

## INDEPENDENT AUDITOR'S REPORT OF LOMBARD INSURANCE COMPANY LIMITED TO THE REGISTRAR OF SHORT-TERM INSURANCE

We have audited the following statement of the Short-term Insurance Statutory Return ("the Return") of Lombard Insurance Company Limited ("the Insurer") for the year ended 30 June 2016 in compliance with Section 19(7) of the Short-term Insurance Act, 1998 ("the Act").

Our opinion on the Return extends only to that information and those statements included in the Return as indicated below:

- Statements B1, B2, B4 and B5 (total columns only)
- Statement C1 to C3;
- Statement D3;
- Statements E9;
- Statement F1 to F2;
- Statement I (Confidential statement - Not available to the public)

Our opinion on the Return extends only to that information and those statements included in the return as indicated above. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the Registrar of Short-term Insurance, for our work, for this report, or for our opinion expressed.

### Directors' Responsibility for the Return

The directors are responsible for the preparation of the Return derived from information contained in the accounting records of the Insurer. This responsibility includes: ensuring that the Return is prepared in terms of the Act, related Regulations and Board Notices; in terms of the guidance manual for the completion of the Return; as well as applicable Directives issued by the Financial Services Board.

### Auditor's Responsibility

Our responsibility is to express an opinion on the Return based on our audit. We conducted our audit in accordance with International Standards of Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain sufficient appropriate audit evidence that the amounts and disclosures in the statements of the Return listed in the first paragraph of this report are in compliance with the provisions of the Act, related Regulations and Board Notices; the guidance manual for the completion of the Return; as well as the applicable Directives issued by the Financial Services Board.

### Auditor's Responsibility (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Return. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Return, whether due to fraud or error. In making those risk

assessment, the auditor considers internal controls relevant to the entity's preparation and presentation of the Return in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the Return.

For the purposes of clarity we confirm that our audit included the following procedures and such other procedures as we considered necessary in the circumstances:

- Agreed the information contained in the statements of the Return listed in the first paragraph of this report to the books and records of the insurer.
- Determined, through inspection of appropriate documentation and enquiry of management of the Insurer, whether the information contained in the statements of the Return listed in the first paragraph of this report was prepared in accordance with the provisions of sections 29, 30,31,32,33; Schedules 1 and 2; as well as Regulations 2 and 3 to the Act.

We believe that the audit evidence we have obtained as part of our audit of the annual financial statements for the year ended 30 June 2016 together with additional evidence obtained as part of our audit of the Return is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the above information and Schedules included in the Return of Lombard Insurance Company Limited has been properly prepared, in all material respects, in accordance with the provisions of the Act, related Regulations and Board Notices; the guidance manual for the completion of the Return; as well as the applicable Directives issued by the Financial Services Board.

### **Regulatory Matters**

We have complied with the provision of section 19(5) of the Act.

### **Restriction on Distribution or Use of the Auditor's Report**

Our report is presented solely for the purposes set out in the first paragraph of the report and for the information of the Registrar of Short Term Insurance, and is not to be used for any other purpose, nor to be distributed to any other parties without our prior written permission. Our report relates only to the information and statements included in the Return specified above, and does not extend to the annual statements of the insurer, taken as a whole.

*Deloitte & Touche*

**Deloitte & Touche**

Per Dinesh Munu

Partner

31 October 2016

PUBLIC STATEMENT

FINAL TRIMESTER DATE: 31/03/2016 18:23

**STATEMENT E9 (Total)**  
**ASSETS AND LIABILITIES: COMPARISON OF STATUTORY TO SHAREHOLDERS' VALUES**  
 held by Lombard Insurance Company Limited  
 as at the end of financial period 30/06/2016

