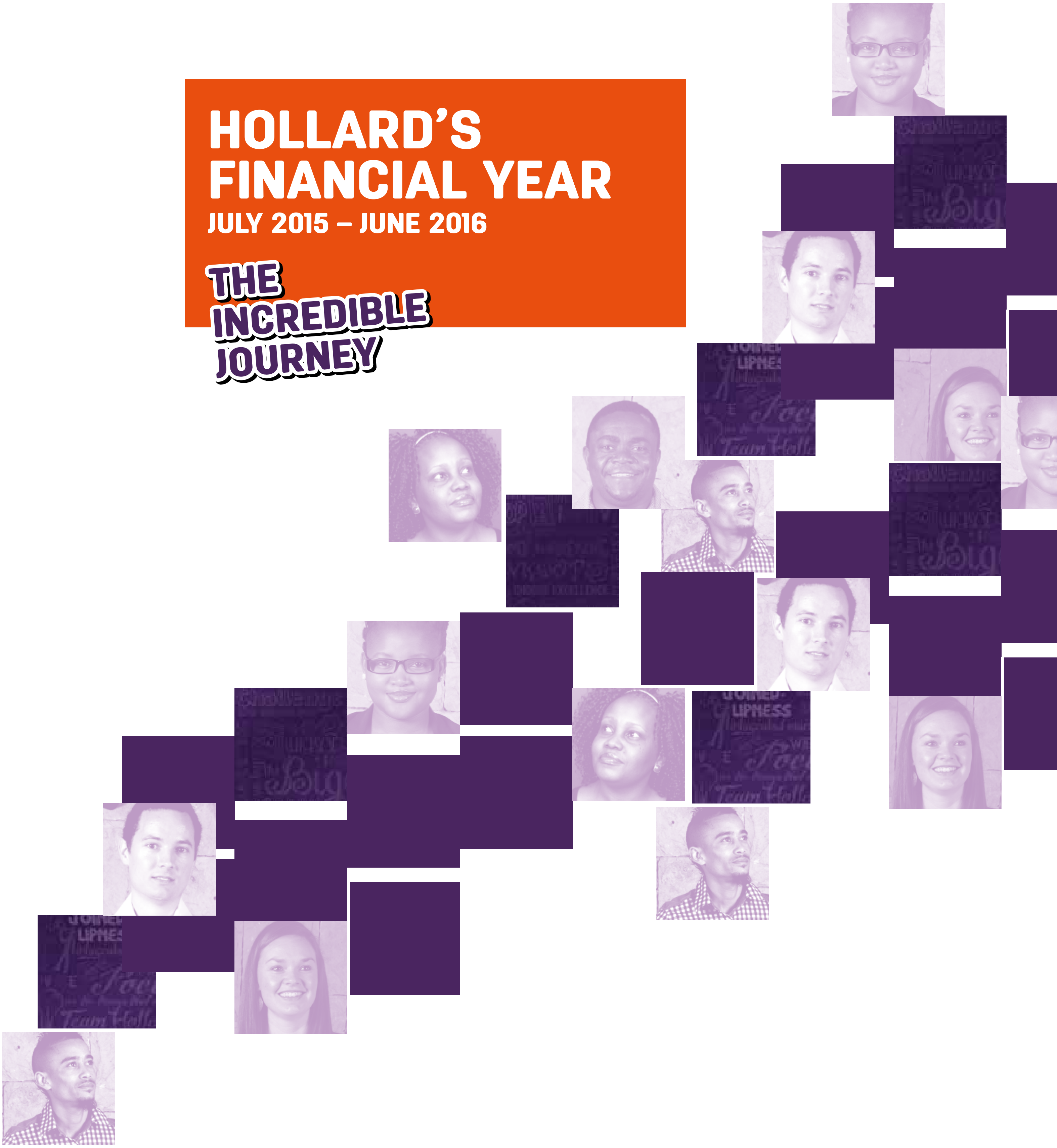
HOLLARD'S FINANCIAL YEAR

JULY 2015 – JUNE 2016

THE INCREDIBLE JOURNEY



Hollard.

2016

(Registration number 1952/003004/06)
Audited consolidated annual financial statements
for the year ended 30 June 2016

THE HOLLARD INSURANCE COMPANY LIMITED

These financial statements were audited in compliance with the Companies Act 71 of 2008.

The annual financial statements were prepared by Navashnie Pillay, BCom (ACC) Hons, under the supervision of the Financial Manager, Prevashini Kalimuthu, CA(SA).

Hollard.

CONTENTS

Group salient features

for the year ended 30 June 2016

	2016 R'000	2015 R'000	2014 R'000	2013 R'000	2012 R'000
Income statement information					
Gross premium income[1]	12 513 741	11 376 501	9 003 297	7 103 163	10 685 181
Net written premium income[2]	9 592 782	8 857 186	6 930 218	5 774 314	8 260 702
Investment income[3]	1 259 554	1 051 336	905 618	1 585 847	729 430
Net insurance claims	5 428 655	4 877 829	3 932 344	3 093 707	4 278 066
Profit attributable to equity holders of the parent	1 487 325	746 719	720 976	1 688 697	705 671
Statement of financial position information					
Insurance liabilities	5 115 347	5 402 403	4 598 553	3 238 350	2 784 548
Equity attributable to equity holders of parent	3 150 169	3 694 967	3 510 974	3 274 243	1 747 524
Total assets	12 459 682	11 998 170	10 826 046	8 705 723	11 435 811
Financial assets (ie listed investments and unlisted investments)	2 675 367	3 425 392	3 644 615	2 727 482	2 273 106
Cash and cash equivalents	2 179 384	2 962 959	2 195 306	1 855 578	2 141 922

Trading ratios	%	%	%	%	%
Written premium: Net to gross	76.7	77.9	77.0	81.3	77.3
Combined operating ratio[4]	100.6	100.9	101.7	99.7	98.6
Solvency ratio[5]	46.0	57.6	69.1	77.7	79.4
Actuarial information					
Capital adequacy requirement (CAR)	2 229 304	2 086 775	1 724 114	1 332 040	1 241 638

(1) "Gross premium income" represents the total income arising from insurance contracts only.

(2) "Net written premium income" is gross premium income less reinsurance premium outwards.

(3) "Investment income" includes net investment income and unrealised gains and/or losses on the investment and trading portfolios.

(4) "Combined ratio" is calculated and presented at a Company level and is defined as the ratio between the sum of net insurance claims, commission and other acquisition costs, marketing and administrative expenses and net premium income.

(5) "Solvency ratio" is the ratio between shareholders' funds (including contingency reserve for years prior to 2012) and net written premium income. Solvency is calculated and presented at a Company level.

Directors' responsibility statement and approval of annual financial statements

for the year ended 30 June 2016

In terms of the Companies Act of South Africa, the Directors are required to maintain adequate accounting records and to prepare annual financial statements that fairly present the financial position at year-end and the results and cash flows for the year of The Hollard Insurance Company Limited ("Hollard" or the "Company") and its subsidiaries (the "Group").

To enable the Board to discharge its responsibilities, management has developed and continues to maintain a system of internal controls. The Board has ultimate responsibility for this system of internal controls and reviews the effectiveness of its operations, primarily through the Group Audit Committee and other risk monitoring committees and functions.

The internal controls include risk-based systems of accounting and administrative controls designed to provide reasonable, but not absolute, assurance that assets are safeguarded and that transactions are executed and recorded in accordance with sound business practices and the Group's written policies and procedures. These controls are implemented by trained and skilled staff, with clearly defined lines of accountability and appropriate segregation of duties. The controls are monitored by management and include a budgeting and reporting system operating within strict deadlines and an appropriate control framework.

As part of the system of internal controls, the Group's Internal Audit function conducts inspections, financial and specific audits and co-ordinates audit coverage with the External Auditors.

The External Auditors are responsible for reporting on the Group's and Company's annual financial statements.

The Group's and Company's annual financial statements are prepared in accordance with International Financial Reporting Standards and incorporate responsible disclosures in line with the accounting policies of the Group. The Group's and Company's annual financial statements are based on appropriate accounting policies consistently applied except, as otherwise stated, and supported by reasonable and prudent judgements and estimates.

The Board believes that the Group and Company will be going concerns in the year ahead. For this reason the Board continue to adopt the going-concern basis in preparing the annual financial statements.

These annual financial statements, set out on pages 3 to 72, have been approved by the Board of the Group and Company and are signed on its behalf by:

ADH Enthoven
Chairman

31 October 2016

NG Kohler
Chief Executive Officer

31 October 2016

Certification by Company Secretary

In my capacity as Group Secretary, I hereby confirm that the Group has lodged with the Registrar of Companies all such returns as are required of the Group and that such returns are true, correct and up to date.

NL Shirilele
Company Secretary

31 October 2016

Audit Committee report

The Committee is composed of three independent non-executive directors. The work of the Committee is specified by its charter, and the provisions of the Short Term Insurance Act, 1998. The Committee reviewed the Company's financial statements, and assessed that these accurately represented the financial position of the Company. The Committee further reviewed the Company's accounting policies, and the reports of the internal and external audit functions, and of the compliance officer. The Committee met three times during the year, and the chairman of the Committee reported on the work of the Committee to the Board. The Committee is satisfied that it has discharged all its responsibilities.

The Committee reviewed the work of the external auditors, Deloitte & Touche, including the audit plan and budget, independence and recommended to the Board and shareholders the appointment of the auditors.

PK Ward
Chairman: Audit Committee

31 October 2016

Independent Auditor's report

To the shareholders of The Hollard Insurance Company Limited

We have audited the consolidated and separate financial statements of The Hollard Insurance Company Limited set out on pages 8 to 71, which comprise the statements of financial position as at 30 June 2016, and the income statements, the statements of comprehensive income, the statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these consolidated and separate 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 consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of The Hollard Insurance Company Limited as at 30 June 2016, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 30 June 2016, we have read the Directors' report, the Audit Committee's report, Corporate Governance Statement and the Company Secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the consolidated and separate audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Report on other legal and regulatory requirements

In terms of the Independent Regulatory Board for Auditors (IRBA) Rule published in Government Gazette Number 39475 dated 4 Desember 2015, we report that Deloitte & Touche has been the auditor of the Hollard Insurance Company Limited for eight years. We are independent of the Group in accordance with the IRBA code of Proffesional 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 of financial statements in South Africa. The IRBA Code is consistent with the International Ethics Standards Board of Accountants Code of Ethics for Professional Accountants (Parts A and B).

Deloitte & Touche

Deloitte & Touche
Registered Auditors
Per: Dinesh Munu
Partner
31 October 2016

National Executive
LL Bam (Chief Executive)*; TMM Jordan (Deputy Chief Executive Officer)*; MJ Jarvis (Chief Operating Officer)*; GM Pinnock (Audit)*; N Sing (Risk Advisory)* NB Kader (Tax)*; TP Pillay (Consulting)*; S Gwala (BPaaS); K Black (Clients and Industries)*; JK Mazzocco (Talent and Transformation)*; MJ Comber (Reputation and Risk)*; TJ Brown (Chairman of the Board)*
**Partner and Registered Auditor*

A full list of partners and directors is available on request

B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code

Associate of Deloitte Africa, a member of Deloitte Touche Tohmatsu Limited.

Directors' report

for the year ended 30 June 2016

The Directors have the pleasure in presenting the Directors' report which forms part of the Group's and Company's annual financial statements for the year ended 30 June 2016.

Nature of business

The Company is a registered insurer and underwrites all classes of short-term insurance business throughout the Republic of South Africa. The activities and details of the interest in subsidiaries, associates and joint venture are listed in notes 36, 37 and 48 on pages 64 to 66, and 70 to 71, of the annual financial statements.

General review

In the year under review the Group achieved a net profit attributable to equity holders of the parent of R1 487 325 000 (2015: R746 719 000), which emanated from the Group's operations as follows:

	GROUP	
	2016 R'000	2015 R'000
Net premium income	**9 506 096**	8 782 584
Investment income	**1 259 554**	1 051 336
Other income	**360 496**	234 913
Total revenue	**11 126 146**	10 068 833
Net insurance claims	**5 428 655**	4 877 829
Other operating expenses	**4 051 640**	3 895 656
Total expenses	**9 480 295**	8 773 485
Results of operating activities	**1 645 850**	1 295 348
Share of profit in associates	**32 477**	85 430
Profit before taxation	**1 678 327**	1 380 778
Taxation	**104 654**	(272 499)
Profit for the year	**1 782 981**	1 108 279
Non-controlling interest	**(295 656)**	(361 560)
Net profit attributable to equity holders of the parents	**1 487 325**	746 719

Share capital

The Company repurchased 1 100 003 shares for R1 262 400 388 and issued 915 001 additional ordinary share for a consideration of R1 262 400 385 during the year.

Dividends

Dividends on ordinary shares of Rnil (2015: Rnil) and dividends on preference shares of R1 989 240 000 (2015: R554 957 000) were declared by the Company during the year.

Subsidiaries and associates

The Company has changed its holding in the following subsidiary:
- Execuline Underwriting Manager (Pty) Ltd (from 51% to 100%).

The Company sold all its interest in the following subsidiaries:
- Hollard Asset Management (Pty) Ltd (100%).

The Company sold all its interest in the following associates:
- Eikos Holdings (SA) (Pty) Ltd (40%).

Aggregate profits of the subsidiaries and associates for the year amounted to R396 212 179 and R32 476 932 respectively (2015: R160 293 546 and R85 430 000 respectively).

Going concern

The Board believes that the Group and Company will continue to be going concerns in the year ahead. For this reason the Board continues to adopt the going-concern basis in preparing the annual financial statements.

Subsequent events

On the 30 September 2016, the 70% shareholding in The Hollard Insurance Company of Botswana Limited (incorporated and operational in Botswana) and the 70% shareholding in Hollard Botswana (Pty) Ltd (trading as Hollard Life Botswana and incorporated and operational in Botswana) were sold to Direct Axis International S.a.r.l for the consideration of R180 700 000 and R6 100 000 respectively.

During September 2015, Regent Group's shareholder, Imperial Holdings, accepted an offer by the Hollard Group and the Yellowwoods Group to dispose of its shareholding in Regent Group, subject to regulatory approval. On 21 October 2016, we received confirmation that the Competition Commission would be recommending to the Competition Tribunal that the Group acquisition be prohibited from going ahead. Given that the merger is categorised as a large merger, the recommendation of the Competition Commission does not constitute a final binding decision. Such final binding decision will be made by the Competition Tribunal subsequent to the hearing regarding the merger. The Board is not aware of any other event since the end of the financial year, not otherwise dealt with in these annual financial statements that would affect the operations of the Group and Company or the results of these operations.

Directorate

In terms of the requirements of the Memorandum of Incorporation, the following Directors retired by rotation, made themselves available for re-election and were re-elected at the Annual General Meeting held on 17 November 2015:

- N Kohler, B Ngonyama

Executive Directors

NG Kohler (Group CEO), WT Lategan (Group CFO since 1 January 2016), TBT Mparutsa (Group CFO until 1 January 2016) and IH Ross (Group Chief Underwriting Officer) were the only Executive Directors who held office during the year.

Non-executive Directors

ADH Enthoven, B Ngonyama, PK Ward, R Fihrer, BF Mohale, S Patel and NV Simamane were in office during the year as Non-Executive Directors.

Auditors

Deloitte & Touche will continue in office in accordance with section 90 of the Companies Act No 71 of 2008.

Company Secretary

NL Shirilele

Business address

Hollard at Arcadia
22 Oxford Road
Parktown
Johannesburg

Postal address
PO Box 87419
Houghton
2041

Holding company

The immediate holding company is Hollard Holdings (Pty) Ltd (100%) (2015: 78.43%) and the ultimate holding company is R Enthoven and Sons (Pty) Ltd. Both of these companies are incorporated in the Republic of South Africa.

Statements of financial position

as at 30 June 2016

		GROUP		COMPANY	
	Notes	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Assets					
Property and equipment	5	64 338	63 714	64 203	46 235
Investment property	6	58 587	53 639	–	–
Intangible assets	7	113 894	85 488	113 248	60 003
Interest in subsidiaries	8	–	–	99 599	792 931
Interest in associates	9	169 006	173 677	188 323	295 449
Financial assets	10	2 675 367	3 425 392	2 637 044	2 869 935
Other financial asset		–	246 458	–	246 458
Reinsurance assets	21	2 606 898	2 525 610	2 606 898	2 046 119
Insurance, loans and other receivables	13	2 060 859	1 805 228	2 054 805	1 552 157
Deferred acquisition costs	22	144 297	163 468	144 297	155 022
Deferred taxation	14	78 170	81 816	77 889	80 040
Current income taxation	35	74 993	66 709	74 879	61 221
Cash and cash equivalents	15	2 179 384	2 962 959	2 173 264	2 359 354
Non-current asset held for sale	16	2 233 887	344 012	746 405	390 273
Total assets		12 459 682	11 998 170	10 980 855	10 955 197
Equity and liabilities					
Share capital and premium	17	1 642 601	606 850	1 642 601	606 850
Contingency reserve		103 321	93 209	–	–
Share option reserve		4 012	4 012	4 012	4 012
Foreign currency translation reserve	19	(24 222)	7 006	–	–
Non-distributable reserves	18	9 421	9 206	–	–
Credit protection reserves		3	20	–	–
Retained earnings		1 415 033	2 974 664	2 094 497	3 765 194
Equity attributable to equity holders of the parent		3 150 169	3 694 967	3 741 110	4 376 056
Non-controlling interest		460 547	352 551	–	–
Total equity		3 610 716	4 047 518	3 741 110	4 376 056
Insurance liabilities	21	5 115 347	5 402 403	5 115 347	4 476 560
Reinsurance liabilities		950 612	840 771	950 612	739 442
Non-current liabilities held for sale	16	1 586 179	–	–	–
Long-term borrowings	24	3 254	354	–	–
Employee benefits	25	241 679	254 106	241 679	211 025
Trade and other payables	26	801 142	998 425	788 422	739 129
Current borrowings		232	232	–	–
Shareholders for dividend	33	14 317	18 053	14 317	3 492
Deferred taxation	14	136 408	424 403	129 368	409 493
Current income taxation	35	28	12 137	–	–
Total liabilities		8 848 966	7 950 652	7 239 745	6 579 141
Total equity and liabilities		12 459 682	11 998 170	10 980 855	10 955 197

Income statements

for the year ended 30 June 2016

	Notes	GROUP 2016 R'000	GROUP 2015 R'000	COMPANY 2016 R'000	COMPANY 2015 R'000
Revenue					
Gross premium income	21	12 513 741	11 376 501	10 386 327	9 492 385
Reinsurance premiums outwards		(2 920 959)	(2 519 315)	(2 247 412)	(1 899 267)
Net written premium income		9 592 782	8 857 186	8 138 915	7 593 118
(Less)/add: Change in unearned premium reserve		(86 686)	(74 602)	8 935	(51 789)
Gross amount		(229 779)	(190 781)	(133 050)	(75 205)
Reinsurer's share		143 093	116 179	141 985	23 416
Net premium income		9 506 096	8 782 584	8 147 850	7 541 329
Interest	27	211 114	172 042	159 274	136 093
Dividends	27	145 239	121 099	201 441	179 469
Rental Income		2 919	–	–	–
Realised profit on disposal of investments	28	1 126 325	53 305	1 074 485	23 422
Unrealised (loss)/profit on revaluation of investments	29	(840 849)	693 738	(883 202)	628 737
Profit/(loss) on translation of foreign currencies		162 003	10 449	44 867	(8 789)
Profit/(loss) on disposal of associates and subsidiaries		452 803	534	452 803	(140)
Profit on disposal of property and equipment		–	169	–	–
Investment income		1 259 554	1 051 336	1 049 668	958 792
Other income		360 496	234 913	190 258	135 661
Total revenue		11 126 146	10 068 833	9 387 776	8 635 782
Expenses					
Gross claims and loss adjustment expense		7 415 517	6 424 053	6 568 162	5 790 579
Reinsurer's share		(1 986 862)	(1 546 224)	(1 769 621)	(1 402 992)
Net insurance claims		5 428 655	4 877 829	4 798 541	4 387 587
Commission and other acquisition costs		1 138 345	1 073 311	903 800	904 863
Interest paid	27	24 639	16 094	24 639	16 039
Marketing and administration expenses		2 888 657	2 806 251	2 490 531	2 320 024
Total expenses		9 480 296	8 773 485	8 217 511	7 628 513
Results of operating activities		1 645 850	1 295 348	1 170 265	1 007 269
Share of profit of associates		32 477	85 430	–	–
Profit before taxation	30	1 678 327	1 380 778	1 170 265	1 007 269
Taxation	31	104 654	(272 499)	184 027	(156 385)
Profit for the year		1 782 981	1 108 279	1 354 292	850 884
Profit for the year attributable to:					
Equity holders of the parent		1 487 325	746 719		
Non-controlling interest		295 656	361 560		
		1 782 981	1 108 279		

Statements of comprehensive income

for the year ended 30 June 2016

	Notes	GROUP 2016 R'000	GROUP 2015 R'000	COMPANY 2016 R'000	COMPANY 2015 R'000
Profit for the year		1 782 981	1 108 279	1 354 295	850 884
Other comprehensive income					
Exchange differences on translating foreign operations		(63 969)	(7 493)	–	–
Transfer from reserve		2 164	–	–	–
Raising of credit protection reserve	20	(17)	11	–	–
Unrealised gain/(loss) on financial assets at fair value through other comprehensive income		1 045	(706)	–	–
Other comprehensive loss for the year	21	(60 777)	(8 188)	–	–
Total comprehensive income for the year		1 722 204	1 100 091	1 354 295	850 884
Total comprehensive income attributable to:					
Equity holders of the parent		1 456 203	742 912		
Non-controlling interest		266 001	357 179		
		1 722 204	1 100 091		

Statements of changes in equity

for the year ended 30 June 2016

	Attributable to equity holders of the parent										
	Issued share capital R'000	Share premium R'000	Contingency reserve R'000	Share option reserve R'000	Foreign currency translation reserve R'000	Credit protection reserves R'000	Non-distri-butable reserves R'000	Retained earnings R'000	Total ordinary share-holders' equity R'000	Non-controlling interest R'000	Total equity R'000
GROUP											
Balance at 1 July 2014	537 200	69 650	90 957	4 012	11 800	9	8 836	2 788 510	3 510 974	387 989	3 898 963
Profit for the year	–	–	–	–	–	–	–	746 719	746 719	361 559	1 108 278
Other comprehensive (loss)/income	–	–	–	–	(4 491)	11	370	303	(3 807)	(4 381)	(8 188)
Total comprehensive income	–	–	–	–	(4 491)	11	370	747 022	742 912	357 179	1 100 091
Transfer to contingency reserve	–	–	2 252	–	–	–	–	(3 398)	(1 146)	1 146	–
Transfer to NCI	–	–	–	–	(303)	–	–	(1 831)	(2 134)	2 134	–
Loss of control	–	–	–	–		–	–	–	–	(273 688)	(273 688)
Dividends paid on ordinary shares	–	–	–	–	–	–	–	–	–	(124 734)	(124 734)
Dividends paid on A-ordinary shares in Hollard Insurance Company of Namibia Limited	–	–	–	–	–	–	–	(681)	(681)	681	–
Dividends paid on A-ordinary shares in Hollard Insurance Company of Namibia Limited	–	–	–	–	–	–	–	–	–	(681)	(681)
Dividends paid on preference shares	–	–	–	–	–	–	–	(554 958)	(554 958)	–	(554 958)
Acquisition of shares in a subsidiary	–	–	–	–	–	–	–	–	–	2 525	2 525
Balance at 30 June 2015	537 200	69 650	93 209	4 012	7 006	20	9 206	2 974 664	3 694 966	352 551	4 047 518
Profit for the year	–	–	–	–	–	–	–	1 487 325	1 487 325	295 655	1 782 981
Other comprehensive income/(loss)	–	–	–	–	(31 228)	(17)	215	(94)	(31 124)	(29 654)	(60 777)
Total comprehensive income	–	–	–	–	(31 228)	(17)	215	1 487 231	1 456 201	266 001	1 722 204
Transfer to contingency reserve	–	–	10 112	–	–	–	–	(27 028)	(16 917)	2 917	(14 000)
Dividends paid on ordinary shares	–	–	–	–	–	–	–	–	–	(157 615)	(157 615)
Dividends paid on A-ordinary shares in Hollard Insurance Company of Namibia Limited	–	–	–	–	–	–	–	–	–	(780)	(780)
Dividends paid on preference shares	–	–	–	–	–	–	–	(1 989 240)	(1 989 240)	–	(1 989 240)
Acquisition of shares in a subsidiary	–	–	–	–	–	–	–	5 156	5 156	(2 527)	2 630
Share buy back	(212 914)	(13 736)	–	–	–	–	–	(1 035 750)	(1 262 400)	–	(1 262 400)
Issue of ordinary shares	1 262 400	–	–	–	–	–	–	–	1 262 400	–	1 262 400
Balance at 30 June 2016	1 586 686	55 914	103 321	4 012	(24 222)	3	9 421	1 415 033	3 150 169	460 547	3 610 716
COMPANY											
Balance at 1 July 2014	537 200	69 650	–	4 012	–	–	–	3 469 268	4 080 130		
Profit for the year	–	–	–	–	–	–	–	850 884	850 884		
Total comprehensive income	–	–	–	–	–	–	–	850 884	850 884		
Dividends paid on preference shares	–	–	–	–	–	–	–	(554 957)	(554 957)		
Balance at 30 June 2015	537 200	69 650	–	4 012	–	–	–	3 765 194	4 376 056		
Profit for the year	–	–	–	–	–	–	–	1 354 292	1 354 292		
Total comprehensive income	–	–	–	–	–	–	–	1 354 292	1 354 292		
Share buy back	(212 914)	(13 736)	-	-	-	-	-	(1 035 750)	(1 262 400)		
Issue of ordinary shares	1 262 400	–	-	-	-	-	-	-	1 262 400		
Dividends paid on preference shares	–	–	–	–	–	–	–	(1 989 240)	(1 989 240)		
Balance at 30 June 2016	1 586 686	55 914	–	4 012	–	–	–	2 094 497	3 741 109		

Statements of cash flows

for the year ended 30 June 2016

		GROUP		COMPANY	
	Notes	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Cash flows from operating activities					
Cash receipts from policyholders and other customers		9 250 463	9 400 969	7 649 300	8 099 884
Cash paid to policyholders, suppliers and employees		(9 534 273)	(8 142 086)	(7 623 619)	(7 151 873)
Cash (utilised by)/generated from operations	32	(283 810)	1 258 883	25 681	948 011
Interest paid	27	(24 639)	(16 094)	(24 639)	(16 039)
Dividends paid	33	(1 993 757)	(586 168)	(1 971 432)	(551 466)
Interest received	27	211 114	172 042	159 274	136 093
Dividends received	34	194 454	110 931	250 656	169 301
Taxation paid	35	(202 567)	(209 291)	(107 606)	(167 415)
Net cash outflow from operating activities		(2 099 205)	730 303	(1 668 066)	518 485
Cash flows from investing activities					
Acquisition of property and equipment		(34 476)	(28 211)	(30 540)	(15 548)
Acquisition of listed and unlisted investments		(184 760)	(192 357)	(110 272)	(50 762)
Acquisition of subsidiaries		–	(43)	(3 781)	(4 219)
Acquisition of intangible assets		(94 965)	(48 167)	(77 389)	(40 873)
Acquisition of bonds		(138 544)	–	(50 060)	–
Proceeds on disposal of subsidiaries	36	8 000	(98)	8 000	–
Proceeds on disposal of property and equipment	38	–	1 549	–	391
Proceeds on disposal of listed and unlisted investments	39	1 275 955	296 492	1 275 955	249 504
Proceeds on disposal of other financial assets		311 985	–	311 985	–
Proceeds on disposal of non-current asset held for sale		48 114	12 979	2 899	–
Decrease in loans to subsidiaries		–	–	(137)	28 910
Increase/(decrease) in foreign currency translation reserve		(30 995)	(4 794)	–	–
Net cash inflow from investing activities		1 315 630	37 350	1 481 976	167 403
Cash flows from financing activities					
Share buy back		(1 262 400)	–	(1 262 400)	–
Rights issue of shares		1 262 400	–	1 262 400	–
Net cash outflow from financing activities		–	–	–	–
Cash and cash equivalents					
Net decrease in cash and cash equivalents		(783 575)	767 653	(186 090)	685 888
Cash and cash equivalents at beginning of year		2 962 959	2 195 306	2 359 354	1 673 466
Cash and cash equivalents at end of year	15	2 179 384	2 962 959	2 173 264	2 359 354

Notes to the annual financial statements

for the year ended 30 June 2016

1. Accounting policies

The principal accounting policies adopted in the preparation of the Group's and Company's annual financial statements are set out below and have been consistently applied to all years presented unless otherwise stated.

1.1 Basis of presentation

These annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations issued and effective at the time of preparing these annual financial statements.

These annual financial statements have been prepared on the historical cost basis, except for investment and owner-occupied property, interest in subsidiaries and associates, the revaluation of investment financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income which are carried at fair value.

Use of estimates and judgements

The preparation of financial statements in compliance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the 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 the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The Group's and Company's estimates and underlying assumptions are reviewed for reasonability on an ongoing basis. Revisions to accounting estimates are recognised in the income statement in the year in which the estimates are revised, if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the annual financial statements are disclosed in note 2 to these financial statements.

Adoption of new and revised standards

The Group's and Company's accounting policies are consistent with those of the previous financial year except for those instances where new or revised standards and/or interpretations had to be adopted. The Group and Company adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the IFRIC of the IASB relevant to its operations that are effective for annual reporting periods beginning on or after 1 January 2014. The adoption of these revised standards and interpretations did not have any effect on the Group's and Company's financial performance or position, although they did give rise to additional disclosures including, in some cases, changes to existing accounting policies.

The Group and Company will comply with standards issued but not yet effective for the 2016 financial year, from the respective effective dates. It is expected that the application of these standards will have an impact on the Group's reported results, financial position and cashflow. The adoption of these standards will give rise to additional disclosures including, in some cases, changes to existing accounting policies for the Group and Company.

The new and amended IFRS and IFRIC interpretations together with the dates on or after which they became effective, are as follows:

Amendments and International Financial Reporting Standards effective for the first time for the financial year ended 30 June 2016

The following amendments and International Financial Reporting Standards are mandatory for the Group's and Company's accounting period and have been adopted where applicable:

- IAS 32 Financial instruments: Presentation (effect for annual periods beginning on or after 1 January 2014):
  Amendments relating to the offsetting of assets and liabilities.
- IAS 36 Impairment of Assets (effective for annual periods beginning on or after 1 January 2014):
  Amendments related recoverable amount disclosures for non-financial assets.
- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) (effective for annual periods beginning on or after 1 January 2014)
- Defined Benefit Plans: Employee Contributions (Amendments to IAS 19) (effective for annual periods beginning on or after 1 January 2014)

International Financial Reporting Standards and amendments issued but not yet effective for the financial year ended 30 June 2016

- IFRS 9 Financial instruments (effective for annual periods beginning on or after 1 January 2015): New standard amended to defer the mandatory effective date of IFRS 9 and amendments to transition disclosures.
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11) (effective for annual periods beginning on or after 1 January 2016)"
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38) (effective for annual periods beginning on or after 1 January 2016)"
- Equity Method in Separate Financial Statements (Amendments to IAS 27) (effective for annual periods beginning on or after 1 January 2016)

Notes to the annual financial statements (continued)

for the year ended 30 June 2016

1. Accounting policies (continued)

1.1 Basis of presentation (continued)

Interpretations of International Financial Reporting Standards issued but not yet effective for the financial year ended 30 June 2016

There are no interpretations of International Financial Reporting Standards issued but not yet effective for the financial year ended 30 June 2016.

1.2 Basis of consolidation

The consolidated annual financial statements incorporate the annual financial statements of the Company, its subsidiaries, associates and joint ventures.

Investments in subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. Gains and losses on disposal of subsidiaries are accounted for in the income statement.

The Group uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date in terms of IFRS 3: *Business Combinations*, irrespective of the extent of any non-controlling interest.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

The interest of non-controlling shareholders in the acquiree is initially measured at their proportion of the net fair value of the assets, liabilities and contingent liabilities recognised. Non-controlling interest in the net assets of consolidated subsidiaries are identifiable separately from the Group's equity therein. Non-controlling interest consists of the amount of those interests at the date of the original business combination and their share of changes in equity since the date of the combination. Losses attributable to non-controlling shareholders in excess of their interest in the subsidiary's equity are allocated against the interest of the Group except to the extent that they have a binding obligation and are able to make an additional investment to cover the losses.

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Company classifies its investments in subsidiaries at fair value through profit or loss financial instruments in accordance with IAS 39: *Financial Instruments: Recognition and Measurement* due to the fact that it continually manages and evaluates these investments on a fair value basis.

Investment in associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the investee but has no control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these annual financial statements using the equity method of accounting, except when the investments is classified as held for sale, in which case it is accounted for in accordance with IFRS5: *Non-current Assets Held for Sale and Discontinued Operations.* Under the equity method, investments in associates are carried in the consolidated statement of financial position's reserves at cost and adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any impairment in the value of individual investments. Post-acquisition losses of an associate in excess of the Group's interest in that associate, which includes any long-term interest that, in substance, form part of the Group's net investments in associates, are not recognised unless the Group has incurred obligations or made payments on behalf of the associate. Post-acquisition profits are recognised in the income statement.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment on an annual basis. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is immediately recognised in the income statement.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Associates' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Company classifies its investments in associates at fair value through profit or loss financial instruments in accordance with IAS 39 due to the fact that it continually manages and evaluates these investments on a fair value basis.

Interest in joint arrangements

Joint ventures are entities where control is shared equally with a third party. Under the terms of these arrangements, the strategic, financial and operating policy decisions relating to joint venture activities require the unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these annual financial statements using the equity method of accounting, except when the investments is classified as held for sale, in which case it is accounted for in accordance with IFRS 5: *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in joint ventures are carried in the consolidated statement of financial position's reserves at cost and adjusted for post-acquisition changes in the Group's share of the net assets of the joint ventures, less any impairment in the value of individual investments. Post-acquisition losses of an joint venture in excess of the Group's interest in that joint venture, which includes any long-term interest that, in substance, form part of the Group's net investments in joint ventures, are not recognised unless the Group has incurred obligations or made payments on behalf of the joint venture. Post-acquisition profits are recognised in the income statement.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment on an annual basis. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is immediately recognised in the income statement.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Joint ventures' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Company classifies its investments in joint ventures at fair value through profit or loss financial instruments in accordance with IAS 39 due to the fact that it continually manages and evaluates these investments on a fair value basis.

Accounting for entities under common control

IFRS does not provided specific guidance on accounting for business combinations under common control. Therefore, an accounting policy would be elected using the principles outlined in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. This approach requires the entity first to consider the requirements in IFRSs dealing with similar and related issues. After this assessment, the entity evaluates the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the Framework.

IFRS 3 is not applied to transactions where there is a transfer of a business between group entities that are ultimately controlled by the same party before and after the transfer. Therefore, the predecessor accounting policy was selected for the accounting of entities under common control. Under this methodology, the assets and liabilities are transferred at their carrying amounts as they were recognised in the seller's financial statements. The excess between the assets and liabilities recognised and the purchase consideration transferred to the seller, is recognised as an equity transaction directly in the statement of changes in equity.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or associate at the acquisition date. Goodwill arising on the acquisition of the subsidiary or associate is initially recognised at cost as a separate asset. Goodwill is tested annually for impairment and is carried at cost less any accumulated impairment losses. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination for the purpose of impairment testing. Each of these cash-generating units represents the Group's investment by primary reporting segment.

Cash-generating units to which the goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss for goodwill is not reversed in a subsequent period.

The Group's policy for goodwill arising on acquisition of an associate is described under "Investments in associates" above.

1.3 Foreign currencies

General

Foreign assets and liabilities are initially recorded at the spot rate and translated into South African Rand at the exchange rates ruling at the statement of financial position date. Foreign investment income or loss is translated into South African Rand at the average exchange rate for the year. Gains or losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Functional and presentation currency

The individual annual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated annual financial statements are presented in South African Rand, which is the Company's functional currency and the Group's presentation currency. All financial information presented in South African Rand has been rounded to the nearest thousand (R'000) except when otherwise indicated.

Notes to the annual financial statements (continued)

for the year ended 30 June 2016

1. Accounting policies (continued)

1.3 Foreign currencies (continued)

Transactions and balances

Transactions in foreign currencies are translated into the functional currency at the foreign exchange rate ruling at the date of the transaction. At each statement of financial position date, assets and liabilities denominated in currencies different to the functional currency are translated into the functional currency at the ruling rate at that date. Foreign exchange gains or losses are recognised in the income statement. Translation differences on non-monetary items are reported as part of the fair value gain or loss.

Group companies

For the purposes of presenting consolidated annual financial statements, the assets and liabilities of the Group's foreign operations are translated from their respective functional currency into the Group's presentation currency at the closing exchange rates ruling at the statement of financial position date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates ruling at the date of the various transactions are used. All translation differences arising from the translation and consolidation of foreign operations are recognised directly in other comprehensive income as a foreign currency translation gain or loss. Such translation differences are recognised in the income statement in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing exchange rate at the statement of financial position date. None of the Group entities has the currency of a hyperinflationary economy.

1.4 Property and equipment

Property and equipment is initially recorded at cost. Costs include all expenditure that is directly attributable to the acquisition of an asset and to bringing it to a working condition for its intended use, including import duties and non-refundable purchase taxes but excluding trade discounts and rebates. Maintenance and repairs expenditure, which neither adds to the value of property and equipment nor significantly prolongs its expected useful life, is recognised directly in the income statement.

Each category of property and equipment is depreciated on the straight-line basis at rates considered appropriate to reduce its cost to net realisable value over its estimated useful life. The rates used to depreciate each category of property and equipment are as follows:

Motor vehicles	20%
Office equipment	10%
Computer equipment	33%
Leasehold improvements	33%
Owner-occupied properties	4%

Land is not depreciated.

There have been no changes to useful lives from those applied in the previous financial year.

Property

Owner-occupied properties are carried at fair value less subsequent depreciation for buildings. The fair value is determined every three years by external, independent, professional valuers. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation increase arising on the revaluation of owner-occupied properties is credited to the revaluation surplus in other comprehensive income.

Decreases that offset previous increases of the same asset are charged against their valuation reserve in other comprehensive income. All other decreases are charged to the income statement. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost, net of any related deferred tax is transferred from the revaluation surplus to other comprehensive income.

If an owner-occupied property becomes an investment property because its use has changed, any difference arising between the carrying amount and the fair value at the date of transfer is recognised in other comprehensive income as a revaluation gain or loss of property. If a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement. On disposal of such investment property, any surplus previously recorded in other comprehensive income is transferred to retained earnings.

Equipment

Equipment is reflected at cost less accumulated depreciation and impairment losses. Depreciation is provided on the straight-line basis at rates considered appropriate to reduce the cost or revalued amounts to net realisable value over the estimated useful life.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group or Company and the cost of the item can be reliably measured. All other repairs and maintenance expenditure is charged to the income statement during the financial period in which it is incurred.

The assets' residual values and useful lives are reviewed at each statement of financial position date and adjusted if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses on disposal are determined by comparing the asset's proceeds on disposal to its carrying amount and are included in the income statement. When revalued assets are sold, the amounts included in the revaluation surplus are transferred to retained earnings.

1.5 Investment property

Property held either to earn rental income or for capital appreciation, or for both, and which is not occupied by companies in the Group, is classified as investment property. The Group's investment property comprises freehold land and buildings.

Investment property is treated as a long-term investment and is measured initially at cost, including transaction costs. After initial recognition, investment property is measured at open-market fair value and is subject to a valuation by an external, independent professional valuer every three years. If the open-market valuation information cannot be reliably determined, the Group uses alternative valuation methods such as recent prices on active markets. Gains or losses arising from changes in the fair value of investment property are credited or charged directly to the income statement in the year in which they are identified. On disposal of investment property, the difference between the net disposal proceeds and the carrying value is recognised in the income statement.

If an investment property were to become owner-occupied, it would be reclassified as property and equipment and would be fair valued at the date of reclassification.

1.6 Intangible assets

Computer software

Acquired computer software packages and licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful life (three to seven years).

Acquired rights over books of business

The acquisition of the books of business is recognised as intangible assets due to the fact that:

- It is probable that the expected future economic benefits attributable to the books of business will flow to the entity;
- The costs of the books of business have been measured reliably;
- These books of business are initially recognised at cost;
- These books of business are, subsequent to initial recognition, carried at cost less accumulated amortisation, fair value adjustments and any impairment losses; and
- These books of business are revalued annually using actuarial valuation models.

1.7 Non-derivative financial instruments

Financial assets

Investments

The Group and Company classify its investments in debt and equity securities into the following categories: financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, held-to-maturity financial assets and loans and other receivables. The classification is dependent on the purpose for which the investments were acquired. Management determines the classification of its investments at the time of purchase according to the following accounting policies:

(i) Financial assets at fair value through profit or loss

A financial asset is classified in this category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit taking, or if so designated by management in terms of the Group's and Company's investment strategy.

For the purpose of these annual financial statements, short term is defined as any period of less than 12 months. Investments which the Group and Company have elected to designate at fair value through profit or loss are investments held for long-term. For the purpose of these annual financial statements, long-term is defined as any period in excess of 12 months.

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group and the Company have a positive intention and ability to hold to maturity, are classified as held-to-maturity investments and are included in non-current assets, except for maturities within 12 months from the statement of financial position date which are classified as current assets. This category also includes all assets that are not designated either at fair value through profit or loss or as fair value through other comprehensive income.

(iii) Financial assets at fair value through other comprehensive income

Financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as financial assets at fair value through other comprehensive income and are included in non-current assets unless management has the express intention of holding the investments for less than 12 months from the statement of financial position date or unless they will be sold to raise operating capital, in which case they are included in current assets. Fair value through other comprehensive income investments include listed and unlisted shares, unit trusts, deposits and money market securities.

(iv) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market that are created by the Group or Company in exchange for providing money, goods or services directly to a debtor, other than those that originated with the intention to sell immediately or in the short-term or shares designated at fair value through profit or loss. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the overall impairment review of loans and receivables.

Notes to the annual financial statements (continued)

for the year ended 30 June 2016

1. Accounting policies (continued)

1.7 Non-derivative financial instruments (continued)

Financial assets (continued)

Investments (continued)

(v) Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Recognition and measurement

Financial instrument purchases and disposals are initially measured at cost and are recognised using trade date accounting. The trade date is the date on which the Group and/or the Company commits to purchase or sell the asset. Subsequent to initial measurement, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income are carried at fair value, while the held-to-maturity investments and loans – receivables are carried at amortised cost using the effective interest method, less any provision for impairment.

A provision for impairment of held-to-maturity investments and loans and receivables is established when there is objective evidence that the Group or Company will not be able to collect all amounts due according to their original terms.

Financial instruments are derecognised when the rights to receive cash flows from the investments have expired or where they have been transferred and the Group and/or the Company has also transferred substantially all the risks and rewards of ownership.

Gains or losses

Realised and unrealised gains or losses arising from changes in the fair value of investments classified as at fair value through profit or loss are included in the income statement in the period in which they arise. Unrealised gains or losses arising from changes in the fair value through other comprehensive income investments are recognised in other comprehensive income. When investments classified as fair value through other comprehensive income are sold or impaired, the accumulated fair value adjustments are included in the profit or loss as net realised gains or losses on non-derivative financial instruments.

Fair value

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

The fair value of investments is based on quoted bid prices for listed instruments and collective investments schemes are valued using the repurchase price. The use of cash flow models is applied for non-active market instruments. Fair values for unlisted investments are estimated using applicable cash flow models or price/earnings ratios refined to reflect the specific circumstances of each investment. Where the fair value of an investment cannot be measured reliably, the investment is carried at cost less any impairment.

Offsetting

Where a legally enforceable right to offset exists for recognised financial assets and financial liabilities and there is an intention to settle the liability and realise the asset simultaneously or to settle on a net basis, all related financial effects are offset.

Financial liabilities

Financial liabilities, including borrowings, are initially measured at cost, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with the interest expense being recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating the corresponding interest expense over the relevant period. The effective interest rate is the rate that exactly discounts future cash payments through the expected life of the financial liability or where appropriate, a shorter period.

In accordance with the definition of a financial liability contained in IAS 32: *Financial Instruments: Presentation*, the Group and Company classify the following statement of financial position items as financial liabilities:

- Borrowings;
- Reinsurance liabilities;
- Trade and other payables;
- Insurance liabilities; and
- Provision for liabilities arising from a contractual relationship with existing Group and Company staff.

1.8 Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions and valuation techniques. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. The changes in fair value of derivatives that do not qualify for hedge accounting are recognised immediately in the income statement.

1.9 Impairment of tangible and intangible assets excluding goodwill

The Group and/or the Company assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets other than those carried at fair value through profit or loss is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of financial assets is impaired includes observable data that comes to the attention of the Group and/or the Company about the following events:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as default or delinquency in payments;
- Adverse changes in the payment status of issuers or debtors; and
- Economic conditions that correlate with defaults on assets in the Group and/or the Company.

All impairment losses are recognised in the income statement as soon as they are identified.

If there is objective evidence that an impairment loss has been incurred on loans and receivables carried at amortised cost and financial assets at fair value through other comprehensive income, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics.

The Group and/or the Company assesses at each statement of financial position date whether there is objective evidence that a financial asset at fair value through other comprehensive income is impaired, including, in the case of equity investments, a significant or prolonged decline in the fair value of the security below its costs. If any such evidence exists, the cumulative loss, which is measured as the difference between the acquisition cost and the current fair value of the investment, is removed from other comprehensive income and recognised in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and recognised in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Non-financial assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised as the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

1.10 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments of three months or less in money market instruments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are measured at fair value with reference to expected cash flows and current market interest rates.

