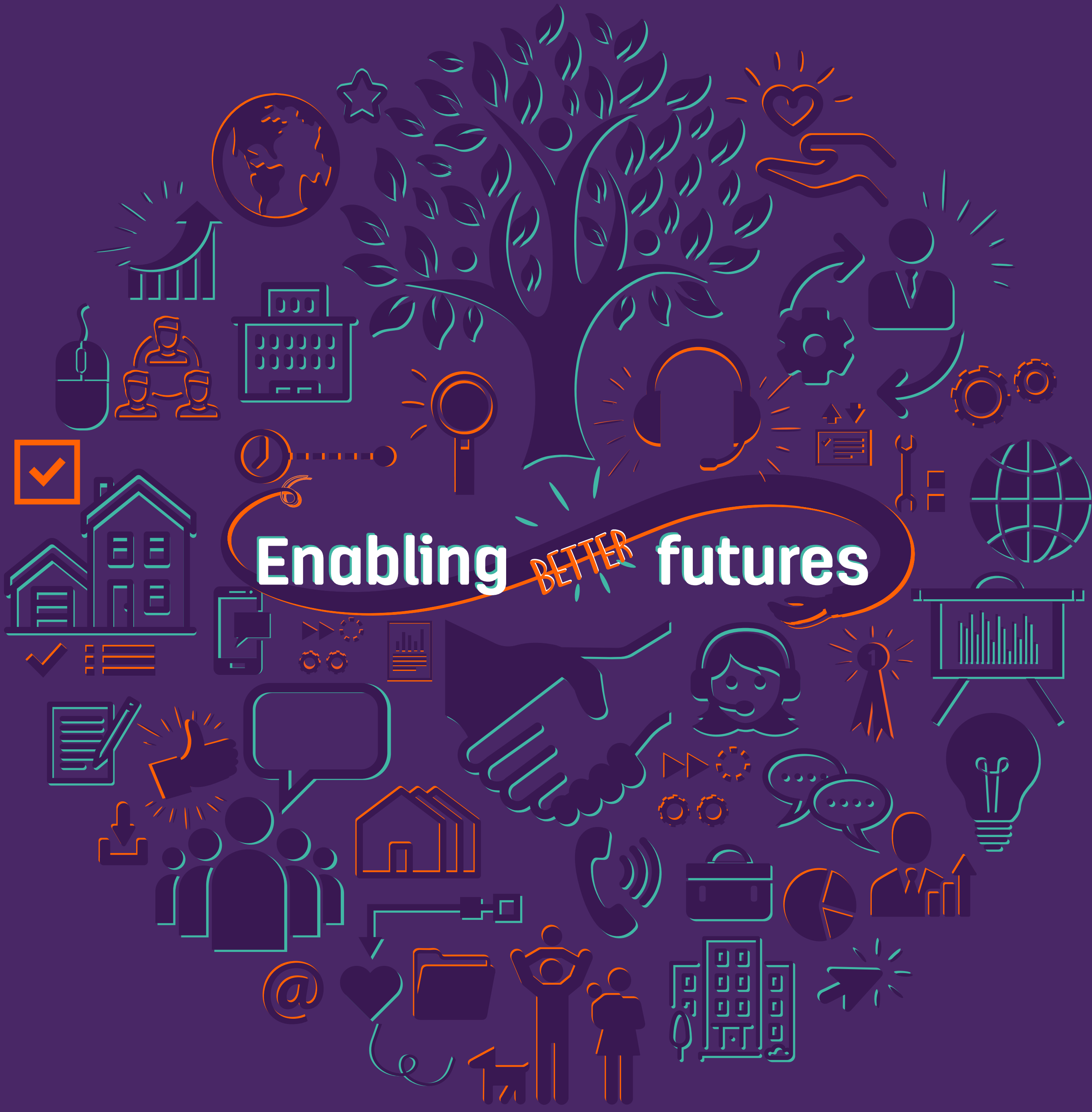
Hollard.




Hollard's financial year July 2018-June 2019

# THE HOLLARD INSURANCE COMPANY LIMITED 2019

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

These annual financial statements have been prepared by the Head: Short Term Reporting, Deon Naidoo, (CA(SA)), under the supervision of the Head of Finance, Prevashini Naicker, (CA(SA)).

*(Registration number: 1952/003004/06)*
*Audited consolidated annual financial statements*
*for the year ended 30 June 2019*

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# GROUP SALIENT FEATURES

for the year ended 30 June 2019

| | 2019 R'000 | 2018 R'000 | 2017 R'000 | 2016 R'000 | 2015 R'000 |
|---|---|---|---|---|---|
| **Statement of profit and loss information** | | | | | |
| Gross premium income[1] | **11 325 711** | 11 179 153 | 12 356 647 | 12 513 741 | 11 376 501 |
| Net written premium income[2] | **8 816 275** | 8 517 004 | 9 557 362 | 9 592 782 | 8 857 186 |
| Investment income[3] | **446 306** | 701 928 | 693 567 | 1 259 554 | 1 051 336 |
| Net insurance claims | **4 472 359** | 4 605 904 | 5 241 672 | 5 428 655 | 4 877 829 |
| Profit attributable to equity holders of the parent | **575 326** | 266 947 | 764 598 | 1 487 325 | 746 719 |
| **Statement of financial position information** | | | | | |
| Insurance liabilities | **4 839 221** | 4 841 376 | 5 172 590 | 5 115 347 | 5 402 403 |
| Equity attributable to equity holders of the parent | **3 020 574** | 2 911 689 | 2 880 729 | 3 150 169 | 3 694 967 |
| Total assets | **11 344 941** | 11 540 928 | 12 564 368 | 12 459 682 | 11 998 170 |
| Financial assets (i.e. listed investments and unlisted investments) | **3 006 929** | 2 970 051 | 2 784 533 | 2 675 367 | 3 425 392 |
| Cash and cash equivalents | **2 575 793** | 2 219 916 | 2 079 388 | 2 179 384 | 2 962 959 |

| **Trading ratios** | **%** | % | % | % | % |
|---|---|---|---|---|---|
| Written premium: Net to gross | **77.8** | 76.2 | 77.3 | 76.7 | 77.9 |
| Combined operating ratio[4] | **96.4** | 101.0 | 99.4 | 100.6 | 100.9 |
| Solvency ratio[5] | **34.3** | 36.0 | 39.2 | 46.0 | 57.6 |
| **Actuarial information** | | | | | |
| Capital adequacy requirement (CAR)[6] (R'000) | **2 552 495** | 2 214 333 | 2 304 177 | 2 229 304 | 2 086 775 |
| Capital adequacy requirement (CAR) cover[6] | **1.33** | 1.33 | 1.26 | 1.21 | 1.51 |

*(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 operating 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 and net written premium income. Solvency is calculated and presented at a company level.*

*(6) "Capital adequacy requirement" for the current year is based on SAM while the prior years were based on interim measures.*

# DIRECTORS' RESPONSIBILITY STATEMENT AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2019

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 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 control, 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 appropriate 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 continues to adopt the going-concern basis in preparing the annual financial statements.

These annual financial statements, set out on pages 6 to 69, have been approved by the Board of the Group and Company and are signed on its behalf by:

**ADH Enthoven**
Chairman

24 October 2019

**S Ntombela**
Chief Executive Officer

24 October 2019

# 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.

**Corpstat Governance Services (Pty) Ltd (appointed 1 August 2019)**
Company Secretary

24 October 2019

# 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 Insurance Act. The Committee has reviewed the Group's and Company's annual financial statements, and recommends them for approval to the board. The Committee further reviewed the Group's and 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 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.

**MR Bower**
Chairman: Audit Committee

24 October 2019

# INDEPENDENT AUDITOR'S REPORT

for the year ended 30 June 2019

## TO THE SHAREHOLDER OF THE HOLLARD INSURANCE COMPANY LIMITED

### Report on the audit of the consolidated and separate financial statements

We have audited the consolidated and separate financial statements of The Hollard Insurance Company Limited and its subsidiaries ("the Group") set out on pages 10 to 69, which comprise the consolidated and separate statements of financial position as at 30 June 2019, statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group and Company as at 30 June 2019, 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 (IFRSs) and the requirements of the Companies Act of South Africa.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

The directors are responsible for the other information. The other information comprises the Group Salient Features, the Directors' Responsibility Statement and Approval of the Annual Financial Statements, the Directors' Report, the Audit Committees' Report, the Certification by Company Secretary, and the Directorate and Administration as required by the Companies Act of South Africa. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the directors for the consolidated and separate financial statements

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

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

### Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

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

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

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

## Report on other legal and regulatory requirements

In terms of the 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 The Hollard Insurance Company Limited for 11 years.

Deloitte & Touche

**Deloitte & Touche**
**Registered Auditor**

Per: D Munu
Partner

31 October 2019

# AUDIT COMMITTEE REPORT
for the year ended 30 June 2019

The Hollard Group Audit and Compliance Committee is pleased to present its annual report, for the financial year ended 30 June 2019, which outlines how this independent, shareholder-appointed Committee discharged both its statutory and Board-delegated duties.

## 1. COMMITTEE

### 1.1. Terms of reference

The Committee operates within the framework provided by its Board-approved charter and carries out its mandate in compliance with these Terms of Reference. To ensure it is aligned with best practice, the Audit Committee charter is reviewed annually, by the Group Audit Committee and the Group Boards, and both are satisfied that it complies with the Companies Act (71 of 2008), the Insurance Act (18 of 2017) and applies the principles enunciated in the King IV Report.

### 1.2. Composition, meetings and assessment

The Committee is composed of three independent non-executive directors, with the Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Group Finance Managers and External and Internal Auditors all invited to attend the scheduled Committee meetings. In addition, the Committee holds private meetings and closed sessions with relevant parties, to deliberate any arising issues that may require confidential assessment (such as the interaction between the finance function, Internal and External Auditors).

### 1.3. Roles and responsibilities

The Audit Committee's key roles and responsibilities are, inter alia:

- To drive a co-ordinated approach to assurance that ensures the significant risks facing the Group are effectively mitigated
- To monitor the relationship between external assurance providers and the Group
- To oversee the Internal Audit function and provide specific input on the appointment, performance assessment and/or dismissal of the Group Head of Internal Audit
- To confirm the independence of the Internal Audit function and its capability (in terms of resources, budget and standing) to discharge its functions
- To approve the Internal Audit plan and review any overlap with the External Auditor's plan
- To ensure the Internal Audit function is subject to an independent quality review whenever the Committee deems it appropriate
- To ensure the Internal Audit function performs its duties in accordance with its approved charter
- To review financial reporting risks, internal financial controls (including IT) and fraud risk as they relate to financial reporting
- To review Internal Audit's report on the effectiveness of internal financial controls, controls and risk management processes
- To ensure Internal Audit has adequate capacity to perform a formal documented review of internal financial controls and to evaluate their design, implementation and effectiveness
- To review the Annual Financial Statements and Annual Report and recommend them for approval by the Boards
- To report on any material weaknesses in financial controls and the corrective action taken to address them
- To oversee the External Audit process: nominate an External Auditor and approve the terms of engagement and remuneration; monitor independence of the function; and report on it in the Annual Financial Statements
- To define a policy for non-audit services provided by the External Auditor and pre-approve the contracts for any such services rendered
- To ensure a process is in place for the Committee to be informed of any irregularities (as described in the Auditing Profession Act, 2005) that may be identified and reported by the External Auditor
- To review the quality and effectiveness of the External Audit process
- To evaluate the adequacy of the Group's insurance cover
- To review any material business irregularities and litigation matters that may have a significant impact on the Group's financial statements
- To review the quality of the Group's earnings.
- To review the expertise, resources and experience of the finance functions.
- To set the tone, on behalf of the Boards, regarding compliance culture and compliance risk appetite.
- To assist the Boards in identifying and monitoring all material compliance risks at insurance entity and Group levels.
- To ensure management performs formal compliance risk assessments, at least annually, across the Group and that remedial action is executed.
- To assess the compliance function to ensure it provides objective and independent assessment of adherence to legislation and delivers regulatory reporting.
- To review compliance reports and in particular, any reports made to any Regulators, noting any recommendations, breaches and confirming that appropriate remediation action has been taken.
- To confirm that the compliance function is independent and has the requisite authority, resources, budget and access to the Boards, to be able to exercise its authority and perform its responsibilities.
- To in consultation with the Chief Risk Officer, determine the appointment, performance assessment, remuneration and /or dismissal of the Head of the Compliance Function.
- To approve the annual compliance coverage plan.
- To ensure that the Head of the Compliance Function reviews any proposed outsourcing of material business activity and regularly reviews and reports to the Committee, compliance with the Group's outsourcing policy.
- To ensure that the risks associated with the outsourcing of a material business activity are appropriately assessed, monitored, managed and regularly reviewed.

## 2. STATUTORY DUTIES

### 2.1. Financial Statements and Accounting Policies

The Committee has reviewed the Group's Accounting Policies and Financial Statements for the financial year ended 30 June 2019 and is satisfied that they:

- are appropriate for the business
- comply with International Financial Reporting Standards
- support the Board's strategy

### 2.2. Going Concern

The Committee has undertaken an assessment of the Group's documented status, including key assumptions prepared by management, and is comfortable in recommending to the Boards that the Group is a 'going concern', as reflected in the Annual Financial Statements.

### 2.3. External Auditor appointment and independence

In consultation with the Group's executive management, the Committee approved continuation of Deloitte South Africa as External Auditor for the 2019 financial year and agreed to the engagement letter, terms, audit plan and budgeted external audit fees.

After evaluating the appointments of previous External Auditors, the extent of other work the Auditor undertakes for the Group, and compliance with criteria relating to independence and conflicts of interest the Committee has satisfied itself that Deloitte South Africa is independent of the Group. Guarantees provided by the auditing firm confirm that its claim to independence is supported and demonstrated by its own internal governance processes.

At the AGMs of The Hollard Insurance Company, Hollard Life Assurance Company, Hollard Specialist Insurance (formerly Regent Insurance Company) and Hollard Specialist Life (formerly Regent Life Assurance Company), it was recommended that Deloitte South Africa be re-appointed as External Auditor for the ensuing financial year.

## 3. STATEMENT ON INTERNAL FINANCIAL CONTROLS

Ultimately, the Group Boards are responsible for providing reasonable assurance that the Group has effective financial and non-financial controls in place. In the year under review, these mechanisms were assessed by Internal Audit, in the execution of their annual audit plan, and it was confirmed that there were no material breakdowns in design or operational effectiveness and that matters to be addressed were either receiving attention or had already been resolved.

Using this assessment, together with the information provided by management and discussions with the External Auditor, the Committee was able to advise the Boards that it has no reason to believe that the Group's internal financial controls do not form an effective basis for preparation of the Annual Financial Statements. This is save for shortcomings identified in respect of the Branch in a Box transaction for the period under review, of which there are management actions in place to address same.

## 4. STATEMENT ON INTERNAL CONTROL AND RISK MANAGEMENT

Effectiveness of the group's internal control systems are monitored by the risk management and internal audit functions, on the basis of which, recommendations are made to management, the Audit and Compliance as well as the Risk and IT Committees.

Based on this information, together with discussions held with management and the Committees, the Boards confirmed that nothing has been brought to their attention relating to material internal controls or risk management shortcomings during the year under review.

## 5. BOARD-DELEGATED DUTIES

### 5.1 Governance of Risk

The Risk and IT Committee is responsible for the governance of risk management in the Group.

### 5.2 Internal Audit

The Committee is mandated to ensure that the internal audit function within the Group is independent, properly resourced and effective and that it functions within the parameters of the internal audit charter approved by the Committee. The Committee reviews the charter annually to ensure that it is aligned with best practice.

The Committee approves the Group's Internal Audit plan and assesses performance of the Internal Audit function, ensuring seamless co-operation between the external and internal audit functions, without any negative impact on the integrity of the Group's assurance processes.

The Group Head: Internal Audit has direct access to the Committee through the Chairman and is responsible for: developing risk-based audit planning methodologies in line with King IV recommendations; following up each internal audit with a detailed report to management and recommendations on aspects that require improvement; and reporting significant findings to the Committee.

M Bower

**Mark Bower**
Chairperson of the Audit Committee

# DIRECTORS' REPORT

for the year ended 30 June 2019

The Directors have 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 2019.

## 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 and 44 on pages 62 and 65 of the annual financial statements.

## General review

In the year under review the Group achieved net profit attributable to equity holders of the parent of R575 326 000 (2018: R266 947 000), which arose from the Group's operations as follows:

| | GROUP | |
|---|---|---|
| | **2019 R'000** | 2018 R'000 |
| Net premium income | **8 478 683** | 8 441 843 |
| Investment income | **446 306** | 701 928 |
| Other income | **107 676** | 192 564 |
| **Total revenue** | **9 032 665** | 9 336 335 |
| Net insurance claims | **4 472 359** | 4 605 904 |
| Other operating expenses | **3 817 433** | 4 020 324 |
| **Total expenses** | **8 289 792** | 8 626 228 |
| **Results of operating activities** | **742 873** | 710 107 |
| Share of profit in associates | **50 544** | 50 282 |
| **Profit before taxation** | **793 417** | 760 389 |
| Taxation | **(190 794)** | (453 020) |
| **Profit for the year** | **602 623** | 307 369 |
| Non-controlling interest | **(27 297)** | (40 422) |
| **Net profit attributable to equity holders of the parents** | **575 326** | 266 947 |

## Share capital

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

## Dividends

Dividends on ordinary shares of R414 089 000 (2018: R595 503 000) were declared by the Company during the year.

## Subsidiaries and associates

The Company's aggregate share of the profits of subsidiaries and associates for the year amounted to R24 670 655 and R50 544 040 respectively (2018: R96 430 150 and R50 281 735 respectively).

## Going concern

The Board believes that the Group and Company will continue to be going concerns in the next financial year. For this reason, the Board has adopted the going concern basis in preparing the annual financial statements.

## 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 23 November 2018:

- NG Kohler
- BF Mohale
- B Ngonyama and
- AS Nkosi.

## Directors' interest in contracts

During the financial year, no contracts were entered into which directors or officers of the company had an interest and which significantly affected the business of the company.

## Executive Directors

S Ntombela (Group CEO), WT Lategan (Group CFO) (resigned 30 September 2018), DJ Viljoen (Group CFO) (appointed 1 October 2018) were the only Executive Directors who held office during the year.

## Non-Executive Directors

NG Kohler, ADH Enthoven, B Ngonyama, MR Bower, R Fihrer, BF Mohale, S Patel, AS Nkosi, SC Gilbert 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

Corpstat Governance Services (Pty) Ltd (appointed 1 August 2019)

## Business address

Hollard at Arcadia
22 Oxford Road
Parktown
Johannesburg
2193

## Postal address

P O Box 87419
Houghton
2041

## Holding company

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

# STATEMENTS OF FINANCIAL POSITION

as at 30 June 2019

| | Notes | GROUP 2019 R'000 | GROUP 2018 R'000 | COMPANY 2019 R'000 | COMPANY 2018 R'000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Property and equipment | 5 | **119 283** | 104 361 | **119 148** | 104 226 |
| Investment property | 6 | **28 001** | 28 001 | **–** | – |
| Intangible assets | 7 | **182 595** | 154 952 | **182 186** | 154 544 |
| Interest in subsidiaries | 8 | **–** | – | **47 096** | 51 531 |
| Interest in associates | 9 | **245 962** | 251 698 | **229 788** | 249 910 |
| Financial assets | 10 | **3 006 929** | 2 970 051 | **2 961 503** | 2 920 231 |
| Reinsurance assets | 21 | **2 011 090** | 2 752 461 | **2 011 090** | 2 752 461 |
| Insurance, loans and other receivables | 13 | **1 930 318** | 1 971 966 | **1 924 519** | 1 970 353 |
| Deferred acquisition costs | 22 | **109 729** | 116 443 | **109 729** | 116 443 |
| Deferred taxation | 14 | **103 609** | 85 196 | **103 609** | 85 196 |
| Current income taxation | 35 | **8** | 8 | **–** | – |
| Cash and cash equivalents | 15 | **2 575 793** | 2 219 916 | **2 575 926** | 2 221 041 |
| Non-current assets held for sale | 16 | **1 031 624** | 885 875 | **162 448** | 152 431 |
| **Total assets** | | **11 344 941** | 11 540 928 | **10 427 042** | 10 778 367 |
| **Equity and liabilities** | | | | | |
| Share capital and premium | 17 | **1 642 601** | 1 642 601 | **1 642 601** | 1 642 601 |
| Contingency reserve | | **20 499** | 20 499 | **–** | – |
| Share option reserve | | **4 012** | 4 012 | **4 012** | 4 012 |
| Foreign currency translation reserve | 19 | **2 674** | 10 074 | **–** | – |
| Non-distributable reserves | 18 | **1 193** | 1 356 | **–** | – |
| Credit protection reserves | | **3** | 3 | **–** | – |
| Retained earnings | | **1 349 592** | 1 233 144 | **1 293 007** | 1 204 961 |
| Equity attributable to equity holders of the parent | | **3 020 574** | 2 911 689 | **2 939 620** | 2 851 574 |
| Non-controlling interest | | **33 059** | 7 020 | **–** | – |
| **Total equity** | | **3 053 633** | 2 918 709 | **2 939 620** | 2 851 574 |
| Insurance liabilities | 21 | **4 839 221** | 4 841 376 | **4 839 221** | 4 841 376 |
| Reinsurance liabilities | | **755 478** | 903 055 | **755 478** | 903 055 |
| Non-current liabilities held for sale | 16 | **754 383** | 653 254 | **–** | – |
| Borrowings | 24 | **600 806** | 600 653 | **600 452** | 600 299 |
| Employee benefits | 25 | **274 398** | 236 916 | **274 398** | 236 916 |
| Trade and other payables | 26 | **829 461** | 837 708 | **789 406** | 806 676 |
| Deferred taxation | 14 | **208 401** | 234 070 | **199 333** | 223 310 |
| Current income taxation | 35 | **29 160** | 315 187 | **29 134** | 315 161 |
| **Total liabilities** | | **8 291 308** | 8 622 219 | **7 487 422** | 7 926 793 |
| **Total equity and liabilities** | | **11 344 941** | 11 540 928 | **10 427 042** | 10 778 367 |

# STATEMENTS OF PROFIT OR LOSS

for the year ended 30 June 2019

| | Notes | GROUP 2019 R'000 | GROUP 2018 R'000 | COMPANY 2019 R'000 | COMPANY 2018 R'000 |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Gross premium income | | **11 325 711** | 11 179 153 | **10 856 041** | 10 259 310 |
| Reinsurance premiums outwards | | **(2 509 436)** | (2 662 149) | **(2 282 852)** | (2 330 438) |
| **Net written premium income** | | **8 816 275** | 8 517 004 | **8 573 189** | 7 928 872 |
| *Less:* Change in unearned premium reserve | | **(337 592)** | (75 161) | **(321 563)** | (43 268) |
| Gross amount | | **(383 269)** | 14 217 | **(378 688)** | 68 912 |
| Reinsurer's share | | **45 677** | (89 378) | **57 125** | (112 180) |
| **Net premium income** | | **8 478 683** | 8 441 843 | **8 251 626** | 7 885 604 |
| Interest | 27 | **254 266** | 259 654 | **202 551** | 196 104 |
| Dividends | 27 | **148 702** | 161 869 | **194 646** | 195 992 |
| Rental income | | **3 104** | 2 808 | **–** | – |
| Realised (loss)/profit on disposal of investments | 28 | **(4 242)** | (438 287) | **(4 242)** | 477 160 |
| Unrealised profit/(loss) on revaluation of investments | 29 | **31 021** | 647 600 | **31 018** | (212 129) |
| Profit on translation of foreign currencies | | **13 455** | 14 808 | **14 634** | 21 850 |
| Profit on disposal of associates and subsidiaries | | **–** | 53 476 | **–** | – |
| **Investment income** | | **446 306** | 701 928 | **438 607** | 678 977 |
| **Other income** | | **107 676** | 192 564 | **61 923** | 154 132 |
| **Total revenue** | | **9 032 665** | 9 336 335 | **8 752 156** | 8 718 713 |
| **Expenses** | | | | | |
| Gross claims and loss adjustment expense | | **5 305 667** | 6 440 301 | **4 992 796** | 6 110 946 |
| Reinsurer's share | | **(833 308)** | (1 834 397) | **(618 425)** | (1 726 863) |
| **Net insurance claims** | | **4 472 359** | 4 605 904 | **4 374 371** | 4 384 083 |
| Commission and other acquisition costs | | **964 401** | 962 400 | **909 741** | 894 333 |
| Interest paid | 27 | **80 475** | 111 534 | **75 891** | 107 612 |
| Marketing and administration expenses | | **2 772 557** | 2 946 390 | **2 672 296** | 2 685 193 |
| **Total expenses** | | **8 289 792** | 8 626 228 | **8 032 299** | 8 071 222 |
| **Results of operating activities** | | **742 873** | 710 107 | **719 857** | 647 492 |
| Share of profit of associates | | **50 544** | 50 282 | **–** | – |
| **Profit before taxation** | 30 | **793 417** | 760 389 | **719 857** | 647 492 |
| Taxation | 31 | **(190 794)** | (453 020) | **(175 005)** | (428 389) |
| **Profit for the year** | | **602 623** | 307 369 | **544 852** | 219 103 |
| **Profit for the year attributable to:** | | | | | |
| Equity holders of the parent | | **575 326** | 266 947 | | |
| Non-controlling interest | | **27 297** | 40 422 | | |
| | | **602 623** | 307 369 | | |

# STATEMENTS OF COMPREHENSIVE INCOME

as at 30 June 2019

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | Notes | 2019 R'000 | 2018 R'000 | 2019 R'000 | 2018 R'000 |
| Profit for the year | | 602 623 | 307 369 | 544 852 | 219 103 |
| **Other comprehensive income** | | | | | |
| Exchange differences on translating foreign operations | | (7 400) | 48 524 | – | – |
| Transfer from reserve | | (163) | 126 | – | – |
| Unrealised gain on financial assets at fair value through other comprehensive income | | (3 330) | (477 013) | – | – |
| **Other comprehensive loss for the year** | 20 | (10 893) | (428 363) | – | – |
| **Total other comprehensive income for the year** | | 591 730 | (120 994) | 544 852 | 219 103 |
| **Total other comprehensive income attributable to:** | | | | | |
| Equity holders of the parent | | 565 691 | 123 909 | | |
| Non-controlling interest | | 26 039 | (244 903) | | |
| | | 591 730 | (120 994) | | |

# STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2019

| GROUP | 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 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 July 2017** | 1 586 687 | 55 914 | 39 439 | 4 012 | (43 360) | 3 | 1 230 | 1 236 804 | 2 880 729 | 286 250 | 3 166 979 |
| Profit for the year | – | – | – | – | – | – | – | 266 947 | 266 947 | 40 422 | 307 369 |
| Other comprehensive loss | – | – | – | – | 48 524 | – | 126 | (191 688) | (143 038) | (285 325) | (428 363) |
| **Total other comprehensive income** | – | – | – | – | 48 524 | – | 126 | 75 259 | 123 909 | (244 903) | (120 994) |
| Transfer to contingency reserve | – | – | (18 940) | – | – | – | – | 18 940 | – | (18 898) | (18 898) |
| Transfer to non-controlling interest | – | – | | – | (10 062) | – | – | – | (10 062) | – | (10 062) |
| Dividends paid on ordinary shares | – | – | – | – | – | – | – | (595 503) | (595 503) | – | (595 503) |
| Disposal of non-current assets held for sale | | – | – | – | 14 972 | – | – | 497 644 | 512 616 | (15 429) | 497 187 |
| **Balance at 30 June 2018** | 1 586 687 | 55 914 | 20 499 | 4 012 | 10 074 | 3 | 1 356 | 1 233 144 | 2 911 689 | 7 020 | 2 918 709 |
| Impact of transition adjustment | – | – | – | – | – | – | – | (42 717) | (42 717) | – | (42 717) |
| **Restated opening balance at 30 June 2018** | 1 586 687 | 55 914 | 20 499 | 4 012 | 10 074 | 3 | 1 356 | 1 190 427 | 2 868 972 | 7 020 | 2 875 992 |
| Profit for the year | – | – | – | – | – | – | – | 575 326 | 575 326 | 27 297 | 602 623 |
| Other comprehensive loss | – | – | – | – | (7 400) | – | (163) | (2 072) | (9 635) | (1 258) | (10 893) |
| **Total other comprehensive income** | – | – | – | – | (7 400) | – | (163) | 573 254 | 565 691 | 26 039 | 591 730 |
| Dividends paid on ordinary shares | – | – | – | – | – | – | – | (414 089) | (414 089) | – | (414 089) |
| **Balance at 30 June 2019** | **1 586 687** | **55 914** | **20 499** | **4 012** | **2 674** | **3** | **1 193** | **1 349 592** | **3 020 574** | **33 059** | **3 053 633** |

| COMPANY | 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 |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 July 2017** | 1 586 687 | 55 914 | – | 4 012 | – | – | – | 1 581 361 | 3 227 974 |
| Profit for the year | – | – | – | – | – | – | – | 219 103 | 219 103 |
| **Total other comprehensive income** | – | – | – | – | – | – | – | 219 103 | 219 103 |
| Dividends paid on ordinary shares | – | – | – | – | – | – | – | (595 503) | (595 503) |
| **Balance at 30 June 2018** | 1 586 687 | 55 914 | – | 4 012 | – | – | – | 1 204 961 | 2 851 574 |
| Impact of transition adjustment | – | – | – | – | – | – | – | (42 717) | (42 717) |
| **Restated opening balance at 30 June 2018** | 1 586 687 | 55 914 | – | 4 012 | – | – | – | 1 162 244 | 2 808 857 |
| Profit for the year | – | – | – | – | – | – | – | 544 852 | 544 852 |
| **Total other comprehensive income** | – | – | – | – | – | – | – | 544 852 | 544 852 |
| Dividends paid on ordinary shares | – | – | – | – | – | – | – | (414 089) | (414 089) |
| **Balance at 30 June 2019** | **1 586 687** | **55 914** | **–** | **4 012** | **–** | **–** | **–** | **1 293 007** | **2 939 620** |

# STATEMENTS OF CASH FLOWS

as at 30 June 2019

| | Notes | GROUP 2019 R'000 | GROUP 2018 R'000 | COMPANY 2019 R'000 | COMPANY 2018 R'000 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Cash receipts from policyholders and other customers | | 8 520 330 | 8 483 825 | 8 297 460 | 7 923 071 |
| Cash paid to policyholders, suppliers and employees | | (7 469 463) | (8 275 365) | (7 217 741) | (7 710 670) |
| **Cash generated from operations** | 32 | 1 050 867 | 208 460 | 1 079 719 | 212 401 |
| Interest paid | 27 | (80 475) | (111 534) | (75 891) | (107 612) |
| Dividends paid | 33 | (414 089) | (595 503) | (414 089) | (595 503) |
| Interest received | 27 | 254 266 | 259 654 | 202 551 | 196 104 |
| Dividends received | 34 | 128 748 | 146 285 | 174 692 | 180 408 |
| Taxation paid | 35 | (520 903) | (50 312) | (503 424) | (28 769) |
| **Net cash outflow from operating activities** | | 418 414 | (142 950) | 463 558 | (142 971) |
| **Cash flows from investing activities** | | | | | |
| Acquisition of property and equipment | | (38 201) | (54 388) | (38 201) | (54 388) |
| Acquisition of listed and unlisted investments | | (129 102) | (166 049) | (129 102) | (166 049) |
| Acquisition of subsidiaries | | (6 658) | – | (6 658) | – |
| Acquisition of intangible assets | | (120 767) | (58 896) | (120 767) | (58 896) |
| Acquisition of bonds | | (88 769) | (85 000) | (88 769) | (85 000) |
| Proceeds on disposal of listed and unlisted investments | 37 | 216 938 | 265 224 | 216 938 | 265 224 |
| Proceeds on disposal of non-current asset held for sale | 38 | – | 483 527 | – | 483 527 |
| Proceeds on maturity of bonds | | 32 877 | (772) | 32 877 | (772) |
| Dividends received from associates | | 46 136 | – | – | – |
| Decrease in loans to subsidiaries | | – | – | – | (167) |
| Increase in loans | | 24 856 | (100 312) | 24 856 | (100 312) |
| **Net cash inflow from investing activities** | | (62 690) | 283 334 | (108 826) | 283 167 |
| **Cash flows from financing activities** | | | | | |
| Increase in long-term borrowings | | 153 | 144 | 153 | 143 |
| **Net cash inflow from financing activities** | | 153 | 144 | 153 | 143 |
| **Cash and cash equivalents** | | | | | |
| Net increase in cash and cash equivalents | | 355 877 | 140 528 | 354 885 | 140 339 |
| Cash and cash equivalents at beginning of year | | 2 219 916 | 2 079 388 | 2 221 041 | 2 080 702 |
| **Cash and cash equivalents at end of year** | 15 | 2 575 793 | 2 219 916 | 2 575 926 | 2 221 041 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2019

## 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 consolidated 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 consolidated 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 comprehensive income 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 IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* as issued by the International Accounting Standards Board (IASB) and the IFRIC of the IASB. Under the transitional approach adopted by the group for these standards there was no changes to comparative period primary financial statements or note disclosures. The impact to the group's opening retained income as at 1 July 2018 was a reduction of R42.7 million (relating to IFRS 9 only). There were also consequential amendments to IAS 1 Presentation of Financial Statements and IFRS 7 Financial Instruments.

| R'000 | As previously reported under IAS 39 | Transition adjustment | As classified under IFRS 9 |
|---|---|---|---|
| Insurance, loans and other receivables[1] | 1 971 966 | (58 466) | 1 913 501 |
| Financial assets[2] | 2 970 051 | 15 749 | 2 985 800 |
| **Gross transition adjustment** | | (42 717) | |

*1. ECL charge on transition relating to branch in a box loans and intercompany loans.*
*2. ECL charge on transition relating to preference shares carried at amortised cost.*

The Group and Company will comply with standards issued but not yet effective for the 2019 financial year, from the respective effective dates. It is expected that the application of certain 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 2019**

- IFRS 16: *Leases* – This standard is expected to have an impact on the financial statements, this impact is currently being quantified.
- IFRS 9: *Financial Instruments* – Prepayment features with negative compensation. This standard is expected to have an impact on the financial statements, this impact is currently being quantified.
- IAS 28: *Investments in Associates and Joint Ventures* – Long-term interests in associates and joint ventures. This standard is expected to have an impact on the financial statements, this impact is currently being quantified.
- IFRIC 23: *Uncertainty over Income Tax Treatments* – This interpretation is expected to have an impact on the financial statements, this impact is currently being quantified.
- IFRS 17: *Insurance Contracts* – Original issue that replaces IFRS 4 Insurance Contracts (effective from annual periods beginning on or after 1 January 2021). This standard is expected to have a material impact on the financial statements, this impact is currently being quantified.

# 1. Accounting policies (continued)

## 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 is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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 comprehensive income.

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 comprehensive income.

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 IFRS 9: *Financial Instruments* due to the fact that it continually manages and evaluates these investments on a fair value basis.

### Investments 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 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 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 associates are carried in the consolidated statement of financial position 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 comprehensive income.

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 IFRS 9 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 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 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 comprehensive income.

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 IFRS 9 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 provide 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 at the acquisition date. Goodwill arising on the acquisition of the subsidiary 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.

### 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 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 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.

## 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 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 gain or loss. Such translation differences are recognised in the 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.

### 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 comprehensive income.

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 | 20% |
| • Furniture and fittings | 10% |
| • Leasehold improvements | shorter of useful life and lease term |

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 comprehensive income. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the comprehensive income 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.

### 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 comprehensive income 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 comprehensive income.

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 annually.

### 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.

### Intellectual property

The acquisition of intellectual property is recognised as intangible assets due to the fact that:

- It is probable that the expected future economic benefits attributable to the intellectual property will flow to the entity;
- The costs of intellectual property have been measured reliably;
- The intellectual property is initially recognised at cost; and
- The intellectual property is, subsequent to initial recognition, carried at cost less accumulated amortisation, fair value adjustments and any impairment losses;

## 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 and financial assets at amortised cost. The classification and measurement is dependent on the IFRS 9 criteria. IFRS 9 applies two criteria to determine how financial assets should be classified and measured, namely:

a. the entity's business model for managing the financial assets: and
b. the contractual cash flow characteristics of the financial asset.

