



आपत्काले रक्षिष्यामि
GIC Re SA Ltd.

GIC RE SOUTH AFRICA LTD

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

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:
C. G. Asirvatham
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 2018

<u>Contents</u>	<u>Page</u>
Directors' responsibility statement and declaration of the company secretary	3
Audit Committee report	4 - 5
Statutory actuary's report	6 - 9
Directors' report	10 - 11
Independent auditor's report	12 - 13
Statement of financial position	14
Statement of comprehensive income	15
Statement of changes in equity	16
Statement of cash flows	17
Notes to the financial statements	18 - 48

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 2018, 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 03 May 2018 and are signed on their behalf by

C G Asirvatham
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 2018, 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.

W Mwase
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	Qualifications	Position	Independent
S Bhikha	24-Apr-14	B Compt Hons CA(SA)	Chairman	Yes
J Bagg	24-Apr-14	B.Sc. FASSA, FIA, ASA	Member	Yes
B N Narasimhan	23-Jun-16	MA, MBA, B.Sc., AllI	Member	No

The executive directors and managing executives attend the committee meetings by invitation only. The external and internal auditors have unrestricted access to the audit committee.

Meetings

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

	15-May-17	02-Aug-17	17-Nov-17	23-Mar-18
Members				
S Bhikha	Yes	Yes	Yes	Yes
J Bagg	Yes	Yes	Yes	Yes
B N Narasimhan	Yes	Yes	Yes	No
Invitees				
A G Vaidyan (Chairman of the Board, Non-executive)	No	No	No	Yes
D Prasad (Managing Director & Chief Executive Officer)	Yes	Yes	Yes	Yes
C G Asirvatham (Managing Director & Chief Executive Officer Designate)	N.A.	N.A.	N.A.	Yes
C I Moosa (Director, non-executive)	N.A.	N.A.	N.A.	Yes
S Karmarkar (Chief Operating Officer)	Yes	Yes	Yes	Yes
S K Jangir (Chief Financial Officer)	Yes	Yes	No	Yes
S K Chintapalli (Chief Technology Officer)	N.A.	Yes	Yes	Yes
A Malherbe (External Auditor)	Yes	Yes	No	Yes
N Bikhani (External Auditor)	Yes	No	Yes	Yes
M Mia (Internal Auditor)	Yes	Yes	Yes	Yes
G Williams (Internal Auditor)	N.A.	N.A.	N.A.	Yes
C Falconer (Life Actuary)	Yes	No	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, internal 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 2018, 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 2018 and the results of operations and cash flows for the year then ended.

—
S Bhikha
Chairman of the audit committee
03 May 2018

GIC RE SOUTH AFRICA LTD
STATUTORY ACTUARY'S REPORT (LIFE BUSINESS)
AS AT 31 MARCH 2018
STATEMENT OF ASSETS, LIABILITIES, EXCESS ASSETS AND
CAPITAL REQUIREMENTS

	<u>Year ended 31 March 2018 R '000</u>	<u>Year ended 31 March 2017 R '000</u>
Published Reporting Basis		
Total value of life assets as per statement of financial position	26 340	32 399
Actuarial value of policy liabilities	-	13 835
Current and other liabilities as per the life statement of financial position	241	278
Total value of liabilities	241	14 113
Excess Assets	26 099	18 286
Statutory Basis		
Total value of assets as per life statement of financial position	26 340	32 399
Disallowed assets	-	(546)
Value of assets on the Statutory Basis	26 340	31 853
Actuarial value of life policy liabilities	-	13 835
Current and other liabilities as per life statement of financial position	241	278
Total value of liabilities	241	14 113
Excess Assets	26 099	17 740
Capital Adequacy Requirements	10 000	10 000
CAR Cover	261%	177%
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	26 099	18 286
Excess Assets as at beginning of reporting period	18 286	18 841
Change in Excess Assets over the reporting period	7 813	(555)

GIC RE SOUTH AFRICA LTD
STATUTORY ACTUARY'S REPORT - LIFE BUSINESS (CONTINUED)
AS AT 31 MARCH 2018
LIFE - STATEMENT OF ASSETS, LIABILITIES, EXCESS ASSETS AND
CAPITAL REQUIREMENTS (CONTINUED)

	<u>Year ended 31 March 2018 R '000</u>	<u>Year ended 31 March 2017 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	1 897	1 308
Capital appreciation	303	324
Total investment return on excess assets	<u>2 200</u>	<u>1 632</u>
Operating profit / (loss)	(8 222)	(2 721)
Changes in valuation methods or assumptions	13 835	534
Reported profit in annual financial statements	<u>7 813</u>	<u>(555)</u>
Total change in Excess Assets	<u>7 813</u>	<u>(555)</u>
Reconciliation of Excess Assets between Published Reporting Basis and Statutory Basis		
Excess Assets on Published Reporting Basis	26 099	18 286
Less: Asset Adjustments in terms of Schedule 3 of the Act	-	(546)
Excess Assets on Statutory Basis	<u>26 099</u>	<u>17 740</u>

GIC RE SOUTH AFRICA LTD
STATUTORY ACTUARY'S REPORT (LIFE BUSINESS)
AS AT 31 MARCH 2018
NOTES TO THE STATEMENT OF ASSETS, LIABILITIES, EXCESS ASSETS AND
CAPITAL REQUIREMENTS

Changes in Published Reporting Valuation Methods or Assumptions

All business was recaptured before the year-end valuation as at 31 March 2018. Hence, the actuarial liabilities were released.

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 actuarial liabilities were released as at 31 March 2018.

Published Reporting Liability Valuation Methods and Assumptions

The actuarial liabilities were released as at 31 March 2018 as all business was recaptured prior to the year-end valuation date.

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

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 2018, 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
03 May 2018

GIC RE SOUTH AFRICA LTD
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2018

The directors have pleasure in presenting their report for the year ended 31 March 2018.

Business

GIC Re South Africa Ltd is a 100% owned subsidiary of General Insurance Corporation of India (GIC Re), which is owned by the Government of India.

GIC Re South Africa holds a composite licence but to date only Short-Term reinsurance has been activated. Since the acquisition of the company the run-off life reinsurance business has been entirely recaptured. For the year ended 2018, the company has started writing PVT (political violence and terrorism) reinsurance and Retakaful business. The company's territorial scope was widened to include five more countries from Africa and the company now underwrites business from the entire African continent except Libya and Egypt.

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 a professional attitude.

The company was rated BB+ (Global) and zaAA+ (National) with a stable outlook by S&P ratings in July 2017.

GIC Re South Africa Ltd's operation in Johannesburg commenced underwriting business on 1 January 2015. For the year ended 31 March 2018, the company recorded a growth of 138% in GWP as accounted.