1.11 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

1.12 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

1.13 Insurance contracts

Classification of insurance contracts

The Group and/or Company issues contracts which transfer insurance risk or financial risk or, in some cases, both.

Insurance contracts are those contracts under which the Group and/or Company (as insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects them. Such contracts may also transfer financial risk. As a general guideline, the Group and Company define a significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

Notes to the annual financial statements (continued)

for the year ended 30 June 2016

1. Accounting policies (continued)

1.13 Insurance contracts (continued)

Classification of insurance contracts (continued)

Receipts and payments under insurance contracts are accounted for in the income statement in accordance with the requirements of IFRS 4: *Insurance Contracts*.

The Group and/or Company classifies financial guarantee business as insurance contracts.

Management of insurance and financial risk

As is stated above, the Group and/or Company issues contracts that transfer insurance risk or financial risk, or in some instances both. This section summarises these risks and the way in which the Group and/or Company manages them.

Premiums

Gross premiums comprise the premiums on contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period and are disclosed gross of commission to intermediaries and exclude Value Added Tax. Premiums written include adjustments to premiums written in prior periods.

Outward reinsurance premiums are recognised as an expense in accordance with the pattern of indemnity received. Reinsurance commissions received are recognised as income over the term of the reinsurance contract.

Unearned premium provision

Premiums are earned from the date the risk attaches, over the indemnity period, based on the pattern of the risk underwritten. Unearned premiums, which represent the proportion of premiums written in the current year which relate to risks that have not expired by the end of the financial year, are calculated on a time-proportionate basis for even risk contracts and other bases that best represent the unearned risk profile for uneven risk contracts.

Deferred acquisition costs

Deferred acquisition costs consist of commissions and other variable costs directly connected with acquisition or renewal of insurance contracts. The deferred acquisition costs are amortised on a straight-line basis over the average term of the policies, from one to five years. Deferred acquisition costs are regularly tested for impairment using the liability adequacy test as per IFRS 4. The deferred acquisition cost is not reinstated once written off.

Claims incurred

Claims incurred consist of claims and claims handling expenses paid during the financial year, together with the movement in the provision for outstanding claims and are charged to income as incurred.

The provision for outstanding claims comprises the Group's and/or Company's estimate of the undiscounted ultimate cost of settling all claims incurred but unpaid at the statement of financial position date, whether reported or not. Related anticipated reinsurance recoveries are disclosed separately as assets.

The majority of the Group's and Company's IBNR is calculated as a percentage of net earned premium as prescribed by Board Notice 169 of 2011. This percentage is a best estimate reserve, which represents the expected value of the unreported claims liabilities. Different percentages are applicable for different classes of business and appropriateness is assessed against the Group's and Company's past claims experience.

The Company's internal actuaries review the adequacy of the Company's claims provisions. The chain ladder method which involves the analysis of historical claims development factors and the selection of the estimated development factors based on the historical pattern is used to assess the adequacy of the reserves calculated according to Interim Measure principles. Where the Interim Measure reserves prove to be too low an additional reserve is raised.

Adjustments to the amounts of claims provisions established in prior years are reflected in the annual financial statements for the period in which the adjustments are made and disclosed separately.

Unexpired risk provision and liabilities and related assets under liability adequacy tests

Provision is made for unexpired risks where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the statement of financial position date exceeds the unearned premium provision in relation to such policies.

Liability adequacy tests are performed at the statement of financial position date to ensure the adequacy of the liability raised. Current best estimates of future contractual cash flows, claims handling and administration expenses are used in performing these tests. Any deficiency is recognised in income for the year (unexpired risk provision).

Reinsurance

The Group and/or Company cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential. Reinsurance arrangements do not relieve the Group and/or Company from its direct obligations to its policyholders. Premiums ceded and claims reimbursed are reflected in the income statement and statement of financial position separately from the gross amounts.

Only those reinsurance contracts which give rise to a significant transfer of insurance risk are accounted for as reinsurance. Amounts recoverable under such contracts are recognised in the same year as the related claim. Reinsurance contracts that do not transfer significant insurance risk are accounted for as financial assets. Amounts recoverable under reinsurance contracts are assessed for impairment at each statement of financial position 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 Group and/or Company may not recover all amounts due and that there is a reliably measurable impact on the amounts that the Group and/or Company will receive from the reinsurer. Impairment losses are recognised in the income statement.

Salvage and subrogation reimbursements

Some insurance contracts permit the Group and/or Company to sell property acquired in settling a claim. The Group and/or Company may also have the right to pursue third parties for payment of some or all costs. Estimates of salvage recoveries and subrogation reimbursements are considered as an allowance in the measurement of the liability for claims.

1.14 Revenue

The accounting policy in relation to revenue from insurance contracts is disclosed in note 1.13.

Interest income and finance cost

Interest income and expenditure for all interest bearing financial instruments, including financial instruments measured at fair value through profit or loss, is recognised within investment income and finance costs in the income statement using the effective-interest method. When a receivable is impaired, the Group and/or Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original interest rate of the instrument, and continues unwinding the discount as interest income.

Dividend income

Dividend income for equities is recognised when the right to receive payment is established, which is the last day to trade in respect of quoted shares and when declared in respect of unquoted shares.

Rental income

Rental income from investment properties is recognised in the income statement on a straight-line basis over the term of each lease.

1.15 Employee benefits

Pension and provident scheme arrangements

The Group and Company operate defined contribution pension and provident funds. Contributions to the funds in respect of present service are charged against income as incurred. Contributions are adjusted periodically to take account of salary increases and any other changing circumstances. The Group and Company have no further obligations once the contributions have been paid.

Profit-sharing and bonus plans

The Group and Company operate several bonus and profit share plans for the benefit of employees. A provision is recognised when the Group and/or Company is contractually obliged to pay the profit share or bonus to its employees or where a past practice has created a constructive obligation to do so.

Leave pay

Employee entitlements to annual leave and long-service leave are recognised when they accrue to employees. Provision is made for the estimated liability of this leave as a result of services rendered by employees up to the statement of financial position date.

Termination benefits

Termination benefits are payable when an employee's employment is terminated before the normal retirement date or whenever an employee accepts a voluntary redundancy in exchange for these benefits. The Group and Company recognise termination benefits in the income statement when it is demonstrably committed to either terminating the employment of current employees according to a detailed, formal plan without possibility of withdrawal or where it is committed to providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Equity compensation plan

The Group and Company operate a cash-settled equity compensation plan for the benefit of black employees of the Group and Company. The options issued or granted to employees were raised as a liability and recognised in the income statement immediately or over the vesting period. The liability was measured annually until settled and any changes in value were recognised in profit or loss.

The scheme had been wound up during the 2011 financial year and the balance transferred to equity.

Other post-employment obligations

The Group and Company have no obligation for post-retirement medical benefits in respect of pensioners, former employees or current employees.

1.16 Taxation

Income taxation on the profit or loss for the period comprises current and deferred taxation. Taxable profit differs from profits as reported in the income statement because it excludes items of income or expenses that are taxable or deductible in other years, and it further excludes items that are never taxable nor deductible. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case the related income tax is also recognised in equity.

Income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Notes to the annual financial statements (continued)

for the year ended 30 June 2016

1. Accounting policies (continued)

1.16 Taxation (continued)

Current taxation

Current taxation is the expected taxation payable using taxation rates enacted at statement of financial position date, including any prior year adjustments.

A withholding tax on dividends replaced STC with effect from 1 April 2012. The Company is exempt from paying withholding tax on dividends received as it is a company tax resident in the Republic of South Africa.

Deferred taxation

Deferred taxation is provided at current tax rates, on the comprehensive basis, using the statement of financial position liability method in respect of all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are recognised for all taxable temporary timing differences and deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group and/or Company intends to settle its current tax assets and liabilities on a net basis.

1.17 Provisions

Provisions are recognised when the Group and/or Company has a present legal or constructive obligation of uncertain timing or amount as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are measured as the present value of management's best estimate of the expenditure required to settle the obligation at the reporting date. When the effect of discounting is material, provisions are discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Provisions are not recognised for future operating losses. When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

1.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds and the redemption value is recognised in the income statement over the period of the borrowing using the effective interest rate method.

1.19 Operating leases

Leases of assets under which the lessor effectively retains all the risks and benefits of ownership are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated, any payment required by the lessor by way of a penalty is recognised as an expense in the period in which termination takes place.

1.20 Dividend distribution

Dividend distributions to the Group's and/or Company's shareholders are recognised as a liability in the Group's and/or Company's financial statements in the period in which the Board of Directors approve the dividend.

2. Critical accounting estimates and judgements

The Group and/or Company makes certain estimates and assumptions that affect the reported amounts of assets and liabilities in the annual financial statements.

2.1 Claims incurred

The estimation of the ultimate liability arising from claims made under insurance contracts is the Group's and/or Company's most critical accounting estimate. These estimates rely on the assumption that past experience adjusted for the effect of current developments and likely trends is an appropriate basis for predicting future events. The Group's and/or Company's estimates and assumptions are reviewed, and updated and the tools with which it monitors and manages risk is refined as new information becomes available.

The Group's and/or Company's processes for determining significant reserving assumptions are outlined in note 21.

2.2 Valuation of unlisted investments

The Group and Company determine the fair value of its unlisted investments using well established valuation techniques. These techniques include discounted cash flow analysis, price earnings ratio and net asset value methodologies. Where the underlying investments of an investment holding company are property or listed investments, the company is valued on the net asset value basis which reflects the fair value of the underlying investments.

Insurance companies are valued on a discounted cash flow basis. In instances where reliable future cash flows cannot be estimated, the valuation is based on a price earnings valuation technique. In the event that no cash flow information is available, the valuation is based on the net asset value of the business.

In using discounted cash flow analyses, the discount rate used is based on the build-up method which incorporates a risk-free rate of 5.96%, an equity risk premium and an unsystematic risk premium.

In using the price earnings valuation technique, the valuation is based on a PE multiple of the current years' normalised earnings. The potential future earnings of the company, current interest rate cycle, current business environment and management of the company are considered in determining the earnings factor.

Due to the number and the diversity of investments the disclosure of a sensitivity analysis has not been prepared as it does not provide the user of the financial statements with a meaningful comparison.

The year-end valuations are approved by the Investment Committee.

3. Financial risk management

Introduction

The Group's and/or Company's principal objectives are to ensure that it will be able to continue as a going concern and to provide value to its shareholders and policyholders through a long-term, sustainable real return on capital as a result of managing its business risks within an appropriate risk framework. The Board of Directors has overall responsibility for establishing, monitoring and communicating the Group's and Company's risk management framework, including defining what constitute "appropriate" risk and control policies, and for ensuring that sufficient capital is held to support the taking of risk. In order to discharge some of its responsibility, the Board has established the Risk and Compliance Committee, which is responsible for developing and monitoring the Group's and Company's risk management policies. The Committee reports regularly to the Board on its activities.

The Group's and Company's risk management policies were established to identify and analyse the risks it faces, to set appropriate risk limits and controls and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in both market conditions and the Group's and Company's activities. The Group and Company, through its training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees, brokers and partners understand their roles and obligations.

The Group's Risk and Compliance Committee oversees the way management monitors compliance with its established risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group and Company. The Risk and Compliance Committee is assisted in its oversight role by Internal Audit, which undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to stakeholders in management and to the Group Risk and Compliance Committee.

3.1 Exposure to risk arising from financial instruments

The Group and Company have exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

This section presents information about the Group's and Company's exposure to each of the above risks, the objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout these consolidated annual financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's and Company's risk management framework. The Board has established the Group Risk and Compliance Committee, which is responsible for developing and monitoring the Group's and Company's risk management policies. The Committee reports regularly to the Board of Directors on its activities.

3.1.1 Credit risk

Credit risk is the risk of financial loss to the Group and Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Key areas where the Group and Company are exposed to credit risk are:

- amounts due from insurance policyholders;
- amounts due from underwriting agencies and brokers;
- amounts due from insurance contract intermediaries and third-party recoveries;
- investments and cash equivalents;
- reinsurers' share of insurance liabilities; and
- amounts due from reinsurers and third parties in respect of claims already paid.

Insurance debtors, loans and other receivables

The Group and Company limit the levels of credit risk that it accepts by placing limits on its exposure to a single counterparty or groups of counterparties, products, and to geographical and industry segments. The levels are subject to annual or more frequent reviews. Internal Audit also makes regular reviews to assess the degree of compliance with the Group's procedures on credit.

Notes to the annual financial statements (continued)

for the year ended 30 June 2016

3. Financial risk management (continued)

3.1 Exposure to risk arising from financial instruments (continued)

3.1.1 Credit risk (continued)

The Group's and Company's exposure to credit risk is influenced mainly by the individual characteristics of each intermediary and the portfolios that they administer. A significant amount of the Group's and Company's insurance business is written through and administered by intermediaries, the majority of which have been transacting with the Group and Company for most of their existence. The credit control function forms an integral part of the business relationship to the extent that the intermediaries are closely monitored on many levels, including product profitability and return on capital. The Group and Company are also protected by guarantees provided by the intermediary guarantee facility for the non-payment of premiums collected by intermediaries.

The Group and Company provide for impairment in respect of its insurance debtors, loans and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Investments

The Group and Company have a dedicated Investment Committee that monitors and approves the investment mandates stipulated by the Board. The Group and Company, through the said mandates, limit its exposure to credit risk through diversification and by mainly investing in liquid securities and various counterparties that have a minimum credit rating of A1 from internationally recognised credit rating agencies and A from Moody's, or where such rating is not available, by internal analysis according to strict criteria. Given these high credit rating requirements, management does not expect any counterparty to fail to meet its obligations.

The Group and Company seek to avoid concentration of credit risk to groups of counterparties, asset management houses, business sectors, product types, and geographical segments by diversifying the investment mandate to various asset management houses and enforcing a strict application of mandates. Financial assets are graded and invested according to this framework and the Investment Committee regularly reviews compliance to that effect.

The analysis of credit quality of the Group's and Company's assets is disclosed in note 4 on pages 26 to 35 of the financial statements.

Reinsurance

Reinsurance is used to manage insurance risk. Under the terms of reinsurance agreements, reinsurers agree to reimburse the ceded amount in the event that a gross claim is paid. However, the Group and Company remain liable to its policyholders regardless of whether the reinsurer meets the obligations it has assumed. Consequently, the Group and Company are exposed to credit risk.

The Group and Company have exposure to concentration risk with individual reinsurers due to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable credit ratings. The creditworthiness of reinsurers is considered annually by reviewing their financial strength prior to finalisation of any contract. The Group's and Company's largest reinsurance counterparty is Hannover Re. This exposure is monitored on a regular basis for any shortfall in the claims history to verify that the contract is progressing as expected and that no further exposure for the Group and Company will arise.

The Group and Company monitor the financial condition of reinsurers on an ongoing basis and reviews reinsurance arrangements periodically. The Group and Company have a Reinsurance and Underwriting Committee that is responsible for setting the minimum security criteria for acceptable reinsurance and monitoring the purchase of reinsurance against those criteria. When selecting a reinsurer the Group and Company consider its security. This is assessed from public rating information and from internal investigations.

3.1.2 Liquidity risk

Liquidity risk is the risk that the Group and/or Company will not be able to meet its financial obligations as they fall due. The Group's and Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's and/or Company's reputation.

The Group and Company are exposed to daily calls on its available cash resources mainly from claims arising from short-term insurance contracts. The Investment Committee sets limits on the minimum proportion of maturing funds to be available to meet such calls to cover claims at unexpected levels of demand.

Based on actuarial modelling of historical and future expected trends, the Group and Company have estimated the probable cash outflows associated with general insurance liabilities. The maturity analysis of the gross insurance liabilities is set out in note 4.2.3 on page 31. The maturity profile of the related insurance and investment assets is expected to be similar to the profile of the liabilities. The Group and Company have taken into account that the unearned premium provision, which will be recognised as earned premium in the future, will not lead to claim cash outflows equal to this provision. This has been taken into account in estimating future cash outflows associated with insurance liabilities.

3.1.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's and Company's income or the value of its holdings of insurance assets and financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the Group's and Company's return on investment.

Financial assets and liabilities that are utilised to support the Group's and Company's capital base are fully exposed to the relevant elements of market risk. In summary, the key components of market risk are:

(a) Currency risk

Currency risk is the risk arising from fair value and/or future cash flows of a financial instrument fluctuating from their expected values as a result of changes in exchange rates. This can arise from either a mismatch between currencies of assets or liabilities or supporting capital or the trading currency of the local entity being different to the Group's and Company's reporting currencies.

The Group is exposed to foreign currency risk for transactions that are denominated in a currency other than Rand. This exposure is limited to the operations of the Mozambique and Botswana foreign subsidiaries, transactions with foreign reinsurers, debt securities and equity investments in foreign companies. These foreign investments were made for the purposes of obtaining favourable international exposure to foreign currency and are monitored by the Investment Committee. The Group and Company uses limited derivative instruments to manage this risk which is assessed on an ongoing basis by the Investment Committee. The table in note 4.3.1 on page 32 of the annual financial statements illustrates the split of assets and liabilities of the Group per major currency.

(b) Interest rate risk

Interest rate risk is the risk arising from fair value and/or future cash flows of a financial instrument fluctuating from their expected values as a result of changes in market interest rates.

Changes in market interest rates have a direct effect on the contractually determined cash flows associated with floating rate financial assets and liabilities and on the fair value of fixed rate instrument in the Group's and Company's investment portfolios. The Group's and Company's fixed interest rate investments do not give rise to significant interest rate risk. Furthermore, the majority of interest sensitive investments are short-term, therefore the impact is minimal. The Group and Company do not use derivative instruments to manage this risk other than an ongoing assessment by the Investment Committee of market expectations within the South African market to determine an optimal asset allocation in interest sensitive investments.

Insurance liabilities are not directly sensitive to the level of market interest rates, as they are not discounted and are contractually non-interest bearing. The sensitivity analysis for interest rate illustrates how changes in the fair values or future cash flows of financial instruments will fluctuate because of changes in the market interest rates at the reporting date.

(c) Other market price (or equity) risk

Equity risk is the risk arising from the actual fair value and/or the future cash flows from equities fluctuating from their expected values as a result of changes in market prices and/or dividend amounts.

Equity price risk arises from listed, fair value through profit or loss, equity securities held on behalf of the policyholders and the shareholder. The equity selection and investment analysis process is supported by a well developed research function utilising professional advisors. Within these parameters, investments are managed with the aim of maximising policyholders' returns while limiting risks to acceptable levels within the framework of statutory requirements.

The Group and Company are assisted by external asset managers in this regard. In accordance with this strategy certain investments are designated at fair value through profit or loss because their performance is actively monitored and they are managed on a fair value basis. The Investment Committee actively monitors equity assets, listed and unlisted, owned by the Group and Company, which include some material shareholding in the Group's and Company's strategic partners. Concentrations of specific equity holdings are also monitored.

3.1.4 Capital management

The Group and Company recognise share capital and premium, non-distributable reserves and retained earnings as capital.

In each country in which the Group operates, the local insurance regulator specifies the minimum amount and type of capital that must be held by each of the subsidiaries in addition to their insurance liabilities. The minimum required capital must be maintained at all times. The Company submits quarterly and annual returns to the Financial Services Board (FSB) in terms of the Short-term Insurance Act 1998, and is required at all times to maintain a statutory surplus asset ratio as defined in the Act. Interim measures will be replaced in 2017 by new solvency requirements being developed in the FSB's Solvency Assessment and Management (SAM) initiative). The returns submitted during the year showed that the Company met the minimum capital requirements throughout the year. The operating subsidiaries also met their respective solvency requirements.

In addition to the regulatory capital requirements, the Company calculates its economic capital requirement using an internal stochastic model. This model is used in the assessment of strategic business and investment decisions and in the allocation of capital to various initiatives.

The Group's and Company's objectives when managing capital are to:

- comply with the insurance capital requirements required by the regulators of the insurance markets where the Group and Company operate;
- prepare for the new solvency regime in South Africa in 2017;
- safeguard the Group's and Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and other stakeholders;
- provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk;
- ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholder value; and
- manage its capital structure and make adjustments to it, in light of changes in economic conditions.

Notes to the annual financial statements (continued)

for the year ended 30 June 2016

4. Risk management

4.1 Credit risk

(a) Exposure to credit risk

The carrying amount of financial and insurance assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying value in statement of financial position		Net credit exposure	
GROUP	**2016 R'000**	2015 R'000	**2016 R'000**	2015 R'000
Financial assets				
Investments in associates	**158 864**	163 536	**–**	–
Loans to associates	**10 141**	10 141	**10 141**	10 141
Listed investments (Financial assets at fair value through profit and loss)	**712 451**	749 680	**175 355**	–
Unlisted investments (Financial assets at fair value through profit and loss)	**1 912 246**	2 586 813	**716 119**	1 020 341
Financial assets held-to-maturity	**50 670**	87 511	**50 670**	87 511
Financial assets at fair value through other comprehensive income	**–**	1 388	**–**	–
Loans – interest bearing	**39 146**	64 094	**39 146**	64 094
Loans – non-interest bearing	**4 109**	4 109	**4 109**	4 109
Other loans and receivables	**295 010**	293 879	**295 010**	293 879
Cash and cash equivalents	**2 179 384**	2 962 959	**2 179 384**	2 962 959
Non-current assets held for sale	**2 233 887**	344 012	**–**	–
Insurance assets				
Insurance receivables	**1 722 596**	1 443 146	**1 722 596**	1 443 146
Deferred acquisition costs	**144 297**	163 468	**–**	–
Reinsurance assets	**2 606 898**	2 525 610	**2 606 898**	2 525 610
Total	**12 069 699**	11 400 346	**7 799 428**	8 411 790
COMPANY				
Financial assets				
Investments in subsidiaries	**41 220**	734 552	**–**	–
Loans to subsidiaries	**58 379**	58 379	**58 379**	58 379
Investments in associates	**178 182**	285 308	**–**	–
Loans to associates	**10 141**	10 141	**10 141**	10 141
Listed investments (Financial assets at fair value through profit and loss)	**674 128**	707 287	**137 032**	–
Unlisted investments (Financial assets at fair value through profit and loss)	**1 912 246**	2 162 648	**716 119**	653 755
Financial assets - held-to-maturity	**50 670**	–	**50 670**	–
Loans – interest bearing	**39 146**	62 990	**39 146**	62 990
Loans – non-interest bearing	**4 109**	4 109	**4 109**	4 109
Other loans and receivables	**288 955**	242 502	**288 955**	242 502
Cash and cash equivalents	**2 173 264**	2 359 354	**2 173 264**	2 359 354
Non-current assets held for sale	**746 405**	390 273	**–**	–
Insurance assets				
Insurance receivables	**1 722 596**	1 242 556	**1 722 596**	1 242 556
Deferred acquisition costs	**144 297**	155 022	**–**	–
Reinsurance assets	**2 606 898**	2 046 119	**2 606 898**	2 046 119
Total	**10 650 636**	10 461 240	**7 807 309**	6 679 905

(b) The Group and Company's maximum exposure to listed investments and bonds by industry at the reporting date was as follows:

(i) Listed investments[*]

	Carrying value			
	GROUP		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Industry				
Automobiles and parts	266	–	266	–
Banks	111 315	101 542	111 315	101 542
Basic resources	996	2 247	996	2 247
Chemicals	874	990	874	990
Financial services	27 059	25 834	27 059	25 834
Food and beverages	2 448	3 814	2 448	2 937
Healthcare	2 139	2 041	2 139	2 041
Industrial goods and services	1 106	770	1 106	770
Insurance	556 269	602 569	517 946	561 053
Media	2 240	1 895	2 240	1 895
Personal and household goods	2 130	2 057	2 130	2 057
Real estate	1 967	1 810	1 967	1 810
Retail	1 581	2 070	1 581	2 070
Technology	556	313	556	313
Telecommunications	–	572	–	572
Travel and Leisure	1 505	1 156	1 505	1 156
	712 451	749 680	674 128	707 287

[*] *Includes both financial assets at fair value through profit and loss and financial assets at fair value through other comprehensive income.*

(ii) Bonds

	GROUP 2016 R'000	GROUP 2015 R'000	COMPANY 2016 R'000	COMPANY 2015 R'000
Industry				
Financial services	20 207	–	20 207	–
Industrial goods and services	–	10 262	–	–
Telecommunications	–	671	–	–
Banks	30 463	51 529	30 463	–
Government	–	11 645	–	–
Petroleum	–	13 404	–	–
	50 670	87 511	50 670	–

Notes to the annual financial statements (continued)

for the year ended 30 June 2016

4. Risk management (continued)

4.1 Credit risk (continued)

(c) Credit rating

The following table provides information regarding the Group's and Company's aggregated credit quality of financial and insurance assets that are neither past due nor impaired at the reporting date.

GROUP	AA+ R'000	AA R'000	AA- R'000	A+ R'000	A R'000	A- R'000	BBB+ R'000	BBB- R'000	BBB R'000	BB+ R'000	BB R'000	BB- R'000	Not rated R'000	Total R'000
2016														
Loans to associates	–	–	–	–	–	–	–	–	–	–	–	–	10 141	10 141
Financial assets held-to-maturity	–	–	–	–	–	–	–	30 463	–	–	–	–	20 207	50 670
Listed investments	–	–	–	–	–	–	–	132 552	4 480	–	–	–	38 323	175 355
Unlisted investments	–	–	–	–	–	–	–	–	–	–	–	–	716 119	716 119
Other loans and receivables	–	–	–	–	–	–	–	–	–	–	–	–	338 265	338 265
Cash and cash equivalents	–	–	–	–	20 346	–	–	2 112 913	–	–	39 957	–	6 168	2 179 384
Insurance assets														
Insurance receivables	–	–	–	–	–	–	–	–	–	–	–	–	1 722 596	1 722 596
Reinsurance assets	–	453 654	214 428	283 222	25 558	450 694	25 854	6 578	257 692	14 304	9 778	–	865 136	2 606 898
Total	–	453 654	214 428	283 222	45 904	450 694	25 854	2 282 506	262 172	14 304	49 735	–	3 716 955	7 799 428
2015														
Loans to associates	–	–	–	–	–	–	–	–	–	–	–	–	10 141	10 141
Financial assets held-to-maturity	–	–	–	–	–	–	–	–	–	–	–	–	87 511	87 511
Unlisted investments	–	–	–	–	–	–	–	–	–	–	–	–	1 020 341	1 020 341
Other loans and receivables	–	–	–	–	–	–	–	–	–	–	–	–	362 082	362 082
Cash and cash equivalents	–	–	–	–	–	–	1 265 628	–	1 060 914	–	37 848	–	598 569	2 962 959
Insurance assets														
Insurance receivables	–	–	–	–	–	–	–	–	–	–	–	–	1 443 146	1 443 146
Reinsurance assets	726	4 688	535 145	299 218	124 600	90 294	245 995	39 547	10 484	(43)	168	1 918	1 172 870	2 525 610
Total	726	4 688	535 145	299 218	124 600	90 294	1 511 623	39 547	1 071 398	(43)	38 016	1 918	4 694 660	8 411 790

COMPANY	AA+ R'000	AA R'000	AA- R'000	A+ R'000	A R'000	A- R'000	BBB+ R'000	BBB- R'000	BBB R'000	BB+ R'000	BB R'000	BB- R'000	Not rated R'000	Total R'000
2016														
Loans to subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	58 379	58 379
Loans to associates	–	–	–	–	–	–	–	–	–	–	–	–	10 141	10 141
Financial assets held-to-maturity	–	–	–	–	–	–	–	30 463	–	–	–	–	20 207	50 670
Listed investments	–	–	–	–	–	–	–	132 552	4 480	–	–	–	–	137 032
Unlisted investments	–	–	–	–	–	–	–	–	–	–	–	–	716 119	716 119
Other loans and receivables	–	–	–	–	–	–	–	–	–	–	–	–	332 210	332 210
Cash and cash equivalents	–	–	–	–	20 346	–	–	2 112 913	–	–	39 957	–	47	2 173 264
Insurance assets														
Insurance receivables	–	–	–	–	–	–	–	–	–	–	–	–	1 722 596	1 722 596
Reinsurance assets	–	453 654	214 428	283 222	25 558	450 694	25 854	6 578	257 692	14 304	9 778	–	865 136	2 606 898
Total	–	453 654	214 428	283 222	45 904	450 694	25 854	2 282 506	262 172	14 304	49 735	–	3 724 836	7 807 309
2015														
Loans to subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	58 379	58 379
Loans to associates	–	–	–	–	–	–	–	–	–	–	–	–	10 141	10 141
Unlisted investments	–	–	–	–	–	–	–	–	–	–	–	–	653 755	653 755
Other loans and receivables	–	–	–	–	–	–	–	–	–	–	–	–	309 601	309 601
Cash and cash equivalents	–	–	–	–	–	–	1 264 672	–	1 056 785	–	37 848	–	49	2 359 354
Insurance assets														
Insurance receivables	–	–	–	–	–	–	–	–	–	–	–	–	1 242 556	1 242 556
Reinsurance assets	726	4 688	535 145	299 218	124 600	90 294	245 995	39 547	10 484	168	(43)	1 918	693 381	2 046 121
Total	726	4 688	535 145	299 218	124 600	90 294	1 510 667	39 547	1 067 269	168	37 805	1 918	2 967 862	6 679 907

(d) Financial and insurance assets that are neither past due nor impaired

The analysis of financial instruments that were neither past due nor impaired and/or individually impaired at the reporting date was as follows:

	GROUP				COMPANY			
	Neither past due nor impaired R'000	Past due but not impaired R'000	Individually impaired R'000	Gross carrying amount R'000	Neither past due nor impaired R'000	Past due but not impaired R'000	Individually impaired R'000	Gross carrying amount R'000
2016								
Loans to subsidiaries	–	–	–	–	31 687	–	39 291	70 978
Loans to associates	10 141	–	2 713	12 854	10 141	–	2 713	12 854
Financial assets held-to-maturity	50 670	–	–	50 670	50 670	–	–	50 670
Unlisted investments	716 119	–	–	716 119	716 119	–	–	716 119
Other loans and receivables	549 329	39 433	(9 710)	579 052	549 329	39 433	(9 710)	579 052
Cash and cash equivalents	2 179 384	–	–	2 179 384	2 173 264	–	–	2 173 264
Financial assets	3 505 643	39 433	(6 997)	3 538 079	3 531 210	39 433	32 294	3 602 937
Insurance receivables	1 722 596	15 078	–	1 737 674	1 722 596	15 078	–	1 737 674
Reinsurance assets	2 606 898	111 209	–	2 718 107	2 606 898	111 209	–	2 718 107
Insurance assets	4 329 494	126 287	–	4 455 781	4 329 494	126 287	–	4 455 781
2015								
Loans to subsidiaries	–	–	–	–	58 379	–	12 462	70 841
Loans to associates	10 141	–	2 713	12 854	10 141	–	2 713	12 854
Loans to joint venture	–	–	–	–	–	–	–	–
Financial assets held-to-maturity	87 511	–	–	87 511	–	–	–	–
Unlisted investments	1 020 341	–	–	1 020 341	653 755	–	–	653 755
Other loans and receivables	328 052	34 030	42 680	404 762	277 925	31 676	48 820	358 421
Cash and cash equivalents	2 962 959	–	–	2 962 959	2 359 354	–	–	2 359 354
Financial assets	4 409 004	34 030	45 393	4 488 427	3 359 554	31 676	63 995	3 455 225
Insurance receivables	1 389 009	54 137	25 471	1 468 617	1 242 556	–	24 952	1 267 508
Reinsurance assets	2 525 610	–	–	2 525 610	2 046 119	–	–	2 046 119
Insurance assets	3 914 619	54 137	25 471	3 994 227	3 288 675	–	24 952	3 313 627

(e) Age analysis of other loans and receivables and premium debtors that are past due but not impaired

	GROUP					COMPANY				
	<30 days R'000	31 to 60 days R'000	61 to 90 days R'000	More than 90 days R'000	Total past due but not impaired R'000	<30 days R'000	31 to 60 days R'000	61 to 90 days R'000	More than 90 days R'000	Total past due but not impaired R'000
2016										
Other loans and receivables	927	563	1 211	36 732	39 433	927	563	1 211	36 732	39 433
Insurance receivables	–	–	–	15 078	15 078	–	–	–	15 078	15 078
Reinsurance assets	–	13 599	8 710	88 900	111 209	–	13 599	8 710	88 900	111 209
	927	14 162	9 921	140 710	165 719	927	14 162	9 921	140 711	165 720
2015										
Other loans and receivables	–	272	2 380	31 378	34 030	–	272	26	31 378	31 676
Insurance receivables	–	–	20 077	34 060	54 137	–	–	–	–	–
	–	272	22 457	65 438	88 167	–	272	26	31 378	31 676

The Group and Company record impairment allowances for loans and receivables in a separate impairment allowance account. The movement in the allowance for impairment in respect of loans and receivables and premium debtors for the Group and Company during the year was as follows:

	GROUP		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Balance at beginning of the year	78 961	80 520	73 772	83 234
– Collective impairment loss recognised	26 860	19 508	26 860	6 475
– Collective impairment loss reversed	(14 608)	(20 540)	(14 608)	(15 937)
– Net foreign currency translation differences	–	(527)	–	–
Balance at end of the year	91 212	78 961	86 024	73 772

Notes to the annual financial statements (continued)

for the year ended 30 June 2016

4. Risk management (continued)

4.2 Liquidity risk

4.2.1 Maturity profile on financial and insurance assets

The following tables detail the Group's and Company's contractual maturities of financial and insurance assets, including interest payments:

	Carrying amount R'000	Total contractual cash flows R'000	0 – 12 months R'000	One to two years R'000	Two to five years R'000	More than five years R'000
GROUP						
2016						
Loans to associates	**10 141**	**12 854**	**12 854**	**–**	**–**	**–**
Financial assets at fair value through profit or loss	**2 624 698**	**2 624 698**	**2 360 630**	**263 342**	**726**	**–**
Held-to-maturity assets	**50 670**	**50 670**	**–**	**10 106**	**40 564**	**–**
Reinsurance assets	**2 606 898**	**2 606 898**	**2 606 898**	**–**	**–**	**–**
Insurance, loans and other receivables	**2 060 861**	**2 060 861**	**2 060 861**	**–**	**–**	**–**
Deferred acquisition costs	**144 297**	**144 297**	**144 297**	**–**	**–**	**–**
Cash and cash equivalents	**2 179 384**	**2 179 384**	**2 179 384**	**–**	**–**	**–**
	9 676 949	**9 679 662**	**9 364 924**	**273 448**	**41 290**	**–**
2015						
Loans to associates	10 141	12 854	12 854	–	–	–
Financial assets at fair value through profit or loss	3 336 493	2 712 273	2 463 873	248 400	–	–
Financial assets at fair value through other comprehensive income	1 388	1 388	1 388	–	–	–
Held-to-maturity assets	87 511	87 511	27 029	43 246	17 236	–
Reinsurance assets	2 525 610	2 525 610	2 248 405	277 205	–	–
Insurance, loans and other receivables	1 805 228	1 468 617	1 451 731	5 630	11 256	–
Deferred acquisition costs	163 468	163 468	128 497	23 570	11 401	–
Cash and cash equivalents	2 962 959	2 962 959	2 962 959	–	–	–
	10 892 798	9 934 680	9 296 736	598 051	39 893	–
COMPANY						
2016						
Loans to subsidiaries	**58 379**	**70 978**	**70 978**	**–**	**–**	**–**
Loans to associates	**10 141**	**12 855**	**12 855**	**–**	**–**	**–**
Financial assets at fair value through profit or loss	**2 586 374**	**2 586 312**	**2 322 244**	**263 342**	**726**	**–**
Held-to-maturity assets	**50 670**	**50 670**	**–**	**10 106**	**40 564**	**–**
Reinsurance assets	**2 606 898**	**2 606 898**	**2 606 898**	**–**	**–**	**–**
Insurance, loans and other receivables	**2 054 806**	**2 054 806**	**2 054 806**	**–**	**–**	**–**
Deferred acquisition costs	**144 297**	**144 297**	**144 297**	**–**	**–**	**–**
Cash and cash equivalents	**2 173 264**	**2 173 264**	**2 173 264**	**–**	**–**	**–**
	9 684 829	**9 700 080**	**9 385 342**	**273 448**	**41 290**	**–**
2015						
Loans to subsidiaries	58 379	70 841	70 841	–	–	–
Loans to associates	10 141	12 854	12 854	–	–	–
Financial assets at fair value through profit or loss	2 869 935	2 288 109	2 035 757	248 400	3 952	–
Reinsurance assets	2 046 119	2 046 119	1 768 914	277 205	–	–
Insurance, loans and other receivables	1 552 157	1 625 930	1 609 044	5 630	11 256	–
Deferred acquisition costs	155 022	155 022	121 856	22 353	10 813	–
Cash and cash equivalents	2 359 354	2 359 354	2 359 354	–	–	–
	9 051 107	8 558 229	7 978 620	553 588	26 021	–

4.2.2 Maturity profile of financial liabilities

The following tables detail the Group's and Company's contractual maturities of financial liabilities, including interest payments:

	Carrying amount R'000	Total contractual cash flows R'000	0 – 12 months R'000	One to two years R'000	Two to five years R'000	More than five years R'000
GROUP						
2016						
Non-derivative financial liabilities						
Borrowings	–	–	–	–	–	–
Trade and other payables and employee benefits	1 042 821	1 042 821	1 042 821	–	–	–
	1 042 821	1 042 821	1 042 821	–	–	–
2015						
Non-derivative financial liabilities						
Borrowings	354	380	380	–	–	–
Trade and other payables and employee benefits	1 252 531	1 252 531	1 246 548	–	–	5 983
	1 252 885	1 252 911	1 246 928	–	–	5 983
COMPANY						
2016						
Non-derivative financial liabilities						
Trade and other payables and employee benefits	1 030 101	1 030 101	1 030 101	–	–	–
	1 030 101	1 030 101	1 030 101	–	–	–
2015						
Non-derivative financial liabilities						
Trade and other payables and employee benefits	950 154	950 154	950 154	–	–	–
	950 154	950 154	950 154	–	–	–

4.2.3 Maturity profile of insurance liabilities

The following table details the Group's and Company's probable contractual cash outflows associated with insurance liabilities:

	GROUP				COMPANY			
	Probable cash outflows R'000	Maturity within a year R'000	Maturity between two and five years R'000	Maturity more than five years R'000	Probable cash outflows R'000	Maturity within a year R'000	Maturity between two and five years R'000	Maturity more than five years R'000
2016								
Claims reported and loss adjustment expenses	2 596 916	2 219 907	369 926	7 083	2 596 916	2 219 907	369 926	7 083
Claims incurred but not yet reported	704 742	602 430	100 389	1 923	704 742	602 430	100 389	1 923
Unearned premium provision	1 781 121	1 441 044	340 077	–	1 781 121	1 441 044	340 077	–
Cash back reserve	32 568	13 236	19 332	–	32 568	13 236	19 332	–
Unexpired risk reserve	–	–	–	–	–	–	–	–
Life fund reserves	–	–	–	–	–	–	–	–
Policyholder liabilities	–	–	–	–	–	–	–	–
Provision for claims fluctuations	–	–	–	–	–	–	–	–
Reinsurance liabilities	950 612	950 612	–	–	950 612	950 612	–	–
	6 065 959	5 227 229	829 724	9 006	6 065 959	5 227 229	829 724	9 006
2015								
Claims reported and loss adjustment expenses	2 433 092	2 159 845	273 247	–	2 020 935	1 743 149	277 786	–
Claims incurred but not yet reported	798 689	696 269	102 420	–	734 676	633 692	100 984	–
Unearned premium provision	2 077 127	1 774 002	303 125	–	1 686 778	1 383 014	303 764	–
Cash back reserve	36 778	18 713	18 065	–	34 171	13 888	20 283	–
Unexpired risk reserve	2 214	2 214	–	–	–	–	–	–
Life fund reserves	4 730	4 730	–	–	–	–	–	–
Policyholder liabilities	42 812	40 296	2 516	–	–	–	–	–
Provision for claims fluctuations	6 961	6 961	–	–	–	–	–	–
Reinsurance liabilities	840 771	840 771	–	–	739 442	739 442	–	–
	6 243 174	5 543 801	699 373	–	5 216 002	4 513 185	702 817	–

Notes to the annual financial statements (continued)

for the year ended 30 June 2016

4. Risk management (continued)

4.3 Market risk

4.3.1 Sensitivity analysis

The Group's and Company's primary market exposure is to interest rate, equity price and currency risk.

Currency risk

The following exchange rates applied during the year:

	2016		2015	
GROUP	**Average rate**	**Reporting date spot rate**	Average rate	Reporting date spot rate
Australian Dollar	**10,5539**	**10,9478**	9,4823	9,3795
Botswana Pula	**1,3211**	**1,3273**	1,2078	1,2341
Namibian Dollar	**1,0000**	**1,0000**	1,0000	1,0000
Mozambique Metical	**0,3105**	**0,2303**	0,3424	0,3153
Pakistani Rupee	**0,1378**	**0,1379**	0,1129	0,1195
COMPANY				
Australian Dollar	**10,5539**	**10,9478**	9,4823	9,3795
British Pound	**21,4477**	**19,4940**	18,0430	19,1199
US Dollar	**14,4993**	**14,6573**	11,4962	12,1688

A 10% strengthening/devaluation in the relevant foreign currencies against the ZAR at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for prior year.

	Profit/(loss)		Equity	
GROUP	**10% increase R'000**	**10% decrease R'000**	**10% increase R'000**	**10% decrease R'000**
2016				
Australian Dollar	**–**	**–**	**–**	**–**
British Pound	**3 985**	**(3 985)**	**3 985**	**(3 985)**
Botswana Pula	**–**	**–**	**–**	**–**
Mozambique Metical	**–**	**–**	**–**	**–**
US Dollar	**17 570**	**(17 570)**	**17 570**	**(17 570)**
	21 555	**(21 555)**	**21 555**	**(21 555)**
2015				
Australian Dollar	9 445	(9 445)	9 445	(9 445)
British Pound	3 879	(3 879)	3 879	(3 879)
Botswana Pula	3 089	(3 089)	11 574	(11 574)
Mozambique Metical	4 031	(4 031)	1 745	(1 745)
US Dollar	11 749	(11 749)	11 749	(11 749)
	32 193	(32 193)	38 392	(38 392)

There is no currency fluctuation effect on the Namibian Dollar.

	Profit/(loss)		Equity	
COMPANY	**10% increase R'000**	**10% decrease R'000**	**10% increase R'000**	**10% decrease R'000**
2016				
Australian Dollar	**–**	**–**	**–**	**–**
British Pound	**3 985**	**(3 985)**	**3 985**	**(3 985)**
US Dollar	**17 570**	**(17 570)**	**17 570**	**(17 570)**
	21 555	**(21 555)**	**21 555**	**(21 555)**
2015				
Australian Dollar	9 445	(9 445)	9 445	(9 445)
British Pound	3 879	(3 879)	3 879	(3 879)
US Dollar	11 749	(11 749)	11 749	(11 749)
	25 073	(25 073)	25 073	(25 073)

Interest rate risk

At the reporting date the interest rate profile of the Group's and Company's interest bearing financial instruments was:

	Carrying amount 2016 R'000	Carrying amount 2015 R'000
GROUP		
Variable rate instruments		
Financial assets		
Cash and cash equivalents	**2 179 384**	2 962 959
Unlisted debentures	**175 127**	158 169
	2 354 511	3 121 128
COMPANY		
Variable rate instruments		
Financial assets		
Cash and cash equivalents	**2 173 264**	2 359 354
Unlisted debentures	**175 127**	158 167
	2 348 391	2 517 521

The Group's and Company's fixed rate instruments are not exposed to interest rate risk, therefore no sensitivity analysis is necessary.

Sensitivity analysis for variable rate instruments of the Group and Company

The Group's and Company's investments in long-term debt and fixed income securities are exposed to fluctuations in interest rates. Exposure to interest rate risk is monitored through several measures that include scenario testing and stress testing using measures such as duration.

The Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model.

A change of 200 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as for prior year.

	Profit/(loss) 2% increase R'000	Profit/(loss) 2% decrease R'000	Equity 2% increase R'000	Equity 2% decrease R'000
GROUP				
2016				
Cash and cash equivalents	**43 588**	**(43 588)**	**43 588**	**(43 588)**
Unlisted debentures	**3 463**	**(3 463)**	**3 463**	**(3 463)**
Net cash flow sensitivity	**47 051**	**(47 051)**	**47 051**	**(47 051)**
2015				
Cash and cash equivalents	59 259	(59 259)	59 259	(59 259)
Unlisted debentures	3 001	(3 001)	3 001	(3 001)
Net cash flow sensitivity	62 260	(62 260)	62 260	(62 260)
COMPANY				
2016				
Cash and cash equivalents	**35 212**	**(35 212)**	**35 212**	**(35 212)**
Unlisted debentures	**3 463**	**(3 463)**	**3 463**	**(3 463)**
Net cash flow sensitivity	**38 675**	**(38 675)**	**38 675**	**(38 675)**
2015				
Cash and cash equivalents	27 103	(27 103)	27 103	(27 103)
Unlisted debentures	3 001	(3 001)	3 001	(3 001)
Net cash flow sensitivity	30 104	(30 104)	30 104	(30 104)

Notes to the annual financial statements (continued)

for the year ended 30 June 2016

4. Risk management (continued)

4.3 Market risk (continued)

4.3.1 Sensitivity analysis (continued)

Equity price risk

The Group's and Company's exposure to equity price risk at the reporting date was as follows:

GROUP	2016			2015		
Description of equity investments	Carrying amount R'000	Listed/not listed	Relevant stock exchange	Carrying amount R'000	Listed/not listed	Relevant stock exchange
Ordinary shares	575 419	Listed	JSE	624 219	Listed	JSE
Preference shares	133 112	Listed	JSE	121 541	Listed	JSE
Preference shares	3 920	Listed	LSE	3 920	Listed	LSE
	712 451			749 680		

All of the Group's listed equity investments are listed on the JSE Limited or LSE. For such investments a 5% increase in equity price at reporting date would increase equity and profit or loss by amounts as shown below. A 5% decrease in equity price should have had the equal but opposite effect. The analysis is performed on the same basis as for prior year.

