</u>	<u>Not</u> <u>Rated</u> <u>R</u>	<u>Total</u> <u>R</u>
2016						
Technical assets under insurance contracts	-	-	374 058 606	-	43 861 313	417 919 918
Investments						
Government securities	-	-	-	6 779 132	-	6 779 132
Negotiable Certificate of Deposit	-	-	-	25 810 763	-	25 810 763
Fixed Deposits	-	-	-	206 610 408	-	206 610 408
Accounts receivable	3 672 300	2 555 538	63 200 612	58 498 035	72 844 845	200 771 330 *
Cash and cash equivalents	-	-	-	37 541 978	-	37 541 978
	<u>3 672 300</u>	<u>2 555 538</u>	<u>437 259 217</u>	<u>335 240 316</u>	<u>116 706 158</u>	<u>895 433 529</u>
2015						
Technical assets under insurance contracts	-	-	110 324 409	-	14 329 153	124 653 562
Investments						
Government securities	-	-	-	2 077 031	-	2 077 031
Negotiable Certificate of Deposit	-	-	-	8 169 528	-	8 169 528
Fixed Deposits	-	-	-	-	-	-
Accounts receivable	5 659 463	19 134 719	26 080 616	23 115 903	40 124 737	114 115 438
Cash and cash equivalents	-	-	-	33 283 828	-	33 283 828
	<u>5 659 463</u>	<u>19 134 719</u>	<u>136 405 025</u>	<u>66 646 290</u>	<u>54 453 890</u>	<u>282 299 387</u>

The company's maximum exposure to credit risk is analysed in the table above.

The assets as above are based on external credit ratings obtained from various reputable rating agencies like Fitch and Standard and Poor's. The international rating scales are based on long-term investment horizons under the following broad investment grade definitions:

- AAA The financial instrument is judged to be of the highest quality, with minimal credit risk and indicates the best quality issuers that are reliable and stable.
- AA The financial instrument is judged to be of high quality and is subject to very low credit risk and indicates quality issuers.
- A The financial instrument is considered upper-medium grade and is subject to very low credit risk although certain economic situations can more readily affect the issuers' financial soundness adversely than those rated AAA or AA.
- BBB The financial instrument is subject to moderate credit risk and indicate medium class issuers, which are currently satisfactory.

* Amount receivable is net of provision for doubtful debts of R1.09 million

GIC RE SOUTH AFRICA LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2016

3 Financial risk (continued)

Fair value hierarchy

The table below analyses assets carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1

Quoted market price in an active market for an identical instrument.

Level 2

Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly observable from market data.

Level 3

Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

<u>2016</u>	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value through profit or loss	15 176 307	44 806 327	-	59 982 634
	<u>15 176 307</u>	<u>44 806 327</u>	<u>-</u>	<u>59 982 634</u>
<u>2015</u>	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value through profit or loss	7 958 238	57 597 132	-	65 555 370
	<u>7 958 238</u>	<u>57 597 132</u>	<u>-</u>	<u>65 555 370</u>

The unit trust is valued with the unitisation pricing methodology based on quoted market prices.

Collective Investment schemes are valued based on its unit price or the net asset value (NAV), depending on the market value of the underlying investments in which the pool of money is invested. Its yield is calculated by taking the interest and income receivable of all the instruments in the fund divided by the net asset value, expressed as a nominal annual rate.

Capital management

The company recognises equity and reserves as capital and Management closely monitors the company's capital position relative to the economic and regulatory requirements. The company submits quarterly and annual returns to the Financial Services Board in terms of the Short-term Insurance Act, 1998 and the Long-term Insurance Act, 1998. The company is required to at all times to maintain a minimum capital adequacy requirement as defined in the Short-term Insurance Act and the Long-term Insurance Act.

Under the new regulatory regime, Solvency Assessment and Management (SAM), the legislative requirements will change significantly. The company with the assistance of its consulting actuary, has addressed the capital needs under the new regime and have complied with the transitional reporting requirements as communicated by the Regulator.

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GIC RE SOUTH AFRICA LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2016

4 Technical provisions and liabilities under insurance contracts

Insurance risks are unpredictable and the company recognises that it is impossible to forecast with absolute precision claims payable under insurance contracts. Over time, the company has developed a methodology that is aimed at establishing insurance provisions and liabilities that have a reasonable likelihood of being adequate to settle all its insurance obligations.

4.1 Non-life reinsurance contracts

4.1.1 Claim provisions

The outstanding claims provisions include notified claims as well as incurred but not yet reported claims. Outstanding claims provisions are not discounted.

Notified claims

Claims notified by cedants are assessed with due regard to the specific circumstances, information available from the cedant and/or loss adjuster and past experience with similar claims. The company employs staff experienced in claims handling and rigorously applies standardised policies and procedures around claims assessment.

The ultimate cost of the reported claims may vary as a result of future developments or better information becoming available about current circumstances. Estimates are therefore reviewed regularly and followed up with the cedant to ensure that it is still current.

Incurred but not reported claims (IBNR)

IBNR provisions were recognised in terms of the interim measures communicated by the Financial Services Board (FSB). These are deemed appropriate based on the reporting delays experienced by the company.