Global Economic Outlook:

As per the World Economic Outlook Update (January 2018) published by the International Monetary Fund, global economic activity continues to firm up. Global output is estimated to have grown by 3.7% in 2017. The accelerated growth has been broad based, with notable upside surprises in Europe and Asia. The stronger momentum experienced in 2017 is expected to carry in 2018 and 2019 with global growth revised up to 3.9% for both years. The U.S. tax policy changes are expected to stimulate activity.

The emerging and developing Asia will grow at around 6.5% over 2018-19 broadly the same pace as in 2017. Growth in Middle East and North Africa is also expected to pick up in 2018 and 2019 but remains subdued at around 3.5%. The growth in Sub-Saharan Africa is anticipated to be an increase from 2.7% in 2017 to 3.3% in 2018 and 3.5% in 2019

South Africa Economic Outlook:

The current positive sentiment and expectations of economic and political stability have bolstered the rating agencies to seriously consider upward adjustments in rating. Recently, in March 2018, the rating agency Moody's has kept South Africa's long term foreign and local currency debt rating unchanged at Baa3 but revised the country's outlook to "stable" from "negative". The Agency believed that the previous weakening of South Africa's institutions will gradually reverse under a more transparent and predictable policy framework. South Africa has now seen a return of sorely needed investor confidence.

The South African Reserve Bank has said that the economy appears to have reached a turning point that could see growth rising faster than initial forecasts. The SARB's bi-annual Monetary Policy Review released in April 2018 said its forecasts indicated growth in the medium term but warned that the absence of meaningful reforms would curb it to 2%. The SARB said there were abundant reform opportunities that could boost the economy. The central bank last month reversed its growth forecast upwards to 1.7% this year from 1.4%.

The World Bank also said in April this year that country's economy would grow 1.4% from 1.1%. The most optimistic forecast thus far has come from rating agency S & P Global Ratings, which put South Africa's growth for this year at 2% from 1% previously.

The Bureau for Economic Research (BER) has forecast a more upbeat economic outlook for South Africa in the next 18 to 24 months.

GIC RE SOUTH AFRICA LTD
DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2018

Share capital

The company issued 294 906 675 ordinary shares of no par value totalling R589.81 million during 2018 (2017: 71 200 000 ordinary shares of no par value totalling R142.40 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).

Dividends

No dividends were paid or declared during the year (2017 : Nil).

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	29-Mar-18
C G Asirvatham (Managing Executive)	29-Mar-18	
S Bhikha (Independent, non-executive)	24-Apr-14	
C I Moosa (Independent, non-executive)	24-Apr-14	
J Bagg (Lead Independent, non-executive)	24-Apr-14	

Directors' interest

No directors have a conflicting interest in the company.

Secretary and registered office

W Mwase is the company secretary. The registered office and office of the secretary are:

First Floor, Block C
Riviera Road Office Park
No. 6-9 Riviera Road
Houghton - 2193

Auditor

KPMG Inc.

Company registration number

1956/003037/06

Number of employees

The number of people employed by the company at 31 March 2018 is 23 (2017: 20).

INDEPENDENT AUDITOR'S REPORT

To the shareholder of GIC Re South Africa Ltd

Report on the audit of the financial statements

Opinion

We have audited the financial statements of GIC Re South Africa Limited (the company) set out on pages 14 to 48 which comprise the statement of financial position as at 31 March 2018, and the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of GIC Re South Africa Limited as at 31 March 2018, 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.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for *Accountants Code of Ethics for Professional Accountants (Parts A and B)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, Audit Committee Report and the declaration of the Company Secretary as required by the Companies Act of South Africa and Director's Responsibility Statement and Statutory Actuary's Report. The other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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 5 years.

KPMG Inc.
Registered Auditor

Per Antoinette Malherbe
Chartered Accountant (SA)
Registered Auditor
Director
03 May 2018

KPMG Crescent
85 Empire Road
Parktown
2193

GIC RE SOUTH AFRICA LTD
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018

	<u>Note</u>	<u>Year ended</u> <u>31 March</u> <u>2018</u> <u>R</u>	<u>Year ended</u> <u>31 March</u> <u>2017</u> <u>R</u>
<u>ASSETS</u>			
Equipment	5	1 830 253	1 243 485
Technical assets under insurance contracts		1 646 450 383	776 433 850
Retroceded outstanding claims	6	821 256 341	405 829 555
Retroceded policyholder liabilities	7	-	3 059 190
Retroceded unearned premium reserve	8	627 884 718	287 805 264
Gross deferred acquisition costs	9	197 309 324	79 739 841
Investments	10	1 339 797 265	539 218 376
Deferred taxation	11	5 425 210	5 971 195
Amounts due from companies on reinsurance contracts		909 050 084	343 620 234
Other accounts receivable		3 499 320	1 891 299
Cash at bank and on hand	25.2	130 549 637	77 673 244
Total assets		4 036 602 152	1 746 051 683
<u>LIABILITIES AND SHAREHOLDER'S EQUITY</u>			
Technical liabilities under insurance contracts		1 996 197 456	903 576 353
Gross outstanding claims	6	983 586 426	478 388 281
Gross policyholder liabilities under life insurance contracts	7	-	16 894 528
Gross unearned premium reserve	8	835 957 690	332 164 908
Retroceded deferred acquisition cost	9	176 653 340	76 128 636
Deposits withheld from retrocessionaires		1 290 984 362	619 411 431
Amounts due to companies on reinsurance contracts		34 011 891	26 778 839
Other accounts payable	12	6 170 724	439 485
Total liabilities		3 327 364 433	1 550 206 108
<u>SHAREHOLDER'S EQUITY</u>			
Share capital	13	843 713 350	253 900 000
Revaluation reserve	14	141 956	1 733 310
Retained earnings		(134 617 587)	(59 787 735)
Total shareholder's equity		709 237 719	195 845 575
Total liabilities and shareholder's equity		4 036 602 152	1 746 051 683

GIC RE SOUTH AFRICA LTD
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018

	<u>Note</u>	<u>Year ended</u> <u>31 March</u> <u>2018</u> <u>R</u>	<u>Year ended</u> <u>31 March</u> <u>2017</u> <u>R</u>
Gross premiums written		1 641 253 719	688 644 606
Retroceded premiums		(1 267 664 011)	(592 848 686)
Net premiums written		<u>373 589 708</u>	<u>95 795 920</u>
Change in provision for unearned premiums	8	(163 713 328)	(26 274 630)
Gross Reinsured		<u>(503 792 782)</u> 340 079 454	<u>(148 755 482)</u> 122 480 852
Net premium earned		<u>209 876 380</u>	<u>69 521 290</u>
Commission income	17	266 209 780	137 398 775
Net investment income	15	44 574 954	22 279 312
Decrease in net life policyholder liabilities	7	<u>13 835 338</u>	<u>4 062 675</u>
Net income		534 496 452	233 262 052
Claims incurred, net of reinsurance	16	(220 441 026)	(74 345 058)
Commission expense	17	(294 606 833)	(126 667 050)
Interest paid		(9 953 112)	(3 563 617)
Investment management expenses		(3 034 423)	(1 805 492)
Management expenses		(25 991 898)	(23 717 580)
Increase in provision for doubtful debts		(3 168 950)	(820 639)
Foreign exchange loss		<u>(53 175 431)</u>	<u>(28 881 344)</u>
Loss before taxation	18	(75 875 221)	(26 538 728)
Taxation	19	<u>(545 985)</u>	<u>-</u>
Loss for the year		<u>(76 421 206)</u>	<u>(26 538 728)</u>
Other comprehensive income for the year, net of taxation		<u>-</u>	<u>-</u>
Total comprehensive loss for the year		<u>(76 421 206)</u>	<u>(26 538 728)</u>