	Profit/(loss)		Equity	
	5% increase R'000	5% decrease R'000	5% increase R'000	5% decrease R'000
2016				
Ordinary shares – Listed	28 851	(28 851)	28 851	(28 851)
Preference shares – Listed	6 852	(6 852)	6 852	(6 852)
	35 703	(35 703)	35 703	(35 703)
2015				
Ordinary shares – Listed	31 211	(31 211)	31 211	(31 211)
Preference shares – Listed	6 273	(6 273)	6 273	(6 273)
	37 484	(37 484)	37 484	(37 484)

COMPANY	2016			2015		
Description of equity investments	Carrying amount R'000	Listed/ Unlisted	Relevant stock exchange	Carrying amount R'000	Listed/ Unlisted	Relevant stock exchange
Ordinary shares	537 096	Listed	JSE	581 826	Listed	JSE
Preference shares	133 112	Listed	JSE	121 541	Listed	JSE
Preference shares	3 920	Listed	LSE	3 920	Listed	LSE
	674 128			707 287		

All of the Company's listed equity investments are listed on the JSE Limited or LSE. For such investments a 5% increase in equity price at reporting date would increase equity and profit or loss by amounts as shown below. A 5% decrease in equity price would have had the equal but opposite effect. The analysis is performed on the same basis as for prior year.

	Profit/(loss)		Equity	
	5% increase R'000	5% decrease R'000	5% increase R'000	5% decrease R'000
2016				
Ordinary shares – Listed	28 809	(28 809)	28 809	(28 809)
Preference shares – Listed	6 411	(6 411)	6 411	(6 411)
	35 220	(35 220)	35 220	(35 220)
2015				
Ordinary shares – Listed	32 987	(32 987)	32 987	(32 987)
Preference shares – Listed	6 232	(6 232)	6 232	(6 232)
	39 219	(39 219)	39 219	(39 219)

4.4 Income statement note

(a) Financial income and expenditure

The Group and Company generated the following income and/or incurred the following expenditure in respect of financial instruments during the reporting period, all of which were recognised in profit or loss:

	GROUP		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Interest income on financial assets measured at amortised cost	113 352	116 581	116 620	104 659
Interest income on held-to-maturity assets	7 305	12 393	–	–
Net income on financial assets designated at fair value through profit or loss	90 457	43 068	42 654	31 435
Financial income	211 114	172 042	159 274	136 094
Interest expense on financial liabilities measured at amortised cost	24 639	16 094	24 639	16 039
Financial expense	24 639	16 094	24 639	16 039
Net financial income	186 475	155 948	134 635	120 055
The above financial income and expense items include the following in respect of financial assets/liabilities not at fair value through profit or loss:				
Total interest income	120 657	128 974	116 618	104 659
Total interest expense	(24 639)	(16 094)	(24 639)	(16 039)
	96 018	112 880	91 981	88 620

(b) Impairment losses

	GROUP 2016 R'000	GROUP 2015 R'000	COMPANY 2016 R'000	COMPANY 2015 R'000
The amount of the impairment loss for each class of financial asset during the reporting period was as follows:				
Impairment of other loans and receivables				
– Impairment recognised/(impairment write-back)	(12 251)	(3 322)	(12 251)	(9 462)
Impairment of loans to subsidiaries				
– Impairment write-back	–	–	137	(129)
Impairment of premium debtors				
– Impairment recognised	–	2 291	–	–
Total	(12 251)	(1 031)	(12 114)	(9 591)

Notes to the annual financial statements (continued)

for the year ended 30 June 2016

	GROUP		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
5. Property and equipment				
Cost				
Office equipment	168 702	169 930	168 321	141 161
Motor vehicles	11 692	16 617	11 673	11 494
Leasehold improvements	12 731	14 589	12 731	9 531
	193 125	201 136	192 725	162 186
Accumulated depreciation				
Office equipment	111 684	116 713	111 427	102 091
Motor vehicles	6 317	8 651	6 309	4 576
Leasehold improvements	10 786	12 058	10 786	9 284
	128 787	137 422	128 522	115 951
Net carrying amount				
Office equipment	57 018	53 217	56 894	39 070
Motor vehicles	5 375	7 966	5 364	6 918
Leasehold improvements	1 945	2 531	1 945	247
	64 338	63 714	64 203	46 235
Reconciliation of movement on net carrying amount:				
Net carrying amount at beginning of year	63 714	57 227	46 235	45 916
Additions	30 540	28 211	30 540	15 548
Office equipment	27 161	24 613	27 161	13 932
Motor vehicles	179	–	179	–
Leasehold improvements	3 200	3 598	3 200	1 616
Additions from non-current held for sale	3 943	–	–	–
Office equipment	2 449	–	–	–
Motor vehicles	193	–	–	–
Leasehold improvements	1 301	–	–	–
Disposals	–	(1 380)	–	(391)
Office equipment	–	(133)	–	–
Motor vehicles	–	(1 231)	–	(391)
Leasehold improvements	–	(16)	–	–
Write-off	(237)	(454)	–	(105)
Office equipment	(237)	(2 731)	–	–
Transfer to non-current assets held for sale	(14 017)	–	–	–
Depreciation for the year	(12 571)	(19 638)	(12 571)	(14 733)
Office equipment	(9 336)	(14 085)	(9 336)	(10 130)
Motor vehicles	(1 732)	(2 251)	(1 732)	(1 780)
Leasehold improvements	(1 503)	(3 302)	(1 503)	(2 823)
Depreciation from non-current held for sale	(6 826)	–	–	–
Office equipment	(4 799)	–	–	–
Motor vehicles	(378)	–	–	–
Leasehold improvements	(1 649)	–	–	–
Net foreign currency translation differences	(208)	(252)	–	–
Net carrying amount at end of year	64 338	63 714	64 203	46 235
6. Investment property				
Fair value at beginning of year	53 639	64 661	–	–
Revaluation reserves	4 948	(8 122)	–	–
Disposal of subsidiary	–	(2 900)	–	–
Fair value at end of year	58 587	53 639	–	–

Investment properties consist of:

- freehold property;
- sectional title located at stand 306 Ferreiras Dorp Township, Province of Gauteng, measuring 1 162 square metres; and
- sectional title located at stand 317 Ferreiras Dorp Township, Province of Gauteng, measuring 1 012 square metres.

The properties are carried at market value as last determined by an independent registered valuator.

Investment properties are not mortgaged as security for any liabilities.

Direct operating expenses incurred on the investment property amount to R2 672 610 (2015: R2 801 460), repairs and maintenance incurred amounts to R320 259 (2015: R185 953).

7. Intangible assets

	GROUP		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Intangible assets at fair value				
Cost				
Goodwill	8 631	26 796	7 986	–
Acquired rights over books of business	17 317	17 317	17 317	17 317
Computer software	145 997	112 664	145 997	81 424
	171 945	156 777	171 299	98 741
Accumulated amortisation, impairment and fair value adjustments				
Goodwill	–	23 728	–	–
Acquired rights over books of business	12 473	9 610	12 473	9 610
Computer software	45 578	37 951	45 578	29 128
	58 051	71 289	58 051	38 738
Net carrying amount				
Goodwill	8 631	3 068	7 986	–
Acquired rights over books of business	4 844	7 707	4 844	7 707
Computer software	100 418	74 713	100 418	52 296
	113 894	85 488	113 248	60 003
Reconciliation of movement on net carrying amount:				
Net carrying amount at beginning of year	85 488	63 615	60 003	21 514
Additions	77 389	48 167	77 389	40 873
Goodwill	12 817	–	12 817	–
Computer software	64 572	48 167	64 572	40 873
Additions from non-current held for sale	17 576	–	–	–
Computer software	17 576	–	–	–
Acquisitions	–	1 589	–	–
Transfer to non-current assets held for sale	(38 602)	–	–	–
Write-off	(6 451)	(53)	(4 831)	–
Impairment, amortisation charge	(21 241)	(27 906)	(19 313)	(2 384)
Goodwill	–	(23 728)	–	–
Acquired rights over books of business	(2 863)	(1 814)	(2 863)	(1 814)
Computer software	(18 378)	(2 364)	(16 450)	(570)
Net foreign currency translation differences	(265)	76	–	–
Net carrying value at end of year	113 894	85 488	113 248	60 003

The Group tests goodwill annually for impairment, or more frequently if there are indicators that goodwill might be impaired. As at 30 June 2016, an impairment of R4 831 000 (2015: R23 728 413) was raised relating to the investment in a subsidiary.

The Group and Company hold acquired rights over books of business. These rights are carried at fair value and are revalued annually using actuarial valuation models.

Notes to the annual financial statements (continued)

for the year ended 30 June 2016

8. Interest in subsidiaries

	COMPANY 2016 R'000	COMPANY 2015 R'000
Interest in subsidiaries comprise:		
Shares at fair value through profit or loss	41 220	734 552
Loans to subsidiaries	70 978	70 841
	112 198	805 393
Write-back of impairment on loans	(12 599)	(12 462)
	99 599	792 931
Non-current	99 599	792 931
Loans bear interest at the following rates:		
Interest free	31 688	31 688
JIBAR	26 691	26 691
	58 379	58 379
The loans have the following terms of repayment:		
No fixed repayment terms	58 379	58 379
	58 379	58 379

Certain loans are secured by assets of the subsidiary to the extent of R30 354 837 and the balance of the loans are unsecured.

Details of subsidiaries are provided in note 48 on page 70 of these annual financial statements.

9. Interest in associates

	GROUP 2016 R'000	GROUP 2015 R'000	COMPANY 2016 R'000	COMPANY 2015 R'000
Interest in associates comprise:				
Shares at fair value through profit or loss	–	–	178 182	432 344
Shares at equity accounted carrying value	4 298	109 218	–	–
Group share of post-acquisition profits	154 567	155 093	–	–
Transfer to non-current asset held for sale	–	(100 775)	–	(147 036)
Carrying value of associates	158 865	163 536	178 182	285 308
Loans to associates	10 141	10 141	10 141	10 141
	169 006	173 677	188 323	295 449
Loans bear interest at the following rates:				
Interest free	10 141	10 141	10 141	10 141
	10 141	10 141	10 141	10 141

All loans are secured by property of the associate to the extent of R10 141 000.

The loans have no fixed terms of repayment.

The financial position and performance of the Groups' significant associates are categorised by nature of business as follows:

	Investment R'000	Underwriting managers R'000	Property holdings R'000	Short-term insurance R'000	Total R'000
Analysis of associates for 30 June 2016					
Total assets	–	778 547	25 025	–	803 572
Total liabilities	–	326 379	36 147	–	362 526
Net assets	–	452 168	(11 122)	–	441 046
Net profit before taxation	–	67 181	(51)	–	67 130
Taxation	–	(13 809)	–	–	(13 809)
Net profit after taxation	–	53 372	(51)	–	53 321
Group share of post-acquisition profits	–	158 230	(3 025)	–	155 205
Carrying amount of interest in associates	–	158 864	–	–	158 864
Loans to associates	–	–	10 141	–	10 141
Fair valuation of associates (at Company level)	–	178 181	–	–	178 181

Losses incurred by associates are capped to the original investment amount. The carrying amount of our interest in the associates will therefore never be negative. Losses incurred on property holdings have been capped and is currently standing at a cumulative amount of R2 194 719 (2015: R2 195 719).

Analysis of associates for 30 June 2015	Investment R'000	Underwriting managers R'000	Property holdings R'000	Short-term insurance R'000	Total R'000
Total assets	68 033	713 097	24 961	–	806 091
Total liabilities	37 107	282 207	36 075	–	355 389
Net assets	30 926	430 890	(11 114)	–	450 702
Net profit before taxation	12 359	46 622	94	–	59 075
Taxation	(3 736)	–	–	–	(3 736)
Net profit after taxation	8 623	46 622	94	–	55 339
Group share of post-acquisition profits	14 630	147 396	(3 025)	(3 904)	155 097
Carrying amount of interest in associates	14 870	148 664	–	–	163 534
Loans to associates	–	–	10 141	–	10 141
Fair valuation of associates (at Company level)	26 624	258 683	–	–	285 307

Details of associates are provided in note 48 on page 70 of these annual financial statements.

10. Financial assets

	GROUP 2016 R'000	GROUP 2015 R'000	COMPANY 2016 R'000	COMPANY 2015 R'000
Financial assets at fair value through other comprehensive income	–	1 388	–	–
Financial assets held-to-maturity	50 670	87 511	50 670	–
Financial assets at fair value through profit or loss	2 624 697	3 336 493	2 586 374	2 869 935
	2 675 367	3 425 392	2 637 044	2 869 935
Current	2 360 630	3 116 510	2 322 307	2 617 582
Non-current	314 737	308 882	314 737	252 353
	2 675 367	3 425 392	2 637 044	2 869 935
Financial assets at fair value through other comprehensive income				
Unlisted investments	–	1 388	–	–
	–	1 388	–	–
Financial assets at Held to maturity				
Debt securities	–	87 511	–	–
	–	87 511	–	–
Financial assets at fair value through profit or loss				
Listed investments	712 451	749 680	674 128	707 287
Unlisted investments	1 912 246	2 586 813	1 912 246	2 162 648
Held-to-maturity	50 670	–	50 670	–
	2 675 367	3 336 493	2 637 044	2 869 935

Notes to the annual financial statements (continued)

for the year ended 30 June 2016

10. Financial assets (continued)

An analysis of the Group and Company's financial assets by market sector and maturity spread is provided below.

10.1 Listed investments:

	GROUP		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
At market value	712 451	749 680	674 128	707 287
Analysis of spread of listed investments by market sector	%	%	%	%
Automobiles and parts	0,04	–	0,04	–
Banks	15,62	13,54	16,51	14,36
Basic resources	0,14	0,30	0,15	0,32
Chemicals	0,12	0,13	0,13	0,14
Food and beverage	3,80	3,45	4,01	3,65
Financial services	0,34	0,51	0,36	0,42
Healthcare	0,30	0,27	0,32	0,29
Industrial goods and services	0,16	0,10	0,16	0,11
Insurance	78,08	80,38	76,83	79,32
Media	0,31	0,25	0,33	0,27
Personal and household goods	0,30	0,27	0,32	0,29
Real estate	0,28	0,24	0,29	0,26
Technology	0,08	0,04	0,08	0,04
Retail	0,22	0,28	0,23	0,29
Telecommunications	–	0,08	–	0,08
Travel and leisure	0,21	0,16	0,24	0,16
	100,00	100,00	100,00	100,00

10.2 Unlisted investments

	GROUP		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
At fair value	1 912 246	2 588 201	1 912 246	2 162 648
	%	%	%	%
Linked policies	47	31	47	37
Private equity investments	37	47	37	50
Debentures	9	6	9	7
Unit trusts	7	16	7	6
	100	100	100	100
Total listed and unlisted investments at fair value	2 624 697	3 337 881	2 586 374	2 869 935

10.3 Debt securities (Bonds)

	GROUP		COMPANY	
	R'000	% maturity spread	R'000	% maturity spread
Analysis of debt securities by maturity spread for 2016				
Zero to one year	–	–	–	–
One to two years	10 106	20	10 106	20
Two to five years	40 564	80	40 564	80
	50 670	100	50 670	100
Analysis of debt securities by maturity spread for 2015				
One to two years	27 029	31	–	–
Two to five years	43 246	49	–	–
More than five years	17 236	20	–	–
	87 511	100	–	–

All bonds reported above are listed on the Mozambique stock exchange.

11. Categories and classes of financial and insurance assets and financial and insurance liabilities

GROUP	Fair value through profit or loss R'000	At amortised cost investments R'000	Loans and receivables R'000	Financial assets at fair value through other comprehensive income R'000	Total financial instruments R'000	Insurance contract assets and liabilities R'000	Other assets and liabilities R'000	Total per statement of financial position R'000	Fair value of financial instruments R'000
2016									
Assets									
Investments in associates	–	–	–	–	–	–	158 864	158 864	158 864
Loans to associates	–	–	10 141	–	10 141	–	–	10 141	10 141
Financial assets	3 201 354	95 806	–	2 487	3 299 647	–	–	3 299 647	3 299 647
Preference shares and debt instruments	1 205 124	95 806	–	–	1 300 930	–	–	1 300 930	1 300 930
Equities	576 310	–	–	2 487	578 797	–	–	578 797	578 797
Unit trusts and pooled funds	525 159	–	–	–	525 159	–	–	525 159	525 159
Linked policies	894 761	–	–	–	894 761	–	–	894 761	894 761
Reinsurance assets	–	–	–	–	–	2 606 898	–	2 606 898	2 606 898
Insurance, loans and other receivables	–	–	142 014	–	142 014	1 722 596	196 250	2 060 860	2 060 860
Deferred acquisition costs	–	–	–	–	–	144 297	–	144 297	144 297
Cash and cash equivalents	–	–	2 179 384	–	2 179 384	–	–	2 179 384	2 179 384
Non-current assets held for sale	2 233 887	–	–	–	2 233 887	–	–	2 233 887	2 233 887
	5 435 241	95 806	2 331 539	2 487	7 865 073	4 473 791	355 114	12 693 979	12 693 979
Liabilities									
Borrowings	–	–	3 254	–	3 254	–	–	3 254	3 254
Insurance liabilities	–	–	–	–	–	5 115 347	–	5 115 347	5 115 347
Reinsurance liabilities	–	–	–	–	–	950 612	–	950 612	950 612
Employee benefits	–	–	–	–	–	–	241 679	241 679	241 679
Trade and other payables	–	–	–	–	–	–	801 142	801 142	801 142
Non-current liabilities held for sale	1 586 179	–	–	–	1 586 179	–	–	1 586 179	1 586 179
	1 586 179	–	3 254	–	1 589 433	6 065 959	1 042 821	8 698 213	8 698 213
2015									
Assets									
Investments in associates	–	–	–	–	–	–	163 536	163 536	163 536
Loans to associates	–	–	10 141	–	10 141	–	–	10 141	10 141
Financial assets	3 336 493	87 511	–	1 388	3 425 392	–	–	3 425 392	3 425 392
Preference shares and debt instruments	1 058 291	87 511	–	–	1 145 802	–	–	1 145 802	1 145 802
Equities	1 043 996	–	–	1 388	1 045 384	–	–	1 045 384	1 045 384
Unit trusts and pooled funds	424 167	–	–	–	424 167	–	–	424 167	424 167
Linked policies	810 039	–	–	–	810 039	–	–	810 039	810 039
Reinsurance assets	–	–	–	–	–	2 525 610	–	2 525 610	2 525 610
Insurance, loans and other receivables	–	–	210 971	–	210 971	1 443 146	151 111	1 805 228	1 805 228
Deferred acquisition costs	–	–	–	–	–	163 468	–	163 468	163 468
Cash and cash equivalents	–	–	2 962 959	–	2 962 959	–	–	2 962 959	2 962 959
Non-current assets held for sale	344 012	–	–	–	344 012	–	–	344 012	344 012
	3 680 505	87 511	3 184 071	1 388	6 953 475	4 132 224	314 647	11 400 346	11 400 346
Liabilities									
Borrowings	–	–	354	–	354	–	–	354	354
Insurance liabilities	–	–	–	–	–	5 402 403	–	5 402 403	5 402 403
Reinsurance liabilities	–	–	–	–	–	840 771	–	840 771	840 771
Employee benefits	–	–	–	–	–	–	254 106	254 106	254 106
Trade and other payables	–	–	–	–	–	–	998 425	998 425	998 425
	–	–	354	–	354	6 243 174	1 252 531	7 496 059	7 496 059

Notes to the annual financial statements (continued)

for the year ended 30 June 2016

11. Categories and classes of financial assets and financial liabilities (continued)

COMPANY	Fair value through profit or loss R'000	At amortised cost investments R'000	Loans and receivables R'000	Financial assets at fair value through other comprehensive income R'000	Total financial instruments R'000	Insurance contract assets and liabilities R'000	Other assets and liabilities R'000	Total per statement of financial position R'000	Fair value of financial instruments R'000
2016									
Assets									
Investments in subsidiaries	41 220		–	–	41 220	–	–	41 220	41 220
Loans to subsidiaries	–		58 379	–	58 379	–	–	58 379	58 379
Investments in associates	178 182		–	–	178 182	–	–	178 182	178 182
Loans to associates	–		10 141	–	10 141	–	–	10 141	10 141
Financial assets	2 637 044		–	–	2 637 044	–	–	2 637 044	2 637 044
Preference shares and debt instruments	1 205 123		–	–	1 205 123	–	–	1 205 123	1 205 123
Equities	537 159		–	–	537 159	–	–	537 159	537 159
Linked policies	894 762		–	–	894 762	–	–	894 762	894 762
Reinsurance assets	–		–	–	–	2 606 898	–	2 606 898	2 606 898
Insurance, loans and other receivables	–		142 014	–	142 014	1 722 596	190 195	2 054 805	2 054 805
Deferred acquisition costs	–		–	–	–	144 297	–	144 297	144 297
Cash and cash equivalents	–		2 173 264	–	2 173 264	–	–	2 173 264	2 173 264
Non-current assets held for sale	746 405		–	–	746 405	–	–	746 405	746 405
	3 602 851	–	2 383 798	–	5 986 649	4 473 791	190 195	10 650 635	10 650 635
Liabilities									
Insurance liabilities	–	–	–	–	–	5 115 347	–	5 115 347	5 115 347
Reinsurance liabilities	–	–	–	–	–	950 612	–	950 612	950 612
Employee benefits	–	–	–	–	–	–	241 679	241 679	241 679
Trade and other payables	–	–	–	–	–	–	788 422	788 422	788 422
	–	–	–	–	–	6 065 959	1 030 101	7 096 060	7 096 060
2015									
Assets									
Investments in subsidiaries	734 552		–	–	734 552	–	–	734 552	734 552
Loans to subsidiaries	–		58 379	–	58 379	–	–	58 379	58 379
Investments in associates	285 308		–	–	285 308	–	–	285 308	285 308
Loans to associates	–		10 141	–	10 141	–	–	10 141	10 141
Financial assets	2 869 935		–	–	2 869 935	–	–	2 869 935	2 869 935
Preference shares and debt instruments	1 058 291		–	–	1 058 291	–	–	1 058 291	1 058 291
Equities	1 001 605		–	–	1 001 605	–	–	1 001 605	1 001 605
Linked policies	810 039		–	–	810 039	–	–	810 039	810 039
Reinsurance assets	–		–	–	–	2 046 119	–	2 046 119	2 046 119
Insurance, loans and other receivables	–		209 579	–	209 579	1 242 556	100 022	1 552 157	1 552 157
Deferred acquisition costs	–		–	–	–	155 022	–	155 022	155 022
Cash and cash equivalents	–		2 359 354	–	2 359 354	–	–	2 359 354	2 359 354
Non-current assets held for sale	390 273		–	–	390 273	–	–	390 273	390 273
	4 280 068	–	2 637 453	–	6 917 521	3 443 697	100 022	10 461 240	10 461 240
Liabilities									
Insurance liabilities	–	–	–	–	–	4 476 560	–	4 476 560	4 476 560
Reinsurance liabilities	–	–	–	–	–	739 442	–	739 442	739 442
Employee benefits	–	–	–	–	–	–	211 025	211 025	211 025
Trade and other payables	–	–	–	–	–	–	739 129	739 129	739 129
	–	–	–	–	–	5 216 002	950 154	6 166 156	6 166 156

12. Determination of fair value and fair value hierarchy

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total fair value R'000
GROUP				
2016				
Financial assets carried at fair value through profit or loss				
Listed ordinary shares	**537 096**	**–**	**–**	**537 096**
Listed preference shares	**137 032**	**–**	**–**	**137 032**
Listed debentures	**–**	**–**	**–**	**–**
Unlisted ordinary shares	**–**	**–**	**63**	**63**
Unlisted preference shares	**–**	**–**	**716 119**	**716 119**
Linked policies	**–**	**894 761**	**–**	**894 761**
Unit trusts	**–**	**126 176**	**–**	**126 176**
Unlisted debentures	**–**	**175 127**	**–**	**175 127**
Foreign exchange contracts	**–**	**–**	**–**	**–**
Bonds	**–**	**50 670**	**–**	**50 670**
Financial assets at fair value through other comprehensive income				
Unlisted ordinary shares	**–**	**–**	**–**	**–**
	674 128	**1 246 734**	**716 182**	**2 637 044**
2015				
Financial assets carried at fair value through profit or loss				
Listed ordinary shares	624 219	–	–	624 219
Listed preference shares	125 461	–	–	125 461
Listed debentures	–	–	–	–
Unlisted ordinary shares	–	–	419 776	419 776
Unlisted preference shares	–	–	653 755	653 755
Linked policies	–	810 039	–	810 039
Unit trusts	–	545 074	–	545 074
Unlisted debentures	–	158 169	–	158 169
Financial assets at fair value through other comprehensive income				
Unlisted ordinary shares	–	–	1 388	1 388
	749 680	1 513 282	1 074 919	3 337 881
COMPANY				
2016				
Financial assets carried at fair value through profit or loss				
Interest in associates	**–**	**–**	**178 181**	**178 181**
Interest in subsidiaries	**–**	**–**	**787 627**	**787 627**
Listed ordinary shares	**537 096**	**–**	**–**	**537 096**
Listed preference shares	**137 032**	**–**	**–**	**137 032**
Unlisted ordinary shares	**–**	**–**	**63**	**63**
Unlisted preference shares	**–**	**–**	**716 119**	**716 119**
Unit Trusts	**–**	**126 176**	**–**	**126 176**
Unlisted debentures	**–**	**175 127**	**–**	**175 127**
Linked policies	**–**	**894 761**	**–**	**894 761**
Bonds	**–**	**50 670**	**–**	**50 670**
	674 128	**1 246 734**	**1 681 990**	**3 602 852**
2015				
Financial assets carried at fair value through profit or loss				
Interest in associates	–	–	285 308	285 308
Interest in subsidiaries	–	–	734 552	734 552
Listed ordinary shares	581 826	–	–	581 826
Listed preference shares	125 461	–	–	125 461
Unlisted ordinary shares	–	–	419 776	419 776
Unlisted preference shares	–	–	653 755	653 755
Unit Trusts	–	120 911	–	120 911
Unlisted debentures	–	158 167	–	158 167
Linked policies	–	810 039	–	810 039
	707 287	1 089 117	2 093 391	3 889 795

* *These investments do not meet the definition of related parties*

Notes to the annual financial statements (continued)

for the year ended 30 June 2016

12. Determination of fair value and fair value hierarchy (continued)

Included in the level 1 category are financial assets that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing services or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Included in the level 2 category are financial assets measured using a valuation technique based on assumptions that are supported by prices for observable current market transactions are assets for which pricing is obtained via pricing services, but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Group's own models whereby the majority of assumptions are market observable.

Included in the level 3 category are financial assets measured using non-market observable inputs means that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor based on available market data. The main asset classes in this category are unlisted equity investments and limited partnerships. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the assets or liability at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Group and Company. Therefore, unobservable inputs reflect the Group's and Company's own assumptions about the inputs that market participants would use in pricing the asset and liability. These inputs are developed based on the best information available, which might include the Group's and Company's own data.

Reconciliation of movements in level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing amount of level 3 financial assets which are recorded at fair value:

	At 1 July 2015 R'000	Total gains/(losses) in profit or loss statement R'000	Total gains/(losses) recorded in other comprehensive income R'000	Purchases R'000	Interest, dividends and management fees R'000	Sales R'000	Foreign exchange R'000	Transfer (to)/from other category R'000	At 30 June 2016 R'000	Total gains/(losses) for the period included in profit or loss for assets held at 30 June 2016 R'000
GROUP										
2016										
Financial assets at fair value through profit or loss										
Unlisted ordinary shares	419 776	609 496	–	–	390 885	(1 420 097)	–	–	60	1 111 424
Unlisted preference shares	653 755	5 273	–	–	72 022	(109 931)	–	95 000	716 119	5 273
	1 073 531	614 769	–	–	462 907	(1 530 028)	–	95 000	716 179	1 116 697
Financial assets at fair value through other comprehensive income										
Unlisted ordinary shares	1 388	–	1 986	–	–	–	(887)	–	2 487	–
	1 388	–	1 986	–	–	–	(887)	–	2 487	–
Total financial instruments	1 074 919	614 769	1 986	–	462 907	(1 530 028)	(887)	95 000	718 666	1 116 697
COMPANY										
2016										
Financial assets at fair value through profit or loss										
Investment in associates	285 308	(18 344)	–	–	–	(8 280)	–	–	258 684	(18 344)
Investment in subsidiaries	734 552	–	–	–	–	(8 000)	–	3 781	730 333	–
Unlisted ordinary shares	419 776	609 496	–	–	390 885	(1 420 097)	–	–	60	1 111 424
Unlisted preference shares	653 755	5 273	–	–	72 022	(109 931)	–	95 000	716 119	5 273
Total financial instruments	2 093 391	596 425	–	–	462 907	(1 546 308)	–	98 781	1 705 196	1 098 353

	At 1 July 2014 R'000	Total gains/ (losses) in profit or loss statement R'000	Total gains/ (losses) recorded in other comprehensive income R'000	Purchases R'000	Interest, dividends and management fees R'000	Sales R'000	Foreign exchange R'000	Transfer (to)/ from other category R'000	At 30 June 2015 R'000	Total gains/ (losses) for the period included in profit or loss for assets held at 30 June 2015 R'000
GROUP										
2015										
Financial assets at fair value through profit or loss										
Unlisted ordinary shares	588 624	293 419	–	–	–	–	–	(462 267)	419 776	293 419
Unlisted preference shares	728 578	11 586	–	–	51 863	(138 272)	–	–	653 755	11 586
	1 317 202	305 005	–	–	51 863	(138 272)	–	(462 267)	1 073 531	305 005
Financial assets at fair value through other comprehensive income										
Unlisted ordinary shares	3 770	–	(2 341)	–	–	–	(41)	–	1 388	–
	3 770	–	(2 341)	–	–	–	(41)	–	1 388	–
Total financial instruments	1 320 972	305 005	(2 341)	–	51 863	(138 272)	(41)	(462 267)	1 074 919	305 005
COMPANY										
2015										
Financial assets at fair value through profit or loss										
Investment in associates	471 082	(38 738)	–	–	–	–	–	(147 036)	285 308	(38 738)
Investment in subsidiaries	614 636	362 155	–	4 219	–	–	–	(246 458)	734 552	362 155
Unlisted ordinary shares	369 594	293 419	–	–	–	–	–	(243 237)	419 776	293 419
Unlisted preference shares	728 578	11 585	–	–	51 864	(138 272)	–	–	653 755	11 585
Total financial instruments	2 183 890	628 421	–	4 219	51 864	(138 272)	–	(636 731)	2 093 391	628 421

Sensitivity of level 3 financial instruments measured at fair value to changes in key assumptions.

The following table shows the sensitivity of the fair value of financial assets:

	2016					
	GROUP			COMPANY		
	Carrying amount R'000	2% effect of reasonably possible alternative assumptions (+) R'000	2% effect of reasonably possible alternative assumptions (-) R'000	Carrying amount R'000	2% effect of reasonably possible alternative assumptions (+) R'000	2% effect of reasonably possible alternative assumptions (-) R'000
Financial assets carried at fair value through profit or loss						
Interest in associates	–	–	–	178 181	215 325	151 000
Interest in subsidiaries	–	–	–	787 627	872 361	721 644
Unlisted ordinary shares	60	61	59	63	63	63
Unlisted preference shares	716 119	731 579	725 709	716 119	718 094	714 214
	716 179	731 640	725 768	1 681 990	1 805 843	1 586 921
Financial assets at fair value through other comprehensive income						
Unlisted ordinary shares	2 487	2 537	2 437	–	–	–
	2 487	2 537	2 437	–	–	–
Total financial instruments at fair value	718 666	734 177	728 206	1 681 989	1 805 843	1 586 921

Notes to the annual financial statements (continued)

for the year ended 30 June 2016

12. Determination of fair value and fair value hierarchy (continued)

	2015					
	GROUP			COMPANY		
	Carrying amount R'000	2% effect of reasonably possible alternative assumptions (+) R'000	2% effect of reasonably possible alternative assumptions (-) R'000	Carrying amount R'000	2% effect of reasonably possible alternative assumptions (+) R'000	2% effect of reasonably possible alternative assumptions (-) R'000
Financial assets carried at fair value through profit or loss						
Interest in associates	–	–	–	285 308	289 450	281 164
Interest in subsidiaries	–	–	–	734 552	806 835	604 810
Unlisted ordinary shares	419 776	428 171	411 380	419 776	428 171	411 380
Unlisted preference shares	653 755	666 830	640 680	653 755	666 830	640 680
Non-current asset held for sale	344 012	350 893	337 132	390 273	398 078	382 467
	1 417 543	1 445 894	1 389 192	2 483 664	2 589 364	2 320 501
Financial assets at fair value through other comprehensive income						
Unlisted ordinary shares	1 388	1 416	1 360	–	–	–
	1 388	1 416	1 360	–	–	–
Total financial instruments at fair value	1 418 931	1 447 310	1 390 552	2 483 664	2 589 364	2 320 501

The Group and Company determine the fair value of its unlisted investments using well established valuation techniques. These techniques include discounted cash flow analysis, price earnings ratio and net asset value methodologies. Where the underlying investments of an investment holding company are property or listed investments, the company is valued on the net asset value basis which reflects the fair value of the underlying investments.

Companies are valued on a price earnings ratio method or on a discounted cash flow basis. A build-up method was used to construct the discount rate, incorporating all the appropriate risk components as well as a risk-free rate of 6.26% (after tax RSA R186 bond rate). The following appropriate risk components are incorporated in the discount rates and earnings factors used:

- Risk class exposure of the entity;
- Established history;
- Dependency on management; and
- Impact of owner managed business.

In applying the price earnings valuation technique, the current profit of the company is multiplied by an earnings factor. The potential future earnings of the company, current interest rate cycle, current business environment and management of the company are considered in determining the earnings factor.

In using discounted cash flow analyses the best estimate of future cash flows of a particular company are used. The current interest rate cycle, risk-free rate and any other relevant economic or business factors are considered in determining the discount rate.

The above sensitivity analysis in the positive scenario assumes a 2% decrease in the discount rate and a 2% increase in projected free cash flows. The converse applies to the negative analysis where discount rates were increased by 2% and cash flows were decreased by 2%.

	GROUP		COMPANY	
	2016 R'000	2015 R'000	**2016 R'000**	2015 R'000
13. Insurance, loans and other receivables				
Insurance receivables	**1 722 596**	1 443 146	**1 722 596**	1 242 556
Other receivables	**196 250**	151 111	**190 195**	100 022
Total insurance and other receivables	**1 918 846**	1 594 257	**1 912 791**	1 342 578
Originated at amortised cost				
Loans bearing interest				
– Loans to staff	**14 786**	26 904	**14 786**	25 800
– Loans to other	**24 360**	37 190	**24 360**	37 190
Interest-free loans				
– Loans to other	**4 109**	4 109	**4 109**	4 109
Total loans	**43 254**	68 203	**43 254**	67 099
Receivable from Group companies	**112 427**	168 686	**112 427**	168 398
Impairment provision	**(13 667)**	(25 918)	**(13 667)**	(25 918)
Total loans receivables from Group companies	**98 760**	142 768	**98 760**	142 480
Total Insurance, loans and other receivables	**2 060 859**	1 805 228	**2 054 805**	1 552 157
The interest rates charged on the secured and unsecured loans comprise:				
Prime less 1%	**–**	247	**–**	247
Prime less 1.5%	**1 013**	3 636	**1 013**	3 636
Prime less 2%	**–**	2 283	**–**	2 283
Prime less 3%	**4 399**	4 102	**4 399**	4 102
80% of prime	**7 332**	6 773	**7 332**	6 773
86% of prime	**5 831**	5 630	**5 831**	5 630
Prime	**971**	880	**971**	880
Prime plus 1%	**2 183**	–	**2 183**	–
Prime plus 2%	**2 179**	13 190	**2 179**	13 190
Prime plus 4%	**–**	572	**–**	–
Interest at 7%	**1 424**	1 327	**1 424**	1 327
Interest at 15%	**–**	531	**–**	–
South African Revenue Service (SARS) rate	**13 813**	24 923	**13 813**	24 922
Interest-free loans	**4 109**	4 109	**4 109**	4 109
	43 254	68 203	**43 254**	67 099
The loans have the following terms of repayment:				
No fixed repayment terms	**8 383**	8 527	**8 383**	8 527
On specified date	**12 617**	28 571	**12 617**	28 573
90 days notice period	**22 200**	29 952	**22 200**	29 950
After termination of employment with Company	**54**	49	**54**	49
Monthly	**–**	531	**–**	–
Quarterly	**–**	573	**–**	–
	43 254	68 203	**43 254**	67 099

Certain loans are secured by assets of the counterparty to the extent of R10 590 992 (2015: R24 178 191) and the balance of the loans are unsecured.

Loans are carried at amortised cost using the effective-interest method and are reviewed for impairment at the end of the financial year. Insurance, trade and other receivables are widespread and have been adjusted for impairments where required.

Loans to subsidiaries and associates are deemed to be part of the investment and therefore included in notes 8 and 9 on page 38 of these annual financial statements.

Notes to the annual financial statements (continued)

for the year ended 30 June 2016

	GROUP		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
14. Deferred taxation				
Deferred income tax assets				
– Deferred income tax to be recovered after 12 months	281	812	–	–
– Deferred income tax to be recovered within 12 months	77 889	81 004	77 889	80 040
Balance at end of year	78 170	81 816	77 889	80 040
Balance at beginning of year	81 816	48 759	80 040	44 319
Movements during the year attributable to:				
Unrealised loss on foreign exchange differences	15 476	(2 544)	–	–
Exchange differences	(4 233)	10	–	–
Unutilised tax losses	(39)	1 884	(39)	1 817
Provisions	(2 112)	33 707	(2 112)	33 904
Transfer to Deferred Tax Assets	(212)	–	–	–
Transfer to non-current assets held for sale	(12 526)	–	–	–
Balance at end of year	78 170	81 816	77 889	80 040
Balance comprises:				
Capital allowances	–	68	–	–
Changes in foreign currency	–	964	–	–
Unutilised tax losses	9 386	9 707	9 386	9 425
Provisions	68 784	71 077	68 503	70 615
	78 170	81 816	77 889	80 040
Deferred income tax liabilities				
– Deferred income tax to be recovered after 12 months	136 408	421 073	129 368	409 493
– Deferred income tax to be recovered within 12 months	–	3 330	–	–
Balance at end of year	136 408	424 403	129 368	409 493
Balance at beginning of year	424 403	364 508	409 493	311 747
Movements during the year attributable to:				
Capital allowances	–	318	–	–
Unrealised gains on assets at fair value through profit or loss	(280 258)	166 387	(280 125)	97 746
Unrealised gains on financial assets at fair value through other comprehensive income	–	(749)	–	–
Unrealised loss on foreign exchange differences	34 483	3 616	–	–
Unutilised tax losses	–	792	–	–
Provisions	–	(1 385)	–	–
Exchange rate differences	(10 737)	(493)	–	–
Transfer to other financial assets	–	(108 759)	–	–
Prepayment	(105)	168	–	–
Tranfer to Deferred Tax Assets	2 036	–	–	–
Transfer to non-current liabilities held for sale	(33 414)	–	–	–
Balance at end of year	136 408	424 403	129 368	409 493
Balance comprises:				
Capital allowances	–	2 644	–	–
Unrealised gains on assets at fair value through profit or loss	136 408	417 032	129 368	409 493
Unrealised gains on financial assets at fair value through other comprehensive income	–	152	–	–
Unrealised losses on foreign exchange differences	–	6 637	–	–
Unutilised tax losses	–	(305)	–	–
Prepayment	–	168	–	–
Provisions	–	(1 925)	–	–
	136 408	424 403	129 368	409 493

	GROUP 2016 R'000	GROUP 2015 R'000	COMPANY 2016 R'000	COMPANY 2015 R'000

15. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, current accounts and short-term deposits with maturity less than 12 months. At reporting date the effective rate on bank call accounts and deposits was 7.21% (2015: 6.39%).

The effective interest rate on current accounts at the statement of financial position date was 5.85% (2015: 4.60%)

	GROUP 2016 R'000	GROUP 2015 R'000	COMPANY 2016 R'000	COMPANY 2015 R'000
Cash on call	**1 531 063**	1 701 105	**1 531 063**	1 701 105
Cash at bank	**517 016**	757 673	**511 053**	452 811
Cash on deposit	**131 257**	504 103	**131 100**	205 390
Cash on hand	**48**	78	**48**	48
	2 179 384	2 962 959	**2 173 264**	2 359 354

16. Non-current assets and liabilities held for sale

	GROUP 2016 R'000	GROUP 2015 R'000	COMPANY 2016 R'000	COMPANY 2015 R'000
The Group and Company hold the following assets as held for sale:				
Lomhold (Pty) Ltd	**–**	100 775	**–**	147 036
Unlisted investment – Direct Axis (SA) (Pty) Ltd	**–**	243 237	**–**	243 237
Investment in subsidiary: The Hollard Insurance Company of Botswana Limited	**361 515**	–	**180 716**	–
Investment in subsidiary: Hollard Botswana (Pty) Ltd (t/a Hollard Life Botswana)	**76 506**	–	**6 095**	–
Investment in subsidiary: Hollard Insurance Company of Namibia Limited	**1 061 398**	–	**428 997**	–
Investment in subsidiary: Hollard Mocambique Companhia de Seguros	**733 716**	–	**130 597**	–
Other non-current assets held for sale	**752**	–	**–**	–
	2 233 887	344 012	**746 405**	390 273
The Group and Company hold the following liabilities as held for sale:				
Investment in subsidiary: The Hollard Insurance Company of Botswana Limited	**245 994**	–	**–**	–
Investment in subsidiary: Hollard Botswana (Pty) Ltd (t/a Hollard Life Botswana)	**70 702**	–	**–**	–
Investment in subsidiary: Hollard Insurance Company of Namibia Limited	**750 858**	–	**–**	–
Investment in subsidiary: Hollard Mocambique Companhia de Seguros	**518 625**	–	**–**	–
	1 586 179	–	**–**	–

The investments are expected to be sold within the next 12 months and are carried at the lower of carrying value or fair value less cost to sell.

17. Share capital and premium

	GROUP 2016 R'000	GROUP 2015 R'000	COMPANY 2016 R'000	COMPANY 2015 R'000
Authorised				
6 000 000 ordinary shares	**12 000**	12 000	**12 000**	12 000
3 000 000 class A redeemable convertible preference shares of R1 each	**3 000**	3 000	**3 000**	3 000
2 999 999 class B redeemable convertible preference shares of R1 each	**3 000**	3 000	**3 000**	3 000
	18 000	18 000	**18 000**	18 000
Issued and fully paid				
4 914 999 ordinary shares (2015: 5100 001 ordinary shares)	**1 580 686**	531 200	**1 580 686**	531 200
3 000 000 class A redeemable convertible preference shares of R1 each	**3 000**	3 000	**3 000**	3 000
2 999 999 class B redeemable convertible preference shares of R1 each	**3 000**	3 000	**3 000**	3 000
	1 586 686	537 200	**1 586 686**	537 200
Share premium	**55 914**	69 650	**55 914**	69 650
Issued Share Capital	**1 642 601**	606 850	**1 642 601**	606 850

The Company repurchased 1 100 003 shares for R1 262 400 388 and issued 915 001 additional ordinary share for a consideration of R1 262 400 385 during the year.

The class A and B preference shares receive dividends at the discretion of the Board of Directors. The class A preference shares have voting rights equal to one vote for one share.

The class C preference share has a preferential right to dividends received by the Company in terms of preference shares held in a subsidiary company. The amount payable each year is dependent upon the performance of the underlying subsidiary company.