4.1.2 Premium provisions and deferred commission

Unearned premium provisions and deferred commission assets have been recognised. Proportional treaties are provided for at 50%, Non-Proportional treaties at 75% and for Facultative the 1/365th basis is used.

4.1.3 Assumptions

As a reinsurer it is necessary to estimate proportional premiums earned, but not yet reported by cedants (pipeline premiums estimates). These have been estimated with reference to the estimated premium income (EPI) from the signed treaty agreements.

Assumptions based on actual claims experience to date have been used in determining the claim provisions.

Profit commissions are payable to cedants based on the performance of the contracts underwritten and are estimated with reference to premiums and claims recorded in the financial statements.

4.1.4 Recoverability of Insurance Receivables

Amounts due from cedants have been assessed for an indication of impairment due to significant financial difficulty, a breach of contract or other observable data indicating a measurable decrease in the future cash recoverable. This may include adverse changes in the payment status of cedants or economic conditions that may lead to default of amounts due.

The carrying amount of insurance receivables has been reduced by a provision for doubtful debts and the amount of the loss has been recognised in the statement of comprehensive income. If in future the amount becomes recoverable the previously recognised provisions for doubtful debts will be reversed through the statement of comprehensive income.

GIC RE SOUTH AFRICA LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2016

4 Technical provisions and liabilities under insurance contracts (continued)

4.2 Life reinsurance contracts

4.2.1 Outstanding claims

Notified claims

Claims notified by cedants are assessed with due regard to the specific circumstances, information available from the cedant and/or loss adjuster and past experience with similar claims. The company employs staff experienced in claims handling and rigorously applies standardised policies and procedures around claims assessment.

The ultimate cost of the reported claims may vary as a result of future developments or better information becoming available about current circumstances. Estimates are therefore reviewed regularly and followed up with the cedant to ensure that it is still current.

4.2.2 Policyholder liabilities

The basis adopted in calculating the policyholder liabilities is set out in the notes to the statement of actuarial values of life assets and liabilities that precede the financial statements. The statement also details the effect of the changes in assumptions from 2015.

4.2.3 Sensitivities in assumptions

The table below demonstrates the impact on the loss before tax for a hypothetical worse than expected experience in material assumptions for policyholder liabilities, net of reinsurance.

	<u>2016</u>	<u>2015</u>
	<u>R</u>	<u>R</u>
10% worse than expected claims experience	(2 883 000)	(1 680 000)
10% higher expenses	(601 000)	(573 000)
1% lower investment margins	(525 000)	(573 000)
2.5% decrease in lapses	(1 000)	(455 500)

Each scenario was considered in isolation.

GIC RE SOUTH AFRICA LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2016

5 Equipment	31 March 2016 R	31 March 2015 R
At cost		
Equipment	2 244 397	1 849 795
Furniture	911 530	881 926
Motor vehicles	894 325	894 325
	<u>4 050 252</u>	<u>3 626 046</u>
Accumulated depreciation		
Equipment	1 592 357	1 346 429
Furniture	646 495	587 035
Motor vehicles	286 443	107 578
	<u>2 525 295</u>	<u>2 041 042</u>
Net book value		
Equipment	652 040	503 366
Furniture	265 035	294 891
Motor vehicles	607 882	786 747
	<u>1 524 957</u>	<u>1 585 004</u>
Equipment		
Net book value at beginning of year	503 366	37 764
Additions	394 602	561 329
Depreciation	(245 928)	(95 727)
Net book value at end of year	<u>652 040</u>	<u>503 366</u>
Furniture		
Net book value at beginning of year	294 891	8 316
Additions	29 604	328 137
Depreciation	(59 460)	(41 562)
Net book value at end of year	<u>265 035</u>	<u>294 891</u>
Motor vehicles		
Net book value at beginning of year	786 747	693 469
Additions	-	916 255
Disposals	-	(592 159)
Depreciation	(178 865)	(230 818)
Net book value at end of year	<u>607 882</u>	<u>786 747</u>
Total		
Net book value at beginning of year	1 585 004	739 549
Additions	424 206	1 805 721
Disposals	-	(592 159)
Depreciation	(484 253)	(368 107)
Net book value at end of year	<u>1 524 957</u>	<u>1 585 004</u>