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

Under IAS 39 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.

Investments which the Group and Company have elected to designate at fair value through profit or loss are investments held for the long term.

For the purpose of these consolidated annual financial statements, short term is defined as any period of less than 12 months and long term is defined as any period in excess of 12 months.

Under IFRS 9 a debt instrument is classified as a financial asset at fair value through profit or loss if so designated, as well as if the debt instrument financial assets were not classified as measured at amortised cost or fair value through other comprehensive income.

*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.

The held to maturity classification is no longer applicable under IFRS 9.

# 1 Accounting policies (continued)

## 1.7 Non-derivative financial instruments (continued)

### Financial assets (continued)

**Investments (continued)**

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

Under IAS 39 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 equities.

Under IFRS 9 a debt instrument is measured at fair value through other comprehensive income if it meets both of the following conditions (and is not designated as fair value through profit or loss):

a. it is held within a business model where the objective is achieved by both collecting contractual cash flows and selling financial assets; and
b. its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets held in this type of business model are managed to realise cash flows by both collecting contractual cash flows and selling the financial instrument. Both these activities are fundamental to achieving the objective of the business model.

On initial recognition of an equity instrument that is not held for trading, the instrument may be irrevocably designated at fair value through other comprehensive income. In such an instance changes in the equity instrument's fair value are recorded in other comprehensive income (OCI). This election is made on an investment-by-investment basis.

*iv) Loans and receivables/Financial assets at amortised cost*

Under IAS 39 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 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.

Under IFRS 9 a debt instrument is classified as a financial asset at amortised cost if it meets both of the following conditions (and is not designated as fair value through profit or loss):

a. it is held within a business model where the objective is achieved by collecting contractual cash flows; and
b. its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets held in a 'hold to collect contractual cash flows business model' are managed to realise cash flows by collecting contractual payments over the life of the instrument.

**Recognition and measurement**

Financial instrument purchases and disposals are initially measured at fair value and are recognised using trade date accounting. The trade date is the date on which the Group and Company commit 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 financial assets at amortised cost are carried at amortised cost using the effective interest rate method, less any provision for impairment.

The expected credit loss (ECL) model applies to financial assets measured at amortised cost (for example loans and receivables and intercompany loans) and debt investments measured at fair value through other comprehensive income.

The ECL impairment loss allowance is an unbiased, probability-weighted amount determined by evaluating a range of possible outcomes that reflects reasonable and supportable information that is available without undue cost or effort of past events, current conditions and forecasts of forward-looking economic conditions.

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 have 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 comprehensive income 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 comprehensive income.

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.

**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; and
- Provision for liabilities arising from a contractual relationship with existing Group and Company staff; and
- Long-term liabilities, which commonly take the form of loan funding.

## 1.8 Impairment of 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, other than those dealt with in terms of IFRS 9: Financial Instruments. 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; or
- Economic conditions that correlate with defaults on assets in the Group and/or the Company.

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

If there is objective evidence that an impairment loss has been incurred on premium receivables 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 comprehensive income.

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 comprehensive income.

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 comprehensive income, 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.

The 'incurred loss model' under IAS 39 was replaced with the 'expected credit loss' (ECL) model under IFRS 9. Application of the ECL model results in credit losses being recognised earlier than under the incurred loss model. As a consequence of the new standard, the Group has revised its impairment methodology for each of these classes of assets.

## 1 Accounting policies (continued)

### 1.8 Impairment of assets excluding goodwill (continued)

#### Calculation of ECL

The ECL impairment loss allowance is an unbiased, probability-weighted amount determined by evaluating a range of possible outcomes that reflects reasonable and supportable information that is available without undue cost or effort of past events, current conditions and forecasts of forward-looking economic conditions. The ECL model is dependent on the availability of relevant and accurate data to determine whether a significant increase in credit risk occurred since initial recognition, the probability of default (PD), the loss given default (LGD) and the possible exposure at default (EAD). Of equal importance is sound correlation between these parameters and forward-looking economic conditions. A counterparty is considered to be in default when it is considered that they are unlikely to settle their obligation to the company. Due to the low number of instruments subject to the ECL model, this definition is considered appropriate as each instrument is assessed individually. Write offs are further assessed on a case by case basis.

ECL reflects the Group's own expectations of credit losses. The ECL loss amount depends on the specific stage where the financial instrument has been allocated to within the ECL model:

- Stage 1: At initial recognition a financial instrument is allocated into stage 1, except for purchased or originated credit impaired financial instruments.
- Stage 2: A financial instrument is allocated to stage 2 if there has been a significant increase in credit risk since initial recognition of the financial instrument.
- Stage 3: A financial instrument is allocated to stage 3 if the financial instrument is in default or is considered to be credit impaired.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-month ECLs:

a. Financial assets that are determined to have low credit risk at the reporting date; and
b. Financial assets where credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Group makes use of estimates of Probability of Default (PD) and Loss Given Default (LGD) to calculate the ECL balance for financial assets at amortised cost.

Depending on the relevant information available, PDs are based on historic default rate curves which are used as a baseline to build a PD. Investment grade and sub-investment grade cumulative default rates were used as benchmarks for loans in a low likelihood and high likelihood of default respectively.

In determining the loss given default, a sliding scale of 0% to 100% has been applied where the percentage reflects the size of the outstanding debt relative to the opening long-term debt.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk. The ECL calculation of a financial instrument takes into account both the contractual and available behavioural repayment patterns over the relevant estimation period.

ECLs are measured as the present value of all cash shortfalls and is discounted using the effective rate of return required by shareholders of 18.5%

### 1.9 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.

### 1.10 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.

### 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 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.

Receipts and payments under insurance contracts are accounted for in the comprehensive income 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).

## 1. Accounting policies (continued)

### 1.12 Insurance contracts (continued)

#### 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 comprehensive income 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 comprehensive income.

#### 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.

### 1.13 Revenue

The accounting policy in relation to revenue from insurance contracts is disclosed in note 1.12.

#### 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 comprehensive income 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 comprehensive income on a straight-line basis over the term of each lease.

#### 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.

#### Commission

Commission payments and receipts are shown gross of reinsurance commissions.

#### Revenue from contracts with customers

The group's revenue subject to IFRS 15 is attributed to service fee income from investment business which is earned over the investment contract term.

### 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/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 comprehensive income 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.

#### 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 profits as reported in the comprehensive income 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 comprehensive income 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. 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.

#### Dividend Withholding Tax

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/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.

### 1.17 Borrowings

Borrowings are recognised initially at cost, 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 comprehensive income 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 comprehensive income 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/or Company's shareholders are recognised as a liability in the Group's and/or Company's annual financial statements in the period in which the Board of Directors approves the dividend after performing solvency and liquidity tests.

## 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 are 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.

Short term 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. Life Assurance companies are valued using an appraisal valuation method.

In using discounted cash flow analyses, the discount rate used is based on the build-up method which incorporates a risk-free rate, 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 year's 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 Group Audit 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 Audit 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 Group Audit 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 Audit 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 Group's and Company's 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 Audit 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 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.

**Insurance, 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 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 and return on capital.

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.

**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 earning for each CGU.

**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 30 to 38 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 to the insurer 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 review 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. Financial risk management (continued)

## 3.1 Exposure to risk arising from financial instruments (continued)

### 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 35. 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 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 operations of the Mozambique 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.

**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 investments 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 Sector Conduct Authority (FSCA) in terms of the Insurance Act, and is required at all times to maintain a statutory surplus asset ratio as defined in the Act. Interim measures was replaced in 1 July 2018 by new solvency requirements being developed in the FSCA'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;
- 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
- effectively manage its capital structure and make adjustments to the structure, in light of changes in economic conditions.

# 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 | |
|---|---|---|---|---|
| | 2019 R'000 | 2018 R'000 | 2019 R'000 | 2018 R'000 |
| **GROUP** | | | | |
| **Financial assets** | | | | |
| Investments in associates | 245 962 | 241 556 | – | – |
| Loans to associates | – | 10 142 | – | 10 142 |
| Listed investments (Financial assets at fair value through profit and loss) | 812 669 | 868 724 | – | – |
| Unlisted investments (Financial assets at fair value through profit and loss) | 1 998 252 | 1 962 694 | 783 457 | 763 161 |
| Financial assets held-to-maturity | 196 009 | 138 633 | 196 009 | 138 633 |
| Loans – interest bearing | 18 422 | 39 700 | 18 422 | 39 700 |
| Loans – non-interest bearing | 74 779 | 129 221 | 74 779 | 129 221 |
| Other loans and receivables | 305 424 | 425 897 | 305 424 | 424 283 |
| Cash and cash equivalents | 2 575 793 | 2 219 916 | 2 575 793 | 2 219 916 |
| Non-current assets held for sale | 1 031 624 | 885 875 | – | – |
| **Insurance assets** | | | | |
| Insurance receivables | 1 531 693 | 1 377 148 | 1 531 693 | 1 377 148 |
| Deferred acquisition costs | 109 729 | 116 443 | – | – |
| Reinsurance assets | 2 011 090 | 2 752 461 | 2 011 090 | 2 752 461 |
| **Total** | 10 911 446 | 11 168 410 | 7 496 667 | 7 854 665 |
| **COMPANY** | | | | |
| **Financial assets** | | | | |
| Investments in subsidiaries | 45 431 | 49 867 | – | – |
| Loans to subsidiaries | 1 664 | 1 664 | 1 664 | 1 664 |
| Investments in associates | 229 788 | 239 768 | – | – |
| Loans to associates | – | 10 142 | – | 10 142 |
| Listed investments (Financial assets at fair value through profit and loss) | 767 243 | 818 904 | – | – |
| Unlisted investments (Financial assets at fair value through profit and loss) | 1 998 252 | 1 962 694 | 783 457 | 763 161 |
| Financial Assets – held-to-maturity | 196 009 | 138 633 | 196 009 | 138 633 |
| Loans – interest bearing | 18 422 | 39 700 | 18 422 | 39 700 |
| Loans – non-interest bearing | 74 779 | 129 221 | 74 779 | 129 221 |
| Other loans and receivables | 299 625 | 424 283 | 299 625 | 424 283 |
| Cash and cash equivalents | 2 575 926 | 2 221 041 | 2 575 926 | 2 221 041 |
| Non-current assets held for sale | 162 448 | 152 431 | – | – |
| **Insurance assets** | | | | |
| Insurance receivables | 1 531 693 | 1 377 148 | 1 531 693 | 1 377 148 |
| Deferred acquisition costs | 109 729 | 116 443 | – | – |
| Reinsurance assets | 2 011 090 | 2 752 461 | 2 011 090 | 2 752 461 |
| **Total** | 10 022 100 | 10 434 400 | 7 492 664 | 7 857 454 |

## b) 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 | Not rated R'000 | Total R'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **2019** | | | | | | | | | | | | | |
| Financial assets held-to-maturity | – | – | – | 20 689 | – | – | – | 43 777 | – | 51 242 | – | 80 301 | 196 009 |
| Unlisted investments | – | – | – | – | – | – | – | – | – | – | – | 783 457 | 783 457 |
| Other loans and receivables | – | – | – | – | – | – | – | – | – | – | – | 398 626 | 398 626 |
| Cash and cash equivalents | – | – | 24 753 | – | – | – | – | 721 766 | – | 1 509 883 | – | 319 392 | 2 575 793 |
| **Insurance assets** | | | | | | | | | | | | | |
| Insurance receivables | – | – | – | – | – | – | – | 22 233 | – | 47 634 | – | 1 461 826 | 1 531 693 |
| Reinsurance assets | – | 7 783 | 184 760 | 337 612 | 39 071 | 1 173 284 | 22 931 | 16 453 | – | 629 | (60) | 228 626 | 2 011 090 |
| **Total** | – | 7 783 | 209 514 | 358 301 | 39 071 | 1 173 284 | 22 931 | 804 229 | – | 1 609 388 | (60) | 3 272 227 | 7 496 668 |
| **2018** | | | | | | | | | | | | | |
| Financial assets held-to-maturity | – | – | – | 25 117 | – | – | – | 42 614 | 20 507 | – | – | 50 395 | 138 633 |
| Unlisted investments | – | – | – | – | – | – | – | – | – | – | – | 763 161 | 763 161 |
| Other loans and receivables | – | – | – | – | – | – | – | – | – | – | – | 593 205 | 593 205 |
| Cash and cash equivalents | – | – | – | – | – | – | – | 248 607 | – | 1 726 038 | – | 245 271 | 2 219 916 |
| **Insurance assets** | | | | | | | | | | | | | |
| Insurance receivables | – | – | – | – | – | – | – | 14 896 | – | 8 017 | – | 1 354 235 | 1 377 148 |
| Reinsurance assets | 15 910 | – | 665 748 | 408 219 | 15 366 | 909 217 | 13 511 | 46 656 | – | 2 972 | – | 674 864 | 2 752 463 |
| **Total** | 15 910 | – | 665 748 | 433 336 | 15 366 | 909 217 | 13 511 | 352 773 | 20 507 | 1 737 027 | – | 3 691 273 | 7 854 668 |
| **COMPANY** | | | | | | | | | | | | | |
| **2019** | | | | | | | | | | | | | |
| Loans to subsidiaries | – | – | – | – | – | – | – | – | – | – | – | 1 664 | 1 664 |
| Financial assets held-to-maturity | – | – | – | 20 689 | – | – | – | 43 777 | – | 51 242 | – | 80 301 | 196 009 |
| Unlisted investments | – | – | – | – | – | – | – | – | – | – | – | 783 457 | 783 457 |
| Other loans and receivables | – | – | – | – | – | – | – | – | – | – | – | 392 827 | 392 827 |
| Cash and cash equivalents | – | – | 24 753 | – | – | – | – | 721 766 | – | 1 509 883 | – | 319 524 | 2 575 926 |
| **Insurance assets** | | | | | | | | | | | | | |
| Insurance receivables | – | – | – | – | – | – | – | 22 233 | – | 47 634 | – | 1 461 826 | 1 531 693 |
| Reinsurance assets | – | 7 783 | 184 760 | 337 612 | 39 071 | 1 173 284 | 22 931 | 16 453 | – | 629 | (60) | 228 624 | 2 011 090 |
| **Total** | – | 7 783 | 209 514 | 358 301 | 39 071 | 1 173 284 | 22 931 | 804 229 | – | 1 609 388 | (60) | 3 268 223 | 7 492 665 |
| **2018** | | | | | | | | | | | | | |
| Loans to subsidiaries | – | – | – | – | – | – | – | – | – | – | – | 1 664 | 1 664 |
| Loans to associates | – | – | – | – | – | – | – | – | – | – | – | 10 142 | 10 142 |
| Financial assets held-to-maturity | – | – | – | 25 117 | – | – | – | 42 614 | 20 507 | – | – | 50 395 | 138 633 |
| Unlisted investments | – | – | – | – | – | – | – | – | – | – | – | 763 161 | 763 161 |
| Other loans and receivables | – | – | – | – | – | – | – | – | – | – | – | 593 205 | 593 205 |
| Cash and cash equivalents | – | – | – | – | – | – | – | 248 607 | – | 1 726 038 | – | 246 396 | 2 221 041 |
| **Insurance assets** | | | | | | | | | | | | | |
| Insurance receivables | – | – | – | – | – | – | – | 14 896 | – | 8 017 | – | 1 354 235 | 1 377 148 |
| Reinsurance assets | 15 910 | – | 665 748 | 408 219 | 15 366 | 909 217 | 13 511 | 46 656 | – | 2 972 | – | 674 864 | 2 752 463 |
| **Total** | 15 910 | – | 665 748 | 433 336 | 15 366 | 909 217 | 13 511 | 352 773 | 20 507 | 1 737 027 | – | 3 694 062 | 7 857 457 |

## 4. Risk management (continued)

### 4.1 Credit risk (continued)

c) 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 |
| **2019** | | | | | | | | |
| Loans to subsidiaries | – | – | – | – | 1 664 | – | 38 047 | 39 711 |
| Financial assets held-to-maturity | 196 009 | – | – | 196 009 | 196 009 | – | – | 196 009 |
| Unlisted investments | 1 998 252 | – | – | 1 998 252 | 1 998 252 | – | – | 1 998 252 |
| Other loans and receivables | 213 636 | 184 991 | 1 138 | 399 764 | 207 836 | 184 991 | 1 138 | 393 965 |
| Cash and cash equivalents | 2 575 793 | – | – | 2 575 793 | 2 575 926 | – | – | 2 575 926 |
| **Financial assets** | 4 983 689 | 184 991 | 1 138 | 5 169 817 | 4 979 686 | 184 991 | 39 185 | 5 203 862 |
| Insurance receivables | 1 520 444 | 11 249 | – | 1 531 693 | 1 520 444 | 11 249 | – | 1 531 693 |
| Reinsurance assets | 1 985 597 | 25 493 | – | 2 011 090 | 1 985 597 | 25 493 | – | 2 011 090 |
| **Insurance assets** | 3 506 041 | 36 742 | – | 3 542 783 | 3 506 041 | 36 742 | – | 3 542 783 |
| **2018** | | | | | | | | |
| Loans to subsidiaries | – | – | – | – | 1 664 | – | 37 957 | 39 621 |
| Loans to associates | 10 141 | – | 2 714 | 12 855 | 10 141 | – | 2 714 | 12 855 |
| Financial assets held-to-maturity | 138 633 | – | – | 138 633 | 138 633 | – | – | 138 633 |
| Unlisted investments | 1 962 694 | – | – | 1 962 694 | 1 962 694 | – | – | 1 962 694 |
| Other loans and receivables | 594 820 | 1 225 | 34 776 | 630 821 | 593 205 | 1 225 | 34 776 | 629 206 |
| Cash and cash equivalents | 2 219 916 | – | – | 2 219 916 | 2 221 041 | – | – | 2 221 041 |
| **Financial assets** | 4 926 204 | 1 225 | 37 490 | 4 964 919 | 4 927 378 | 1 225 | 75 447 | 5 004 050 |
| Insurance receivables | 1 249 249 | 127 899 | – | 1 377 148 | 1 249 249 | 127 899 | – | 1 377 148 |
| Reinsurance assets | 2 747 163 | 5 298 | – | 2 752 461 | 2 747 163 | 5 298 | – | 2 752 461 |
| **Insurance assets** | 3 996 412 | 133 197 | – | 4 129 609 | 3 996 412 | 133 197 | – | 4 129 609 |

d) 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 |
| **2019** | | | | | | | | | | |
| Other loans and receivables | 10 429 | 1 312 | 3 195 | 170 055 | 184 991 | 10 429 | 1 312 | 3 195 | 170 055 | 184 991 |
| Insurance receivables | – | – | – | 11 249 | 11 249 | – | – | – | 11 249 | 11 249 |
| Reinsurance assets | – | – | – | 25 493 | 25 493 | – | – | – | 25 493 | 25 493 |
| | 10 429 | 1 312 | 3 195 | 206 796 | 221 732 | 10 429 | 1 312 | 3 195 | 206 796 | 221 732 |
| **2018** | | | | | | | | | | |
| Other loans and receivables | 20 | 20 | 20 | 1 165 | 1 225 | 20 | 20 | 20 | 1 165 | 1 225 |
| Insurance receivables | – | 56 147 | 7 838 | 63 914 | 127 899 | – | 56 147 | 7 838 | 63 914 | 127 899 |
| Reinsurance assets | – | – | 4 992 | 305 | 5 297 | – | – | 4 992 | 305 | 5 297 |
| | 20 | 56 167 | 12 850 | 65 384 | 134 421 | 20 | 56 167 | 12 850 | 65 384 | 134 421 |

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 | |
|---|---|---|---|---|
| | 2019 R'000 | 2018 R'000 | 2019 R'000 | 2018 R'000 |
| Balance at beginning of year | 163 886 | 148 179 | 158 697 | 142 990 |
| – Collective impairment loss reversed | (99 965) | (402) | (95 278) | (402) |
| – Collective impairment loss recognised | 85 261 | 16 109 | 85 261 | 16 109 |
| **Balance at end of year** | **149 182** | 163 886 | **148 680** | 158 697 |

e) Reconciliation of loss allowance relating to loans and receivables subsequently measured at amortised cost

| | GROUP | | | | COMPANY | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Subject to lifetime ECL | | | | Subject to lifetime ECL | |
| | | 12 month ECL | Not credit impaired | Credit Impaired | | 12 month ECL | Not credit impaired | Credit Impaired |
| | Total allowance for ECL R'000 | Allowance for ECL R'000 | Allowance for ECL R'000 | Allowance for ECL R'000 | Total allowance for ECL R'000 | Allowance for ECL R'000 | Allowance for ECL R'000 | Allowance for ECL R'000 |
| **As at 1 July 2018** | 42 717 | – | 3 193 | 39 524 | 42 717 | – | 3 193 | 39 524 |
| Model changes, interest accrued and write offs | 8 825 | – | (400) | 9 225 | 8 825 | – | (400) | 9 225 |
| **Balance at end of the year** | 51 542 | – | 2 793 | 48 749 | 51 542 | – | 2 793 | 48 749 |

During the current year the provision for ECL increased due to an increase in loans and receivables and an increase in the portion of the balance allocated to Stage 2 and Stage 3 of the model. The ECL for balances allocated to these stages are based on lifetime expected credit losses thus resulting in a higher loss allowance when allocated to these stages.

## 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 | 1 – 2 years R'000 | 2 – 5 years R'000 | More than 5 years R'000 |
|---|---|---|---|---|---|---|
| **GROUP** | | | | | | |
| **2019** | | | | | | |
| Financial assets at fair value through profit or loss | 2 810 920 | 2 810 920 | 959 741 | 69 734 | – | 1 781 445 |
| Held-to-maturity assets | 196 009 | 196 009 | 55 248 | 25 052 | 53 332 | 62 376 |
| Reinsurance assets | 2 011 090 | 2 011 090 | 2 011 090 | – | – | – |
| Insurance, loans and other receivables | 1 930 318 | 1 930 318 | 1 930 318 | – | – | – |
| Deferred acquisition costs | 109 729 | 109 729 | 109 729 | – | – | – |
| Cash and cash equivalents | 2 575 793 | 2 575 793 | 2 575 793 | – | – | – |
| | 9 633 859 | 9 633 859 | 7 641 919 | 94 786 | 53 332 | 1 843 821 |
| **2018** | | | | | | |
| Loans to associates | 10 142 | 12 855 | 12 855 | – | – | – |
| Financial assets at fair value through profit or loss | 2 831 418 | 2 831 418 | 2 831 418 | – | – | – |
| Held-to-maturity assets | 138 633 | 138 633 | – | – | 138 633 | – |
| Reinsurance assets | 2 752 461 | 2 752 461 | 2 752 461 | – | – | – |
| Insurance, loans and other receivables | 1 971 966 | 1 971 966 | 1 971 966 | – | – | – |
| Deferred acquisition costs | 116 443 | 116 443 | 116 443 | – | – | – |
| Cash and cash equivalents | 2 219 916 | 2 219 916 | 2 219 916 | – | – | – |
| | 10 040 979 | 10 043 692 | 9 905 059 | – | 138 633 | – |

# 4. Risk management (continued)

## 4.2 Liquidity risk (continued)

### 4.2.1 Maturity profile on financial and insurance assets (continued)

| | Carrying amount R'000 | Total contractual cash flows R'000 | 0 – 12 months R'000 | 1 – 2 years R'000 | 2 – 5 years R'000 | More than 5 years R'000 |
|---|---|---|---|---|---|---|
| **COMPANY** | | | | | | |
| **2019** | | | | | | |
| Loans to subsidiaries | **1 664** | **39 712** | **39 712** | **–** | **–** | **–** |
| Financial assets at fair value through profit or loss | **2 765 494** | **2 765 494** | **914 316** | **69 734** | **–** | **1 781 445** |
| Held-to-maturity assets | **196 009** | **196 009** | **55 248** | **25 052** | **53 332** | **62 376** |
| Reinsurance assets | **2 011 090** | **2 011 090** | **2 011 090** | **–** | **–** | **–** |
| Insurance, loans and other receivables | **1 924 519** | **1 924 519** | **1 924 519** | **–** | **–** | **–** |
| Deferred acquisition costs | **109 729** | **109 729** | **109 729** | **–** | **–** | **–** |
| Cash and cash equivalents | **2 575 926** | **2 575 926** | **2 575 926** | **–** | **–** | **–** |
| | **9 584 432** | **9 622 479** | **7 630 540** | **94 786** | **53 332** | **1 843 821** |
| **2018** | | | | | | |
| Loans to subsidiaries | 1 664 | 39 621 | 39 621 | – | – | – |
| Loans to associates | 10 142 | 12 855 | 12 855 | – | – | – |
| Financial assets at fair value through profit or loss | 2 781 598 | 2 781 598 | 2 781 598 | – | – | – |
| Held-to-maturity assets | 138 633 | 138 633 | – | – | 138 633 | – |
| Reinsurance assets | 2 752 461 | 2 752 461 | 2 752 461 | – | – | – |
| Insurance, loans and other receivables | 1 970 353 | 1 970 353 | 1 970 353 | – | – | – |
| Deferred acquisition costs | 116 443 | 116 443 | 116 443 | – | – | – |
| Cash and cash equivalents | 2 221 041 | 2 221 041 | 2 221 041 | – | – | – |
| | 9 992 335 | 10 033 005 | 9 894 372 | – | 138 633 | – |

### 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 |
|---|---|---|---|
| **GROUP** | | | |
| **2019** | | | |
| **Non-derivative financial liabilities** | | | |
| Trade and other payables and employee benefits | **1 103 856** | **1 103 856** | **1 103 856** |
| | **1 103 856** | **1 103 856** | **1 103 856** |
| **2018** | | | |
| **Non-derivative financial liabilities** | | | |
| Trade and other payables and employee benefits | 1 074 623 | 1 074 623 | 1 074 623 |
| | 1 074 623 | 1 074 623 | 1 074 623 |
| **COMPANY** | | | |
| **2019** | | | |
| **Non-derivative financial liabilities** | | | |
| Trade and other payables and employee benefits | **1 063 811** | **1 063 811** | **1 063 811** |
| | **1 063 811** | **1 063 811** | **1 063 811** |
| **2018** | | | |
| **Non-derivative financial liabilities** | | | |
| Trade and other payables and employee benefits | 1 043 593 | 1 043 593 | 1 043 593 |
| | 1 043 593 | 1 043 593 | 1 043 593 |

### 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 2 and 5 years R'000 | Maturity more than 5 years R'000 | Probable cash outflows R'000 | Maturity within a year R'000 | Maturity between 2 and 5 years R'000 | Maturity more than 5 years R'000 |
| **2019** | | | | | | | | |
| Claims reported and loss adjustment expenses | **2 122 986** | **1 711 785** | **392 753** | **18 449** | **2 122 986** | **1 711 785** | **392 753** | **18 449** |
| Claims incurred but not yet reported | **584 610** | **471 377** | **108 153** | **5 080** | **584 610** | **471 377** | **108 153** | **5 080** |
| Unearned premium provision | **2 054 250** | **2 012 579** | **41 666** | **4** | **2 054 250** | **2 012 579** | **41 666** | **4** |
| Cash back reserve | **77 375** | **28 722** | **48 653** | **–** | **77 375** | **28 722** | **48 653** | **–** |
| Reinsurance liabilities | **755 478** | **755 478** | **–** | **–** | **755 478** | **755 478** | **–** | **–** |
| | **5 594 699** | **4 979 941** | **591 225** | **23 533** | **5 594 699** | **4 979 941** | **591 225** | **23 533** |
| **2018** | | | | | | | | |
| Claims reported and loss adjustment expenses | 2 383 751 | 1 905 590 | 460 698 | 17 463 | 2 383 751 | 1 905 590 | 460 698 | 17 463 |
| Claims incurred but not yet reported | 701 675 | 560 925 | 135 610 | 5 140 | 701 675 | 560 925 | 135 610 | 5 140 |
| Unearned premium provision | 1 684 032 | 1 630 557 | 53 475 | – | 1 684 032 | 1 630 557 | 53 475 | – |
| Cash back reserve | 71 918 | 36 882 | 35 036 | – | 71 918 | 36 882 | 35 036 | – |
| Reinsurance liabilities | 903 055 | 903 055 | – | – | 903 055 | 903 055 | – | – |
| | 5 744 431 | 5 037 009 | 684 819 | 22 603 | 5 744 431 | 5 037 009 | 684 819 | 22 603 |

## 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:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Average rate | Reporting date spot rate | Average rate | Reporting date spot rate |
| **GROUP** | | | | |
| Mozambique Metical | **0.23** | **0.23** | 0.21 | 0.23 |
| **COMPANY** | | | | |
| British Pound | **18.36** | **17.88** | 17.29 | 18.16 |
| US Dollar | **14.19** | **14.09** | 12.83 | 13.75 |

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 | |
|---|---|---|---|---|
| | 10% increase R'000 | 10% decrease R'000 | 10% increase R'000 | 10% decrease R'000 |
| **GROUP** | | | | |
| **2019** | | | | |
| US Dollar | **656** | **(656)** | **656** | **(656)** |
| British Pound | **–** | **–** | **–** | **–** |
| | **656** | **(656)** | **656** | **(656)** |
| **2018** | | | | |
| US Dollar | 17 335 | (17 335) | 17 335 | (17 335) |
| British Pound | 3 696 | (3 696) | 3 696 | (3 696) |
| | 21 031 | (21 031) | 21 031 | (21 031) |

# 4. Risk management (continued)

## 4.3 Market risk (continued)

### 4.3.1 Sensitivity analysis (continued)

**Currency risk (continued)**

| | Profit/(loss) | | Equity | |
|---|---|---|---|---|
| | 10% increase R'000 | 10% decrease R'000 | 10% increase R'000 | 10% decrease R'000 |
| **COMPANY** | | | | |
| **2019** | | | | |
| US Dollar | **656** | **(656)** | **656** | **(656)** |
| British Pound | **–** | **–** | **–** | **–** |
| | **656** | **(656)** | **656** | **(656)** |
| **2018** | | | | |
| US Dollar | 17 335 | (17 335) | 17 335 | (17 335) |
| British Pound | 3 696 | (3 696) | 3 696 | (3 696) |
| | 21 031 | (21 031) | 21 031 | (21 031) |

There is no currency fluctuation effect on the Namibian Dollar. There was no exposure against the British pound at the current reporting date.

**Interest rate risk**

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

| | 2019 Carrying amount R'000 | 2018 Carrying amount R'000 |
|---|---|---|
| **GROUP** | | |
| **Variable rate instruments** | | |
| *Financial assets* | | |
| Cash and cash equivalents | **2 575 793** | 2 219 916 |
| | **2 575 793** | 2 219 916 |
| **COMPANY** | | |
| **Variable rate instruments** | | |
| *Financial assets* | | |
| Cash and cash equivalents | **2 575 926** | 2 221 041 |
| | **2 575 926** | 2 221 041 |

**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) | | Equity | |
|---|---|---|---|---|
| | 2% increase R'000 | 2% decrease R'000 | 2% increase R'000 | 2% decrease R'000 |
| **GROUP** | | | | |
| **2019** | | | | |
| Cash and cash equivalents | **51 516** | **(51 516)** | **51 516** | **(51 516)** |
| **Net cash flow sensitivity** | **51 516** | **(51 516)** | **51 516** | **(51 516)** |
| **2018** | | | | |
| Cash and cash equivalents | 44 398 | (44 398) | 44 398 | (44 398) |
| **Net cash flow sensitivity** | 44 398 | (44 398) | 44 398 | (44 398) |

| | Profit/(loss) | | Equity | |
|---|---|---|---|---|
| | 2% increase R'000 | 2% decrease R'000 | 2% increase R'000 | 2% decrease R'000 |
| **COMPANY** | | | | |
| **2019** | | | | |
| Cash and cash equivalents | **51 519** | **(51 519)** | **51 519** | **(51 519)** |
| **Net cash flow sensitivity** | **51 519** | **(51 519)** | **51 519** | **(51 519)** |
| **2018** | | | | |
| Cash and cash equivalents | 44 421 | (44 421) | 44 421 | (44 421) |
| **Net cash flow sensitivity** | 44 421 | (44 421) | 44 421 | (44 421) |

**Equity price risk**

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

**GROUP**

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| 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 | **682 534** | **Listed** | **JSE** | 745 214 | Listed | JSE |
| Preference shares | **130 134** | **Listed** | **JSE** | 123 510 | Listed | JSE |
| | **812 669** | | | 868 724 | | |

All of the Group's listed equity investments are listed on the JSE Limited. 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 the prior year.

| | Profit/(loss) | | Equity | |
|---|---|---|---|---|
| | 5% increase R'000 | 5% decrease R'000 | 5% increase R'000 | 5% decrease R'000 |
| **2019** | | | | |
| Ordinary shares – Listed | **31 855** | **(31 855)** | **31 855** | **(31 855)** |
| Preference shares – Listed | **6 507** | **(6 507)** | **6 507** | **(6 507)** |
| | **38 361** | **(38 361)** | **38 361** | **(38 361)** |
| **2018** | | | | |
| Ordinary shares – Listed | 31 899 | (31 899) | 31 899 | (31 899) |
| Preference shares – Listed | 6 175 | (6 175) | 6 175 | (6 175) |
| | 38 074 | (38 074) | 38 074 | (38 074) |

**COMPANY**

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| Description of equity investments | Carrying amount R'000 | Listed/ Unlisted | Relevant stock exchange | Carrying amount R'000 | Listed/ Unlisted | Relevant stock exchange |
| Ordinary shares | **637 109** | **Listed** | **JSE** | 695 394 | Listed | JSE |
| Preference shares | **130 134** | **Listed** | **JSE** | 123 510 | Listed | JSE |
| | **767 243** | | | 818 904 | | |

All of the Company's listed equity investments are listed on the JSE Limited. 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.