Notes to the annual financial statements (continued)

for the year ended 30 June 2016

18. Non-distributable reserves

	GROUP 2016 R'000	GROUP 2015 R'000
Non-distributable reserves consist of:		
Revaluation reserve	9 421	9 206
Movements for the year were as follows:		
Balance at beginning of year	9 206	8 836
Revaluation of amortised cost investments	833	(1 080)
Revaluation of land and buildings	(119)	1 056
Deferred tax on amortised cost investments	(499)	394
Balance at end of year	9 421	9 206

19. Foreign currency translation reserve

	GROUP 2016 R'000	GROUP 2015 R'000
Balance at beginning of year	7 006	11 800
Exchange differences (net of non-controlling interest) on translation of foreign operations	(31 228)	(4 491)
Transfer to NCI	–	(303)
Balance at end of year	(24 222)	7 006

20. Components of other comprehensive income

	GROUP 2016 Gross amount R'000	Non-controlling interest R'000	Tax expense R'000	Net of tax R'000
Exchange differences on translating foreign operations	(63 969)	(32 742)	–	(97 611)
Raising of credit protection reserve	(17)	–	–	(17)
Unrealised gain on financial assets at fair value through other comprehensive income	546	830	499	1 875
	(63 440)	(31 912)	499	(94 853)

	GROUP 2015 Gross amount R'000	Non-controlling interest R'000	Tax expense R'000	Net of tax R'000
Exchange differences on translating foreign operations	(7 493)	(3 002)	–	(10 495)
Raising of credit protection reserve	11	–	–	11
Unrealised gain on financial assets at fair value through other comprehensive income	(312)	(1 076)	(394)	(1 782)
	(7 794)	(4 078)	(394)	(12 266)

21. Insurance liabilities and reinsurance assets

	GROUP 2016 R'000	GROUP 2015 R'000	COMPANY 2016 R'000	COMPANY 2015 R'000
Gross				
Claims reported and loss adjustment expenses	2 596 916	2 433 091	2 596 916	2 020 935
Claims incurred but not yet reported	704 742	798 691	704 742	734 677
Unearned premium provision	1 781 121	2 077 126	1 781 121	1 686 778
Cash back reserve	32 568	36 778	32 568	34 170
Life fund reserves	–	4 730	–	–
Policyholder liabilities	–	42 812	–	–
Unexpired risk reserve	–	2 214	–	–
Provision for claims fluctuations	–	6 961	–	–
Total gross insurance liabilities	5 115 347	5 402 403	5 115 347	4 476 560
Recoverable from reinsurers				
Claims reported and loss adjustment expenses	1 467 774	1 224 355	1 467 774	1 014 149
Claims incurred but not yet reported	190 782	281 675	190 782	269 338
Unearned premium provision	559 899	709 034	559 899	471 094
Reinsurance recoveries	388 443	310 546	388 443	291 538
Total reinsurers' share of insurance liabilities	2 606 898	2 525 610	2 606 898	2 046 119
Net				
Claims reported and loss adjustment expenses	1 129 142	1 208 736	1 129 142	1 006 786
Claims incurred but not yet reported	513 960	517 014	513 960	465 339
Unearned premium provision	1 221 222	1 368 092	1 221 222	1 215 684
Cash back reserve	32 568	36 778	32 568	34 170
Life fund reserves	–	4 730	–	–
Policyholder liabilities	–	42 812	–	–
Unexpired risk reserve	–	2 214	–	–
Provision for claims fluctuations	–	6 961	–	–
Reinsurance recoveries	(388 443)	(310 546)	(388 443)	(291 538)
Total insurance liabilities – net	2 508 449	2 876 791	2 508 449	2 430 441

(a) Claims reported and loss adjustment expenses

	2016 Gross R'000	2016 Reinsurance asset R'000	2016 Net R'000	2015 Gross R'000	2015 Reinsurance asset R'000	2015 Net R'000
GROUP						
Balance at beginning of year	2 433 091	1 224 355	1 208 736	1 926 471	811 309	1 115 162
Claims paid	(6 546 883)	(1 346 040)	(5 200 843)	(5 793 196)	(1 045 443)	(4 747 753)
Non-current asset held for sale	(490 049)	(275 496)	(214 553)	–	–	–
Exchange rate movement	48 524	15 640	32 884	(14 959)	(6 773)	(8 186)
Claims raised	7 152 233	1 849 315	5 302 918	6 314 775	1 465 262	4 849 513
Balance at end of year	2 596 916	1 467 774	1 129 142	2 433 091	1 224 355	1 208 736
COMPANY						
Balance at beginning of year	2 020 935	1 014 149	1 006 786	1 577 187	624 195	952 992
Claims paid	(6 009 423)	(1 383 556)	(4 625 867)	(5 242 916)	(959 479)	(4 283 437)
Claims raised	6 585 404	1 837 181	4 748 223	5 686 664	1 349 433	4 337 231
Balance at end of year	2 596 916	1 467 774	1 129 142	2 020 935	1 014 149	1 006 786

Notes to the annual financial statements (continued)

for the year ended 30 June 2016

21. Insurance liabilities and reinsurance assets (continued)

		2016 Gross R'000	2016 Reinsurance asset R'000	2016 Net R'000	2015 Gross R'000	2015 Reinsurance asset R'000	2015 Net R'000
(b)	Claims incurred but not yet reported						
	GROUP						
	Balance at beginning of year	798 691	281 675	517 016	690 992	233 899	457 093
	Exchange rate movement	(1 247)	(1 636)	389	(220)	50	(270)
	Non-current asset held for sale	(79 000)	(21 223)	(57 777)	–	–	–
	Movements for the year	(13 702)	(68 034)	54 332	107 919	47 726	60 193
	Balance at end of year	704 742	190 782	513 960	798 691	281 675	517 016
	COMPANY						
	Balance at beginning of year	734 677	269 338	465 339	630 776	215 780	414 996
	Movements for the year	(29 935)	(78 556)	48 621	103 901	53 558	50 343
	Balance at end of year	704 742	190 782	513 960	734 677	269 338	465 339
(c)	Unearned premium provision						
	GROUP						
	Balance at beginning of year	2 077 126	709 034	1 368 092	1 889 073	596 139	1 292 934
	Non-current asset held for sale	(416 748)	(203 387)	(213 361)	–	–	–
	Exchange rate movement	(33 546)	(23 547)	(9 999)	(1 713)	(3 281)	1 568
	Movements for the year	154 289	77 799	76 490	189 766	116 176	73 590
	Balance at end of year	1 781 121	559 899	1 221 223	2 077 126	709 034	1 368 092
	COMPANY						
	Balance at beginning of year	1 686 778	471 094	1 215 684	1 612 587	447 678	1 164 909
	Movements for the year	94 343	88 805	5 538	74 191	23 416	50 775
	Balance at end of year	1 781 121	559 899	1 221 222	1 686 778	471 094	1 215 684
(d)	Unexpired risk reserve						
	GROUP						
	Balance at beginning of year	2 214	–	2 214	1 001	–	1 001
	Non-current asset held for sale	(4 139)	–	(4 139)	–	–	–
	Exchange rate movement	(1 475)	–	(1 475)	(170)	–	(170)
	Movements for the year	3 400	–	3 400	1 383	–	1 383
	Balance at end of year	–	–	–	2 214	–	2 214
(e)	Provision for claims fluctuations						
	GROUP						
	Balance at beginning of year	6 961	–	6 961	5 645	–	5 645
	Non-current asset held for sale	(9 487)	–	(9 487)	–	–	–
	Exchange rate movement	(1 404)	–	(1 404)	(283)	–	(283)
	Movements for the year	3 930	–	3 930	1 599	–	1 599
	Balance at end of year	–	–	–	6 961	–	6 961
(f)	Cash back reserve						
	GROUP						
	Balance at beginning of year	36 778	–	36 778	34 762	–	34 762
	Non-current asset held for sale	(1 498)	–	(1 498)	–	–	–
	Exchange rate movement	(368)	–	(368)	(125)	–	(125)
	Movements for the year	(2 344)	–	(2 344)	2 141	–	2 141
	Balance at end of year	32 568	–	32 568	36 778	–	36 778
	COMPANY						
	Balance at beginning of year	34 170	–	34 170	33 156	–	33 156
	Movements for the year	(1 602)	–	(1 602)	1 014	–	1 014
	Balance at end of year	32 568	–	32 568	34 170	–	34 170

		2016 Gross R'000	2016 Reinsurance asset R'000	2016 Net R'000	2015 Gross R'000	2015 Reinsurance asset R'000	2015 Net R'000
(g)	**Life fund reserves**						
	GROUP						
	Balance at beginning of year	4 730	–	4 730	5 034	–	5 034
	Non-current asset held for sale	(2 303)	–	(2 303)	–	–	–
	Exchange rate movement	(874)	–	(874)	(304)	–	(304)
	Movements for the year	(1 553)	–	(1 553)	–	–	–
	Balance at end of year	–	–	–	4 730	–	4 730
(h)	**Policyholder liabilities**						
	GROUP						
	Balance at beginning of year	42 812	–	42 812	45 575	–	45 575
	Non-current asset held for sale	(35 184)	–	(35 184)	–	–	–
	Exchange rate movement	40	–	40	–	–	–
	Movements for the year	(7 668)	–	(7 668)	(2 763)	–	(2 763)
	Balance at end of year	–	–	–	42 812	–	42 812
(i)	**Reinsurance recoveries**						
	GROUP						
	Balance at beginning of year	–	310 546	(310 546)	–	288 789	(288 789)
	Non-current asset held for sale	–	(58 189)	58 189	–	–	–
	Exchange rate movement	–	499	(499)	–	(211)	211
	Movements for the year	–	135 587	(135 587)	–	21 968	(21 968)
	Balance at end of year	–	388 443	(388 443)	–	310 546	(310 546)
	COMPANY						
	Balance at beginning of year	–	291 538	(291 538)	–	272 451	(272 451)
	Movements for the year	–	96 905	(96 905)	–	19 087	(19 087)
	Balance at end of year	–	388 443	(388 443)	–	291 538	(291 538)
	Total						
	GROUP						
	Balance at beginning of year	5 402 403	2 525 610	2 876 793	4 598 553	1 930 136	2 668 417
	Claims paid	(6 546 883)	(1 346 040)	(5 200 843)	(5 793 196)	(1 045 443)	(4 747 753)
	Exchange rate movement	9 649	(9 044)	18 694	(17 774)	(10 215)	(7 559)
	Movements for the year	136 352	9 765	126 587	300 045	163 902	136 143
	Non-current asset held for sale	(1 038 407)	(558 295)	(480 112)	–	–	–
	Claims raised	7 152 233	1 849 315	5 302 918	6 314 775	1 465 262	4 849 513
	Reinsurance recoveries	–	135 587	(135 587)	–	21 968	(21 968)
	Balance at end of year	5 115 347	2 606 898	2 508 449	5 402 403	2 525 610	2 876 793
	COMPANY						
	Balance at beginning of year	4 476 560	2 046 119	2 430 441	3 853 706	1 560 104	2 293 602
	Claims paid	(6 009 423)	(1 383 556)	(4 625 867)	(5 242 916)	(959 479)	(4 283 437)
	Movements for the year	62 806	10 249	52 555	179 106	76 974	102 132
	Claims raised	6 585 404	1 837 181	4 748 223	5 686 664	1 349 433	4 337 231
	Reinsurance recoveries	–	96 905	(96 905)	–	19 087	(19 087)
	Balance at end of year	5 115 347	2 606 898	2 508 449	4 476 560	2 046 119	2 430 441

Notes to the annual financial statements (continued)

for the year ended 30 June 2016

21. Insurance liabilities and reinsurance assets (continued)

Insurance risk

Exposure to insurance risk

The Group and Company underwrite risks that natural persons, corporate or other entities wish to transfer to an insurer. Such risks may relate to property, accident, personal accident, motor, liability, engineering, marine, credit and other perils which may arise from an insured event. As such the Group and Company are exposed to uncertainty surrounding the timing, frequency and severity of claims under insurance contracts. The principal risk is that the frequency and/or severity of claims are greater than expected. Insurance events are by nature random and the actual size and number of events in any one year may vary from those estimated and experienced in prior periods.

The Group and Company underwrite primarily short-tailed risks, that is, insurance under which claims are typically settled within one year of the occurrence of the events giving rise to the claims. Risks that are long tail in nature represent an insignificant portion of the Group's and Company's insurance portfolio. Consequently, whilst the Group and Company may experience variations in its claims patterns from one year to the next, the Group's and Company's exposure at any time to insurance contracts issued more than one year before is limited.

The product features of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contracts in the Group and Company are described below:

Property

Provide indemnity for loss or damage to immovable and movable property caused by perils such as fire, lightning, explosion, weather, water, earthquake and malicious damage. These contracts may also include business interruption policies which insure the loss of profits incurred by a business as a result of loss or damage to the insured property by these perils.

Accident

Provide indemnity for loss of or damage to mainly movable property for losses caused by crime, certain accidental damage such as damage to goods in transit or accidental damage to glass. Included under the accidental classes are legal liabilities an insured may incur as a result of accidental damage to third-party property or accidental death or injury to a third party by the insured.

Personal accident

Provide compensation arising out of the death, permanent or temporary total disability of the insured, the family of the insured or the employees of a business. This cover is restricted to certain accidents and does not provide the wider benefits available from the life insurance industry.

Motor

Provides indemnity for loss of or damage to the insured motor vehicle. The cover is normally on an all-risks basis providing a wide scope of cover, however, the insured may select restricted forms of cover such as fire and theft only. Legal liabilities arising out of the use or ownership of the motor vehicle following an accident for damage to third-party property or death or injury to a third party are also covered in this class. Warranty and maintenance cover on insured vehicles are incorporated in this class of business.

Engineering

Provide indemnity for losses sustained through the use of machinery and equipment or the erection of buildings and structures. Risks covered by this type of contract include machinery breakdown, business interruption and loss or damage to plant and equipment.

Marine

Provide indemnity for both cargo and hull classes of business. Cargo covers physical loss of or damage to cargo. Hull covers accidental loss or damage to commercial vessels.

Liability

Provide indemnity for actual or alleged breach of professional duty arising out of the insured's activities, indemnify directors and officers of a company against court compensation and legal defence costs, provide indemnity for the insured against damages consequent to a personal injury or property damage.

The Group and Company distribute these products across personal and commercial policyholders using traditional methods of distribution through intermediaries and direct sales, as well as though strategic partnerships with niche underwriting managers, retailers, banks and motor dealers. These non-traditional distribution arrangements include profit participation measures to promote good risk management amongst the insurers and originators of the business. The Group and Company also provides primary risk policies, which are contracts structured to provide entry level insurance cover for corporate entities.

Limiting exposure to insurance risk

The Group and Company limit its exposure to insurance risk through setting clearly defined underwriting strategy and limits, application of appropriate risk assessment techniques, and centralised management of reinsurance.

The Group's and Company's underwriting strategy ensures diversification of insurance risk in terms of type and amount of risk covered, geographical location and type of industry covered. The underwriting strategy also aims to develop a sufficiently large population of risks to reduce the variability of the expected outcome. The underwriting strategy is detailed in underwriting authorities which set the limits for underwriters in terms of line, size, class of business, geographical location and industry to enforce appropriate risk selection within the portfolio. The underwriting mandates are applicable to both internal underwriters and partners. Management review and periodic internal audits ensure that underwriters operate within these limits.

Analysis of the Group's and Company's risk profiles shows that the Group and Company underwrite a well diversified portfolio of risks and that the Group's and Company's business has a low correlation factor between the types of insurance products and classes it underwrites. Using gross written premium as an indicator, the table below illustrates the Group's and Company's distribution of risks underwritten across classes of business:

	GROUP		COMPANY	
	2016 R'000	2015 R'000	**2016 R'000**	2015 R'000
Gross written premium per class of business				
Property	**3 641 682**	3 288 965	**3 488 686**	3 123 396
Transportation	**439 106**	445 496	**412 656**	421 307
Motor	**5 497 630**	5 046 533	**4 936 160**	4 526 963
Accident/health	**647 114**	543 890	**399 275**	426 000
Guarantee	**111 678**	117 459	**105 380**	108 887
Liability	**452 197**	410 166	**361 745**	321 644
Contract/engineering	**732 699**	640 094	**542 164**	482 439
Fire	**221 498**	312 554	**–**	–
Life	**626 983**	354 907	**–**	–
Miscellaneous	**143 154**	216 437	**140 261**	81 749
Total	**12 513 741**	11 376 501	**10 386 327**	9 492 385

The Group and Company underwrite insurance contracts across South Africa as well as Namibia, Botswana and Mozambique. Using gross written premium as an indicator the table below illustrate the Group's geographical diversification.

	GROUP	
	2016 R'000	2015 R'000
South Africa	**10 386 327**	9 492 385
Foreign	**2 127 414**	1 884 116
Total	**12 513 741**	11 376 501

Ongoing review and analysis of underwriting information enables the Group and Company to monitor its risks and take timely corrective action. The ability to adjust premiums allows the Group and Company to mitigate the risk of underwriting losses by addressing adverse loss ratios in terms of different classes of business and different portfolios or clients. The risk of fraudulent claims is reduced by internal controls embedded in claims handling processes and specific techniques developed to proactively detect fraudulent claims.

Underwriting and reinsurance operating procedures

The Group and Company have implemented an integrated risk management framework to manage risk in accordance with the Group's and Company's risk appetite. Group and Company reinsurance is managed by the Reinsurance Committee (RCOM). The objectives and responsibilities of the Committee as set out and approved by the Board of Directors are outlined below. The main objective of RCOM is to provide a framework that ensures that the risk assumption and risk retention practice is in line with prudent risk/reward parameters set by the Group. Specifically RCOM makes recommendations to the Board as to the risk retention policy of the companies within the Group and Company; communicates policy to the business units for adoption in line with their business operations; methodologies and processes employed by each company and each business unit for both facultative and treaty reinsurance arrangements and reviews the reinsurance programme for cost efficiency, compliance with risk assumption criteria and security.

Reinsurance strategy

The Group and Company obtain third-party reinsurance cover to reduce risks from single events or accumulation of risk which could have a significant impact on earnings for the current year or the Company's capital. This cover is placed on the local and international reinsurance market.

Dynamic financial analysis (DFA) is performed each year prior to renewal. DFA informs the decision making regarding risk retention and reinsurance purchase. Hollard's insurance risk and return position is tested against a wide range of reinsurance alternatives including viability of proportional and non-proportional alternatives.

The Group and Company use state-of-the-art catastrophe modelling tools to assess its exposure to low-frequency high-severity risks, the most common of these risks relates to natural catastrophes such as earthquakes, floods and windstorms. The Group's most significant aggregate exposure would arise from an earthquake. Where the Group and Company are at risk in case of the occurrence of an event that could threaten its solvency, catastrophe reinsurance is in place to reduce the threat associated with such an event.

Notes to the annual financial statements (continued)

for the year ended 30 June 2016

21. Insurance liabilities and reinsurance assets (continued)

Risk retention parameters

Hollard Insurance is in the business of assuming that level of risk, which is deemed prudent in relation to the risk/reward and the Group's and Company's absolute capacity in terms of shareholder funds and free reserves. Predetermined criteria are observed at all times other than where specific written permission has been obtained from the Chairman of RCOM acting on the authority of the majority of the members of such Committee.

Counterparty risk

Currently only internationally recognised credit rating agencies "A" rated reinsurers are utilised unless express permission is sought from the RCOM.

Treaty placing process

The treaty placing process is the responsibility of the Reinsurance Department, accountable to the Group Chief Underwriting Officer. The Group Chief Underwriting Officer reports directly to the CEO and is accountable to the Board via the RCOM.

The development of claims liabilities provides an indicator of the Group's and Company's ability to estimate the ultimate value of claims. The majority of the Group's and Company's insurance contracts are classified as short tailed. The shorter settlement period for this type of business allows the Group and Company to achieve a higher degree of certainty about the estimated costs of claims. The longer time required to assess the emergence of a long-tail claim makes the estimation process more uncertain for these type of claims. The Group's and Company's limited exposure to long-tailed business is in the personal accident, third-party motor liability, specialised liability and some engineering and marine classes. Actuarial valuations of the required technical provisions for these classes are performed regularly.

Process used to determine significant assumptions

Insurance risks are unpredictable and the Group and Company recognise that it is impossible to forecast with absolute certainty the future claims payable under existing insurance contracts. Actuarial valuations are performed on pockets of the business to ensure that the technical provisions are adequate.

Claim provisions

The Group's and Company's outstanding claims provisions include notified claims as well as incurred but not yet reported claims and due to the short-tail nature of the business it is not considered necessary to discount any of the claims provisions.

Notified claims

Claims provisions are based on previous claims expenditure, knowledge of events, terms and conditions of the relevant policies and interpretation of circumstances.

Each notified claim is assessed on a separate, case-by-case basis with due regard to the specific circumstances, information available from the insured and loss adjuster and past experience with similar claims. The Group and Company employ staff experienced in claims handling and rigorously apply standardised policies and procedures around claims assessment. In addition the Group and Company utilise the services of specialised administrators to perform the claims assessment process for some of its business. The ultimate cost of the reported claims may vary as a result of future developments or better information becoming available about the current circumstances. Estimates are reviewed regularly and updated if new information becomes available.

Claims incurred but not yet reported (IBNR)

The majority of the Group's and Company's IBNR is calculated as a percentage of net earned premium as prescribed by Board Notice 169 of 2011. This percentage is a best estimate reserve, which represents the expected value of the unreported claims liabilities. Different percentages are applicable for different classes of business and appropriateness is assessed against the Group's and Company's past claims experience.

The Company's internal actuaries review the adequacy of the Company's claims provisions. The chain ladder method which involves the analysis of historical claims development factors and the selection of the estimated development factors based on the historical pattern is used to assess the adequacy of the reserves calculated according to Interim Measure principles. Where the Interim Measure reserves prove to be too low an additional reserve is raised which is agreed with the FSB (dispensation).

When testing the appropriateness of the reserves the provision for notified claims and IBNR are initially estimated at a gross level. A separate calculation is then carried out to determine the estimated reinsurance recoveries.

Unearned premium provisions

The Group and Company raise provisions for unearned premiums on a basis which reflects the underlying risk profile of the insurance contracts. The majority of the Group's and Company's insurance contracts have an even risk profile and the unearned premium provisions, raised at the commencement of the contract are released evenly over the period of insurance using a time-proportionate basis as prescribed in Board Notice 169 of 2011. The provisions for unearned premiums are initially determined on a gross level and thereafter the reinsurance impact is recognised.

Assumptions

Very little assumptions are used in determining the technical provisions because the majority of the reserves are calculated according to Board Notice 169 of 2011. Where THIC has dispensation to use an alternative method to calculate reserves the main assumption is that the past experience will be indicative of future experience.

22. Deferred acquisition costs (DAC)

	GROUP		COMPANY	
	2016 R'000	2015 R'000	**2016 R'000**	2015 R'000
Deferred commission and acquisition costs net of reinsurance	**144 297**	163 468	**144 297**	155 022
Current	**144 297**	163 468	**144 297**	155 022
Reconciliation of changes in acquisition costs				
Balance at beginning of year	**163 468**	177 467	**155 022**	169 530
Acquisition costs deferred during the year	**172 604**	224 586	**163 560**	217 711
Acquisition costs expensed during the year	**(167 887)**	(238 229)	**(174 285)**	(232 219)
Transfer to non-current asset held for sale	**(22 271)**	–	**–**	–
Exchange rate differences	**(1 615)**	(356)	**–**	–
Balance at the end of financial year	**144 297**	163 468	**144 297**	155 022

23. Claims development tables

The presentation of the claims development tables for the Company is based on the actual date of the event that caused the claim (accident year basis).

The claims development tables represent the development of actual claims paid.

Claims paid in respect of:

GROUP	Total R'000	**2016 R'000**	2015 R'000	2014 R'000	2013 R'000	2012 R'000	2011 R'000	2010 R'000	2009 and earlier R'000
Reporting year									
Gross									
Actual claims costs									
2016	6 003 249	**3 994 269**	1 739 521	187 651	51 445	16 986	9 840	3 537	–
2015	5 241 627	**–**	4 017 569	1 127 986	63 532	23 764	8 776	–	–
2014	4 249 765	**–**	–	3 513 019	646 968	67 017	13 289	4 964	4 508
2013	3 205 024	**–**	–	–	2 620 643	518 605	33 435	19 238	13 103
2012	3 041 622	**–**	–	–	–	2 440 139	569 358	23 052	9 073
2011	2 983 469	**–**	–	–	–	–	2 318 443	632 162	32 864
2009	2 794 683	**–**	–	–	–	–	–	2 103 703	690 980
2008	1 932 217	**–**	–	–	–	–	–	–	1 932 217
Cumulative payments to date	29 451 655	**3 994 269**	5 757 090	4 828 656	3 382 588	3 066 511	2 953 141	2 786 656	2 682 745
Net									
Actual claims costs									
2016	4 260 334	**3 303 230**	866 487	60 457	16 817	7 265	5 527	551	–
2015	4 282 181	**–**	3 423 731	811 316	26 658	10 810	4 218	5 448	–
2014	3 436 912	**–**	–	2 874 337	519 442	30 883	6 542	4 394	1 314
2013	2 737 941	**–**	–	–	2 130 371	383 075	119 214	63 547	41 734
2012	2 616 878	**–**	–	–	–	2 033 226	559 067	16 438	8 147
2011	2 602 452	**–**	–	–	–	–	2 119 577	469 147	13 728
2008	2 401 903	**–**	–	–	–	–	–	1 830 357	571 546
2007	1 668 467	**–**	–	–	–	–	–	–	1 668 467
Cumulative payments to date	24 007 068	**3 303 230**	4 290 218	3 746 110	2 693 288	2 465 259	2 814 146	2 389 882	2 304 936

Notes to the annual financial statements (continued)

for the year ended 30 June 2016

24. Borrowings

	GROUP	
	2016 R'000	2 015 R'000
Non-current borrowings		
Unsecured		
Non-interest-bearing borrowings	2 900	–
These loans have no fixed terms of repayment.		
Interest-bearing loan	354	354
The loan bears interest at prime less 1% and is repayable over 48 months.		
Total	3 254	354
Non-current	3 254	354

25. Employee benefits

	GROUP		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Leave pay				
At beginning of year	19 104	22 664	15 513	21 304
Charged to the income statement	(1 385)	(3 497)	1 920	(5 791)
– additional provisions	35 200	(2 109)	34 866	(5 791)
– used during the year	(33 236)	(1 388)	(32 946)	–
– transfer to non-current liabilities held for sale	(3 349)	–	–	–
Exchange rate differences	(285)	(63)	–	–
Balance at end of year	17 433	19 104	17 433	15 513
Incentive provision				
At beginning of year	235 002	100 489	195 512	89 756
Charged to the income statement	(7 686)	136 269	28 734	105 756
– additional provisions	213 944	255 611	181 269	203 571
– used during the year	(190 765)	(119 342)	(152 535)	(97 815)
– transfer to non-current liabilities held for sale	(30 865)	–	–	–
Net foreign currency translation differences	(3 070)	(1 756)	–	–
Balance at end of year	224 246	235 002	224 246	195 512
Analysis of employee benefits				
Current	241 679	254 106	241 679	211 025
Total	241 679	254 106	241 679	211 025

Leave pay

In terms of the Group and Company policy, employees are entitled to accumulate a maximum of 25 days' leave and the leave pay liability is calculated on that basis. Any leave accumulated over this number is forfeited by the employees concerned. Whilst all employees are encouraged to take their full annual leave, they are entitled to encash a maximum of five days' leave (taxed) in a leave cycle. When employees who have leave due to them cease their employment with the Company, all accumulated and accrued leave is paid to them at the current total cost to company rate as part of their salary payment, limited to a maximum number of 25 days.

The Group's and Company's provision for leave pay amounted to R17 443 000 and R17 443 000 respectively at the statement of financial position date (2015: R19 104 000 and R15 513 000).

Incentive scheme

In terms of the Group policy, selected employees at the discretion of the directors receive an incentive bonus. This bonus relates to employee and corporate performance and is subject to approval by the Remuneration Committee.

The Group's and Company's provision for staff incentives amounted to R224 246 000 and R224 246 000 respectively at the statement of financial position date (2015: 235 002 000 and R195 512 000).

	GROUP 2016 R'000	GROUP 2015 R'000	COMPANY 2016 R'000	COMPANY 2015 R'000
26. Trade and other payables				
Trade and other creditors	737 825	835 000	728 182	656 981
Group companies payables	76 266	47 891	73 861	31 960
Other liabilities	(12 949)	115 534	(13 622)	50 188
	801 142	998 425	788 421	739 129
All balances are current.				
27. Interest received and dividend income				
Interest received				
Financial assets measured at amortised cost	113 352	116 581	116 620	104 659
Interest on call and term deposits	109 556	80 978	109 493	80 979
Interest on secured loans	–	35 603	3 573	23 680
Sundry interest income	3 796	–	3 554	–
Financial assets at fair value through profit or loss	90 457	43 068	42 654	31 435
Interest received on investments	35 522	17 264	22 550	16 677
Sundry interest income (on bank accounts, etc.)	53 117	25 225	18 286	14 491
Interest received SARS	1 818	579	1 818	266
Financial assets held-to-maturity	7 305	12 393	–	–
Total interest received	211 114	172 042	159 274	136 093
Dividends received				
Financial assets at fair value through profit or loss				
Ordinary shares – dividends received				
– Quoted shares	33 247	29 872	33 247	29 503
– Unquoted shares	9 672	4 987	40 526	20 028
Preference shares – dividends received				
– Quoted shares	11 108	9 834	11 108	9 834
– Unquoted shares	72 022	51 866	72 022	51 866
Unit trusts – dividends received				
– Quoted shares	14 502	–	–	–
– Unquoted shares	1 867	24 540	1 867	1 624
Debentures – dividends received				
– Unquoted debentures	2 820	–	2 820	–
Accrued – dividends received				
Dividends from subsidiaries	–	–	39 851	66 614
Total dividends received	145 239	121 099	201 441	179 469
Total interest and dividend income	356 353	293 141	360 715	315 562
Interest paid				
Interest paid – collateral deposit	629	1 838	629	1 838
Interest paid – treaty reserves	20 898	14 123	20 898	14 123
Interest paid – general	2 783	119	2 783	64
Interest paid – SARS	329	14	329	14
Total interest paid	24 639	16 094	24 639	16 039
28. Realised profits/(losses) on disposal of investments and other financial assets				
Listed investments	6 881	36 111	(20)	6 228
Unlisted investments, subsidiaries and associates	1 119 444	17 194	1 074 505	17 194
	1 126 325	53 305	1 074 485	23 422
Net realised profit on fair value through profit or loss financial assets	1 126 325	53 305	1 074 485	23 422
	1 126 325	53 305	1 074 485	23 422

Notes to the annual financial statements (continued)

for the year ended 30 June 2016

29. Unrealised profits/(losses) on revaluation of investments and other financial assets

	GROUP		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Listed investments	(42 543)	(90 467)	(42 543)	(70 291)
Unlisted investments, subsidiaries and associates	(797 261)	782 424	(840 659)	699 028
	(839 804)	691 957	(883 202)	628 737
Net unrealised (loss)/profit on fair value through other comprehensive income assets	1 045	(1 781)	–	–
Net unrealised profit on fair value through profit or loss assets	(840 849)	693 738	(883 202)	628 737
	(839 804)	691 957	(883 202)	628 737

30. Profit before taxation

Profit before taxation is determined after charging:

	2016			2015		
Directors' and prescribed officers' emoluments	Company R'000	Rest of Group R'000	Total R'000	Company R'000	Rest of Group R'000	Total R'000
Executive Directors						
Director A						
Basic salary	1 635	1 635	3 270	1 445	1 445	2 890
Bonus and performance related payments	10 151	10 151	20 302	10 403	10 403	20 806
Estimated monetary value of other benefits	171	171	342	55	55	110
Pension/provident fund contributions	236	236	472	222	222	444
	12 193	12 193	24 386	12 125	12 125	24 250
Director B						
Basic salary	579	1 737	2 316	1 157	1 157	2 314
Bonus and performance related payments	3 595	10 785	14 380	7 369	7 369	14 738
Estimated monetary value of other benefits	121	363	484	166	166	332
Pension/provident fund contributions	97	290	386	185	185	370
	4 392	13 174	17 566	8 877	8 877	17 754
Director C						
Basic salary	1 080	1 080	2 160	1 005	1 005	2 010
Bonus and performance related payments	4 229	4 229	8 458	4 335	4 335	8 670
Estimated monetary value of other benefits	95	95	190	175	175	350
Pension/provident fund contributions	164	164	328	154	154	308
	5 568	5 568	11 136	5 669	5 669	11 338
Director D						
Basic salary	742	742	1 484	–	–	–
Bonus and performance related payments	–	–	–	–	–	–
Estimated monetary value of other benefits	37	37	74	–	–	–
Pension/provident fund contributions	96	96	192	–	–	–
	875	875	1 750	–	–	–
Non-executive Directors						
Director A	260	260	520	186	186	372
Director B	404	404	807	366	366	732
Director C	261	261	522	232	232	464
Director D	284	568	852	325	650	975
Director E	185	185	370	143	143	286
Director F	232	232	464	162	162	324
	1 626	1 910	3 536	1 414	1 739	3 153

Directors' and prescribed officers' emoluments	2016 Company R'000	2016 Rest of Group R'000	2016 Total R'000	2015 Company R'000	2015 Rest of Group R'000	2015 Total R'000
Prescribed officer A						
Basic salary	818	1 227	2 045	765	1 147	1 912
Bonus and performance related payments	4 566	6 849	11 415	3 707	5 560	9 267
Estimated monetary value of other benefits	191	286	477	182	274	456
Pension/provident fund contributions	141	211	352	132	198	330
	5 716	8 573	14 289	4 786	7 179	11 965
Prescribed officer B						
Basic salary	1 608	402	2 010	1 524	381	1 905
Bonus and performance related payments	6 767	1 692	8 459	6 935	1 734	8 669
Estimated monetary value of other benefits	200	50	250	79	20	99
Pension/provident fund contributions	252	63	315	336	85	421
	8 827	2 207	11 034	8 874	2 220	11 094
Prescribed officer C						
Basic salary	2 029	225	2 254	–	–	–
Bonus and performance related payments	6 488	721	7 209	–	–	–
Estimated monetary value of other benefits	238	26	264	–	–	–
Pension/provident fund contributions	308	34	342	–	–	–
	9 063	1 006	10 069	–	–	–
Prescribed officer D						
Basic salary	266	2 397	2 663	250	2 246	2 496
Bonus and performance related payments	565	5 084	5 649	586	5 274	5 860
Estimated monetary value of other benefits	6	57	63	–	–	–
Pension/provident fund contributions	29	265	294	32	294	326
	866	7 803	8 668	868	7 814	8 682
Prescribed officer E						
Basic salary	2 071	230	2 301	1 933	215	2 148
Bonus and performance related payments	3 877	431	4 308	1 954	218	2 172
Estimated monetary value of other benefits	171	19	190	108	12	120
Pension/provident fund contributions	313	35	348	357	38	395
	6 432	715	7 147	4 352	483	4 835
Prescribed officer F						
Basic salary	1 747	749	2 496	1 640	703	2 343
Bonus and performance related payments	2 651	1 136	3 787	36	15	51
Estimated monetary value of other benefits	15	6	21	250	107	357
Pension/provident fund contributions	252	108	360			
	4 665	1 999	6 664	1 926	825	2 751
Total directors and prescribed officers emoluments	60 222	56 023	116 245	57 703	47 910	105 613

Notes to the annual financial statements (continued)

for the year ended 30 June 2016

	GROUP		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
30. Profit before taxation				
Auditor's remuneration				
Audit fees	8 453	8 889	5 518	5 825
Prior year under provision	1 365	1 610	1 263	1 468
Other services	974	140	190	112
	10 794	10 639	6 971	7 405
Depreciation				
Office equipment	14 135	14 085	9 336	10 130
Motor vehicles	2 110	2 251	1 732	1 780
Leasehold improvements	3 152	3 302	1 503	2 823
	19 397	19 638	12 571	14 733
Expenses for the acquisition of insurance contracts				
Commission	1 138 345	1 073 311	903 800	904 863
Impairment losses on financial assets				
– Impairment loss/(write-back) on loans to associates, subsidiaries and other	–	–	14 788	(9 591)
– Impairment loss on reinsurance assets	–	6 894	–	–
– Impairment (write-back)/loss on unlisted investment	(42 192)	(27 165)	(42 192)	(27 165)
Other expenditure				
Amortisation of intangible assets	21 241	27 906	19 313	2 384
Write-off of property and equipment	–	105	–	105
Write-off of intangible asset	6 451	53	–	–
Write-off of premium debtors	2 223	–	–	–
Loss on disposal of property and equipment	–	(169)	–	–
Administration fees paid	853 472	864 228	816 977	825 970
Movement in net provision for claims reported and loss adjustment expenses	(79 593)	93 574	122 357	53 794
Professional fees	73 311	57 225	73 311	56 355
Operating lease rentals – building	39 045	42 126	25 016	30 627
Operating lease rentals – computer	17 419	10 169	16 525	10 169
Research and development	1	26	1	26
31. Taxation				
South African normal taxation:				
– Current year	147 537	133 511	89 797	92 738
– Prior year	(1 298)	2 094	(1 779)	1 400
Deferred taxation:				
– Current year	(251 085)	138 218	(277 974)	62 024
– Prior year	(5 735)	(1 547)	–	–
Securities Transaction Tax	5 364	–	5 364	–
Witholding tax and foreign tax	563	223	563	223
	(104 654)	272 499	(184 027)	156 385
All taxation is payable in respect of continuing operations				
Tax rate reconciliation:	%	%	%	%
Tax calculated at standard rate of South African tax on earnings	28,0	28,0	28,0	28,0
Normal taxation – prior year	–	–	(0,2)	–
Capital gains tax	(15,8)	–	(22,6)	–
Deferred taxation – prior year	(0,3)	–	–	–
Permanent differences				
– Exempt income dividends not taxable	(5,3)	(3,4)	(4,8)	(4,9)
– Unrealised gains not taxable	11,8	(6,6)	18,8	(7,0)
– Other non-taxable income/non-deductible expenses	(25,0)	(1,8)	(35,5)	(0,5)
Foreign tax	1,0	0,7	–	–
Assessed loss	–	0,1	–	–
Securities Transaction Tax	0,3	–	0,5	–
Effective rate	(5,3)	17,0	(15,8)	15,6

	GROUP		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
32. Reconciliation of profit before taxation to cash generated from operations				
Profit before taxation	1 678 327	1 380 778	1 170 268	1 007 269
Adjustments for:				
Depreciation	19 397	19 638	12 573	14 733
Write-off of property and equipment	237	454	–	105
Write-off of loans	11 341	41 207	11 341	41 207
Impairment loss/(write-back) on loans to associates, subsidiaries and other	(12 251)	(3 322)	(12 119)	(9 591)
Impairment loss on insurance receivables and reinsurance assets	–	2 291	–	–
Impairment/(write-back)/loss on unlisted investment	(42 192)	(27 165)	(42 192)	(27 165)
Intangible asset amortisation	21 241	27 906	19 313	2 384
Write-off of intangible asset	6 451	53	4 831	–
Non-cash other income	–	669	–	–
Loss/(profit) on disposal of investments	(1 126 325)	(53 710)	(1 074 485)	(23 826)
Loss on disposal of property and equipment	–	(169)	–	–
Profit on foreign currency translation difference	(162 003)	(10 449)	(44 867)	8 789
Loss/(profit) on disposal of subsidiaries	(452 803)	(534)	(452 803)	140
Net interest and dividend income	(331 714)	(277 047)	(336 077)	(299 523)
Unrealised gain on revaluation of listed investments	42 543	94 421	42 543	70 291
Unrealised gain on revaluation of unlisted investments	798 306	(759 247)	411 824	(375 467)
Unrealised gain on revaluation of associates	–	–	239 664	38 739
Unrealised gain on revaluation of subsidiaries	–	–	189 171	(362 301)
Unrealised loss on revaluation of investment property	(4 948)	8 122	–	–
Unrealised profit on other financial assets	–	(29 158)	–	–
Share of profits in associates	(32 477)	(85 430)	–	–
Operating cash flows before working capital changes	413 130	329 308	138 984	85 784
Working capital changes	(696 939)	929 575	(113 302)	862 228
(Increase)/decrease in insurance receivables, loans and other receivables	(248 504)	543 018	(493 151)	488 920
Increase/(decrease) in insurance liabilities	(277 406)	786 076	638 787	622 854
(Increase)/decrease in reinsurance assets	(90 331)	(605 689)	(560 783)	(486 023)
(Increase)/decrease in deferred acquisition costs	19 170	13 643	10 725	14 508
Increase/(decrease) in reinsurance liabilities	109 841	135 568	211 172	97 611
(Decrease)/increase in trade and other accounts payables and employee benefits	(209 710)	56 959	79 948	124 357
Cash generated from operations	(283 810)	1 258 883	25 681	948 011
33 Dividends paid				
Amounts due at beginning of year	(18 053)	(48 582)	3 492	–
Amounts declared for the year	(1 989 240)	(554 958)	(1 989 240)	(554 958)
Amounts declared to non-controlling interest	(780)	(681)	–	–
Amounts due at end of year	14 317	18 053	14 317	3 492
Cash amounts paid	(1 993 757)	(586 168)	(1 971 432)	(551 466)
34 Dividends received				
Amounts due at beginning of year	144 787	126 245	144 787	126 245
Dividends received per profit and loss statement	145 239	121 099	201 441	179 469
Impairment of accrued dividends per profit and loss statement	18 510	8 374	18 510	8 374
Amounts due at end of year	(114 082)	(144 787)	(114 082)	(144 787)
Cash amounts received	194 454	110 931	250 656	169 301

Notes to the annual financial statements (continued)

for the year ended 30 June 2016

	GROUP		COMPANY	
	2016 R'000	2015 R'000	**2016 R'000**	2015 R'000
35. Taxation paid				
Amounts due at beginning of year	**(288 015)**	(333 030)	**(268 232)**	(279 262)
Amounts charged to profit and loss statement	**104 654**	(272 499)	**184 027**	(156 385)
Foreign currency translation difference	**(2 479)**	(536)	**–**	–
Transfer to other financial assets	**–**	108 759	**–**	–
Amounts due at end of year	**(16 727)**	288 015	**(23 401)**	268 232
Cash amounts paid	**(202 567)**	(209 291)	**(107 606)**	(167 413)
Amounts due at end of year comprised as follows:				
Deferred income tax asset	**(78 170)**	(81 816)	**(77 889)**	(80 040)
Deferred income tax liability	**136 408**	424 403	**129 368**	409 493
Current taxation asset	**(74 993)**	(66 709)	**(74 879)**	(61 221)
Current taxation liability	**28**	12 137	**–**	–
	(16 727)	288 015	**(23 401)**	268 232

36. Business combinations

36.1 Summary of business combinations – 30 June 2016

Disposal of investments in subsidiary

	Hollard Asset Management (Pty) Ltd R'000	Total R'000
Financial assets	**599 746**	**599 746**
Loans and other receivables	**5**	**5**
Deferred tax liability	**(108 759)**	**(108 759)**
Minority interest	**(273 688)**	**(273 688)**
Profit generated on disposal of subsidiary	**94 681**	**94 681**
Proceeds on disposal of subsidiary	**311 985**	**311 985**
Net cash outflow arising on disposal:		
– Cash and cash equivalents	**–**	**–**
Cash and cash equivalents disposed of	**311 985**	**311 985**

36.1.1 Disposal of 50.03% shareholding in Hollard Asset Management (Pty) Ltd

On 17 February 2016, the Group disposed of 50.3% of its investments in Hollard Asset Management (Pty) Ltd. At the date of disposal, the fair value of the investment in the Company was R311 985 000 and the net asset value was R490 993 000. The Company generated a profit on disposal of R311 851 000 whereas the Group generated a profit on disposal of R94 681 000.

	Disposal of investments in subsidiary: R'000
The Group's share of the net liabilities at the date of disposal was as follows:	50,03%
Financial assets	599 746
Loans and other receivables	5
Deferred tax liability	(108 759)
Minority interest	(273 688)
Profit generated on disposal of subsidiary	94 681
Proceeds on disposal of subsidiary	311 985

Acquisitions of further investment in subsidiary

	Execuline Underwriting Managers (Pty) Ltd R'000	Total R'000
Net assets acquired in the transaction were as follows:		
Fair value at date of acquisition	2 183	2 183
Goodwill	12 817	12 817
Total consideration	15 000	15 000
Net cash outflow arising on acquisition:		
– Cash consideration paid	(15 000)	(15 000)
– Cash and cash equivalents acquired	–	–
Net cash and cash equivalents acquired	(15 000)	(15 000)

36.1.2 Acquisition of a further 49% shareholding in Execuline Underwriting Managers (Pty) Ltd

	Acquisition of investment in subsidiary: R'000
On 30 June 2016, the Company acquired a further 49% of the shareholding in Execuline Underwriting Managers (Pty) Ltd for a cash consideration of R15 000 000.	
Net assets acquired in the transaction were as follows:	
Fair value at date of acquisition	2 183
Goodwill	12 817
Total consideration	15 000
Net cash outflow arising on acquisition:	
– Cash consideration paid	(15 000)
– Cash and cash equivalents acquired	–
Net cash and cash equivalents acquired	(15 000)

36.2 Summary of business combinations – 30 June 2015

Disposal of investments in subsidiary

	Haven Development Company R'000	Total R'000
Investment property	2 900	2 900
Cash and cash equivalents disposed of	98	98
Trade and other payables	(3 532)	(3 532)
Profit generated on disposal of subsidiary	534	534
Proceeds on disposal of subsidiary	–	–
Net cash outflow arising on disposal:		
– Cash and cash equivalents	(98)	(98)
Cash and cash equivalents disposed of	(98)	(98)

36.2.1 Disposal of 100% shareholding in Haven Development Company

On 30 April 2015, the Group disposed of 100% of its investments in Haven Development Company. At the date of disposal, the fair value of the investment in the Company was Rnil and the net liability value was R533 839. The Company generated a loss on disposal of R139 900 whereas the Group generated a profit on disposal of R533 939.

	Disposal of investments in subsidiary: R'000
The Group's share of the net liabilities at the date of disposal was as follows:	100%
Investment property	2 900
Cash and cash equivalents	98
Trade and other payables	(3 532)
Profit generated on disposal of subsidiary	534
Proceeds on disposal of subsidiary	–

Notes to the annual financial statements (continued)

for the year ended 30 June 2016

36. Business combinations (continued)

36.2 Summary of business combinations – 30 June 2015 (continued)

36.2.1 Disposal of 100% shareholding in Haven Development Company (continued)

Acquisitions of investments in subsidiary

	Execuline Underwriting Managers (Pty) Ltd R'000	Total R'000
Net assets acquired in the transaction were as follows:		
Fair value at date of acquisition	2 630	2 630
Goodwill	1 589	1 589
Total consideration	4 219	4 219
Net cash outflow arising on acquisition:		
– Cash consideration paid	(4 219)	(4 219)
– Cash and cash equivalents acquired	4 176	4 176
Net cash and cash equivalents acquired	(43)	(43)

36.2.2 Acquisition of 51% shareholding in Execuline Underwriting Managers (Pty) Ltd

	Acquisition of investment in subsidiary: R'000
On 1 July 2014, the Company acquired 51% of the shareholding in Execuline Underwriting Managers (Pty) Ltd for a cash consideration of R4 219 366.	
Net assets acquired in the transaction were as follows:	
Fair value at date of acquisition	2 630
Goodwill	1 589
Total consideration	4 219
Net cash outflow arising on acquisition:	
– Cash consideration paid	(4 219)
– Cash and cash equivalents acquired	4 176
Net cash and cash equivalents acquired	(43)

37. Investments in associates

37.1 Summary of movement in the fair value of the Group's investments in associates – 30 June 2016

37.1.1 Disposal of investments in associates as at 30 June 2016

The Group disposed of its investment in the following associates

		GROUP			
	Date of disposal	% of shareholding disposed %	Proceeds on disposal R'000	Carrying value R'000	Profit/(loss) on sale of investments R'000
Lomhold (Pty) Ltd	14 September 2015	21,88	147 036	100 775	46 260
Eikos Holdings SA (Pty) Ltd	31 March 2016	40,00	8 280	6 745	1 535
			155 316	107 520	47 795

37.2 Summary of movement in the fair value of the Group's investments in associates – 30 June 2015

There were no acquisitions or disposals of associates during the year ended 30 June 2015.