GIC RE SOUTH AFRICA LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018

	<u>Share capital</u> R	<u>Revaluation reserve</u> R	<u>Retained earnings</u> R	<u>Total</u> R
<u>31 March 2018</u>				
Balance as at 1 April 2017	253 900 000	1 733 310	(59 787 735)	195 845 575
Share issue	589 813 350	-	-	589 813 350
Non-life	589 813 350	-	-	589 813 350
Total comprehensive profit/(loss) for the period	-	-	(76 421 206)	(76 421 206)
Non-life	-	-	(84 234 930)	(84 234 930)
Life	-	-	7 813 724	7 813 724
Transfer to reserves				
Revaluation of investments	-	(1 591 354)	1 591 354	-
Balance as at 31 March 2018	843 713 350	141 956	(134 617 587)	709 237 719
<u>31 March 2017</u>				
Balance as at 1 April 2016	111 500 000	1 664 865	(33 180 562)	79 984 303
Share issue	142 400 000	-	-	142 400 000
Non-life	142 400 000	-	-	142 400 000
Total comprehensive loss for the year	-	-	(26 538 728)	(26 538 728)
Non-life	-	-	(25 984 392)	(25 984 392)
Life	-	-	(554 336)	(554 336)
Transfer from reserves				
Revaluation of investments	-	68 445	(68 445)	-
Balance as at 31 March 2017	253 900 000	1 733 310	(59 787 735)	195 845 575

GIC RE SOUTH AFRICA LTD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018

	<u>Note</u>	<u>Year ended</u> <u>31 March</u> <u>2018</u> <u>R</u>	<u>Year ended</u> <u>31 March</u> <u>2017</u> <u>R</u>
<u>Cash flows from operating activities</u>			
Cash generated by operations	25.1	230 376 946	126 107 562
Interest received		30 608 343	15 852 281
Interest paid		(9 953 112)	(3 563 617)
Dividends received		1 279 037	574 665
		<hr/>	<hr/>
Net cash inflow from operating activities		252 311 214	138 970 891
<u>Cash flows from investing activities</u>			
Net acquisition of investments		(787 891 315)	(240 962 205)
Additions to property and equipment		(1 460 416)	(293 754)
Proceeds on disposal of property and equipment		103 560	16 334
		<hr/>	<hr/>
Net cash outflow from investing activities		(789 248 171)	(241 239 625)
<u>Cash flows from financing activities</u>			
Shares issued		589 813 350	142 400 000
Net increase in cash and cash equivalents		52 876 393	40 131 266
At the beginning of year		<hr/> 77 673 244	<hr/> 37 541 978
At the end of year	25.2	<hr/> <hr/> 130 549 637	<hr/> <hr/> 77 673 244

GIC RE SOUTH AFRICA LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

GIC Re South Africa Ltd ("Company") is a company domiciled in South Africa. The company is wholly owned by General Insurance Corporation of India (GIC Re) and authorised to write short-term and long-term insurance business.

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.

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 2018

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 2018

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 2018

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 the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

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 2018

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 2018

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 6.

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 2018

2 Reinsurance risk management (continued)

2.1 Non-life reinsurance contracts (continued)

- GIC Re South Africa Limited commenced its operations from 01 January 2015 and is underwriting non-life reinsurance business emanating from Sub-Saharan Africa. In the month of October 2017, the company's territorial scope was widened to underwrite business from 5 North African Countries namely Algeria, Tunisia, Morocco, Sudan and South Sudan. As a result GIC Re South Africa has been underwriting business from the entire Africa continent except Egypt and Libya. Currently, the company has underwritten business from across 32 countries of the region. Although, the business is well diversified, a significant portion of the premium is written from South Africa comprising almost 64%, Kenya 8% and Nigeria around 3.5% of the total book of business.
- The company launched two new products this year namely (1) Stand-alone Political Violence and Terrorism (PVT) and (2) Retakaful business to the market. The PVT business underwritten by the company amounts to R1.81 million. The Retakaful business currently forms a very small portion and underwritten premium is R0.46 million. It is proposed to grow this business in the coming year.
- The company has regarded its concentration in South Africa as a primary concern from the point of view of hailstorm and earthquake exposures. To mitigate the underwriting risk, it has in place a 70% Whole Account Quota Share Treaty from Sirius, Sweden. Further based on its internal assessment and a catastrophe model sourced from a third party, has calculated realistic disaster scenario in any one catastrophe and as a matter of abundant precaution procured an excess of loss protection from GIC Re, India for US\$ 34.5 million Xs. US\$ 0.5 million for the year 2017-18. The cover is currently in place. These arrangements will protect the capital of the company in any catastrophe event. The current Excess of Loss protection is based on 1 in 350 year return period for an earthquake arising from South Africa and a similar exercise has been done with cover being renewed from 01 April 2018 as well.
- For PVT business, the company has obtained an Excess of Loss Protection for 12 months beginning 01 August, 2017 from the Lloyd's Market.
- The Retakaful business has been protected under the existing Whole Account Quota Share Treaty and Whole Account Excess of Loss Cover.

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 has recaptured the entire life business in the year ended 2018 and no liabilities are remaining at the year end related to this business.

GIC RE SOUTH AFRICA LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2018

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 had 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.

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 life division has been in run-off for approximately 16 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 6 for the estimates maturity profile.

GIC RE SOUTH AFRICA LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2018

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 0.48% (2017: 0.23%) of the total assets.

At 31 March 2018, the company's ordinary listed equities were recorded at their fair value of R89.10 million (2017: R16.3 million). A hypothetical 25% decline in each share's price would have decreased profit before taxation by R22.28 million (2017: R4.08 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 2018 profit before taxation by less than R100,000 (2017: R250,000).
- **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 36% of the contracts, the transacting currency is US dollar. Initially the company's focus is to build foreign currency reserves and match ZAR, USD and EUR with ZAR, USD and EUR 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	1 290 984 362	1 290 984 362	-	-
Amounts due to companies on reinsurance contracts	34 011 891	34 011 891	-	-
Other accounts payable	6 170 724	6 170 724	-	-

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

GIC RE SOUTH AFRICA LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2018

3 Financial risk (continued)

3.2 Liquidity risk (continued)

The company is performing a currency-wise asset and liability management exercise every quarter and any decision on conversion of currencies is taken in ALCO (Asset Liability Committee).