GIC RE SOUTH AFRICA LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2016

	31 March 2016			31 March 2015		
	Non-Life R	Life R	Total R	Non-Life R	Life R	Total R
6 Provision for outstanding claims						
Balance at beginning of the period	15 324 490	1 285 595	16 610 085	12 751 665	1 877 672	14 629 337
Gross	41 103 151	1 714 127	42 817 278	12 751 665	4 069 897	16 821 562
Retroceded	(25 778 661)	(428 532)	(26 207 193)	-	(2 192 225)	(2 192 225)
Amounts transferred (to)/from profit or loss	17 479 202	573 098	18 052 300	2 572 825	(592 077)	1 980 748
Gross	193 260 167	1 486 369	194 746 536	28 351 486	(2 355 770)	25 995 716
Retroceded	(175 780 965)	(913 271)	(176 694 236)	(25 778 661)	1 763 693	(24 014 968)
Balance at end of the period	32 803 692	1 858 693	34 662 385	15 324 490	1 285 595	16 610 085
Gross	234 363 318	3 200 496	237 563 814	41 103 151	1 714 127	42 817 278
Retroceded	(201 559 626)	(1 341 803)	(202 901 429)	(25 778 661)	(428 532)	(26 207 193)
Property	15 696 461			3 091 101		
Miscellaneous	15 631 166			11 041 972		
Transport	1 476 065			1 191 417		
	32 803 692			15 324 490		
Estimated maturity profile:						
Gross	234 363 318	3 200 496	237 563 814	41 103 151	1 714 127	42 817 278
Within one year	180 196 491	2 991 407	183 187 898	28 893 710	1 714 127	30 607 837
Thereafter	54 166 827	209 089	54 375 916	12 209 441	-	12 209 441
Retroceded	(201 559 626)	(1 341 803)	(202 901 430)	(25 778 661)	(428 532)	(26 207 193)
Within one year	(161 247 701)	(1 289 530)	(162 537 231)	(20 622 929)	(428 532)	(21 051 461)
Thereafter	(40 311 925)	(52 273)	(40 364 198)	(5 155 732)	-	(5 155 732)
Net	32 803 692	1 858 693	34 662 384	15 324 490	1 285 595	16 610 085
Within one year	18 948 790	1 701 877	20 650 667	8 270 781	1 285 595	9 556 376
Thereafter	13 854 902	156 816	14 011 718	7 053 709	-	7 053 709

GIC RE SOUTH AFRICA LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2016

7 <u>Policyholder liabilities for life insurance contracts</u>	<u>31 March</u> <u>2016</u> <u>R</u>	<u>31 March</u> <u>2015</u> <u>R</u>
Balance at beginning of year	15 091 466	19 079 317
Gross	20 356 542	25 338 348
Retroceded	(5 265 076)	(6 259 031)
Amounts transferred (to)/from profit and loss	(2 806 547)	(3 987 851)
Gross	(3 374 234)	(4 981 806)
Retroceded	567 687	993 955
Balance at end of year	17 898 013	15 091 466
Gross	23 730 776	20 356 542
Retroceded	(5 832 763)	(5 265 076)
Estimated maturity profile:		
Gross	23 730 776	20 356 542
Within one year	14 978 958	12 005 391
Thereafter	8 751 818	8 351 151
Retroceded	(5 832 763)	(5 265 076)
Within one year	(3 883 334)	(3 168 889)
Thereafter	(1 949 429)	(2 096 187)
Net	17 898 013	15 091 466
Within one year	11 095 624	8 836 502
Thereafter	6 802 389	6 254 964

GIC RE SOUTH AFRICA LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2016

8	<u>Unearned premium reserve</u>	31 March 2016 R	31 March 2015 R
	Balance at beginning of year	8 761 348	-
	Gross	87 613 488	-
	Reinsured	(78 852 140)	-
	Amounts transferred through profit and loss	9 323 665	8 761 348
	Gross	95 795 938	87 613 488
	Reinsured	(86 472 273)	(78 852 140)
	Balance at end of year	18 085 013	8 761 348
	Gross	183 409 426	87 613 488
	Reinsured	(165 324 413)	(78 852 140)
9	<u>Deferred acquisition costs</u>		
	Balance at beginning of year	(2 510 186)	-
	Gross	14 329 153	-
	Reinsured	(16 839 339)	-
	Amounts transferred through profit and loss	(365 930)	(2 510 186)
	Gross	29 532 160	14 329 153
	Reinsured	(29 898 090)	(16 839 339)
	Balance at end of year	(2 876 116)	(2 510 186)
	Gross	43 861 313	14 329 153
	Reinsured	(46 737 429)	(16 839 339)

Reinsurance contracts incepted during the current financial period upon reactivation of the non-life reinsurance license. Both the gross and retroceded unearned premium provisions are expected to mature within one year.

Deferred acquisition costs have been recognised on the same bases as the unearned premium reserve.

GIC RE SOUTH AFRICA LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2016

10 Investments	31 March 2016		31 March 2015	
	R	R	R	R
	Cost	Carrying Value	Cost	Carrying Value
Negotiable certificates of deposits	25 220 000	25 810 763	8 000 000	8 169 528
Fixed Deposits	205 574 264	206 610 408	-	-
Ordinary shares - listed	3 964 183	4 013 260	1 837 534	1 760 270
Collective investment schemes - listed	44 550 004	44 806 327	57 288 000	57 597 132
Government bonds - listed	6 812 381	6 779 132	2 104 126	2 077 031
Unit Trust - listed	1 937 437	4 383 915	2 066 366	4 120 937
Total investments at fair value through profit or loss	<u>288 058 269</u>	<u>292 403 805</u>	<u>71 296 026</u>	<u>73 724 898</u>

	<u>%</u>	<u>%</u>
Listed ordinary shares portfolio analysis		
Basic Materials	18	40
Consumer Services	5	13
Financials	60	16
Industrials	17	31
	<u>100</u>	<u>100</u>