	GROUP		COMPANY	
	2016 R'000	2015 R'000	**2016 R'000**	2015 R'000

38. Proceeds on disposal of property and equipment

	GROUP 2016 R'000	GROUP 2015 R'000	COMPANY 2016 R'000	COMPANY 2015 R'000
Book value of assets sold	**–**	1 380	**–**	391
Loss on disposal	**–**	169	**–**	–
	–	1 549	**–**	391

39. Proceeds on disposal of investments

	GROUP 2016 R'000	GROUP 2015 R'000	COMPANY 2016 R'000	COMPANY 2015 R'000
Proceeds on disposal of listed investments	**5 868**	161 541	**5 868**	114 553
Proceeds on disposal of unlisted investments	**1 270 087**	134 951	**1 270 087**	134 951
Proceeds on non-current assets held for sale	**–**	–	**–**	–
	1 275 955	296 492	**1 275 955**	249 504

40. Proceeds on disposal of non-current assets and liabilities held for sale

	GROUP 2016 R'000	GROUP 2015 R'000	COMPANY 2016 R'000	COMPANY 2015 R'000
Fair value of assets sold	**344 012**	–	**390 273**	–
Profit/(loss) on disposal	**46 261**	–	**–**	–
Fair value adjustments through equity	**(390 273)**	–	**(390 273)**	–
	–	–	**–**	–

41. Capital expenditure

	GROUP 2016 R'000	GROUP 2015 R'000	COMPANY 2016 R'000	COMPANY 2015 R'000
The following capital expenditure budget has been approved by the Board for the financial year ending 30 June 2016				
Furniture, office equipment and computer hardware and software			**52 754**	34 680
			52 754	34 680

None of this expenditure has been contracted for and will be funded from internal sources.

42. Commitments and contingencies

Operating lease commitment

The Hollard Life Assurance Company Limited entered into a 10-year lease agreement with Hollard Life Properties (Pty) Ltd, to sub-lease the Arcadia premises with effect from 1 July 2005. The lease runs to 30 June 2015. With effect from 1 July 2009 the lease agreement between The Hollard Life Assurance Company Limited and Hollard Life Properties (Pty) Ltd to sub-lease the Arcadia (Phase 1) premises was restructured. Part of the restructuring resulted in a sublease agreement between The Hollard Life Assurance Company Limited and The Hollard Insurance Company Limited for the same period.

	COMPANY	
	2016 R'000	2015 R'000
The payments recognised as an expense for the year amount to	**25 016**	30 627
	25 016	30 627

43. Contingent liability

The Hollard Insurance Company, in the ordinary course of business enters into transactions which expose the company to tax, legal and business risk. Provisions are made for known liabilities which are expected to materialise. Possible obligations and known liabilities where no reliable estimate can be made or where it is considered improbable that an outflow would result, are noted as a contingent liability. This is in accordance with IAS 37: Provisions, contingent liabilities and contingent assets.

44. Staff pension and provident fund

The Company has a defined contribution pension fund, the Hollard Employees Pension Fund with 399 (2015: 236) employees of the Company being members of the fund. The Company and employees' contributions to the fund charged against income for the year were R16 734 553 (2015: R12 107 016).

The Company has a defined contribution provident fund, the Hollard Employees Provident Fund with 954 (2015: 812) employees of the Company being members of the fund. The Company and employees' contribution to the fund charged against income for the year were R39 528 056 (2015: R33 591 801).

Both of these funds are controlled by a Board of Trustees and are governed by the Pension Funds Act of 1965.

Notes to the annual financial statements (continued)

for the year ended 30 June 2016

45. Subsequent events

On the 30 September 2016, the 70% shareholding in The Hollard Insurance Company of Botswana Limited (incorporated and operational in Botswana) and the 70% shareholding in Hollard Botswana (Pty) Ltd (trading as Hollard Life Botswana and incorporated and operational in Botswana) were sold to Direct Axis International S.a.r.l for the consideration of R180 700 000 and R6 100 000 respectively.

During September 2015, Regent Group's shareholder, Imperial Holdings, accepted an offer by the Hollard Group and the Yellowwoods Group to dispose of its shareholding in Regent Group, subject to regulatory approval. On 21 October 2016, we received confirmation that the Competition Commission would be recommending to the Competition Tribunal that the Group acquisition be prohibited from going ahead. Given that the merger is categorised as a large merger, the recommendation of the Competition Commission does not constitute a final binding decision. Such final binding decision will be made by the Competition Tribunal subsequent to the hearing regarding the merger. The Board is not aware of any other event since the end of the financial year, not otherwise dealt with in these annual financial statements, that would affect the operations of the Group and Company, or the results of these operations.

46. Loans to Directors

	COMPANY	
	Executive	
	2016 R'000	2015 R'000
Balance at beginning of year	**12 918**	12 080
Loans advanced and interest charged during the year	**487**	838
Loan repayments received during the year	**(9 398)**	–
	4 007	12 918

Details of individual loans to directors:

No new advance were made during the year (2015: Rnil).

The following repayments were made during the year:

NG Kohler R4 399 201 (2015: Rnil)

TBT Mparutsa R5 000 000 (2015: Rnil)

The loans are given on commercial terms and conditions. The related interest income in 2016 was R487 089 (2015: R838 413).

Interest on loans to NG Kohler and TBT Mparutsa is charged at SARS rate and as at 30 June 2016 the rate was 8%.

47. Related party transactions

Related party relationships exist between the Group, fellow subsidiaries, associated companies and the holding company. All material transactions are at arm's length.

The immediate holding company is Hollard Holdings (Pty) Ltd and the ultimate holding company is Pickent Investments Limited (formerly R Enthoven and Sons (Pty) Ltd). Both of these Companies are incorporated in the Republic of South Africa.

The following transactions were carried out with related parties during the year:

	COMPANY			
	Sum insured		UPR	
	2016 R'000	2015 R'000	**2016 R'000**	2015 R'000
Guarantee policies issued				
Affiliated companies:				
• Advantage Motor Plan (Pty) Ltd	**10 000**	10 000	**13**	13
• Biz Africa	**3 373**	3 373	**2**	2
• Eikos Risk Applications (Pty) Ltd	**–**	5 000	**4**	4
• Hollard Insurance Company of Namibia Limited (incorporated and operational in Namibia)	**10 000**	10 000	**25 225**	–
• PWV Insurance Brokers	**26 481**	26 482	**30**	30
• Risk Benefit Solutions (Pty) Ltd	**–**	500	**8**	7
• Sapcor	**14 500**	14 500	**25**	22

The guarantee policies were issued on commercial terms and conditions at market related rates.

	2016 R'000	2015 R'000
Loans to/(from) related parties	**174 765**	227 166
Loans to subsidiaries	**58 379**	58 379
Loans to associates	**10 141**	10 141
Loans to Insurance Studio	**–**	11 256
Loans to Bikefin (Pty) Ltd	**–**	247
Loans to Friedshelf 1571 (Pty) Ltd	**5 831**	5 630
Loans to SMART	**5 499**	16 634
Loans to Taropark Properties (Pty) Ltd	**20 287**	17 958
Loans to Execuline	**–**	4 917
Loans to Hollard Holdings	**72 201**	94 447
Loans from Hollard Behold	**–**	(2 707)
Loans to Newshelf 76 (Pty) Ltd	**–**	7 558
Loans to SkyTIV	**2 119**	2 385
Loans to McCarthy Auto Trimmers (Pty) Ltd	**–**	321
Loans to Qdos Underwriting Managers	**308**	–
Loans to prescribed officers	**2 630**	2 541
The following advances were made:		
M Shezi	**81**	75
R Hallier	**–**	25
W Luus	**–**	164
G Venter	**2 179**	1 935
B Carlin	**370**	342
Management fees		
– Paid to Hollard Life Assurance Company Limited	**255 219**	241 680
Dividends		
– Dividends received from related parties	**75 625**	96 147
Interest		
– Interest received from related parties	**3 573**	3 051
Commission paid		
– Commission paid to related parties	**–**	2 958
Investment policy with		
– The Hollard Life Assurance Company Limited	**894 761**	810 039
Key management compensation		
– Salaries, bonuses and other short-term employee benefits	**19 875**	23 644
(Key management refers to Executive Committee members excluding Executive Directors)		
Other transactions		
– Rent paid to Hollard Life Properties (Pty) Ltd	**25 016**	30 627
– Transfer of subsidiary to related party	**–**	246 458

Refer to notes 8 and 9 on page 38, as well as note 48 on pages 68 to 69 of these annual financial statements for details of loans with Group companies and other related parties.

Notes to the annual financial statements (continued)

for the year ended 30 June 2016

48. Subsidiaries, associates and joint venture

	Nature of business	Place of business	Issued share capital R	Proportion held 2016 %	Proportion held 2015 %	Carrying value of interest in subsidiaries: Shares 2016 R'000	Indebtedness 2016 R'000	Shares 2015 R'000	Indebtedness 2015 R'000
Directly held subsidiaries									
Apex Underwriting Managers (Pty) Ltd	B	RSA	100	100,00	100,00	–	1 613	–	1 476
Casa Luigi Properties (Pty) Ltd	A	RSA	100	100,00	100,00	–	–	–	–
Comingo Trading (Pty) Ltd	G	RSA	100	100,00	100,00	–	–	–	–
Electronic Risk Underwriting Managers (Pty) Ltd	B	RSA	100	100,00	100,00	–	–	–	–
EquiMed Underwriting Managers (Pty) Ltd	B	RSA	100	100,00	100,00	–	–	–	–
Ground Lily Investments (Pty) Ltd	C	RSA	1	100,00	100,00	–	–	–	–
Hollard Asset Management (Pty) Ltd	C	RSA	–	–	50,03	–	–	–	–
The Hollard Insurance Company of Botswana Limited (incorporated and operational in Botswana)	F	Botswana	13 630 999	70,00	70,00	180 716	–	176 473	–
Hollard Botswana (Pty) Ltd (trading as Hollard Life Botswana and incorporated and operational in Botswana)	F	Botswana	3 433 890	70,00	70,00	6 095	–	2 143	–
Hollard Insurance Company of Namibia Limited (incorporated and operational in Namibia)	F	Namibia	7 700 000	64,94	64,94	428 997	–	339 989	–
Hollard Mocambique Companhia de Seguros (incorporated and operational in Mozambique)	F	Mozambique	30 148 500	50,10	50,10	130 598	–	169 783	–
Hollard Portfolio Management (Pty) Ltd	C	RSA	1	100,00	100,00	41 220	–	41 796	–
JJK Marketing Consultants (Pty) Ltd	B	RSA	100	100,00	100,00	–	–	–	–
Newshelf 33 (Pty) Ltd	C	RSA	1	100,00	100,00	–	–	149	–
Precept Supply Chain Management (Pty) Ltd	D	RSA	3 001 010	100,00	100,00	–	–	–	–
Quisisana (Pty) Ltd	A	RSA	1	100,00	100,00	–	31 687	–	31 687
Accredited Investments (Pty) Ltd	C	RSA	1	100,00	100,00	–	–	–	–
Leungo Investments (Pty) Ltd	A	RSA	100	100,00	100,00	–	37 678	–	37 678
Execuline Underwriting Managers (Pty) Ltd	B	RSA	100	100,00	51,00	–	–	4 219	–
						787 626	70 978	734 552	70 842
Write-back of impairment on loan						–	(12 599)	–	(12 462)
						787 626	58 379	734 552	58 379

Subsidiaries with material non-controlling interest

	Hollard Mocambique Companhia de Seguros 2016 R'000	Hollard Mocambique Companhia de Seguros 2015 R'000	Hollard Insurance Company of Namibia Limited 2016 R'000	Hollard Insurance Company of Namibia Limited 2015 R'000
Summarised balance sheet				
Total assets	750 666	742 161	1 063 160	809 396
Total liabilities	549 383	579 439	752 495	568 000
Net assets	201 283	162 722	310 665	241 396
Summarised income statement				
Revenue	411 983	297 230	1 055 680	922 261
Profit before income tax	149 051	56 380	292 088	220 223
Income tax	(45 855)	(16 067)	(33 121)	(27 233)
Profit after income tax	103 196	40 313	258 967	192 991
Other comprehensive income	–	(1 592)	–	303
Total comprehensive income	103 196	38 721	258 967	193 294
Profit/(loss) allocated to NCI	51 495	20 116	244 764	172 692
Dividends paid to NCI	–	–	(153 446)	(102 688)

	Hollard Mocambique Companhia de Seguros		Hollard Insurance Company of Namibia Limited	
	2016 R'000	2015 R'000	**2016 R'000**	2015 R'000
Summarised cash flows				
Net cash inflow/(outflow) from operating activities	**(25 197)**	154 091	**(3 808)**	57 319
Net cash inflow/(outflow) from investing activities	**4 070**	(24 890)	**7 487**	(112 704)
Net cash outflow from financing activities	**–**	–	**–**	–
Net decrease in cash and cash equivalents	**(21 127)**	129 201	**3 679**	(55 385)
FCTR	**–**	–	**–**	(1 539)
Cash and cash equivalents at beginning of year	**387 597**	258 396	**68 552**	125 476
Cash and cash equivalents at end of year	**366 470**	387 597	**72 231**	68 552

Carrying value of interest in associates

	Nature of business	Issued share capital R	**Proportion held 2016 %**	Proportion held 2015 %	**2016 Shares R'000**	**2016 Indebtedness R'000**	2015 Shares R'000	2015 Indebtedness R'000
Directly held associates								
Eikos Holdings SA (Pty) Ltd	C	260	**–**	40,00	**–**	**–**	26 624	–
Legal Expenses Group Africa Limited	F	1 700	**39,90**	39,90	**178 181**	**–**	258 684	–
Louwfut Beleggings 1077 (Pty) Ltd	A	1 000	**46,20**	46,20	**–**	**12 855**	–	12 855
Lomhold (Pty) Ltd	F	227 598	**–**	21,80	**–**	**–**	–	–
					178 181	**12 855**	285 308	12 855
Impairment on loans					**–**	**(2 714)**	–	(2 714)
					178 181	**10 141**	285 308	10 141

Carrying value of interest in joint venture

	Nature of business	Issued share capital R	**Proportion held 2016 %**	Proportion held 2015 %	**2016 Shares R'000**	**2016 Indebtedness R'000**	2015 Shares R'000	2015 Indebtedness R'000
Directly held joint ventures								
Exiliti Services (Pty) Ltd	E	400	**50,00**	50,00	**–**	**10 943**	–	10 943
Impairment on loans						**(10 943)**		(10 943)
					–	**–**	–	–

Nature of business

A Property holding

B Underwriting managers

C Investment holding

D Venture Capital

E Business process outsourcing services

F General insurance

G Administration

49. Going concern

The Board believes that the Group and the Company will continue to be a going concern in the year ahead. For this reason, the Board continues to adopt the going concern basis in preparing the annual financial statements.

Directorate and administration

Directorate

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

Non-executive Chairman	ADH Enthoven
Group Chief Executive Officer	NG Kohler
Group Chief Financial Officer (until 1 January 2016)	TBT Mparutsa
Group Chief Financial Officer (from 1 January 2016)	WT Lategan
Executive Director	IH Ross
Independent Non-executive Director	BF Mohale
Non-executive Director	R Fihrer
Independent Non-executive Director	B Ngonyama
Independent Non-executive Director	PK Ward
Independent Non-executive Director	S Patel
Independent Non-executive Director	NV Simamane

Administration

Company Secretary
NL Shirilele

Public Officer
NL Shirilele

Compliance Officer
M Naidoo

Registered office and business address
Hollard at Arcadia
22 Oxford Road
Parktown
Johannesburg
2193

Postal address
PO Box 87419
Houghton
2041

Website
www.hollard.co.za

Nature of business
The Company transacts short-term insurance business.

Auditors
Deloitte & Touche
Building 8
Deloitte Place
The Woodlands
Woodlands Drive
Woodmead
Sandton

Registration number
1952/003004/06

2016

(Registration number 1993/001405/06)
Audited consolidated annual financial statements
for the year ended 30 June 2016

HOLLARD LIFE ASSURANCE COMPANY LIMITED

The annual financial statements have been prepared by Yolandi Evans CA(SA), under supervision of the Financial Manager, Rika Hopley CA(SA).

Hollard.

CONTENTS

Hollard.

Group salient features

for the year ended 30 June 2016

	2016 R'000	2015 R'000	2014 R'000	2013 R'000	2012 R'000
Income statement information					
Gross premium income[(1)]	**5 559 092**	5 175 795	6 134 144	5 414 026	5 744 055
Net written premium income[(2)]	**4 919 405**	4 411 143	5 407 534	4 816 872	5 185 910
Investment income[(3)]	**659 883**	613 552	783 741	763 955	927 626
Net insurance claims	**1 531 859**	1 612 730	2 117 493	2 353 907	1 331 930
Profit attributable to equity holders of the parent	**1 264 206**	1 073 562	1 148 826	1 121 112	821 099
Statement of financial position information					
Insurance liabilities	**9 363 579**	10 177 737	13 097 931	11 781 892	11 391 244
Equity attributable to equity holders of the parent	**1 898 546**	2 321 795	2 084 966	1 804 223	1 559 968
Total assets	**13 048 984**	14 173 460	16 600 998	14 919 605	14 345 314
Financial assets (i.e. listed investments and unlisted investments)	**10 466 866**	11 154 706	13 789 566	12 393 561	12 029 487
Cash and cash equivalents	**1 716 828**	1 970 839	1 966 963	1 774 949	1 449 527
Actuarial information					
Statutory excess of assets over liabilities (Company)	**577 325**	1 192 283	992 591	855 066	783 389
Capital adequacy requirement (CAR)[(4)]	**218 567**	320 350	324 197	304 944	260 091
Value of in-force business[(5)]	**4 558 706**	4 906 397	4 569 511	3 993 958	3 124 274
Total embedded value[(5)]	**6 471 975**	7 280 584	6 713 255	5 866 819	4 824 530
Statutory excess of assets over liabilities as a multiple of CAR (%)	**2.6**	3.7	3.1	2.8	3.0

(1) "Gross premium income" represents the total income arising from insurance contracts only. In accordance with IAS 39: Financial Instruments: Recognition and Measurement (IAS 39), all items of income and expenditure in respect of investment contracts are excluded from the income statement and accounted for directly against the liability under these contracts in the statement of financial position.

(2) "Net written premium income" is gross premium income less reinsurance premiums outwards.

(3) "Investment income" includes net investment income plus unrealised profits and losses on the investment and trading portfolio.

(4) "Capital adequacy requirement" represents a margin against adverse experience in the assumptions underlying the actuarial valuation of both the policyholders' assets and liabilities.

(5) The "value of in-force business" and "total embedded value" information reported above includes profits attributable to Hollard Life's holding company joint venture partners.

Directors' responsibility statement and approval of annual financial statements

for the year ended 30 June 2016

In terms of the Companies Act of South Africa, the Directors are required to maintain adequate accounting records and to prepare annual financial statements that fairly present the financial position at year-end and the results and cash flows for the year of Hollard Life Assurance Company Limited ("Hollard Life" or the "Company") and its subsidiaries (the "Group").

To enable the Board to discharge its responsibilities, management has developed and continues to maintain a system of internal control. The Board has ultimate responsibility for this system of internal controls and reviews the effectiveness of its operations, primarily through the Group Audit Committee and other risk monitoring committees and functions.

The internal controls include risk-based systems of accounting and administrative controls designed to provide reasonable, but not absolute, assurance that assets are safeguarded and that transactions are executed and recorded in accordance with sound business practices and the Group's written policies and procedures. These controls are implemented by trained and skilled staff, with clearly defined lines of accountability and appropriate segregation of duties. The controls are monitored by management and include a budgeting and reporting system operating within strict deadlines and an appropriate control framework.

As part of the system of internal controls, the Group's Internal Audit function conducts inspections, financial and specific audits and co-ordinates audit coverage with the External Auditors.

The External Auditors are responsible for reporting on the Group and Company annual financial statements.

The Group and Company annual financial statements are prepared in accordance with International Financial Reporting Standards and incorporate responsible disclosures in line with the accounting policies of the Group. The Group and Company annual financial statements are based on appropriate accounting policies consistently applied except as otherwise stated and supported by reasonable and prudent judgements and estimates.

The Board believes that the Group and Company will be a going concern in the year ahead. For this reason they continue to adopt the going-concern basis in preparing the annual financial statements.

These annual financial statements, set out on pages 75 to 137 have been approved by the Board of The Hollard Life Assurance Company and are signed on their behalf by:

ADH Enthoven
Chairman

31 October 2016

NG Kohler
Chief Executive Officer

31 October 2016

Certification by Company Secretary

In my capacity as Company Secretary, I hereby confirm that the Company has lodged with the Registrar of Companies all such returns as are required of the company and that such returns are true, correct and up to date.

NL Shirilele
Company Secretary

31 October 2016

Audit Committee report

The Committee is composed of three independent non-executive directors. The work of the Committee is specified by its charter, and the provisions of the Long Term Insurance Act, 1998. The Committee reviewed the Company's financial statements, and assessed that these accurately represented the financial position of the Company. The Committee further reviewed the Company's accounting policies, and the reports of the internal and external audit functions, and of the compliance officer. The Committee met three times during the year, and the chairman of the Committee reported on the work of the Committee to the Board. The Committee is satisfied that it has discharged all its responsibilities.

The Committee reviewed the work of the External Auditors, Deloitte & Touche, including the audit plan and budget, independence and recommended to the Board and shareholders the appointment of the auditors.

PK Ward
Chairman: Audit Committee

31 October 2016

Statement of actuarial values of assets and liabilities

as at 30 June 2016

	Notes	2016 R'000	2015 R'000
Published reporting basis			
Total assets as per Company financial position	2	**13 062 839**	14 220 571
Less: Liabilities		**11 149 570**	11 846 384
Actuarial value of policy liabilities	3, 4	**9 363 579**	10 177 737
Deferred income tax		**552 214**	549 106
Current liabilities as per Company financial position		**1 233 777**	1 119 541
Excess of assets over liabilities		**1 913 269**	2 374 187
Represented by:			
Share capital and share premium		**20 000**	20 000
Retained earnings as per Company financial position		**1 893 269**	2 354 187
		1 913 269	2 374 187
Statutory basis			
Total assets on the statutory basis		**13 029 513**	14 189 724
Less: Liabilities		**12 452 189**	12 997 441
Actuarial value of policy liabilities		**11 172 773**	11 776 427
Deferred income tax		**45 640**	101 473
Current liabilities as per Company financial position		**1 233 777**	1 119 541
Excess of assets over liabilities		**577 323**	1 192 283
Capital adequacy requirement	5	**218 567**	320 350
Capital adequacy: times covered		**2.6**	3.7
Reconciliation of excess assets between published reporting basis and statutory basis			
Excess assets on published reporting basis		**1 913 269**	2 374 187
Excess assets on statutory basis		**577 323**	1 192 283
Difference		**1 335 946**	1 181 904
The difference between the excess assets on the published reporting basis and statutory basis is due to:			
Elimination of negative reserves		**1 770 175**	1 589 047
Inadmissible assets		**33 325**	30 847
Unapproved reinsurance		**39 020**	9 643
Deferred income tax		**(506 574)**	(447 633)
Total		**1 335 946**	1 181 904
Analysis of change in excess assets			
The excess of the value of assets over the value of liabilities has changed as follows over the reporting year:			
Excess of assets at beginning of year		**2 374 187**	2 143 744
Excess of assets at end of year		**1 913 269**	2 374 187
Change in excess assets over the reporting year		**(460 918)**	230 443
This change in the excess assets is due to the following factors:			
Investment return on excess assets		**241 520**	369 939
Investment income		**249 730**	237 685
Capital appreciation		**(8 210)**	132 254
Operating profit		**1 348 819**	1 096 968
(Increase)/Decrease in liabilities due to change in valuation methods or assumptions		**(7 927)**	1 626
Taxation		**(350 930)**	(392 630)
Total earnings after taxation		**1 231 482**	1 075 903
Dividends declared		**(1 692 400)**	(855 254)
Section 37 Transfer of Covision long-term business		**–**	9 612
Total change in excess assets		**(460 918)**	230 261

Statement of actuarial values of assets and liabilities (continued)

as at 30 June 2016

Certification of the financial position

I hereby certify that:

The valuation of Hollard Life Assurance Company Limited as at 30 June 2016, the results of which are summarised above, has been conducted in accordance with applicable Actuarial Society of South Africa Standard Actuarial Practice and Practice Notes.

Hollard Life Assurance Company Limited was financially sound on the Statutory Valuation Method as at 30 June 2016 and will continue to be so in the foreseeable future.

DJ Viljoen MSc, FFA, FASSA[1]
Statutory Actuary

30 September 2016

1 *Actuarial Society of South Africa is the primary actuarial body.*

Notes to the statement of actuarial values of assets and liabilities

as at 30 June 2016

1. Published reporting valuation methods and assumptions

The valuation was performed using the financial soundness valuation method for insurance contracts and for investment contracts participating in profits on a discretionary basis. Investment contracts without discretionary participation features have been valued in terms of IAS 39, which is generally at fair value.

The result of the valuation methods and assumptions is that profits for insurance contracts and for investment contracts with participation in profits on a discretionary basis are released appropriately over the term of each policy, to avoid premature recognition of profits that may give rise to losses in later years.

2. Valuation basis – assets

Assets have been taken at the value at which they appear in the annual financial statements. The valuation methods are in line with International Financial Reporting Standards (IFRS), which is at fair value.

3. Valuation basis – insurance contracts and investment contracts with discretionary participating features

The following business lines were valued on a gross premium cash flow basis:

- Individual life policies;
- Credit life policies administered internally;
- Funeral policies;
- Personal accident policies; and
- Endowment policies with risk benefits.

The balance of the liabilities have been determined on an unexpired premium reserve basis with allowance for a reserve for "Incurred But Not Reported" (IBNR) claims. The latter methodology is appropriate due to the nature of the policies concerned.

In calculating the gross premium liabilities mentioned above, best estimate assumptions were used plus compulsory margins as defined in SAP 104. The best estimate assumptions were derived from experience analyses conducted at the end of March 2016. The primary assumptions used in the gross premium valuation (excluding compulsory margins) are as follows (2015 assumptions shown in parentheses):

- Expenses were allowed for based on an expense analysis carried out during the year (unchanged);
- Expenses inflation assumption is 6.80% per annum (2015: 6.70%);
- Future bonuses under reversionary bonus policies remained unchanged;
- Mortality assumptions were set based on the results of a mortality experience analysis carried out during the year with explicit allowance for HIV/Aids (unchanged);
- Withdrawals were set at levels consistent with an experience analysis carried out during the financial year (unchanged);
- Future investment returns were based on the asset mix backing the liabilities with the following assumed future yields: cash 7.50% (2015: 7.00%), gilts 8.50% (2015: 8.00%), property 9.50% (2015: 9.00%) and equities 12.00% (2015: 11.50%). Income tax was allowed for explicitly at the appropriate rates and capital gains tax was allowed for implicitly in the discount rate (unchanged).
- The liabilities under the whole life portfolios (Altrisk and Funeral) have been valued assuming an asset mix of 100% government bonds.
- The yields reflect the swap curve plus a margin for liquidity.
- A discretionary margin of R241 million (2015: R117 million) was held as partial elimination of negative reserves;
- A contingency reserve to cover possible data problems of R41.6 million (2015: R50 million) was held as a discretionary reserve; and
- Negative reserves were allowed for on the published reporting basis (unchanged).

In addition to the above, compulsory margins were allowed for as outlined in SAP 104.

4. Valuation basis – investment contracts without discretionary participating features

The liabilities were calculated at fair value. For unit-linked business without a significant risk element, the value of the liability was set equal to the value of the investment account. No deferred acquisition cost asset or deferred revenue liability was held.

5. Capital adequacy requirement (CAR)

The capital adequacy is the additional amount required, over and above the actuarial liabilities, to enable the Company to meet material deviations in the main parameters affecting its business. The CAR has been calculated on the Statutory Basis in accordance with the Actuarial Society of South Africa's guidelines and Financial Services Board directives.

In calculating the investment resilience CAR, it was assumed that equity values would decline by 30%, property values by 15% and fixed interest asset values by the effect of a 25% increase in fixed interest yields.

With the elimination of negative reserves on the statutory basis, the termination capital adequacy requirement (TCAR) does not apply. The CAR quoted above is the ordinary capital adequacy requirement (OCAR). For the purpose of grossing up the intermediate ordinary capital adequacy requirements (IOCAR), it has been assumed that assets backing the capital adequacy requirements are all invested in cash. No management action has been assumed.

6. Material changes in the liability valuation basis compared to last year

The methodology used has remained broadly the same as that used for the 2015 valuation. Changes in the main assumptions have been outlined in note 3 above and had an overall impact of increasing the value of actuarial liabilities by R7.9 million (2015: R1.6 million) during the financial year.

Embedded value statement

as at 30 June 2016

The embedded value is determined by adding the discounted value of shareholder profits likely to arise in the future from business in force as at the valuation date to the value of shareholder funds.

The embedded value has been calculated on a best estimate basis, where the assumptions have been arrived at by removing both compulsory and discretionary margins from the financial soundness basis. The risk discount rate used in the calculation was 12.50% (2015: 12.00%).

	2016 R'000	2015 R'000
Value of in-force business	**4 558 706**	4 906 397
Excess of assets over liabilities	**1 913 269**	2 374 187
Total embedded value	**6 471 975**	7 280 584

The embedded value includes profits attributable to Hollard Life's holding company joint venture partners and gross of tax.

Independent Auditor's report

TO THE SHAREHOLDERS OF HOLLARD LIFE ASSURANCE COMPANY LIMITED

We have audited the consolidated and separate financial statements of Hollard Life Assurance Company Limited set out on pages 84 to 136, which comprise the statements of financial position as at 30 June 2016, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these consolidated and separate 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 consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Hollard Life Assurance Company Limited as at 30 June 2016, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 30 June 2016, we have read the Directors' Report, the Embedded Value Statement, the Statement of Actuarial Values of Assets and Liabilities, the Notes to the Statement of Actuarial Values of Assets and liabilities, Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements.

These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Report on Other Legal and Regulatory Requirements

In terms of the Independent Regulatory Board for Auditors (IRBA) Rule published in Government Gazette Number 39475 dated 04 December 2015, we report that Deloitte & Touche has been the auditor of Hollard Life Assurance Company Limited for 23 years. We are independent of the group in accordance with the IRBA 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).

Deloitte & Touche

Deloitte & Touche
Registered Auditor

Per: Diana Jorge
Partner

31 October 2016

Directors' report

for the year ended 30 June 2016

The Directors have pleasure in presenting the Directors' report which forms part of the annual financial statements of the Company and Group for the year ended 30 June 2016.

Nature of business

The Company is a registered life assurer and transacts in all classes of life assurance business throughout the Republic of South Africa. The activities and details of the interests in subsidiaries, associates and joint ventures are listed in note 36 on page 135 of the financial statements.

General review

"In the year under review the Group achieved net profit attributable to the equity holder of the parent of R1 264 206 000 (2015: R1 073 562 000), which arose from the Group's operations as follows:

	2016 R'000	2015 R'000
Net premium income	**4 919 405**	4 411 143
Investment income	**659 883**	613 552
Other income	**142 305**	32 375
Total revenue	**5 721 593**	5 057 070
Net insurance benefits and claims	**1 531 859**	1 612 730
Other operating expenses	**2 594 611**	2 173 268
Total expenses	**4 126 470**	3 785 998
Results of operating activities	**1 595 123**	1 271 072
Share of profit of associates	**21 026**	195 299
Profit before taxation	**1 616 149**	1 466 371
Taxation	**(351 965)**	(392 857)
Profit for the year	**1 264 184**	1 073 514
Non-controlling interest	**(22)**	(48)
Net profit attributable to the equity holder of the parent	**1 264 206**	1 073 562

Share capital

There was no change in the authorised and issued ordinary share capital of the Company during the year.

Dividends

Dividends of R1 692 400 000 were declared during the year (2015: R855 259 000).

Subsidiaries, associates and joint ventures

The Company acquired the following associates during the year:

- Portman Wealth (Pty) Ltd
- Precept Wealth Solutions (Pty) Ltd

The Company's aggregate share of the (losses) and profits of subsidiaries and associates for the year amounted to (R2 719 328) and R21 026 000 respectively (2015: (R25 428 000) and R195 299 000 respectively).

Going concern

The Board believes that the Company and Group will continue to be a going concern in the foreseeable future. For this reason, the directors have adopted the going-concern basis in preparing the financial statements.

Subsequent events

During September 2015, Regent Group's shareholder, Imperial Holdings, accepted an offer by the Hollard and the Yellowwoods Group to dispose of its shareholding in Regent Group, subject to regulatory approval.

On 21 October 2016, we received confirmation that the Competition Commission would be recommending to the Competition Tribunal that the Regent Group acquisition be prohibited from going ahead. Given that the merger is categorised as a large merger, the recommendation of the Competition Commission does not constitute a final binding decision. Such final binding decision will be made by the Competition Tribunal subsequent to the hearing regarding the merger. The Board is not aware of any other event since the end of the financial year, not otherwise dealt with in these annual financial statements, that would affect the operations of the Group and Company, or the results of these operations.

Directorate

In terms of the requirements of the Memorandum of Incorporation, the following Directors retired by rotation, made themselves available for re-election and were re-elected at the Annual General Meeting held on 17 November 2015:

B Mohale and TBT Mparutsa.

During the year WT Lategan was appointed as an executive director in the capacity of Group CFO.

Executive directors

NG Kohler (Group CEO), WT Lategan (Group CFO since 1 January 2016) and TBT Mparutsa (Group CFO until 1 January 2016) were the only Executive Directors who held office during the year.

Non-executive directors

ADH Enthoven, B Ngonyama, SC Gilbert, NV Simamane, S Patel, R Fihrer and BF Mohale were in office during the year as Non-Executive Directors.

Auditors

Deloitte & Touche will continue in office in accordance with section 90 of the Companies Act No 71 of 2008.

Company secretary

NL Shirilele

Business address

Hollard at Arcadia
22 Oxford Road
Parktown
Johannesburg
2193

Postal address

PO Box 87428
Houghton
2041

Holding company

The immediate holding company is Hollard Holdings (Pty) Ltd (100%) and the ultimate holding company is Pickent Investments Limited (formerly R Enthoven and Sons (Pty) Ltd). Both these companies are incorporated in the Republic of South Africa.

Statements of financial position

as at 30 June 2016

		GROUP		COMPANY	
	Notes	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Assets					
Property and equipment	4	**3 898**	2 639	**2 760**	1 833
Goodwill	5	**–**	–	**–**	–
Intangible assets	6	**15 844**	9 546	**15 844**	9 546
Interest in subsidiaries	7	**–**	–	**19 619**	13 531
Investments in associates	8	**58 895**	58 272	**65 437**	57 733
Financial assets	9	**10 466 866**	11 154 706	**10 465 655**	11 153 580
Reinsurance assets		**135 610**	127 095	**135 610**	127 095
Insurance, loans and other receivables	11	**614 747**	597 032	**621 300**	596 178
Deferred income tax	12	**64**	821	**–**	–
Current tax assets		**36 232**	176	**36 200**	–
Non-current assets held-for-sale	14	**–**	252 334	**–**	310 175
Cash and cash equivalents	13	**1 716 828**	1 970 839	**1 700 414**	1 950 900
Total assets		**13 048 984**	14 173 460	**13 062 839**	14 220 571
Equity and liabilities					
Share capital and premium	15	**20 000**	20 000	**20 000**	20 000
Foreign currency translation reserve		**26 294**	21 351	**–**	–
Retained earnings		**1 852 252**	2 280 444	**1 893 269**	2 354 187
Equity attributable to equity holders of the parent		**1 898 546**	2 321 795	**1 913 269**	2 374 187
Non-controlling interests		**883**	906	**–**	–
Total equity		**1 899 429**	2 322 701	**1 913 269**	2 374 187
Policyholder liabilities	16	**9 363 579**	10 177 737	**9 363 579**	10 177 737
Outstanding claims		**312 734**	353 139	**312 734**	353 139
Reinsurance liabilities		**132 677**	144 767	**132 677**	144 767
Employee benefits	17	**150 783**	154 610	**150 783**	154 610
Deferred income tax	12	**552 214**	549 106	**552 214**	549 106
Trade and other payables	18	**410 160**	383 552	**410 269**	379 244
Shareholder dividends		**227 314**	–	**227 314**	–
Current tax liability		**94**	87 848	**–**	87 781
Total liabilities		**11 149 555**	11 850 759	**11 149 570**	11 846 384
Total equity and liabilities		**13 048 984**	14 173 460	**13 062 839**	14 220 571

Income statements

for the year ended 30 June 2016

	Notes	GROUP 2016 R'000	GROUP 2015 R'000	COMPANY 2016 R'000	COMPANY 2015 R'000
Revenue					
Gross premium income	19	**5 559 092**	5 175 795	**5 559 092**	5 175 795
Reinsurance premiums outwards	19	**(639 687)**	(764 652)	**(639 687)**	(764 652)
Net premium income		**4 919 405**	4 411 143	**4 919 405**	4 411 143
Interest		**521 767**	595 944	**520 690**	596 007
Dividends		**57 953**	59 270	**72 728**	64 259
Realised profit on disposal of investments	20	**522 127**	9 860	**464 286**	9 860
Unrealised (loss)/profit on revaluation of investments	21	**(441 964)**	(71 200)	**(413 052)**	100 503
Rental Income		**–**	19 678	**–**	–
Investment income		**659 883**	613 552	**644 652**	770 629
Other income		**142 305**	32 375	**104 751**	31 919
Total revenue		**5 721 593**	5 057 070	**5 668 808**	5 213 691
Expenses					
Policyholder benefits	24	**2 683 063**	3 251 090	**2 683 063**	3 251 090
Transfer to Policyholder liabilities	16	**(1 151 204)**	(1 638 360)	**(1 151 204)**	(1 638 360)
Net insurance claims		**1 531 859**	1 612 730	**1 531 859**	1 612 730
Commission and other acquisition costs		**488 690**	430 028	**488 690**	430 028
Interest paid		**19 384**	7 972	**19 135**	6 718
Marketing and administration expenses		**2 086 537**	1 735 268	**2 046 712**	1 695 500
Total expenses		**4 126 470**	3 785 998	**4 086 396**	3 744 976
Results of operating activities		**1 595 123**	1 271 072	**1 582 412**	1 468 715
Share of profit of associates		**21 026**	195 299	**–**	–
Profit before taxation	22	**1 616 149**	1 466 371	**1 582 412**	1 468 715
Taxation	23	**351 965**	392 857	**350 930**	392 630
Profit for the year		**1 264 184**	1 073 514	**1 231 482**	1 076 085
Profit for the year attributable to:					
Equity holders of the parent		**1 264 206**	1 073 562		
Non-controlling interest		**(22)**	(48)		
		1 264 184	1 073 514		

Statements of comprehensive income

for the year ended 30 June 2016

		GROUP		COMPANY	
	Notes	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Profit for the year		**1 264 184**	1 073 513	**1 231 482**	1 076 085
Other comprehensive income					
Exchange differences on translating foreign operations		**4 943**	8 913	**–**	–
Other comprehensive income for the year		**4 943**	8 913	**–**	–
Total comprehensive income for the year		**1 269 127**	1 082 426	**1 231 482**	1 076 085
Total comprehensive income attributable to:					
Equity holders of the parent		**1 269 149**	1 082 474		
Non-controlling interests		**(22)**	(48)		
		1 269 127	1 082 426		

Statements of changes in equity

for the year ended 30 June 2016

	Attributable to equity holders of the parent						
	Issued share capital R'000	Share premium R'000	Foreign currency translation reserves R'000	Retained earnings R'000	Total ordinary shareholders equity R'000	Non-controlling interest R'000	Total equity R'000
GROUP							
Balance at 1 July 2014	20	19 980	12 438	2 052 531	2 084 969	953	2 085 922
Net profit for the year	–	–	–	1 073 562	1 073 562	(48)	1 073 514
Other comprehensive income	–	–	8 913	–	8 913	–	8 913
Total comprehensive income	–	–	8 913	1 073 562	1 082 475	(48)	1 082 427
Dividends declared	–	–	–	(855 259)	(855 259)	–	(855 259)
NAV acquired through Covision portfolio transfer	–	–	–	9 612	9 612	–	9 612
Balance at 30 June 2015	20	19 980	21 351	2 280 446	2 321 797	905	2 322 702
Net profit for the year	**–**	**–**	**–**	**1 264 206**	**1 264 206**	**(22)**	**1 264 184**
Other comprehensive income	**–**	**–**	**4 943**	**–**	**4 943**	**–**	**4 943**
Total comprehensive income	**–**	**–**	**4 943**	**1 264 206**	**1 269 149**	**(22)**	**1 269 127**
Dividends declared	**–**	**–**	**–**	**(1 692 400)**	**(1 692 400)**	**–**	**(1 692 400)**
Balance at 30 June 2016	**20**	**19 980**	**26 294**	**1 852 252**	**1 898 546**	**883**	**1 899 429**

	Issued share capital R'000	Share premium R'000	Foreign currency translation reserves R'000	Retained earnings R'000	Total ordinary shareholders equity R'000
COMPANY					
Balance at 1 July 2014	20	19 980	–	2 123 744	2 143 744
Net profit for the year	–	–	–	1 076 085	1 076 085
Total comprehensive income	–	–	–	1 076 085	1 076 085
Dividends declared	–	–	–	(855 254)	(855 254)
NAV acquired through Covision portfolio transfer	–	–	–	9 612	9 612
Balance at 30 June 2015	20	19 980	–	2 354 187	2 374 187
Net profit for the year	**–**	**–**	**–**	**1 231 482**	**1 231 482**
Total comprehensive income	**–**	**–**	**–**	**1 231 482**	**1 231 482**
Dividends declared	**–**	**–**	**–**	**(1 692 400)**	**(1 692 400)**
Balance at 30 June 2016	**20**	**19 980**	**–**	**1 893 269**	**1 913 269**

Statements of cash flows

for the year ended 30 June 2016

		GROUP		COMPANY	
	Notes	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Cash flows from operating activities					
Cash receipts from policyholders and other customers		**4 901 690**	4 407 920	**4 891 379**	4 401 386
Cash paid to policyholders, suppliers and employees (net of transfers to reserves)		**(5 007 025)**	(5 019 846)	**(4 960 031)**	(5 029 834)
Cash utilised by operations	25	**(105 335)**	(611 926)	**(68 652)**	(628 448)
Interest paid		**(19 384)**	(7 972)	**(19 135)**	(6 718)
Dividends paid	26	**(1 465 086)**	(865 090)	**(1 465 086)**	(865 085)
Interest received		**521 767**	595 943	**520 690**	596 007
Dividends received	27	**46 029**	40 316	**60 804**	45 305
Rental received		**–**	19 678	**–**	–
Other Income		**142 305**	32 375	**104 751**	31 919
Taxation paid	28	**(471 910)**	(278 807)	**(471 803)**	(278 967)
Net cash outflow from operating activities		**(1 351 614)**	(1 075 483)	**(1 338 431)**	(1 105 987)
Cash flows from investing activities					
Acquisition of property and equipment	4	**(1 878)**	(2 264)	**(1 394)**	(2 170)
Acquisition of intangible assets		**(14 128)**	(5 924)	**(14 128)**	(5 924)
Acquisition of listed and unlisted investments		**(1 503 966)**	(256 375)	**(1 511 708)**	(255 248)
Acquisition of bonds		**(705 105)**	(768 176)	**(705 105)**	(768 176)
Proceeds on disposal of property and equipment	4	**–**	124	**–**	–
Proceeds on disposal of listed and unlisted investments		**1 485 472**	105 930	**1 485 472**	105 930
Proceeds on disposal of bonds		**1 498 533**	2 173 345	**1 498 533**	2 173 345
Proceeds on disposal of non-current assets held-for-sale		**375 943**	–	**375 943**	–
Acquisition of associate		**(7 040)**	(67 001)	**(7 040)**	(67 001)
Decrease in loans to subsidiaries		**–**	**–**	**2 543**	3 613
Decrease in loans to associated companies		**18**	–	**18**	26 667
Increase in foreign currency translation reserve		**4 943**	–	**–**	–
Increase in loans due to Group companies		**(12 890)**	(40 754)	**(12 890)**	(40 754)
Increase in other loans		**(22 299)**	(43 681)	**(22 299)**	(70 300)
Net cash inflow from investing activities		**1 097 603**	1 095 224	**1 087 945**	1 099 982
Cash flows from financing activities					
Decrease in short-term borrowings		**–**	(15 865)	**–**	–
Net cash outflow from financing activities		**–**	(15 865)	**–**	–
Cash and cash equivalents					
Net (increase)/decrease in cash and cash equivalents		**(254 011)**	3 876	**(250 486)**	(6 005)
Cash and cash equivalents at beginning of financial year		**1 970 839**	1 966 963	**1 950 900**	1 956 905
Cash and cash equivalents at end of financial year	13	**1 716 828**	1 970 839	**1 700 414**	1 950 900

Notes to the annual financial statements

for the year ended 30 June 2016

1. Accounting policies

The principal accounting policies adopted in the preparation of the Company and Group (consolidated) financial statements are set out below and have been consistently applied to all years presented unless otherwise stated.