DESCRIPTION	Supporting statement number	THIS YEAR						
		STATUTORY VALUES PER SCHEDULE 2 OF THE ACT			Values per shareholders' statements		Differences	
		Total R'000	In RSA R'000	Outside RSA R'000	R'000	R'000		
1	2	3	4	5	6	7		
<b>ASSETS</b>								
1 Cash		33	33	0	0	33	0	
2 Kruggerands		0	0	0	0	0	0	
3 Outstanding short-term premiums		175,087	129,685	46,402	236,061	60,964		
4 Reinsurance deposits		0	0	0	0	0		
5 Mortgage bonds		0	0	0	0	0		
6 Long term (investment) policies-linked		0	0	0	0	0		
7 Long term (investment) policies-not linked		0	0	0	0	0		
8 Other assets		0	0	0	17,313	17,313		
9 Balances and deposits with banks	E1	566,086	566,086	0	409,438	(156,648)		
10 Securities and Loans	E2	0	0	0	0	0		
11 Other Securities	E3	0	0	0	0	0		
12 Debtors (Claims against persons & entities)	E4	683,390	660,906	22,484	691,988	8,598		
13 Shares, depository receipts and units	E5	656,806	576,264	80,542	517,940	(138,866)		
14 Land and buildings	E6	0	0	0	0	0		
15 Fixed assets	E7	21,493	21,493	0	4,180	(17,313)		
16 <b>TOTAL ASSETS</b>		<b>2,102,895</b>	<b>1,953,467</b>	<b>149,428</b>	<b>1,876,943</b>	<b>(225,952)</b>		
<b>LIABILITIES</b>								
17 Due to other insurers and reinsurers		335,187	196,189	138,998	335,187	0		
18 Reinsurance deposits		0	0	0	0	0		
19 Bank overdraft		0	0	0	0	0		
20 Provision for current and deferred taxation		20,598	20,598	0	20,598	0		
21 Contingent liabilities		0	0	0	0	0		
22 Other liabilities		498,318	498,318	0	362,804	(135,514)		
23 Unearned premium provisions - net	D3	259,241	230,090	29,151	259,241	0		
24 Outstanding claims - net	D3	194,867	183,539	11,328	194,867	0		
25 I B N R - Claims incurred but not reported	D3	99,267	87,291	11,977	69,253	(30,014)		
26 Unexpired risk provision	D3	0	0	0	0	0		
27 <b>TOTAL LIABILITIES</b>		<b>1,407,478</b>	<b>1,216,025</b>	<b>191,453</b>	<b>1,241,950</b>	<b>(165,528)</b>		
28 <b>NET ASSETS/SHAREHOLDERS' FUNDS</b>		<b>695,417</b>	<b>737,442</b>	<b>(42,025)</b>	<b>634,993</b>	<b>(60,424)</b>		



LOMBARD INSURANCE COMPANY LIMITED

STATEMENT E9 (Total)  
 DIFFERENCES BETWEEN ASSETS AND LIABILITIES: COMPARISON OF STATUTORY TO SHAREHOLDERS' VALUES  
 held by Lombard Insurance Company Limited  
 as at the end of financial period 30/06/2016

Items with differences in statutory and shareholders' values	Statutory value	Shareholders' value	Correspond with difference in Statement E9
	R'000	R'000	R'000
<b>Outstanding short-term premiums</b>	175,087	236,051	60,964
Overdue Premium disallowed			60,964
<b>Other assets</b>		17,313	17,313
Other Assets - Intangible assets included with Fixed assets			
<b>Balances and deposits with banks</b>	566,086	409,438	(156,648)
Unit Trusts reallocated to Shares			138,866
Collateral Funds included			(295,514)
<b>Debtors (Claims against persons &amp; entities)</b>	683,390	691,988	8,598
Prepaid Expenses Disallowed		693	693
Unlisted OTC Instrument		7,905	7,905
<b>Shares, depository receipts and units</b>	656,806	517,940	(138,866)
Unit Trusts reallocated from Banks			(138,866)
<b>Fixed assets</b>	21,493	4,180	(17,313)
Other Assets - Intangible assets included with Fixed assets			
<b>Sub-total</b>			<b>(225,952)</b>
<b>Other liabilities</b>	498318	362804	(135,514)
Tier II Capital for Statutory purpose			160,000
Collateral Funds included			(295,514)
<b>IBNR - Claims incurred but not reported</b>	99,267.19	69,253.00	(30,014)
Difference in IBNR due to Interim measures calculation			(30,014)
<b>Sub-total</b>			<b>(165,528)</b>
<b>NET ASSETS/SHAREHOLDERS' FUNDS</b>			<b>(60,424)</b>

DELOITTE & TOUCHE

## PUBLIC STATEMENT

FINAL PRINTOUT DATE

STATEMENT F1 CAPITAL ADEQUACY REQUIREMENT, SURPLUS ASSETS, NET ASSET RATIO AND SOLVENCY of Lombard Insurance Company Limited as at the end of financial period 30/06/2016		
1	2	3

DESCRIPTION	World-wide R'000	In RSA R'000
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## 1. CAPITAL ADEQUACY REQUIREMENT

1	(i) MCR	98,027	98,027
2	Absolute minimum requirement	10,000	10,000
3	Operating Expenses (per reporting period)	392,109	392,109
4	Annualised Operating Expenses	392,109	392,109
5	Premium Income (net of all reinsurance)	591,929	512,481
6	Statutory approved different MCR (If applicable)	0	0
7	Date of statutory approval for different MCR (YY/MM/DD)		
8	(ii) SCR	343,926	316,757
9	(iii) CAPITAL ADEQUACY REQUIREMENT (CAR)	343,926	316,757

## 2. NET ASSETS: STATUTORY BASIS

	(i) Assets		
10	Domestic		0
11	Foreign, deemed to be domestic		0
12	Total assets	2,102,895	1,953,467
13	(ii) Less: Total Liabilities	1,407,478	1,216,025
14	(iii) Sub total: Net Assets	695,417	737,442
15	Less: Capital Adequacy Requirement (per 1(iii))	343,926	316,757
16	SURPLUS / SHORTFALL OF ASSETS	351,491	420,685
17	Solvency Margin (current year)	117.5%	143.9%
18	Solvency Margin (previous year)	103.3%	120.3%
19	CAR Cover	2.02	2.33

AUDITORS

DELOITTE &amp; TOUCHE