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 excluding equities; 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 Sirius International Insurance Corporation which has been rated A (excellent) by A.M.Best and A- (Strong) by S&P Ratings.

From April 2017, Sirius International Insurance Corporation arranged a 70% whole account quota share treaty whereby 70% of the claims incurred are recovered from Sirius International Insurance Corporation. 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 and not 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	909 050 084	810 611 482	17 640 334	27 751 062	6 548 180	46 499 026

GIC RE SOUTH AFRICA LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2018

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>
2018						
Technical assets under insurance contracts	-	-	1 449 141 057	-	197 309 326	1 646 450 383
Investments						
Government securities	-	-	-	17 967 667	-	17 967 667
Negotiable Certificate of Deposit	-	213 060 682	-	143 427 439	-	356 488 121
Fixed Deposits	-	-	10 251 853	501 159 385	-	511 411 238
Accounts receivable	3 257 836	-	373 947 937	427 752 747	107 590 884	912 549 404 *
Cash and cash equivalents	-	26 734 039	13 242 465	90 573 133	-	130 549 637
	<u>3 257 836</u>	<u>239 794 721</u>	<u>1 846 583 312</u>	<u>1 180 880 371</u>	<u>304 900 210</u>	<u>3 575 416 450</u>
2017						
Technical assets under insurance contracts	-	-	696 694 009	-	79 739 841	776 433 850
Investments						
Government securities	-	-	-	10 997 343	-	10 997 343
Negotiable Certificate of Deposit	-	48 296 384	-	110 958 220	-	159 254 604
Fixed Deposits	-	-	-	317 680 722	-	317 680 722
Accounts receivable	1 451 631	309 258	68 924 636	202 252 308	72 573 699	345 511 531 *
Cash and cash equivalents	-	425 690	-	77 247 554	-	77 673 244
	<u>1 451 631</u>	<u>49 031 332</u>	<u>765 618 645</u>	<u>719 136 146</u>	<u>152 313 540</u>	<u>1 687 551 294</u>

The company's maximum exposure to credit risk is analysed in the tables 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 R5.08 million (2017 : R1.91 million).

GIC RE SOUTH AFRICA LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2018

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>2018</u>	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value through profit or loss	122 265 036	349 632 869	-	471 897 905
	122 265 036	349 632 869	-	471 897 905
<u>2017</u>	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value through profit or loss	31 173 333	31 109 717	-	62 283 050
	31 173 333	31 109 717	-	62 283 050

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.

Kpmg

GIC RE SOUTH AFRICA LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2018

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 for IFRS purposes 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 2018

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 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 2017.

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>2018</u> <u>R</u>	<u>2017</u> <u>R</u>
10% worse than expected claims experience	-	(707 000)
10% higher expenses	-	(1 076 000)
1% lower investment margins	-	(303 000)
2.5% decrease in lapses	-	146 000

Each scenario was considered in isolation. In 2018, the entire life business was recaptured so there are no policyholder liabilities remaining.

GIC RE SOUTH AFRICA LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2018

5	<u>Equipment</u>	<u>31 March</u> <u>2018</u> <u>R</u>	<u>31 March</u> <u>2017</u> <u>R</u>
	At cost		
	Equipment	1 646 630	1 267 005
	Furniture	749 463	674 164
	Motor vehicles	1 602 689	894 325
		<u>3 998 782</u>	<u>2 835 494</u>
	Accumulated depreciation		
	Equipment	1 076 678	781 045
	Furniture	426 172	345 656
	Motor vehicles	665 679	465 308
		<u>2 168 529</u>	<u>1 592 009</u>
	Net book value		
	Equipment	569 952	485 960
	Furniture	323 291	328 508
	Motor vehicles	937 010	429 017
		<u>1 830 253</u>	<u>1 243 485</u>
	Equipment		
	Net book value at beginning of year	485 960	652 040
	Additions	464 225	152 646
	Disposals	(24 999)	(8 567)
	Depreciation	(355 234)	(310 159)
	Net book value at end of year	<u>569 952</u>	<u>485 960</u>
	Furniture		
	Net book value at beginning of year	328 508	265 035
	Additions	93 402	141 108
	Disposals	(4 031)	(7 767)
	Depreciation	(94 588)	(69 868)
	Net book value at end of year	<u>323 291</u>	<u>328 508</u>
	Motor vehicles		
	Net book value at beginning of year	429 017	607 882
	Additions	902 789	-
	Disposals	(74 530)	-
	Depreciation	(320 266)	(178 865)
	Net book value at end of year	<u>937 010</u>	<u>429 017</u>
	Total		
	Net book value at beginning of year	1 243 485	1 524 957
	Additions	1 460 416	293 754
	Disposals	(103 560)	(16 334)
	Depreciation	(770 088)	(558 892)
	Net book value at end of year	<u>1 830 253</u>	<u>1 243 485</u>

GIC RE SOUTH AFRICA LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2018

	31 March 2018			31 March 2017		
	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	72 554 976	3 750	72 558 726	32 803 692	1 858 693	34 662 385
Gross	478 383 281	5 000	478 388 281	234 363 318	3 200 496	237 563 814
Retroceded	(405 828 305)	(1 250)	(405 829 555)	(201 559 626)	(1 341 803)	(202 901 429)
Amounts transferred (to)/from profit or loss	89 775 109	(3 750)	89 771 359	39 751 284	(1 854 943)	37 896 341
Gross	505 203 145	(5 000)	505 198 145	244 019 963	(3 195 496)	240 824 467
Retroceded	(415 428 036)	1 250	(415 426 786)	(204 268 679)	1 340 553	(202 928 126)
Balance at end of the period	162 330 085	-	162 330 085	72 554 976	3 750	72 558 726
Gross	983 586 426	-	983 586 426	478 383 281	5 000	478 388 281
Retroceded	(821 256 341)	-	(821 256 341)	(405 828 305)	(1 250)	(405 829 555)
Transportation	5 327 227			1 172 660		
Property	88 336 327			50 593 505		
Engineering	4 297 336			-		
Guarantee	410 512			-		
Liability	974 739			-		
Motor	34 137 210			-		
Miscellaneous	20 778 793			20 788 811		
Accident/Health	8 067 941			-		
	<u>162 330 085</u>			<u>72 554 976</u>		
Estimated maturity profile:						
Gross	983 586 426	-	983 586 426	478 383 281	5 000	478 388 281
Within one year	712 623 566	-	712 623 566	343 093 243	5 000	343 098 243
Thereafter	270 962 860	-	270 962 860	135 290 038	-	135 290 038
Retroceded	(821 256 341)	-	(821 256 341)	(405 828 305)	(1 250)	(405 829 555)
Within one year	(599 517 129)	-	(599 517 129)	(296 254 663)	(1 250)	(296 255 913)
Thereafter	(221 739 212)	-	(221 739 212)	(109 573 642)	-	(109 573 642)
Net	162 330 085	-	162 330 085	72 554 976	3 750	72 558 726
Within one year	113 106 437	-	113 106 437	46 838 580	3 750	46 842 330
Thereafter	49 223 648	-	49 223 648	25 716 396	-	25 716 396

As the company obtains further data on loss run-off, further information will be provided in future periods on claim development.