1.1 Basis of presentation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations issued and effective at the time of preparing these financial statements.

The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of investment properties and certain financial instruments, both of which are carried at fair value. Policyholder liabilities under insurance contracts are valued in terms of the Financial Soundness Valuation (FSV) basis contained in the Standards of Actuarial Practice (SAP) 104, issued by the Actuarial Society of South Africa.

Use of estimates and judgements

The preparation of financial statements in compliance with IFRS, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the 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 the carrying values of assets and liabilities, that are not readily apparent from other sources. Actual results may differ from these estimates.

The Group's and Company's estimates and underlying assumptions are reviewed for reasonability on an ongoing basis. Revisions to accounting estimates are recognised in the income statement in the year in which the estimates are revised, if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the annual financial statements is disclosed in note 1.20 on page 101 to 102 of these financial statements.

Adoption of new and revised standards

The Group's and Company's accounting policies are consistent with those of the previous financial year except for those instances where new or revised standards and/or interpretations had to be adopted. The Group and Company adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the IFRIC of the IASB relevant to its operations that are effective for annual reporting periods beginning on or after 1 January 2015. The adoption of these revised standards and interpretations did not have any effect on the Group's and Company's financial performance or position, although they did give rise to additional disclosures including, in some cases, changes to existing accounting policies.

The Group and Company will comply with standards issued but not yet effective for the 2016 financial year, from the respective effective dates. It is expected that the application of these standards will have an impact on the Group's reported results, financial position and cash flow. The adoption of these standards will give rise to additional disclosures including, in some cases, changes to existing accounting policies for the Group and Company. The new and amended IFRS and IFRIC interpretations together with the dates on or after which they became effective, are as follows:

International Financial reporting Standards and Amendments issued but not yet effective for the financial year ended 30 June 2016

- IFRS 1: *First-time Adoption of International Financial Reporting Standards* – Amendments resulting from 2012-2014 Annual Improvements Cycle (effective from annual periods beginning on or after 1 January 2016)
- IFRS 5: *Non-current Assets Held-for-sale and Discontinued Operations* – Amendments resulting from 2012-2014 Annual Improvements Cycle (effective from annual periods beginning on or after 1 January 2016)
- IFRS 7: *Financial Instruments: Disclosures* – Amendments resulting from September 2014 Annual Improvements to IFRSs (effective from annual periods beginning on or after 1 January 2016)
- IFRS 9: *Financial Instruments* – Reissue of a complete standard with all the chapters incorporated (effective from annual periods beginning on or after 1 January 2018)
- IFRS 10: *Consolidated Financial Statements* – Amendments on Sale or Contribution of Assets between an investor and its associate or joint venture (Deferred indefinitely)
- IFRS 10: *Consolidated Financial Statements* – Amendments related to the application of the investment entities exceptions (effective from annual periods beginning on or after 1 January 2016)
- IFRS 11: *Joint Arrangements* – Amendment requiring the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3: *Business Combinations*, to apply all of the principles on business combinations accounting in IFRS 3 (effective from annual periods beginning on or after 1 January 2016)
- IFRS 12: *Disclosure of Interests in Other Entities* – Amendments related to the application of the investment entities exceptions (effective from annual periods beginning on or after 1 January 2016)
- IFRS 14: *Regulatory Deferral Accounts* – Original issue (effective from annual periods beginning on or after 1 January 2016)
- IFRS 15: *Revenue from Contracts with Customers* – Original issue (effective from annual periods beginning on or after 1 January 2017)
- IFRS 15: *Revenue from Contracts with Customers* – Amendment to defer the effective date to 1 January 2018 (effective from annual periods beginning on or after 1 January 2018)

Notes to the annual financial statements (continued)

for the year ended 30 June 2016

1. Accounting policies (continued)

1.1 Basis of presentation (continued)

Adoption of new and revised standards (continued)

International Financial reporting Standards and Amendments issued but not yet effective for the financial year ended 30 June 2016 (continued)

- IFRS 15: *Revenue from Contracts with Customers* – Clarifications to IFRS 15 (effective from annual periods beginning on or after 1 January 2018)
- IFRS 16: *Leases* – Original issue (effective from annual periods beginning on or after 1 January 2019)
- IFRS for SMEs – Amendments as the result of the first comprehensive review (effective from annual periods beginning on or after 1 January 2017)
- IAS 1: *Presentation of Financial Statements* – Amendments arising under the Disclosure Initiative (effective from annual periods beginning on or after 1 January 2016)
- IAS 7: *Cash Flow Statement* – Amendments as result of the Disclosure initiative (effective from annual periods beginning on or after 1 January 2017)
- IAS 12: *Income Taxes* – Amendments regarding the recognition of deferred tax assets for unrealised losses (effective from annual periods beginning on or after 1 January 2017)
- IAS 16: *Property, Plant and Equipment* – Amendments resulting from clarification of acceptable methods of depreciation and amortisation (Amendments to IAS 16 and IAS 38) (effective from annual periods beginning on or after 1 January 2016)
- IAS 16: *Property, Plant and Equipment* – Amendments to include 'bearer plants' within the scope of IAS 16 rather than IAS 41 (effective from annual periods beginning on or after 1 January 2016)
- IAS 19: *Employee Benefits* – Amendments resulting from 2012-2014 Annual Improvements Cycle (effective from annual periods beginning on or after 1 January 2016)
- IAS 27: *Separate Financial Statements* – Amendments relating to equity method in separate financial statements (effective from annual periods beginning on or after 1 January 2016)
- IAS 28: *Investments in Associates and Joint Ventures* – Amendments on Sale or Contribution of Assets between an investor and its associate or joint venture (Deferred indefinitely)
- IAS 28: *Investments in Associates and Joint Ventures* – Amendments related to the application of the investment entities exceptions (effective from annual periods beginning on or after 1 January 2016)
- IAS 34: *Interim Financial Reporting* – Amendments resulting from 2012-2014 Annual Improvements Cycle (effective from annual periods beginning on or after 1 January 2016)
- IAS 38: *Intangible Assets* – Amendments resulting from clarification of acceptable methods of depreciation and amortisation (Amendments to IAS 16 and IAS 38) (effective from annual periods beginning on or after 1 January 2016)
- IAS 41: *Agriculture* – Amendments to include 'bearer plants' within the scope of IAS 16 rather than IAS 41 (effective from annual periods beginning on or after 1 January 2016)

1.2 Basis of consolidation

The consolidated annual financial statements incorporate the annual financial statements of the Company, its subsidiaries, associates and joint ventures.

Investments in subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. Control generally accompanies a shareholding of more than 50% of a subsidiary's voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The results of subsidiaries are consolidated from the date on which the Group acquires effective control. Consolidation is discontinued from the effective date on which control ceases. Gains and losses on disposal of subsidiaries are accounted for in the income statement.

The Group uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date in terms of IFRS 3: *Business Combinations*, irrespective of the extent of any non-controlling interest.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

The interest of non-controlling shareholders in the acquiree is initially measured at their proportion of the net fair value of the assets, liabilities and contingent liabilities recognised. Non-controlling interest in the net assets of consolidated subsidiaries is identifiable separately from the Group's equity therein. Non-controlling interest consists of the amount of those interests at the date of the original business combination and their share of changes in equity since the date of the combination. Losses attributable to non-controlling shareholders in excess of their interest in the subsidiary's equity are allocated against the interest of the Group, except to the extent that they have a binding obligation and are able to make additional investments to cover the losses.

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Company classifies its investments in subsidiaries as at fair value through profit and loss financial instruments in accordance with IAS 39: *Financial Instruments – Recognition and Measurement* due to the fact that it continually manages and evaluates these investments on a fair value basis.

Investments in associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these annual financial statements using the equity method of accounting, except when the investment is classified as held-for-sale, in which case it is accounted for in accordance with IFRS 5: *Non-current Assets Held-for-sale and Discontinued Operations*. Under the equity method, investments in associates are carried in the consolidated statement of financial position's reserves at cost and adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any impairment in the value of individual investments. Post-acquisition losses of an associate in excess of the Group's interest in that associate, which includes any long-term interest that, in substance form part of the Groups' net investments in associates, are not recognised unless the Group has incurred obligations or made payments on behalf of the associate. Post-acquisition profits are recognised in the income statement.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is immediately recognised in the income statement.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Associates' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Company classifies its investments in associates as at fair value through profit and loss financial instruments in accordance with IAS 39 due to the fact that it continually manages and evaluates these investments on a fair value basis.

Interests in joint arrangements

Joint ventures are entities where control is shared equally with a third party. Under the terms of these arrangements, the strategic, financial and operating policy decisions relating to joint venture activities require the unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these annual financial statements using the equity method of accounting, except when the investments is classified as held for sale, in which case it is accounted for in accordance with IFRS 5: *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in joint ventures are carried in the consolidated statement of financial position's reserves at cost and adjusted for post-acquisition changes in the Group's share of the net assets of the joint ventures, less any impairment in the value of individual investments. Post-acquisition losses of an joint venture in excess of the Group's interest in that joint venture, which includes any long-term interest that, in substance, form part of the Group's net investments in joint ventures, are not recognised unless the Group has incurred obligations or made payments on behalf of the joint venture. Post-acquisition profits are recognised in the income statement.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment on an annual basis. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is immediately recognised in the income statement.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Joint ventures' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Company classifies its investments in joint ventures at fair value through profit or loss financial instruments in accordance with IAS 39 due to the fact that it continually manages and evaluates these investments on a fair value basis.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary and joint ventures at the acquisition date. Goodwill arising on the acquisition of subsidiaries and joint ventures is initially recognised at cost as a separate asset. Goodwill is tested annually for impairment and is carried at cost less any accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination for the purpose of impairment testing. Each of these cash-generating units represents the Group's investment by primary reporting segment.

Cash-generating units to which the goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss for goodwill is not reversed in a subsequent period.

The Group's policy for goodwill arising on the acquisition of an associate is described under "Investments in associates" above.

Notes to the annual financial statements (continued)

for the year ended 30 June 2016

1. Accounting policies (continued)

1.3 Foreign currencies

General

Foreign assets and liabilities are initially recorded at the spot rate and translated into South African Rand at the exchange rates ruling at the statement of financial position date. Foreign investment income or loss is translated into South African Rand at the average exchange rate for the year. Gains and losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in other comprehensive income.

Functional and presentation currency

The individual annual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements are presented in South African Rand, which is the Company's functional currency and the Group's presentation currency. All financial information presented in Rands has been rounded to the nearest thousand (R'000) except when otherwise indicated.

Transactions and balances

Transactions in foreign currencies are translated into the functional currency at the foreign exchange rate ruling at the date of the transaction. At each statement of financial position date, assets and liabilities denominated in currencies different to the functional currency are translated into the functional currency at the ruling rate at that date. Foreign exchange gains and losses are recognised in other comprehensive income. Translation differences on non-monetary items are reported as part of the fair value gain or loss.

Group companies

For the purposes of presenting consolidated annual financial statements, the assets and liabilities of the Group's foreign operations are translated from their respective functional currency into the Group's presentation currency at the closing exchange rates ruling at the statement of financial position date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates ruling at the date of the various transactions are used. All translation differences arising from the translation and consolidation of foreign operations are recognised directly in other comprehensive income as a foreign currency translation reserve. Such translation differences are recognised in other comprehensive income in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing exchange rate at the statement of financial position date. None of the Group entities have the currency of a hyperinflationary economy.

1.4 Property and equipment

Property and equipment is initially recorded at cost. Costs include all expenditure that is directly attributable to the acquisition of an asset and bringing it to a working condition for its intended use, including import duties and non-refundable purchases taxes, but excluding trade discounts and rebates. Maintenance and repairs expenditure, which neither adds to the value of property and equipment nor significantly prolongs its expected useful life, is recognised directly in the income statement.

Each category of property and equipment is depreciated on the straight-line basis at rates considered appropriate to reduce its cost to net realisable value over its estimated useful life. The rates used to depreciate each category of property and equipment are as follows:

Motor vehicles	20%
Office equipment	10%
Computer equipment	33%
Furniture and fittings	10%
IT equipment	33%
Computer software	33%
Leasehold improvements	33%

There have been no changes to useful lives from those applied in the previous financial year.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be reliably measured. All other repairs and maintenance expenditure is charged to the income statement during the financial period in which it is incurred.

The assets' useful lives are reviewed at each statement of financial position date and adjusted if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. These impairment losses are charged directly to the income statement during the financial period in which they are identified.

Gains and losses arising on disposal of property and equipment are determined by comparing the asset's proceeds to its carrying amount and are included in the income statement. When revalued assets are sold, the amounts included in the revaluation surplus are transferred to other comprehensive income.

1.5 Investment property

Property held either to earn rental income or for capital appreciation, or for both, and which is not occupied by companies in the Group, is classified as investment property. The Group's investment property comprises freehold land and buildings.

Investment property is treated as a long-term investment and is measured initially at cost, including transaction costs. After initial recognition, investment property is measured at open-market fair value and is subject to a valuation by an external, independent professional valuer every three years. If the open-market valuation information cannot be reliably determined, the Group uses alternative valuation methods such as recent prices on active markets.

Gains or losses arising from changes in the fair value of investment property are credited or charged directly to the income statement in the year in which they are identified. On disposal of an investment property, the difference between the net disposal proceeds and the carrying value is recognised in the income statement.

If an investment property were to become owner-occupied, it would be reclassified as property and equipment and would be fair valued at the date of reclassification.

1.6 Intangible assets

Intangible assets are recognised when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and the cost of the asset can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses. The amortisation method for intangible assets is reviewed every period.

Computer software

Acquired computer software packages and licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful life (three to seven years).

Re-acquired rights

The intangible asset is under development and will be amortised on a straight line basis over five years.

1.7 Non-derivative financial instruments

Capital management

The Group recognises equity, reserves and non-controlling interest as capital. For internal management purposes, the Group refers to the international basis of solvency for life insurance companies as represented by the Capital Adequacy Requirements (CAR).

The Group manages its capital to ensure that entities within the Group will be able to continue as a going concern. At the same time, the Group aims to maximise the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes cash and cash equivalents, reserves and retained earnings.

The Actuarial Committee reviews the capital structure on an ongoing basis. As a part of this review, the committee considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the committee, the Group balances its overall capital structure through the payment of dividends.

Financial assets

Investments

The Group and Company classify its investments in debt and equity securities into the following categories: financial assets as at fair value through profit or loss, held-to-maturity, financial assets at fair value through other comprehensive income and loan and receivables. The classification is dependent on the purpose for which the investments were acquired. Management determines the classification of its investments at the time of purchase according to the following accounting policies:

i) Financial assets as at fair value through profit or loss

A financial asset is classified in this category at inception if acquired principally for the purpose of selling in the short term; if it forms part of a portfolio of financial assets in which there is evidence of short-term profit taking; or if so designated by management in terms of the Group's and Company's long-term investment strategy.

For the purpose of these financial instruments, short term is defined as any period less than 12 months. Investments which the Group has elected to designate as at fair value through profit or loss are investments held for long-term. For the purpose of these financial statements, long term is defined as any period in excess of 12 months.

ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group and Company has a positive intention and ability to hold to maturity are classified as held-to-maturity investments and are included in non-current assets, except for maturities within 12 months from the statement of financial position date, which are classified as current assets. This category also includes all assets that are not designated either at fair value through profit or loss or fair value through other comprehensive income.

iii) Financial assets at fair value through other comprehensive income

Financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as financial assets at fair value through other comprehensive income and are included in non-current assets unless management has the express intention of holding the investments for less than 12 months from the statement of financial position date or unless they will be sold to raise operating capital, in which case they are included in current assets. These investments include listed and unlisted shares, units in collective investment schemes, deposits and money market securities.

Notes to the annual financial statements (continued)

for the year ended 30 June 2016

1. Accounting policies (continued)

1.7 Non-derivative financial instruments (continued)

Financial assets (continued)

Investments (continued)

iv) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market that are created by the Company or Group in exchange for providing money, goods or services directly to a debtor, other than those that are originated with the intention to sell immediately or in the short term or are designated at fair value through profit or loss. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the overall impairment review of loans and receivables.

v) Linked products

Linked products are investment-related products where the risk and reward of the underlying investment portfolio accrues directly to the policyholder. Linked products provide for returns based on the changes in the value of the underlying instruments and market indicators and are initially recorded at cost. These products are revalued at year-end, using discounted cash flow analysis, closing market values and indices values based on the observation dates stated in the underlying investment agreements. Valuations are adjusted for the effects of changes in foreign exchange rates. Actuarial liabilities of these linked products are stated at the same value as the underlying supporting investments.

vi) Forward share purchase agreements

Forward share purchase agreements are recorded at the cost of the initial down payment and revalued at year-end using discounted cash flows, in the same manner used to calculate the actuarial liabilities which these investments support.

vii) Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Recognition and measurement

Financial instrument purchases and disposals are initially measured at cost and are recognised using trade date accounting. The trade date is the date on which the Group and Company commits to purchase or sell the asset. Subsequent to initial measurement, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income are carried at fair value, while held-to-maturity investments and loans and receivables are carried at amortised cost using the effective interest rate method, less any provision for impairment.

A provision for impairment of held-to-maturity investments and loans and receivables is established when there is objective evidence that the Group or Company will not be able to collect all amounts due according to their original terms.

Financial instruments are derecognised when the rights to receive cash flows from the investments have expired or where they have been transferred and the Group and Company has also transferred substantially all risks and rewards of ownership.

Gains or losses

Realised and unrealised gains or losses arising from changes in the fair value of investments classified as fair value through profit or loss are included in the income statement in the period in which they arise. Unrealised gains or losses arising from changes in the fair value of non-monetary investments, classified as financial assets at fair value through other comprehensive income are recognised in other comprehensive income. When investments classified as financial assets at fair value through other comprehensive income are sold or impaired, the accumulated fair value adjustments are included in the income statement as net realised gains or losses on non-derivative financial instruments.

Fair value

The fair value of investments is based on quoted bid prices for listed instruments and collective investments schemes are valued using the repurchase price. The use of cash flow models is applied for non-active market instruments. Fair values for unlisted investments are estimated using applicable cash flow models, net asset value or price/earnings ratios refined to reflect the specific circumstances of each investment. Where the fair value of an investment cannot be measured reliably, the investment is carried at cost less any impairment. The fair values of the Constant Proportion Debt Obligation (CPDO) is determined using a mark to model approach.

Offsetting

Where a legally enforceable right to offset exists for recognised financial assets and financial liabilities and there is an intention to settle the liability and realise the asset simultaneously or to settle on a net basis, all related financial effects are offset.

Financial liabilities

Financial liabilities, including borrowings, are initially measured at cost, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest rate method, with the interest expense being recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating the corresponding interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or where appropriate, a shorter period.

In accordance with the definition of a financial liability contained in IAS 32: *Financial Instruments – Presentation*, the Group and Company classify the following statement of financial position items as financial liabilities:

- Long-term liabilities, which commonly take the form of loan funding;
- Policyholder liabilities, or obligations to policyholders including outstanding claims, arising from a life assurance contract with a clearly defined counterparty;
- Borrowings;
- Reinsurance liabilities;
- Provision for liabilities arising from a contractual relationship with existing Group and Company staff; and
- Trade and other payables.

1.8 Impairment of tangible and intangible assets excluding goodwill

The Group and Company assess at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets other than those carried at fair value through profit or loss is impaired, and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that come to the attention of the Group and Company about the following events:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as default or delinquency in payments;
- Adverse changes in the payment status of issuers or debtors; or
- Economic conditions that correlate with defaults on assets in the Group and Company.

All impairment losses are recognised in the income statement as soon as they are identified.

If there is objective evidence that an impairment loss has been incurred on loans and receivables or held-to-maturity investments carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics.

The Group and Company assess at each statement of financial position date whether there is objective evidence that a financial asset at fair value through other comprehensive income is impaired, including, in the case of equity investments, a significant or prolonged decline in the fair value of the security below its costs. If any such evidence exists, the cumulative loss, which is measured as the difference between the acquisition cost and the current fair value of the investment, is removed from other comprehensive income and recognised in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and recognised in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Non-financial assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

1.9 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments of three months or less in money market instruments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are measured at fair value by reference to expected cash flows and current market interest rates.

1.10 Non-current assets held-for-sale

Non-current assets and disposal groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held-for-sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Notes to the annual financial statements (continued)

for the year ended 30 June 2016

1. Accounting policies (continued)

1.11 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

1.12 Policyholder insurance and investment contracts – Classification

Standards of Actuarial Practice (SAP) issued by the Actuarial Society of South Africa (ASSA)

The Company is licensed as a long-term insurer in South Africa in accordance with the Long-term Insurance Act (the Act) of 1998, as amended. The Act requires the determination of assets, liabilities and capital adequacy requirements (CAR) for statutory purposes in accordance with APNs issued by ASSA.

In terms of IFRS 4: *Insurance Contracts* (IFRS 4), defined insurance liabilities are allowed to be measured under existing local practice. The Group and Company has adopted the Standards of Actuarial Practice (SAP) and Advisory Practice Notes (APN) issued by the Actuarial Society of South Africa (ASSA) to determine the liability in respect of insurance contracts issued in South Africa. The following APNs and SAPs are relevant to the determination of policyholder liabilities:

- APN 103: Report by the Statutory Actuary in the Annual Financial Statements of South African Long-Term Insurers;
- SAP 104: Calculation of the Value of the Assets, Liabilities and Capital Adequacy Requirement of Long-Term Insurers;
- APN 105: Minimum Requirements for Deriving Aids Extra Mortality Rates;
- APN 106: Actuaries and Long-Term Insurance in South Africa; and
- APN 110: Allowance for Embedded Investment Derivatives.

Where applicable, the APNs and SAPs are referred to in the accounting policies and notes to the financial statements.

Classification of insurance and investment contracts

The Group and Company issue contracts which transfer insurance risk or financial risk or, in some cases, both. The Group and Company demarcates these contracts in the following two broad categories:

i) Insurance contracts

Insurance contracts are those contracts under which the Group and/or Company (as insurer) accept significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects them. Such contracts may also transfer financial risk. As a general guideline, the Group and Company define as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

Receipts and payments under insurance contracts are accounted for in the income statement in accordance with the requirements of IFRS 4.

ii) Investment contracts

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, 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.

Receipts and payments under investment contracts are not classified as insurance transactions in the income statement but instead are accounted for in the statement of financial position in accordance with IAS 39. The liability recognised in the statement of financial position represents the expected amounts payable to the holders of the investment contracts inclusive of allocated investment income.

Management of insurance and financial risk

As is stated in sections i) and ii) above, the Group and Company issue contracts that transfer insurance risk or financial risk, or in some instances both. This section summarises these risks and the way in which the Group and Company manages them.

i) Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risks that the Group and Company face under insurance contracts is the risk that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Group and Company have developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

Policyholder behaviour risk

Insurance risk is affected by the policyholders' right to pay reduced or no future premiums, to terminate the contract completely or to withdraw benefits prior to expiry of the contract term. On the assumption that policyholders will make decisions rationally, overall insurance risk can be assumed to be aggregated by such behaviour. For example, it is likely that policyholders whose health has deteriorated significantly will be less inclined to terminate contracts insuring death benefits than those policyholders remaining in good health. This results in an increasing trend of expected mortality as the portfolio of insurance contracts reduces the voluntary terminations.

The Group and Company have factored the impact of policyholder behaviour into the assumptions used to measure these liabilities.

The Capital Adequacy Requirement (CAR) as part of the risk management framework

The Group and Company are required to demonstrate solvency to the Registrar of Long-Term Insurance in accordance with the Act. This requires the Group and Company to demonstrate that it has sufficient assets to meet its liabilities and CAR, in the event of substantial deviations from the main risk assumptions affecting the business. These capital adequacy requirements are determined according to the generally accepted actuarial principles in terms of the guidelines issued by the ASSA. Statutory returns are submitted to the Registrar quarterly and valuations are performed annually. In addition, the Long-Term Return (LT) is submitted to the Registrar annually.

The CAR is intended to approximate a risk based capital measure and gives guidance to the Board regarding the acceptable minimum Group and Company capital requirements. As is outlined in the notes to the Statement of actuarial values of assets and liabilities on page 79, the CAR is the additional amount required, over and above the actuarial liabilities, to enable Hollard Life to meet material deviations in the main parameters affecting its business. The CAR has been calculated in accordance with SAP 104 as the greater of the Termination Capital Adequacy Requirement (TCAR) and the Ordinary Capital Adequacy Requirement (OCAR). The TCAR examines a highly selective scenario in which all policies where the surrender value is greater than the policy liability terminate immediately. The OCAR is calculated based on a number of stress tests, which together with compulsory margins, are intended to provide approximately a 95% confidence level that the Group and Company will be able to meet all of its obligations.

It explicitly includes stress tests for the following risks:

- Financial risk arising from mismatches between assets and liabilities, including specific provision for mismatches between assets backing liabilities in respect of the liabilities themselves;
- Changes in lapse and withdrawal experience;
- Fluctuations in experience for mortality, morbidity and expenses; and
- The risk that assumptions for mortality and morbidity are not accurate estimates.

Hollard Life's statutory CAR was covered 2.6 times at 30 June 2016 (2015: 3.7 times).

Mortality and morbidity business

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics (such as AIDS) or widespread changes in lifestyle such as eating, smoking and exercise habits, resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant factor is the continued improvement in medical science and social conditions that would increase longevity. At present, these risks do not vary significantly in relation to the location of the risk insured by the Group and Company. However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

For contracts with fixed and guaranteed benefits and fixed future premiums, there are no mitigating terms and conditions that reduce the insurance risk accepted. However, all applications for risk cover in excess of specified limits are reviewed by experienced underwriters and evaluated against established standards. All risk related liabilities in excess of specified monetary or impairment limits are reinsured.

The Group and Company charge for mortality and morbidity risk on the basis of past scheme experience, industry class and average income amongst other factors. They have the right to alter these charges based upon its mortality and/or morbidity experience and hence minimise its exposure to mortality and morbidity risk. Delays in implementing increases in charges and market or regulatory restraints over the extent of the increases may reduce its mitigating effect. The Group and Company manages these risks by way of regular investigations into mortality and morbidity experience and through their underwriting strategy and reinsurance arrangements.

The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured benefits. For example, the Group and Company balance death risk and survival risk across their portfolio. Medical selection is also included in the Group's and Company's underwriting procedures with premiums varied to reflect the health condition and family medical history of the applicants. The Group and Company have a reinsurance programme in place to limit the extent of risk on any single life insured. The degree of risk retention by the Group and Company is assessed on a scheme and portfolio basis to ensure appropriate cover at all times.

The statutory actuary reports annually on the actuarial soundness of the premium rates in use and the profitability of the Group's and Company's business taking into consideration the reasonable benefit expectations of policyholders. These rates are revised where appropriate in response to changes in mortality and/or morbidity experience.

Sources of uncertainty in the estimation of future benefit payments and premium receipts

Uncertainty in the estimation of future benefit payments and premium receipts for long-term insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and the variability in policyholder behaviour.

Notes to the annual financial statements (continued)

for the year ended 30 June 2016

1. Accounting policies (continued)

1.12 Policyholder insurance and investment contracts – Classification (continued)

Management of insurance and financial risk (continued)

i) Insurance risk (continued)

Sources of uncertainty in the estimation of future benefit payments and premium receipts (continued)

The Group and Company use appropriate base tables of standard mortality according to the type of contract being written and the territory in which the insured person resides. An ongoing investigation into the Group's and Company's mortality experience is carried out and statistical methods are used to adjust the crude mortality rates to produce a best estimate of expected mortality for the future. Where data is sufficient to be statistically credible, the statistics generated by the data are used without reference to an industry table. Where this is not the case, the best estimate of future mortality is based on standard industry tables adjusted for the Group's and Company's overall experience. For contracts that insure survival, an adjustment is made for future mortality improvements based upon trends identified in the data and in the continuous mortality investigations performed by independent actuarial bodies.

The impact of any historical evidence of selective termination behaviour will be reflected in this experience. The Group and Company maintains voluntary termination statistics to investigate the deviation of actual termination experience against assumptions. Statistical methods are used to determine appropriate termination rates. An allowance is then made for any trends in the data to arrive at a best estimate of future termination rates.

Liability adequacy test

At each statement of financial position date, liability adequacy tests are performed to ensure the adequacy of contract liabilities. In performing these tests, current best estimates of future contractual cash flows, claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to the income statement and a provision is raised for losses identified by the liability adequacy tests.

Claims development table

IFRS 4 requires the disclosure of a claims development table in the financial statements. Given the fact that the majority of the Group's and Company's notified policyholder benefits are settled within a period of one year, no such table is provided in these financial statements.

ii) Financial risk:

Financial assets and liabilities are stated at fair value in the statement of financial position. Assets include listed equities, stated at fair value as determined by their market values as at 30 June 2016, and unlisted equities, stated at fair value as determined by either the contractual terms of the investment or by directors' valuation. Policyholder liabilities are valued in accordance with the long-term assumptions set out in the Company's Statement of actuarial values of assets and liabilities on pages 77 to 79 of these financial statements.

The Group and Company are exposed to financial risk through its financial assets, financial liabilities (investment contracts and borrowings), reinsurance assets and insurance liabilities. In particular, the key financial risk is the risk that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are interest rate risk, equity risk, currency risk, credit risk and liquidity risk. These risks arise from open positions in interest rate and equity products, all of which are exposed to general and specific market movements. The risk that the Group and Company primarily face due to the nature of its investments and liabilities is interest rate risk.

The Group and Company manage their financial risk within an asset liability management (ALM) framework that has been developed to achieve long-term investment returns in excess of their obligations under insurance and investment contracts. The principal technique of the Group's and Company's ALM is to match assets to the liabilities arising from insurance and investment contracts by reference to the type of benefits payable to policyholders. For each distinct category of liabilities, a separate portfolio of assets is maintained.

The Group's and Company's ALM is integrated with the management of the financial risks associated with the Group's and Company's other financial assets and liabilities not directly associated with insurance and investment liabilities, most notably borrowings.

Interest rate risk

Changes in market interest rates have a direct effect on the contractually determined cash flows associated with floating rate financial assets and liabilities and on the fair value of fixed maturity investments included in the Group's and Company's investment portfolios. Additionally, relative values of alternative investments and their liquidity could affect values of interest rate linked investments. The ongoing assessment by an investment research team of market expectations within the South African interest rate environment drives the process of asset allocation in this investment category.

Equity risk

Equity investments are made on behalf of policyholders and the shareholder. Listed equities are reflected at market values which are susceptible to market fluctuations. The stock selection and investment analysis process of shareholder assets is supported by a well developed research function utilising professional advisors. The acquisition of policyholder assets is based on the contracts entered into and the preferences expressed by the policyholders. Within these parameters, investments are managed with the aim of maximising policyholders' returns while limiting risk to acceptable levels within the framework of statutory requirements.

Currency risk

The Group and Company have financial assets invested offshore, which are denominated in foreign currencies. These investments were made for the purpose of obtaining a favourable international exposure to foreign currency and are monitored by the Group's and Company's Investment Committee.

Credit risk

The Group and Company have exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The Group and Company monitors their exposure to individual counterparties to ensure that no single concentration exceeds predetermined limits. An appropriate level of provision is maintained against doubtful debts.

Key areas of credit risk exposure include:

- Cash and cash equivalents;
- Financial assets and liabilities;
- Reinsurers' share of insurance liabilities;
- Amounts due from reinsurers in respect of claims already paid; and
- Amounts due from insurance intermediaries and administrators.

The Group and Company structure the level of credit risk they accept by placing limits on their exposure to a single counterparty or groups of counterparty, as well as to geographical and industry segments. Such risks are subject to ongoing review by the Group's and Company's Investment Committee.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's and Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Group and Company remain liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an ongoing basis and includes a review of their financial strength prior to finalisation of any treaty contract. Furthermore, the Group and Company manage its credit exposure through the placement of its reinsurance programmes with a number of local subsidiaries of foreign parent companies to mitigate, as far as possible, the risk of default by any one reinsurer.

Individual business units maintain records of the payment history for significant counterparties with whom they conduct regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Group and Company. Management information reported to the Group and Company include details of provisions for impairment on loans and receivables and subsequent write-offs. Internal Audit undertakes regular reviews to assess the degree of compliance with the Group's and Company's credit procedures. Exposures to individual policyholders and groups of policyholders are collected within the ongoing monitoring of the controls associated with regulatory solvency.

Liquidity risk

The Group and Company are exposed to daily calls on their available cash resources mainly from claims arising from their insurance contract obligations. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of borrowing facilities that should be in place to cover maturities, claims and surrenders at unexpected levels of demand. Furthermore, the Group's and Company's liabilities are backed by appropriate assets and it has significant liquid resources and substantial unutilised banking facilities.

1.13 Revenue recognition and insurance activity expenditure

Premium income

Premiums relating to the insurance business are stated gross and net of outward reinsurance premium and are accounted for by applying the accrual basis when collectability is reasonably assured. Premiums arising from investment contracts are excluded from the income statement in accordance with the requirements of IAS 39.

Interest income and expenditure

Interest income and expenditure for all interest-bearing financial instruments, including financial instruments measured as at fair value through profit or loss, are recognised within investment income and finance costs in the income statement using the effective interest rate method. When calculating the effective interest rate, the Group and Company estimates the relevant cash flows considering all contractual terms of the financial instruments under consideration.

When a receivable is impaired, the Group and Company reduce the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original interest rate of the instrument, and continue unwinding the discount as interest income. All interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established. Dividend income is recognised as at the last day to trade in respect of quoted shares and when declared in respect of unquoted shares. Preference share dividends are recognised using the effective interest rate method.

Notes to the annual financial statements (continued)

for the year ended 30 June 2016

1. Accounting policies (continued)

1.13 Revenue recognition and insurance activity expenditure (continued)

Rental income

Rental income from investment properties is recognised in the income statement on a straight-line basis over the term of each lease for all arrangements legislated by lease agreement, or when the right to the income accrues to the Group and Company in those situations where no formal lease arrangement exists.

Policyholder benefits

Provision is made for the estimated cost of claims notified but not settled at the end of the financial year using the best information available at the statement of financial position date. Claims payable amounts include related internal and external claims handling costs. Claims incurred prior to the end of the financial year but not reported until after that date are brought to account in the valuation of actuarial liabilities. Claims are stated net of reinsurance recoveries.

Policyholder liabilities

The Group's and Company's liabilities under unmatured policies are computed annually at the statement of financial position date by its statutory actuary in accordance with the provisions of the Long-Term Insurance Act. The transfers to and from policyholder liabilities under insurance contracts reflected in the income statement are the result of changes in actuarial liabilities and net adjustments to contingency and other reserves.

Commission

Commission payments and receipts are shown gross of reinsurance commissions. Life insurance business commissions are expensed as incurred. Commission in respect of investment contracts is expensed over the life of the contract.

Marketing and administration expenses

Marketing and administration expenses include all the Group's and Company's operating expenditure, including indirect taxes and levies other than life insurance levies, as well as non-commission related expenditure, and are expensed as incurred.

1.14 Employee benefits

Pension and provident scheme arrangements

The Group and Company operate defined contribution pension and provident funds. Contributions to the funds in respect of present service are charged against income as incurred. Contributions are adjusted periodically to take account of salary increases and any other changing circumstances. The Group and Company have no further obligations once the contributions have been paid.

Profit-sharing and bonus plans

The Group and Company operate several bonus and profit-share plans for the benefit of employees. A provision is recognised when the Group and Company are contractually obliged to pay the profit-share or bonus to its employees or where a past practice has created a constructive obligation to do so.

Leave pay

Employee entitlements to annual leave and long-services leave are recognised when they accrue to employees. Provision is made for the estimated liability of this leave as a result of services rendered by employees up to the statement of financial position date.

Termination benefits

Termination benefits are payable when an employee's employment is terminated before the normal retirement date or whenever an employee accepts a voluntary redundancy in exchange for these benefits. The Group and Company recognise termination benefits in the income statement when it is demonstrably committed to either terminating the employment of current employees according to a detailed, formal plan without possibility of withdrawal or where it is committed to providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Equity compensation plan

The Group and Company operate a cash-settled equity compensation plan for the benefit of black employees of the Group and Company. The fair value of options granted are measured at each statement of financial position date and any change in the fair value of the liability is recognised in the income statement. On termination any share liability in Hollard Life will be reclassified to equity.

Other post-employment obligations

The Group and Company have no obligation for post-retirement medical benefits in respect of pensioners, former employees or current employees.

1.15 Taxation

Income taxation on the profit or loss for the period comprises current and deferred taxation. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income, in which case the related income tax is also recognised in other comprehensive income.

Income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Current taxation

Current taxation is the expected taxation payable using taxation rates enacted at statement of financial position date, including any prior year adjustments.

Deferred taxation

Deferred taxation is provided at current tax rates, on the comprehensive basis, using the statement of financial position liability method in respect of all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In general, deferred tax liabilities are recognised for all taxable temporary timing differences and deferred tax assets are recognised to the extent that it is probable future taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Secondary Tax on Companies (STC) and Dividend Withholding Tax

STC is charged to the income statement when the related dividend is declared. Unused STC credits are recognised as a deferred tax asset, when it is probable that they will be realised.

Government notice number 1073, issued by National Treasury on 20 December 2011 introduced a withholding tax on dividends into South Africa with effect from 1 April 2012 in lieu of STC. The Company is exempt from paying withholding tax on ordinary share dividends received as they are a company resident in the Republic of South Africa. Accordingly, no withholding tax should be deducted from dividends payable by the issuer to the Company.

1.16 Provisions

Provisions are recognised when the Group and Company have a present legal or constructive obligation of uncertain timing or amount as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Provisions are measured as the present value of management's best estimate of the expenditure required to settle the obligation at the reporting date. When the effect of discounting is material, provisions are discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Provisions are not recognised for future operating losses. When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

1.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds and the redemption value is recognised in the income statement over the period of the borrowing using the effective interest rate method.

1.18 Operating leases

Leases of assets under which the lessor effectively retains all the risks and benefits of ownership are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated, any payment required by the lessor by way of a penalty is recognised as an expense in the period in which termination takes place.

1.19 Dividend distribution

Dividend distributions to the Group's and Company's shareholders are recognised as a liability in the Group and Company annual financial statements in the period in which the Board of Directors approves the dividend after performing solvency and liquidity tests.

1.20 Critical accounting estimates and judgements in applying accounting policies

The Group and Company make certain estimates and assumptions that affect the reported amounts of assets and liabilities in the annual financial statements. These estimates and assumptions are continually evaluated based upon past experience and a reasonable expectation of future events and are revised as appropriate. The key estimates and judgements that the Group and Company face in applying their accounting policies are as follows:

Notes to the annual financial statements (continued)

for the year ended 30 June 2016

1 Accounting policies (continued)

1.20 Critical accounting estimates and judgements in applying accounting policies (continued)

Liability arising from claims under insurance contracts

The estimation of the ultimate liability arising from policyholder liabilities under insurance contracts is the Group's and Company's most important accounting estimate. There are several sources of uncertainty that are considered when calculating this liability.

Policyholder benefit payments are generally fixed or relatively easy to estimate, thereby limiting the uncertainty as to the expected liability of a particular policy. The reinsurance terms of each policy are also known in advance and the allowance for reinsurance recoveries is readily ascertainable, although the timing of benefit payments must be estimated. The estimate of this timing is based on the probability that a policy will be in force and the probability of a claim arising in the future from the valuation date until the expiry of the term of the policy, modified for past experience.

For each policy the present value of the expected benefit payment is estimated based on the age of policyholders and mortality tables, modified to reflect the recent claims experience of the Company. The assumptions used are generally best estimate assumptions with compulsory margins and, where appropriate, discretionary margins being provided to cater for uncertainty. The discount rate used to capitalise the policyholder benefit values is also based on current economic conditions but reflects the Group's and Company's asset mix with an allowance for mismatching risk.

The Group and Company's procedures for determining significant reserving assumptions are outlined in note 1.12 on page 96 of these financial statements.

Estimate of future premiums and benefit payments arising from long-term insurance contracts

The determination of liabilities under long-term insurance contracts is dependent on estimates made by the Group and Company. Estimates are made as to the expected number of deaths for each of the years in which the Group and Company is exposed to risk and are based on standard industry and national mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Group's and Company's own experience. An appropriate provision for future policyholder benefit payments is made on the basis of these estimates.

Estimates are also made as to the future investment returns arising from assets backing long-term insurance contracts. These estimates are based on current market returns and expectations about future economic and financial developments.

Future premium payments due to the Group and Company are valued on the basis of the current premium being paid. Future premiums are projected over the life of each policy on a policy-by-policy basis. The value of the premiums takes into account the possibility that the policy may terminate due to early cancellation through lapsing or surrender. The interest rate used to discount the premiums reflects current economic conditions, the asset mix of the Company and allows for mismatching risk.

Valuation of unlisted investments

The Group and Company determine the fair value of their unlisted investments using well established valuation techniques. These techniques include discounted cash flow analysis, price earnings ratio and net asset value methodologies.

Insurance companies are valued on a discounted cash flow basis. In instances where reliable future cash flows cannot be estimated, the valuation is based on a price earnings valuation technique. In the event that no cash flow information is available, the valuation is based on the net asset value of the business.

In using discounted cash flow analyses, the discount rate used is based on the build-up method which incorporates a risk-free rate of 5.96%, an equity risk premium and an unsystematic risk premium.

In using the price earnings valuation technique, the valuation is based on a PE multiple of the current years' normalised earnings. The potential future earnings of the company, current interest rate cycle, current business environment and management of the company are considered in determining the earnings factor.

Due to the number and the diversity of investments the disclosure of a sensitivity analysis has not been prepared as it does not provide the user of the financial statements with a meaningful comparison.

The financial year-end valuations are approved by the Investment Committee.

Goodwill

Goodwill is allocated by the Group and Company to the cash-generating units (CGU) that represent the business operation from which the goodwill was originally generated. When testing for impairment, the recoverable amount is determined by value in use calculations. These calculations apply discounted cash flow techniques to the projected earnings of each CGU.

2. Financial risk management

2.1 Introduction

The Group's and Company's principal objectives are to ensure that it will be able to continue as a going concern and to provide value to its shareholder and policyholders through a long-term sustainable real return on capital as a result of managing its business risks within an appropriate risk framework.

The Board of Directors has overall responsibility for establishing, monitoring and communicating the Group's and Company's risk management framework, including defining what constitutes "appropriate" risk and control policies, and for ensuring that sufficient capital is held to support the taking of risk. In order to discharge some of its responsibility, the Board has established the Risk and Compliance Committee, which is responsible for developing and monitoring the Group's and Company's risk management policies. The Committee reports regularly to the Board on its activities.

The Group and Company continually update the vision, strategy, values and business objectives and a robust risk management process is critical to ensuring the sustainability of its business model. The Group's and Company's main activities from a risk taking perspective can be summarised into the following two categories:

i) Providing risk cover to individuals. The Group's and Company's core competencies are to understand the life related risk needs of individuals and to design sustainable products that provide financial stability to policyholders and their dependants in times of death, disability and/or illness; and

ii) Providing asset management services to individuals. The Group and Company uses their financial skills to provide competitive investment products to an increasingly broad range of customers through a variety of carefully selected outsourced asset managers.

Key elements of risk management in a long-term insurer and asset management provider include:

- maintaining sufficient economic capital and liquidity to withstand the majority of reasonable foreseeable risk events or occurrences;
- understanding the significant risk, economic and non-economic variables in the design of each product;
- strong corporate governance policies and procedures, including relevant and reliable management information and internal control processes;
- ensuring only suitably qualified and trained distribution staff, business partners, intermediaries, brokers and agents are utilised to provide financial advice to customers;
- ensuring significant and relevant skills and services are constantly available to the Group and Company;
- influencing the business environment by being active participants in relevant regulatory and business forums;
- keeping abreast of consumer and technology trends and investing in capital and resources where required; and
- establishing an appropriate risk framework of authority for providing management with the risk parameters that are acceptable to the Board of Directors.

The Group's and Company's risk management policies were established to identify and analyse the risks it faces, to set appropriate risk limits and controls and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in both market conditions and the Group's and Company's activities. The Group and Company, through training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees, brokers and partners understand their roles and obligations.

The Group's Risk and Compliance Committee oversees how management monitors compliance with its established risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group and Company. The Audit Committee and Risk and Compliance Committee are assisted in their oversight role by Internal Audit, which undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to stakeholders in management and to the Audit Committee and Risk and Compliance Committee.

2.2 Exposure to risks arising from financial instruments

The Group and Company have exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

This section presents information about the Group's and Company's exposure to each of the above risks, the Group's and Company's objectives, policies and processes for measuring and managing risk, and the Group's and Company's management of capital. Further quantitative disclosures are provided throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's and Company's risk management framework. The Board has established the Risk and Compliance Committee, which is responsible for developing and monitoring the Group's and Company's risk management policies. The Committee reports regularly to the Board of Directors on its activities.

Notes to the annual financial statements (continued)

for the year ended 30 June 2016

2. Financial risk management (continued)

2.2 Exposure to risks arising from financial instruments (continued)

2.2.1 Credit risk

Credit risk is the risk of financial loss to the Group and Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Key areas where the Group and Company is exposed to credit risk include:

- amounts due from insurance policyholders;
- amounts due from outsourced insurance contract intermediaries, administrators and business partners;
- investments and cash equivalents;
- reinsurers' share of insurance liabilities; and
- amounts due from reinsurers and third parties in respect of claims already paid.