Maturity profile of fixed interest securities

	<u>Less than one year</u>	<u>One to five years</u>	<u>More than five years</u>	<u>Total</u>
	<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>
2016				
Negotiable certificates of deposits	25 810 763	-	-	25 810 763
Fixed Deposits	206 610 408	-	-	206 610 408
Government bonds	-	4 532 003	2 247 129	6 779 132
	<u>-</u>	<u>4 532 003</u>	<u>2 247 129</u>	<u>6 779 132</u>
2015				
Negotiable certificates of deposits	8 169 528	-	-	8 169 528
Government bonds	2 077 031	-	-	2 077 031
	<u>2 077 031</u>	<u>-</u>	<u>-</u>	<u>2 077 031</u>

The weighted average interest rate of these securities for 2016 is 2.61% (2015: 13.8%).

Details of shareholdings held in companies other than subsidiaries are recorded in a register. This register is available for inspection at the company's business premises.

Presented below are the effective interest rates of the company's interest bearing investments:

	31 March 2016	31 March 2015
Negotiable certificates of deposits	7.54%	7.44%
Fixed Deposits*	1.78%	-
Government Bonds	9.00%	13.50%

* Interest rate for fixed deposits is low as 96% of the fixed deposits are held in foreign currencies.

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GIC RE SOUTH AFRICA LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2016

11 <u>Deferred taxation</u>	<u>Non-Life</u> <u>R</u>	<u>Life</u> <u>R</u>	<u>Total</u> <u>R</u>
<u>31 March 2016</u>			
Asset at beginning and end of year	<u>5 425 210</u>	<u>545 985</u>	<u>5 971 195</u>
The year-end deferred tax balance comprises:			
Unrealised loss on revaluation of investments	-	441 063	441 063
Provisions	105 957	-	105 957
S24 j interest adjustment	(38 958)	(45 547)	(84 505)
Calculated loss	<u>5 358 211</u>	<u>150 469</u>	<u>5 508 680</u>
	<u>5 425 210</u>	<u>545 985</u>	<u>5 971 195</u>
<u>31 March 2015</u>			
Asset at beginning and end of year	<u>5 425 210</u>	<u>545 985</u>	<u>5 971 195</u>
The year-end deferred tax balance comprised:			
Unrealised gain on revaluation of investments	-	347 342	347 342
Provisions	12 254	-	12 254
S24 j interest adjustment	(7 538)	(14 808)	(22 346)
Calculated loss	<u>5 420 494</u>	<u>213 451</u>	<u>5 633 945</u>
	<u>5 425 210</u>	<u>545 985</u>	<u>5 971 195</u>

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GIC RE SOUTH AFRICA LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2016

12 Other accounts payable	31 March 2016 R	31 March 2015 R
Accrual for leave pay	378 419	43 765
VAT	-	859 087
Other	156 012	97 274
	<u>534 431</u>	<u>1 000 126</u>

13 Share capital

Authorised
300 000 000 ordinary shares of no par value

Issued
55 750 000 ordinary shares of no par value

111 500 000	111 500 000
<u>111 500 000</u>	<u>111 500 000</u>

The unissued shares are under the control of the directors.

14 Revaluation reserve	31 March 2016 R	31 March 2015 R
Investments	1 664 865	1 392 622
	<u>1 664 865</u>	<u>1 392 622</u>

The revaluation reserve represents the revaluation of investments which is net of deferred tax.

GIC RE SOUTH AFRICA LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2016

15	Non-Life	Life	Total
<u>Net investment income</u>	<u>R</u>	<u>R</u>	<u>R</u>
<u>31 March 2016</u>			
Dividends received - listed	21 916	38 733	60 649
Interest received	5 332 933	2 384 468	7 717 401
Realised gain/ (loss) on disposal of investments	(154 074)	85 033	(69 041)
Net movement in unrealised gains and losses on revaluation and disposal of investments	(184 094)	562 210	378 116
	<u>5 016 681</u>	<u>3 070 444</u>	<u>8 087 125</u>
<u>31 March 2015</u>			
Dividends received - listed	-	74 518	74 518
Interest received	5 038 534	1 449 093	6 487 627
Realised gain on disposal of investments	26 746	299 315	326 061
Net movement in unrealised gains and losses on revaluation and disposal of investments	(162 314)	140 057	(22 257)
Unrealised loss on revaluation of investment in subsidiaries	(2 126 447)	-	(2 126 447)
	<u>2 776 519</u>	<u>1 962 983</u>	<u>4 739 502</u>
<u>16</u>			
<u>Claims incurred</u>			
<u>31 March 2016</u>			
Claims paid	(4 628 842)	(9 922 586)	(14 551 428)
Gross	(53 733 177)	(20 189 681)	(73 922 858)
Retroceded	49 104 335	10 267 095	59 371 430
Change in provision for outstanding claims	(17 479 202)	(573 098)	(18 052 300)
Gross	(193 260 167)	(1 486 369)	(194 746 536)
Retroceded	175 780 965	913 271	176 694 236
Claims incurred	<u>(22 108 044)</u>	<u>(10 495 684)</u>	<u>(32 603 728)</u>
<u>31 March 2015</u>			
Claims paid	(491 608)	(10 243 555)	(10 735 163)
Gross	2 638 941	(15 728 588)	(13 089 647)
Retroceded	(3 130 549)	5 485 033	2 354 484
Change in provision for outstanding claims	(2 572 825)	592 077	(1 980 748)
Gross	(28 351 486)	2 355 770	(25 995 716)
Retroceded	25 778 661	(1 763 693)	24 014 968
Claims incurred	<u>(3 064 433)</u>	<u>(9 651 478)</u>	<u>(12 715 911)</u>