GIC RE SOUTH AFRICA LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2018

7 <u>Policyholder liabilities for life insurance contracts</u>	<u>31 March</u> <u>2018</u> <u>R</u>	<u>31 March</u> <u>2017</u> <u>R</u>
Balance at beginning of year	13 835 338	17 898 013
Gross	16 894 528	23 730 776
Retroceded	(3 059 190)	(5 832 763)
Amounts transferred (to)/from profit and loss	13 835 338	4 062 675
Gross	16 894 528	6 836 248
Retroceded	(3 059 190)	(2 773 573)
Balance at end of year	-	13 835 338
Gross	-	16 894 528
Retroceded	-	(3 059 190)
Estimated maturity profile:		
Gross	-	16 894 528
Within one year	-	11 967 288
Thereafter	-	4 927 240
Retroceded	-	(3 059 190)
Within one year	-	(2 478 177)
Thereafter	-	(581 013)
Net	-	13 835 338
Within one year	-	9 489 111
Thereafter	-	4 346 227

GIC RE SOUTH AFRICA LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2018

	<u>31 March</u> <u>2018</u> <u>R</u>	<u>31 March</u> <u>2017</u> <u>R</u>
8 <u>Unearned premium reserve</u>		
Balance at beginning of year	44 359 644	18 085 013
Gross	332 164 908	183 409 426
Retroceded	(287 805 264)	(165 324 413)
Amounts transferred through profit and loss	163 713 328	26 274 630
Gross	503 792 782	148 755 482
Retroceded	(340 079 454)	(122 480 852)
Balance at end of year	208 072 972	44 359 644
Gross	835 957 690	332 164 908
Retroceded	(627 884 718)	(287 805 264)
9 <u>Deferred acquisition costs</u>		
Balance at beginning of year	3 611 205	(2 876 116)
Gross	79 739 841	43 861 313
Retroceded	(76 128 636)	(46 737 429)
Amounts transferred through profit and loss	17 044 779	6 487 321
Gross	117 569 483	35 878 528
Retroceded	(100 524 704)	(29 391 207)
Balance at end of year	20 655 984	3 611 205
Gross	197 309 324	79 739 841
Retroceded	(176 653 340)	(76 128 636)

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 2018

10 Investments	31 March 2018		31 March 2017	
	R Cost	R Carrying Value	R Cost	R Carrying Value
Negotiable certificates of deposits	351 000 000	356 488 121	156 000 000	159 254 604
Treasury bills	14 887 018	14 887 018	-	-
Fixed deposits	501 365 028	511 411 238	316 297 698	317 680 722
Ordinary shares - listed	88 837 213	89 098 766	14 377 142	16 344 255
Collective investment schemes - listed	347 556 413	349 632 869	30 781 583	31 109 717
Preference shares - listed	15 793 596	15 198 604	3 461 018	3 831 735
Government bonds - listed	2 877 241	3 080 649	10 895 395	10 997 343
Total investments at fair value through profit or loss	<u>1 322 316 509</u>	<u>1 339 797 265</u>	<u>531 812 836</u>	<u>539 218 376</u>

Listed ordinary shares portfolio analysis	% 2018	% 2017
	Basic materials	21
Consumer services	18	12
Financials	56	36
Industrials	5	15
	<u>100</u>	<u>100</u>

Maturity profile of fixed interest securities

	Less than one year	One to five years	More than five years	Total
	R	R	R	R
2018				
Negotiable certificates of deposits	356 488 121	-	-	356 488 121
Treasury bills	14 887 018	-	-	14 887 018
Fixed deposits	440 878 433	70 532 805	-	511 411 238
Government bonds	-	3 080 648	-	3 080 648
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
2017				
Negotiable certificates of deposits	159 254 604	-	-	159 254 604
Treasury bills	-	-	-	-
Fixed Deposits	317 680 722	-	-	317 680 722
Government bonds	5 144 413	3 020 884	2 832 046	10 997 343
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The weighted average interest rate of these securities for 2018 is 5.98% (2017: 4.57%).

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

	31 March 2018	31 March 2017
Negotiable certificates of deposits	7.86%	8.26%
Treasury bills	7.30%	-
Fixed deposits*	4.66%	2.66%
Government bonds	6.75%	8.42%

* Interest rate for fixed deposits is low because 66% of the fixed deposits are held in foreign currencies.

GIC RE SOUTH AFRICA LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2018

11	<u>Deferred taxation</u>	<u>Non-Life</u> R	<u>Life</u> R	<u>Total</u> R
	<u>31 March 2018</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	-	(249 729)	(249 729)
	Provisions	138 711	-	138 711
	S24 j interest adjustment	309 317	8 224	317 541
	Calculated tax loss	<u>4 977 182</u>	<u>241 505</u>	<u>5 218 687</u>
		<u>5 425 210</u>	<u>-</u>	<u>5 425 210</u>
	<u>31 March 2017</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	-	160 872	160 872
	Provisions	102 871	-	102 871
	S24 j interest adjustment	(213 582)	(4 964)	(218 546)
	Calculated tax loss	<u>5 535 921</u>	<u>390 077</u>	<u>5 925 998</u>
		<u>5 425 210</u>	<u>545 985</u>	<u>5 971 195</u>

GIC RE SOUTH AFRICA LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2018

12	<u>Other accounts payable</u>	<u>31 March</u> <u>2018</u> <u>R</u>	<u>31 March</u> <u>2017</u> <u>R</u>
	Accrual for leave pay	495 397	367 398
	Other	5 675 327	72 087
		<u>6 170 724</u>	<u>439 485</u>

13 **Share capital**

Authorised

1 500 000 000 ordinary shares of no par value

Issued

At beginning of the year

126 950 000 ordinary shares of no par value

253 900 000

111 500 000

Issued during the year

294 906 675 ordinary shares of no par value

589 813 350

142 400 000

At end of the year

421 856 675 ordinary shares of no par value

843 713 350

253 900 000

The unissued shares are under the control of the directors.

