Hollard.

HOLLARD LIFE ASSURANCE COMPANY LIMITED 2020

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: Life Reporting, Navashnie Pillay (ACMA, CGMA), 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 2020

CONTENTS

GROUP SALIENT FEATURES

for the year ended 30 June 2020

	GROUP				
	2020 R'000	2019 R'000	2018 R'000	2017 R'000	2016 R'000
Statement of profit and loss information					
Gross written premiums[(1)]	**6 941 676**	6 729 148	6 497 835	5 859 951	5 559 092
Net written premiums[(2)]	**5 309 551**	5 024 891	4 990 759	4 515 535	4 919 405
Investment income[(3)]	**292 096**	290 580	332 641	523 200	659 883
Net insurance claims	**2 137 280**	2 009 477	2 022 074	1 369 001	1 531 859
Equity holders of the parent	**452 326**	565 257	694 355	855 763	1 264 206
Statement of financial position information					
Insurance liabilities	**25 216 067**	18 317 099	11 515 866	8 428 789	9 363 579
Equity attributable to equity holders of the parent	**1 483 372**	1 223 673	1 517 841	1 515 433	1 898 546
Total assets	**30 013 865**	21 980 876	15 270 765	11 751 588	13 048 984
Financial assets (i.e. listed investments and unlisted investments)	**24 138 893**	17 866 468	10 998 545	8 872 747	10 466 866
Cash and cash equivalents	**3 097 180**	2 534 326	2 046 511	1 223 768	1 716 828
Actuarial Information					
Value of in-force business[(4)]	**5 519 107**	5 487 108	5 131 678	5 075 131	4 558 706
Total embedded value[(4)]	**7 014 397**	6 731 984	6 629 552	6 553 718	6 471 975

(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 2020

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 providing an opinion 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 84 to 144 have been approved by the Board of the Group and Company and are signed on their behalf by:

ADH Enthoven
Chairman

6 November 2020

S Ntombela
Chief Executive Officer

6 November 2020

CERTIFICATION BY COMPANY SECRETARY

for the year ended 30 June 2020

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
Company Secretary

6 November 2020

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, 2017. 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

6 November 2020

EMBEDDED VALUE STATEMENT

for the year ended 30 June 2020

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

The embedded value has been calculated on a best estimate basis, where the assumptions have been arrived at by removing both compulsory and discretionary margins from the financial soundness basis. The risk discount rate used in the calculation was 12.00% (2019: 11.70%):

- Expenses were allowed for based on an expense analysis carried out during the year;
- Expenses inflation of 2.70% per annum (2019: 4.70%);
- Mortality assumptions were set based on the results of a mortality experience analysis carried out during the year with explicit allowance for HIV/AIDS;
- Withdrawals were set at levels consistent with an experience analysis carried out during the financial year;
- The risk free interest rate curve and the inflation curve supplied by the Prudential Authority were used to determine the 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 R214 million (2019: R269 million) was held as partial elimination of negative reserves;
- A contingency reserve to cover possible data problems of R30 million (2019: R30 million) was held as a discretionary reserve; and
- Negative reserves were allowed for on the published reporting basis (unchanged).

	GROUP	
	2020 R'000	2019 R'000
Value of in-force business	**5 519 107**	5 487 108
Excess of assets over liabilities	**1 495 290**	1 244 876
Total embedded value	**7 014 397**	6 731 984

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

INDEPENDENT AUDITOR'S REPORT

for the year ended 30 June 2020

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 Hollard Life Assurance Company Limited and its subsidiaries ("the Group") set out on pages 84 to 144 which comprise the consolidated and separate statements of financial position as at 30 June 2020, statement of profit or loss, statement of 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 2020, and their 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 Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of Consolidated and Separate financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the *International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA code). 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 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, the embedded value statement 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 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 4 December 2015, we report that Deloitte & Touche has been the auditor of Hollard Life Assurance Company Limited for 27 years.

Deloitte & Touche

Deloitte & Touche
Registered Auditor
Per: Harshal Kana
Partner

12 November 2020

AUDIT COMMITTEE REPORT

for the year ended 30 June 2020

The Hollard Group Audit and Compliance Committee is pleased to present its annual report, for the financial year ended 30 June 2020, 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 consult 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 2020 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 & Touche South Africa as External Auditor for the 2020 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 & Touche 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 AGM of Hollard Life Assurance Company, it was recommended that Deloitte & Touche 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, the Committee was able to advise the Board 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.

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.

MBower

Mark Bower
Chairperson of the Audit Committee

6 November 2020

DIRECTORS' REPORT

for the year ended 30 June 2020

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 2020.