# 4. Risk management (continued)

## 4.3 Market risk (continued)

### 4.3.1 Sensitivity analysis (continued)

**Equity price risk (continued)**

| | Profit/(loss) | | Equity | |
|---|---|---|---|---|
| | 5% increase R'000 | 5% decrease R'000 | 5% increase R'000 | 5% decrease R'000 |
| **2019** | | | | |
| Ordinary shares – Listed | **31 855** | **(31 855)** | **31 855** | **(31 855)** |
| Preference shares – Listed | **6 507** | **(6 507)** | **6 507** | **(6 507)** |
| | **38 361** | **(38 361)** | **38 361** | **(38 361)** |
| **2018** | | | | |
| Ordinary shares – Listed | 31 899 | (31 899) | 31 899 | (31 899) |
| Preference shares – Listed | 6 119 | (6 119) | 6 119 | (6 119) |
| | 38 018 | (38 018) | 38 018 | (38 018) |

## 4.4 Comprehensive income 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 | |
|---|---|---|---|---|
| | **2019 R'000** | 2018 R'000 | **2019 R'000** | 2018 R'000 |
| Interest income on financial assets measured at amortised cost | **146 383** | 142 727 | **146 383** | 140 692 |
| Interest income on held-to-maturity assets | **–** | 24 171 | **–** | – |
| Net income on financial assets designated at fair value through profit or loss | **56 248** | 92 756 | **56 168** | 55 412 |
| **Financial income** | **202 631** | 259 654 | **202 551** | 196 104 |
| Interest expense on financial liabilities measured at amortised cost | **80 475** | 111 534 | **75 891** | 107 612 |
| **Financial expense** | **80 475** | 111 534 | **75 891** | 107 612 |
| **Net financial income** | **122 156** | 148 120 | **126 660** | 88 492 |
| 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 | **146 383** | 166 898 | **146 383** | 140 692 |
| Total interest expense | **(80 475)** | (111 534) | **(75 891)** | (107 612) |
| | **65 908** | 55 364 | **70 492** | 33 080 |

b) Impairment losses

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 reversed/(recognised) | **8 692** | (20 708) | **8 692** | (20 708) |
| **Impairment of premium debtors** | | | | |
| – Impairment (recognised)/reversed | **(85 057)** | 16 109 | **(85 261)** | 16 109 |
| **Total** | **(76 365)** | (4 599) | **(76 569)** | (4 599) |

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2019 R'000 | 2018 R'000 | 2019 R'000 | 2018 R'000 |

## 5. Property and equipment

| | GROUP 2019 R'000 | GROUP 2018 R'000 | COMPANY 2019 R'000 | COMPANY 2018 R'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| Office equipment | **254 691** | 227 912 | **254 310** | 227 531 |
| Motor vehicles | **8 392** | 8 400 | **8 373** | 8 381 |
| Leasehold improvements | **36 608** | 19 278 | **36 609** | 19 278 |
| Total property and equipment cost | **299 691** | 255 590 | **299 292** | 255 190 |
| **Accumulated depreciation** | | | | |
| Office equipment | **157 862** | 132 690 | **157 605** | 132 433 |
| Motor vehicles | **8 136** | 6 638 | **8 128** | 6 630 |
| Leasehold improvements | **14 411** | 11 901 | **14 411** | 11 901 |
| Total Accumulated depreciation | **180 409** | 151 229 | **180 144** | 150 964 |
| **Net carrying amount** | | | | |
| Office equipment | **96 829** | 95 222 | **96 705** | 95 098 |
| Motor vehicles | **256** | 1 762 | **245** | 1 751 |
| Leasehold improvements | **22 198** | 7 377 | **22 198** | 7 377 |
| | **119 283** | 104 361 | **119 148** | 104 226 |
| **Reconciliation of movement on net carrying amount:** | | | | |
| **Net carrying amount at beginning of year** | **104 361** | 72 974 | **104 226** | 72 838 |
| **Prior year adjustments** | **5 915** | – | **5 915** | – |
| Office equipment | **3 149** | – | **3 149** | – |
| Motor vehicles | **(134)** | – | **(134)** | – |
| Leasehold improvements | **2 900** | – | **2 900** | – |
| **Additions** | **38 201** | 54 388 | **38 201** | 54 388 |
| Office equipment | **23 821** | 48 686 | **23 821** | 48 686 |
| Motor vehicles | **170** | – | **170** | – |
| Leasehold improvements | **14 210** | 5 702 | **14 210** | 5 702 |
| Write-off | **–** | (1 321) | **–** | (1 320) |
| **Depreciation for the year** | **(29 194)** | (21 680) | **(29 194)** | (21 680) |
| Office equipment | **(25 363)** | (18 796) | **(25 363)** | (18 796) |
| Motor vehicles | **(1 542)** | (863) | **(1 542)** | (863) |
| Leasehold improvements | **(2 289)** | (2 021) | **(2 289)** | (2 021) |
| **Net carrying amount at end of year** | **119 283** | 104 361 | **119 148** | 104 226 |

## 6. Investment property

| | GROUP 2019 R'000 | GROUP 2018 R'000 | COMPANY 2019 R'000 | COMPANY 2018 R'000 |
|---|---|---|---|---|
| Fair value at beginning of year | **28 000** | 28 000 | **–** | – |
| Additions | **1** | 1 | **–** | – |
| **Fair value at end of year** | **28 001** | 28 001 | **–** | – |

Investment properties consist of:
- freehold property;
- sectional title located at stand 306 Ferreiras Dorp Township, Province of Gauteng, measuring 1162 square metres; and
- sectional title located at stand 317 Ferreiras Dorp Township, Province of Gauteng, measuring 1012 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 399 772 (2018: R2 525 504), repairs and maintenance incurred amounts to R145 731 (2018: Rnil).

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2019 R'000 | 2018 R'000 | 2019 R'000 | 2018 R'000 |
| **7. Intangible assets** | | | | |
| **Intangible assets at fair value** | | | | |
| **Cost** | | | | |
| Goodwill | 409 | 8 256 | – | 7 848 |
| Acquired rights over books of business | 27 213 | 25 378 | 27 213 | 25 378 |
| Intellectual property | 83 876 | – | 83 876 | – |
| Computer software | 290 447 | 255 391 | 290 447 | 255 391 |
| **Total** | 401 945 | 289 025 | 401 536 | 288 617 |
| **Accumulated amortisation, impairment and fair value adjustments** | | | | |
| Acquired rights over books of business | 25 054 | 23 896 | 25 054 | 23 896 |
| Intellectual property | 16 700 | – | 16 700 | – |
| Computer software | 177 596 | 110 177 | 177 596 | 110 177 |
| **Total** | 219 350 | 134 073 | 219 350 | 134 073 |
| **Net carrying amount** | | | | |
| Goodwill | 409 | 8 256 | – | 7 848 |
| Acquired rights over books of business | 2 159 | 1 482 | 2 159 | 1 482 |
| Intellectual property | 67 176 | – | 67 176 | – |
| Computer software | 112 851 | 145 214 | 112 851 | 145 214 |
| **Net carrying value at end of year** | 182 595 | 154 952 | 182 186 | 154 544 |
| **Reconciliation of movement on net carrying amount:** | | | | |
| **Net carrying amount at beginning of year** | 154 952 | 137 537 | 154 544 | 137 128 |
| **Prior year adjustments** | (1 734) | – | (1 734) | – |
| Computer software | (1 734) | – | (1 734) | – |
| **Additions** | 120 767 | 58 896 | 120 767 | 58 896 |
| Acquired rights over books of business | 1 836 | – | 1 836 | – |
| Intellectual property | 83 876 | – | 83 876 | – |
| Computer software | 35 055 | 58 896 | 35 055 | 58 896 |
| **Write-off** | – | (1 227) | – | (1 226) |
| **Impairment, amortisation charge** | (91 390) | (48 315) | (91 390) | (48 315) |
| Goodwill | (7 848) | – | (7 848) | – |
| Acquired rights over books of business | (1 158) | (8 464) | (1 158) | (8 464) |
| Intellectual property | (16 700) | – | (16 700) | – |
| Computer software | (65 685) | (39 851) | (65 685) | (39 851) |
| **Revaluation** | – | 8 061 | – | 8 061 |
| **Net carrying value at end of year** | 182 595 | 154 952 | 182 186 | 154 544 |

The Group tests goodwill annually for impairment, or more frequently if there are indicators that goodwill might be impaired. As at 30 June 2019, no impairment was raised relating to the investment in a subsidiary (2018: Rnil).

The Group and Company hold acquired rights over books of business and intellectual property. These are carried at cost less accumulated amortisation and impairment where applicable.

## 8. Interest in subsidiaries

| | COMPANY 2019 R'000 | COMPANY 2018 R'000 |
|---|---|---|
| **Interest in subsidiaries comprises:** | | |
| Shares at fair value through profit or loss | 45 432 | 49 867 |
| Loans to subsidiaries | 39 712 | 39 621 |
| | 85 144 | 89 488 |
| Impairment on loans | (38 048) | (37 957) |
| | 47 096 | 51 531 |
| **Non-current** | 47 096 | 51 531 |
| Loans bear interest at the following rates: | | |
| JIBAR | 1 664 | 1 664 |
| | 1 664 | 1 664 |
| The loans have the following terms of repayment: | | |
| No fixed repayment terms | 1 664 | 1 664 |
| | 1 664 | 1 664 |

This loan is unsecured.

Details of subsidiaries are provided in note 44 on page 67 of these annual financial statements.

## 9. Interest in associates

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2019 R'000 | 2018 R'000 | 2019 R'000 | 2018 R'000 |
| **Interest in associates comprises:** | | | | |
| Shares at fair value through profit or loss | – | – | 229 788 | 239 768 |
| Shares at equity accounted carrying value | 67 630 | 67 630 | – | – |
| Group share of post-acquisition profits | 178 332 | 173 926 | – | – |
| **Carrying value of associates** | 245 962 | 241 556 | 229 788 | 239 768 |
| Loans to associates | – | 10 142 | – | 10 142 |
| | 245 962 | 251 698 | 229 788 | 249 910 |
| Loans bear interest at the following rates: | | | | |
| Interest free | – | 10 142 | – | 10 142 |
| | – | 10 142 | – | 10 142 |

The loan balance from prior year was secured by property of the associate to the extent of R10 142 000.

The loans have no fixed terms of repayment.

Details of associates are provided in note 44 on page 67 of these annual financial statements.

## 9. Interest in associates (continued)

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

| | Underwriting managers R'000 | Property holdings R'000 | Total |
|---|---|---|---|
| **Analysis of associates for 30 June 2019** | | | |
| Total assets | 1 116 343 | – | 803 015 |
| Total liabilities | 447 766 | – | 90 261 |
| **Net assets** | 668 577 | – | 712 754 |
| Net profit before taxation | 180 000 | – | 180 000 |
| Taxation | (50 400) | – | (50 400) |
| **Net profit after taxation** | 129 600 | – | 129 600 |
| Group share of post acquisition profits | 101 658 | – | 101 658 |
| Carrying amount of interest in associates | 245 962 | – | 245 962 |
| Fair valuation of associates (at Company level) | 229 788 | – | 229 788 |

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 are currently standing at a cumulative amount of R2 194 738 (2018: R2 194 738).

| | Underwriting managers R'000 | Property holdings R'000 | Total |
|---|---|---|---|
| **Analysis of associates for 30 June 2018** | | | |
| Total assets | 803 015 | 24 969 | 827 984 |
| Total liabilities | 90 261 | 176 | 90 437 |
| **Net assets** | 712 754 | 24 793 | 737 547 |
| Net profit before taxation | 177 877 | – | 177 877 |
| Taxation | (49 806) | – | (49 806) |
| **Net profit after taxation** | 128 071 | – | 128 071 |
| Group share of post acquisition profits | 49 948 | – | 49 948 |
| Carrying amount of interest in associates | 274 328 | – | 274 328 |
| Loans to associates | – | 10 142 | 10 142 |
| Fair valuation of associates (at Company level) | 239 768 | – | 239 768 |

Details of associates are provided in note 44 on page 67 of these annual financial statements.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2019 R'000 | 2018 R'000 | 2019 R'000 | 2018 R'000 |
| **10. Financial assets** | | | | |
| Financial assets held-to-maturity | 196 009 | 138 633 | 196 009 | 138 633 |
| Financial assets at fair value through profit or loss | 2 810 919 | 2 831 418 | 2 765 493 | 2 781 598 |
| | 3 006 929 | 2 970 051 | 2 961 503 | 2 920 231 |
| Current | 1 014 989 | 2 831 419 | 969 564 | 2 781 598 |
| Non-current | 1 991 939 | 138 633 | 1 991 939 | 138 633 |
| | 3 006 929 | 2 970 051 | 2 961 503 | 2 920 231 |
| **Financial assets at fair value through profit or loss** | | | | |
| Listed investments | 812 668 | 868 724 | 767 243 | 818 904 |
| Unlisted investments | 1 998 252 | 1 962 694 | 1 998 252 | 1 962 694 |
| Held-to-maturity | 196 009 | 138 633 | 196 009 | 138 633 |
| | 3 006 929 | 2 970 051 | 2 961 503 | 2 920 231 |

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2019 R'000** | 2018 R'000 | **2019 R'000** | 2018 R'000 |
| **10.1 Listed investments** | | | | |
| At market value | **812 668** | 868 724 | **767 243** | 818 904 |
| **Analysis of spread of listed investments by market sector** | **%** | % | **%** | % |
| Automobiles and parts | **0.05** | 0.06 | **0.06** | 0.06 |
| Banks | **13.69** | 11.76 | **14.50** | 12.48 |
| Basic resources | **0.72** | 0.41 | **0.77** | 0.44 |
| Food and beverage | **2.87** | 2.76 | **3.04** | 2.93 |
| Financial services | **0.19** | 0.32 | **0.20** | 0.34 |
| Healthcare | **–** | 0.07 | **–** | 0.08 |
| Industrial goods and services | **0.23** | 0.19 | **0.25** | 0.21 |
| Insurance | **81.28** | 83.31 | **80.17** | 82.29 |
| Media | **0.29** | 0.44 | **0.31** | 0.47 |
| Personal and household goods | **0.10** | 0.34 | **0.11** | 0.36 |
| Real estate | **0.17** | 0.15 | **0.18** | 0.16 |
| Retail | **0.31** | 0.08 | **0.33** | 0.09 |
| Travel and leisure | **0.08** | 0.10 | **0.09** | 0.10 |
| | **100.00** | 100.00 | **100.00** | 100.00 |
| **10.2 Unlisted investments** | | | | |
| **At fair value** | **1 998 252** | 1 962 694 | **1 998 252** | 1 962 694 |
| | **%** | % | **%** | % |
| Linked policies | **55** | 51 | **55** | 51 |
| Private equity investments | **39** | 39 | **39** | 39 |
| Unit trusts | **6** | 10 | **6** | 10 |
| | **100** | 100 | **100** | 100 |
| **Total listed and unlisted investments at fair value** | **2 810 919** | 2 831 418 | **2 765 493** | 2 781 598 |

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **R'000** | **% maturity spread** | **R'000** | **% maturity spread** |
| **10.3 Debt securities (Bonds)** | | | | |
| **Analysis of debt securities by maturity spread for 2019** | | | | |
| 0 – 1 years | **55 248** | **28** | **55 248** | **28** |
| 1 – 2 years | **25 052** | **13** | **25 052** | **13** |
| More than 2 years | **115 709** | **59** | **115 708** | **59** |
| | **196 009** | **100** | **196 008** | **100** |
| **Analysis of debt securities by maturity spread for 2018** | | | | |
| More than 2 years | 138 633 | 100 | 138 633 | 100 |
| | 138 633 | 100 | 138 633 | 100 |

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

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

| | Fair value through profit or loss R'000 | At amortised cost investments 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 |
|---|---|---|---|---|---|---|---|---|
| **GROUP** | | | | | | | | |
| **2019** | | | | | | | | |
| **Assets** | | | | | | | | |
| Investments in associates | – | – | – | – | – | 245 962 | 245 962 | 245 962 |
| Financial assets | 2 223 472 | 783 457 | – | 3 006 929 | – | – | 3 006 929 | 3 006 929 |
| Preference shares and debt instruments | 448 072 | 783 457 | – | 1 231 529 | – | – | 1 231 529 | 1 231 529 |
| Equities | 684 546 | – | – | 684 546 | – | – | 684 546 | 684 546 |
| Linked policies | 1 090 854 | – | – | 1 090 854 | – | – | 1 090 854 | 1 090 854 |
| Reinsurance assets | – | – | – | – | 2 011 090 | – | 2 011 090 | 2 011 090 |
| Insurance, loans and other receivables | – | 209 531 | – | 209 531 | 1 531 693 | 189 095 | 1 930 318 | 1 930 318 |
| Deferred acquisition costs | – | – | – | – | 109 729 | – | 109 729 | 109 729 |
| Cash and cash equivalents | – | 2 575 793 | – | 2 575 793 | – | – | 2 575 793 | 2 575 793 |
| Non-current assets held for sale | 1 031 624 | – | – | 1 031 624 | – | – | 1 031 624 | 1 031 624 |
| | 3 255 096 | 3 568 781 | – | 6 823 878 | 3 652 512 | 435 057 | 10 911 446 | 10 911 446 |
| **Liabilities** | | | | | | | | |
| Borrowings | – | 600 806 | – | 600 806 | – | – | 600 806 | 600 806 |
| Insurance liabilities | – | – | – | – | 4 839 221 | – | 4 839 221 | 4 839 221 |
| Reinsurance liabilities | – | – | – | – | 755 478 | – | 755 478 | 755 478 |
| Employee benefits | – | – | – | – | – | 274 398 | 274 398 | 274 398 |
| Trade and other payables | – | – | – | – | – | 829 459 | 829 459 | 829 459 |
| Non current liabilities held for sale | – | – | – | – | – | – | – | – |
| | – | 600 806 | – | 600 806 | 5 594 698 | 1 103 856 | 7 299 361 | 7 299 361 |
| **2018** | | | | | | | | |
| **Assets** | | | | | | | | |
| Investments in associates | – | – | – | – | – | 241 556 | 241 556 | 241 556 |
| Loans to associates | – | 10 142 | – | 10 142 | – | – | 10 142 | 10 142 |
| Financial assets | 2 970 050 | – | – | 2 970 050 | – | – | 2 970 050 | 2 970 050 |
| Preference shares and debt instruments | 1 228 617 | – | – | 1 228 617 | – | – | 1 228 617 | 1 228 617 |
| Equities | 745 725 | – | – | 745 725 | – | – | 745 725 | 745 725 |
| Linked policies | 995 708 | – | – | 995 708 | – | – | 995 708 | 995 708 |
| Reinsurance assets | – | – | – | – | 2 752 461 | – | 2 752 461 | 2 752 461 |
| Insurance, loans and other receivables | – | 278 689 | – | 278 689 | 1 377 148 | 316 130 | 1 971 967 | 1 971 967 |
| Deferred acquisition costs | – | – | – | – | 116 443 | – | 116 443 | 116 443 |
| Cash and cash equivalents | – | 2 219 916 | – | 2 219 916 | – | – | 2 219 916 | 2 219 916 |
| Non-current assets held for sale | 885 875 | – | – | 885 875 | – | – | 885 875 | 885 875 |
| | 3 855 925 | 2 508 747 | – | 6 364 672 | 4 246 052 | 557 686 | 11 168 410 | 11 168 410 |
| **Liabilities** | | | | | | | | |
| Borrowings | – | 600 653 | – | 600 653 | – | – | 600 653 | 600 653 |
| Insurance liabilities | – | – | – | – | 4 841 376 | – | 4 841 376 | 4 841 376 |
| Reinsurance liabilities | – | – | – | – | 903 055 | – | 903 055 | 903 055 |
| Employee benefits | – | – | – | – | – | 236 916 | 236 916 | 236 916 |
| Trade and other payables | – | – | – | – | – | 837 708 | 837 708 | 837 708 |
| | – | 600 653 | – | 600 653 | 5 744 431 | 1 074 624 | 7 419 708 | 7 419 708 |

| | Fair value through profit or loss R'000 | At amortised cost investments 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 |
|---|---|---|---|---|---|---|---|---|
| **COMPANY** | | | | | | | | |
| **2019** | | | | | | | | |
| **Assets** | | | | | | | | |
| Investments in subsidiaries | 45 431 | – | – | 45 431 | – | – | 45 431 | 45 431 |
| Loans to subsidiaries | – | 1 664 | – | 1 664 | – | – | 1 664 | 1 664 |
| Investments in associates | 229 788 | – | – | 229 788 | – | – | 229 788 | 229 788 |
| Financial assets | 2 178 047 | 783 457 | – | 2 961 503 | – | – | 2 961 503 | 2 961 503 |
| Preference shares and debt instruments | 448 072 | 783 457 | – | 1 231 529 | – | – | 1 231 529 | 1 231 529 |
| Equities | 639 121 | – | – | 639 121 | – | – | 639 121 | 639 121 |
| Linked policies | 1 090 854 | – | – | 1 090 854 | – | – | 1 090 854 | 1 090 854 |
| Reinsurance assets | – | – | – | – | 2 011 090 | – | 2 011 090 | 2 011 090 |
| Insurance, loans and other receivables | – | 209 531 | – | 209 531 | 1 531 693 | 183 295 | 1 924 519 | 1 924 519 |
| Deferred acquisition costs | – | – | – | – | 109 729 | – | 109 729 | 109 729 |
| Cash and cash equivalents | – | 2 575 926 | – | 2 575 926 | – | – | 2 575 926 | 2 575 926 |
| Non-current assets held for sale | 162 448 | – | – | 162 448 | – | – | 162 448 | 162 448 |
| | 2 615 714 | 3 570 578 | – | 6 186 292 | 3 652 512 | 183 295 | 10 022 099 | 10 022 099 |
| **Liabilities** | | | | | | | | |
| Borrowings | – | 600 452 | – | 600 452 | – | – | 600 452 | 600 452 |
| Insurance liabilities | – | – | – | – | 4 839 221 | – | 4 839 221 | 4 839 221 |
| Reinsurance liabilities | – | – | – | – | 755 478 | – | 755 478 | 755 478 |
| Employee benefits | – | – | – | – | – | 274 398 | 274 398 | 274 398 |
| Trade and other payables | – | – | – | – | – | 789 413 | 789 413 | 789 413 |
| | – | 600 452 | – | 600 452 | 5 594 699 | 1 063 811 | 7 258 962 | 7 258 962 |
| **2018** | | | | | | | | |
| **Assets** | | | | | | | | |
| Investments in subsidiaries | 49 867 | – | – | 49 867 | – | – | 49 867 | 49 867 |
| Loans to subsidiaries | – | 1 664 | – | 1 664 | – | – | 1 664 | 1 664 |
| Investments in associates | 239 768 | – | – | 239 768 | – | – | 239 768 | 239 768 |
| Loans to associates | – | 10 142 | – | 10 142 | – | – | 10 142 | 10 142 |
| Financial assets | 2 920 231 | – | – | 2 920 231 | – | – | 2 920 231 | 2 920 231 |
| Preference shares and debt instruments | 1 228 617 | – | – | 1 228 617 | – | – | 1 228 617 | 1 228 617 |
| Equities | 695 906 | – | – | 695 906 | – | – | 695 906 | 695 906 |
| Linked policies | 995 708 | – | – | 995 708 | – | – | 995 708 | 995 708 |
| Reinsurance assets | – | – | – | – | 2 752 461 | – | 2 752 461 | 2 752 461 |
| Insurance, loans and other receivables | – | 278 688 | – | 278 688 | 1 377 148 | 314 517 | 1 970 352 | 1 970 352 |
| Deferred acquisition costs | – | – | – | – | 116 443 | – | 116 443 | 116 443 |
| Cash and cash equivalents | – | 2 221 041 | – | 2 221 041 | – | – | 2 221 041 | 2 221 041 |
| Non-current assets held for sale | 152 431 | – | – | 152 431 | – | – | 152 431 | 152 431 |
| | 3 362 297 | 2 511 535 | – | 5 873 832 | 4 246 052 | 314 517 | 10 434 400 | 10 434 400 |
| **Liabilities** | | | | | | | | |
| Borrowings | – | 600 299 | – | 600 299 | – | – | 600 299 | 600 299 |
| Insurance liabilities | – | – | – | – | 4 841 376 | – | 4 841 376 | 4 841 376 |
| Reinsurance liabilities | – | – | – | – | 903 055 | – | 903 055 | 903 055 |
| Employee benefits | – | – | – | – | – | 236 916 | 236 916 | 236 916 |
| Trade and other payables | – | – | – | – | – | 806 676 | 806 676 | 806 676 |
| | – | 600 299 | – | 600 299 | 5 744 431 | 1 043 592 | 7 388 322 | 7 388 322 |

## 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** | | | | |
| **2019** | | | | |
| **Financial assets carried at fair value through profit or loss** | | | | |
| Listed ordinary shares | 69 925 | – | 612 609 | 682 534 |
| Listed preference shares | 130 134 | – | – | 130 134 |
| Unlisted ordinary shares* | – | – | 2 011 | 2 011 |
| Linked policies | – | 1 090 854 | – | 1 090 854 |
| Unit trusts | – | 121 930 | – | 121 930 |
| Bonds | – | 196 009 | – | 196 009 |
| | 200 059 | 1 408 793 | 614 621 | 2 223 472 |
| **2018** | | | | |
| **Financial assets carried at fair value through profit or loss** | | | | |
| Listed ordinary shares | 745 213 | – | – | 745 213 |
| Listed preference shares | 123 510 | – | – | 123 510 |
| Unlisted ordinary shares* | – | – | 511 | 511 |
| Unlisted preference shares* | – | – | 763 161 | 763 161 |
| Linked policies | – | 995 708 | – | 995 708 |
| Unit trusts | – | 203 313 | – | 203 313 |
| Bonds | – | 138 633 | – | 138 633 |
| | 868 723 | 1 337 654 | 763 672 | 2 970 049 |
| **COMPANY** | | | | |
| **2019** | | | | |
| **Financial assets carried at fair value through profit or loss** | | | | |
| Interest in associates | – | – | 229 788 | 229 788 |
| Interest in subsidiaries | – | – | 45 431 | 45 431 |
| Listed ordinary shares | 24 500 | – | 612 609 | 637 109 |
| Listed preference shares | 130 134 | – | – | 130 134 |
| Unlisted ordinary shares* | – | – | 2 011 | 2 011 |
| Unit trusts | – | 121 930 | – | 121 930 |
| Linked policies | – | 1 090 854 | – | 1 090 854 |
| Bonds | – | 196 009 | – | 196 009 |
| | 154 634 | 1 408 792 | 889 839 | 2 453 266 |
| **2018** | | | | |
| **Financial assets carried at fair value through profit or loss** | | | | |
| Interest in associates | – | – | 239 768 | 239 768 |
| Interest in subsidiaries | – | – | 49 867 | 49 867 |
| Listed ordinary shares | 695 394 | – | – | 695 394 |
| Listed preference shares | 123 510 | – | – | 123 510 |
| Unlisted ordinary shares* | – | – | 511 | 511 |
| Unlisted preference shares* | – | – | 763 161 | 763 161 |
| Unit trusts | – | 203 313 | – | 203 313 |
| Linked policies | – | 995 708 | – | 995 708 |
| Bonds | – | 138 633 | – | 138 633 |
| | 818 904 | 1 337 654 | 1 053 307 | 3 209 865 |

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

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 of 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. 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 asset 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 amounts of Level 3 financial assets which are recorded at fair value:

| | At 1 July 2018 R'000 | Total gains/ (losses) in profit or loss statement R'000 | Total gains/ (losses) recorded in other compre-hensive income R'000 | Purchases R'000 | Interest, dividends and management fees R'000 | Sales R'000 | Impair-ment R'000 | Transfer from/(to) other category R'000 | At 30 June 2019 R'000 | Total gains/ (losses) for the period included in profit or loss for assets held at 30 June 2019 R'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **GROUP** | | | | | | | | | | |
| **2019** | | | | | | | | | | |
| **Financial assets at fair value through profit or loss** | | | | | | | | | | |
| Unlisted ordinary shares | 511 | – | – | 1 500 | – | – | – | – | 2 011 | – |
| Listed ordinary shares | – | – | – | – | – | – | – | 612 609 | 612 609 | – |
| Unlisted preference shares | 763 162 | 4 511 | – | – | – | – | 15 783 | (783 457) | – | 4 511 |
| **Total financial instruments** | 763 673 | 4 511 | – | 1 500 | – | – | 15 783 | (170 847) | 614 621 | 4 511 |
| **COMPANY** | | | | | | | | | | |
| **2019** | | | | | | | | | | |
| **Financial assets at fair value through profit or loss** | | | | | | | | | | |
| Investment in associates | 239 768 | 36 158 | – | – | – | (46 138) | – | – | 229 788 | 36 158 |
| Investment in subsidiaries | 49 867 | (4 435) | – | 6 658 | – | – | (6 658) | – | 45 432 | (4 435) |
| Listed ordinary shares | – | – | – | – | – | – | – | 612 609 | 612 609 | – |
| Unlisted ordinary shares | 511 | – | – | 1 500 | – | – | – | – | 2 011 | – |
| Unlisted preference shares | 763 162 | 4 511 | – | – | – | – | 15 783 | (783 456) | – | 4 511 |
| **Total financial instruments** | 1 053 308 | 36 234 | – | 8 158 | – | (46 138) | 9 125 | (170 847) | 889 840 | 36 234 |

During the current financial year the valuation methodology was changed for certain assets which resulted in transfers to level 3.

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

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 2017 R'000 | Total gains/ (losses) in profit or loss statement R'000 | Total gains/ (losses) recorded in other compre-hensive income R'000 | Purchases R'000 | Interest, dividends and management fees R'000 | Sales R'000 | Impair-ment R'000 | Transfer from/(to) other category R'000 | At 30 June 2018 R'000 | Total gains/ (losses) for the period included in profit or loss for assets held at 30 June 2018 R'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **GROUP** | | | | | | | | | | |
| **2018** | | | | | | | | | | |
| **Financial assets at fair value through profit or loss** | | | | | | | | | | |
| Unlisted ordinary shares | 511 | – | – | – | – | – | – | – | 511 | – |
| Unlisted preference shares | 807 531 | (7 847) | – | 89 946 | 101 105 | (227 573) | – | – | 763 162 | (7 847) |
| Total financial instruments | 808 042 | (7 847) | – | 89 946 | 101 105 | (227 573) | – | – | 763 673 | (7 847) |
| **COMPANY** | | | | | | | | | | |
| **2018** | | | | | | | | | | |
| **Financial assets at fair value through profit or loss** | | | | | | | | | | |
| Investment in associates | 207 764 | 32 004 | – | – | – | – | – | | 239 768 | 32 004 |
| Investment in subsidiaries | 41 241 | 8 626 | – | – | – | – | – | – | 49 867 | 8 626 |
| Unlisted ordinary shares | 511 | – | – | – | – | – | – | – | 511 | – |
| Unlisted preference shares | 807 531 | (7 847) | – | 89 946 | 101 105 | (227 573) | – | – | 763 162 | (7 847) |
| Total financial instruments | 1 057 047 | 32 783 | – | 89 946 | 101 105 | (227 573) | – | – | 1 053 308 | 32 783 |

### 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:

| | 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 |
| **2019** | | | | | | |
| **Financial assets carried at fair value through profit or loss** | | | | | | |
| Interest in associates | **–** | **–** | **–** | **229 788** | **240 322** | **219 907** |
| Interest in subsidiaries | **–** | **–** | **–** | **45 432** | **45 432** | **45 432** |
| Unlisted ordinary shares | **2 011** | **–** | **–** | **2 011** | **–** | **–** |
| **Total financial instruments at fair value** | **2 011** | **–** | **–** | **277 231** | **285 754** | **265 339** |
| **2018** | | | | | | |
| **Financial assets carried at fair value through profit or loss** | | | | | | |
| Interest in associates | – | – | – | 239 768 | 226 735 | 253 866 |
| Interest in subsidiaries | – | – | – | 49 867 | 49 867 | 49 867 |
| Unlisted ordinary shares | 511 | – | – | 511 | – | – |
| Unlisted preference shares | 763 162 | 761 547 | 758 089 | 763 162 | 761 547 | 758 089 |
| **Total financial instruments at fair value** | 763 673 | 761 547 | 758 089 | 1 053 308 | 1 038 149 | 1 061 822 |

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 bond yield of 6.35% (R2030). 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%.

## 13. Insurance, loans and other receivables

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2019 R'000** | 2018 R'000 | **2019 R'000** | 2018 R'000 |
| Insurance receivables | **1 531 693** | 1 377 148 | **1 531 693** | 1 377 148 |
| Other receivables | **189 094** | 316 130 | **183 295** | 314 517 |
| **Total insurance and other receivables** | **1 720 787** | 1 693 278 | **1 714 988** | 1 691 665 |
| Originated at amortised cost | | | | |
| **Loans bearing interest** | | | | |
| – Loans to staff | **11 025** | 10 220 | **11 025** | 10 220 |
| – Loans to other | **7 397** | 29 480 | **7 397** | 29 480 |
| **Interest-free loans** | | | | |
| – Loans to other | **74 779** | 129 221 | **74 779** | 129 221 |
| **Total loans** | **93 201** | 168 921 | **93 201** | 168 921 |
| Receivable from Group companies | **142 414** | 144 543 | **142 414** | 144 543 |
| Impairment provision | **(26 084)** | (34 776) | **(26 084)** | (34 776) |
| **Total loans receivable from Group companies** | **116 330** | 109 767 | **116 330** | 109 767 |
| **Total Insurance, loans and other receivables** | **1 930 318** | 1 971 966 | **1 924 519** | 1 970 353 |
| The interest rates charged on the secured and unsecured loans comprise: | | | | |
| Prime less 1.5% | **–** | 945 | **–** | 945 |
| Prime less 3% | **–** | 5 812 | **–** | 5 812 |
| 80% of prime | **274** | 8 212 | **274** | 8 212 |
| Prime plus 1% | **–** | 1 467 | **–** | 1 467 |
| Prime plus 2% | **72** | 2 541 | **72** | 2 541 |
| Prime plus 5% | **1 641** | – | **1 641** | – |
| Prime plus 6% | **6 950** | 8 866 | **6 950** | 8 866 |
| Interest at 7% | **–** | 1 637 | **–** | 1 637 |
| Interest at 6.5% | **2 016** | 1 946 | **2 016** | 1 946 |
| South African Revenue Service (SARS) rate | **7 469** | 8 274 | **7 469** | 8 274 |
| Interest-free loans | **74 779** | 129 221 | **74 779** | 129 221 |
| | **93 201** | 168 921 | **93 201** | 168 921 |
| The loans have the following terms of repayment: | | | | |
| No fixed repayment terms | **81 730** | 11 445 | **81 730** | 11 445 |
| On specified date | **10 169** | 15 272 | **10 169** | 15 272 |
| 90 days notice period | **1 302** | 142 204 | **1 302** | 142 204 |
| | **93 201** | 168 921 | **93 201** | 168 921 |

## 13. Insurance, loans and other receivables (continued)

Certain loans are secured by assets of the counterparty to the extent of R4 510 343 (2018: R5 812 154) 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 41 of these annual financial statements.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2019 R'000 | 2018 R'000 | 2019 R'000 | 2018 R'000 |
| **14. Deferred taxation** | | | | |
| **Deferred income tax assets** | | | | |
| – Deferred income tax to be recovered within 12 months | 103 609 | 85 196 | 103 609 | 85 196 |
| **Balance at end of year** | 103 609 | 85 196 | 103 609 | 85 196 |
| Balance at beginning of year | 85 196 | 79 690 | 85 196 | 79 690 |
| Movements during the year attributable to: | | | | |
| Unutilised tax losses | – | 62 | – | 62 |
| Provisions | 18 413 | 5 444 | 18 413 | 5 444 |
| **Balance at end of year** | 103 609 | 85 196 | 103 609 | 85 196 |
| Balance comprises: | | | | |
| Unutilised tax losses | – | 9 325 | – | 9 325 |
| Provisions | 103 609 | 75 871 | 103 609 | 75 871 |
| | 103 609 | 85 196 | 103 609 | 85 196 |
| **Deferred income tax liabilities** | | | | |
| – Deferred income tax to be recovered after 12 months | 208 401 | 234 070 | 199 333 | 223 310 |
| **Balance at end of year** | 208 401 | 234 070 | 199 333 | 223 310 |
| Balance at beginning of year | 234 070 | 174 250 | 223 310 | 166 581 |
| Movements during the year attributable to: | | | | |
| Unrealised gains on assets at fair value through profit or loss | (25 669) | 59 820 | (23 977) | 56 729 |
| **Balance at end of year** | 208 401 | 234 070 | 199 333 | 223 310 |
| Balance comprises: | | | | |
| Unrealised gains on assets at fair value through profit or loss | 208 401 | 234 070 | 199 333 | 223 310 |
| **15. Cash and cash equivalents** | | | | |
| Cash on call | 1 940 938 | 1 640 247 | 1 940 937 | 1 640 247 |
| Cash at bank | 614 406 | 511 479 | 614 696 | 512 761 |
| Cash on deposit | 20 397 | 68 118 | 20 241 | 67 961 |
| Cash on hand | 52 | 72 | 52 | 72 |
| | 2 575 793 | 2 219 916 | 2 575 926 | 2 221 041 |
| **16. Non-current assets and liabilities held for sale** | | | | |
| The Group and Company hold the following assets as held for sale: | | | | |
| Investment in subsidiary: Hollard Mocambique Companhia de Seguros, S.A.R.L. | 1 031 624 | 885 875 | 162 448 | 152 431 |
| | 1 031 624 | 885 875 | 162 448 | 152 431 |
| The Group and Company hold the following liabilities as held for sale: | | | | |
| Investment in subsidiary: Hollard Mocambique Companhia de Seguros, S.A.R.L. | 754 383 | 653 254 | – | – |
| | 754 383 | 653 254 | – | – |

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.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2019 R'000 | 2018 R'000 | 2019 R'000 | 2018 R'000 |
| **17. Share capital and premium** | | | | |
| **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 | 1 580 687 | 1 580 687 | 1 580 687 | 1 580 687 |
| 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 |
| | 1 586 687 | 1 586 687 | 1 586 687 | 1 586 687 |
| Share premium | 55 914 | 55 914 | 55 914 | 55 914 |
| Issued share capital | 1 642 601 | 1 642 601 | 1 642 601 | 1 642 601 |

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.

| | GROUP | |
|---|---|---|
| | 2019 R'000 | 2018 R'000 |
| **18. Non-distributable reserves** | | |
| Non-distributable reserves consist of: | | |
| Revaluation reserve | 1 193 | 1 356 |
| Movements for the year were as follows: | | |
| Balance at beginning of year | 1 356 | 1 230 |
| Transfer (from)/to reserves | (163) | 126 |
| **Balance at end of year** | 1 193 | 1 356 |
| **19. Foreign currency translation reserve** | | |
| Balance at beginning of year | 10 074 | (43 360) |
| Exchange differences (net of non-controlling interest) on translation of foreign operations | (7 400) | 48 524 |
| Disposal of non-current asset held for sale | – | 14 972 |
| Transfer to non-controlling interest | – | (10 062) |
| **Balance at end of year** | 2 674 | 10 074 |