14 **Revaluation reserve**

Investments

141 956

1 733 310

141 956

1 733 310

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

GIC RE SOUTH AFRICA LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2018

15 Net investment income	Non-Life R	Life R	Total R
31 March 2018			
Dividends received - listed	1 138 913	140 124	1 279 037
Interest income	41 084 034	2 028 799	43 112 833
Realised gain/ (loss) on disposal of investments	2 423 901	(30 603)	2 393 298
Net movement in unrealised gains and losses on revaluation and disposal of investments	(2 544 031)	333 817	(2 210 214)
	<u>42 102 817</u>	<u>2 472 137</u>	<u>44 574 954</u>
31 March 2017			
Dividends received - listed	457 833	116 832	574 665
Interest received	16 339 966	2 500 493	18 840 459
Realised gain/ (loss) on disposal of investments	(28 779)	2 797 905	2 769 126
Net movement in unrealised gains and losses on revaluation and disposal of investments	2 325 086	(2 230 024)	95 062
	<u>19 094 106</u>	<u>3 185 206</u>	<u>22 279 312</u>
16 Claims incurred			
31 March 2018			
Claims paid	(130 623 437)	(46 229)	(130 669 666)
Gross	(740 056 477)	(61 639)	(740 118 116)
Retroceded	609 433 040	15 410	609 448 450
Change in provision for outstanding claims	(89 775 110)	3 750	(89 771 360)
Gross	(505 203 146)	5 000	(505 198 146)
Retroceded	415 428 036	(1 250)	415 426 786
Claims incurred	<u>(220 398 547)</u>	<u>(42 479)</u>	<u>(220 441 026)</u>
31 March 2017			
Claims paid	(25 553 534)	(10 895 183)	(36 448 717)
Gross	(205 810 787)	(15 523 437)	(221 334 224)
Retroceded	180 257 253	4 628 254	184 885 507
Change in provision for outstanding claims	(39 751 284)	1 854 943	(37 896 341)
Gross	(244 019 962)	3 195 496	(240 824 466)
Retroceded	204 268 678	(1 340 553)	202 928 125
Claims incurred	<u>(65 304 817)</u>	<u>(9 040 240)</u>	<u>(74 345 058)</u>

GIC RE SOUTH AFRICA LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2018

	<u>31 March</u> <u>2018</u> <u>R</u>	<u>31 March</u> <u>2017</u> <u>R</u>
<u>17 Commission</u>		
<u>Commission expense</u>		
Gross commission and brokerage paid	(412 176 317)	(162 545 578)
Gross deferred acquisition cost	117 569 484	35 878 528
	<u>(294 606 833)</u>	<u>(126 667 050)</u>
<u>Commission income</u>		
Retrocession commission and brokerage received	366 734 485	166 789 982
Retroceded deferred commission revenue	(100 524 705)	(29 391 207)
	<u>266 209 780</u>	<u>137 398 775</u>
<u>18 Profit before taxation</u>		
Profit before taxation is stated after charging:		
Employee costs - salaries and bonuses	<u>8 069 659</u>	<u>8 268 998</u>
External auditor's remuneration		
– audit services	897 324	526 150
– non-audit services	15 000	-
	<u>912 324</u>	<u>526 150</u>
Consulting fees paid	<u>2 489 529</u>	<u>2 896 309</u>
Depreciation of equipment	<u>770 088</u>	<u>558 892</u>
Operating lease expense	<u>2 436 811</u>	<u>1 259 028</u>

GIC RE SOUTH AFRICA LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2018

19 Taxation	Non-Life R	Life R	Total R
31 March 2018			
South African normal tax			
Current taxation			
– current year	-	(545 985)	(545 985)
– utilization of tax credit	-	545 985	545 985
Deferred taxation			
– current year	-	545 985	545 985
	<u>-</u>	<u>545 985</u>	<u>545 985</u>
	<u>-</u>	<u>545 985</u>	<u>545 985</u>
Tax rate reconciliation:	%	%	
Standard tax rate	28	28	
Dividends received	-	-	
Return transfers previously not recognised and other four funds tax losses	-	(18)	
Calculated tax loss for which no deferred tax asset is raised	(27)	(2)	
Other	(1)	(1)	
Effective tax rate	<u>0</u>	<u>7</u>	
31 March 2017			
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	-	
Return transfers previously not recognised and other four funds tax losses	-	(6)	
Calculated tax loss for which no deferred tax asset is raised	(32)	(36)	
Other	3	14	
Effective tax rate	<u>0</u>	<u>0</u>	

The policyholder funds relating to life insurance contracts have cumulative 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 (2017: R5,4 million). Assessed losses of R 114.8 million (2017: R35.7 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 2018

20 Related party transactions

20.1 Identity of related parties

The current holding company is General Insurance Corporation of India (GIC Re 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>2018</u> <u>R</u>	<u>2017</u> <u>R</u>
Directors emoluments are set out below:		
- Salaries and bonuses		
D Prasad	1 948 542	1 802 967
Managing director		
	<u>1 948 542</u>	<u>1 802 967</u>
- Fees		
S Bhikha	360 000	280 000
CI Moosa	255 000	160 000
J Bagg	370 000	300 000
	<u>985 000</u>	<u>740 000</u>

Other non-executive directors of GIC Re South Africa Ltd are appointed by GIC Re India (parent company) and 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	-	1 032 739 #
S Karmarkar	Chief Operating Officer	710 971	766 548
SK Jangir	Chief Finance Officer, Manager – HR	508 222	559 940
Z Ahmad	Chief Underwriting Officer	509 041	531 226
SKR Chintapalli	Chief Technology Officer	497 141	506 037
F Mosam	Chief Technical Accounts Officer	313 500	107 344 *
W Mwase	Public Officer, Company Secretary, Manager - Admin	310 500	44 230 **
		<u>2 849 375</u>	<u>3 548 064</u>

Apart from above, R1,23 million (2017 : R1,13 million) was paid as rent for accommodation provided to executive officers.

Resigned on 31 December 2016

* From December 2016 to March 2017

** From February 2017 to March 2017

GIC RE SOUTH AFRICA LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2018

20 Related party transactions (continued)

20 Other related party transactions

The following transactions were entered with the current holding company:

	<u>2018</u> R	<u>2017</u> R
Statement of comprehensive income effects :		
Retroceded premiums to holding company	499 136 610	590 016 049
Retroceded claims from holding company	(512 458 497)	(350 593 132)
Retroceded commission from holding company	(152 513 943)	(166 281 972)
Interest paid on Reserve Deposits	(9 100 552)	(3 563 467)
Statement of financial position effects :		
Retroceded outstanding claims	490 038 499	405 828 304
Retroceded unearned premium provision	230 614 562	287 805 264
Retroceded deferred acquisition cost	(75 382 295)	(76 128 636)
Retroceded reserve deposit	653 274 462	585 478 632
Retroceded receivables	-	6 462 917

21 Commitments and contingencies

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	1 196 751	1 097 937
One to five years	1 304 459	2 501 209
	<u>2 501 210</u>	<u>3 599 146</u>

The operating lease expires on 31 March 2020.

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. Company has recaptured the entire Life Run-off business in FY 2017-18.

Dividends

No dividends were paid during the year (2017 : Nil)

Going concern

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

GIC RE SOUTH AFRICA LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2018

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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2017, and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated:

IFRS 9 Financial instruments - periods beginning on or after 1 January 2018

On 24 July 2014, 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 debts recognised in the Company.