The Group's Audit Committee and Risk Committee oversees how management monitors compliance with the Group's and Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group and Company. The Audit Committee and Risk Committee are assisted in their oversight role by Internal Audit, which undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee and Risk and Compliance Committee.

Insurance, loans and other receivables

The Group and Company limit the levels of credit risk that it accepts by placing limits on their exposure to a single counterparty or groups of counterparties, product, as well as to geographical and industry segments. The risk levels are subject to annual or more frequent reviews. Internal Audit also makes regular reviews to assess the degree of compliance with the Group's and Company's procedures on credit.

The Group's and Company's exposure to credit risk is influenced mainly by the individual characteristics of each intermediary and the portfolios that they administer. A significant amount of the Group's and Company's insurance business is written through and administered by intermediaries, the majority of which have been transacting with the Group and Company for most of their existence. The credit control function forms an integral part of the business relationship to the extent that the intermediaries are closely monitored on many levels, including product profitability CAR, and return on capital. Appropriate remedial action is taken wherever the need arises.

The Group and Company provide for impairment in respect of their insurance debtors, loans and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Investments

The Group and Company have a dedicated Investment Committee that monitors the investment mandates set by the Board. Through these mandates, the Group and Company limit exposure to credit risk through diversification and by mainly investing in liquid securities and with counterparties that have a minimum credit rating, or where such ratings are not available, by internal analysis according to strict criteria. Given these high credit ratings requirements, management does not expect any counterparty to fail to meet its obligations.

The Group seeks to avoid concentration of credit risk to groups of counterparties, asset management houses, business sectors, product types and geographical segments by diversifying the investment mandate to various asset management houses and enforcing a strict application of mandates according to an internal, actuarially calculated asset allocation framework. Financial assets are graded and invested according to this framework and the Investment Committee regularly reviews compliance to that effect.

The analysis of credit quality of the Group's and Company's assets are disclosed in note 3.1 (a) on page 107 of the annual financial statements.

Reinsurance

Reinsurance is used to manage insurance risk. Under the terms of reinsurance agreements, reinsurers agree to reimburse the ceded amount to the insurer in the event that a gross claim is paid. Under financial reinsurance agreements a discount or rebate is applied to the initial reinsurance premium(s) in order to assist the Group and Company with capital management. However, the Group and Company remain liable to their policyholders regardless of whether the reinsurer meets the obligations it has assumed. Consequently the Group and Company are exposed to credit risk.

The Group and Company have exposure to concentration risk with individual reinsurers due to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable credit ratings. The creditworthiness of reinsurers is considered annually by reviewing their financial strength prior to finalisation of any new or renegotiated treaty. The Group's and Company's largest reinsurance counterparty is Hannover Re. This exposure is monitored on a regular basis for any shortfall in the claims history to verify that the contract is progressing as expected and that no further exposure for the Group and Company will arise.

2.2.2 Liquidity risk

Liquidity risk is the risk that the Group and Company will not be able to meet their financial obligations as they fall due. The Group's and Company's approach to managing liquidity is to ensure, as far as possible, that they will always have sufficient liquidity to meet their liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's and Company's reputation.

The Group and Company are exposed to daily calls on their available cash resources as a result of claims arising from their life insurance and investment contracts. The Investment Committee sets limits on the minimum proportion of maturing funds that must be available to meet such calls in order to cover claims at unexpected levels of demand. Based on actuarial modelling of historical and future expected trends, the Group and Company have estimated the probable cash outflows associated with general insurance liabilities. The maturity analysis of the gross insurance liabilities is set out in note 3.2 on pages 110 to 111. The maturity profile of the related insurance and investment assets is expected to be similar to the profile of the liabilities.

2.2.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's and Company's income or the value of their holdings of insurance assets and financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while at the same time optimising the Group's and Company's return on investment.

In particular, the Group and Company are exposed to market risk in those instances where the proceeds from their financial assets are not sufficient to fund their obligations from their insurance and/or investment contracts. This risk is termed the policyholder asset-liability mismatched risk. The Group and Company manage these positions within an asset-liability management (ALM) framework that aims to match assets to the liabilities arising from insurance contracts by nature and term. In accordance with the ALM framework, a separate financial asset profile is maintained for each distinct category of liabilities. For most categories of business, the ALM framework determines an asset class allocation. In certain classes, the specific timing of cash flows is considered to determine the selection of assets within those classes.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's and Company's ALM framework. The Board has established the Investment Committee, which is responsible for developing and monitoring the Group's and Company's ALM framework. The committee reports regularly to the Board of Directors on its activities.

Financial assets and liabilities that are utilised to support the Group's and Company's capital base are fully exposed to the relevant elements of market risk. In summary, the key components of market risk are:

a) Currency risk

Currency risk is the risk arising from fair value and/or future cash flows of a financial instrument fluctuating from their expected values as a result of changes in exchange rates. This can arise from either a mismatch between currencies of assets or liabilities or supporting capital or the trading currency of the local entity being different to the Group's and Company's reporting currency.

The Group and Company are exposed to foreign currency risk for transactions that are denominated in a currency other than Rand. This exposure is limited to the Group's joint venture operations that were disposed of during the current year, transactions with foreign reinsurers, debt securities and equity investments in foreign companies. These foreign investments were made for the purposes of obtaining favourable international exposure to foreign currency and are monitored by the Investment Committee. The Group and Company do not take cover on foreign currency transactions and balances as the net exposure is considered minimal.

The table in Note 3.3.1 on page 111 of these annual financial statements illustrates the Group's split of assets and liabilities by major currency.

b) Interest rate risk

Interest rate risk is the risk arising from fair value and/or future cash flows of a financial instrument fluctuating from their expected values as a result of changes in market interest rates.

Changes in market interest rates have a direct effect on the contractually determined cash flows associated with floating rate financial assets and liabilities and on the fair value of fixed maturity investments in the Group's and Company's investment portfolios. The Group's and Company's fixed maturity investments are insignificant and therefore do not give rise to significant interest rate risk. Furthermore, the majority of interest sensitive investments are short-term in nature, which minimises any impact to changes in their fair value. The Group and Company do not use derivative instruments to manage this risk other than an ongoing assessment by the Investment Committee of market expectations within the South African market to determine an optimal asset allocation in interest sensitive investments.

Insurance liabilities are not directly sensitive to the level of market interest rates, as they are not discounted and contractually non-interest-bearing. The sensitivity analysis for interest rate risk illustrates how changes in the fair values or future cash flows of financial instruments will fluctuate because of changes in the market interest rates at the reporting date.

Notes to the annual financial statements (continued)

for the year ended 30 June 2016

2. Financial risk management (continued)

2.2 Exposure to risks arising from financial instruments (continued)

2.2.3 Market risk

c) Other market price (or equity) risk

Equity risk is the risk arising from the actual fair value and/or the future cash flows from equities fluctuating from their expected values as a result of changes in market prices and/or dividend amounts.

Equity price risk arises from listed, fair value through profit or loss equity securities held on behalf of the policyholders and the shareholder. The equity selection and investment analysis process is supported by a well developed research function utilising professional advisors. The acquisition of policyholder assets is based on the types of contracts entered into and the preferences expressed by the policyholders, where appropriate. Within these parameters, investments are managed with the objective of maximising policyholders' returns while limiting risks to acceptable levels within the framework of statutory requirements.

The Group and Company are assisted by external asset managers to manage their market price risk. In accordance with this strategy certain investments are designated at fair value through profit or loss financial instruments because their performance is actively monitored and they are managed on a fair value basis.

The Investment Committee actively monitors equity assets, listed and unlisted, owned by the Group and Company, which include some material shareholdings in the Group's and Company's strategic partners. Concentrations of specific equity holdings are also monitored.

Capital management

The Group and Company recognise equity, reserves excluding non-controlling interest. For internal management purposes, the Group and Company refer to its minimum capital levels as its Capital Adequacy Requirement (CAR), which is the international standard for measuring the solvency of a life insurance company. In addition to the international basis, management uses the statutory solvency requirements as prescribed by the legislation in the territories in which the Group and Company have operations, to monitor and manage the Group's and Company's capital resources.

The Group's and Company's objectives when managing capital are to:

- comply with the insurance capital requirements required by the regulators of the insurance markets in which it operates. The CAR is intended to approximate a risk-based capital measure and gives guidance to the Board regarding the acceptable minimum capital requirements at all times;
- safeguard the Group's and Company's ability to continue as a going concern so that it can continue to provide returns to both its shareholder and other stakeholders;
- provide an adequate return to the shareholder by pricing insurance contracts commensurately with the attendant level of risk;
- ensure that it maintains strong capital ratios in order to support its business and maximise shareholder value; and
- effectively manage its capital structure and make appropriate adjustments to the structure in light of changes to economic conditions.

In each country in which the Group and Company operate, the local insurance regulator specifies the minimum amount and type of capital that must be held by each of the subsidiaries to fund their insurance liabilities. The minimum required capital must be maintained at all times. The Group and Company are subject to minimum capital adequacy requirements in all of the territories in which they issue life insurance contracts and they always have, and will continue to, comply with these regulations. The Company submits quarterly and annual returns to the Financial Services Board in accordance with the terms of the Long-term Insurance Act, 1998 (the Act). Under the terms of this Act, the Company is required to, at all times, maintain a statutory surplus asset ratio. The returns submitted during the year showed that the Company exceeded its minimum requirements throughout the year.

3. Risk management

3.1 Credit risk

a) Credit rating

The following table provides information regarding the Group and Company's aggregated credit exposures. The carrying amount of these financial instruments represents the Group and Company's maximum exposure to credit risk. The Group and Company do not engage in any activities to enhance the credit quality of these instruments such as obtaining collateral and purchasing credit derivatives or similar instruments.

Concentrations of credit risk are determined on the basis of counterparty credit rating criteria, as risks faced by these groupings are similar in nature. The grouping of assets in such manner highlights the credit quality associated with financial assets and liabilities.

GROUP	AA R'000	AA– R'000	A+ R'000	A– R'000	BBB+ R'000	BBB R'000	BBB– R'000	BB+ R'000	B R'000	CCC R'000	Not rated R'000	Total R'000
2016												
Unlisted investments – Preference Shares	–	–	–	–	–	–	–	–	–	–	**284 384**	**284 384**
Bonds – held at fair value through profit or loss*	–	–	**70 411**	**623 141**	**37 558**	**184 841**	**3 295 174**	**47 451**	**173 141**	–	**31 871**	**4 463 588**
Loans – interest-bearing	–	–	–	–	–	–	–	–	–	–	**178 229**	**178 229**
Loans – non-interest-bearing	–	–	–	–	–	–	–	–	–	–	**12 818**	**12 818**
Other loans and receivables	–	–	–	–	–	–	–	–	–	–	**68 104**	**68 104**
Cash and cash equivalents	–	**41 459**	**135**	–	–	–	**1 453 115**	**13 995**	–	–	**208 124**	**1 716 828**
Financial assets	–	**41 459**	**70 546**	**623 141**	**37 558**	**184 841**	**4 748 289**	**61 446**	**173 141**	–	**783 530**	**6 723 951**
Premium debtors	–	–	–	–	–	–	–	–	–	–	**241 645**	**241 645**
Policy loans	–	–	–	–	–	–	–	–	–	–	**8 916**	**8 916**
Reinsurance assets	**1 216**	**27 015**	–	–	**48 634**	**38 477**	**19 639**	–	–	–	**629**	**135 610**
Other insurance assets	–	–	–	–	–	–	–	–	–	–	**105 035**	**105 035**
Insurance assets	**1 216**	**27 015**	–	–	**48 634**	**38 477**	**19 639**	–	–	–	**356 225**	**491 206**
2015												
Loans to associates	–	–	–	–	–	–	–	–	–	–	18	18
Non-current assets held-for-sale	–	–	–	–	–	–	–	–	–	–	26 622	26 622
Unlisted investments	–	–	–	–	58 469	143 238	–	–	–	–	4 298 595	4 500 302
Bonds – held at fair value through profit or loss	–	–	23 256	611 912	1 673 915	2 687 537	6 089	67 588	–	189 439	66 167	5 325 903
Loans – interest-bearing	–	–	–	–	–	–	–	–	–	–	100 146	100 146
Other loans and receivables	–	–	–	–	–	–	–	–	–	–	93 884	93 884
Cash and cash equivalents	–	156 383	–	–	805 030	978 448	–	11 032	–	–	19 946	1 970 839
Financial assets	–	156 383	23 256	611 912	2 537 414	3 809 223	6 089	78 620	–	189 439	4 605 378	12 017 714
Premium debtors	–	–	–	–	–	–	–	–	–	–	281 502	281 502
Policy loans	–	–	–	–	–	–	–	–	–	–	10 983	10 983
Reinsurance assets	–	–	–	–	–	–	–	–	–	–	127 095	127 095
Other insurance assets	–	–	–	–	–	–	–	–	–	–	86 270	86 270
Insurance assets	–	–	–	–	–	–	–	–	–	–	505 850	505 850

* *These assets are designated at fair value through profit and loss, and would otherwise have been measured at amortised cost. As with all financial assets disclosed here, the carrying amount of these assets represents their maximum exposure to credit risk, with no related credit enhancements. The amount of the change in the fair value of these instruments attributable to credit risk is R0.63m (2015: R17.1m). This is determined using the differentiation in credit spreads year on year.*

Notes to the annual financial statements (continued)

for the year ended 30 June 2016

3. Risk management (continued)

3.1 Credit risk (continued)

a) Credit rating (continued)

COMPANY	AA R'000	AA– R'000	A+ R'000	A– R'000	BBB+ R'000	BBB R'000	BBB– R'000	BB+ R'000	B R'000	CCC R'000	Not rated R'000	Total R'000
2016												
Unlisted investments – Preference shares	–	–	–	–	–	–	–	–	–	–	283 173	283 173
Bonds – held at fair value through profit or loss*	–	–	70 411	623 141	37 558	184 841	3 295 174	47 451	173 141	–	31 871	4 463 588
Loans – interest-bearing	–	–	–	–	–	–	–	–	–	–	178 229	178 229
Loans – non-interest-bearing	–	–	–	–	–	–	–	–	–	–	12 818	12 818
Other loans and receivables	–	–	–	–	–	–	–	–	–	–	74 657	74 657
Cash and cash equivalents	–	41 459	135	–	–	–	1 441 601	13 995	–	–	203 224	1 700 414
Financial assets	–	41 459	70 546	623 141	37 558	184 841	4 736 775	61 446	173 141	–	783 972	6 712 879
Premium debtors	–	–	–	–	–	–	–	–	–	–	241 645	241 645
Policy loans	–	–	–	–	–	–	–	–	–	–	8 916	8 916
Reinsurance assets	1 216	27 015	–	–	48 634	38 477	19 639	–	–	–	629	135 610
Other insurance assets	–	–	–	–	–	–	–	–	–	–	105 035	105 035
Insurance assets	1 216	27 015	–	–	48 634	38 477	19 639	–	–	–	356 225	491 206
2015												
Loans to subsidiaries	–	–	–	–	–	–	–	–	–	–	7 834	7 834
Loans to associates	–	–	–	–	–	–	–	–	–	–	18	18
Non-current assets held-for-sale	–	–	–	–	–	–	–	–	–	–	26 622	26 622
Unlisted investments	–	–	–	–	58 469	143 238	–	–	–	–	4 297 468	4 499 175
Bonds – held at fair value through profit or loss	–	–	23 256	611 912	1 673 915	2 687 537	6 089	67 588	–	189 439	66 167	5 325 903
Loans – interest-bearing	–	–	–	–	–	–	–	–	–	–	100 146	100 146
Other loans and receivables	–	–	–	–	–	–	–	–	–	–	93 883	93 883
Cash and cash equivalents	–	156 383	–	–	805 030	978 448	–	11 032	–	–	6	1 950 899
Financial assets	–	156 383	23 256	611 912	2 537 414	3 809 223	6 089	78 620	–	189 439	4 592 144	12 004 482
Premium debtors	–	–	–	–	–	–	–	–	–	–	281 502	281 502
Policy loans	–	–	–	–	–	–	–	–	–	–	10 983	10 983
Reinsurance assets	–	–	–	–	–	–	–	–	–	–	127 095	127 095
Other insurance assets	–	–	–	–	–	–	–	–	–	–	86 270	86 270
Insurance assets	–	–	–	–	–	–	–	–	–	–	505 850	505 850

* *These assets are designated at fair value through profit and loss, and would otherwise have been measured at amortised cost. As with all financial assets disclosed here, the carrying amount of these assets represents their maximum exposure to credit risk, with no related credit enhancements. The amount of the change in the fair value of these instruments attributable to credit risk is R0.63m (2015: R17.1m). This is determined using the differentiation in credit spreads year on year.*

b) **Financial and insurance assets that are neither past due nor impaired**

The analysis of financial instruments that were neither past due nor impaired and/or individually impaired at the reporting date was as follows:

	GROUP				COMPANY			
	Neither past due nor impaired R'000	Past due but not impaired R'000	Individually impaired R'000	Gross carrying amount R'000	Neither past due nor impaired R'000	Past due but not impaired R'000	Individually impaired R'000	Gross carrying amount R'000
2016								
Loans to associates	**–**	**–**	**3 022**	**3 022**	**–**	**–**	**3 022**	**3 022**
Unlisted investments	**4 942 596**	**–**	**–**	**4 942 596**	**4 941 385**	**–**	**–**	**4 941 385**
Bonds – at fair value through profit and loss	**4 463 588**	**–**	**–**	**4 463 588**	**4 463 588**	**–**	**–**	**4 463 588**
Financial assets	**9 406 184**	**–**	**3 022**	**9 409 206**	**9 404 973**	**–**	**3 022**	**9 407 995**
Premium debtors	**241 645**	**21 080**	**34 510**	**297 235**	**241 645**	**21 080**	**34 510**	**297 235**
Insurance assets	**241 645**	**21 080**	**34 510**	**297 235**	**241 645**	**21 080**	**34 510**	**297 235**
2015								
Loans to associates	18	–	3 064	3 082	18	–	3 064	3 082
Unlisted investments	4 697 420	–	–	4 697 420	4 696 293	–	–	4 696 293
Bonds – at fair value through profit and loss	5 325 904	–	–	5 325 904	5 325 904	–	–	5 325 904
Financial assets	10 023 342	–	3 064	10 026 406	10 022 215	–	3 064	10 025 279
Premium debtors	304 895	–	4 280	309 175	304 895	–	4 280	309 175
Insurance assets	304 895	–	4 280	309 175	304 895	–	4 280	309 175

c) **Age analysis of other loans and receivables and premium debtors that are past due but not impaired**

	GROUP					COMPANY				
	Not past due <30 days R'000	31 to 60 days R'000	61 to 90 days R'000	More than 90 days R'000	Total past due but not impaired R'000	Not past due <30 days R'000	31 to 60 days R'000	61 to 90 days R'000	More than 90 days R'000	Total past due but not impaired R'000
2016										
Premium debtors	**–**	**5 904**	**2 973**	**12 203**	**21 080**	**–**	**5 904**	**2 973**	**12 203**	**21 080**
	–	**5 904**	**2 973**	**12 203**	**21 080**	**–**	**5 904**	**2 973**	**12 203**	**21 080**
2015										
Premium debtors	304 895	–	–	–	–	304 895	–	–	–	–
	304 895	–	–	–	–	304 895	–	–	–	–

The Group records impairment allowances for loans and receivables in a separate impairment allowance account. A reconciliation of the allowance for impairment losses for loans and receivables is as follows:

	2016 R'000	2015 R'000
Balance at beginning of year	**(4 280)**	(4 193)
– Collective impairment loss recognised	**(30 230)**	(87)
Balance at end of year	**(34 510)**	(4 280)

Notes to the annual financial statements (continued)

for the year ended 30 June 2016

3. Risk management (continued)

3.2 Liquidity risk

3.2.1 Liquidity profile of financial assets

The following tables detail the Group and Company's contractual maturities of financial assets, including interest payments. This has been determined based on the contractual maturities of dated instruments, and classified as open ended where the asset has no fixed maturity date. The carrying amount represents the probable cash flows as it is net of impairments.

	Carrying amount	Total contractual cash flows	0 – 12 months	1 – 5 years	More than 5 years	Open-ended
GROUP						
2016						
Financial assets at fair value through profit or loss	**10 466 866**	**10 466 866**	**6 793 345**	**2 284 225**	**56 602**	**1 332 694**
Reinsurance assets	**135 610**	**135 610**	**135 610**	**–**	**–**	**–**
Insurance, loans and other receivables	**614 747**	**614 747**	**614 747**	**–**	**–**	**–**
Loans to Associates	**–**	**3 022**	**3 022**	**–**	**–**	**–**
Non-current assets held-for-sale	**–**	**–**	**–**	**–**	**–**	**–**
Cash and cash equivalents	**1 716 828**	**1 716 828**	**1 716 828**	**–**	**–**	**–**
	12 934 051	**12 937 073**	**9 263 552**	**2 284 225**	**56 602**	**1 332 694**
2015						
Financial assets at fair value through profit or loss	11 154 707	9 736 101	5 320 232	2 166 481	2 113 896	135 492
Reinsurance assets	127 095	127 095	127 095	–	–	–
Insurance, loans and other receivables	589 198	597 032	597 032	–	–	–
Loans to Associates	18	7 834	7 834	–	–	–
Cash and cash equivalents	1 967 507	1 955 993	1 955 993	–	–	–
	13 838 525	12 424 055	8 008 186	2 166 481	2 113 896	135 492
COMPANY						
2016						
Financial assets at fair value through profit or loss	**10 465 655**	**10 465 655**	**6 792 134**	**2 284 225**	**56 602**	**1 332 694**
Reinsurance assets	**135 610**	**135 610**	**135 610**	**–**	**–**	**–**
Loans to Subsidiaries	**5 332**	**5 332**	**5 332**	**–**	**–**	**–**
Loans to Associates	**–**	**3 022**	**3 022**	**–**	**–**	**–**
Insurance, loans and other receivables	**621 300**	**621 300**	**621 300**	**–**	**–**	**–**
Cash and cash equivalents	**1 700 414**	**1 700 414**	**1 700 414**	**–**	**–**	**–**
	12 928 311	**12 931 333**	**9 257 812**	**2 284 225**	**56 602**	**1 332 694**
2015						
Financial assets at fair value through profit or loss	11 153 580	9 734 975	5 319 106	2 166 481	2 113 896	135 492
Reinsurance assets	127 095	127 095	127 095	–	–	–
Insurance, loans and other receivables	596 176	596 176	596 176	–	–	–
Loans to Subsidiaries	7 834	7 834	7 834	–	–	–
Loans to Associates	18	18	18	–	–	–
Cash and cash equivalents	1 950 900	1 950 900	1 950 900	–	–	–
	13 835 603	12 416 998	8 001 129	2 166 481	2 113 896	135 492

3.2.2 Maturity profile of financial liabilities including insurance liabilities

The following table details the Group's and Company's probable cash outflows associated with insurance liabilities and financial liabilities, including interest payments:

	GROUP			COMPANY		
	Probable cash outflows R'000	Maturity within 1 year R'000	Maturity between 1 and 5 years R'000	Probable cash outflows R'000	Maturity within 1 year R'000	Maturity between 1 and 5 years R'000
2016						
Insurance liabilities						
Reinsurance liabilities	**132 677**	**132 677**	**–**	**132 677**	**132 677**	**–**
Outstanding claims	**312 734**	**–**	**312 734**	**312 734**	**–**	**312 734**
Policyholder liabilities	**9 363 579**	**–**	**9 363 579**	**9 363 579**	**–**	**9 363 579**
	9 808 990	**132 677**	**9 676 313**	**9 808 990**	**132 677**	**9 676 313**
Financial liabilities						
Trade and other payables	**410 160**	**410 160**	**–**	**410 269**	**410 269**	**–**
	410 160	**410 160**	**–**	**410 269**	**410 269**	**–**
2015						
Insurance liabilities						
Reinsurance liabilities	144 767	–	144 767	144 767	–	144 767
Outstanding claims	353 139	–	353 139	353 139	–	353 139
Policyholder liabilities	10 177 737	–	10 177 737	10 177 737	–	10 177 737
	10 675 643	–	10 675 643	10 675 643	–	10 675 643
Financial liabilities						
Trade and other payables	383 552	383 552	–	379 244	379 244	–
	383 552	383 552	–	379 244	379 244	–

3.3. Market risk

3.3.1 Currency risk

The Group's and Company's exposure to currency risk at the reporting date was as follows based on notional amounts:

	2016				2015				
Asset class	ZAR carrying amount R'000	USD $'000	Euro €'000	GBP £'000	ZAR carrying amount R'000	USD $'000	Euro €'000	GBP £'000	AUD $'000
Financial assets									
Listed equities	**–**	**–**	**–**	**–**	159 438	–	–	7 325	2 024
Hedge fund investments	**2 895**	**114**	**–**	**63**	229 201	6 888	688	1 366	–
Unit trusts	**–**	**–**	**–**	**–**	54 756	4 500	–	–	–
Cash and cash equivalents	**184 584**	**9 891**	**–**	**2 032**	156 333	9 661	–	2 025	–
Gross statement of financial position exposure	**187 479**	**10 005**	**–**	**2 095**	599 728	21 049	688	10 716	2 024

The following significant exchange rates applied during the year:

	2016		2015	
	Average rate	Reporting date spot rate	Average rate	Reporting date spot rate
USD	**14.50**	**14.66**	11.54	12.17
Euro	**16.10**	**16.29**	13.64	13.56
GBP	**21.45**	**19.49**	18.04	19.12
AUD	**10.55**	**10.95**	9.48	9.38

Notes to the annual financial statements (continued)

for the year ended 30 June 2016

3. Risk management (continued)

3.3. Market risk (continued)

3.3.2 Sensitivity analysis – foreign exposure

A 5% strengthening/(devaluation) in the relevant foreign currencies against ZAR at the reporting date would have increased/(decreased) equity and profit/(loss) by the amounts shown below. This assumes that all other variables, in particular interest rates, remain constant.

The methodology adopted for the profit or loss and the equity impact, was the application of the net exposure to the relevant foreign currencies at the average rate and reporting date spot rate respectively.

	Profit/(loss)		Equity	
	5% increase	**5% decrease**	**5% increase**	**5% decrease**
2016				
USD	**7 254**	**(7 254)**	**7 333**	**(7 333)**
GBP	**2 246**	**(2 246)**	**2 041**	**(2 041)**
	9 500	**(9 500)**	**9 374**	**(9 374)**
2015				
USD	12 099	(12 099)	12 807	(12 807)
Euro	(469)	469	466	(466)
GBP	9 667	(9 667)	10 244	(10 244)
AUD	959	(959)	949	(949)
	22 256	(22 256)	24 466	(24 466)

3.3.3 Interest rate risk

Group

At the reporting date, the interest rate concentration profile of the Group financial instruments subject to interest rate risk was as follows:

	2016			2015		
	Carrying amount R'000	**Nominal interest rate %**	**Effective interest rate %**	Carrying amount R'000	Nominal interest rate %	Effective interest rate %
Fixed rate instruments						
Financial assets						
Bonds						
– Due in two years or less	**3 011 630**	**7.96**	**7.84**	3 398 075	7.29	8.81
– Due between two and five years	**1 398 906**	**9.20**	**8.57**	1 871 510	7.91	8.60
– Due after five years	**53 052**	**7.38**	**7.38**	56 318	10.70	10.52
	4 463 588			5 325 903		

Group	2016 **Carrying amount R'000**	2015 Carrying amount R'000
Variable rate instruments		
Financial assets		
Loans – interest-bearing	**178 229**	100 146
Cash and cash equivalents	**1 716 828**	1 967 507
	1 895 057	2 067 653

Company

At the reporting date, the interest rate concentration profile of the Company's financial instruments subject to interest rate risk was as follows:

	2016			2015		
	Carrying amount R'000	**Nominal interest rate %**	**Effective interest rate %**	Carrying amount R'000	Nominal interest rate %	Effective interest rate %
Fixed rate instruments						
Financial assets						
Bonds						
– Due in two years or less	**3 011 630**	**7.96**	**7.84**	3 398 075	7.29	8.81
– Due between two and five years	**1 398 906**	**9.20**	**8.57**	1 871 510	7.91	8.60
– Due after five years	**53 052**	**7.38**	**7.38**	56 318	10.70	10.52
	4 463 588			5 325 903		
Variable rate instruments						
Financial assets						
Loans – interest bearing	**178 229**			100 146		
Cash and cash equivalents	**1 700 414**			1 950 900		
	1 878 643			2 051 046		

Sensitivity analysis for fixed rate instruments of the Group and Company

The Group and Company's fixed rate instruments are not exposed to interest rate risk. Therefore no sensitivity analysis is necessary.

Sensitivity analysis for variable rate instruments of the Group and Company

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit/(loss) by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2015.

	Profit/(loss)		Equity	
	1% increase	**1% decrease**	**1% increase**	**1% decrease**
2016				
Loans – interest bearing	**(1 962)**	**1 962**	(1 962)	1 962
Cash and cash equivalents	**31 772**	**(31 772)**	31 772	(31 772)
Net cash flow sensitivity	**29 810**	**(29 810)**	29 810	(29 810)
2015				
Loans – interest bearing	107	(107)	107	(107)
Cash and cash equivalents	44 991	(44 991)	(44 991)	44 991
Net cash flow sensitivity	45 098	(45 098)	(44 884)	44 884

3.4 Equity price risk

3.4.1 Sensitivity analysis

Exposure to equity price risk

The Group and Company's exposure to equity price risk at the reporting date was as follows:

	2016			2015		
Description of equity investment	**Carrying amount R'000**	**Listed/ not listed**	**Relevant stock exchange**	Carrying amount R'000	Listed/ not listed	Relevant stock exchange
Ordinary shares	**1 060 682**	**Listed**	**JSE**	971 945	Listed	JSE
Ordinary shares	**–**	**Listed**	**Foreign**	159 438	Listed	Foreign
Ordinary shares	**184 187**	**Not listed**	**N/A**	398 826	Not listed	N/A
Preference shares	**359 770**	**Not listed**	**N/A**	242 725	Not listed	N/A
	1 604 639			1 772 934		

Notes to the annual financial statements (continued)

for the year ended 30 June 2016

3. Risk management (continued)

3.4 Equity price risk (continued)

3.4.1 Sensitivity analysis (continued)

Sensitivity analysis

All other variables constant, for listed equity investments, a 200 basis point increase/(decrease) in the relevant stock exchange index over the year would have increased/(decreased) equity and profit/(loss) by the amounts shown below. The analysis is performed on the same basis for 2015.

	Profit/(loss)		Equity	
	2% increase R'000	2% decrease R'000	2% increase R'000	2% decrease R'000
2016				
Description of equity investment				
Ordinary shares-JSE	**21 214**	**(21 214)**	**(21 214)**	**21 214**
	21 214	**(21 214)**	**(21 214)**	**21 214**
2015				
Description of equity investment				
Ordinary shares-JSE	(19 439)	19 439	(19 439)	19 439
Ordinary shares -Foreign	3 189	(3 189)	3 189	(3 189)
	(16 250)	16 250	(16 250)	16 250

For unlisted equity investments, a 200 basis point increase/(decrease) in the relevant industry average over the year would have increased/(decreased) equity and profit/(loss) by the amounts shown below. The analysis is performed on the same basis for 2015.

	Profit/(loss)		Equity	
	2% increase R'000	2% decrease R'000	2% increase R'000	2% decrease R'000
2016				
Description of equity investment				
Ordinary shares	**6 074**	**(6 074)**	**6 074**	**(6 074)**
Preference shares	**5 038**	**(5 038)**	**5 038**	**(5 038)**
	11 112	**(11 112)**	**11 112**	**(11 112)**
2015				
Description of equity investment				
Ordinary shares	7 027	(7 027)	7 027	(7 027)
Preference shares	3 885	(3 885)	3 885	(3 885)
	10 912	(10 912)	10 912	(10 912)

3.5 Income statement note

a) Financial income and expenditure

The Group and Company generated the following income/incurred the following expenditure in respect of financial instruments during the reporting period, all of which were recognised in profit or loss:

	GROUP		COMPANY	
	2016 R'000	2015 R'000	**2016 R'000**	2015 R'000
Interest income on unimpaired loans and receivables	**11 237**	(7 250)	**11 237**	(7 250)
Interest income on financial assets measured at amortised cost	**84 573**	69 512	**84 573**	69 512
Interest income on financial assets designated as at fair value through profit and loss	**424 075**	543 775	**424 075**	543 775
Net gain on financial assets as at fair value through profit and loss*	**39 525**	107 969	**39 525**	107 969
Financial income	**559 410**	714 006	**559 410**	714 006
Interest expense on financial liabilities measured at amortised cost	**7 349**	6 522	**7 349**	6 522
Net fee costs from third parties in respect of holding financial assets on their behalf	**11 369**	9 827	**11 369**	9 827
Financial expense	**18 718**	16 349	**18 718**	16 349
Net financial income	**540 692**	697 657	**540 692**	697 657
The above financial income and expense items include the following in respect of financial assets/liabilities not at fair value through profit or loss:				
– Total interest income	**95 810**	62 262	**95 810**	62 262
– Total interest expense	**7 349**	6 522	**7 349**	6 522
	88 461	55 740	**88 461**	55 740

* *Net gains include realised and unrealised gains and losses as well as dividends*

b) Impairment losses

The amount of impairment loss for each class of financial asset during the
reporting period was as follows:

	GROUP 2016 R'000	GROUP 2015 R'000	COMPANY 2016 R'000	COMPANY 2015 R'000
Impairment of loans				
impairment recognised	**–**	–	**42**	336
Impairment of premium debtors				
impairment recognised	**34 510**	4 280	**34 510**	4 280
Total	**34 510**	4 280	**34 552**	4 616

Notes to the annual financial statements (continued)

for the year ended 30 June 2016

	GROUP		COMPANY	
	2016 R'000	2015 R'000	**2016 R'000**	2015 R'000
4. Property and equipment				
Cost				
Office equipment	**3 966**	2 544	**3 240**	2 117
Motor vehicles	**322**	53	**322**	53
Furniture and fittings	**1 025**	954	**–**	–
IT equipment	**1 980**	1 866	**–**	–
Computer software equipment	**–**	5 771	**–**	–
Leasehold improvements	**8 000**	8 000	**–**	–
Total Property and equipment cost	**15 293**	19 188	**3 562**	2 170
Accumulated depreciation				
Office equipment	**1 148**	674	**755**	326
Motor vehicles	**47**	11	**47**	11
Furniture and fittings	**661**	619	**–**	–
Computer software equipment	**–**	5 771	**–**	–
IT equipment	**1 539**	1 474	**–**	–
Leasehold improvements	**8 000**	8 000	**–**	–
Total Accumulated depreciation	**11 395**	16 549	**802**	337
Net carrying amount				
Office equipment	**2 818**	1 870	**2 485**	1 791
Motor vehicles	**275**	42	**275**	42
Furniture and fittings	**364**	335	**–**	–
IT equipment	**441**	392	**–**	–
Total Net Carrying Amount	**3 898**	2 639	**2 760**	1 833
Reconciliation of movement on net carrying amount:				
Net carrying amount at beginning of year	**2 639**	2 197	**1 833**	–
Additions	**1 878**	2 264	**1 394**	2 170
Office equipment	**1 425**	2 117	**1 125**	2 116
Motor vehicles	**269**	53	**269**	54
Furniture and fittings	**71**	19	**–**	–
IT equipment	**113**	75	**–**	–
Disposals	**–**	(124)	**–**	–
Office equipment	**–**	(25)	**–**	–
Motor vehicles	**–**	(39)	**–**	–
Furniture and fittings	**–**	(33)	**–**	–
IT equipment	**–**	(27)	**–**	–
Depreciation for the year	**(619)**	(1 698)	**(467)**	(337)
Office equipment	**(476)**	(342)	**(430)**	(326)
Motor vehicles	**(37)**	(10)	**(37)**	(11)
Leasehold improvements	**–**	(828)	**–**	–
Furniture and fittings	**(41)**	(13)	**–**	–
Computer software equipment	**–**	(423)	**–**	–
IT equipment	**(65)**	(82)	**–**	–
Net carrying amount at end of year	**3 898**	2 639	**2 760**	1 833

	GROUP	
	2016 R'000	2015 R'000

5. Goodwill

	GROUP 2016 R'000	GROUP 2015 R'000
Fair value		
Balance at beginning of year	–	27 277
Impairment of goodwill	–	(27 277)
At end of year	–	–

The Group and Company tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. As at 30 June 2015, there was a full impairment of the goodwill.

6. Intangible assets

	GROUP		COMPANY	
	2016 R'000	2015 R'000	**2016 R'000**	2015 R'000
Intangible assets at fair value				
Cost				
Re-acquired rights	–	3 300	–	3 300
Computer software	**24 257**	6 924	**18 717**	6 924
	24 257	10 224	**18 717**	10 224
Accumulated amortisation and impairment				
Re-acquired rights	–	–	–	–
Computer software	**(8 413)**	(678)	**(2 873)**	(678)
	(8 413)	(678)	**(2 873)**	(678)
Net carrying amount				
Re-acquired rights	–	3 300	–	3 300
Computer software	**15 844**	6 246	**15 844**	6 246
	15 844	9 546	**15 844**	9 546
Intangible assets at fair value				
Reconciliation of movement on net carrying amount:				
Net carrying amount at beginning of year	**9 546**	4 300	**9 546**	4 300
Additions	**14 128**	5 924	**14 128**	5 924
Computer software	**14 128**	5 924	**14 128**	5 924
Write-off	**(5 635)**	–	**(5 635)**	–
Re-acquired rights	**(3 300)**	–	**(3 300)**	–
Computer software	**(2 335)**	–	**(2 335)**	–
Impairment, amortisation charge	**(2 195)**	(678)	**(2 195)**	(678)
Computer software	**(2 195)**	(678)	**(2 195)**	(678)
Net carrying value at end of year	**15 844**	9 546	**15 844**	9 546

Notes to the annual financial statements (continued)

for the year ended 30 June 2016

	COMPANY 2016 R'000	COMPANY 2015 R'000
7. Interest in subsidiaries		
Interest in subsidiaries comprise:		
Shares at fair value through profit or loss	**14 287**	5 697
Loans to subsidiaries	**8 396**	11 399
	22 683	17 096
Impairment on loans	**(3 064)**	(3 565)
	19 619	13 531
The terms of the loans that the Company has provided to its subsidiaries are as follows:		
a) Hollard Life Properties (Pty) Ltd:		
Unsecured loan bearing interest at 8.5% per annum that is repayable quarterly over 10 years. The final payment was due on 15 June 2015.	**–**	346
b) Hollard Wealth Management Services (Pty) Ltd:		
Unsecured, interest-free loan with no specified date of repayment.	**–**	2 404
c) The Best Funeral Society (Pty) Limited:		
Secured interest loan repayable on or before 31 July 2016.	**5 332**	5 084
Loans – 30 June	**5 332**	7 834

Details of subsidiaries are provided in note 36 on page 135 of these financial statements.

	GROUP 2016 R'000	GROUP 2015 R'000	COMPANY 2016 R'000	COMPANY 2015 R'000
8. Investments in associates				
Investments in associates comprise:				
Shares at fair value through profit or loss			**65 437**	57 715
Shares at cost	**66 058**	59 018	**–**	–
Group share of post-acquisition profits	**(7 163)**	(764)	**–**	–
Carrying value of associates	**58 895**	58 254	**65 437**	57 715
Loans to associates	**–**	18	**–**	18
	58 895	58 272	**65 437**	57 733
Loans – 30 June				
The terms of the loans that the Company has provided to its associates are as follows:				
a) Prorisk Pooling Scheme Administrators (Pty) Ltd				
Unsecured, interest-free loan with no specified date of repayment			**–**	18
Provision for impairment.			**–**	–
			–	18

The financial position and performance of the Group's significant associates are categorised by nature of business as follows:

	COMPANY	
	R'000 Investment	R'000 Total
Analysis of associates for 30 June 2016		
Total assets	**298 082**	**298 082**
Total liabilities	**90 167**	**90 167**
Net assets	**207 915**	**207 915**
Net profit before taxation	**74 492**	**74 492**
Taxation	**(19 239)**	**(19 239)**
Net profit after taxation	**55 253**	**55 253**
Group share of post acquisition profits	**(7 163)**	**(7 163)**
Carrying amount of interest in associates	**65 437**	**65 437**
Loans to associates	**–**	**–**
Fair valuation of associates (at Company level)	**65 437**	**65 437**
Analysis of associates for 30 June 2015		
Total assets	334 079	334 079
Total liabilities	258 617	258 617
Net assets	75 462	75 462
Net profit before taxation	133 681	133 681
Taxation	(46 135)	(46 135)
Net profit after taxation	87 546	87 546
Group share of post acquisition profits	169 944	169 944
Carrying amount of interest in associates	57 715	57 715
Loans to associates	18	18
Fair valuation of associates (at Company level)	57 715	57 715

9. Financial assets

	GROUP		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Designated as fair value through profit and loss	**10 466 866**	11 154 706	**10 465 655**	11 153 580
	10 466 866	11 154 706	**10 465 655**	11 153 580
Group and Company's financial assets are designated into the following four broad categories for management reporting purposes:				
Listed investments (financial assets designated as at fair value through profit and loss)	**1 060 682**	1 131 383	**1 060 682**	1 131 383
Unlisted investments (financial assets designated as at fair value through profit and loss)	**4 942 596**	4 697 419	**4 941 385**	4 696 293
Bonds (financial assets designated as at fair value through profit and loss)	**4 463 588**	5 325 904	**4 463 588**	5 325 904
	10 466 866	11 154 706	**10 465 655**	11 153 580
Listed investments				
Shares at fair value	**1 060 682**	1 131 383	**1 060 682**	1 131 383
Unlisted investments				
Shares at fair value	**436 888**	395 132	**436 888**	395 132
Linked products at fair value	**4 505 708**	4 302 287	**4 504 497**	4 301 161
At fair value	**4 942 596**	4 697 419	**4 941 385**	4 696 293
Total listed and unlisted investments at fair value	**6 003 278**	5 828 802	**6 002 067**	5 827 676

Notes to the annual financial statements (continued)

for the year ended 30 June 2016

9. Financial assets (continued)

Debt securities (Bonds)

	R'000	Maturity spread %	Nominal interest rate %	Effective Interest rate %
Bonds (Financial assets carried at fair value through profit or loss):				
GROUP AND COMPANY				
Analysis of bonds by maturity spread for 30 June 2016				
0 – 2 years	**3 011 630**	**67.50**	**7.96**	**7.84**
2 – 5 years	**1 398 906**	**31.30**	**9.20**	**8.57**
Later than five years	**53 052**	**1.20**	**7.38**	**7.38**
	4 463 588	**100**		
Analysis of bonds by maturity spread for 30 June 2015				
0 – 2 years	3 398 075	63.80	7.29	8.81
2 – 5 years	1 871 510	35.10	7.91	8.60
Later than five years	56 318	1.10	10.70	10.52
	5 325 904	100		

All bonds reported above are South African in origin.