GIC RE SOUTH AFRICA LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2016

	<u>31 March</u> <u>2016</u> <u>R</u>	<u>31 March</u> <u>2015</u> <u>R</u>
17 <u>Commission</u>		
<u>Commission expense</u>		
Gross commission and brokerage paid	(87 514 850)	25 117 543
Gross deferred acquisition cost	29 532 160	(14 329 153)
	<u>(57 982 690)</u>	<u>10 788 390</u>
<u>Commission income</u>		
Retrocession commission and brokerage received	91 241 976	27 908 913
Retroceded overriding commission received	589 229	779 259
Retroceded deferred commission revenue	(29 898 090)	(16 839 339)
	<u>61 933 115</u>	<u>11 848 833</u>
18 <u>Profit before taxation</u>		
Profit before taxation is stated after charging:		
Employee costs		
– salaries and bonuses	6 869 417	2 293 699
– employer contributions to defined contribution retirement fund	69 207	249 451
	<u>6 938 623</u>	<u>2 543 150</u>
External auditor's remuneration		
– audit services	417 300	425 200
– non-audit services	20 000	339 884
	<u>437 300</u>	<u>765 084</u>
Consulting fees paid	<u>1 979 734</u>	<u>1 800 052</u>
Depreciation of equipment	<u>484 253</u>	<u>368 107</u>
Operating lease expense	<u>1 009 398</u>	<u>866 232</u>

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GIC RE SOUTH AFRICA LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2016

19 Taxation	Non-Life R	Life R	Total R
31 March 2016			
South African normal tax			
Current taxation			
– current year	-	-	-
Deferred taxation			
– current year	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>
Tax rate reconciliation:	%	%	
Standard tax rate	28	28	
Dividends received	0.1	-	
Return transfers previously not recognised and other four funds tax losses	-	(10)	
Calculated tax loss for which no deferred tax asset is raised	(28)	(21)	
Other	-	3	
Effective tax rate	<u>0</u>	<u>0</u>	
31 March 2015			
South African normal tax			
Current taxation			
– current year	-	-	-
Deferred taxation			
– current year	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>
Tax rate reconciliation:	%	%	
Standard tax rate	28	28	
Dividends received	(1)	-	
Deferred tax not raised on unrealised losses for subsidiaries	27	-	
Return transfers previously not recognised and other four funds tax losses	-	(21)	
Calculated tax loss for which no deferred tax asset is raised	(54)	(10)	
Other	-	3	
Effective tax rate	<u>0</u>	<u>0</u>	

The policyholder funds relating to life insurance contracts have calculated tax losses. At year end a deferred tax asset was not raised for these losses as it is not probable that the company will generate sufficient taxable income in the foreseeable future to utilise the loss and the benefit does not accrue to the company.

Deferred tax has been raised in respect of non-life business to the extent of R5,4 million (2015: R5,4 million). Assessed losses of R7,3 million (2015: R3,6 million) have not been recognised as it is uncertain whether further losses will be offset by taxable income in future.

GIC RE SOUTH AFRICA LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2016

20 Related party transactions

20.1 Identity of related parties

The current holding company is General Insurance Corporation of India, which acquired 100% of the company's shares on 24 April 2014.

20.2 Transactions with key management personnel

The remuneration of the executive general management, who are key management personnel of the company, is set out below in aggregate.

	<u>2016</u> <u>R</u>	<u>2015</u> <u>R</u>
Directors emoluments are set out below:		
- Salaries and bonuses		
YR Sunkara	2 188 272	1 000 000 *
Managing director		
	<u>2 188 272</u>	<u>1 000 000</u>
- Fees		
S Bhikha	215 000	135 000
CI Moosa	165 000	100 000
J Bagg	200 000	145 000
Non-executive director		
Non-executive director		
Non-executive director		
	<u>580 000</u>	<u>380 000</u>

Other non-executive directors of GIC Re South Africa Ltd are appointed by GIC Re India (parent company) do not earn any remuneration for their services pertaining to the company.