IFRS 17 Insurance Contracts - Effective for the financial year commencing 1 January 2021

The standard supersedes IFRS 4 Insurance Contracts.

IFRS 17 addresses the recognition, measurement, presentation and disclosure of insurance contracts issued, reinsurance contracts held and investment contracts with discretionary participation features. The standard contains guidance on when to separate components in an insurance contract and account for them in terms of another standard. The components that have to be separated (subject to certain criteria) are embedded derivatives, distinct investment components and distinct goods and non-insurance services.

The standard requires an entity to identify portfolios of insurance contracts and to group them into the following groups at initial recognition:

- Contracts that are onerous
- Contracts that have no significant possibility of becoming onerous subsequently and
- The remaining contracts in the portfolio.

Groups of insurance contracts should be measured at initial recognition at the total of the following:

- The fulfilment cash flows which comprise estimates of future cash flows, an adjustment to reflect the time value of money and the financial risks and a risk adjustment for non-financial risk
and
- The contractual service margin which represents the profit in the group of insurance contracts that will be recognised in future periods.

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of:

- the liability for remaining coverage (fulfilment cash flows related to future service and the contractual service margin) and
- the liability for incurred claims (fulfilment cash flows related to past service).

An entity may simplify the measurement of a group of insurance contracts using the premium allocation approach if certain criteria is met.

The new standard will have a significant impact on the financial statements when it is initially applied which will include changes to the measurement of insurance contracts issued and the presentation and disclosure.

The standard is effective for annual periods beginning on or after 1 January 2021 and has to be applied retrospectively. Early adoption is permitted. The company is expecting to adopt IFRS 17 in its financial statements for the year ending 31 December 2021.

GIC RE SOUTH AFRICA LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2018

Note	Total		Non-life		Life	
	31 March	31 March	31 March	31 March	31 March	31 March
	2018	2017	2018	2017	2018	2017
	R	R	R	R	R	R
24 Revenue account split between non-life and life reinsurance contracts						
Gross premiums written	1 641 253 719	688 644 606	1 649 181 344	681 056 377	(7 927 625)	7 588 229
Retroceded premiums	(1 267 664 011)	(592 848 686)	(1 269 884 198)	(590 016 049)	2 220 187	(2 832 637)
Gross UPR movement	(503 792 782)	(148 755 482)	(503 792 782)	(148 755 482)	-	-
Retro UPR movement	340 079 454	122 480 852	340 079 454	122 480 852	-	-
Net premiums written and earned	209 876 380	69 521 290	215 583 818	64 765 698	(5 707 438)	4 755 592
Claims incurred	(220 441 026)	(74 345 058)	(220 398 547)	(65 304 818)	(42 479)	(9 040 240)
Claims paid	16 (130 669 666)	(36 448 717)	(130 623 437)	(25 553 534)	(46 229)	(10 895 183)
Gross Retroceded	(740 118 116)	(221 334 224)	(740 056 477)	(205 810 787)	(61 639)	(15 523 437)
	609 448 450	184 885 507	609 433 040	180 257 253	15 410	4 628 254
Change in provision for outstanding claims	6 (89 771 360)	(37 896 341)	(89 775 110)	(39 751 284)	3 750	1 854 943
Gross Retroceded	(505 198 146)	(240 824 466)	(505 203 146)	(244 019 962)	5 000	3 195 496
	415 426 786	202 928 125	415 428 036	204 268 678	(1 250)	(1 340 553)
Net commission	(28 397 053)	10 731 725	(28 514 414)	10 366 851	117 361	364 874
Commissions (paid)/received	(45 441 832)	4 244 404	(45 559 193)	3 879 530	117 361	364 874
Gross Retroceded	(412 176 317)	(162 545 578)	(412 130 745)	(162 402 442)	(45 572)	(143 136)
	366 734 485	166 789 982	366 571 552	166 281 972	162 933	508 010
Net change in deferred acquisition cost	9 17 044 779	6 487 321	17 044 779	6 487 321	-	-
Gross Retroceded	117 569 484	35 878 528	117 569 484	35 878 528	-	-
	(100 524 705)	(29 391 207)	(100 524 705)	(29 391 207)	-	-
Change in provision for policyholder liabilities	7 13 835 338	4 062 675	-	-	13 835 338	4 062 675
Gross Retroceded	16 894 528	6 836 248	-	-	16 894 528	6 836 248
	(3 059 190)	(2 773 573)	-	-	(3 059 190)	(2 773 573)
Underwriting result	(25 126 361)	9 970 632	(33 329 143)	9 827 731	8 202 782	142 901
Gross Retroceded	(385 567 630)	(42 100 368)	(394 432 322)	(44 053 768)	8 864 692	1 953 400
	360 441 269	52 071 000	361 103 179	53 881 499	(661 910)	(1 810 499)
Management expenses	(25 991 898)	(23 717 580)	(23 948 387)	(20 154 036)	(2 043 511)	(3 563 544)
Net income/(loss) before other income and expenses	(51 118 259)	(13 746 948)	(57 277 530)	(10 326 305)	6 159 271	(3 420 643)
Net investment income	* 41 540 531	20 473 670	39 340 093	17 607 363	2 200 438	2 866 307
Interest paid on retrocession deposits	(9 953 112)	(3 563 467)	(9 953 112)	(3 563 467)	-	-
Increase in provision for doubtful debts	(3 168 950)	(820 639)	(3 168 950)	(820 639)	-	-
Foreign exchange gain/(loss)	(53 175 431)	(28 881 344)	(53 175 431)	(28 881 344)	-	-
Profit (Loss) before taxation	18 (75 875 221)	(26 538 728)	(84 234 930)	(25 984 392)	8 359 709	(554 336)
Taxation	19 (545 985)	-	-	-	(545 985)	-
Profit (Loss) after taxation	(76 421 206)	(26 538 728)	(84 234 930)	(25 984 392)	7 813 724	(554 336)

* Net of investment management fees

GIC RE SOUTH AFRICA LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2018

	<u>31 March</u> <u>2018</u> <u>R</u>	<u>31 March</u> <u>2017</u> <u>R</u>
25 Notes to the statement of cash flows		
25.1 Cash utilised by operations		
Loss before taxation	(75 875 221)	(26 538 728)
Adjustments for:		
– depreciation of equipment	770 088	558 892
– realised gain on disposal of investments	(2 393 298)	(2 769 126)
– interest income	(43 112 833)	(18 840 459)
– dividends received	(1 279 037)	(574 665)
– interest paid	9 953 112	3 563 617
– increase in net provision for unearned premium	163 713 328	26 274 630
– increase in net deferred acquisition costs	(17 044 779)	(6 487 321)
– increase in net provision for outstanding claims	89 771 359	37 896 341
– decrease in net policyholder liabilities for life insurance contracts	(13 835 338)	(4 062 675)
– unrealised gain on revaluation of investments	2 210 214	(95 062)
Cash generated by operations before working capital changes	112 877 595	8 925 444
Increase in amounts receivable from insurance companies	(565 429 850)	(143 151 078)
Increase in other accounts receivable	(1 608 021)	(1 589 124)
Increase in amounts payable to insurance companies	7 233 052	18 316 856
Increase/(decrease) in other accounts payable	5 731 239	(94 946)
Increase in deposits withheld from retrocessionaires	671 572 931	243 700 410
	<u>230 376 946</u>	<u>126 107 562</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	43 320 138	7 028 731
Cash at bank	87 223 637	70 632 967
Cash on hand	5 862	11 546
	<u>130 549 637</u>	<u>77 673 244</u>