10. (a) Categories and classes of financial and insurance assets and liabilities

	Designated as at fair value through profit or loss R'000	Loans and receivables R'000	Total financial instruments R'000	Insurance contract assets and liabilities R'000	Other assets and liabilities R'000	Total per Statement of Financial Position R'000	Fair value of financial instruments R'000
GROUP							
2016							
Assets							
Investments in associates	**–**	**–**	**–**	**–**	**58 895**	**58 895**	**58 895**
Financial assets	**10 466 866**	**–**	**10 466 866**	**–**	**–**	**10 466 866**	**10 466 866**
Reinsurance assets	**–**	**–**	**–**	**135 610**	**–**	**135 610**	**–**
Insurance, loans and other receivables	**–**	**274 619**	**274 619**	**248 456**	**91 672**	**614 747**	**274 619**
Cash and cash equivalents	**–**	**1 716 827**	**1 716 827**	**–**	**–**	**1 716 827**	**1 716 827**
	10 466 866	**1 991 446**	**12 458 312**	**384 066**	**150 567**	**12 992 945**	**12 517 207**
Liabilities							
Policyholder liabilities	**–**	**–**	**–**	**9 363 579**	**–**	**9 363 579**	**–**
Outstanding claims	**–**	**–**	**–**	**312 734**	**–**	**312 734**	**–**
Reinsurance liabilities	**–**	**–**	**–**	**132 677**	**–**	**132 677**	**–**
Provisions for other liabilities and charges	**–**	**–**	**–**	**–**	**227 314**	**227 314**	**–**
Trade and other payables	**–**	**–**	**–**	**284 384**	**125 776**	**410 160**	**–**
	–	**–**	**–**	**10 093 374**	**353 090**	**10 446 464**	**–**
2015							
Assets							
Investments in associates	–	–	–	–	58 272	58 272	–
Non-current asset held-for-sale	–	–	252 334	–		252 334	252 334
Financial assets	11 154 706	–	11 154 706	–	–	11 154 706	11 154 706
Reinsurance assets	–	–	–	127 095	–	127 095	–
Insurance, loans and other receivables	–	228 406	228 406	294 525	74 102	597 033	228 406
Cash and cash equivalents	–	1 970 839	1 970 839	–	–	1 970 839	1 970 839
	11 154 706	2 199 245	13 606 285	421 620	132 374	14 160 279	13 606 285
Liabilities							
Policyholder liabilities	–	–	–	10 177 737	–	10 177 737	–
Outstanding claims	–	–	–	353 139	–	353 139	–
Reinsurance liabilities	–	–	–	144 767	–	144 767	–
Provisions for other liabilities and charges	–	–	–	–	154 610	154 610	–
Trade and other payables	–	4 308	4 308	242 887	136 357	383 552	4 308
	–	4 308	4 308	10 918 530	290 967	11 213 805	4 308

10. (a) Categories and classes of financial and insurance assets and liabilities

	Designated as at fair value through profit or loss R'000	Loans and receivables R'000	Total financial instruments R'000	Insurance contract assets and liabilities R'000	Other assets and liabilities R'000	Total per Statement of Financial Position R'000	Fair value of financial instruments R'000
COMPANY							
2016							
Assets							
Interest in subsidiaries	**19 619**	**–**	**19 619**	**–**	**–**	**19 619**	**19 619**
Investments in associates	**65 437**	**–**	**65 437**	**–**	**–**	**65 437**	**65 437**
Financial assets	**10 465 655**	**–**	**10 465 655**	**–**	**–**	**10 465 655**	**10 465 655**
Reinsurance assets	**–**	**–**	**–**	**135 610**	**–**	**135 610**	**–**
Insurance, loans and other receivables	**–**	**274 619**	**274 619**	**248 456**	**98 225**	**621 300**	**274 619**
Cash and cash equivalents	**–**	**1 700 413**	**1 700 413**	**–**	**–**	**1 700 413**	**1 700 413**
Total assets	**10 550 711**	**1 975 032**	**12 525 743**	**384 066**	**98 225**	**13 008 034**	**12 525 743**
Liabilities							
Policyholder liabilities	**–**	**–**	**–**	**9 363 579**	**–**	**9 363 579**	**–**
Outstanding claims	**–**	**–**	**–**	**312 734**	**–**	**312 734**	**–**
Reinsurance liabilities	**–**	**–**	**–**	**132 677**	**–**	**132 677**	**–**
Provisions for other liabilities and charges	**–**	**–**	**–**	**–**	**378 097**	**378 097**	**–**
Trade and other payables	**–**	**–**	**–**	**284 384**	**125 885**	**410 269**	**–**
Total liabilities	**–**	**–**	**–**	**10 093 374**	**503 982**	**10 597 356**	**–**
2015							
Assets							
Interest in subsidiaries	13 531	–	13 531	–	–	13 531	13 531
Investments in associates	57 733	–	57 733	–	–	57 733	57 733
Non-current asset held-for-sale	310 175	–	310 175	–	–	310 175	310 175
Financial assets	11 153 580	–	11 153 580	–	–	11 153 580	11 153 580
Reinsurance assets	–	–	–	127 095	–	127 095	–
Insurance, loans and other receivables	–	228 406	228 406	294 525	73 247	596 178	228 406
Cash and cash equivalents	–	1 950 900	1 950 900	–	–	1 950 900	1 950 900
Total assets	11 535 019	2 179 306	13 714 325	421 620	73 247	14 209 192	13 714 325
Liabilities							
Policyholder liabilities	–	–	–	10 177 737	–	10 177 737	–
Outstanding claims	–	–	–	353 139	–	353 139	–
Reinsurance liabilities	–	–	–	144 767	–	144 767	–
Provisions for other liabilities and charges	–	–	–	–	154 610	154 610	–
Trade and other payables	–	–	–	242 887	136 357	379 244	–
Shareholder for dividends	–	–	–	–	9 831	9 831	–
Total liabilities	–	–	–	10 918 530	300 798	11 219 328	–

Notes to the annual financial statements (continued)

for the year ended 30 June 2016

10. (b) Determination of fair value and fair values hierarchy

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total fair value R'000
GROUP				
2016				
Financial assets carried at fair value through profit or loss				
Listed – ordinary	**1 026 896**	**–**	**–**	**1 026 896**
Listed debentures	**33 786**	**–**	**–**	**33 786**
Unlisted ordinary shares*	**76 974**	**–**	**144**	**77 118**
Unlisted preference shares*	**–**	**–**	**359 770**	**359 770**
Unit trusts	**–**	**1 391 646**	**–**	**1 391 646**
Bonds	**524 745**	**3 938 844**	**–**	**4 463 589**
Hedge fund investments	**–**	**2 998 797**	**–**	**2 998 797**
Annuities	**–**	**115 264**	**–**	**115 264**
	1 662 401	**8 444 551**	**359 914**	**10 466 866**

* *These investments do not meet the definition of related parties.*

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total fair value R'000
2015				
Financial assets carried at fair value through profit or loss				
Listed – ordinary	1 089 287	–	–	1 089 287
Unlisted ordinary shares*	44 712	–	152 407	197 119
Unlisted preference shares*	–	–	242 725	242 725
Unit trusts	–	1 199 609	–	1 199 609
Bonds	475 761	4 850 142	–	5 325 903
Hedge fund investments	–	2 828 773	–	2 828 773
Annuities	–	201 707	–	201 707
	1 609 760	9 080 231	395 132	11 085 123

* *These investments do not meet the definition of related parties.*

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total fair value R'000
COMPANY				
2016				
Financial assets carried at fair value through profit or loss				
Listed – ordinary	**1 026 896**	**–**	**–**	**1 026 896**
Listed debentures	**33 786**	**–**	**–**	**33 786**
Unlisted ordinary shares*	**76 974**	**–**	**144**	**77 118**
Unlisted preference shares*	**–**	**–**	**359 770**	**359 770**
Unit trusts	**–**	**1 390 435**	**–**	**1 390 435**
Bonds	**524 745**	**3 938 844**	**–**	**4 463 589**
Hedge fund investments	**–**	**2 998 797**	**–**	**2 998 797**
Annuities	**–**	**115 264**	**–**	**115 264**
Investment in associate	**–**	**–**	**65 437**	**65 437**
Investment in subsidiary	**–**	**–**	**19 619**	**19 619**
	1 662 401	**8 443 340**	**444 970**	**10 550 711**

* *These investments do not meet the definition of related parties.*

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total fair value R'000
2015				
Financial assets carried at fair value through profit or loss				
Listed – ordinary	1 089 287	–	–	1 089 287
Unlisted ordinary shares*	44 712	–	152 407	197 119
Unlisted preference shares*	–	–	242 725	242 725
Unit trusts	–	1 199 609	–	1 199 609
Bonds	475 761	4 850 142	–	5 325 903
Hedge fund investments	–	2 828 773	–	2 828 773
Annuities	–	201 707	–	201 707
Investment in associate	–	–	57 733	57 733
Investment in subsidiary	–	–	13 531	13 531
	1 609 760	9 080 231	466 396	11 156 387

* *These investments do not meet the definition of related parties.*

Included in the Level 1 category are financial assets and liabilities that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing services or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Included in the Level 2 category are financial assets and liabilities measured using a valuation technique based on assumptions that are supported by prices for observable current market transactions of assets and liabilities for which pricing is obtained via pricing services, but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Group's own models whereby the majority of assumptions are market observable.

Included in the Level 3 category are financial assets measured using non-market observable inputs. Non-market observable inputs means that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are based on available market data.

Non-market observable inputs means that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are based on available market data.

Reconciliation of movements in Level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing recorded amounts of financial assets and liabilities which are recorded at fair value:

GROUP	At 1 July 2015 R'000	Total gains/(loss) in income statement R'000	Purchases R'000	Interest, dividends and management fee R'000	Sales/ transfers R'000	At 30 June 2016 R'000	Total gains or losses for the period included in profit or loss for assets held at 30 June 2016 R'000
Financial assets carried at fair value through profit or loss							
Unlisted ordinary shares	152 407	40 078	–	4 748	(197 089)	144	40 078
Unlisted preference shares	242 725	(5 806)	111 815	26 039	(15 003)	359 770	(5 806)
Total financial instruments	395 132	43 585	111 815	30 787	(212 092)	359 914	43 585

COMPANY	At 1 July 2015 R'000	Total gains/(loss) in income statement R'000	Purchases R'000	Interest, dividends and management fee R'000	Sales/ transfers R'000	At 30 June 2016 R'000	Total gains or losses for the period included in profit or loss for assets held at 30 June 2016 R'000
Financial assets carried at fair value through profit or loss							
Unlisted ordinary shares	152 407	40 078	–	4 748	(197 089)	144	40 078
Unlisted preference shares	242 725	(5 806)	111 815	26 039	(15 003)	359 770	(5 806)
Investment in associate	57 733	682	7 040	–	(18)	65 437	682
Investment in subsidiary	13 531	8 631	–	–	(2 543)	19 619	8 631
Total financial instruments	466 396	52 898	118 855	30 787	(214 653)	444 970	52 898

Notes to the annual financial statements (continued)

for the year ended 30 June 2016

10. (b) Determination of fair value and fair values hierarchy (continued)

Determination of fair value and fair value hierarchy

Gains or losses (realised and unrealised) included in profit or loss for the year are presented in the income statement as follows:

	2016		
	Realised gains R'000	Unrealised gains and losses R'000	Total R'000
GROUP			
Total gains or losses included in profit or loss for the year	522 127	(441 964)	80 163
	522 127	(441 964)	80 163
COMPANY			
Total gains or losses included in profit or loss for the year	464 286	(413 052)	51 234
	464 286	(413 052)	51 234

Sensitivity of Level 3 financial instruments measured at fair value to changes in key assumptions.

The following table shows the sensitivity of the fair value of Level 3 instruments to changes in key assumptions, by class of instrument:

	2016			
	GROUP		COMPANY	
	Carrying amount R'000	Effect of reasonably possible alternative assumptions (+/-) R'000	Carrying amount R'000	Effect of reasonably possible alternative assumptions (+/-) R'000
Financial assets carried at fair value through profit or loss				
Unlisted ordinary shares	144	14	144	14
Unlisted preference shares	359 770	35 977	359 770	35 977
Investment in associate	–	–	65 437	6 544
Investment in subsidiary	–	–	19 619	1 962
Total financial instrument	359 914	35 991	444 970	44 497

For equities, the Group adjusted the following:

1) Average price earnings ratio – the adjustment made was to increase and decrease the assumed price earnings ratio by two, which is considered by the Group and Company to be within a range of reasonably possible alternatives based on price earnings ratios of companies with similar industry and risk profiles.

2) Net asset value – the adjustment made was to increase and decrease the net asset value by 10%.

11. Insurance, loans and other receivables

	GROUP 2016 R'000	GROUP 2015 R'000	COMPANY 2016 R'000	COMPANY 2015 R'000
Insurance, loans and other receivables				
Premium debtors	**265 037**	304 895	**265 038**	304 895
Sundry debtors	**141 362**	56 625	**147 914**	55 770
Prepaid expenses	**8 384**	7 956	**8 384**	7 956
Total insurance and other receivables	**414 783**	369 476	**421 336**	368 621
Loans bearing interest				
Secured interest and interest-free loans	**103 896**	111 129	**103 896**	111 129
Total loans[1]	**103 896**	111 129	**103 896**	111 129
Receivable from Group companies				
Receivable from Group companies	**96 068**	116 428	**96 068**	116 428
Total due from Group companies[2]	**96 068**	116 428	**96 068**	116 428
Total Insurance, loans and other receivables	**614 747**	597 032	**621 300**	596 178
(1) The interest rates charged on the secured loans comprise:				
Prime rate of interest	**3 577**	8 303	**3 577**	8 303
Prime plus 1.36%	**5 339**	6 732	**5 339**	6 732
Variable rate of interest	**4 658**	3 352	**4 658**	3 352
Prime minus 2%	**–**	2 094	**–**	2 094
Prime plus 5%	**65 783**	69 993	**65 783**	69 993
Prime plus 2%	**7 287**	–	**7 287**	–
SARS Rate	**11 674**	10 842	**11 674**	10 842
Johannesburg Inter-Bank Rate ("JIBAR")	**–**	5 561	**–**	5 561
Johannesburg Inter-Bank Rate ("JIBAR") + 7%	**5 578**	–	**5 578**	–
Interest-free loans	**–**	4 252	**–**	4 252
	103 896	111 129	**103 896**	111 129
(2) The interest rates charged on the loans to Group companies comprise:				
Prime rate of interest	**18 296**	16 855	**18 296**	16 855
Fixed 7%	**48 898**	–	**48 898**	–
80% of prime	**17 343**	16 020	**17 343**	16 020
Interest-free loans	**11 531**	83 553	**11 531**	83 553
	96 068	116 428	**96 068**	116 428

Notes to the annual financial statements (continued)

for the year ended 30 June 2016

	GROUP 2016 R'000	GROUP 2015 R'000	COMPANY 2016 R'000	COMPANY 2015 R'000
12. Deferred income tax				
Balance at beginning of year	**821**	1 100	**–**	–
Movements during the year attributable to:				
Released to income statement	**(757)**	(279)	**–**	–
Balance at end of year	**64**	821	**–**	–
The deferred income tax movement in the income statement for the year is attributable to the following items:				
Temporary difference	**(757)**	(279)	**–**	–
	(757)	(279)	**–**	–
Deferred income tax liabilities				
Balance at beginning of year	**549 105**	524 269	**549 105**	524 269
Movements during the year attributable to:				
Unrealised gains on assets at fair value through profit or loss	**(4 071)**	–	**(4 071)**	–
Unutilised tax losses	**(662)**	–	**(662)**	–
Charged to income statement	**–**	24 837	**–**	24 837
Other movements	**61 641**	–	**61 641**	–
Change in tax rate	**21 141**	–	**21 141**	–
Release to Income Statement	**(74 940)**	–	**(74 940)**	–
Balance at end of year	**552 214**	549 106	**552 214**	549 106
The deferred income tax movement for the year is attributable to the following items:				
Policyholder liabilities change in valuation basis	**61 641**	3 460	**61 641**	3 460
Unrealised (losses)/gains	**(58 532)**	21 377	**(58 532)**	21 377
	3 109	24 837	**3 109**	24 837
The deferred tax provision of R61 641 000 (2015: R3 460 000) in respect of the change in valuation basis of policyholder liabilities relates to an adjustment made to eliminate negative actuarial reserves. The elimination of negative reserves is outlined in further detail in the statement of actuarial values of assets and liabilities on page 77 of these annual financial statements.				
The total movement in the income statement for the year was as follows:				
Deferred income tax assets – Amounts released to the income statement	**(757)**	(279)	**–**	–
Deferred income tax liabilities – Amounts charged to the income statement	**3 109**	24 837	**3 109**	24 837
	2 352	24 558	**3 109**	24 837
Details of the income statement, deferred income tax movement are provided in note 23 on page 131 of these annual financial statements.				
13. Cash and cash equivalents				
Cash and cash equivalents consist of cash on hand, current accounts and short-term deposits with maturity of less than twelve months. At reporting date the effective rate on bank call deposits was 7.18% (2015: 6.31%). The effective interest rate on current accounts at the statement of financial position date was 5.85% (2015: 4.60%).				
Cash on call	**939 165**	1 043 005	**939 165**	1 042 609
Cash at bank	**372 469**	390 405	**356 063**	370 883
Cash on deposit	**405 176**	537 415	**405 176**	537 402
Cash on hand	**18**	14	**10**	6
	1 716 828	1 970 839	**1 700 414**	1 950 900

	GROUP		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000

14. Non-current assets held-for-sale

The Group and Company hold the following assets as held-for-sale:				
Investment in associate: Capricorn Capital Partners (Pty) Ltd	–	37 842	–	63 958
Investment in associate: Hollard Asset Management (Pty) Ltd	–	214 492	–	246 217
	–	252 334	–	310 175

Investment in associate: Capricorn Capital Partners (Pty) Ltd

The Company disposed of its 39.99% shareholding in Capricorn Capital Partners (Pty) Ltd in the 2016 financial year. A realised gain of R26 116 000 is recognised at a Group level.

Investment in associate: Hollard Asset Management (Pty) Ltd

The Company disposed of its 49.98% shareholding in Hollard Asset Management (Pty) Ltd in the 2016 financial year. A realised gain of R65 768 000 and R97 493 000 is recognised at a Company and Group level respectively.

	GROUP		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000

15. Share capital and premium

Authorised				
100 000 000 ordinary shares of 1 cent each	**1 000**	1 000	**1 000**	1 000
Issued and fully paid				
2 000 000 ordinary shares of 1 cent each	**20**	20	**20**	20
Share premium	**19 980**	19 980	**19 980**	19 980
Issued share capital	**20 000**	20 000	**20 000**	20 000
Dividends per share (cents)	**846**	428	**846**	428

The directors are authorised until the forthcoming annual general meeting to issue the unissued shares for any purpose and upon such terms and conditions as they deem fit.

16. Policyholder liabilities

Policyholder liabilities under investment contracts:				
Balance at beginning of year	**4 601 546**	6 242 485	**4 601 546**	6 242 485
IAS 39 adjustment	**(3 361)**	(390 966)	**(3 361)**	(390 966)
Movement for the year	**354 198**	(1 249 973)	**354 198**	(1 249 973)
Balance at end of year	**4 952 383**	4 601 546	**4 952 383**	4 601 546
Policyholder liabilities under insurance contracts:				
Balance at beginning of year	**5 576 191**	6 855 446	**5 576 191**	6 855 446
IAS 39 adjustment	**3 361**	390 966	**3 361**	390 966
Amounts expensed elsewhere in the income statement	**(17 152)**	(31 861)	**(17 152)**	(31 861)
Amount transferred from the income statement	**(1 151 204)**	(1 638 360)	**(1 151 204)**	(1 638 360)
Balance at end of year	**4 411 196**	5 576 191	**4 411 196**	5 576 191
	9 363 579	10 177 737	**9 363 579**	10 177 737
The movement in the policyholder liabilities balance for the purposes of the statement of cash flows is reported as follows:				
Increase/(decrease) in policyholder liabilities under investment contracts	**350 837**	(1 640 939)	**350 837**	(1 640 939)
Decrease in policyholder liabilities under insurance contracts	**(1 164 995)**	(1 279 255)	**(1 164 995)**	(1 279 255)
Total decrease in policyholder liabilities under investment and insurance contracts	**(814 158)**	(2 920 194)	**(814 158)**	(2 920 194)
Gross insurance liabilities	**8 905 388**	10 164 485	**8 905 388**	10 164 485
Less: Total reinsurers shares of insurance liabilities	**(458 191)**	(13 252)	**(458 191)**	(13 252)
Net insurance liabilities	**9 363 579**	10 177 737	**9 363 579**	10 177 737

On 1 July 2015, Hollard Life Assurance Company entered into a treaty agreement with Swiss Re Life and Health Africa Limited and Hannover Life Reassurance Africa Limited for the amount of R570 million. The reinsurance commission of R570 million was equally funded by both reinsurers. These funds were used to invest in Hollard Life Assurance Company's partner with certain benefits accruing to Hollard.

Notes to the annual financial statements (continued)

for the year ended 30 June 2016

	GROUP 2016 R'000	GROUP 2015 R'000	COMPANY 2016 R'000	COMPANY 2015 R'000
17. Employee benefits				
Balance at beginning of year	**154 610**	124 846	**154 610**	124 846
Charged to the income statement				
Additional provisions raised during the year	**2 693**	29 764	**2 693**	29 764
Used during the year	**(6 520)**	–	**(6 520)**	–
At end of year	**150 783**	154 610	**150 783**	154 610
Analysis of total provisions				
– Current	**150 783**	154 610	**150 783**	154 610

Leave pay

In terms of the Group's policy, employees are entitled to accumulate a maximum of 25 days leave and the leave pay provision is calculated on that basis. Any leave accumulated over this number is forfeited by the employees concerned. Whilst all employees are encouraged to take their full annual leave, they are entitled to encash a maximum of five days' leave (taxed) in a leave cycle. When employees who have leave due to them cease their employment with the Group, all accumulated and accrued leave is paid to them at the current total cost to company rate as part of their final salary, limited to a maximum of 25 days.

The Group and Company's provision for leave pay amounted to R19 467 323 and R19 467 323 respectively at the statement of financial position date (2015: R19 713 000 and R19 713 000 respectively).

Incentive scheme

In terms of the Group and Company's policy, selected employees at the discretion of the directors receive an incentive bonus. This bonus relates to employee, corporate and business unit performance and is subject to approval by the Remuneration Committee.

The Group and Company's provision for staff incentives amounted to R128 621 890 and R128 621 890 respectively at the statement of financial position date (2015: R134 898 000 and R134 898 000 respectively).

	GROUP 2016 R'000	GROUP 2015 R'000	COMPANY 2016 R'000	COMPANY 2015 R'000
18. Trade and other payables				
Trade creditors	**88 472**	36 875	**88 472**	36 875
Sundry creditors	**321 688**	346 677	**321 797**	342 369
	410 160	383 552	**410 269**	379 244
Sundry creditors				
Included in sundry creditors are life assurance premiums amounting to R2 869 000 in respect of policies that incepted after the statement of financial position date (2015: R4 079 000).				
19. Net premium income				
Individual and group				
Single premiums	**850**	21 635	**850**	21 635
Recurring premiums	**5 452 912**	5 059 648	**5 452 912**	5 059 648
Reinsurance premiums inwards	**105 330**	94 512	**105 330**	94 512
Gross premium income	**5 559 092**	5 175 795	**5 559 092**	5 175 795
Reinsurance premiums outwards	**(639 687)**	(764 652)	**(639 687)**	(764 652)
	4 919 405	4 411 143	**4 919 405**	4 411 143
Net premium income represents income from insurance contracts only. Items of income and expense in respect of investment contracts are excluded from the income statement and are accounted for directly against the liability under these contracts in the statement of financial position. See note 16 on page 127 for details of the movement in policyholder liabilities under investment contracts.				
20. Realised profit/(loss) on disposal of investments				
Listed investments	**25 283**	12 105	**25 283**	12 105
Unlisted investments	**496 844**	(2 245)	**439 003**	(2 245)
	522 127	9 860	**464 286**	9 860

21. Unrealised profit/(loss) on revaluation of investments

	GROUP 2016 R'000	GROUP 2015 R'000	COMPANY 2016 R'000	COMPANY 2015 R'000
Listed investments	**(58 048)**	(40 968)	**(58 048)**	(40 968)
Unlisted investments	**(383 916)**	(30 232)	**(355 004)**	141 473
	(441 964)	(71 200)	**(413 052)**	100 505
The unrealised profit arising on revaluation of the Group's unlisted investments for the year is attributable to the following items:				
(Loss)/profit on revaluation of unlisted investments – Company	**(355 004)**	141 470		
Reversal of revaluation gains and losses in group companies on consolidation	**(28 912)**	(171 702)		
Loss on revaluation of unlisted investments – Group	**(383 916)**	(30 232)		

22. Profit before taxation

	2016 R'000 Company	2016 R'000 Rest of Group	2016 R'000 Total	2015 R'000 Company	2015 R'000 Rest of Group	2015 R'000 Total
Profit before taxation is determined after charging:						
Directors' and prescribed officers' emoluments						
Executive directors						
Director A						
Basic salary	**1 635**	**1 635**	**3 270**	1 445	1 445	2 890
Bonus and performance related payments	**10 151**	**10 151**	**20 302**	10 403	10 403	20 806
Estimated monetary value of other benefits	**171**	**171**	**342**	55	55	110
Pension/provident fund contributions	**236**	**236**	**472**	222	222	444
	12 193	**12 193**	**24 386**	12 125	12 125	24 250
Director B						
Basic salary	**1 158**	**579**	**1 737**	1 157	1 157	2 314
Bonus and performance related payments	**7 190**	**3 595**	**10 785**	7 369	7 369	14 738
Estimated monetary value of other benefits	**242**	**121**	**363**	166	166	332
Pension/provident fund contributions	**193**	**97**	**290**	185	185	370
	8 783	**4 392**	**13 175**	8 877	8 877	17 754
Director C						
Basic salary	**742**	**742**	**1 484**	–	–	–
Estimated monetary value of other benefits	**37**	**37**	**74**	–	–	–
Pension/provident fund contributions	**96**	**96**	**192**	–	–	–
	875	**875**	**1 750**	–	–	–
Non-executive directors						
Directors' fees						
Director A	**260**	**260**	**520**	186	186	372
Director B	**185**	**185**	**370**	143	143	286
Director C	**261**	**261**	**522**	232	232	464
Director D	**284**	**568**	**852**	325	650	975
Director E	**227**	**227**	**454**	200	200	400
Director F	**233**	**233**	**466**	162	162	324
	1 450	**1 734**	**3 184**	1 248	1 573	2 821
Prescribed officers						
Prescribed officer A						
Basic salary	**230**	**2 070**	**2 300**	215	1 933	2 148
Bonus and performance related payments	**430**	**3 877**	**4 307**	218	1 954	2 172
Estimated monetary value of other benefits	**19**	**171**	**190**	12	108	120
Pension/provident fund contributions	**35**	**313**	**348**	38	357	395
	714	**6 431**	**7 145**	483	4 352	4 835

Notes to the annual financial statements (continued)

for the year ended 30 June 2016

	2016			2015		
	R'000 Company	R'000 Rest of Group	R'000 Total	R'000 Company	R'000 Rest of Group	R'000 Total
22. Profit before taxation (continued)						
Prescribed officers (continued)						
Prescribed officer B						
Basic salary	**1 227**	**818**	**2 045**	1 147	765	1 912
Bonus and performance related payments	**6 849**	**4 566**	**11 415**	5 560	3 707	9 267
Estimated monetary value of other benefits	**286**	**191**	**477**	274	182	456
Pension/provident fund contributions	**211**	**141**	**352**	198	132	330
	8 573	**5 716**	**14 289**	7 179	4 786	11 965
Prescribed officer C						
Basic salary	**402**	**1 607**	**2 009**	381	1 524	1 905
Bonus and performance related payments	**1 692**	**6 767**	**8 459**	1 734	6 935	8 669
Estimated monetary value of other benefits	**50**	**199**	**249**	20	79	99
Pension/provident fund contributions	**63**	**252**	**315**	85	336	421
	2 207	**8 825**	**11 032**	2 220	8 874	11 094
Prescribed officer D						
Basic salary	**225**	**2 028**	**2 253**	187	1 678	1 865
Bonus and performance related payments	**721**	**6 488**	**7 209**	740	6 658	7 398
Estimated monetary value of other benefits	**26**	**238**	**264**	10	92	102
Pension/provident fund contributions	**34**	**308**	**342**	42	384	426
	1 006	**9 062**	**10 068**	979	8 812	9 791
Prescribed officer E						
Basic salary	**2 397**	**266**	**2 663**	2 246	250	2 496
Bonus and performance related payments	**5 084**	**565**	**5 649**	5 274	586	5 860
Estimated monetary value of other benefits	**56**	**6**	**62**	–	–	–
Pension/provident fund contributions	**265**	**29**	**294**	294	32	326
	7 802	**866**	**8 668**	7 814	868	8 682
Prescribed officer F						
Basic salary	**748**	**1 747**	**2 495**	703	1 640	2 343
Bonus and performance related payments	**1 136**	**2 651**	**3 787**	–	–	–
Estimated monetary value of other benefits	**6**	**15**	**21**	15	36	51
Pension/provident fund contributions	**108**	**251**	**359**	107	250	357
	1 998	**4 664**	**6 662**	825	1 926	2 751
Total directors' and prescribed officers' emoluments	**45 601**	**54 758**	**100 359**	41 750	52 193	93 943

	GROUP		COMPANY	
	2016 R'000	2015 R'000	**2016 R'000**	2015 R'000

22. Profit before taxation (continued)

Profit before tax is determined after charging:

Auditors' remuneration

	2016	2015	**2016**	2015
– Audit fees	**3 991**	4 303	**3 790**	4 138
– Prior year underprovision	**388**	500	**388**	500
– Other services	**851**	3 348	**851**	3 348
	5 230	8 151	**5 029**	7 986
Depreciation				
– Office and computer equipment	**476**	342	**430**	327
– Motor vehicles	**37**	11	**37**	11
– Furniture and fittings	**41**	13	**–**	–
– Computer software	**–**	423	**–**	–
– IT equipment	**65**	82	**–**	–
– Leasehold improvements	**–**	828	**–**	–
	619	1 699	**467**	338
Other expenditure				
Loss on disposal of property and equipment	**–**	–	**–**	–
Administration fees paid	**106 312**	108 574	**106 312**	108 574
Movement in provision for outstanding claims	**–**	(90 259)	**–**	(90 259)
Operating leases	**25 883**	14 429	**25 883**	44 511
Professional fees	**116 249**	94 701	**115 524**	94 605
Research and development	**793**	4 596	**793**	4 596

23. Taxation

	2016	2015	**2016**	2015
South African normal taxation – current year	**343 014**	370 084	**342 927**	367 612
Deferred income tax	**3 125**	22 591	**3 108**	24 836
Other indirect taxation	**2 716**	–	**1 785**	–
Secondary tax on companies	**–**	–	**–**	–
Dividend Tax	**3 110**	182	**3 110**	182
	351 965	392 857	**350 930**	392 630

All taxation is payable in respect of continuing operations.

Tax rate reconciliation

	2016	2015	**2016**	2015
Tax calculated at standard rate of South African tax on earnings	**28.0**	28.0	**28.0**	28.0
Unrealised gains not taxable	**1.4**	(0.7)	**1.4**	(0.7)
Realised gains not taxable	**(8.2)**	–	**(8.2)**	–
Change in tax rate	**1.3**	–	**1.3**	–
Other indirect taxation	**0.1**	–	**0.1**	–
Dividend Tax	**0.2**	–	**0.2**	–
Non-taxable items and losses	**(0.7)**	(1.0)	**(0.7)**	(0.6)
Effective rate	**22.1**	26.3	**22.1**	26.7

24. Policyholder benefits

Individual and group

	2016	2015	**2016**	2015
– Death and disability	**2 076 012**	1 648 793	**2 076 012**	1 648 793
– Maturity	**1 243 597**	1 748 127	**1 243 597**	1 748 127
– Policy surrenders	**89 030**	204 535	**89 030**	204 535
– Annuities	**103 129**	–	**103 129**	144 445
– Other	**60 059**	58 210	**60 059**	58 210
Gross policyholder benefits	**3 571 827**	3 659 665	**3 571 827**	3 804 110
Less: Reinsurance recoveries	**(888 764)**	(553 020)	**(888 764)**	(553 020)
– Death and disability	**(888 764)**	(553 020)	**(888 764)**	(553 020)
Net policyholder benefits	**2 683 063**	3 106 645	**2 683 063**	3 251 090

Notes to the annual financial statements (continued)

for the year ended 30 June 2016

24. Policyholder benefits (continued)

Policyholder benefits represent payments under insurance contracts only. Items of income and expense in respect of investment contracts are excluded from the income statement and accounted for directly against the liability under these contracts in the statement of financial position. See note 16 on page 127 of these financial statements for the movement in policyholder liabilities under investment contracts.

	Notes	GROUP 2016 R'000	GROUP 2015 R'000	COMPANY 2016 R'000	COMPANY 2015 R'000
25. Reconciliation of profit before taxation to cash generated from operations					
Profit before tax attributable to equity holder of parent		**1 616 149**	1 466 371	**1 582 412**	1 468 715
Adjustments for:					
Depreciation of property and equipment	4	**619**	1 699	**467**	337
Amortisation of intangible assets		**2 195**	678	**2 195**	678
Impairment of goodwill		**–**	27 277	**–**	–
Write-off of intangible assets		**5 635**	–	**5 635**	–
Derecognition of financial asset		**–**	2 105 468	**–**	2 105 468
Transfer to policyholder liabilities under insurance contracts	16	**(1 164 995)**	(1 279 255)	**(1 164 995)**	(1 279 255)
Transfer to policyholder liabilities under investment contracts	16	**350 837**	(1 640 939)	**350 837**	(1 640 939)
Investment income		**(1 101 846)**	(665 073)	**(1 057 704)**	(670 126)
Realised profit on assets underlying investment contracts		**(320 205)**	(357 774)	**(320 205)**	(357 774)
Other income		**(142 306)**	(32 375)	**(104 751)**	(31 919)
Share of profit in associates		**(21 026)**	(195 299)	**–**	–
Unrealised loss/(profit) on revaluation of investments	21	**441 964**	71 200	**413 052**	(100 503)
Unrealised loss/(income) on investment contracts		**176 411**	(306 499)	**176 411**	(306 499)
Interest paid		**19 384**	7 972	**19 135**	6 718
(Decrease)/increase in employee benefits		**(3 827)**	29 764	**(3 827)**	29 764
Net increase in accrued interest and dividends		**11 924**	18 954	**11 924**	18 954
Asset transfers		**40 680**	–	**40 680**	–
Operating cash flows before working capital changes		**(88 407)**	(747 831)	**(48 734)**	(756 381)
Working capital changes		**(16 928)**	135 908	**(19 918)**	127 934
Decrease/(increase) in insurance, loans and other receivables and reinsurance assets		**8 959**	(3 217)	**(1 353)**	(9 764)
(Decrease)/increase in outstanding claims		**(40 405)**	63 719	**(40 405)**	63 719
Increase in reinsurance liabilities and trade and other payables		**14 518**	75 406	**21 840**	73 979
Cash (utilised by)/generated from operations		**(105 335)**	(611 923)	**(68 652)**	(628 447)
26. Dividends paid					
Amounts due at beginning of year		**–**	(9 831)	**–**	(9 831)
Amounts charged to statement of changes in equity		**(1 692 400)**	(855 259)	**(1 692 400)**	(855 254)
Amounts due at end of year		**227 314**	–	**227 314**	–
Cash amounts paid		**(1 465 086)**	(865 090)	**(1 465 086)**	(865 085)
27. Dividends received					
Amounts due at beginning of year		**64 673**	45 719	**64 673**	45 719
Dividends received per income statement		**57 953**	59 270	**72 728**	64 259
Amounts due at end of year		**(76 597)**	(64 673)	**(76 597)**	(64 673)
Cash amounts received		**46 029**	40 316	**60 804**	45 305

	Notes	GROUP 2016 R'000	GROUP 2015 R'000	COMPANY 2016 R'000	COMPANY 2015 R'000
28. Taxation paid					
Amounts due at beginning of year		**(635 957)**	(521 907)	**(636 887)**	(523 224)
Amounts charged to income statement		**(351 965)**	(392 857)	**(350 930)**	(392 630)
Amounts due at end of year		**516 012**	635 957	**516 014**	636 887
Cash amounts paid		**(471 910)**	(278 807)	**(471 803)**	(278 967)
Amounts due at end of year comprised as follows:					
Deferred income tax asset		**(64)**	821	**–**	–
Deferred income tax liability		**552 214**	549 106	**552 214**	549 106
Taxation		**(36 138)**	87 672	**(36 200)**	87 781
		516 012	637 599	**516 014**	636 887

29. Business combinations

Summary of business combinations

The Group did not acquire or dispose of any investments in subsidiaries in the 2016 or 2015 financial years.

30. Investments in associates

The Group acquired associates during the year.

30.1 Summary of acquisition and disposal of the Group's investments in associates – 2016

30.1.1 Acquisition of 10% shareholding in Precept Wealth Solutions (Pty) Ltd:

On 22 October 2015, the Group acquired a 10% shareholding in Precept Wealth Solutions (Pty) Ltd for a consideration payable of R4 040 000. At the date of acquisition, the carrying value of the investment in the company was R0.

30.1.2 Acquisition of 25% shareholding in Portman Wealth Solutions (Pty) Ltd:

On 22 October 2015, the Group acquired a 25% shareholding in Portman Wealth Solutions (Pty) Ltd for a consideration payable of R3 000 000. At the date of acquisition, the carrying value of the investment in the company was R0.

30.2 Summary of acquisition and disposal of the Group's investments in associates – 2015

30.2.1 Acquisition of further 10.28% shareholding in Capricorn Capital Partners (Pty) Ltd:

On 01 September 2014, the Group acquired an additional 10.28% shareholding in Capricorn Capital Partners (Pty) Ltd for a consideration payable of R12 302 505 to increase its total shareholding to 39.99% for the year under review. At the date of acquisition, the carrying value of the investment in the company was R56 523 000.

30.2.2 Acquisition of Ducome Brokers (Pty) Ltd:

On 17 September 2014, the Group acquired a 25% shareholding in Ducome Brokers (Pty) Ltd for a consideration payable of R3 800 000. At the date of acquisition, the carrying value of the investment in the company was R0.

30.2.3 Acquisition of Ooba (Pty) Ltd:

On 30 June 2015, the Group acquired a 25% shareholding in Ooba (Pty) Ltd for a consideration payable of R50 898 609. At the date of acquisition, the carrying value of the investment in the company was R0.

31. Staff pension and provident fund

The Company has a defined contribution pension fund, the Hollard Employees Pension Fund, with 323 (2015: 285) employees of the Company being members of the fund. The Company's contributions to the fund charged against income for the year amounted to R13 264 316 (2015: R11 856 185).

The Company also has a defined contribution provident fund, the Hollard Employees Provident Fund, with 1 529 (2015: 1 185) employees of the Company being members of the fund. The Company's contributions to the fund charged against income for the year amounted to R48 700 578 (2015: R44 389 527).

Both of these funds are controlled by a Board of Trustees and are governed by the Pension Funds Act of 1956.

32. Operating lease arrangements

The lease agreements that the Company was entered into with Hollard Life Properties (Pty) Ltd, a 100% owned subsidiary, in the prior years ended on 30 June 2015 (prior financial year). For the 2016 financial year a specific rate was agreed upon for the year as an updated lease agreement was not signed for the year. A new lease agreement was entered into with Taropark with effect from 1 July 2016 (next financial year).

The lease payments under the new lease will be recognised as an expense on a straight line basis over the term of the lease in accordance with International Accounting Standard IAS 17: *Leases*.

Notes to the annual financial statements (continued)

for the year ended 30 June 2016

33. Related party transactions

Transactions between Group companies

Hollard Life Assurance Company Limited's immediate holding company is Hollard Holdings (Pty) Limited (100%) and the ultimate holding company is Pickent Investments Limited (formerly R Enthoven and Sons (Pty) Ltd). Both of these companies are incorporated in the Republic of South Africa.

Related party relationships exist between the Group, fellow subsidiaries, associated companies, joint ventures and the holding company. The Group enters into commercial transactions with a number of these companies on an ongoing basis. All material transactions are concluded at arm's length and are eliminated on consolidation.

Details of subsidiary, associate and joint venture companies are provided in note 36 on page 135 of the financial statements.

	COMPANY	
	2016 R'000	2015 R'000
Loans to related parties		
Loans to subsidiaries	**5 332**	7 835
Loans to associates	**–**	18
Loans to Hollard Holdings	**48 898**	48 710
Loans to Wealth Associates	**79**	356
Loans to Newshelf 76	**17 343**	16 020
Loans to Syringa Tree	**18 217**	16 499
Loans to Pico Ruivo	**2 493**	2 777
Loans to directors and prescribed officers		
Details of individual loans to directors and prescribed officers:		
The following advances were made:		
M Shezi	**3 176**	2 950
NG Kohler	**5 339**	6 732
B Wyborn	**8 498**	7 893
The loans are given on commercial terms and conditions. The related interest income in 2016 was R1 339 355 (2015: R1 135 735).		
Interest on loans to M Shezi and B Wyborn is charged at the SARS rate and as at 30 June 2016, the rate was 8.00%.		
Interest on loans to N Kohler is charged at prime less 1.36% and at 30 June 2016, the prime rate was 10.50%.		
Loan to employee		
F Patrizi	**–**	2 094
Interest on loans to F Patrizi is charged at prime less 2% and at 30 June 2016, the prime rate was 10.50%.		
Endowment policies		
Endowment policies have been taken up by directors and key management. All policies are issued in the names of the individuals concerned on standard commercial terms. The value of policies in-force at the reporting date is as follows:		
Directors and their family members	**13 619**	13 785
Key management compensation		
Salaries, bonuses and other short term employee benefits.	**22 523**	19 671
Key management refers to executive committee members excluding directors		
The remuneration of key management is determined by the Remuneration Committee having regard to both the performance of the individuals concerned and their related market compensation benchmarks.		
Management fees		
Paid by The Hollard Insurance Company Limited	**255 219**	241 680
Administration fees		
Administration fees are paid to a number of companies in which the Group holds an interest. All fees are paid on standard commercial terms.		
Rent paid		
Hollard Life Properties (Pty) Limited	**–**	40 248
Vividend Income Fund Limited	**5 747**	4 263
Taropark	**20 136**	–
Investment Policy with		
The Hollard Insurance Company Limited	**894 761**	817 033

Refer to notes 7, 8 and 11 of these annual financial statements for details of loans with Group companies and other related parties.

34. Commitments for expenditure

The Group's and Company's principal expenditure commitment is to its policyholders, the nature and quantum of which is governed by the terms of the specific insurance contracts that are issued to them. The Group and Company do not expect to incur significant non-insurance related expenditure during the financial year ended 30 June 2017 and hence have not provided for a capital expenditure budget for this period (2016: Rnil). Any unanticipated capital or operating expenditure will be funded from internal sources.

35. Contingent liabilities

The Group and Company, in the ordinary course of business, enters into transactions that expose it to tax, legal and business risks. Provisions are made for known liabilities that are expected to materialise and which can be quantified with reasonable accuracy. Possible obligations and known liabilities where no reliable estimate can be made, or where it is considered improbable that an outflow will result, are not provided for but instead are noted as a contingent liability, in accordance with International Accounting Standard IAS 37: *Provisions, Contingent Liabilities and Contingent Assets*.

There are a number of legal or potential claims against the Group, the outcome of which at present cannot be foreseen or quantified. Therefore, no liability has been recognised for these potential claims in the financial statements in accordance with the requirements of IAS 37.

36. Subsidiaries, associates and joint ventures

						Carrying value of interest in subsidiaries. associates and joint ventures			
	Nature of business	Place of business	Issued share capital (Rands)	**2016 Proportion held %**	2015 Proportion held %	**2016 Shares R'000**	**Indebtedness R'000**	2015 Shares R'000	2015 Indebtedness R'000
Directly held subsidiaries									
Hollard Life Properties (Pty) Limited	A	RSA	2	**100.00**	100.00	**4 263**	**–**	4 233	347
The Best Funeral Society (Pty) Limited	B	RSA	8 000	**55.00**	55.00	**1 102**	**5 332**	1 129	5 084
Hollard Wealth Management Services (Pty) Limited	C	RSA	1	**100.00**	100.00	**378**	**–**	44	2 403
Hollard Management Company (Pty) Limited	D	RSA	1	**100.00**	100.00	**–**	**–**	–	–
Altrisk (Pty) Limited	E	RSA	1 075	**100.00**	100.00	**–**	**–**	–	–
Hollard Investment Managers (Pty) Limited	D	RSA	2	**100.00**	100.00	**8 543**	**–**	292	–
Finningley (Pty) Limited	E	RSA	100	**100.00**	100.00	**–**	**–**	–	–
						14 286	**5 332**	5 698	7 834
Directly held associates									
Amsure Insurance Agency Limited	E	India	325 913	**49.99**	49.99	**–**	**–**	–	–
Amserve Consultants Private Limited	F	India	108 638	**49.99**	49.99	**–**	**–**	–	–
Prorisk Pooling Administrators (Pty) Limited	E	RSA	120	**40.00**	40.00	**–**	**–**	–	18
Fiscal Tree Investments (Pty) Limited	E	RSA	100	**25.00**	25.00	**777**	**–**	3 016	–
Ooba (Pty) Limited	E	RSA	160	**25.00**	25.00	**59 689**	**–**	50 899	–
Ducome Brokers (Pty) Limited	C	RSA	100	**25.00**	25.00	**2 185**	**–**	3 800	–
IFANet Independent Distribution Services (Pty) Limited	C	RSA	100	**24.00**	24.00	**–**	**–**	–	–
Precept Wealth Solutions (Pty) Limited	C	RSA	1 000	**10.00**	–	**1 770**	**–**	–	–
Portman Wealth Solutions (Pty) Limited	C	RSA	160	**25.00**	–	**1 016**	**–**	–	–
						65 437	**–**	57 715	18

Nature of business

A – Property holding, B – Funeral administrator, C – Investment consulting, D – Investment holding, E – Life assurance, F – Business process outsourcing, training and education.

With the exception of Amserve Consultants Private Limited and Amsure Insurance Agency Limited, which are incorporated and operational in India, all companies recorded above are incorporated and operational in South Africa.

Notes to the annual financial statements (continued)

for the year ended 30 June 2016

37. Subsequent events

During September 2015, Regent Group's shareholder, Imperial Holdings, accepted an offer by the Hollard Group and the Yellowwoods Group to dispose of its shareholding in Regent Group, subject to regulatory approval. On 21 October 2016, we received confirmation that the Competition Commission would be recommending to the Competition Tribunal that the Regent Group acquisition be prohibited from going ahead. Given that the merger is categorised as a large merger, the recommendation of the Competition Commission does not constitute a final binding decision. Such final binding decision will be made by the Competition Tribunal subsequent to the hearing regarding the merger. The Board is not aware of any other event since the end of the financial year, not otherwise dealt with in these annual financial statements, that would affect the operations of the Group and Company, or the results of these operations.

38. Going concern

The Board believes that the Company and Group will continue to be a going concern in the foreseeable future. For this reason, the directors have adopted the going-concern basis in preparing the financial statements.

Directorate and administration

Directorate

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

Non-Executive Chairman	ADH Enthoven*
Group Chief Executive Officer	NG Kohler
Group Chief Financial Officer – until 1/1/2016	TBT Mparutsa
Group Chief Financial Officer – since 1/1/2016	WT Lategan
Independent Non-Executive Director	NV Simamane
Independent Non-Executive Director	BF Mohale
Independent Non-Executive Director	SC Gilbert
Non-Executive Director	R Fihrer
Independent Non-Executive Director	B Ngonyama
Independent Non-Executive Director	S Patel

* *British*

Company Secretary
NL Shirilele

Public Officer
NL Shirilele

Compliance officer
BR Curnow

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Hollard at Arcadia
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2193

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Houghton
2041

Website
www.hollard.co.za

Nature of business
The Company transacts long-term assurance business.

Auditors
Deloitte & Touche
Building 8
The Woodlands
Woodlands Drive
Woodmead
Sandton

Registration number
1993/001405/06