## 20. Components of other comprehensive income

| | GROUP | | | |
|---|---|---|---|---|
| | 2019 | | | |
| | Gross amount R'000 | Non-controlling interest R'000 | Tax expense R'000 | Net of tax R'000 |
| Exchange differences on translating foreign operations | (7 400) | – | – | (7 400) |
| Transfer to reserve | (163) | – | – | (163) |
| Unrealised gain on financial assets at fair value through other comprehensive income | (3 330) | (1 258) | – | (3 352) |
| | (10 893) | (1 258) | – | (10 915) |

## 20. Components of other comprehensive income (continued)

| | GROUP | | | |
|---|---|---|---|---|
| | 2018 | | | |
| | Gross amount R'000 | Non-controlling interest R'000 | Tax expense R'000 | Net of tax R'000 |
| Exchange differences on translating foreign operations | 48 524 | (10 062) | – | 38 462 |
| Transfer from reserve | 126 | – | – | 126 |
| Unrealised gain on financial assets at fair value through other comprehensive income | (477 013) | (285 325) | – | (762 338) |
| | (428 363) | (295 387) | – | (723 750) |

## 21. Insurance liabilities and reinsurance assets

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2019 R'000 | 2018 R'000 | 2019 R'000 | 2018 R'000 |
| **Gross** | | | | |
| Claims reported and loss adjustment expenses | 2 122 985 | 2 383 751 | 2 122 985 | 2 383 751 |
| Claims incurred but not yet reported | 584 610 | 701 675 | 584 610 | 701 675 |
| Unearned premium provision | 2 054 251 | 1 684 032 | 2 054 251 | 1 684 032 |
| Cash back reserve | 77 375 | 71 918 | 77 375 | 71 918 |
| **Total gross insurance liabilities** | 4 839 221 | 4 841 376 | 4 839 221 | 4 841 376 |
| **Recoverable from reinsurers** | | | | |
| Claims reported and loss adjustment expenses | 867 561 | 1 382 791 | 867 561 | 1 382 791 |
| Claims incurred but not yet reported | 118 228 | 165 858 | 118 228 | 165 858 |
| Unearned premium provision | 460 123 | 402 619 | 460 123 | 402 619 |
| Reinsurance recoveries | 565 178 | 801 193 | 565 178 | 801 193 |
| **Total reinsurers' share of insurance liabilities** | 2 011 090 | 2 752 461 | 2 011 090 | 2 752 461 |
| **Net** | | | | |
| Claims reported and loss adjustment expenses | 1 255 425 | 1 000 960 | 1 255 425 | 1 000 960 |
| Claims incurred but not yet reported | 466 382 | 535 817 | 466 382 | 535 817 |
| Unearned premium provision | 1 594 128 | 1 281 413 | 1 594 128 | 1 281 413 |
| Cash back reserve | 77 375 | 71 918 | 77 375 | 71 918 |
| Reinsurance recoveries | (565 178) | (801 193) | (565 178) | (801 193) |
| **Total insurance liabilities – net** | 2 828 132 | 2 088 915 | 2 828 132 | 2 088 915 |

### Movement in insurance liabilities and reinsurance assets

a) Claims reported and loss adjustment expenses

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Gross R'000 | Reinsurance asset R'000 | Net R'000 | Gross R'000 | Reinsurance asset R'000 | Net R'000 |
| **GROUP** | | | | | | |
| Balance at beginning of year | 2 383 751 | 1 382 791 | 1 000 960 | 2 629 385 | 1 511 577 | 1 117 808 |
| Claims paid | (5 253 562) | (1 213 166) | (4 040 396) | (6 356 580) | (1 860 518) | (4 496 062) |
| Claims raised | 4 992 796 | 697 935 | 4 294 861 | 6 110 946 | 1 731 732 | 4 379 214 |
| **Balance at end of year** | 2 122 985 | 867 560 | 1 255 425 | 2 383 751 | 1 382 791 | 1 000 960 |
| **COMPANY** | | | | | | |
| Balance at beginning of year | 2 383 751 | 1 382 791 | 1 000 960 | 2 629 385 | 1 511 577 | 1 117 808 |
| Claims paid | (5 253 562) | (1 213 166) | (4 040 396) | (6 356 580) | (1 860 518) | (4 496 062) |
| Claims raised | 4 992 796 | 697 935 | 4 294 861 | 6 110 946 | 1 731 732 | 4 379 214 |
| **Balance at end of year** | 2 122 985 | 867 560 | 1 255 425 | 2 383 751 | 1 382 791 | 1 000 960 |

| | 2019 Gross R'000 | 2019 Reinsurance asset R'000 | 2019 Net R'000 | 2018 Gross R'000 | 2018 Reinsurance asset R'000 | 2018 Net R'000 |
|---|---|---|---|---|---|---|
| b) Claims incurred but not yet reported | | | | | | |
| **GROUP** | | | | | | |
| Balance at beginning of year | 701 675 | 165 858 | 535 817 | 719 527 | 177 171 | 542 356 |
| Movements for the year | (117 066) | (47 630) | (69 435) | (17 852) | (11 313) | (6 539) |
| **Balance at end of year** | 584 610 | 118 228 | 466 382 | 701 675 | 165 858 | 535 817 |
| **COMPANY** | | | | | | |
| Balance at beginning of year | 701 675 | 165 858 | 535 817 | 719 527 | 177 171 | 542 356 |
| Movements for the year | (117 066) | (47 630) | (69 436) | (17 852) | (11 313) | (6 539) |
| **Balance at end of year** | 584 610 | 118 228 | 466 381 | 701 675 | 165 858 | 535 817 |
| c) Unearned premium provision | | | | | | |
| **GROUP** | | | | | | |
| Balance at beginning of year | 1 684 032 | 402 619 | 1 281 413 | 1 783 781 | 518 297 | 1 265 484 |
| Movements for the year | 370 219 | 57 504 | 312 715 | (99 749) | (115 678) | 15 929 |
| **Balance at end of year** | 2 054 251 | 460 123 | 1 594 128 | 1 684 032 | 402 619 | 1 281 413 |
| **COMPANY** | | | | | | |
| Balance at beginning of year | 1 684 032 | 402 619 | 1 281 413 | 1 783 781 | 518 297 | 1 265 484 |
| Movements for the year | 370 219 | 57 504 | 312 715 | (99 749) | (115 678) | 15 929 |
| **Balance at end of year** | 2 054 251 | 460 123 | 1 594 128 | 1 684 032 | 402 619 | 1 281 413 |
| d) Cash-back reserve | | | | | | |
| **GROUP** | | | | | | |
| Balance at beginning of year | 71 918 | – | 71 918 | 39 897 | – | 39 897 |
| Movements for the year | 5 457 | – | 5 457 | 32 021 | – | 32 021 |
| **Balance at end of year** | 77 375 | – | 77 375 | 71 918 | – | 71 918 |
| **COMPANY** | | | | | | |
| Balance at beginning of year | 71 918 | – | 71 918 | 39 897 | – | 39 897 |
| Movements for the year | 5 457 | – | 5 457 | 32 021 | – | 32 021 |
| **Balance at end of year** | 77 375 | – | 77 375 | 71 918 | – | 71 918 |
| e) Reinsurance recoveries | | | | | | |
| **GROUP** | | | | | | |
| Balance at beginning of year | – | 801 193 | (801 193) | – | 786 404 | (786 404) |
| Movements for the year | – | (236 015) | 236 015 | – | 14 789 | (14 789) |
| **Balance at end of year** | – | 565 178 | (565 178) | – | 801 193 | (801 193) |
| **COMPANY** | | | | | | |
| Balance at beginning of year | – | 801 193 | (801 193) | – | 786 404 | (786 404) |
| Movements for the year | – | (236 015) | 236 015 | – | 14 789 | (14 789) |
| **Balance at end of year** | – | 565 178 | (565 178) | – | 801 193 | (801 193) |
| Total | | | | | | |
| **GROUP** | | | | | | |
| Balance at beginning of year | 4 841 376 | 2 752 461 | 2 088 915 | 5 172 590 | 2 993 449 | 2 179 141 |
| Claims paid | (5 253 562) | (1 213 166) | (4 040 396) | (6 356 580) | (1 860 518) | (4 496 062) |
| Movements for the year | 258 611 | 9 874 | 248 737 | (85 580) | (126 991) | 41 411 |
| Claims raised | 4 992 796 | 697 935 | 4 294 861 | 6 110 946 | 1 731 732 | 4 379 214 |
| Reinsurance recoveries | – | (236 015) | 236 015 | – | 14 789 | (14 789) |
| **Balance at end of year** | 4 839 221 | 2 011 089 | 2 828 132 | 4 841 376 | 2 752 461 | 2 088 915 |
| **COMPANY** | | | | | | |
| Balance at beginning of year | 4 841 376 | 2 752 461 | 2 088 915 | 5 172 590 | 2 993 449 | 2 179 141 |
| Claims paid | (5 253 562) | (1 213 166) | (4 040 396) | (6 356 580) | (1 860 518) | (4 496 062) |
| Movements for the year | 258 610 | 9 874 | 248 737 | (85 580) | (126 991) | 41 411 |
| Claims raised | 4 992 796 | 697 935 | 4 294 861 | 6 110 946 | 1 731 732 | 4 379 214 |
| Reinsurance recoveries | – | (236 015) | 236 015 | – | 14 789 | (14 789) |
| **Balance at end of year** | 4 839 221 | 2 011 089 | 2 828 132 | 4 841 376 | 2 752 461 | 2 088 915 |

## 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/provides 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/provides 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/provides 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/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/provides 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/provides 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/provides 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 through 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 provide 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 | |
|---|---|---|---|---|
| | **2019 R'000** | 2018 R'000 | **2019 R'000** | 2018 R'000 |
| **Gross written premium per class of business** | | | | |
| Property | **3 933 125** | 3 577 005 | **3 852 132** | 3 471 431 |
| Transportation | **423 148** | 409 099 | **406 412** | 393 424 |
| Motor | **4 831 933** | 5 025 304 | **4 733 775** | 4 840 600 |
| Accident/health | **377 515** | 499 846 | **241 793** | 282 666 |
| Guarantee | **188 574** | 63 467 | **182 121** | 61 785 |
| Liability | **696 390** | 542 277 | **676 489** | 520 480 |
| Contract/engineering | **610 186** | 608 505 | **557 990** | 529 381 |
| Life | **49 150** | 163 924 | **–** | – |
| Miscellaneous | **215 690** | 289 726 | **205 329** | 159 543 |
| **Total** | **11 325 711** | 11 179 153 | **10 856 041** | 10 259 310 |

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

| | GROUP | |
|---|---|---|
| | **2019 R'000** | 2018 R'000 |
| South Africa | **10 856 041** | 10 259 310 |
| Foreign | **469 670** | 919 843 |
| **Total** | **11 325 711** | 11 179 153 |

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 the claims handling processes and specific techniques developed to proactively detect fraudulent claims.

### Reinsurance governance

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. The Group Reinsurance Committee was integrated into the Group Actuarial Committee (ACTCOMM) in March 2018, with this Board subcommittee providing oversight of reinsurance activities.

The main objective of the ACTCOMM is to provide oversight of relevant actuarial, financial and business risks, including the Capital Position and Asset-Liability matching position of the Company. The ACTCOMM provides oversight of the Company's reinsurance activities in accordance with the approved Reinsurance Risk Management Policy, reviewing the reinsurance programme for cost efficiency and security while ensuring compliance with related regulatory requirements.

At least annually, the Head of Actuarial Function expresses an independent opinion on the adequacy of reinsurance arrangements and notifies the Board if there is any reason for concern.

### Reinsurance strategy

The Group and Company utilises third-party reinsurance cover to mitigate risk from single events or risk accumulation which could significantly impact earnings or economic capital. This cover is placed on local and international reinsurance markets by the Reinsurance Department.

Dynamic financial analysis is performed each year to inform the risk retention and reinsurance purchase, including analysis of the economic capital position. Hollard's insurance risk and return position is tested against a wide range of reinsurance alternatives including proportional, non-proportional and aggregate structures.

The Group and Company uses catastrophe modelling to assess its exposure to low-frequency high-severity risks, the most common of these risks relates to natural catastrophes such as earthquake, flood, wildfire and windstorm. Catastrophe reinsurance is specifically put in place to reduce the threat associated with such events.

## 21. Insurance liabilities and reinsurance assets (continued)

### Insurance risk (continued)

#### Risk retention parameters

The Company undertakes the insuring of risks appropriate to the risk/reward balance and the Group's and Company's absolute capacity in terms of shareholder funds and free reserves. The Company implements reinsurance structures to balance cost against risk mitigation and volatility, taking into account the risk appetite limits and surplus capital levels.

#### Counterparty risk and SAM Equivalence

The Company only utilises reinsurers with credit ratings A- or higher by S&P, or equivalent ratings by A.M. Best, Fitch or Moody's, unless express permission is sought from the ACTCOMM. The total exposure to each reinsurer is monitored across catastrophe cover, treaty and facultative reinsurance to ensure sufficient diversification across counterparties.

Wherever possible, reinsurers in SAM equivalent jurisdictions are preferred given the capital and regime security considerations. The Company's Balance Sheet and Investment Management function regularly monitors the credit ratings of Hollard counterparties including reinsurers.

#### 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.

#### 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 using triangulation methods, and is held at a 75th percentile. As a result, different levels of provisions 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.

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

The main assumption is that the past experience will be indicative of future experience.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2019 R'000 | 2018 R'000 | 2019 R'000 | 2018 R'000 |

## 22. Deferred acquisition costs (DAC)

| | | | | |
|---|---|---|---|---|
| Deferred commission and acquisition costs net of reinsurance | 109 729 | 116 443 | 109 729 | 116 443 |
| **Current** | 109 729 | 116 443 | 109 729 | 116 443 |
| Reconciliation of changes in acquisition costs | | | | |
| Balance at beginning of year | 116 443 | 143 311 | 116 443 | 143 311 |
| Acquisition costs deferred during the year | 101 836 | 99 988 | 101 836 | 99 988 |
| Acquisition costs expensed during the year | (108 550) | (126 856) | (108 550) | (126 856) |
| **Balance at the end of financial year** | 109 729 | 116 443 | 109 729 | 116 443 |

## 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: | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Reporting year | Total R'000 | 2019 R'000 | 2018 R'000 | 2017 R'000 | 2016 R'000 | 2015 R'000 | 2014 R'000 | 2013 R'000 | 2012 and earlier R'000 |
| **GROUP** | | | | | | | | | |
| Gross | | | | | | | | | |
| Actual claims costs | | | | | | | | | |
| 2019 | 5 302 190 | 4 275 208 | 585 575 | 233 585 | 116 368 | 45 378 | 23 736 | 11 442 | 10 897 |
| 2018 | 6 348 577 | – | 4 466 794 | 1 676 791 | 138 797 | 28 185 | 5 155 | 11 108 | 21 745 |
| 2017 | 6 649 542 | – | – | 4 791 745 | 1 673 813 | 100 593 | 26 144 | 54 483 | 2 764 |
| 2016 | 6 003 250 | – | – | – | 3 994 269 | 1 739 521 | 187 651 | 51 445 | 30 363 |
| 2015 | 5 241 627 | – | – | – | – | 4 017 569 | 1 127 986 | 63 532 | 32 540 |
| 2014 | 4 249 764 | – | – | – | – | – | 3 513 019 | 646 968 | 89 778 |
| 2013 | 3 208 605 | – | – | – | – | – | – | 2 620 643 | 587 962 |
| 2012 | 3 048 362 | – | – | – | – | – | – | – | 3 048 362 |
| 2011 | 3 036 839 | – | – | – | – | – | – | – | 3 036 839 |
| 2010 | 2 912 078 | – | – | – | – | – | – | – | 2 912 078 |
| 2009 | 2 585 923 | – | – | – | – | – | – | – | 2 585 923 |
| **Cumulative payments to date** | 48 586 756 | 4 275 208 | 5 052 369 | 6 702 122 | 5 923 247 | 5 931 246 | 4 883 691 | 3 459 621 | 12 359 251 |
| Net | | | | | | | | | |
| Actual claims costs | | | | | | | | | |
| 2019 | 4 097 885 | 3 318 872 | 444 489 | 177 738 | 86 900 | 34 207 | 18 174 | 8 941 | 8 562 |
| 2018 | 4 561 878 | – | 3 422 536 | 1 050 394 | 71 579 | 11 136 | 151 | 5 191 | 891 |
| 2017 | 4 704 484 | – | – | 3 504 387 | 1 084 856 | 69 899 | 23 567 | 17 845 | 3 930 |
| 2016 | 4 620 334 | – | – | – | 3 582 355 | 939 705 | 65 565 | 18 238 | 14 471 |
| 2015 | 4 282 180 | – | – | – | – | 3 423 731 | 811 316 | 26 658 | 20 475 |
| 2014 | 3 436 912 | – | – | – | – | – | 2 874 337 | 519 442 | 43 133 |
| 2013 | 2 753 103 | – | – | – | – | – | – | 2 130 371 | 622 732 |
| 2012 | 2 629 894 | – | – | – | – | – | – | – | 2 629 894 |
| 2011 | 2 619 606 | – | – | – | – | – | – | – | 2 619 606 |
| 2010 | 2 490 920 | – | – | – | – | – | – | – | 2 490 920 |
| 2009 | 2 198 161 | – | – | – | – | – | – | – | 2 198 161 |
| **Cumulative payments to date** | 38 395 354 | 3 318 872 | 3 867 027 | 4 732 519 | 4 825 692 | 4 478 678 | 3 793 113 | 2 726 687 | 10 652 777 |

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2019 R'000 | 2018 R'000 | 2019 R'000 | 2018 R'000 |
| **24. Borrowings** | | | | |
| **Current borrowings** | | | | |
| **Unsecured** | | | | |
| Non-interest bearing borrowings | | | | |
| These loans have no fixed terms of repayment. | 232 | 232 | – | – |
| **Total** | 232 | 232 | – | – |
| **Non-current borrowings** | | | | |
| **Unsecured** | | | | |
| Interest bearing loan | 600 452 | 600 299 | 600 452 | 600 299 |
| The loan bears interest at 3month JIBAR + 215bps and is serviced quarterly. The loan is repayable on the tenth anniversary of the advance date (12 August 2016). | | | | |
| Interest bearing loan | 354 | 354 | – | – |
| The loan bears interest at prime less 1% and is repayable over 48 months. | | | | |
| **Total** | 600 806 | 600 653 | 600 452 | 600 299 |
| **25. Employee benefits** | | | | |
| At beginning of year | 236 916 | 235 098 | 236 916 | 235 098 |
| Movement | 37 482 | 1 818 | 37 482 | 1 818 |
| – additional provisions raised during the year | 161 209 | 122 339 | 161 209 | 122 339 |
| – leave pay provision utilised during the year | (5 509) | (8 584) | (5 509) | (8 584) |
| – incentive bonus utilised during the year | (118 218) | (111 937) | (118 218) | (111 937) |
| **Balance at end of year** | 274 398 | 236 916 | 274 398 | 236 916 |

### Analysis of provisions

Current

**Leave pay**

In terms of the Group's and Company'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 5 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 payment, limited to a maximum number of 25 days.

The Group's and Company's provision for leave pay amounted to R31 845 000 and R30 433 000 respectively at the statement of financial position date (2017: R28 615 000 and R28 615 000 respectively).

Incentive scheme

In terms of the Group's 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's and Company's provision for staff incentives amounted to R242 553 000 and R242 553 000 respectively at the statement of financial position date (2018: R206 483 000 and R206 483 000 respectively).

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2019 R'000 | 2018 R'000 | 2019 R'000 | 2018 R'000 |

## 26. Trade and other payables

| | | | | |
|---|---|---|---|---|
| Trade and other creditors | 689 434 | 735 976 | 693 351 | 739 447 |
| Group company payables | 80 064 | 67 720 | 36 324 | 33 436 |
| Other liabilities | 59 963 | 34 012 | 59 731 | 33 793 |
| | 829 461 | 837 708 | 789 406 | 806 676 |

All balances are current.

## 27. Interest received and dividend income

| | | | | |
|---|---|---|---|---|
| **Interest received** | | | | |
| **Financial assets measured at amortised cost** | 146 690 | 142 727 | 146 383 | 140 692 |
| Interest on call and term deposits | 131 277 | 118 454 | 130 986 | 116 451 |
| Sundry interest income | 15 412 | 24 273 | 15 397 | 24 241 |
| **Financial assets at fair value through profit or loss** | 75 712 | 92 756 | 56 168 | 55 412 |
| Interest received on investments | 28 488 | 24 236 | 28 567 | 24 236 |
| Sundry interest income (on bank accounts, etc.) | 47 224 | 68 520 | 27 601 | 31 176 |
| **Financial assets held-to-maturity** | 31 864 | 24 171 | – | – |
| **Total interest received** | 254 266 | 259 654 | 202 551 | 196 104 |
| **Dividends received** | | | | |
| **Financial assets at fair value through profit or loss** | | | | |
| Ordinary shares – dividends received | | | | |
| – Quoted shares | 44 082 | 41 403 | 44 082 | 41 403 |
| – Unquoted shares | 3 194 | 2 938 | 49 138 | 38 411 |
| Preference shares – dividends received | | | | |
| – Quoted shares | 11 990 | 12 314 | 11 990 | 12 314 |
| – Unquoted shares | 86 287 | 101 105 | 86 287 | 101 105 |
| Unit trusts – dividends received | | | | |
| – Unquoted shares | 3 150 | 4 109 | 3 150 | 2 759 |
| **Total dividends received** | 148 702 | 161 869 | 194 646 | 195 992 |
| **Total interest and dividend income** | 402 968 | 421 523 | 397 197 | 392 096 |
| **Interest paid** | | | | |
| Interest paid – collateral deposit | – | 29 | – | 29 |
| Interest paid – treaty reserves | 17 627 | 26 924 | 17 627 | 26 924 |
| Interest paid – general | 61 202 | 62 796 | 56 618 | 58 875 |
| Interest paid – SARS | 1 646 | 21 785 | 1 646 | 21 784 |
| **Total interest paid** | 80 475 | 111 534 | 75 891 | 107 612 |

## 28. Realised profits/(losses) on disposal of investments and other financial assets

| | | | | |
|---|---|---|---|---|
| Listed investments | (9 374) | 536 | (9 374) | 536 |
| Unlisted investments, subsidiaries and associates | 5 132 | (903) | 5 132 | (903) |
| Non-current assets held for sale | – | (437 920) | – | 477 527 |
| | (4 242) | (438 287) | (4 242) | 477 160 |
| Net realised (losses)/profits on fair value through profit or loss | (4 242) | (438 287) | (4 242) | 477 160 |

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

| | | | | |
|---|---|---|---|---|
| Listed investments | (37 404) | 120 494 | (37 404) | 109 275 |
| Unlisted investments, subsidiaries and associates | 68 425 | 527 106 | 68 423 | (321 404) |
| | 31 021 | 647 600 | 31 018 | (212 129) |
| Net unrealised profits/(losses) on fair value through profit or loss assets | 31 021 | 647 600 | 31 018 | (212 129) |

| | 2019 Company R'000 | 2019 Rest of Group R'000 | 2019 Total R'000 | 2018 Company R'000 | 2018 Rest of Group R'000 | 2018 Total R'000 |
|---|---|---|---|---|---|---|
| **30. Profit before taxation** | | | | | | |
| Profit before taxation is determined after charging: | | | | | | |
| **Directors' and prescribed officers' emoluments** | | | | | | |
| **Executive Directors** | | | | | | |
| *Director A* | | | | | | |
| Basic salary | – | – | – | 634 | 634 | 1 268 |
| Bonus and performance related payments | – | – | – | 7 884 | 7 884 | 15 768 |
| Estimated monetary value of other benefits | – | – | – | 144 | 144 | 288 |
| Pension/provident fund contributions | – | – | – | 73 | 73 | 146 |
| | – | – | – | 8 735 | 8 735 | 17 470 |
| *Director B* | | | | | | |
| Basic salary | 1 463 | 4 389 | 5 852 | 918 | 2 754 | 3 672 |
| Bonus and performance related payments | 1 853 | 5 559 | 7 412 | 1 213 | 3 637 | 4 850 |
| Estimated monetary value of other benefits | 20 | 60 | 80 | 37 | 109 | 146 |
| Pension/provident fund contributions | 164 | 492 | 656 | 103 | 309 | 412 |
| | 3 500 | 10 500 | 14 000 | 2 271 | 6 809 | 9 080 |
| *Director C* | | | | | | |
| Basic salary | 646 | 1 938 | 2 584 | – | – | – |
| Bonus and performance related payments | 168 | 504 | 672 | – | – | – |
| Estimated monetary value of other benefits | 27 | 81 | 108 | – | – | – |
| Pension/provident fund contributions | 75 | 225 | 300 | – | – | – |
| | 916 | 2 748 | 3 664 | – | – | – |
| *Director D* | | | | | | |
| Basic salary | 263 | 789 | 1 052 | 980 | 2 940 | 3 920 |
| Bonus and performance related payments | 1 321 | 3 963 | 5 284 | 3 043 | 9 127 | 12 170 |
| Estimated monetary value of other benefits | 11 | 33 | 44 | 79 | 235 | 314 |
| Pension/provident fund contributions | 30 | 90 | 120 | 114 | 340 | 454 |
| | 1 625 | 4 875 | 6 500 | 4 216 | 12 642 | 16 858 |
| **Non-Executive Directors** | | | | | | |
| Director A | 178 | 534 | 712 | 143 | 429 | 572 |
| Director B | 157 | 472 | 629 | 143 | 427 | 570 |
| Director C | 221 | 665 | 886 | 202 | 606 | 808 |
| Director D | 226 | 680 | 906 | 305 | 915 | 1 220 |
| Director E | 153 | 460 | 613 | 135 | 405 | 540 |
| Director F | 194 | 582 | 776 | 208 | 622 | 830 |
| Director G | 304 | 912 | 1 216 | 286 | 858 | 1 144 |
| Director H | 130 | 391 | 521 | 127 | 379 | 506 |
| | 1 563 | 4 696 | 6 259 | 1 549 | 4 641 | 6 190 |
| **Prescribed officers** | | | | | | |
| *Prescribed officer A* | | | | | | |
| Basic salary | 2 285 | 761 | 3 046 | 2 150 | 717 | 2 867 |
| Bonus and performance related payments | 2 999 | 1 000 | 3 999 | 4 263 | 1 421 | 5 684 |
| Estimated monetary value of other benefits | 155 | 51 | 206 | 150 | 50 | 200 |
| Pension/provident fund contributions | 271 | 90 | 361 | 256 | 85 | 341 |
| | 5 709 | 1 902 | 7 611 | 6 819 | 2 273 | 9 092 |
| *Prescribed officer B* | | | | | | |
| Basic salary | 322 | 965 | 1 287 | 520 | 1 560 | 2 080 |
| Bonus and performance related payments | 791 | 2 375 | 3 166 | 697 | 2 092 | 2 789 |
| Estimated monetary value of other benefits | 8 | 23 | 31 | 11 | 33 | 44 |
| Pension/provident fund contributions | 36 | 108 | 144 | 58 | 175 | 233 |
| | 1 157 | 3 471 | 4 628 | 1 286 | 3 860 | 5 146 |

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Company R'000 | Rest of Group R'000 | Total R'000 | Company R'000 | Rest of Group R'000 | Total R'000 |
| *Prescribed officer C* | | | | | | |
| Basic salary | 2 227 | 742 | 2 969 | 2 098 | 699 | 2 797 |
| Bonus and performance related payments | 3 205 | 1 068 | 4 273 | 4 420 | 1 473 | 5 893 |
| Estimated monetary value of other benefits | 235 | 78 | 313 | 224 | 75 | 299 |
| Pension/provident fund contributions | 271 | 90 | 361 | 256 | 85 | 341 |
| | 5 937 | 1 978 | 7 915 | 6 998 | 2 332 | 9 330 |
| *Prescribed officer D* | | | | | | |
| Basic salary | 727 | 2 180 | 2 907 | 686 | 2 057 | 2 743 |
| Bonus and performance related payments | 1 272 | 3 818 | 5 090 | 1 764 | 5 291 | 7 055 |
| Estimated monetary value of other benefits | 31 | 94 | 125 | 30 | 90 | 120 |
| Pension/provident fund contributions | 83 | 250 | 333 | 79 | 236 | 315 |
| | 2 113 | 6 342 | 8 455 | 2 559 | 7 674 | 10 233 |
| *Prescribed officer E* | | | | | | |
| Basic salary | 645 | 1 937 | 2 582 | 609 | 1 826 | 2 435 |
| Bonus and performance related payments | 822 | 2 468 | 3 290 | 1 132 | 3 395 | 4 527 |
| Estimated monetary value of other benefits | 12 | 37 | 49 | 12 | 37 | 49 |
| Pension/provident fund contributions | 72 | 217 | 289 | 68 | 205 | 273 |
| | 1 551 | 4 659 | 6 210 | 1 821 | 5 463 | 7 284 |
| *Prescribed officer F* | | | | | | |
| Basic salary | 553 | 1 658 | 2 211 | 523 | 1 569 | 2 092 |
| Bonus and performance related payments | 587 | 1 763 | 2 350 | 808 | 2 425 | 3 233 |
| Estimated monetary value of other benefits | 70 | 209 | 279 | 65 | 194 | 259 |
| Pension/provident fund contributions | 68 | 206 | 274 | 65 | 194 | 259 |
| | 1 278 | 3 836 | 5 114 | 1 461 | 4 382 | 5 843 |
| *Prescribed officer G* | | | | | | |
| Basic salary | 2 240 | 746 | 2 986 | 2 118 | 706 | 2 824 |
| Bonus and performance related payments | 3 008 | 1 002 | 4 010 | 3 991 | 1 330 | 5 321 |
| Estimated monetary value of other benefits | 115 | 38 | 153 | 104 | 35 | 139 |
| Pension/provident fund contributions | 260 | 86 | 346 | 245 | 82 | 327 |
| | 5 623 | 1 872 | 7 495 | 6 458 | 2 153 | 8 611 |
| *Prescribed officer H* | | | | | | |
| Basic salary | 2 366 | 788 | 3 154 | – | – | – |
| Bonus and performance related payments | 1 192 | 398 | 1 590 | – | – | – |
| Estimated monetary value of other benefits | 104 | 34 | 138 | – | – | – |
| Pension/provident fund contributions | 275 | 91 | 366 | – | – | – |
| | 3 936 | 1 311 | 5 247 | – | – | – |
| *Prescribed officer I* | | | | | | |
| Basic salary | 757 | 2 269 | 3 026 | 592 | 1 776 | 2 368 |
| Bonus and performance related payments | 928 | 2 782 | 3 710 | 672 | 2 015 | 2 687 |
| Estimated monetary value of other benefits | 6 | 18 | 24 | 5 | 14 | 19 |
| Pension/provident fund contributions | 85 | 254 | 339 | 66 | 199 | 265 |
| | 1 776 | 5 324 | 7 100 | 1 335 | 4 004 | 5 339 |
| **Total directors and prescribed officers emoluments** | 36 684 | 53 513 | 90 197 | 47 054 | 63 422 | 110 476 |

During the current financial year the following changes were made to the directors and prescribed officers emoluments:

The directors emoluments splits between company and rest of group were adjusted for the prior financial year to accurately reflect the provision of services.

The prescribed officers emoluments were adjusted for the prior financial year to accurately reflect the composition of prescribed officers.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2019 R'000 | 2018 R'000 | 2019 R'000 | 2018 R'000 |
| **30. Profit before taxation (continued)** | | | | |
| **Auditor's remuneration** | | | | |
| Audit fees | 8 989 | 11 579 | 7 163 | 9 847 |
| | 8 989 | 11 579 | 7 163 | 9 847 |
| **Depreciation** | | | | |
| Office equipment | 25 363 | 18 796 | 25 363 | 18 796 |
| Motor vehicles | 1 542 | 863 | 1 542 | 863 |
| Leasehold improvements | 2 289 | 2 021 | 2 289 | 2 021 |
| | 29 194 | 21 680 | 29 194 | 21 680 |
| **Revaluation of intangibles** | 8 061 | 8 061 | – | 8 061 |
| **Expenses for the acquisition of insurance contracts** | | | | |
| Commission | 967 099 | 962 400 | 909 741 | 894 333 |
| **Impairment losses on financial assets** | | | | |
| – Impairment loss on loans to associates, subsidiaries and other | (226) | – | (226) | 63 190 |
| – Impairment write-back on unlisted investment | – | (861) | – | (861) |
| **Other expenditure** | | | | |
| Amortisation of intangible assets | 66 843 | 48 315 | 66 843 | 48 316 |
| Impairment of intangible assets | 24 548 | – | 24 548 | – |
| Write back of intangible asset | – | 1 227 | – | 1 226 |
| Write-off of premium debtors | 18 948 | – | 18 948 | – |
| Write back of property and equipment | – | 1 321 | – | 1 320 |
| Administration fees paid | 889 469 | 896 179 | 889 469 | 896 179 |
| Movement in net provision for claims reported and loss adjustment expenses | 254 465 | (116 848) | 254 465 | (116 848) |
| Professional fees | 73 659 | 92 763 | 73 659 | 92 763 |
| Operating lease rentals – building | 41 329 | 37 274 | 41 329 | 37 274 |
| Operating lease rentals – computer | 9 740 | 13 350 | 9 740 | 13 350 |
| Research and development | (2) | 3 | (2) | 3 |
| **31. Taxation** | | | | |
| **South African normal taxation:** | | | | |
| – Current year | 235 309 | 162 249 | 217 392 | 201 918 |
| – Prior year | – | 264 150 | – | 174 616 |
| **Deferred taxation:** | | | | |
| – Current year | (44 519) | 22 778 | (42 391) | 50 923 |
| – Prior year | – | – | – | 302 |
| **Withholding tax and foreign tax** | 4 | 3 843 | 4 | 630 |
| | 190 794 | 453 020 | 175 005 | 428 389 |
| 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 | 1.3 | 39.4 | 1.3 | 27.0 |
| Capital gains tax | 3.1 | – | 3.1 | – |
| Permanent differences | | | | |
| – Exempt income dividends not taxable | (11.3) | (6.9) | (11.3) | (8.3) |
| – Unrealised gains not taxable | 0.5 | 8.1 | 0.5 | 9.1 |
| – Other non-taxable income/non-deductible expenses | 2.4 | 7.2 | 2.7 | 10.2 |
| **Effective rate** | 24.0 | 75.7 | 24.3 | 66.2 |

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2019 R'000 | 2018 R'000 | 2019 R'000 | 2018 R'000 |

## 32. Reconciliation of profit before taxation to cash generated from operations

| | GROUP 2019 R'000 | GROUP 2018 R'000 | COMPANY 2019 R'000 | COMPANY 2018 R'000 |
|---|---|---|---|---|
| Profit before taxation | 793 417 | 760 389 | 719 857 | 647 492 |
| Adjustments for: | | | | |
| Depreciation | 29 194 | 21 680 | 29 194 | 21 680 |
| Write-off of property and equipment | – | 1 320 | – | 1 320 |
| Write-off of loans | 9 042 | 402 | 9 042 | 402 |
| Intangible asset amortisation | 66 843 | 48 316 | 66 843 | 48 316 |
| Intangible asset impairment | 24 548 | – | 24 548 | – |
| Write-off of intangible asset | – | 1 226 | – | 1 226 |
| Loss on disposal of investments | 4 242 | 367 | 4 242 | 367 |
| Profit on foreign currency translation difference | – | (14 808) | – | – |
| Net interest and dividend income | (322 493) | (309 989) | (321 306) | (284 484) |
| Unrealised loss/(gain) on revaluation of listed investments | 37 404 | (109 275) | 37 404 | (109 275) |
| Unrealised gain on revaluation of unlisted investments | (73 600) | (73 580) | (77 994) | (65 202) |
| Unrealised gain on revaluation of bonds | (1 484) | (544) | (1 484) | (544) |
| Unrealised loss/(gain) on revaluation of associates | – | – | 9 980 | (32 005) |
| Unrealised loss/(gain) on revaluation of subsidiaries | – | – | 11 093 | (8 627) |
| Unrealised gain on intangible assets | – | (8 061) | – | (8 061) |
| Profit on disposal of non-current assets held for sale | – | (53 476) | – | – |
| Unrealised loss/(gain) on revaluation of non-current assets held for sale | – | 39 458 | (10 017) | (50 598) |
| Impairment allowances on loans | (226) | 63 190 | (226) | 63 190 |
| Impairment allowances on premium debtors | 110 461 | (3 278) | 110 461 | (3 278) |
| Share of profits in associates | (50 544) | (50 282) | – | – |
| **Operating cash flows before working capital changes** | 626 805 | 313 055 | 611 636 | 221 919 |
| Working capital changes | 424 062 | (104 595) | 468 082 | (9 517) |
| (Increase)/decrease in insurance receivables, loans and other receivables | (157 926) | 145 590 | (153 739) | 102 663 |
| Decrease in insurance liabilities | (2 155) | (331 215) | (2 155) | (331 214) |
| Increase in reinsurance assets | 741 371 | 240 988 | 741 371 | 240 988 |
| Decrease in deferred acquisition costs | 6 714 | 26 869 | 6 714 | 26 868 |
| (Decrease)/increase in reinsurance liabilities | (147 577) | 12 950 | (147 577) | 12 950 |
| Net movement in non-current assets held for sale | (54 703) | (163 116) | – | – |
| Increase/(decrease) in trade and other accounts payables and employee benefits | 38 339 | (36 661) | 23 468 | (61 772) |
| **Cash generated from operations** | 1 050 867 | 208 460 | 1 079 719 | 212 401 |

## 33. Dividends paid

| | GROUP 2019 R'000 | GROUP 2018 R'000 | COMPANY 2019 R'000 | COMPANY 2018 R'000 |
|---|---|---|---|---|
| Amounts due at beginning of year | – | – | – | – |
| Amounts declared for the year | (414 089) | (595 503) | (414 089) | (595 503) |
| Amounts declared to non-controlling interest | – | – | – | – |
| Amounts due at end of year | – | – | – | – |
| **Cash amounts paid** | (414 089) | (595 503) | (414 089) | (595 503) |

## 34. Dividends received

| | GROUP 2019 R'000 | GROUP 2018 R'000 | COMPANY 2019 R'000 | COMPANY 2018 R'000 |
|---|---|---|---|---|
| Amounts due at beginning of year | 46 368 | 29 924 | 46 368 | 29 924 |
| Dividends received per profit and loss statement | 148 702 | 161 869 | 194 646 | 195 992 |
| Impairment of accrued dividends per profit and loss statement | – | 860 | – | 860 |
| Amounts due at end of year | (66 322) | (46 368) | (66 322) | (46 368) |
| **Cash amounts received** | 128 748 | 146 285 | 174 692 | 180 408 |

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2019 R'000 | 2018 R'000 | 2019 R'000 | 2018 R'000 |

## 35. Taxation paid

| | | | | |
|---|---|---|---|---|
| Amounts due at beginning of year | (464 053) | (61 345) | (453 276) | (53 656) |
| Amounts charged to profit and loss statement | (190 794) | (453 020) | (175 005) | (428 389) |
| Amounts due at end of year | 133 945 | 464 053 | 124 857 | 453 276 |
| **Cash amounts paid** | (520 903) | (50 312) | (503 424) | (28 769) |
| Amounts due at end of year comprised as follows: | | | | |
| Deferred income tax asset | (103 609) | (85 196) | (103 609) | (85 196) |
| Deferred income tax liability | 208 401 | 234 070 | 199 333 | 223 311 |
| Current taxation asset | (8) | (8) | – | – |
| Current taxation liability | 29 160 | 315 187 | 29 134 | 315 161 |
| | 133 945 | 464 053 | 124 857 | 453 276 |

## 36. Business combinations

### 36.1 Summary of business combinations – 30 June 2018

Disposal of investments in subsidiary:

| | Comingo Trading (Pty) Ltd | Total |
|---|---|---|
| Loans and other receivables | 100 | 100 |
| Trade and other payables | (100) | (100) |
| **Proceeds on disposal of subsidiary** | 100 | 100 |
| Net cash outflow arising on disposal: | | |
| – Cash and cash equivalents | – | – |
| **Cash and cash equivalents disposed of** | 100 | 100 |

**36.1.1 Disposal of 100% shareholding in the Comingo Trading (Pty) Ltd**

During the prior financial year, the Group disposed of 100% of its investments in Comingo Trading (Pty) Ltd. At the date of disposal, the fair value of the investment in the Company was Rnil and the net asset value was Rnil. The Company generated R100 gain on disposal whereas the Group generated no gain or loss on disposal.