GIC RE SOUTH AFRICA LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2018

26. Categorisation of assets and liabilities

	Note	Financial assets and liabilities				Other non - financial assets and liabilities	Current / non - current distinction	
		Total R	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
ASSETS								
Equipment	5	1 830 253	-	-	-	1 830 253	-	1 830 253
Technical assets under insurance contracts		1 646 450 383	-	-	-	1 646 450 383	1 424 711 171	221 739 212
Retroceded outstanding claims	6	821 256 341	-	-	-	821 256 341	599 517 129	221 739 212
Retroceded unearned premium reserve	8	627 884 718	-	-	-	627 884 718	627 884 718	-
Gross deferred acquisition costs	9	197 309 324	-	-	-	197 309 324	197 309 324	-
Retroceded policyholder liabilities	7	-	-	-	-	-	-	-
Investments	10	1 339 797 265	471 897 906	867 899 359	-	-	1 266 183 811	73 613 454
Government securities		3 080 649	3 080 649	-	-	-	-	3 080 649
Fixed deposits		511 411 238	-	511 411 238	-	-	440 878 433	70 532 805
Negotiable certificates of deposits		356 488 121	-	356 488 121	-	-	356 488 121	-
Treasury bills		14 887 018	14 887 018	-	-	-	14 887 018	-
Listed ordinary shares		89 098 766	89 098 766	-	-	-	89 098 766	-
Listed preference shares		15 198 604	15 198 604	-	-	-	15 198 604	-
Listed collective investment schemes		349 632 869	349 632 869	-	-	-	349 632 869	-
Deferred tax	11	5 425 210	-	-	-	5 425 210	-	5 425 210
Amounts receivable from insurance companies		909 050 084	-	909 050 084	-	-	903 969 874	5 080 210
Other accounts receivable		3 499 320	-	3 499 320	-	-	3 499 320	-
Cash on call and on deposit		43 320 138	-	43 320 138	-	-	43 320 138	-
Cash at bank and on hand		87 229 499	-	87 229 499	-	-	87 229 499	-
Total assets		4 036 602 152	471 897 906	1 910 998 400	-	1 653 705 846	3 728 913 813	307 688 339
LIABILITIES								
Technical liabilities under insurance contracts		1 996 197 456	-	-	-	1 996 197 456	1 725 234 596	270 962 860
Gross outstanding claims	6	983 586 426	-	-	-	983 586 426	712 623 566	270 962 860
Gross unearned premium reserve	8	835 957 690	-	-	-	835 957 690	835 957 690	-
Retroceded deferred acquisition cost	9	176 653 340	-	-	-	176 653 340	176 653 340	-
Gross policyholder liabilities	7	-	-	-	-	-	-	-
Deposits withheld from retrocessionaires		1 290 984 362	-	-	1 290 984 362	-	1 290 984 362	-
Amounts payable to insurance companies		34 011 891	-	-	34 011 891	-	34 011 891	-
Other accounts payable	12	6 170 724	-	-	5 675 327	495 397	6 170 724	-
Total liabilities		3 327 364 433	-	-	1 330 671 580	1 996 692 853	3 056 401 573	270 962 860

GIC RE SOUTH AFRICA LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2018

26. Categorisation of assets and liabilities (Continued)

	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
ASSETS								
Equipment	5	1 243 485	-	-	-	1 243 485	-	1 243 485
Technical assets under insurance contracts		776 433 850	-	-	-	776 433 850	666 279 195	110 154 655
Retroceded outstanding claims	6	405 829 555	-	-	-	405 829 555	296 255 913	109 573 642
Retroceded unearned premium reserve	8	287 805 264	-	-	-	287 805 264	287 805 264	-
Gross deferred acquisition costs	9	79 739 841	-	-	-	79 739 841	79 739 841	-
Retroceded policyholder liabilities	7	3 059 190	-	-	-	3 059 190	2 478 177	581 013
Investments	10	539 218 376	62 283 050	476 935 326	-	-	528 221 033	10 997 343
Government securities		10 997 343	10 997 343	-	-	-	-	10 997 343
Fixed deposits		317 680 722	-	317 680 722	-	-	317 680 722	-
Negotiable certificates of deposits		159 254 604	-	159 254 604	-	-	159 254 604	-
Treasury bills		-	-	-	-	-	-	-
Listed ordinary shares		16 344 255	16 344 255	-	-	-	16 344 255	-
Listed preference shares		3 831 735	3 831 735	-	-	-	3 831 735	-
Listed collective investment schemes		31 109 717	31 109 717	-	-	-	31 109 717	-
Deferred tax	11	5 971 195	-	-	-	5 971 195	-	5 971 195
Amounts receivable from insurance companies		343 620 234	-	343 620 234	-	-	342 509 193	1 111 041
Other accounts receivable		1 891 299	-	1 891 299	-	-	1 891 299	-
Cash on call and on deposit		7 028 731	-	7 028 731	-	-	7 028 731	-
Cash at bank and on hand		70 644 513	-	70 644 513	-	-	70 644 513	-
Total assets		1 746 051 683	62 283 050	900 120 103	-	783 648 530	1 616 573 964	129 477 719
LIABILITIES								
Technical liabilities under insurance contracts		903 576 353	-	-	-	903 576 353	763 359 075	140 217 278
Gross outstanding claims	6	478 388 281	-	-	-	478 388 281	343 098 243	135 290 038
Gross unearned premium reserve	8	332 164 908	-	-	-	332 164 908	332 164 908	-
Retroceded deferred acquisition cost	9	76 128 636	-	-	-	76 128 636	76 128 636	-
Gross policyholder liabilities	7	16 894 528	-	-	-	16 894 528	11 967 288	4 927 240
Deposits withheld from retrocessionaires		619 411 431	-	-	619 411 431	-	619 411 431	-
Amounts payable to insurance companies		26 778 839	-	-	26 778 839	-	26 778 839	-
Other accounts payable	12	439 485	-	-	72 087	367 398	439 485	-
Total liabilities		1 550 206 108	-	-	646 262 357	903 943 751	1 409 988 830	140 217 278