Key personnel

- Salaries and bonuses

I Blaikie	Public Officer, Company Secretary, General Manager - Life	1 093 010	1 378 850
S Karmarkar	Chief Operating Officer	660 314	188 000 **
SK Jangir	Chief Finance Officer	412 536	117 500 **
Z Ahmad	Chief Underwriting Officer	332 054	94 000 **
SKR Chintapalli	Chief Technology Officer, Manager – HR, Manager Admin	332 048	94 000 **
		<u>2 829 962</u>	<u>1 872 350</u>

* From August 2014 to March 2015

** From November 2014 to March 2015

GIC RE SOUTH AFRICA LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2016

20 Related party transactions (continued)

20.3 Other related party transactions

The following transactions were entered into with the previous holding company, its subsidiaries and other related parties on commercial terms and conditions prior to 24 April 2014:

	<u>2016</u> R	<u>2015</u> R
Statement of comprehensive income effects :		
- consulting fees paid		
White Chocolate Mountain Trust	-	896 672
- interest on loans received		
Directors	-	16 153
- motor vehicle rental received		
White Chocolate Mountain Trust	-	123 121
- administration fees received		
Saxum Insurance Limited	-	1 000 000
- motor vehicle distributed	-	592 159
- dividend in specie	-	42 021 633

The following transactions were entered with the current holding company (General Insurance Corporation of India) :

Statement of comprehensive income effects :		
Retroceded premiums from holding company	285 915 150	122 183 759
Retroceded claims from holding company	(219 738 879)	(22 648 112)
Retroceded commission from holding company	(91 168 479)	(10 580 531)
Statement of financial position effects :		
Retroceded outstanding claims	201 559 626	25 778 662
Retroceded unearned premium provision	165 324 413	78 852 140
Retroceded deferred acquisition cost	(46 737 429)	(16 839 339)
Retroceded reserve deposit	375 711 021	80 392 245
Retroceded receivables	20 643 312	-

GIC RE SOUTH AFRICA LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2016

21 Commitments and contingencies

	<u>2016</u>	<u>2015</u>
	<u>R</u>	<u>R</u>
The company entered into a lease agreement for the rental of its premises for a period of three years with an escalation of 9% per annum. Future rentals payable under the operating lease as at year end is:		
Within one year	791 932	371 540
One to five years	1 412 060	-
	2 203 992	371 540

The operating lease was renewed on 01 November 2015 and expires on 31 October 2018.

22 Other company information

Business

The company is a composite reinsurer that was previously in run-off and as of 1 January 2015 began writing non-life reinsurance business.

Dividends

No dividends were paid during the year (2015 : the subsidiaries were declared as a dividend in specie at their carrying value, on the dividend declaration date of 24 April 2014 for R42 021 633.)

Going concern

The directors believe that the company will be a going concern in the future.

23 New standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the company

Amendment to IFRS 7: Financial Instruments: Disclosures: Annual Improvements project

The amendment provides additional guidance regarding transfers with continuing involvement. Specifically, it provides that cash flows excludes cash collected which must be remitted to a transferee. It also provides that when an entity transfers a financial asset but retains the right to service the asset for a fee, that the entity should apply the existing guidance to consider whether it has continuing involvement in the asset. The company expects to adopt the amendment for the first time in the 2017 annual financial statements. It is unlikely that the amendment will have a material impact on the company's financial statements.

IFRS 9: Financial Instruments

On 24 July, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

This standard will have a significant impact on the company, which will include changes in the measurement bases of the company's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which is expected to increase the provision for bad debt recognised in the company.

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application. Early adoption is permitted.

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GIC RE SOUTH AFRICA LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2016