**36.1.2 Acquisition of 100% of Bidcap Investments (Pty) Ltd**

On 1 October 2018, the Group acquired 100% shareholding in Bidcap Investments (Pty) Ltd for a consideration of R1.9 million. At the date of acquisition, the carrying value of the investment in the company was Rnil.

**36.1.3 Acquisition of 35% of Buckingham Risk Solutions (Pty) Ltd**

On 1 October 2018, the Group acquired a 35% shareholding in Buckingham Risk Solutions (Pty) Ltd for a consideration of R3.4 million. At the date of acquisition, the carrying value of the investment in the company was Rnil. The remaining 65% shareholding is held by Bidcap Investments (Pty) Ltd, effectively Buckingham Risk Solutions (Pty) Ltd is a subsidiary of The Hollard Insurance Company.

**36.1.4 Acquisition of 100% of Primus Risk Services Investments (Pty) Ltd**

On 1 October 2018, the Group acquired 100% shareholding in Primus Risk Services Investments (Pty) Ltd for a consideration of R1.3 million. At the date of acquisition, the carrying value of the investment in the company was Rnil.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2019 R'000 | 2018 R'000 | 2019 R'000 | 2018 R'000 |

## 37. Proceeds on disposal of investments

| | | | | |
|---|---|---|---|---|
| Proceeds on disposal of listed investments | 66 495 | 59 369 | 66 495 | 59 369 |
| Proceeds on disposal of unlisted investments | 150 443 | 205 855 | 150 443 | 205 855 |
| | 216 938 | 265 224 | 216 938 | 265 224 |

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2019 R'000** | 2018 R'000 | **2019 R'000** | 2018 R'000 |

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

| | **2019 R'000** | 2018 R'000 | **2019 R'000** | 2018 R'000 |
|---|---|---|---|---|
| Fair value of assets sold | **–** | 537 003 | **–** | 483 527 |
| Profit/(loss) on disposal | **–** | (53 476) | **–** | – |
| | **–** | 483 527 | **–** | 483 527 |

## 39. Capital expenditure

| | **2019 R'000** | 2018 R'000 | **2019 R'000** | 2018 R'000 |
|---|---|---|---|---|
| The following capital expenditure budget has been approved by the Board for the financial year ending 30 June 2020: | | | | |
| Furniture, office equipment and computer hardware and software | | | **160 612** | 129 000 |
| | | | **160 612** | 129 000 |

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

## 40. Commitments and contingencies

### Operating lease commitment

The Hollard Life Assurance Company Limited entered into a ten-year lease agreement with Hollard Life Properties (Pty) Ltd, to sub-lease the Arcadia premises with effect from 1 July 2016. The lease runs to 30 June 2026. 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 | |
|---|---|---|
| | **2019 R'000** | 2018 R'000 |
| The payments recognised as an expense for the year amount to | **41 329** | 37 274 |
| | **41 329** | 37 274 |

## 41. 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.*

There are 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.

## 42. Staff pension and provident fund

The Company has a defined contribution pension fund, the Hollard Employees Pension Fund with 446 (2018: 366) employees of the Company being members of the fund. The Company and employees' contributions to the fund charged against income for the year were R22 606 800 (2018: R12 015 770).

The Company also has a defined contribution provident fund, the Hollard Employees Provident Fund with 907 (2018: 785) employees of the Company being members of the fund. The Company and employees' contribution to the fund charged against income for the year were R43 703 208 (2018: R26 131 107).

Both of these funds are controlled by a Board of Trustees and are governed by the Pension Funds Act of 1956.

## 43. 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 Fundco (RF) (Pty) Ltd and the ultimate holding company is Pickent Investments Limited. Both of these Companies are incorporated in the Republic of South Africa.

## 43. Related party transactions (continued)

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

| | COMPANY | | | |
|---|---|---|---|---|
| | Sum insured | | UPR | |
| | 2019 R'000 | 2018 R'000 | 2019 R'000 | 2018 R'000 |
| Guarantee policies issued | | | | |
| **Affiliated companies:** | | | | |
| • Advantage Motor Plan (Pty) Ltd | 10 000 | 10 000 | 10 000 | 10 000 |
| • Biz Afrika 1932 (Pty) Ltd | – | 3 374 | – | 3 379 |
| • Hollard Insurance Company of Namibia Limited (incorporated and operational in Namibia) | – | 10 000 | – | – |
| • NER Estates – Zanray Investments | 6 141 | 6 141 | – | – |
| • Brokoop Insurance Brokers (Pty) Ltd | 2 746 | 2 746 | – | – |
| • UTZ Consulting (Pty) Ltd | 300 | 300 | – | – |
| • PWV Insurance Brokers | 37 930 | 37 930 | – | – |
| • Sapcor (Pty) Ltd | 14 800 | 14 800 | – | – |
| • Insurance Zone Insurance Brokers (Pty) Ltd | 13 469 | 13 469 | – | – |
| • RBS | 35 500 | – | – | – |
| • NMG and C&A Holdings | 25 000 | – | – | – |

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

| | COMPANY | |
|---|---|---|
| | 2019 R'000 | 2018 R'000 |
| **Loans to/(from) related parties** | (445 663) | (475 577) |
| Loans to subsidiaries | 1 664 | 1 664 |
| Loans to associates | – | 10 142 |
| Loans to Hollard Specialist Insurance | 34 547 | 1 876 |
| Loans to Hollard Specialist Life Assurance | 410 | – |
| Loans to Syndicate Investments (Pty) Ltd | 61 225 | 55 107 |
| Loans to Syringa Tree (Pty) Ltd | 24 768 | 22 387 |
| Loans to ITOO | 13 418 | 15 310 |
| Loans from Sandolive Investments (Pty) Ltd | (6 999) | (6 999) |
| Loans to SMART (Pty) Ltd | 5 247 | 5 247 |
| Loans to Hollard Holdings (Pty) Ltd | 15 008 | 15 005 |
| Loans from Fundco (RF) (Pty) Ltd* | (600 299) | (600 156) |
| Loan to C Shorter | 2 480 | 2 298 |
| Loan to G Venter | 2 868 | 2 541 |

** The loan from Fundco (RF) (Pty) Ltd is interest bearing with a repayment terms of 10 years from the date of advance.*

| | COMPANY | |
|---|---|---|
| | 2019 R'000 | 2018 R'000 |
| **Loans to prescribed officers** | | |
| M. Shezi | 2 100 | 1 946 |
| B. Wyborn | 6 446 | 5 973 |
| **Management fees** | | |
| – Paid to Hollard Life Assurance Company Limited | 208 965 | 260 653 |
| **Dividends** | | |
| – Dividends received from related parties | 49 138 | 38 411 |
| **Interest** | | |
| – Interest received from related parties | 4 584 | 3 921 |
| **Investment policy with** | | |
| – The Hollard Life Assurance Company Limited | 1 090 854 | 995 708 |
| **Key management compensation** | | |
| – Salaries, bonuses and other short-term employee benefits | 59 774 | 50 870 |
| (Key management refers to Executive Committee members excluding Executive Directors) | | |
| **Other transactions** | | |
| – Rent paid to Hollard Life Properties (Pty) Ltd | 41 329 | 37 274 |

Refer to notes 8 and 9 on page 41, as well as note 44 on page 67 of these annual financial statements for details of loans with Group companies and other related parties.

## 44. Subsidiaries, associates and joint venture

### Carrying value of interest in subsidiaries

| | Nature of business | Place of business | Issued share capital R | Proportion held 2019 % | Proportion held 2018 % | 2019 Shares R'000 | 2019 Indebtedness R'000 | 2018 Shares R'000 | 2018 Indebtedness R'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Directly held subsidiaries** | | | | | | | | | |
| Apex Underwriting Managers (Pty) Ltd | B | RSA | 100 | 100.00 | 100.00 | – | 2 034 | – | 1 944 |
| Casa Luigi Properties (Pty) Ltd | A | 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 Portfolio Management (Pty) Ltd | C | RSA | 1 | 100.00 | 100.00 | 45 432 | – | 49 867 | – |
| JJK Marketing Consultants (Pty) Ltd | B | RSA | 100 | 100.00 | 100.00 | – | – | – | – |
| Newshelf 33 (Pty) Ltd | C | RSA | 1 | 100.00 | 100.00 | – | – | – | – |
| Precept Supply Chain Management (Pty) Ltd | D | RSA | 3 001 010 | 100.00 | 100.00 | – | – | – | – |
| Accredited Investments (Pty) Ltd | C | RSA | 1 | 100.00 | 100.00 | – | – | – | – |
| Leungo Investments (Pty) Ltd | A | RSA | 100 | 100.00 | 100.00 | – | 37 677 | – | 37 677 |
| Execuline Underwriting Managers (Pty) Ltd | B | RSA | 100 | 100.00 | 100.00 | – | – | – | – |
| Primus Risk Services Investments (Pty) Ltd | C | RSA | 100 | 100.00 | – | – | – | – | – |
| Bidcap Investments (Pty) Ltd | C | RSA | 100 | 100.00 | – | – | – | – | – |
| Buckingham Risk Solutions (Pty) Ltd | B | RSA | 100 | 100.00 | – | – | – | – | – |
| | | | | | | 45 432 | 39 711 | 49 867 | 39 621 |
| Impairment on loan | | | | | | – | (38 047) | – | (37 957) |
| | | | | | | 45 432 | 1 664 | 49 867 | 1 664 |

The investment in Hollard Mocambique Companhia de Seguros, S.A.R.L (incorporated and operational in Mozambique) is held for sale and details are disclosed in note 16 on page 48 of these financial statements.

### Carrying value of interest in associates

| | Nature of business | Issued share capital R | Proportion held 2019 % | Proportion held 2018 % | 2019 Shares R'000 | 2019 Indebtedness R'000 | 2018 Shares R'000 | 2018 Indebtedness R'000 |
|---|---|---|---|---|---|---|---|---|
| **Directly held associates** | | | | | | | | |
| Legal Expenses Group Africa Limited | F | 1 700 | 39.90 | 39.90 | 229 788 | – | 239 768 | – |
| Louwfut Beleggings 1077 (Pty) Ltd | A | 1 000 | 46.20 | 46.20 | – | – | – | 12 855 |
| | | | | | 229 788 | – | 239 768 | 12 855 |
| Impairment on loans | | | | | – | – | – | (2 714) |
| | | | | | 229 788 | – | 239 768 | 10 141 |

### Carrying value of interest in joint venture

| | Nature of business | Issued share capital R | Proportion held 2019 % | Proportion held 2018 % | 2019 Shares R'000 | 2019 Indebtedness R'000 | 2018 Shares R'000 | 2018 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

## 45. Going concern

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

## 46. Subsequent events

The Board is not aware of any 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 AND ADMINISTRATION

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

| | |
|---|---|
| Non-Executive Chairman | ADH Enthoven |
| Group Chief Executive Officer | S Ntombela |
| Group Chief Financial Officer | WT Lategan (resigned 30 September 2018) |
| Group Chief Financial Officer | DJ Viljoen (appointed 1 October 2018) |
| Non-Executive Director | NG Kohler |
| Independent Non-Executive Director | R Fihrer |
| Independent Non-Executive Director | MR Bower |
| Independent Non-Executive Director | BF Mohale |
| Independent Non-Executive Director | AS Nkosi |
| Independent Non-Executive Director | B Ngonyama |
| Independent Non-Executive Director | S Patel |
| Independent Non-Executive Director | NV Simamane |
| Independent Non-Executive Director | SC Gilbert |

## Company Secretary
Corpstat Governance Services (Pty) Ltd (appointed 1 August 2019)

## Public Officer
U Murphy

## Compliance Officer
W Luus

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

## Postal address
P O 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

Hollard.

# THE HOLLARD LIFE ASSURANCE COMPANY LIMITED 2019

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

These annual financial statements have been prepared by the Financial Manager Chadd Bartlett (CA(SA)), under supervision of the Head of Finance, Prevashini Naicker (CA(SA)).

*(Registration number: 1993/001405/06)*
*Audited consolidated annual financial statements*
*for the year ended 30 June 2019*

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# GROUP SALIENT FEATURES

for the year ended 30 June 2019

| | 2019<br>R'000 | 2018<br>R'000 | 2017<br>R'000 | 2016<br>R'000 | 2015<br>R'000 |
|---|---|---|---|---|---|
| **Statement of profit or loss information** | | | | | |
| Gross premium income[1] | **6 729 148** | 6 497 835 | 5 859 951 | 5 559 092 | 5 175 795 |
| Net written premium income[2] | **5 024 891** | 4 990 758 | 4 515 535 | 4 919 405 | 4 411 143 |
| Investment income[3] | **238 329** | 483 223 | 580 816 | 659 883 | 613 552 |
| Net insurance claims | **2 089 957** | 2 043 762 | 1 321 759 | 1 531 859 | 1 612 730 |
| Profit attributable to equity holders of the parent | **529 414** | 686 274 | 854 885 | 1 264 206 | 1 073 562 |
| **Statement of financial position information** | | | | | |
| Insurance liabilities | **17 481 388** | 10 211 542 | 7 867 088 | 9 363 579 | 10 177 737 |
| Equity attributable to equity holders of the parent | **1 208 734** | 1 480 513 | 1 459 195 | 1 898 546 | 2 321 795 |
| Total assets | **21 754 834** | 14 349 989 | 11 551 833 | 13 048 984 | 14 173 460 |
| Financial assets (i.e. listed investments and unlisted investments) | **17 866 468** | 10 998 545 | 8 874 154 | 10 466 866 | 11 154 706 |
| Cash and cash equivalents | **2 534 326** | 2 046 510 | 1 241 566 | 1 716 828 | 1 970 839 |
| **Actuarial information** | | | | | |
| Value of in-force business[4] | **5 487 108** | 5 131 678 | 5 075 131 | 4 558 706 | 4 906 397 |
| **Total embedded value[4]** | **6 731 984** | 6 629 552 | 6 553 718 | 6 471 975 | 7 280 584 |

*(1) "Gross premium income" represents the total income arising from insurance contracts only. In accordance with IFRS 9: Financial Instruments: Recognition and Measurement (IFRS 9), 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 and unrealised profits and/or losses on the investment and trading portfolios.*

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

# DIRECTORS' RESPONSIBILITY STATEMENT AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2019

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 control, the Group's Internal Audit function conducts inspections, financial and specific audits and co-ordinates audit coverage with the external auditor.

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 continues to adopt the going-concern basis in preparing the annual financial statements.

These annual financial statements, set out on pages 74 to 137 have been approved by the Board of the Group and Company and are signed on their behalf by:

**ADH Enthoven**
Chairman

24 October 2019

**S Ntombela**
Chief Executive Officer

24 October 2019

# 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.

**CorpStat Governance Services (Pty) Ltd (appointed 1 August 2019)**
Company Secretary

24 October 2019

# 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 has reviewed the Group's and Company's annual financial statements, and recommends them for approval to the board. The Committee further reviewed the Group's and 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 reviewed the work of the external auditor, Deloitte & Touche, including the audit plan and budget, independence and recommended to the Board and shareholders the appointment of the auditor.

**MR Bower**
Chairman: Audit Committee

24 October 2019

# EMBEDDED VALUE STATEMENT

as at 30 June 2019

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 11.70% (2018: 12.40%).

- Expenses were allowed for based on an expense analysis carried out during the year;
- Expenses inflation of 4.70% per annum (2018: 5.80%);
- Mortality assumptions were set based on the results of a mortality experience analysis carried out during the year with explicit allowance for HIV/AIDS (the mortality basis for direct funeral business was revised to be consistent with the results of the analysis);
- Withdrawals were set at levels consistent with an experience analysis carried out during the financial year (the Altrisk lapse rates at durations in excess of 6 years were reduced in line with experience);
- The risk free interest rate curve and the inflation curve supplied by the Prudential Authority were used to determine policyholder liabilities.
- Income tax was allowed for explicitly at the appropriate rates and capital gains tax was allowed for implicitly in the discount rate (unchanged).
- A discretionary margin of R269 million (2018: R191 million) was held as partial elimination of negative reserves;
- A contingency reserve to cover possible data problems of R30 million (2018: R30 million) was held as a discretionary reserve; and
- Negative reserves were allowed for on the published reporting basis (unchanged).

| | 2019<br>R'000 | 2018<br>R'000 |
|---|---|---|
| Value of in-force business | **5 487 108** | 5 131 678 |
| Excess of assets over liabilities | **1 244 876** | 1 497 874 |
| **Total embedded value** | **6 731 984** | 6 629 552 |

The embedded value (EV) includes profits attributable to Hollard Life's holding company joint venture partners. The EV is gross of tax and cost of capital.

# INDEPENDENT AUDITOR'S REPORT

for the year ended 30 June 2019

## TO THE SHAREHOLDER OF HOLLARD LIFE ASSURANCE COMPANY LIMITED

### Report on the Audit of the Consolidated and Separate Financial Statements

#### Opinion

We have audited the consolidated and separate financial statements of The Hollard Life Assurance Company Limited and its subsidiaries ("the Group") set out on pages 81 to 137, which comprise the consolidated and separate statements of financial position as at 30 June 2019, statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group and Company as at 30 June 2019, 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 (IFRSs) and the requirements of the Companies Act of South Africa.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other Information

The directors are responsible for the other information. The other information comprises [Statement of Directors' Responsibility and Approval and] the Directors' Report as required by the Companies Act of South Africa. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the 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.

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

#### Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion..

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

## Report on Other Legal and Regulatory Requirements

In terms of the 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 The Hollard Life Assurance Company Limited for 26 years.

Deloitte & Touche

**Deloitte & Touche**
Registered Auditor

Per: H Kana
Partner

31 October 2019

National Executive: *LL Bam Chief Executive Officer *TMM Jordan Deputy Chief Executive Officer; Clients & Industries *MJ Jarvis Chief Operating Officer *AF Mackie Audit & Assurance *N Sing Risk Advisory DP Ndlovu Tax & Legal TP Pillay Consulting *JK Mazzocco Talent & Transformation *MG Dicks Risk Independence & Legal *KL Hodson Corporate Finance *TJ Brown Chairman of the Board

A full list of partners and directors is available on request *Partner and Registered Auditor

B-BBEE rating: Level 1 contribution in terms of the DTI Generic Scorecard as per the amended Codes of Good Practice

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

# AUDIT COMMITTEE REPORT

for the year ended 30 June 2019

The Hollard Group Audit and Compliance Committee is pleased to present its annual report, for the financial year ended 30 June 2019, which outlines how this independent, shareholder-appointed Committee discharged both its statutory and Board-delegated duties.

## 1. COMMITTEE

### 1.1. Terms of reference

The Committee operates within the framework provided by its Board-approved charter and carries out its mandate in compliance with these Terms of Reference. To ensure it is aligned with best practice, the Audit Committee charter is reviewed annually, by the Group Audit Committee and the Group Boards, and both are satisfied that it complies with the Companies Act (71 of 2008), the Insurance Act (18 of 2017) and applies the principles enunciated in the King IV Report.

### 1.2. Composition, meetings and assessment

The Committee is composed of three independent non-executive directors, with the Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Group Finance Managers and External and Internal Auditors all invited to attend the scheduled Committee meetings. In addition, the Committee holds private meetings and closed sessions with relevant parties, to deliberate any arising issues that may require confidential assessment (such as the interaction between the finance function, Internal and External Auditors).

### 1.3. Roles and responsibilities

The Audit Committee's key roles and responsibilities are, inter alia:

- To drive a co-ordinated approach to assurance that ensures the significant risks facing the Group are effectively mitigated
- To monitor the relationship between external assurance providers and the Group
- To oversee the Internal Audit function and provide specific input on the appointment, performance assessment and/or dismissal of the Group Head of Internal Audit
- To confirm the independence of the Internal Audit function and its capability (in terms of resources, budget and standing) to discharge its functions
- To approve the Internal Audit plan and review any overlap with the External Auditor's plan
- To ensure the Internal Audit function is subject to an independent quality review whenever the Committee deems it appropriate
- To ensure the Internal Audit function performs its duties in accordance with its approved charter
- To review financial reporting risks, internal financial controls (including IT) and fraud risk as they relate to financial reporting
- To review Internal Audit's report on the effectiveness of internal financial controls, controls and risk management processes
- To ensure Internal Audit has adequate capacity to perform a formal documented review of internal financial controls and to evaluate their design, implementation and effectiveness
- To review the Annual Financial Statements and Annual Report and recommend them for approval by the Boards
- To report on any material weaknesses in financial controls and the corrective action taken to address them
- To oversee the External Audit process: nominate an External Auditor and approve the terms of engagement and remuneration; monitor independence of the function; and report on it in the Annual Financial Statements
- To define a policy for non-audit services provided by the External Auditor and pre-approve the contracts for any such services rendered
- To ensure a process is in place for the Committee to be informed of any irregularities (as described in the Auditing Profession Act, 2005) that may be identified and reported by the External Auditor
- To review the quality and effectiveness of the External Audit process
- To evaluate the adequacy of the Group's insurance cover
- To review any material business irregularities and litigation matters that may have a significant impact on the Group's financial statements
- To review the quality of the Group's earnings.
- To review the expertise, resources and experience of the finance functions.
- To set the tone, on behalf of the Boards, regarding compliance culture and compliance risk appetite.
- To assist the Boards in identifying and monitoring all material compliance risks at insurance entity and Group levels.
- To ensure management performs formal compliance risk assessments, at least annually, across the Group and that remedial action is executed.
- To assess the compliance function to ensure it provides objective and independent assessment of adherence to legislation and delivers regulatory reporting.
- To review compliance reports and in particular, any reports made to any Regulators, noting any recommendations, breaches and confirming that appropriate remediation action has been taken.
- To confirm that the compliance function is independent and has the requisite authority, resources, budget and access to the Boards, to be able to exercise its authority and perform its responsibilities.
- To in consultation with the Chief Risk Officer, determine the appointment, performance assessment, remuneration and /or dismissal of the Head of the Compliance Function.
- To approve the annual compliance coverage plan.
- To ensure that the Head of the Compliance Function reviews any proposed outsourcing of material business activity and regularly reviews and reports to the Committee, compliance with the Group's outsourcing policy.
- To ensure that the risks associated with the outsourcing of a material business activity are appropriately assessed, monitored, managed and regularly reviewed.

## 2. STATUTORY DUTIES

### 2.1. Financial Statements and Accounting Policies

The Committee has reviewed the Group's Accounting Policies and Financial Statements for the financial year ended 30 June 2019 and is satisfied that they:

- are appropriate for the business
- comply with International Financial Reporting Standards
- support the Board's strategy

### 2.2. Going Concern

The Committee has undertaken an assessment of the Group's documented status, including key assumptions prepared by management, and is comfortable in recommending to the Boards that the Group is a 'going concern', as reflected in the Annual Financial Statements.

### 2.3. External Auditor appointment and independence

In consultation with the Group's executive management, the Committee approved continuation of Deloitte South Africa as External Auditor for the 2019 financial year and agreed to the engagement letter, terms, audit plan and budgeted external audit fees.

After evaluating the appointments of previous External Auditors, the extent of other work the Auditor undertakes for the Group, and compliance with criteria relating to independence and conflicts of interest the Committee has satisfied itself that Deloitte South Africa is independent of the Group. Guarantees provided by the auditing firm confirm that its claim to independence is supported and demonstrated by its own internal governance processes.

At the AGMs of The Hollard Insurance Company, Hollard Life Assurance Company, Hollard Specialist Insurance (formerly Regent Insurance Company) and Hollard Specialist Life (formerly Regent Life Assurance Company), it was recommended that Deloitte South Africa be re-appointed as External Auditor for the ensuing financial year.

## 3. STATEMENT ON INTERNAL FINANCIAL CONTROLS

Ultimately, the Group Boards are responsible for providing reasonable assurance that the Group has effective financial and non-financial controls in place. In the year under review, these mechanisms were assessed by Internal Audit, in the execution of their annual audit plan, and it was confirmed that there were no material breakdowns in design or operational effectiveness and that matters to be addressed were either receiving attention or had already been resolved.

Using this assessment, together with the information provided by management and discussions with the External Auditor, the Committee was able to advise the Boards that it has no reason to believe that the Group's internal financial controls do not form an effective basis for preparation of the Annual Financial Statements. This is save for shortcomings identified in respect of the Branch in a Box transaction for the period under review, of which there are management actions in place to address same.

## 4. STATEMENT ON INTERNAL CONTROL AND RISK MANAGEMENT

Effectiveness of the group's internal control systems are monitored by the risk management and internal audit functions, on the basis of which, recommendations are made to management, the Audit and Compliance as well as the Risk and IT Committees.

Based on this information, together with discussions held with management and the Committees, the Boards confirmed that nothing has been brought to their attention relating to material internal controls or risk management shortcomings during the year under review.

## 5. BOARD-DELEGATED DUTIES

### 5.1 Governance of Risk

The Risk and IT Committee is responsible for the governance of risk management in the Group.

### 5.2 Internal Audit

The Committee is mandated to ensure that the internal audit function within the Group is independent, properly resourced and effective and that it functions within the parameters of the internal audit charter approved by the Committee. The Committee reviews the charter annually to ensure that it is aligned with best practice.

The Committee approves the Group's Internal Audit plan and assesses performance of the Internal Audit function, ensuring seamless co-operation between the external and internal audit functions, without any negative impact on the integrity of the Group's assurance processes.

The Group Head: Internal Audit has direct access to the Committee through the Chairman and is responsible for: developing risk-based audit planning methodologies in line with King IV recommendations; following up each internal audit with a detailed report to management and recommendations on aspects that require improvement; and reporting significant findings to the Committee.

**Mark Bower**
Chairperson of the Audit Committee

# DIRECTORS' REPORT

for the year ended 30 June 2019

The Directors have 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 2019.

## 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 notes 30 and 36 on pages 128 and 132 of the annual financial statements.

## General review

In the year under review the Group achieved net profit attributable to the equity holders of the parent of R565 256 000 (2018: R686 274 000), which arose from the Group's operations as follows:

| | 2019<br>R'000 | 2018<br>R'000 |
|---|---|---|
| Net premium income | **5 024 891** | 4 990 758 |
| Investment income | **238 329** | 483 223 |
| Other income | **444 502** | 464 048 |
| **Total revenue** | **5 707 723** | 5 938 029 |
| Net insurance benefits and claims | **2 089 957** | 2 043 762 |
| Other operating expenses | **2 886 261** | 2 909 184 |
| **Total expenses** | **4 976 218** | 4 952 946 |
| **Results of operating activities** | **731 505** | 985 083 |
| Share of profit of associates | **13 633** | 18 727 |
| **Profit before taxation** | **745 138** | 1 003 810 |
| Taxation | **(179 881)** | (317 536) |
| **Profit for the year** | **565 256** | 686 274 |
| Non-controlling interest | **–** | – |
| **Net profit attributable to the equity holder of the parent** | **565 256** | 686 274 |

## Share capital

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

## Dividends

Dividends on ordinary shares of R688 660 195 (2018: R663 885 555) were declared by the Company during the year.

## Subsidiaries, associates and joint ventures

The Company acquired a 100% shareholding in the following subsidiary during the year:

- Richton Employee Benefit (Pty) Ltd

The Company's aggregate share of the profits and (losses) of subsidiaries and associates for the year amounted to R714 930 and R14 216 877 respectively (2018: R1 146 106 and R18 727 000 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 has adopted the going-concern basis in preparing the annual financial statements.

## Subsequent events

Hollard Life is in the process of modifying it's direct distribution model from a purely outsourced model to a hybrid model incorporating both insourced and franchised branches. As at 1 September 2019, branches in respect of two previously outsourced partners have been taken under Hollard management. There may be more branches insourced in this financial period.

## Regulatory

Hollard Life Assurance Company Limited is reporting their first set of results on the SAM regulatory regime for the year ending 30 June 2019.

## Directors interest in contracts

During the financial year, no contracts were entered into which Directors or officers of the company had an interest and which significantly affected the business of the Company.

## 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 27 November 2017:

SC Gilbert, S Patel and NV Simamane.

## Executive Directors

S Ntombela (Group CEO), WT Lategan (Group CFO) (resigned 30 September 2018), DJ Viljoen (Group CFO) (appointed 1 October 2018), M Shezi (Executive Director) (resigned 31 October 2018) and B Ruele (Executive Director) (appointed 1 November 2018) were the only Executive Directors who held office during the year.