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 32, 33 and 39 on pages 140, 141 and 143 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 R453 326 000 (2019: R565 256 000), which arose from the Group's operations as follows:

	GROUP	
	2020 R'000	2019 R'000
Net premium income	5 306 488	5 010 026
Investment income and investment gains/(losses)	169 401	261 309
Other operating income	(357 709)	438 095
Total revenue	**5 118 180**	5 709 430
Net Insurance claims	2 137 280	2 009 477
Other operating expenses	3 073 979	2 968 446
Total expenses	**5 211 259**	4 977 924
Result of operating activities	**(93 079)**	731 505
Share of income/(loss) in associates	18 156	13 633
Profit before taxation	**(74 923)**	745 138
Taxation	528 249	(179 881)
Profit for the year	**453 326**	565 257
Non-controlling interests	–	–
Net profit attributable to equity holders of parents	**453 326**	565 257

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 R194 732 201 (2019: R688 660 195) were declared by the Company during the year.

Subsidiaries, associates and joint ventures

The Company's aggregate share of the profits and (losses) of subsidiaries and associates for the year amounted to (R2 990 712) and R18 156 184 respectively (2019: R714 930 and R13 632 759 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.

Also refer to the going concern note on page 144 of these financial statements for further details.

COVID-19

Early in 2020, the COVID-19 pandemic started to impact South Africa. The start of the lockdown in March 2020 and expected direct and indirect impact of COVID-19 led to uncertainty for all South Africans and businesses alike and continues to do so. Like any other business, the Group and Company has been impacted, with a significant amount of uncertainty regarding the full potential impact. This will probably only be unpacked in the coming months.

The Group and Company, having taken into consideration the impact of the pandemic on the country, put into place measures to assist policyholders by offering premium discounts and premium holidays where necessary.

The pandemic has raised certain risk levels as well as potentially increasing the number of certain types of claims, some of these are listed below:

- Higher risk of bad debts relating to premiums
- Higher number claims for credit insurance
- Higher number of claims for funeral and life cover
- Higher risk of fraudulent claims

As at June 2020, the Group and Company raised COVID-19 related provisions as deemed necessary.

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.

Regulatory

Hollard Life Assurance Company Limited is reporting their first set of results on the SAM regulatory regime for the year ended 30 June 2020.

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 13 November 2019:

- B Ngonyama
- R Fihrer
- MR Bower

Executive directors

S Ntombela (Group CEO), DJ Viljoen (Group CFO) and B Ruele (Executive Director) 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 (resigned 31 July 2019), S Patel, AS Nkosi, SC Gilbert (resigned 31 August 2019), MS Claasen (appointed 30 June 2020) 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

Business address

Hollard at Arcadia
22 Oxford Road
Parktown
Johannesburg
2193

Postal address

PO Box 87428
Houghton
2041

Holding company

The immediate holding company is Hollard 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

for the year ended 30 June 2020

	Notes	GROUP 2020 R'000	GROUP 2019 R'000	COMPANY 2020 R'000	COMPANY 2019 R'000
Assets					
Property and equipment	4	129 760	163 327	129 531	163 013
Right-of-use assets	5	219 852	–	219 852	–
Intangible assets	6	87 744	32 422	87 744	32 422
Investment in subsidiaries	7	–	–	15 930	18 260
Investment in associates	8	68 789	66 821	78 547	73 600
Financial assets	9	24 138 893	17 866 468	24 138 893	17 866 425
Reinsurance assets		621 827	611 057	621 827	611 057
Insurance, loans and other receivables	11	692 915	833 562	691 713	832 143
Deferred taxation	12	859 735	19	859 715	–
Current income taxation		97 473	49	97 458	–
Cash and cash equivalents	13	3 097 180	2 534 326	3 081 187	2 519 438
Total assets		30 013 865	22 108 051	30 022 398	22 116 358
Equity and liabilities					
Attributable to equity holders of the parent		1 484 356	1 223 673	1 495 290	1 244 876
Issued share capital	14	20	20	20	20
Share premium	14	19 980	19 980	19 980	19 980
Foreign currency translation reserve		24 482	22 243	–	–
Non-distributable reserve		19 373	19 373	–	–
Retained earnings		1 420 502	1 162 057	1 475 290	1 224 876
Non-controlling interest		–	–	–	–
Total equity		1 484 356	1 223 673	1 495 290	1 244 876
Insurance liabilities	15	25 216 067	18 317 099	25 213 290	18 317 099
Reinsurance liabilities		219 800	243 740	219 800	243 740
Borrowings	19	400 379	400 302	400 379	400 302
Provisions	17	174 343	154 642	173 036	154 367
Trade and other payables	18	1 886 930	1 303 085	1 888 632	1 290 509
Deferred taxation	12	631 971	444 821	631 971	444 821
Current income taxation		20	20 688	–	20 643
Total liabilities		28 529 509	20 884 378	28 527 108	20 871 481
Equity and liabilities		30 013 865	22 108 051	30 022 398	22 116 358