	Note	Total		Non-life		Life	
		31 March 2016 R	31 March 2015 R	31 March 2016 R	31 March 2015 R	31 March 2016 R	31 March 2015 R
24 Revenue account split between non-life and life reinsurance contracts							
Gross premiums written		331 818 342	155 877 705	315 699 944	135 759 733	16 118 398	20 117 972
Retroceded premiums		(291 781 769)	(129 976 349)	(285 915 150)	(122 183 759)	(5 866 619)	(7 792 590)
Gross UPR movement		(95 795 938)	(87 613 488)	(95 795 938)	(87 613 488)	-	-
Retro UPR movement		86 472 273	78 852 140	86 472 273	78 852 140	-	-
Net premiums written and earned		30 712 908	17 140 008	20 461 129	4 814 626	10 251 779	12 325 382
Claims incurred		(32 603 728)	(12 715 911)	(22 108 044)	(3 064 433)	(10 495 684)	(9 651 478)
Claims paid	16	(14 551 428)	(10 735 163)	(4 628 842)	(491 608)	(9 922 586)	(10 243 555)
Gross Retroceded		(73 922 858)	(13 089 647)	(53 733 177)	2 638 941	(20 189 681)	(15 728 588)
		59 371 430	2 354 484	49 104 335	(3 130 549)	10 267 095	5 485 033
Change in provision for outstanding claims	6	(18 052 300)	(1 980 748)	(17 479 202)	(2 572 825)	(573 098)	592 077
Gross Retroceded		(194 746 536)	(25 995 716)	(193 260 167)	(28 351 486)	(1 486 369)	2 355 770
		176 694 236	24 014 968	175 780 965	25 778 661	913 271	(1 763 693)
Net commission		3 950 425	1 060 443	3 524 003	1 231 147	426 422	(170 704)
Commissions (paid)/received		4 316 355	3 570 629	3 889 933	3 741 333	426 422	(170 704)
Gross Retroceded		(87 514 850)	(25 117 543)	(87 278 547)	(23 678 535)	(236 303)	(1 439 008)
		91 831 205	28 688 172	91 168 480	27 419 868	662 725	1 268 304
Net change in deferred acquisition cost	9	(365 930)	(2 510 186)	(365 930)	(2 510 186)	-	-
Gross Retroceded		29 532 160	14 329 153	29 532 160	14 329 153	-	-
		(29 898 090)	(16 839 339)	(29 898 090)	(16 839 339)	-	-
Change in provision for policyholder liabilities	7	(2 806 547)	3 987 851	-	-	(2 806 547)	3 987 851
Gross Retroceded		(3 374 234)	4 981 806	-	-	(3 374 234)	4 981 806
		567 687	(993 955)	-	-	567 687	(993 955)
Underwriting result		(746 942)	9 472 391	1 877 088	2 981 340	(2 624 030)	6 491 051
Gross Retroceded		(27 740 136)	96 656 605	(18 571 947)	86 368 653	(9 168 189)	10 287 952
		36 682 788	(75 912 680)	30 138 629	(72 115 779)	6 544 159	(3 796 901)
Management expenses		(18 583 626)	(10 204 020)	(15 424 375)	(4 897 951)	(3 159 251)	(5 306 069)
Net income/(loss) before other income and expenses		(19 330 568)	(731 629)	(13 547 287)	(1 916 611)	(5 783 281)	1 184 982
Net investment income		7 088 427	4 222 716	4 331 190	2 128 475	2 757 237	2 094 241
Increase in provision for doubtful debts		(1 090 621)	-	(1 090 621)	-	-	-
Foreign exchange gain/(loss)		6 676 603	(194 239)	6 676 603	(194 239)	-	-
Profit (Loss) before taxation	18	(6 656 159)	3 296 848	(3 630 115)	17 625	(3 026 044)	3 279 223
Taxation	19	-	-	-	-	-	-
Profit (Loss) after taxation		(6 656 159)	3 296 848	(3 630 115)	17 625	(3 026 044)	3 279 223

GIC RE SOUTH AFRICA LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2016

	<u>31 March</u> <u>2016</u> <u>R</u>	<u>31 March</u> <u>2015</u> <u>R</u>
25 <u>Notes to the statement of cash flows</u>		
25.1 Cash utilised by operations		
(Loss)/profit before taxation	(6 656 159)	3 296 848
Adjustments for:		
– depreciation of equipment	484 253	368 107
– realised loss/(gain) on disposal of investments	69 041	(326 061)
– interest received	(7 717 401)	(6 487 627)
– dividends received	(60 649)	(74 518)
– interest paid	80 882	142 343
– increase in net provision for unearned premium	9 323 665	8 761 348
– increase in net deferred acquisition costs	365 930	2 510 186
– increase in net provision for outstanding claims	18 052 300	1 980 748
– increase/(decrease) in net policyholder liabilities for life insurance contracts	2 806 547	(3 987 851)
– unrealised loss on revaluation of investment in subsidiaries	-	2 126 447
– unrealised (gain)/loss on revaluation of investments	(378 116)	22 257
	<u>16 370 293</u>	<u>8 332 227</u>
Cash generated by operations before working capital changes		
Increase in amounts receivable from insurance companies	(88 376 759)	(111 522 371)
Decrease/(Increase) in other accounts receivable	1 720 867	(1 090 341)
(Decrease)/Increase in amounts payable to insurance companies	(9 212 463)	5 740 224
(Decrease)/increase in other accounts payable	(465 695)	(3 098 094)
Increase in deposits withheld from retrocessionaires	295 318 776	80 392 245
	<u>215 355 019</u>	<u>(21 246 110)</u>

25.2 Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts :

Cash on call and on deposit	7 853 065	24 193 019
Cash at bank	29 675 241	9 055 526
Cash on hand	13 672	35 283
	<u>37 541 978</u>	<u>33 283 828</u>