## Non-Executive Directors

ADH Enthoven, MR Bower, B Ngonyama, SC Gilbert, NV Simamane, S Patel, R Fihrer, AS Nkosi, BF Mohale and HG Kohler 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

CorpStat Governance Services (Pty) Ltd (appointed 1 August 2019)

## Business address

Hollard at Arcadia
22 Oxford Road
Parktown
Johannesburg
2193

## Postal address

P O Box 87428
Houghton
2041

## Holding company

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

# STATEMENTS OF FINANCIAL POSITION

as at 30 June 2019

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | Notes | 2019 R'000 | 2018 R'000 | 2019 R'000 | 2018 R'000 |
| **Assets** | | | | | |
| Property and equipment | 4 | 163 326 | 154 624 | 163 013 | 154 624 |
| Intangible assets | 5 | 32 422 | 25 473 | 32 422 | 25 473 |
| Interest in subsidiaries | 6 | – | – | 18 260 | 12 197 |
| Investments in associates | 7 | 66 821 | 63 156 | 73 600 | 70 534 |
| Financial assets | 8 | 17 866 468 | 10 998 545 | 17 866 425 | 10 998 545 |
| Reinsurance assets | | 224 454 | 190 574 | 224 454 | 190 574 |
| Insurance, loans and other receivables | 10 | 833 562 | 795 129 | 832 143 | 800 957 |
| Deferred taxation | 11 | 21 | 15 466 | – | 15 452 |
| Current income taxation | | 49 | 60 512 | – | 60 507 |
| Cash and cash equivalents | 12 | 2 534 326 | 2 046 510 | 2 519 439 | 2 030 823 |
| **Total assets** | | 21 721 449 | 14 349 989 | 21 729 756 | 14 359 686 |
| **Equity and liabilities** | | | | | |
| Share capital and premium | 13 | 20 000 | 20 000 | 20 000 | 20 000 |
| Foreign currency translation reserve | | 22 244 | 22 051 | – | – |
| Non-distributable reserves | | 19 373 | 19 373 | – | – |
| Retained earnings | | 1 162 056 | 1 419 089 | 1 224 877 | 1 477 874 |
| Equity attributable to equity holders of the parent | | 1 223 673 | 1 480 513 | 1 244 877 | 1 497 874 |
| Non-controlling interest | | – | – | – | – |
| **Total equity** | | 1 223 673 | 1 480 513 | 1 244 877 | 1 497 874 |
| Long-term borrowings | 17 | 400 302 | 400 200 | 400 302 | 400 200 |
| Policyholder liabilities | 14 | 17 481 388 | 10 211 542 | 17 481 388 | 10 211 542 |
| Outstanding claims | | 449 109 | 391 167 | 449 109 | 391 167 |
| Reinsurance liabilities | | 243 740 | 261 377 | 243 740 | 261 377 |
| Employee benefits | 15 | 154 642 | 155 151 | 154 367 | 155 101 |
| Deferred taxation | 11 | 444 821 | 608 390 | 444 821 | 608 390 |
| Trade and other payables | 16 | 1 303 086 | 841 594 | 1 290 509 | 834 035 |
| Current income taxation | | 20 688 | 55 | 20 643 | – |
| **Total liabilities** | | 20 497 776 | 12 869 476 | 20 484 879 | 12 861 812 |
| **Total equity and liabilities** | | 21 721 449 | 14 349 989 | 21 729 756 | 14 359 686 |

# STATEMENTS OF PROFIT OR LOSS

for the year ended 30 June 2019

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | Notes | 2019 R'000 | 2018 R'000 | 2019 R'000 | 2018 R'000 |
| **Revenue** | | | | | |
| Gross premium income | 18 | 6 729 148 | 6 497 835 | 6 729 148 | 6 497 835 |
| Reinsurance premiums outwards | 18 | (1 704 257) | (1 507 077) | (1 704 257) | (1 507 077) |
| **Net premium income** | | 5 024 891 | 4 990 758 | 5 024 891 | 4 990 758 |
| Interest | | 205 791 | 249 139 | 204 532 | 248 387 |
| Dividends | | 71 828 | 70 543 | 82 103 | 83 393 |
| Realised profit on disposal of investments | 19 | 25 452 | 13 090 | 25 452 | 14 092 |
| Unrealised profit on revaluation of investments | 20 | (77 702) | 141 693 | (70 836) | 142 790 |
| Rental income | | 12 961 | 8 758 | 12 926 | 8 758 |
| **Investment income** | | 238 330 | 483 223 | 254 177 | 497 420 |
| **Other income** | 21 | 444 502 | 464 048 | 426 763 | 460 450 |
| **Total revenue** | | 5 707 723 | 5 938 029 | 5 705 831 | 5 948 628 |
| **Expenses** | | | | | |
| Policyholder benefits | 24 | 3 036 658 | 2 708 993 | 3 036 658 | 2 708 993 |
| Transfer from policyholder liabilities | 14 | (946 701) | (665 231) | (946 701) | (665 231) |
| **Net insurance claims** | | 2 089 957 | 2 043 762 | 2 089 957 | 2 043 762 |
| Commission and other acquisition costs | | 525 695 | 522 748 | 525 695 | 522 748 |
| Interest paid | | 69 290 | 66 896 | 69 265 | 66 896 |
| Marketing and administration expenses | | 2 291 276 | 2 319 540 | 2 272 095 | 2 314 981 |
| **Total expenses** | | 4 976 218 | 4 952 946 | 4 957 012 | 4 948 387 |
| **Results of operating activities** | | 731 505 | 985 083 | 748 819 | 1 000 241 |
| Share of profit of associates | | 13 633 | 18 727 | – | – |
| **Profit before taxation** | 22 | 745 138 | 1 003 810 | 748 819 | 1 000 241 |
| Taxation | 23 | 179 881 | 317 536 | 179 526 | 317 068 |
| **Profit for the year** | | 565 256 | 686 274 | 569 293 | 683 173 |
| **Profit for the year attributable to:** | | | | | |
| Equity holders of the parent | | 565 256 | 686 274 | | |
| Non-controlling interest | | – | – | | |
| | | 565 256 | 686 274 | | |

# STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 30 June 2019

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2019 R'000** | 2018 R'000 | **2019 R'000** | 2018 R'000 |
| Profit for the year | **565 256** | 686 274 | **569 292** | 683 173 |
| **Other comprehensive (loss)/income** | | | | |
| Exchange differences on translating foreign operations | **193** | (451) | **–** | – |
| Other comprehensive (loss)/income for the year | **193** | (451) | **–** | – |
| **Total comprehensive income for the year** | **565 449** | 685 823 | **569 292** | 683 173 |
| **Total comprehensive income attributable to:** | | | | |
| Equity holders of the parent | **565 449** | 685 823 | | |
| Non-controlling interests | **–** | – | | |
| | **565 449** | 685 823 | | |

# STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2019

| | Attributable to equity holders of the parent | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Issued share capital R'000 | Share premium R'000 | Foreign currency translation reserve R'000 | Non-distributable 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 2017** | 20 | 19 980 | 22 502 | 10 738 | 1 405 955 | 1 459 195 | 1 450 | 1 460 645 |
| Profit for the year | – | – | – | – | 686 274 | 686 274 | – | 686 274 |
| Other comprehensive loss | – | – | (451) | – | – | (451) | – | (451) |
| **Total comprehensive income** | – | – | (451) | – | 686 274 | 685 823 | – | 685 823 |
| Transfer between reserves | – | – | – | 8 635 | (8 635) | – | – | – |
| Acquisition of subsidiaries | | | | | 176 | | | |
| Disposal of subsidiaries | | | | | (795) | | (1 450) | |
| Dividends paid on ordinary shares | – | – | – | – | (663 886) | (663 886) | – | (663 886) |
| **Balance at 30 June 2018** | 20 | 19 980 | 22 051 | 19 373 | 1 419 089 | 1 480 513 | – | 1 480 513 |
| Profit for the year | – | – | – | – | 565 256 | 565 256 | – | 565 256 |
| Other comprehensive income | – | – | 193 | – | – | 193 | – | 193 |
| **Total comprehensive income** | – | – | 193 | – | 565 256 | 565 449 | – | 565 449 |
| Transfer between reserves | – | – | – | – | – | – | – | – |
| Acquisition of subsidiaries | | | | | | – | – | – |
| IFRS 9 transition adjustment | | | | | (133 629) | (133 629) | – | (133 629) |
| Dividends paid on ordinary shares | – | – | – | – | (688 660) | (688 660) | – | (688 660) |
| **Balance at 30 June 2019** | **20** | **19 980** | **22 244** | **19 373** | **1 162 056** | **1 223 673** | **–** | **1 223 673** |
| **COMPANY** | | | | | | | | |
| **Balance at 1 July 2017** | 20 | 19 980 | – | – | 1 458 587 | 1 478 587 | | |
| Profit for the year | – | – | – | – | 683 173 | 683 173 | | |
| **Total comprehensive income** | – | – | – | – | 683 173 | 683 173 | | |
| Dividends paid on ordinary shares | – | – | – | – | (663 886) | (663 886) | | |
| **Balance at 30 June 2018** | 20 | 19 980 | – | – | 1 477 874 | 1 497 874 | | |
| Impact of transition adjustment | | | | | (133 629) | (133 629) | | |
| Profit for the year | – | – | – | – | 569 292 | 569 292 | | |
| **Total comprehensive income** | – | – | – | – | 569 292 | 569 292 | | |
| Dividends paid on ordinary shares | – | – | – | – | (688 660) | (688 660) | | |
| **Balance at 30 June 2019** | **20** | **19 980** | **–** | **–** | **1 224 877** | **1 244 877** | | |

# STATEMENTS OF CASH FLOWS

for the year ended 30 June 2019

| | Notes | GROUP 2019 R'000 | GROUP 2018 R'000 | COMPANY 2019 R'000 | COMPANY 2018 R'000 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Cash receipts from policyholders and other customers | | 4 986 459 | 5 046 025 | 4 993 705 | 5 044 180 |
| Cash paid to policyholders, suppliers and employees (net of transfers to reserves) | | 2 569 151 | (2 191 807) | 2 582 073 | (2 194 320) |
| **Cash generated/(utilised) by operations** | 25 | 7 555 610 | 2 854 218 | 7 575 778 | 2 849 860 |
| Interest paid | | (69 290) | (66 896) | (69 265) | (66 896) |
| Dividends paid | 26 | (688 660) | (663 886) | (688 660) | (663 886) |
| Interest received | | 205 791 | 249 139 | 204 532 | 248 387 |
| Dividends received | 27 | 64 187 | 73 208 | 74 462 | 86 058 |
| Rental received | | 12 961 | 8 758 | 12 926 | 8 758 |
| Other Income | | 444 502 | 464 048 | 426 763 | 460 450 |
| Taxation paid | 28 | (246 909) | (265 168) | (246 493) | (264 315) |
| **Net cash outflow from operating activities** | | 7 278 193 | 2 653 420 | 7 290 043 | 2 658 416 |
| **Cash flows from investing activities** | | | | | |
| Acquisition of property and equipment | 4 | (41 744) | (100 552) | (41 357) | (101 580) |
| Acquisition of intangible assets | | (19 273) | (10 696) | (19 273) | (10 696) |
| Acquisition of listed and unlisted investments | | (6 527 335) | (1 624 729) | (6 527 335) | (1 623 006) |
| Acquisition of bonds | | (3 537 795) | (1 698 553) | (3 537 795) | (1 698 553) |
| Proceeds on disposal of listed and unlisted investments | | 1 895 710 | 418 601 | 1 895 710 | 418 601 |
| Proceeds on disposal of bonds | | 1 452 129 | 980 374 | 1 452 129 | 980 374 |
| Proceeds on disposal of non-current assets held for sale | | – | – | – | – |
| Proceeds on disposal of subsidiaries | | – | 1 245 | – | 1 245 |
| Acquisition of subsidiary | 29 | (2 083) | (2 000) | (2 083) | (2 000) |
| Cash movement through acquisition and sale of subsidiaries | 29 | 1 161 | 558 | – | – |
| Acquisition of associates | | – | – | – | – |
| Dividends received from associates | | 10 275 | 8 650 | – | – |
| Decrease in loans to subsidiaries | | – | – | – | 5 633 |
| Decrease in loans to associates | | – | 102 | – | 102 |
| Increase in foreign currency translation reserve | | – | – | – | – |
| Increase in loans due to Group companies | | 11 173 | (93 246) | 11 173 | (93 246) |
| Increase in other loans | | (32 697) | 271 674 | (32 697) | 271 674 |
| **Net cash (outflow)/inflow from investing activities** | | (6 790 479) | (1 848 572) | (6 801 600) | (1 851 452) |
| **Cash flows from financing activities** | | | | | |
| Increase in long-term borrowings | | 102 | 96 | 102 | 96 |
| **Net cash inflow from financing activities** | | 102 | 96 | 102 | 96 |
| **Cash and cash equivalents** | | | | | |
| Net increase/(decrease) in cash and cash equivalents | | 487 816 | 804 944 | 488 617 | 807 060 |
| Cash and cash equivalents at beginning of year | | 2 046 510 | 1 241 566 | 2 030 823 | 1 223 763 |
| **Cash and cash equivalents at end of year** | 12 | 2 534 326 | 2 046 510 | 2 519 439 | 2 030 823 |

## 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 investment and owner-occupied property, interest in subsidiaries and associates, the revaluation of financial assets presented at fair value through profit or loss, 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 1.19 on page 97 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 IFRS 9 Financial Instruments and IFRS 15 *Revenue from Contracts with Customers* as issued by the International Accounting Standards Board (IASB) and the IFRIC of the IASB. Under the transitional approach (modified retrospective approach) adopted by the group for these standards there were no changes to comparative period primary financial statements or note disclosures. The impact to the group's opening retained income as at 1 July 2018 was a reduction of R96 million after taxation (relating to IFRS 9 only). Consequential amendments to IAS 1 Presentation of Financial Statements and IFRS 7 *Financial Instruments: Disclosures* impacted only the 2019 annual financial statements.

| R'000 | As previously reported under IAS 39 | Transition adjustment | As classified under IFRS 9 |
|---|---|---|---|
| Loans and receivables[1] | 795 129 | (130 142) | 664 987 |
| Financial assets[2] | 10 998 545 | (3 488) | 10 995 057 |
| **Gross transition adjustment** | | (133 630) | |

*1. ECL charge on transition relating to Branch in a box loans and intercompany loans.*

*2. ECL charge on transition relating to preference shares carried at amortised cost.*

*IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 July 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The group does not apply hedge accounting.*

*IFRS 15 establishes a comprehensive framework for determining and reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It replaces all existing revenue standards and their related interpretations in IFRS and applies to all contracts with customers except for contracts that are within the scope of other standards on leases, insurance contracts and financial instruments. The group's revenue subject to IFRS 15 is attributed to service fee income from investment business.*

Apart from providing more qualitative disclosures on the groups other income (which includes fees from the investment business), the application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the group. As at the date of initial application, no adjustments were required to the group's performance or financial position relating to IFRS 15.

As at the end of the financial period, the following related to the service fees earned from the investment business:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2019 R'000** | 2018 R'000 | **2019 R'000** | 2018 R'000 |
| Service fees earned during the year | **86 492** | 62 305 | **86 492** | 62 305 |
| Income received in advance (earned over the remainder of the contract | **196 925** | 93 861 | **196 925** | 93 861 |

The Group and Company will comply with standards issued but not yet effective for the 2019 financial year, from the respective effective dates. It is expected that the application of these standards will have an impact on the Group's and Company'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:

**International Financial Reporting Standards and Amendments issued but not yet effective for the financial year ended 30 June 2019**

- IFRS 16: *Leases* – This standard is expected to have an impact on the financial statements.
- IFRS 9: *Financial Instruments* – Prepayment features with negative compensation. This standard is expected to have an impact on the financial statements.
- IAS 28: *Investments in Associates and Joint Ventures* – Long-term interests in associates and joint ventures. This standard is expected to have an impact on the financial statements.
- IFRIC 23: *Uncertainty over Income Tax Treatments* – This interpretation is expected to have an impact on the financial statements.
- IFRS 17: *Insurance Contracts* – Original issue that replaces IFRS 4 Insurance Contracts (effective from annual periods beginning on or after 1 January 2022). This standard is expected to have a material impact on the financial statements. This impact is currently being quantified.

## 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 is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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 IFRS 9 – *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 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.

# 1. Accounting policies (continued)

## 1.2 Basis of consolidation (continued)

### Investments in associates (continued)

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 IFRS 9 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 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 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 IFRS 9 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. During the year there was a goodwill impairment calculation on one of the subsidiaries as disclosed in Note 29.

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.

## 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 hyper-inflationary 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 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 | 20% |
| Furniture and fittings | 10% |
| IT equipment | 20% |
| Leasehold improvements | shorter of useful life and lease term |

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 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. Accounting policies (continued)

### 1.6 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 held as at fair value through profit or loss (FVTPL), financial assets at fair value through other comprehensive income (FVOCI) and financial assets held at amortised cost. The classification and measurement is dependent on the IFRS 9 criteria. IFRS 9 applies two criteria to determine how financial assets should be classified and measured, namely:

a. the entity's business model for managing the financial assets and
b. the contractual cash flow characteristics of the financial asset.

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

Under IAS 39 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.

Under IFRS 9 a debt instrument is classified as a financial asset at fair value through profit or loss if so designated, as well as if the debt instrument financial assets were not classified as measured at amortised cost or fair value through other comprehensive income. Equity instruments by default are classified at fair value through profit or loss, unless the group decides to designate it as fair value through other comprehensive income.

*ii) Held-to-maturity investments*

Under IFRS 9 non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group and 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 fair value through other comprehensive income.

The held to maturity classification is no longer applicable under IFRS 9. Any assets previously classified as held to maturity, provided they satisfy the business model of "hold to collect" and Solely Payments of Principle and Interest test, would now be classified as carried at amortised cost.

*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.

Under IFRS 9 a debt instrument is measured at fair value through other comprehensive income if it meets both of the following conditions (and is not designated as fair value through profit or loss):

a. it is held within a business model where the objective is achieved by both collecting contractual cash flows and selling financial assets; and
b. its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets held in this type of business model are managed to realise cash flows by both collecting contractual cash flows and selling the financial instrument. Both these activities are fundamental to achieving the objective of the business model.

On initial recognition of an equity instrument that is not held for trading, the instrument may be irrevocably designated at fair value through other comprehensive income. In such an instance changes in the equity instrument's fair value are recorded in other comprehensive income (OCI). This election is made on an investment-by-investment basis.

*iv) Loans and receivables/financial assets at amortised cost*

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.

Under IFRS 9 a debt instrument is classified as a financial asset at amortised cost if it meets both of the following conditions (and is not designated as fair value through profit or loss):

a. it is held within a business model where the objective is achieved by collecting contractual cash flows; and
b. its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets held in a 'hold to collect contractual cash flows business model' are managed to realise cash flows by collecting contractual payments over the life of the instrument.

*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 commit 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 financial assets at amortised cost are carried at amortised cost using the effective interest rate method, less any provision for impairment.

The expected credit loss (ECL) model applies to financial assets measured at amortised cost (for example loans and receivables and intercompany loans) and debt investments measured at fair value through other comprehensive income.

The ECL impairment loss allowance is an unbiased, probability-weighted amount determined by evaluating a range of possible outcomes that reflects reasonable and supportable information that is available without undue cost or effort of past events, current conditions and forecasts of forward-looking economic conditions. A counterparty is considered to be in default when it is considered that they are unlikely to settle their obligation to the company. Due to the low number of instruments subject to the ECL model, this definition is considered appropriate as each instrument is assessed individually. Write offs are further assessed on a case basis.

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 have 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**

Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss.

The fair value of investments is based on quoted bid prices for listed instruments. 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.

## 1. Accounting policies (continued)

### 1.6 Financial instruments (continued)

#### Financial assets (continued)

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

### 1.7 Impairment of 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.

The 'incurred loss model' under IAS 39 was replaced with the 'expected credit loss' (ECL) model under IFRS 9. Application of the ECL model results in credit losses being recognised earlier than under the incurred loss model. As a consequence of the new standard, the Group has revised its impairment methodology for each of these classes of assets.

### Calculation of ECL

The ECL impairment loss allowance is an unbiased, probability-weighted amount determined by evaluating a range of possible outcomes that reflects reasonable and supportable information that is available without undue cost or effort of past events, current conditions and forecasts of forward-looking economic conditions. The ECL model is dependent on the availability of relevant and accurate data to determine whether a significant increase in credit risk occurred since initial recognition, the probability of default (PD), the loss given default (LGD) and the possible exposure at default (EAD). Of equal importance is sound correlation between these parameters and forward-looking economic conditions.

The group writes off a financial instrument at amortised cost when the entity has no reasonable expectation of recovery of the outstanding balance of the instrument. Cut off periods have been defined given historic information and at the point that the instruments reach these cut off points they will be considered to be fully written off.

ECL reflects the Group's own expectations of credit losses. The ECL loss amount depends on the specific stage where the financial instrument has been allocated to within the ECL model:
Stage 1: At initial recognition a financial instrument is allocated into stage 1, except for purchased or originated credit impaired financial instruments.
Stage 2: A financial instrument is allocated to stage 2 if there has been a significant increase in credit risk since initial recognition of the financial instrument.
Stage 3: A financial instrument is allocated to stage 3 if the financial instrument is in default or is considered to be credit impaired.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-month ECLs:

a. Financial assets that are determined to have low credit risk at the reporting date; and
b. Financial assets where credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Group makes use of estimates of Probability of Default (PD) and Loss Given Default (LGD) to calculate the ECL balance for financial assets at amortised cost.

Depending on the relevant information available, PDs are based on historic default rate curves which are used as a baseline to build a PD. Investment grade and sub-investment grade cumulative default rates were used as benchmarks for loans in a low likelihood and high likelihood of default respectively.

In determining the loss given default, a sliding scale of 0% to 100% has been applied where the percentage reflects the size of the outstanding debt relative to the opening long-term debt.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk. The ECL calculation of a financial instrument takes into account both the contractual and available behavioural repayment patterns over the relevant estimation period.

ECLs are measured as the present value of all cash shortfalls and is discounted using the effective rate of return required by shareholders of 18.5%

Non-financial assets that are subject to amortisation are assessed 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.

## 1.8 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.

## 1.9 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. There are no non-current assets held for sale at year end.

## 1. Accounting policies (continued)

### 1.10 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.

### 1.11 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, defined insurance liabilities are allowed to be measured under existing local practice. The Group and Company have 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 demarcate 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 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.

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

*Claims incurred*

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

**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 IFRS 9. 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 manage 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.

*Reinsurance arrangements*
The Company cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the transfer of its risks. Only reinsurance agreements that give rise to a significant transfer of insurance risk are accounted for as reinsurance contracts. Reinsurance agreements that do not transfer significant insurance risk are accounted for as financial assets. Reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders.

*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 5, 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.

*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 their 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 manage these risks by way of regular investigations into mortality and morbidity experience and through their underwriting strategy and reinsurance arrangements.

## 1. Accounting policies (continued)

### 1.11 Policyholder insurance and investment contracts – Classification (continued)

Management of insurance and financial risk (continued)

**i) Insurance risk (continued)**

*Mortality and morbidity business (continued)*

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.

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 on 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 maintain 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 2019, and unlisted equities, stated at fair value as determined by either the contractual terms of the investment or by directors' valuation.

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 monitor 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 includes 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. Accounting policies (continued)

## 1.12 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 IFRS 9.

### Interest income and expenditure

Interest income and expenditure for all interest-bearing financial instruments, including financial instruments measured 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 estimate 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.

### 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 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 assurance business commissions are expensed as incurred. Commission in respect of investment contracts is expensed over the life of the contract.

### Revenue from contracts with customers

The company's revenue subject to IFRS 15 is attributed to service fee income from investment business which is earned over the investment contract term.

## 1.13 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-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 fair value of options granted is 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.

## 1.14 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.

### Dividend Withholding Tax

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 secondary tax on companies. 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.

## 1.15 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. Accounting policies (continued)

### 1.16 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.

### 1.17 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.

### 1.18 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.

### 1.19 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:

#### 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 1.11 on page 91 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 are 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.

In using discounted cash flow analyses, the discount rate used is based on the build-up method which incorporates a risk-free rate, 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 year's 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.

### 1.19 Critical accounting estimates and judgements in applying accounting policies (continued)

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 Group Audit 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 Audit 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. Financial risk management (continued)

### 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.

#### 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 are 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 and Compliance Committee oversee how management monitors compliance with the Group's and Company's risk management policies and procedures and review 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 is disclosed in note 3.1 (a) on page 102 of these 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 Company and Group 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 38 to 39. 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 107 of these annual financial statements illustrates the Group's split of assets and liabilities by major currency.

## 2. Financial risk management (continued)

### 2.2 Exposure to risks arising from financial instruments (continued)

#### 2.2.3 Market risk (continued)

**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.

**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's and Company's aggregated credit exposures. The carrying amount of these financial instruments represents the Group's 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 | A- R'000 | BBB+ R'000 | BBB R'000 | BBB- R'000 | BB+ R'000 | BB R'000 | BB- R'000 | B R'000 | Not rated R'000 | Total R'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **2019** | | | | | | | | | | | | | | |
| Unlisted investments – Preference Shares | – | – | – | – | – | – | – | – | – | – | – | – | 341 483 | 341 483 |
| Bonds – held at fair value through profit or loss* | – | – | – | 50 937 | – | – | – | 5 682 490 | 129 177 | – | – | 217 027 | 39 031 | 6 118 662 |
| Loans – interest-bearing | – | – | – | – | – | – | – | – | – | – | – | – | 177 718 | 177 718 |
| Loans – non-interest bearing | – | – | – | – | – | – | – | – | – | – | – | – | 25 916 | 25 916 |
| Other loans and receivables | – | – | – | – | – | – | – | – | – | – | – | – | 122 907 | 122 907 |
| Cash and cash equivalents | – | 21 723 | – | 272 | – | – | – | 1 056 417 | 1 117 902 | – | 17 365 | – | 320 647 | 2 534 326 |
| **Financial Assets** | – | 21 723 | – | 51 209 | – | – | – | 6 738 907 | 1 247 079 | – | 17 365 | 217 027 | 1 027 702 | 9 321 012 |
| Premium debtors | – | – | 17 279 | – | – | – | – | 30 659 | – | – | – | – | 286 529 | 334 467 |
| Policy loans | – | – | – | – | – | – | – | – | – | – | – | – | 7 006 | 7 006 |
| Reinsurance assets | – | – | 43 619 | – | 23 540 | 105 638 | – | 5 035 | – | – | – | – | 46 621 | 224 453 |
| Other insurance assets | – | – | – | – | – | – | – | – | – | – | – | – | 181 124 | 181 124 |
| **Insurance Assets** | – | – | 60 898 | – | 23 540 | 105 638 | – | 35 694 | – | – | – | – | 521 280 | 747 050 |
| **2018** | | | | | | | | | | | | | | |
| Unlisted investments – Preference Shares | – | – | – | – | – | – | – | – | – | – | – | – | 339 151 | 339 151 |
| Bonds – held at fair value through profit or loss* | – | – | – | – | 371 871 | – | – | 2 429 136 | 817 100 | – | – | 210 563 | 28 955 | 3 857 625 |
| Loans – interest-bearing | – | – | – | – | – | – | – | – | – | – | – | – | 133 269 | 133 269 |
| Loans – non-interest bearing | – | – | – | – | – | – | – | – | – | – | – | – | 96 706 | 96 706 |
| Other loans and receivables | – | – | – | – | – | – | – | – | – | – | – | – | 34 281 | 34 281 |
| Cash and cash equivalents | – | 43 935 | – | – | – | – | – | 604 874 | 972 748 | – | 17 368 | – | 407 585 | 2 046 510 |
| **Financial Assets** | – | 43 935 | – | – | 371 871 | – | – | 3 034 010 | 1 789 848 | – | 17 368 | 210 563 | 1 039 947 | 6 507 542 |
| Premium debtors | – | – | – | – | – | – | – | – | – | – | – | – | 301 472 | 301 472 |
| Policy loans | – | – | – | – | – | – | – | – | – | – | – | – | 7 398 | 7 398 |
| Reinsurance assets | – | 31 225 | 57 536 | – | 10 054 | 51 649 | 9 | 4 509 | 19 292 | – | – | – | 16 300 | 190 574 |
| Other insurance assets | – | – | – | – | – | – | – | 30 | – | – | – | – | 221 973 | 222 003 |
| **Insurance Assets** | – | 31 225 | 57 536 | – | 10 054 | 51 649 | 9 | 4 539 | 19 292 | – | – | – | 547 143 | 721 447 |

** 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.*

## 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 | A- R'000 | BBB+ R'000 | BBB R'000 | BBB- R'000 | BB+ R'000 | BB R'000 | BB- R'000 | B R'000 | Not rated R'000 | Total R'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **2019** | | | | | | | | | | | | | | |
| Unlisted investments - Preference shares | – | – | – | – | – | – | – | – | – | – | – | – | 341 483 | 341 483 |
| Bonds - held at fair value through profit or loss * | – | – | – | 50 937 | – | – | – | 5 682 490 | 129 177 | – | – | 217 027 | 39 031 | 6 118 662 |
| Loans - interest-bearing | – | – | – | – | – | – | – | – | – | – | – | – | 177 718 | 177 718 |
| Loans - non-interest bearing | – | – | – | – | – | – | – | – | – | – | – | – | 24 496 | 24 496 |
| Other loans and receivables | – | – | – | – | – | – | – | – | – | – | – | – | 122 907 | 122 907 |
| Cash and cash equivalents | – | 21 723 | – | 272 | – | – | – | 1 056 417 | 1 117 902 | – | 17 365 | – | 305 760 | 2 519 439 |
| **Financial Assets** | – | 21 723 | – | 51 209 | – | – | – | 6 738 907 | 1 247 079 | – | 17 365 | 217 027 | 1 011 395 | 9 304 705 |
| Premium debtors | – | – | 17 279 | – | – | – | – | 30 659 | – | – | – | – | 286 529 | 334 467 |
| Policy loans | – | – | – | – | – | – | – | – | – | – | – | – | 7 006 | 7 006 |
| Reinsurance assets | – | – | 43 619 | – | 23 540 | 105 638 | – | 5 035 | – | – | – | – | 46 621 | 224 453 |
| Other insurance assets | – | – | – | – | – | – | – | – | – | – | – | – | 181 124 | 181 124 |
| **Insurance Assets** | – | – | 60 898 | – | 23 540 | 105 638 | – | 35 694 | – | – | – | – | 521 280 | 747 050 |
| **2018** | | | | | | | | | | | | | | |
| Unlisted investments | – | – | – | – | – | – | – | – | – | – | – | – | 339 151 | 339 151 |
| Bonds - held at fair value through profit or loss * | – | – | – | – | 371 871 | – | – | 2 429 136 | 817 100 | – | – | 210 563 | 28 955 | 3 857 625 |
| Loans - interest-bearing | – | – | – | – | – | – | – | – | – | – | – | – | 133 269 | 133 269 |
| Loans - non-interest bearing | – | – | – | – | – | – | – | – | – | – | – | – | 102 535 | 102 535 |
| Other loans and receivables | – | – | – | – | – | – | – | – | – | – | – | – | 34 281 | 34 281 |
| Cash and cash equivalents | – | 43 935 | – | – | – | – | – | 604 874 | 972 748 | – | 17 368 | – | 391 898 | 2 030 823 |
| **Financial Assets** | – | 43 935 | – | – | 371 871 | – | – | 3 034 010 | 1 789 848 | – | 17 368 | 210 563 | 1 030 089 | 6 497 684 |
| Premium debtors | – | – | – | – | – | – | – | – | – | – | – | – | 301 472 | 301 472 |
| Policy loans | – | – | – | – | – | – | – | – | – | – | – | – | 7 398 | 7 398 |
| Reinsurance assets | – | 31 225 | 57 536 | – | 10 054 | 51 649 | 9 | 4 509 | 19 292 | – | – | – | 16 300 | 190 574 |
| Other insurance assets | – | – | – | – | – | – | – | 30 | – | – | – | – | 221 973 | 222 003 |
| **Insurance Assets** | – | 31 225 | 57 536 | – | 10 054 | 51 649 | 9 | 4 539 | 19 292 | – | – | – | 547 143 | 721 447 |

* *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.*

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 |
| **2019** | | | | | | | | |
| Loans to associates | – | – | – | – | – | – | – | – |
| Unlisted investments | 10 400 789 | – | – | 10 400 789 | 10 400 789 | – | – | 10 400 789 |
| Bonds – at fair value through profit and loss | 6 118 663 | – | – | 6 118 663 | 6 118 663 | – | – | 6 118 663 |
| **Financial assets** | 16 519 452 | – | – | 16 519 452 | 16 519 452 | – | – | 16 519 452 |
| Premium debtors | 255 606 | 78 861 | 8 801 | 343 268 | 255 606 | 78 861 | 8 801 | 343 268 |
| **Insurance assets** | 255 606 | 78 861 | 8 801 | 343 268 | 255 606 | 78 861 | 8 801 | 343 268 |
| **2018** | | | | | | | | |
| Loans to associates | – | – | 2 260 | 2 260 | – | – | 2 260 | 2 260 |
| Unlisted investments | 5 886 795 | – | – | 5 886 795 | 5 886 795 | – | – | 5 886 795 |
| Bonds – at fair value through profit and loss | 3 857 624 | – | – | 3 857 624 | 3 857 624 | – | – | 3 857 624 |
| **Financial assets** | 9 744 419 | – | 2 260 | 9 746 679 | 9 744 419 | – | 2 260 | 9 746 679 |
| Premium debtors | 301 472 | 12 977 | 5 988 | 320 437 | 301 472 | 12 977 | 5 988 | 320 437 |
| **Insurance assets** | 301 472 | 12 977 | 5 988 | 320 437 | 301 472 | 12 977 | 5 988 | 320 437 |

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

| | GROUP | | | | COMPANY | | | |
|---|---|---|---|---|---|---|---|---|
| | 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 | 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 |
| **2019** | | | | | | | | |
| Premium debtors | 16 143 | 14 661 | 48 057 | 78 861 | 16 143 | 14 661 | 48 057 | 78 861 |
| | 16 143 | 14 661 | 48 057 | 78 861 | 16 143 | 14 661 | 48 057 | 78 861 |
| **2018** | | | | | | | | |
| Premium debtors | – | – | 12 977 | 12 977 | – | – | 12 977 | 12 977 |
| | – | – | 12 977 | 12 977 | – | – | 12 977 | 12 977 |

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

| | 2019 R'000 | 2018 R'000 |
|---|---|---|
| Balance at beginning of year | (5 988) | (6 301) |
| – Collective impairment loss recognised | (17 077) | – |
| – Collective impairment loss utilised | 14 264 | 313 |
| Balance at end of year | (8 801) | (5 988) |

## 3. Risk management (continued)

### 3.1 Credit risk (continued)

d) Reconciliation of loss allowance relating to loans and receivables subsequently measured at amortised cost

| | GROUP | | | | COMPANY | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Subject to lifetime ECL | | | | Subject to lifetime ECL | |
| | | 12 month ECL | Not credit impaired | Credit Impaired | | 12 month ECL | Not credit impaired | Credit Impaired |
| | Total allowance for ECL R'000 | Allowance for ECL R'000 | Allowance for ECL R'000 | Allowance for ECL R'000 | Total allowance for ECL R'000 | Allowance for ECL R'000 | Allowance for ECL R'000 | Allowance for ECL R'000 |
| **As at 1 July 2018** | 133 630 | – | 1 347 | 132 283 | 133 630 | – | 1 347 | 132 283 |
| Originations, purchases and interest accruals | – | – | – | – | – | – | – | – |
| Repayments and other derecognitions excluding write-offs | – | – | – | – | – | – | – | – |
| Model changes, interest accrued and write offs | 17 112 | – | 14 | 17 098 | 17 112 | – | 14 | 17 098 |
| **Balance at end of the year** | 150 742 | – | 1 361 | 149 381 | 150 742 | – | 1 361 | 149 381 |

During the current year the provision for ECL increased due to an increase in loans and receivables and an increase in the portion of the balance allocated to Stage 2 and Stage 3 of the model. The ECL for balances allocated to these stages are based on lifetime expected credit losses thus resulting in a higher loss allowance when allocated to these stages.

### 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 R'000 | Total contractual cash flows R'000 | 0 – 12 months R'000 | 1 – 5 years R'000 | More than 5 years R'000 | Open-ended R'000 |
|---|---|---|---|---|---|---|
| **GROUP** | | | | | | |
| **2019** | | | | | | |
| Financial assets | **17 866 469** | **17 866 468** | **10 483 659** | **5 991 637** | **143 837** | **1 247 335** |
| Reinsurance assets | **224 454** | **224 454** | **224 454** | **–** | **–** | **–** |
| Insurance, loans and other receivables | **833 562** | **833 562** | **833 562** | **–** | **–** | **–** |
| Cash and cash equivalents | **2 534 326** | **2 534 326** | **2 534 326** | **–** | **–** | **–** |
| | **21 458 811** | **21 458 810** | **14 076 001** | **5 991 637** | **143 837** | **1 247 335** |
| **2018** | | | | | | |
| Financial assets | 10 998 545 | 10 998 545 | 6 596 268 | 2 832 765 | 99 525 | 1 469 987 |
| Reinsurance assets | 190 574 | 190 574 | 190 574 | – | – | – |
| Insurance, loans and other receivables | 795 129 | 795 129 | 691 025 | 104 104 | – | – |
| Loans to associates | – | 2 260 | 2 260 | – | – | – |
| Cash and cash equivalents | 2 046 510 | 2 046 510 | 2 046 510 | – | – | – |
| | 14 030 758 | 14 033 018 | 9 526 637 | 2 936 869 | 99 525 | 1 469 987 |

| | Carrying amount R'000 | Total contractual cash flows R'000 | 0 – 12 months R'000 | 1 – 5 years R'000 | More than 5 years R'000 | Open-ended R'000 |
|---|---|---|---|---|---|---|
| **COMPANY** | | | | | | |
| **2019** | | | | | | |
| Financial assets | 17 866 425 | 17 866 425 | 10 483 615 | 5 991 637 | 143 837 | 1 247 335 |
| Reinsurance assets | 224 454 | 224 454 | 224 454 | – | – | – |
| Insurance, loans and other receivables | 832 143 | 832 143 | 832 143 | – | – | – |
| Cash and cash equivalents | 2 519 438 | 2 519 438 | 2 519 438 | – | – | – |
| | 21 442 460 | 21 442 460 | 14 059 650 | 5 991 637 | 143 837 | 1 247 335 |
| **2018** | | | | | | |
| Financial assets | 10 998 545 | 10 998 545 | 6 596 268 | 2 832 765 | 99 525 | 1 469 987 |
| Reinsurance assets | 190 574 | 190 574 | 190 574 | – | – | – |
| Loans to subsidiaries | – | – | – | – | – | – |
| Loans to associates | – | 2 260 | 2 260 | – | – | – |
| Insurance, loans and other receivables | 800 957 | 800 957 | 696 854 | 104 103 | – | – |
| Cash and cash equivalents | 2 030 823 | 2 030 823 | 2 030 823 | – | – | – |
| | 14 020 899 | 14 023 159 | 9 516 779 | 2 936 868 | 99 525 | 1 469 987 |

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 |
| **2019** | | | | | | |
| **Insurance Liabilities** | | | | | | |
| Reinsurance liabilities | 243 740 | 243 740 | – | 243 740 | 243 740 | – |
| Outstanding claims | 449 109 | – | 449 109 | 449 109 | – | 449 109 |
| Policyholder liabilities | 17 481 388 | – | 17 481 388 | 17 481 388 | – | 17 481 388 |
| | 18 174 237 | 243 740 | 17 930 497 | 18 174 237 | 243 740 | 17 930 497 |
| **Financial Liabilities** | | | | | | |
| Long-term liabilities | 400 302 | 302 | 400 000 | 400 302 | 302 | 400 000 |
| Trade and other payables | 1 303 086 | 1 303 086 | – | 1 290 509 | 1 290 509 | – |
| | 1 703 388 | 1 303 388 | 400 000 | 1 690 811 | 1 290 811 | 400 000 |
| **2018** | | | | | | |
| **Insurance Liabilities** | | | | | | |
| Reinsurance liabilities | 261 377 | 261 377 | – | 261 377 | 261 377 | – |
| Outstanding claims | 391 167 | – | 391 167 | 391 167 | – | 391 167 |
| Policyholder liabilities | 10 211 542 | – | 10 211 542 | 10 211 542 | – | 10 211 542 |
| | 10 864 086 | 261 377 | 10 602 709 | 10 864 086 | 261 377 | 10 602 709 |
| **Financial Liabilities** | | | | | | |
| Long-term liabilities | 400 200 | 200 | 400 000 | 400 200 | 200 | 400 000 |
| Trade and other payables | 841 594 | 841 594 | – | 834 035 | 834 035 | – |
| | 1 241 794 | 841 794 | 400 000 | 1 234 235 | 834 235 | 400 000 |

## 3. Risk management (continued)

### 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:

| Asset class | 2019 ZAR Carrying amount R'000 | 2019 USD $'000 | 2019 Euro €'000 | 2019 GBP £'000 | 2018 ZAR Carrying amount R'000 | 2018 USD $'000 | 2018 Euro €'000 | 2018 GBP £'000 |
|---|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | | |
| Hedge fund investments | – | – | – | – | 925 | 56 | 6 | 3 |
| Bonds | 35 823 | 2 543 | – | – | – | – | – | – |
| Cash and cash equivalents | 2 962 | 211 | – | (1) | 183 | 11 | – | 2 |
| **Gross statement of financial position exposure** | 38 785 | 2 754 | – | (1) | 1 108 | 67 | 6 | 5 |

The following significant exchange rates applied during the year:

| | 2019 Average rate | 2019 Reporting date spot rate | 2018 Average rate | 2018 Reporting date spot rate |
|---|---|---|---|---|
| USD | 14.19 | 14.09 | 12.83 | 13.75 |
| Euro | 16.19 | 16.02 | 15.32 | 16.07 |
| GBP | 18.36 | 17.88 | 17.29 | 18.16 |

#### 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) 5% increase | Profit/(loss) 5% decrease | Equity 5% increase | Equity 5% decrease |
|---|---|---|---|---|
| **2019** | | | | |
| USD | 1 955 | (1 955) | 1 940 | (1 940) |
| GBP | 1 | (1) | 1 | (1) |
| | 1 954 | (1 954) | 1 941 | (1 941) |
| **2018** | | | | |
| USD | 44 | (44) | 47 | (47) |
| GBP | 4 | (4) | 4 | (4) |
| | 48 | (48) | 51 | (51) |

3.3.3 Interest rate risk

**Profile – Group**

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

| | 2019 Carrying amount R'000 | 2019 Nominal interest rate % | 2019 Effective interest rate % | 2018 Carrying amount R'000 | 2018 Nominal interest rate % | 2018 Effective interest rate % |
|---|---|---|---|---|---|---|
| **Fixed rate instruments** | | | | | | |
| *Financial assets* | | | | | | |
| Bonds | | | | | | |
| – Due in 2 years or less | **269 110** | **8.75** | **11.29** | 1 316 129 | 7.37 | 7.98 |
| – Due between 2 years and 5 years* | **5 681 450** | **8.25** | **8.85** | 1 864 695 | 8.91 | 9.32 |
| – Due after 5 years | **168 103** | **10.98** | **11.07** | 676 800 | 8.78 | 9.08 |
| | **6 118 663** | | | 3 857 624 | | |

** This maturity bucket includes structured notes with ABSA which mature based on an underlying index and the asset return hinges on the market performance of the underlying index. Nominal and effective rates are not calculated on these instruments and have not been factored into the average rates on the maturity buckets. The value of these instruments amounts to R879 million and has been included in the relevant maturity bucket for completeness.*

| | 2019 Carrying amount R'000 | 2018 Carrying amount R'000 |
|---|---|---|
| Variable rate instruments | | |
| Financial assets | | |
| Loans – interest-bearing | **177 718** | 133 269 |
| Cash and cash equivalents | **2 534 326** | 2 046 510 |
| | **2 712 044** | 2 179 779 |

**Profile – Company**

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

| | 2019 Carrying amount R'000 | 2019 Nominal interest rate % | 2019 Effective interest rate % | 2018 Carrying amount R'000 | 2018 Nominal interest rate % | 2018 Effective interest rate % |
|---|---|---|---|---|---|---|
| Fixed rate instruments | | | | | | |
| Financial assets | | | | | | |
| Bonds | | | | | | |
| – Due in 2 years or less | **269 110** | **8.75** | **11.29** | 1 316 129 | 7.37 | 7.98 |
| – Due between 2 and 5 years | **5 681 450** | **8.25** | **8.85** | 1 864 695 | 8.91 | 9.32 |
| – Due after 5 years | **168 103** | **10.98** | **11.07** | 676 800 | 8.78 | 9.08 |
| | **6 118 663** | | | 3 857 624 | | |
| Variable rate instruments | | | | | | |
| Financial assets | | | | | | |
| Loans – interest bearing | **177 718** | | | 133 269 | | |
| Cash and cash equivalents | **2 519 438** | | | 2 030 823 | | |
| | **2 697 157** | | | 2 164 092 | | |

**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 2018.

# 3. Risk management (continued)

## 3.3 Market risk (continued)

### 3.3.3 Interest rate risk (continued)

**Sensitivity analysis for variable rate instruments of the Group and Company (continued)**

| | Profit/(loss) | | Equity | |
|---|---|---|---|---|
| | 1% increase | 1% decrease | 1% increase | 1% decrease |
| **2019** | | | | |
| Loans – interest bearing | 1 751 | (1 751) | 1 751 | (1 751) |
| Cash and cash equivalents | 77 932 | (77 932) | 77 932 | (77 932) |
| **Net cash flow sensitivity** | 79 683 | (79 683) | 79 683 | (79 683) |
| **2018** | | | | |
| Loans – interest bearing | (1 956) | 1 956 | 1 956 | (1 956) |
| Cash and cash equivalents | 60 254 | (60 254) | 60 254 | (60 254) |
| **Net cash flow sensitivity** | 58 298 | (58 298) | 62 210 | (62 210) |

## 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:

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| 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 | 1 346 973 | Listed | JSE | 1 254 127 | Listed | JSE |
| Ordinary shares | 259 838 | Not listed | N/A | 152 384 | Not listed | N/A |
| Preference shares | 341 483 | Not listed | N/A | 346 860 | Not listed | N/A |
| | 1 948 294 | | | 1 753 371 | | |

**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 2018.

| | Profit/(loss) | | Equity | |
|---|---|---|---|---|
| | 2% increase | 2% decrease | 2% increase | 2% decrease |
| **2019** | | | | |
| Description of equity investment | | | | |
| Ordinary shares – JSE | 26 939 | (26 939) | 26 939 | (26 939) |
| | 26 939 | (26 939) | 26 939 | (26 939) |
| **2018** | | | | |
| Description of equity investment | | | | |
| Ordinary shares – JSE | 25 083 | (25 083) | (25 083) | 25 083 |
| | 25 083 | (25 083) | (25 083) | 25 083 |

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 2018.

| | Profit/(loss) | | Equity | |
|---|---|---|---|---|
| | 2% increase | 2% decrease | 2% increase | 2% decrease |
| **2019** | | | | |
| **Description of equity investment** | | | | |
| Ordinary shares | 3 947 | (3 947) | 3 947 | (3 947) |
| Preference shares | 6 560 | (6 560) | 6 560 | (6 560) |
| | 10 507 | (10 507) | 10 507 | (10 507) |
| **2018** | | | | |
| **Description of equity investment** | | | | |
| Ordinary shares | (1 139) | 1 139 | (1 139) | 1 139 |
| Preference shares | (7 417) | 7 417 | 7 417 | (7 417) |
| | (8 556) | 8 556 | 6 278 | (6 278) |

## 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 | |
|---|---|---|---|---|
| | 2019 R'000 | 2018 R'000 | 2019 R'000 | 2018 R'000 |
| Interest income on unimpaired loans and receivables | 28 844 | 45 771 | 28 844 | 45 771 |
| Interest income on financial assets measured at amortised cost | 72 740 | 52 606 | 72 740 | 52 606 |
| Interest income on financial assets designated as at fair value through profit and loss | 104 207 | 150 763 | 102 948 | 150 011 |
| Net gain on financial assets as at fair value through profit and loss* | 19 578 | 225 326 | (15 425) | 212 000 |
| **Financial income** | 225 369 | 474 466 | 189 107 | 460 388 |
| Interest expense on financial liabilities measured at amortised cost | 69 290 | 66 896 | 69 265 | 66 896 |
| Net fee costs from third parties in respect of holding financial assets on their behalf | 12 173 | 9 864 | 12 173 | 9 864 |
| **Financial expense** | 81 463 | 76 760 | 81 438 | 76 760 |
| **Net financial income** | 142 676 | 397 706 | 106 439 | 383 628 |
| 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 | 101 584 | 98 377 | 101 584 | 98 377 |
| – Total interest expense | 69 290 | 66 896 | 69 265 | 66 896 |
| | 32 294 | 31 481 | 32 319 | 31 481 |

** 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: | | | | |
| **Impairment of loans** | | | | |
| Impairment recognised | 23 574 | 13 019 | 23 574 | 13 019 |
| **Impairment of premium debtors** | | | | |
| Impairment recognised | 8 801 | 5 988 | 8 801 | 5 988 |
| **Total** | 32 375 | 19 007 | 32 375 | 19 007 |

## 4. Property and equipment

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2019 R'000 | 2018 R'000 | 2019 R'000 | 2018 R'000 |
| **Cost** | | | | |
| Office equipment | 67 826 | 52 019 | 67 453 | 52 019 |
| Motor vehicles | 322 | 322 | 322 | 322 |
| Furniture and fittings | – | – | – | – |
| Leasehold improvements | 176 332 | 150 451 | 176 332 | 150 451 |
| **Total Property and equipment cost** | 244 481 | 202 792 | 244 107 | 202 792 |
| **Accumulated depreciation** | | | | |
| Office equipment | (24 090) | (14 867) | (24 030) | (14 867) |
| Motor vehicles | (251) | (155) | (251) | (155) |
| Furniture and fittings | – | – | – | – |
| Leasehold improvements | (56 813) | (33 146) | (56 813) | (33 146) |
| **Total Accumulated depreciation** | (81 154) | (48 168) | (81 094) | (48 168) |
| **Net carrying amount** | | | | |
| Office equipment | 43 581 | 37 152 | 43 423 | 37 152 |
| Motor vehicles | 71 | 167 | 71 | 167 |
| Furniture and fittings | – | – | – | – |
| Leasehold improvements | 119 519 | 117 305 | 119 519 | 117 305 |
| **Net carrying amount at end of year** | 163 326 | 154 624 | 163 013 | 154 624 |
| **Reconciliation of movement on net carrying amount:** | | | | |
| **Net carrying amount at beginning of year** | 154 625 | 84 696 | 154 624 | 83 491 |
| **Additions** | 41 730 | 101 580 | 41 357 | 101 580 |
| Office equipment | 15 598 | 15 100 | 15 401 | 15 100 |
| Leasehold improvements | 25 956 | 86 480 | 25 956 | 86 480 |
| **Disposals** | (7) | – | – | – |
| Office equipment | (140) | – | – | – |
| Office equipment – Acc Depreciation | 140 | – | – | – |
| IT Equipment Cost | (83) | – | – | – |
| IT Equipment | 75 | – | – | – |
| **Write-off reversal** | – | 177 | – | 177 |
| Office equipment | – | 177 | – | 177 |
| **Depreciation for the year** | (33 034) | (30 624) | (32 968) | (30 624) |
| Office equipment | (9 194) | (8 775) | (9 128) | (8 775) |
| Motor vehicles | (96) | (54) | (96) | (54) |
| Leasehold improvements | (23 743) | (21 795) | (23 743) | (21 795) |
| Properties – owner-occupied | – | – | – | – |
| Furniture and fittings | – | – | – | – |
| **Disposal of subsidiary** | – | (1 204) | – | – |
| Office equipment | – | (279) | – | – |
| Motor vehicles | – | – | – | – |
| Leasehold improvements | – | – | – | – |
| Properties – owner-occupied | – | – | – | – |
| Furniture and Fittings | – | (363) | – | – |
| IT Equipment | – | (562) | – | – |
| **Acquisition through business combination** | 14 | – | – | – |
| **Office equipment** | 14 | – | – | – |
| **Net carrying amount at end of year** | 163 326 | 154 625 | 163 013 | 154 624 |

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2019 R'000 | 2018 R'000 | 2019 R'000 | 2018 R'000 |
| **5. Intangible assets** | | | | |
| **Intangible assets at cost** | | | | |
| **Cost** | | | | |
| Computer software | 49 207 | 38 953 | 49 207 | 38 953 |
| Acquired rights over books of business | 9 020 | – | 9 020 | – |
| | 58 227 | 38 953 | 58 227 | 38 953 |
| **Accumulated amortisation and impairment** | | | | |
| Computer software | (20 683) | (13 480) | (20 683) | (13 480) |
| Acquired rights over books of business | (5 122) | | (5 122) | |
| | (25 805) | (13 480) | (25 805) | (13 480) |
| **Net carrying amount** | | | | |
| Computer software | 28 524 | 25 473 | 28 524 | 25 473 |
| Acquired rights over books of business | 3 898 | | 3 898 | |
| **Net carrying value at end of year** | 32 422 | 25 473 | 32 422 | 25 473 |
| **Reconciliation of movement on net carrying amount:** | | | | |
| **Net carrying amount at beginning of year** | 25 473 | 20 686 | 25 473 | 20 686 |
| **Additions** | 19 274 | 10 697 | 19 274 | 10 697 |
| Goodwill | – | – | – | – |
| Acquired rights over books of business | 9 020 | – | 9 020 | – |
| Computer software | 10 254 | 10 697 | 10 254 | 10 697 |
| **Impairment, amortisation charge** | (12 325) | (5 910) | (12 325) | (5 910) |
| Goodwill | – | – | – | – |
| Acquired rights over books of business | (5 122) | – | (5 122) | – |
| Computer software | (7 203) | (5 910) | (7 203) | (5 910) |
| **Net carrying value at end of year** | 32 422 | 25 473 | 32 422 | 25 473 |

| | COMPANY | |
|---|---|---|
| | 2019 R'000 | 2018 R'000 |
| **6. Interest in subsidiaries** | | |
| **Interest in subsidiaries comprises:** | | |
| Shares at fair value through profit or loss | 18 260 | 12 197 |
| Loans to subsidiaries | – | – |
| | 18 260 | 12 197 |
| Impairment on loans | – | – |
| | 18 260 | 12 197 |

Details of subsidiaries are provided in note 36 on page 135 of these financial statements.

| | GROUP 2019 R'000 | GROUP 2018 R'000 | COMPANY 2019 R'000 | COMPANY 2018 R'000 |
|---|---|---|---|---|
| **7. Investments in associates** | | | | |
| **Investments in associates comprise:** | | | | |
| Shares at fair value through profit or loss | – | – | 73 600 | 70 534 |
| Shares at cost | 54 594 | 54 594 | – | – |
| Group share of post-acquisition profits | 12 227 | 8 562 | – | – |
| **Carrying value of associates** | 66 821 | 63 156 | 73 600 | 70 534 |

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

| | Life assurance R'000 | Total R'000 |
|---|---|---|
| **Analysis of associates for 30 June 2019** | | |
| Total assets | 451 663 | 451 663 |
| Total liabilities | (135 666) | (135 666) |
| **Net assets** | 315 997 | 315 997 |
| Net profit before taxation | 57 481 | 57 481 |
| Taxation | (2 336) | – |
| **Net profit after taxation** | 55 145 | 57 482 |
| Group share of post-acquisition profits | 12 227 | 12 811 |
| Carrying amount of interest in associates | 66 821 | 67 405 |
| Fair valuation of associates (at Company level) | 73 600 | 73 600 |
| **Analysis of associates for 30 June 2018** | | |
| Total assets | 441 063 | 441 063 |
| Total liabilities | (139 496) | (139 496) |
| **Net assets** | 235 052 | 235 052 |
| Net profit before taxation | 77 209 | 77 209 |
| Taxation | (5 794) | (5 794) |
| **Net profit after taxation** | 71 415 | 71 415 |
| Group share of post-acquisition profits | 8 562 | 8 562 |
| Carrying amount of interest in associates | 63 156 | 63 156 |
| Loans to associates | | – |
| Fair valuation of associates (at Company level) | 63 156 | 63 156 |

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2019<br>R'000 | 2018<br>R'000 | 2019<br>R'000 | 2018<br>R'000 |

## 8. Financial assets

| | | | | |
|---|---|---|---|---|
| Fair value through profit and loss | 17 866 468 | 10 998 545 | 17 866 425 | 10 998 545 |
| | 17 866 468 | 10 998 545 | 17 866 425 | 10 998 545 |
| Group and Company's financial assets are designated into the following three broad categories for management reporting purposes: | | | | |
| Listed investments (financial assets designated as at fair value through profit and loss) | 1 347 017 | 1 254 127 | 1 346 973 | 1 254 127 |
| Unlisted investments (financial assets designated as at fair value through profit and loss) | 10 059 306 | 5 886 795 | 10 059 306 | 5 886 795 |
| Unlisted investments (at amortised cost) | 341 483 | – | 341 483 | – |
| Bonds (financial assets designated as at fair value through profit and loss) | 6 118 662 | 3 857 623 | 6 118 663 | 3 857 623 |
| | 17 866 468 | 10 998 545 | 17 866 425 | 10 998 545 |
| **Listed investments:** | | | | |
| Shares at fair value | 1 347 017 | 1 254 127 | 1 346 973 | 1 254 127 |
| **Unlisted investments** | | | | |
| Shares at fair value | 368 941 | 353 693 | 368 941 | 353 693 |
| Linked products at fair value | 10 031 848 | 5 533 102 | 10 031 848 | 5 533 102 |
| **Unlisted investments at fair value** | 10 400 789 | 5 886 795 | 10 400 789 | 5 886 795 |
| **Total listed and unlisted investments at fair value** | 11 747 806 | 7 140 922 | 11 747 762 | 7 140 922 |

| | GROUP AND COMPANY | | | |
|---|---|---|---|---|
| | R'000 | Maturity spread % | Nominal interest rate % | Effective interest rate % |
| Bonds (Financial assets carried at fair value through profit or loss): | | | | |
| Analysis of debt securities by maturity spread for 30 June 2019 | | | | |
| 0 – 2 years | 269 110 | 4.40 | 8.75 | 11.29 |
| 2 – 5 years | 5 681 449 | 93.00 | 8.25 | 8.85 |
| Later than 5 years | 168 103 | 2.70 | 10.98 | 11.07 |
| | 6 118 662 | 100 | | |
| Analysis of debt securities by maturity spread for 30 June 2018 | | | | |
| 0 – 2 years | 1 316 129 | 34.10 | 7.37 | 7.98 |
| 2 – 5 years | 1 864 694 | 48.40 | 8.91 | 9.32 |
| Later than 5 years | 676 800 | 17.50 | 8.78 | 9.08 |
| | 3 857 623 | 100.00 | | |

All bonds reported above are South African in origin.

## 9. (a) Categories and classes of financial and insurance assets and liabilities

| | Designated 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** | | | | | | | |
| **2019** | | | | | | | |
| **Assets** | | | | | | | |
| Investments in associates | – | – | – | – | 66 821 | 66 821 | 66 821 |
| Financial assets | 17 524 985 | 341 483 | 17 866 468 | – | – | 17 866 468 | 17 866 468 |
| Reinsurance assets | – | – | – | 224 454 | – | 224 454 | – |
| Insurance, loans and other receivables | – | 299 202 | 299 202 | 351 818 | 182 542 | 833 562 | 299 202 |
| Cash and cash equivalents | – | 2 534 326 | 2 534 326 | – | – | 2 534 326 | 2 534 326 |
| **Total assets** | 17 524 985 | 3 175 011 | 20 699 996 | 576 272 | 249 363 | 21 525 631 | 20 766 817 |
| **Liabilities** | | | | | | | |
| Long-term liabilities | – | 400 302 | 400 302 | – | – | 400 302 | 400 302 |
| Policyholder liabilities | – | – | – | 17 481 388 | – | 17 481 388 | – |
| Outstanding claims | – | – | – | 449 109 | – | 449 109 | – |
| Reinsurance liabilities | – | – | – | 243 740 | – | 243 740 | – |
| Employee benefits | – | – | – | – | 154 642 | 154 642 | – |
| Trade and other payables | – | – | – | 691 344 | 611 742 | 1 303 086 | – |
| **Total liabilities** | – | 400 302 | 400 302 | 18 865 581 | 766 384 | 20 032 267 | 400 302 |
| **2018** | | | | | | | |
| **Assets** | | | | | | | |
| Investments in associates | – | – | – | – | 63 156 | 63 156 | 63 156 |
| Financial assets | 10 998 545 | – | 10 998 545 | – | – | 10 998 545 | 10 998 545 |
| Reinsurance assets | – | – | – | 190 574 | – | 190 574 | – |
| Insurance, loans and other receivables | – | 277 482 | 277 482 | 318 966 | 198 681 | 795 129 | 277 482 |
| Cash and cash equivalents | – | 2 046 510 | 2 046 510 | – | – | 2 046 510 | 2 046 510 |
| **Total assets** | 10 998 545 | 2 323 992 | 13 322 537 | 509 540 | 261 837 | 14 093 914 | 13 385 693 |
| **Liabilities** | | | | | | | |
| Long-term liabilities | – | 400 200 | 400 200 | – | – | 400 200 | 400 200 |
| Policyholder liabilities | – | – | – | 10 211 542 | – | 10 211 542 | – |
| Outstanding claims | – | – | – | 391 167 | – | 391 167 | – |
| Reinsurance liabilities | – | – | – | 261 377 | – | 261 377 | – |
| Employee benefits | – | – | – | – | 154 367 | 154 367 | – |
| Trade and other payables | – | – | – | 549 212 | 292 382 | 841 594 | – |
| **Total liabilities** | – | 400 200 | 400 200 | 11 413 298 | 446 749 | 12 260 247 | 400 200 |

| | Designated 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** | | | | | | | |
| **2019** | | | | | | | |
| **Assets** | | | | | | | |
| Interest in subsidiaries | 18 260 | – | 18 260 | – | – | 18 260 | 18 260 |
| Investments in associates | 73 600 | – | 73 600 | – | – | 73 600 | 73 600 |
| Financial assets | 17 524 942 | 341 483 | 17 866 425 | – | – | 17 866 425 | 17 866 425 |
| Reinsurance assets | – | – | – | 224 454 | – | 224 454 | – |
| Insurance, loans and other receivables | – | 299 202 | 299 202 | 351 818 | 181 122 | 832 142 | 299 202 |
| Cash and cash equivalents | – | 2 519 438 | 2 519 438 | – | – | 2 519 438 | 2 519 438 |
| **Total assets** | 17 616 802 | 3 160 123 | 20 776 925 | 576 272 | 181 122 | 21 534 319 | 20 776 925 |
| **Liabilities** | | | | | | | |
| Long-term liabilities | – | 400 302 | 400 302 | – | – | 400 302 | 400 302 |
| Policyholder liabilities | – | – | – | 17 481 388 | – | 17 481 388 | – |
| Outstanding claims | – | – | – | 449 109 | – | 449 109 | – |
| Reinsurance liabilities | – | – | – | 243 740 | – | 243 740 | – |
| Employee benefits | – | – | – | – | 154 367 | 154 367 | – |
| Trade and other payables | – | – | – | 691 344 | 599 166 | 1 290 510 | – |
| **Total liabilities** | – | 400 302 | 400 302 | 18 865 581 | 753 533 | 20 019 416 | 400 302 |
| **2018** | | | | | | | |
| **Assets** | | | | | | | |
| Interest in subsidiaries | 12 197 | – | 12 197 | – | – | 12 197 | 12 197 |
| Investments in associates | 70 534 | – | 70 534 | – | – | 70 534 | 70 534 |
| Financial assets | 10 998 545 | – | 10 998 545 | – | – | 10 998 545 | 10 998 545 |
| Reinsurance assets | – | – | – | 190 574 | – | 190 574 | – |
| Insurance, loans and other receivables | – | 277 482 | 277 482 | 318 966 | 204 508 | 800 956 | 277 482 |
| Cash and cash equivalents | – | 2 030 823 | 2 030 823 | – | – | 2 030 823 | 2 030 823 |
| **Total assets** | 11 081 276 | 2 308 305 | 13 389 581 | 509 540 | 204 508 | 14 103 629 | 13 389 581 |
| **Liabilities** | | | | | | | |
| Long-term liabilities | – | 400 200 | 400 200 | – | – | 400 200 | 400 200 |
| Policyholder liabilities | – | – | – | 10 211 542 | – | 10 211 542 | – |
| Outstanding claims | – | – | – | 391 167 | – | 391 167 | – |
| Reinsurance liabilities | – | – | – | 261 378 | – | 261 378 | – |
| Employee benefits | – | – | – | – | 155 101 | 155 101 | – |
| Trade and other payables | – | – | – | 549 212 | 284 823 | 834 035 | – |
| **Total liabilities** | – | 400 200 | 400 200 | 11 413 299 | 439 924 | 12 253 423 | 400 200 |

## 9. (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** | | | | |
| **2019** | | | | |
| **Financial assets carried at fair value through profit or loss** | | | | |
| Listed – ordinary | 834 877 | – | 503 532 | 1 338 409 |
| Listed debentures | 8 607 | – | – | 8 607 |
| Unlisted ordinary shares | 23 756 | – | 3 702 | 27 458 |
| Unlisted preference shares* | – | – | 341 483 | 341 483 |
| Unit trusts | – | 9 713 073 | – | 9 713 073 |
| Bonds | 5 886 636 | 232 027 | – | 6 118 663 |
| Hedge fund investments | – | 56 998 | – | 56 998 |
| Annuities | – | 261 777 | – | 261 777 |
| | 6 753 877 | 10 263 875 | 507 235 | 17 524 985 |
| **2018** | | | | |
| **Financial assets carried at fair value through profit or loss** | | | | |
| Listed – ordinary | 686 468 | 552 160 | – | 1 238 628 |
| Listed debentures | 15 499 | – | – | 15 499 |
| Unlisted ordinary shares* | 4 047 | – | 2 785 | 6 832 |
| Unlisted preference shares* | – | – | 346 860 | 346 860 |
| Unit trusts | – | 5 274 564 | – | 5 274 564 |
| Bonds | 2 650 449 | 1 207 174 | – | 3 857 624 |
| Hedge fund investments | – | 108 940 | – | 108 940 |
| Annuities | – | 149 598 | – | 149 598 |
| | 3 356 462 | 7 292 436 | 349 646 | 10 998 545 |
| **COMPANY** | | | | |
| **2019** | | | | |
| **Financial assets carried at fair value through profit or loss** | | | | |
| Listed – ordinary | 834 834 | – | 503 532 | 1 338 366 |
| Listed debentures | 8 607 | – | – | 8 607 |
| Unlisted ordinary shares* | 23 756 | – | 3 702 | 27 458 |
| Unit trusts | – | 9 713 073 | – | 9 713 073 |
| Bonds | 5 886 636 | 232 027 | – | 6 118 663 |
| Hedge fund investments | – | 56 998 | – | 56 998 |
| Annuities | – | 261 777 | – | 261 777 |
| Investment in associate | – | – | 73 600 | 73 600 |
| Investment in subsidiary | – | – | 18 260 | 18 260 |
| | 6 753 833 | 10 263 875 | 599 094 | 17 616 802 |
| **2018** | | | | |
| **Financial assets carried at fair value through profit or loss** | | | | |
| Listed – ordinary | 686 468 | 552 160 | – | 1 238 628 |
| Listed debentures | 15 499 | – | – | 15 499 |
| Unlisted ordinary shares* | 4 047 | – | 2 785 | 6 832 |
| Unlisted preference shares* | – | – | 346 860 | 346 860 |
| Unit trusts | – | 5 274 564 | – | 5 274 564 |
| Bonds | 2 650 449 | 1 207 174 | – | 3 857 624 |
| Hedge fund investments | – | 108 940 | – | 108 940 |
| Annuities | – | 149 598 | – | 149 598 |
| Investment in associate | – | – | 70 534 | 70 534 |
| Investment in subsidiary | – | – | 12 197 | 12 197 |
| | 3 356 462 | 7 292 436 | 432 378 | 11 081 276 |

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

Included in 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 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 which 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. 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 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 recorded amounts of Level 3 financial instruments which are recorded at fair value:

| | At 1 July 2018 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 2019 R'000** | Total gains or losses for the period included in profit or loss for assets held at 30 June 2018 R'000 |
|---|---|---|---|---|---|---|---|
| **GROUP** | | | | | | | |
| **Financial assets carried at fair value through profit or loss** | | | | | | | |
| Listed – ordinary | 552 160 | (48 627) | – | – | – | **503 532** | (48 627) |
| Unlisted ordinary shares | 2 785 | – | 917 | – | – | **3 702** | – |
| **Total financial instruments** | 554 945 | (48 627) | 917 | – | – | **507 234** | (48 627) |
| **COMPANY** | | | | | | | |
| **Financial assets carried at fair value through profit or loss** | | | | | | | |
| Listed – ordinary | 552 160 | (48 627) | – | – | – | **503 532** | (48 627) |
| Unlisted ordinary shares | 2 785 | – | 917 | – | – | **3 702** | – |
| Unlisted preference shares | 346 860 | 16 313 | – | 43 573 | (65 264) | **341 483** | 16 313 |
| Investment in associate | 70 534 | 3 066 | – | – | – | **73 600** | 3 066 |
| Investment in subsidiary | 12 197 | 3 908 | 2 155 | – | – | **18 260** | 3 908 |
| **Total financial instruments** | 637 676 | (41 653) | 3 072 | – | – | **599 094** | (41 653) |

## 9. (b) Determination of fair value and fair values hierarchy (continued)

Gains or losses (realised and unrealised) included in profit or loss for the year are presented in the income statement as follows:

| | 2019 Realised gains R'000 | 2019 Unrealised gains and losses R'000 | 2019 Total R'000 |
|---|---|---|---|
| **GROUP** | | | |
| Total gains or losses included in profit or loss for the year | 25 452 | (77 702) | (52 251) |
| | 25 452 | (77 702) | (52 251) |
| **COMPANY** | | | |
| Total gains or losses included in profit or loss for the year | 25 452 | (70 836) | (45 384) |
| | 25 452 | (70 836) | (45 384) |

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:

| | 2019 | | | |
|---|---|---|---|---|
| | 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 | 503 532 | 50 353 | 503 532 | 50 353 |
| Unlisted preference shares | 3 702 | 370 | 3 702 | 370 |
| Investment in associate | – | – | 73 600 | 7 360 |
| Investment in subsidiary | – | – | 18 260 | 1 826 |
| **Total financial instrument** | 507 235 | 50 723 | 599 094 | 59 909 |

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%.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2019 R'000 | 2018 R'000 | 2019 R'000 | 2018 R'000 |
| **10. Insurance, loans and other receivables** | | | | |
| Premium debtors | 334 466 | 301 472 | 334 466 | 301 472 |
| Other receivables | 305 272 | 250 457 | 304 031 | 256 284 |
| **Total insurance and other receivables** | 639 738 | 551 929 | 638 497 | 557 756 |
| **Loans** | | | | |
| Secured interest and interest-free loans | 177 718 | 130 663 | 177 718 | 130 663 |
| – Loans to staff | | | | |
| – Loans to other | | | | |
| Unsecured interest-free loans | (3 371) | 104 234 | (3 548) | 104 234 |
| **Total loans[1]** | 174 347 | 234 897 | 174 170 | 234 897 |
| **Receivable from Group companies** | | | | |
| Receivable from Group companies | 19 477 | 8 304 | 19 477 | 8 304 |
| **Total due from Group companies[2]** | 19 477 | 8 304 | 19 477 | 8 304 |
| **Total insurance, loans and other receivables** | 833 562 | 795 129 | 832 143 | 800 957 |
| *(1) The interest rates charged on the secured and unsecured loans comprise:* | | | | |
| Prime rate of interest | 68 078 | 58 637 | 68 078 | 58 637 |
| Prime plus 2% | 20 774 | 7 518 | 20 774 | 7 518 |
| Prime plus 5% | 7 290 | 34 426 | 7 290 | 34 426 |
| Prime less 1.36% | 3 489 | 4 185 | 3 489 | 4 185 |
| Prime less 5.15% | 6 218 | 5 916 | 6 218 | 5 916 |
| 12.5% interest | 51 031 | – | 51 031 | – |
| South African Revenue Services Rate | 10 731 | 10 382 | 10 731 | 10 382 |
| Hollard Investments Money Market Fund rate | 4 528 | 4 199 | 4 528 | 4 199 |
| Johannesburg Inter-Bank Rate ("JIBAR") + 7% | 5 579 | 5 400 | 5 579 | 5 400 |
| Interest-free loans | (3 371) | 104 234 | (3 548) | 104 234 |
| **Total loans** | 174 347 | 234 897 | 174 170 | 234 897 |
| *(1) The repayments terms of the secured and unsecured loans comprise:* | | | | |
| 90 days after notice | 10 731 | 10 382 | 10 731 | 10 382 |
| Repaid quarterly | 77 181 | 79 729 | 77 181 | 79 729 |
| Specific date | 73 674 | 131 989 | 73 674 | 131 989 |
| No fixed terms of repayment | 12 761 | 12 797 | 12 584 | 12 797 |
| **Total loans** | 174 347 | 234 897 | 174 170 | 234 897 |
| *(2) The interest rates charged on the loans to Group companies comprise:* | | | | |
| Prime less 3.8% | 10 005 | 7 039 | 10 005 | 7 039 |
| Interest-free loans | 9 472 | 1 265 | 9 472 | 1 265 |
| **Total due from Group companies** | 19 477 | 8 304 | 19 477 | 8 304 |
| *(2) The repayment terms of the loans to Group companies comprise:* | | | | |
| Specific date | 18 942 | 7 039 | 18 942 | 7 039 |
| No terms of repayment | 535 | 1 265 | 535 | 1 265 |
| **Total due from Group companies** | 19 477 | 8 304 | 19 477 | 8 304 |

| | Group 2019 R'000 | Group 2018 R'000 | Company 2019 R'000 | Company 2018 R'000 |
|---|---|---|---|---|
| **11. Deferred taxation** | | | | |
| **Deferred income tax assets** | | | | |
| Deferred income tax to be recovered after 12 months | – | 15 452 | – | 15 452 |
| Deferred income tax to be recovered within 12 months | 21 | 14 | – | – |
| **Balance at end of year** | 21 | 15 466 | – | 15 452 |
| Balance at beginning of year | 15 466 | 168 | 15 452 | – |
| Movements during the year attributable to: | | | | |
| Acquisition of subsidiary | 21 | | – | – |
| Unutilised tax losses | (15 466) | 15 452 | (15 452) | 15 452 |
| Provisions | – | (154) | – | – |
| **Balance at end of year** | 21 | 15 466 | – | 15 452 |
| Deferred income tax liabilities | | | | |
| Deferred income tax to be recovered after 12 months | | | | |
| Deferred income tax to be recovered within 12 months | 444 821 | 608 390 | 444 821 | 608 390 |
| **Balance at end of year** | 444 821 | 608 390 | 444 821 | 608 390 |
| Balance at beginning of year | 608 390 | 529 139 | 608 390 | 529 139 |
| Movements during the year attributable to: | | | | |
| Unrealised gains on assets at fair value through profit or loss | (17 027) | 56 299 | (17 027) | 56 299 |
| Unutilised tax losses | – | 3 713 | – | 3 713 |
| Provisions | 1 908 | – | 1 908 | – |
| Policyholder liabilities change in valuation basis | (151 449) | (4 082) | (151 449) | (4 082) |
| Other releases to profit and loss | 8 135 | 23 321 | 8 135 | 23 321 |
| Prior year adjustment | (5 135) | – | (5 135) | – |
| **Balance at end of year** | 444 821 | 608 390 | 444 821 | 608 390 |
| Balance comprises: | | | | |
| Policyholder liabilities change in valuation basis | 332 615 | 484 063 | 332 615 | 484 063 |
| Unutilised tax losses | – | (777) | – | (777) |
| Provisions | (390) | (4 432) | (390) | (4 432) |
| Unrealised gains on assets at fair value through profit or loss | 112 597 | 129 536 | 112 597 | 129 536 |
| **Balance at end of year** | 444 821 | 608 390 | 444 821 | 608 390 |

In respect of the 2019 financial year, the determination of the value of liabilities has been amended according to the provisions of section 29A of the Income Tax Act (No. 58 of 1962), which provides that liabilities are determined net of re-insurance assets and negative liabilities.

| | Group 2019 R'000 | Group 2018 R'000 | Company 2019 R'000 | Company 2018 R'000 |
|---|---|---|---|---|
| **12. Cash and cash equivalents** | | | | |
| Cash and cash equivalents consist of cash on hand, current accounts and short-term deposits with maturity of less than 12 months. | | | | |
| Cash on call | 1 398 453 | 748 771 | 1 398 453 | 748 772 |
| Cash at bank | 251 934 | 357 994 | 237 118 | 342 307 |
| Cash on deposit | 883 931 | 939 729 | 883 859 | 939 729 |
| Cash on hand | 8 | 16 | 8 | 16 |
| | 2 534 326 | 2 046 510 | 2 519 438 | 2 030 823 |

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2019 R'000 | 2018 R'000 | 2019 R'000 | 2018 R'000 |
| **13. 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)** | 344 | 332 | 344 | 332 |

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.