GIC RE SOUTH AFRICA LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2016

Categorisation of assets and liabilities

	Note	Total R	Financial assets and liabilities		Other non - financial assets and liabilities R	Current / non - current distinction		
			Financial assets designated at fair value through profit and loss R	Loans and receivables R		Financial liabilities at amortised cost R	Current assets and liabilities R	Non - current assets and liabilities R
<u>ASSETS</u>								
Equipment	5	1 524 957	-	-	- 1 524 957	-	1 524 957	
Technical assets under insurance contracts		417 919 918	-	-	- 417 919 918	375 606 291	42 313 627	
Retroceded outstanding claims	6	202 901 429	-	-	- 202 901 429	162 537 231	40 364 198	
Retroceded unearned premium reserve	8	165 324 413	-	-	- 165 324 413	165 324 413	-	
Gross deferred acquisition costs	9	43 861 313	-	-	- 43 861 313	43 861 313	-	
Retroceded policyholder liabilities	7	5 832 763	-	-	- 5 832 763	3 883 334	1 949 429	
Investments	10	292 403 805	59 982 634	232 421 171	-	285 624 673	6 779 132	
Government securities		6 779 132	6 779 132	-	-	-	6 779 132	
Fixed deposits		206 610 408	-	206 610 408	-	206 610 408	-	
Negotiable certificates of deposits		25 810 763	-	25 810 763	-	25 810 763	-	
Listed Unit Trust		4 383 915	4 383 915	-	-	4 383 915	-	
Listed ordinary shares		4 013 260	4 013 260	-	-	4 013 260	-	
Listed collective investment schemes		44 806 327	44 806 327	-	-	44 806 327	-	
Deferred tax	11	5 971 195	-	-	- 5 971 195	-	5 971 195	
Amounts receivable from insurance companies		200 469 156	-	200 469 156	-	147 234 404	53 234 752	
Other accounts receivable		302 174	-	302 174	-	302 174	-	
Cash on call and on deposit		7 853 065	-	7 853 065	-	7 853 065	-	
Cash at bank and on hand		29 688 913	-	29 688 913	-	29 688 913	-	
Total assets		956 133 183	59 982 634	470 734 479	- 425 416 070	846 309 520	109 823 663	
<u>LIABILITIES</u>								
Technical liabilities under insurance contracts		491 441 445	-	-	- 491 441 445	428 313 711	63 127 734	
Gross outstanding claims	6	237 563 814	-	-	- 237 563 814	183 187 898	54 375 916	
Gross unearned premium reserve	8	183 409 426	-	-	- 183 409 426	183 409 426	-	
Retroceded deferred acquisition cost	9	46 737 429	-	-	- 46 737 429	46 737 429	-	
Gross policyholder liabilities	7	23 730 776	-	-	- 23 730 776	14 978 958	8 751 818	
Deposits withheld from retrocessionaires		375 711 021	-	-	- 375 711 021	375 711 021	-	
Amounts payable to insurance companies		8 461 983	-	-	- 8 461 983	8 461 983	-	
Other accounts payable	12	534 431	-	-	- 156 012	378 419	-	
Total liabilities		876 148 880	-	- 384 329 016	491 819 864	813 021 146	63 127 734	

GIC RE SOUTH AFRICA LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2016

Categorisation of assets and liabilities

	Note	Total R	Financial assets and liabilities		Other non - financial assets and liabilities R	Current / non - current distinction		
			Financial assets designated at fair value through profit and loss R	Loans and receivables R		Financial liabilities at amortised cost R	Current assets and liabilities R	Non - current assets and liabilities R
2015								
<u>ASSETS</u>								
Equipment	5	1 585 004	-	-	-	1 585 004	-	1 585 004
Technical assets under insurance contracts		124 653 562	-	-	-	124 653 562	117 401 643	7 251 919
Retroceded outstanding claims	6	26 207 193	-	-	-	26 207 193	21 051 461	5 155 732
Retroceded unearned premium reserve	8	78 852 140	-	-	-	78 852 140	78 852 140	-
Gross deferred acquisition costs	9	14 329 153	-	-	-	14 329 153	14 329 153	-
Retroceded policyholder liabilities	7	5 265 076	-	-	-	5 265 076	3 168 889	2 096 187
Investments	10	73 724 898	65 555 370	8 169 528	-	-	73 724 898	-
Government securities		2 077 031	2 077 031	-	-	-	2 077 031	-
Negotiable certificates of deposits		8 169 528	-	8 169 528	-	-	8 169 528	-
Listed Unit Trust		4 120 937	4 120 937	-	-	-	4 120 937	-
Listed ordinary shares		1 760 270	1 760 270	-	-	-	1 760 270	-
Listed collective investment schemes		57 597 132	57 597 132	-	-	-	57 597 132	-
Deferred tax	11	5 971 195	-	-	-	5 971 195	-	5 971 195
Amounts receivable from insurance companies		112 092 397	-	112 092 397	-	-	112 092 397	-
Other accounts receivable		2 023 041	-	2 023 041	-	-	2 023 041	-
Cash on call and on deposit		24 193 019	-	24 193 019	-	-	24 193 019	-
Cash at bank and on hand		9 090 809	-	33 283 828	-	-	9 090 809	-
Total assets		353 333 925	65 555 370	179 761 813	-	132 209 761	338 525 807	14 808 118
<u>LIABILITIES</u>								
Technical liabilities under insurance contracts		167 626 647	-	-	-	167 626 647	147 066 055	20 560 592
Gross outstanding claims	6	42 817 278	-	-	-	42 817 278	30 607 837	12 209 441
Gross unearned premium reserve	8	87 613 488	-	-	-	87 613 488	87 613 488	-
Retroceded deferred acquisition cost	9	16 839 339	-	-	-	16 839 339	16 839 339	-
Gross policyholder liabilities	7	20 356 542	-	-	-	20 356 542	12 005 391	8 351 151
Deposits withheld from retrocessionaires		80 392 245	-	-	80 392 245	-	80 392 245	-
Amounts payable to insurance companies		17 674 446	-	-	17 674 446	-	17 674 446	-
Other accounts payable	12	1 000 126	-	-	956 361	43 765	1 000 126	-
Total liabilities		266 693 464	-	-	99 023 052	167 670 412	246 132 872	20 560 592

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