## 14. Policyholder liabilities

| | GROUP 2019 R'000 | GROUP 2018 R'000 | COMPANY 2019 R'000 | COMPANY 2018 R'000 |
|---|---|---|---|---|
| **Policyholder liabilities under investment contracts:** | | | | |
| Balance at beginning of year | 8 802 864 | 5 783 194 | 8 802 864 | 5 783 194 |
| IFRS 9 adjustment | 1 242 | 393 | 1 242 | 393 |
| Movement for the year | 8 225 057 | 3 019 277 | 8 225 057 | 3 019 277 |
| **Balance at end of year** | 17 029 164 | 8 802 864 | 17 029 164 | 8 802 864 |
| **Policyholder liabilities under insurance contracts:** | | | | |
| Balance at beginning of year | 1 408 678 | 2 083 894 | 1 408 678 | 2 083 894 |
| IFRS 9 adjustment | (1 242) | (394) | (1 242) | (394) |
| Amounts expensed elsewhere in the income statement | (8 510) | (9 593) | (8 510) | (9 593) |
| Amount transferred to the income statement | (946 701) | (665 231) | (946 701) | (665 231) |
| **Balance at end of year** | 452 224 | 1 408 678 | 452 224 | 1 408 678 |
| | 17 481 388 | 10 211 541 | 17 481 388 | 10 211 542 |

The movement in the policyholder liabilities balance for the purposes of the statement of cash flows is reported as follows:

| | GROUP 2019 R'000 | GROUP 2018 R'000 | COMPANY 2019 R'000 | COMPANY 2018 R'000 |
|---|---|---|---|---|
| Increase in policyholder liabilities under investment contracts | 8 226 300 | 3 019 670 | 8 226 300 | 3 019 670 |
| Decrease in policyholder liabilities under insurance contracts | (956 455) | (675 218) | (956 455) | (675 218) |
| **Total decrease in policyholder liabilities under investment and insurance contracts** | 7 269 845 | 2 344 452 | 7 269 845 | 2 344 452 |
| **Gross insurance liabilities** | 17 435 262 | 10 169 451 | 17 435 262 | 10 169 451 |
| **Total reinsurer's share of insurance liabilities** | 46 126 | 42 091 | 46 126 | 42 091 |
| **Net insurance liabilities** | 17 481 388 | 10 211 542 | 17 481 388 | 10 211 542 |

R296 million of the total policyholder liabilities relates to the deficit account balance of the FINRE agreement with Munich Re.

## 15. Employee benefits

| | GROUP 2019 R'000 | GROUP 2018 R'000 | COMPANY 2019 R'000 | COMPANY 2018 R'000 |
|---|---|---|---|---|
| Balance at beginning of year | 155 151 | 166 555 | 155 101 | 165 919 |
| Charged to profit and loss | (509) | (11 404) | (733) | (10 817) |
| – Additional provisions raised during the year | 240 978 | 159 985 | 240 846 | 159 985 |
| – Used during the year | (239 080) | (170 803) | (239 080) | (170 803) |
| – Disposal of subsidiary | – | (636) | – | – |
| – Reclassification | (2 500) | – | (2 500) | – |
| – Acquisition of subsidiary | 93 | 50 | – | – |
| **Balance at end of year** | 154 642 | 155 151 | 154 363 | 155 101 |
| **Analysis of total provisions** | | | | |
| – Current | 154 642 | 155 151 | 154 363 | 155 101 |

## 15. Employee benefits (continued)

### Leave pay

In terms of the Group's and Company'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 payment, limited to a maximum of 25 days.

The Group's and Company's provision for leave pay amounted to R29 061 037 and R28 782 382 respectively at the statement of financial position date (2018: R29 117 842 and R29 068 242 respectively).

### Incentive scheme

In terms of the Group's 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's and Company's provision for staff incentives amounted to R125 581 028 and R125 581 028 respectively at the statement of financial position date (2018: R123 532 856 and R123 532 856 respectively).

### Restructuring

The Group's and Company's provision for staff restructuring amounted to Rnil and Rnil respectively at the statement of financial position date (2018: Rnil and Rnil respectively).

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2019 R'000** | 2018 R'000 | **2019 R'000** | 2018 R'000 |
| **16. Trade and other payables** | | | | |
| Trade and other creditors | **131 431** | 68 321 | **123 655** | 60 399 |
| Other liabilities | **1 167 420** | 773 273 | **1 166 854** | 773 636 |
| | **1 303 086** | 841 594 | **1 290 509** | 834 035 |

### Other liabilities

Included in other liabilities are life assurance premiums amounting to R80 860 599 in respect of policies that incepted after the statement of financial position date (2018: R15 603 628).

All balances are current.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2019 R'000** | 2018 R'000 | **2019 R'000** | 2018 R'000 |
| **17. Long-term borrowings** | | | | |
| Interest-bearing loan | **400 302** | 400 200 | **400 302** | 400 200 |
| | **400 302** | 400 200 | **400 302** | 400 200 |

The loan bears interest at the 3 month JIBAR + 215bps and is serviced quarterly. The loan is repayable on the tenth anniversary of the advance date (12 August 2016). The loan is unsecured.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2019 R'000** | 2018 R'000 | **2019 R'000** | 2018 R'000 |
| **18. Net premium income** | | | | |
| **Individual and group** | | | | |
| Single premiums | **68** | – | **68** | – |
| Recurring premiums | **6 584 080** | 6 354 440 | **6 584 080** | 6 354 440 |
| Reinsurance premiums inwards | **145 000** | 143 395 | **145 000** | 143 395 |
| Gross premium income | **6 729 148** | 6 497 835 | **6 729 148** | 6 497 835 |
| Reinsurance premiums outwards | **(1 704 257)** | (1 507 077) | **(1 704 257)** | (1 507 077) |
| Net premium income | **5 024 891** | 4 990 758 | **5 024 891** | 4 990 758 |

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. Refer to note 14 on page 125 for details of the movement in policyholder liabilities under investment contracts.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2019 R'000** | 2018 R'000 | **2019 R'000** | 2018 R'000 |
| **19. Realised profit/(loss) on disposal of investments** | | | | |
| Listed investments | **17 733** | (1 367) | **17 733** | (1 367) |
| Unlisted investments | **7 719** | 14 457 | **7 719** | 15 459 |
| | **25 452** | 13 090 | **25 452** | 14 092 |

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2019 R'000 | 2018 R'000 | 2019 R'000 | 2018 R'000 |

## 20. Unrealised profit/(loss) on revaluation of investments

| | | | | |
|---|---|---|---|---|
| Listed investments | (72 354) | 111 982 | (72 347) | 111 982 |
| Unlisted investments | (5 348) | 29 711 | 1 512 | 30 808 |
| | (77 702) | 141 693 | (70 836) | 142 790 |

## 21. Other income

| | | | | |
|---|---|---|---|---|
| Experience refund | 261 495 | 365 440 | 261 495 | 365 440 |
| Investment Fees | 86 492 | – | 86 492 | – |
| Other | 96 517 | 98 608 | 78 776 | 95 010 |
| | 444 504 | 464 048 | 426 763 | 460 450 |

R261m (2018: R365m) of the total other income relates to the experience refund within the FINRE agreement entered into with Munich Re.

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Company R'000 | Rest of Group R'000 | Total R'000 | Company R'000 | Rest of Group R'000 | Total R'000 |

## 22. Profit before taxation

**Profit before taxation is determined after charging:**

**Directors' and prescribed officers' emoluments**

**Executive Directors**

| | Company | Rest of Group | Total | Company | Rest of Group | Total |
|---|---|---|---|---|---|---|
| *Director A* | | | | | | |
| Basic salary | – | – | – | 634 | 634 | 1 268 |
| Bonus and performance-related payments | – | – | – | 7 884 | 7 884 | 15 768 |
| Estimated monetary value of other benefits | – | – | – | 144 | 144 | 288 |
| Pension/provident fund contributions | – | – | – | 73 | 73 | 146 |
| | – | – | – | 8 735 | 8 735 | 17 470 |
| *Director B* | | | | | | |
| Basic salary | 1 463 | 4 389 | 5 852 | 1 224 | 2 448 | 3 672 |
| Bonus and performance-related payments | 1 853 | 5 559 | 7 412 | 1 617 | 3 233 | 4 850 |
| Estimated monetary value of other benefits | 20 | 60 | 80 | 49 | 97 | 146 |
| Pension/provident fund contributions | 164 | 492 | 656 | 137 | 275 | 412 |
| | 3 500 | 10 500 | 14 000 | 3 027 | 6 053 | 9 080 |
| *Director C* | | | | | | |
| Basic salary | – | – | – | 1 307 | 2 613 | 3 920 |
| Bonus and performance-related payments | – | – | – | 4 057 | 8 113 | 12 170 |
| Estimated monetary value of other benefits | – | – | – | 105 | 209 | 314 |
| Pension/provident fund contributions | – | – | – | 151 | 303 | 454 |
| | – | – | – | 5 620 | 11 238 | 16 858 |
| *Director D* | | | | | | |
| Basic salary | 646 | 1 938 | 2 584 | – | – | – |
| Bonus and performance-related payments | 168 | 504 | 672 | – | – | – |
| Estimated monetary value of other benefits | 27 | 81 | 108 | – | – | – |
| Pension/provident fund contributions | 75 | 225 | 300 | – | – | – |
| | 916 | 2 748 | 3 664 | – | – | – |
| *Director E* | | | | | | |
| Basic salary | 263 | 789 | 1 052 | – | – | – |
| Bonus and performance-related payments | 1 321 | 3 963 | 5 284 | – | – | – |
| Estimated monetary value of other benefits | 11 | 33 | 44 | – | – | – |
| Pension/provident fund contributions | 30 | 90 | 120 | – | – | – |
| | 1 625 | 4 875 | 6 500 | – | – | – |
| *Director F* | | | | | | |
| Basic salary | 2 081 | – | 2 081 | – | – | – |
| Bonus and performance-related payments | 2 727 | – | 2 727 | – | – | – |
| Estimated monetary value of other benefits | 99 | – | 99 | – | – | – |
| Pension/provident fund contributions | 247 | – | 247 | – | – | – |
| | 5 154 | – | 5 154 | – | – | – |

## 22. Profit before taxation (continued)

| | 2019 Company R'000 | 2019 Rest of Group R'000 | 2019 Total R'000 | 2018 Company R'000 | 2018 Rest of Group R'000 | 2018 Total R'000 |
|---|---|---|---|---|---|---|
| **Non-executive Directors** | | | | | | |
| **Directors' fees** | | | | | | |
| Director A | 178 | 534 | 712 | 143 | 429 | 572 |
| Director B | 157 | 472 | 629 | 143 | 427 | 570 |
| Director C | 221 | 665 | 886 | 202 | 606 | 808 |
| Director D | 226 | 680 | 906 | 305 | 915 | 1 220 |
| Director E | 153 | 460 | 613 | 135 | 405 | 540 |
| Director F | 194 | 582 | 776 | 208 | 622 | 830 |
| Director G | 304 | 912 | 1 216 | 286 | 858 | 1 144 |
| Director H | 130 | 391 | 521 | 127 | 379 | 506 |
| | 1 563 | 4 696 | 6 259 | 1 549 | 4 641 | 5 620 |
| **Prescribed officers** | | | | | | |
| *Prescribed officer A* | | | | | | |
| Basic salary | 322 | 966 | 1 288 | 520 | 1 560 | 2 080 |
| Bonus and performance-related payments | 791 | 2 373 | 3 164 | 697 | 2 092 | 2 790 |
| Estimated monetary value of other benefits | 8 | 24 | 32 | 11 | 33 | 44 |
| Pension/provident fund contributions | 36 | 108 | 144 | 58 | 175 | 233 |
| | 1 157 | 3 471 | 4 628 | 1 287 | 3 860 | 5 147 |
| *Prescribed officer B* | | | | | | |
| Basic salary | 727 | 2 181 | 2 908 | 686 | 2 057 | 2 743 |
| Bonus and performance-related payments | 1 272 | 3 816 | 5 088 | 1 764 | 5 291 | 7 055 |
| Estimated monetary value of other benefits | 31 | 93 | 124 | 30 | 90 | 120 |
| Pension/provident fund contributions | 83 | 249 | 332 | 79 | 236 | 314 |
| | 2 113 | 6 339 | 8 452 | 2 558 | 7 673 | 10 231 |
| *Prescribed officer C* | | | | | | |
| Basic salary | 645 | 1 935 | 2 580 | 609 | 1 826 | 2 435 |
| Bonus and performance-related payments | 822 | 2 466 | 3 288 | 1 132 | 3 395 | 4 527 |
| Estimated monetary value of other benefits | 12 | 36 | 48 | 12 | 37 | 49 |
| Pension/provident fund contributions | 72 | 216 | 288 | 68 | 205 | 273 |
| | 1 551 | 4 653 | 6 204 | 1 821 | 5 463 | 7 284 |
| *Prescribed officer D* | | | | | | |
| Basic salary | 553 | 1 659 | 2 212 | 523 | 1 569 | 2 091 |
| Bonus and performance-related payments | 587 | 1 761 | 2 348 | 808 | 2 425 | 3 233 |
| Estimated monetary value of other benefits | 70 | 210 | 280 | 65 | 194 | 259 |
| Pension/provident fund contributions | 68 | 204 | 272 | 65 | 194 | 258 |
| | 1 278 | 3 834 | 5 112 | 1 461 | 4 382 | 5 842 |
| *Prescribed officer E* | | | | | | |
| Basic salary | 757 | 2 271 | 3 028 | 592 | 1 776 | 2 368 |
| Bonus and performance-related payments | 928 | 2 784 | 3 712 | 672 | 2 015 | 2 686 |
| Estimated monetary value of other benefits | 6 | 18 | 24 | 5 | 14 | 19 |
| Pension/provident fund contributions | 85 | 255 | 340 | 66 | 199 | 265 |
| | 1 776 | 5 328 | 7 104 | 1 335 | 4 004 | 5 339 |
| **Total Directors' and prescribed officers' emoluments** | 20 633 | 46 444 | 67 077 | 27 248 | 56 049 | 83 441 |

During the current financial year the following changes were made to the directors' and prescribed officers emoluments:

The directors emoluments splits between company and the rest of the group were re-stated for the prior financial year to accurately reflect the provision of services.

The prescribed officers emoluments were adjusted for the prior financial year to accurately reflect the composition of prescribed officers.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2019 R'000 | 2018 R'000 | 2019 R'000 | 2018 R'000 |
| **Auditors' remuneration** | | | | |
| – Audit fees | 6 068 | 3 690 | 5 963 | 3 628 |
| – Prior year under provision | – | 222 | – | 222 |
| – Other services | – | 1 039 | – | 1 039 |
| | 6 068 | 4 951 | 5 963 | 4 889 |
| **Depreciation** | | | | |
| – Office equipment | 9 173 | 8 776 | 9 128 | 8 775 |
| – Motor vehicles | 96 | 54 | 96 | 54 |
| – Furniture and fittings | 21 | – | – | – |
| – Leasehold improvements | 23 743 | 21 795 | 23 743 | 21 795 |
| | 33 034 | 30 624 | 32 968 | 30 624 |
| **Amortisation** | | | | |
| Computer software | 7 203 | 5 910 | 7 203 | 5 910 |
| **Other expenditure** | | | | |
| Administration fees paid | 159 666 | 163 947 | 159 666 | 163 947 |
| Impairment losses | 1 177 | – | 1 177 | – |
| Operating leases – building | 79 917 | 101 365 | 79 917 | 101 365 |
| Professional fees | 130 591 | 119 740 | 129 298 | 118 880 |
| Professional fees | 104 042 | 97 883 | 104 042 | 97 883 |
| Professional fees – Other | 26 549 | 21 857 | 25 256 | 20 997 |
| Research and development | 71 | 734 | 71 | 734 |

## 23. Taxation

| | GROUP 2019 R'000 | GROUP 2018 R'000 | COMPANY 2019 R'000 | COMPANY 2018 R'000 |
|---|---|---|---|---|
| South African normal taxation – current year | 319 856 | 251 160 | 319 501 | 250 695 |
| South African normal taxation – prior year | 4 493 | – | 4 493 | – |
| Deferred taxation | (148 115) | 63 800 | (148 115) | 63 800 |
| Other indirect taxation | 413 | 715 | 413 | 715 |
| Dividend Withholding Tax | 3 235 | 1 858 | 3 235 | 1 858 |
| | 179 881 | 317 536 | 179 526 | 317 068 |
| All taxation is payable in respect of continuing operations. | – | 80 | | 1 |
| **Tax rate reconciliation** | % | % | % | % |
| **Tax calculated at standard rate of South African tax on earnings** | 28.0 | 28.0 | 28.0 | 28.0 |
| Prior year taxation | (2.8) | 3.8 | (2.8) | 3.8 |
| Unrealised gains not taxable | (1.9) | (0.4) | (1.9) | (0.4) |
| Realised gains not taxable | 4.5 | (0.1) | 4.5 | (0.1) |
| Other indirect taxation | (0.0) | 0.7 | (0.0) | 0.7 |
| Other | 0.1 | 0.6 | (0.1) | 0.7 |
| Dividend Withholding Tax | (0.1) | 0.3 | (0.1) | 0.3 |
| Non-taxable items and losses | (3.6) | (1.3) | (3.6) | (1.3) |
| **Effective rate** | 24.1 | 31.6 | 24.0 | 31.7 |

## 24. Policyholder benefits

| | GROUP 2019 R'000 | GROUP 2018 R'000 | COMPANY 2019 R'000 | COMPANY 2018 R'000 |
|---|---|---|---|---|
| Individual and group | | | | |
| – Death and disability | 2 854 258 | 2 670 829 | 2 854 258 | 2 670 829 |
| – Maturity | 1 156 365 | 870 616 | 1 156 365 | 870 616 |
| – Policy surrenders | 31 706 | 42 827 | 31 706 | 42 827 |
| – Annuities | 18 807 | 45 535 | 18 807 | 45 535 |
| – Other | 54 563 | 72 039 | 54 563 | 72 039 |
| **Gross policyholder benefits** | 4 115 700 | 3 701 847 | 4 115 700 | 3 701 847 |
| *Less:* Reinsurance recoveries | (1 079 041) | (992 854) | (1 079 041) | (992 854) |
| – Death and disability | (1 079 041) | (992 854) | (1 079 041) | (992 854) |
| **Net policyholder benefits** | 3 036 658 | 2 708 992 | 3 036 658 | 2 708 993 |

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. Refer to note 14 on page 125 of these financial statements for the movement in policyholder liabilities under investment contracts.

| | Notes | GROUP 2019 R'000 | GROUP 2018 R'000 | COMPANY 2019 R'000 | COMPANY 2018 R'000 |
|---|---|---|---|---|---|
| **25. Reconciliation of profit before taxation to cash generated/(utilised) by operations** | | | | | |
| Profit before tax attributable to equity holders of the parent | | 745 138 | 1 003 810 | 748 819 | 1 000 241 |
| Adjustments for: | | | | | |
| Depreciation | 4 | 33 034 | 30 624 | 32 968 | 30 624 |
| Intangible assets amortisation | | 12 325 | 5 910 | 12 325 | 5 910 |
| Transfer to policyholder liabilities under insurance contracts | 14 | (956 454) | (675 217) | (956 454) | (675 217) |
| Transfer to policyholder liabilities under investment contracts | 14 | 8 226 300 | 3 019 670 | 8 226 300 | 3 019 670 |
| Investment income | | (303 071) | (332 772) | (312 086) | (345 872) |
| Realised profit on assets underlying investment contracts | | (43 487) | 28 598 | (43 487) | 28 598 |
| Other income | | (444 504) | (464 046) | (426 763) | (460 450) |
| Rental income | | (12 961) | (8 758) | (12 926) | (8 758) |
| Share of profit in associates | | (13 633) | (18 727) | – | – |
| Unrealised (profit)/loss on revaluation of investments | 20 | 77 702 | (141 693) | 70 836 | (142 790) |
| Unrealised loss on investment contracts | | (172 625) | (182 214) | (172 625) | (182 214) |
| Interest paid | | 69 290 | 66 896 | 69 265 | 66 896 |
| Increase/(decrease) in employee benefits | | (509) | (11 404) | (737) | (10 818) |
| Net (increase)/decrease in accrued interest and dividends | | 7 641 | (2 665) | 7 641 | (2 665) |
| Asset transfers | | 13 165 | 108 110 | 13 165 | 108 110 |
| **Operating cash flows before working capital changes** | | 7 237 351 | 2 426 121 | 7 256 241 | 2 431 265 |
| **Working capital changes** | | 318 259 | 428 098 | 319 537 | 418 595 |
| (Increase)/decrease in insurance, loans and other receivables | | (16 909) | (123 161) | (9 661) | (125 004) |
| Impact of IFRS 9 transition adjustment | | (133 630) | – | (133 630) | – |
| Increase in reinsurance assets | | (33 880) | 184 800 | (33 880) | 184 800 |
| Decrease in outstanding claims | | 57 942 | 78 902 | 57 942 | 78 902 |
| Increase in reinsurance liabilities and trade and other payables | | 443 855 | 287 557 | 438 766 | 279 897 |
| **Cash generated/(utilised) by operations** | | 7 555 610 | 2 854 219 | 7 575 778 | 2 849 860 |
| **26. Dividends paid** | | | | | |
| Amounts due at beginning of year | | – | – | – | – |
| Amounts charged to statement of changes in equity | | (688 660) | (663 886) | (688 660) | (663 886) |
| Amounts due at end of year | | – | – | – | – |
| **Cash amounts paid** | | (688 660) | (663 886) | (688 660) | (663 886) |
| **27. Dividends received** | | | | | |
| Amounts due at beginning of year | | 7 709 | 10 374 | 7 709 | 10 374 |
| Dividends received per income statement | | 71 828 | 70 543 | 82 103 | 83 393 |
| Amounts due at end of year | | (15 350) | (7 709) | (15 350) | (7 709) |
| **Cash amounts received** | | 64 187 | 73 208 | 74 462 | 86 058 |
| **28. Taxation paid** | | | | | |
| Amounts due at beginning of year | | (532 467) | (480 099) | (532 431) | (479 678) |
| Amounts charged to income statement | | (179 881) | (317 536) | (179 526) | (317 068) |
| Amounts due at end of year | | 465 439 | 532 467 | 465 464 | 532 431 |
| **Cash amounts paid** | | (246 909) | (265 168) | (246 493) | (264 315) |
| Amounts due at end of year comprised as follows: | | | | | |
| Deferred income tax asset | | (21) | (15 466) | – | (15 452) |
| Deferred income tax liability | | 444 821 | 608 390 | 444 821 | 608 390 |
| Taxation | | 20 639 | (60 456) | 20 643 | (60 507) |
| | | 465 439 | 532 467 | 465 464 | 532 431 |

## 29. Business combinations

### 29.1 Summary of Business Combinations – 2019

The Group acquired an interest in Richton Employee Benefits (Pty) Ltd on 1 July 2018. Details of acquisition is noted below:

#### 29.1.1 Acquisition of 100% shareholding in Richton Employee Benefits (Pty) Ltd:

On 1 July 2018, the Company acquired a 100% shareholding in Richton Employee Benefits (Pty) Ltd for a consideration payment of R2 083 000 for the year under review. This transaction was accounted for using the purchase method of accounting.

The net assets acquired in the transaction, and the change in ownership arising on acquisition, were as follows:

| | **Acquisition of investment in subsidiary R'000** |
|---|---|
| Net assets acquired in the transaction were as follows: | |
| Fair value at date of acquisition | **906** |
| Goodwill on purchase (subsequently impaired) | **1 177** |
| **Total consideration** | **2 083** |
| Net cashflow arising on acquisition: | |
| – Cash consideration paid | **(2 083)** |
| – Cash and cash equivalents acquired | **1 161** |
| **Net cash and cash equivalents acquired** | **(922)** |

### 29.2 Summary of Business Combinations – 2018

The Group acquired an interest in NMG Pooling Administrators (Pty) Ltd on 1 March 2018 and disposed of an investment in The Best Funeral Society (Pty) Ltd on the 1 October 2017. Details of acquisitions and disposals are noted below:

#### 29.2.1 Acquisition of 100% shareholding in NMG Pooling Administrators (Pty) Ltd:

On 1 March 2018, the Company acquired a 100% shareholding in NMG Pooling Administrators (Pty) Ltd for a consideration payment of R2 000 000 for the year under review. This transaction was accounted for using the purchase method of accounting.

The net assets acquired in the transaction, and the change in ownership arising on acquisition, were as follows:

| | Acquisition of investment in subsidiary R'000 |
|---|---|
| Net assets acquired in the transaction were as follows: | |
| Fair value at date of acquisition | 176 |
| Goodwill on purchase (subsequently impaired) | 1 824 |
| **Total consideration** | 2 000 |
| Net cashflow arising on acquisition: | |
| – Cash consideration paid | (2 000) |
| – Cash and cash equivalents acquired | 9 511 |
| **Net cash and cash equivalents acquired** | 7 511 |

## 29. Business combinations (continued)

### 29.2 Summary of Business Combinations – 2018 (continued)

#### 29.2.2 Disposal of subsidiaries:

On 1 October 2017, the Company disposed of it's 55% shareholding in The Best Funeral Society (Pty) Ltd for a consideration of R1 128 901. At the date of disposal, the fair value of the investment in the Company was R1 128 901 and the net asset value was R3 262 465. The Company and Group generated a loss of R116 145 and R665 455 respectively.

The net assets disposed of in the transaction, were as follows:

| | Disposal of investment in subsidiary R'000 |
|---|---|
| Property and Equipment | 1 171 |
| Financial Assets | 1 354 |
| Trade and other receivables | 1 830 |
| Cash and cash equivalents | 6 658 |
| Trade and other payables | (7 263) |
| Current tax liability | (488) |
| Minority interest | (1 468) |
| Loss generated on disposal of subsidiary | (665) |
| **Proceeds on disposal of subsidiary** | 1 129 |
| Net cashflow arising on disposal: | |
| – Cash and Cash equivalents | (6 658) |
| **Net cash and cash equivalents disposed of** | (6 658) |

## 30. Investments in associates

The Group disposed of the investments in associates in the 2018 financial year. There were no acquisitions or disposals of investments in associates in the 2019 financial year. Refer details below:

### 30.1 Summary of acquisitions and disposals of the Group's investments in associates – 2019

#### 30.1.1 Disposals of investments in associates – 2019

No disposals noted for the 2019 financial year.

### 30.2 Summary of acquisitions and disposals of the Group's investments in associates – 2018

#### 30.2.1 Disposals of investments in associates – 2018

| | % of shareholding disposed | Proceeds on disposal R'000 | Carrying value R'000 | Loss on sale of investments R'000 |
|---|---|---|---|---|
| Prorisk Pooling Administrators (Pty) Ltd | 40% | – | 453 | 453 |

## 31. Staff pension and provident fund

The Company has a defined contribution pension fund, the Hollard Employees Pension Fund, with 247 (2018: 205) employees of the Company being members of the fund. The Company's contributions to the fund charged against income for the year were R13 813 922 (2018: R13 002 631).

The Company also has a defined contribution provident fund, the Hollard Employees Provident Fund, with 811 (2018: 685) employees of the Company being members of the fund. The Company's contributions to the fund charged against income for the year amounted to R77 271 248 (2018: R43 364 411).

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 company entered into a lease agreement with Taropark Properties (Pty) Ltd to lease the Arcadia premises with effect from 1 July 2016. The lease ends on 30 June 2026.

The company entered into a lease agreement with Renvest Properties (Pty) Ltd to lease the City Campus premises with effect from 1 August 2017. The lease ends on 30 June 2027.

The total amount of the lease payments over the remaining period of the leases will be R794 907 000.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2019 R'000** | 2018 R'000 | **2019 R'000** | 2018 R'000 |
| The future minimum lease payments under operating lease agreements are as follows: | | | | |
| Not later than one year | **86 310** | 81 887 | **86 310** | 81 887 |
| Later than one year and not later than five years | **420 039** | 322 624 | **420 039** | 322 624 |
| Later than five years | **288 558** | 509 541 | **288 558** | 509 541 |
| | **794 907** | 914 052 | **794 907** | 914 052 |
| Payments recognised as an expense: | | | | |
| Minimum lease payments | **79 917** | 101 365 | **79 917** | 101 365 |
| | **79 917** | 101 365 | **79 917** | 101 365 |

The lease payments are recognised as an expense on a straight-line basis over the term of the lease in accordance with International Accounting Standard IAS 17: Leases.

## 33. Related party transactions

### Transactions between Group companies

Hollard Life Assurance Company Limited's immediate holding company is Hollard Fundco (RF) (Pty) Ltd (100%) and the ultimate holding company is Pickent Investments Limited. 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 60 of the financial statements.

| | COMPANY | |
|---|---|---|
| | **2019 R'000** | 2018 R'000 |
| **Loans to related parties** | | |
| Loans to Hollard Holdings (Pty) Ltd | **10 005** | 10 003 |
| Loans to Pico Ruivo Investments (Pty) Ltd | **535** | 1 265 |
| **Loans from related parties** | | |
| Loan from Fundco (RF) (Pty) Ltd | **400 302** | 400 200 |
| **Loans to directors and prescribed officers** | | |
| Details of individual loans to directors and prescribed officers: | | |
| M Shezi | **3 190** | 2 956 |
| NG Kohler | **3 489** | 4 185 |
| B Wyborn | **7 541** | 7 426 |

## 33. Related party transactions (continued)

### Transactions between Group companies (continued)

No new advance was made during the year (2018: Rnil).

The following repayments were made during the year:

- M Shezi Rnil (2018: R211 000)
- NG Kohler R1 000 000 (2018: R1 500 000)
- B Wyborn R450 000 (2018: R2 400 000)

The loans are given on commercial terms and conditions. The related interest income in 2019 was R1 103 365 (2018: R1 215 961).

The loan from Fundco (RF) (Pty) Ltd is interest bearing with a repayment terms of 10 years from the date of advance.

Interest on loans to M Shezi and B Wyborn is charged at the SARS rate and as at 30 June 2019, the rate was 7.75%.

Interest on loans to NG Kohler is charged at prime less 1.36% and at 30 June 2019, the prime rate was 10.25%.

| | COMPANY | |
|---|---|---|
| | **2019 R'000** | 2018 R'000 |
| **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 | **4 228** | 3 453 |
| **Key management compensation** | | |
| Salaries, bonuses and other short-term employee benefits | **67 077** | 50 870 |
| 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 | **208 965** | 260 653 |
| Paid by Hollard Specialist Insurance Limited | **12 301** | – |
| Paid by Hollard Specialist Life Limited | **42 739** | – |
| **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** | | |
| Taropark | **66 531** | 82 631 |
| Renvest Properties | **13 386** | 18 734 |
| **Investment Policy with** | | |
| The Hollard Insurance Company Limited | **1 090 854** | 995 708 |

Refer to notes 6, 7 and 10 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 2019 and hence have not provided for a capital expenditure budget for this period (2018: 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, enter into transactions which 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.*

As at 30 June 2019 a case pertaining to arbitration has been instituted against Hollard Life Assurance as a result of the termination of a business relationship agreement. The claimant has claimed R89m plus interest and costs. It is our legal team's view that there is a fair prospect of success in defending the claims. We note that the claimant has subsequently indicated their intention to amend its statement of claim.

The outcome 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

| | Nature of business | Place of business | Issued share capital (Rands) | 2019 Proportion held % | 2018 Proportion held % | Carrying value of interest in subsidiaries, associates and joint ventures: 2019 Shares R'000 | 2019 Indebtedness R'000 | 2018 Shares R'000 | 2018 Indebtedness R'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Directly held subsidiaries** | | | | | | | | | |
| Hollard Life Properties (Pty) Ltd | A | RSA | 2 | 100.00 | 100.00 | – | – | 47 | – |
| Hollard Wealth Management Services (Pty) Ltd | C | RSA | 1 | 100.00 | 100.00 | 427 | – | 411 | – |
| Hollard Management Company (Pty) Ltd | D | RSA | 1 | 100.00 | 100.00 | – | – | – | – |
| Altrisk (Pty) Ltd | E | RSA | 1 075 | 100.00 | 100.00 | – | – | – | – |
| Hollard Investment Managers (Pty) Ltd | D | RSA | 2 | 100.00 | 100.00 | 15 213 | – | 9 738 | – |
| Finningley (Pty) Ltd | E | RSA | 100 | 100.00 | 100.00 | – | – | – | – |
| Richton Employee Benefit (Pty) Ltd | E | RSA | 100 | 100.00 | 100.00 | 936 | – | – | – |
| NMG Pooling Administrators (Pty) Ltd | E | RSA | 100 | 100.00 | 100.00 | 1 684 | – | 2 000 | – |
| | | | | | | 18 260 | – | 12 197 | – |
| **Directly held associates** | | | | | | | | | |
| Amserve Consultants Private Ltd | F | India | 100 652 | 49.99 | 49.99 | – | – | – | – |
| Amsure Insurance Agency Ltd | E | India | 301 956 | 49.99 | 49.99 | – | – | – | – |
| Ooba Investment Holdings (Pty) Ltd | E | RSA | 160 | 25.00 | 25.00 | 73 600 | – | 70 534 | – |
| IFANet Independent Distribution Services (Pty) Ltd | C | RSA | 100 | 24.00 | 24.00 | – | – | – | – |
| | | | | | | 73 600 | – | 70 534 | – |

### 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. The functional currency of both these companies is the Indian Rupee.

## 37. Subsequent events

Hollard Life is in the process of modifying it's direct distribution model from a purely outsourced model to a hybrid model incorporating both insourced and franchised branches. As at 1 September 2019, branches in respect of two previously outsourced partners have been taken under Hollard management. There may be more branches insourced in this financial period.

## 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

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

| | |
|---|---|
| Non-Executive Chairman | ADH Enthoven |
| Group Chief Executive Officer | S Ntombela |
| Group Chief Financial Officer | WT Lategan (resigned 30 September 2018) |
| Group Chief Financial Officer | DJ Viljoen (appointed 1 October 2018) |
| Executive Director | B Ruele (appointed 1 November 2018) |
| Non-Executive Director | NG Kohler |
| Lead Independent Non-Executive Director | BF Mohale |
| Independent Non-Executive Director | MR Bower (appointed 1 January 2018) |
| Independent Non-Executive Director | NV Simamane |
| Independent Non-Executive Director | SC Gilbert |
| Independent Non-Executive Director | R Fihrer |
| Independent Non-Executive Director | B Ngonyama |
| Independent Non-Executive Director | S Patel |
| Independent Non-Executive Director | AS Nkosi |

## Company Secretary
G Tyusha (resigned 30 June 2019)
CorpStat Governance Services (Pty) Ltd (appointed 1 August 2019)

## Public Officer
U Murphy

## Compliance officer
Wikus Luus

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

## Postal address
P/O Box 87428
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

HKLM

www.hollard.co.za