STATEMENTS OF PROFIT OR LOSS

for the year ended 30 June 2020

	Notes	GROUP 2020 R'000	GROUP 2019 R'000	COMPANY 2020 R'000	COMPANY 2019 R'000
Revenue					
Gross written premiums		6 941 676	6 729 148	6 941 676	6 729 148
Reinsurance outwards		(1 632 125)	(1 704 257)	(1 632 125)	(1 704 257)
Net written premiums		5 309 551	5 024 891	5 309 551	5 024 891
Less: Change in unearned premium reserve		(3 063)	–	(3 063)	–
Gross amount		(3 063)	–	(3 063)	–
Net premium income	21	5 306 488	5 024 891	5 306 488	5 024 891
Investment income		292 096	290 580	303 154	299 561
Interest received		201 741	205 791	200 749	204 532
Dividends received		73 738	71 828	85 788	82 103
Rental income		16 617	12 961	16 617	12 926
Investment (losses)/gains		(122 695)	(52 251)	(127 751)	(45 384)
Realised (losses)/gains on disposal of investments	22	(921)	25 452	(921)	25 452
Unrealised (losses)/gains on revaluation of investments	23	(121 773)	(77 702)	(126 829)	(70 836)
Loss on translation of foreign currency		(1)	–	(1)	–
Other operating income	24	282 291	444 502	268 155	426 763
Total revenue		5 758 180	5 707 722	5 750 046	5 705 831
Expenses					
Gross policyholder benefits and claims Incurred		3 041 642	4 115 699	3 041 642	4 115 699
Reinsurance recoveries		(1 154 019)	(1 079 041)	(1 154 019)	(1 079 041)
Transfer to/(from) insurance liabilities		889 657	(946 701)	889 657	(946 701)
Net Insurance claims		2 777 280	2 089 957	2 777 280	2 089 957
Commissions and other acquisition costs		461 211	525 695	459 949	525 695
Interest paid		116 754	69 290	116 754	69 265
Marketing and administration expenses		2 496 014	2 291 276	2 479 172	2 272 095
Total expenses		5 851 259	4 976 218	5 833 155	4 957 013
Result of operating activities		(93 079)	731 505	(83 110)	748 818
Share of income in associates		18 156	13 633	–	–
Profit before taxation	25	(74 923)	745 138	(83 110)	748 818
Taxation	26	528 249	(179 881)	528 256	(179 526)
Profit for the year		453 326	565 257	445 146	569 292
Profit for the year attributable to:					
Equity holders of the parent		453 326	565 257	445 146	569 292
		453 326	565 257	445 146	569 292

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 30 June 2020

	GROUP		COMPANY	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Profit for the year	**453 326**	565 257	**445 146**	569 292
Other comprehensive income	**2 239**	193	**–**	–
Exchange differences on translation of foreign operations	**2 239**	193	**–**	–
Total other comprehensive income	**455 564**	565 450	**445 146**	569 292
Total comprehensive income attributable to:				
Equity holders of the parent	**455 564**	565 450		
	455 564	565 450		

STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2020

	Equity attributable to owners						
	Issued share capital R'000	Share premium R'000	Foreign currency translation reserve R'000	Non-distributable reserve R'000	Retained earnings R'000	Total ordinary shareholders equity R'000	Total equity R'000
GROUP							
Balance at 1 July 2018	20	19 980	22 051	19 373	1 419 089	1 480 513	1 480 513
Profit for the year	–	–	–	–	565 257	565 257	565 257
Other comprehensive income	–	–	193	–	–	193	193
Total comprehensive income	–	–	193	–	565 257	565 450	565 450
Dividends paid	–	–	–	–	(688 660)	(688 660)	(688 660)
IFRS 9 Transition Adjustment	–	–	–	–	(133 629)	(133 629)	(133 629)
Balance at 30 June 2019	20	19 980	22 243	19 373	1 162 057	1 223 674	1 223 673
Profit for the year	–	–	–	–	453 326	453 326	453 326
Other comprehensive income	–	–	2 239	–	–	2 239	2 239
Total comprehensive income	–	–	2 239	–	453 326	455 565	455 565
Dividends paid	–	–	–	–	(194 881)	(194 881)	(194 881)
Balance at 30 June 2020	20	19 980	24 482	19 373	1 420 502	1 484 359	1 484 358
COMPANY							
Balance at 1 July 2018	20	19 980	–	–	1 344 245	1 364 245	1 364 245
Profit for the year	–	–	–	–	569 292	569 292	569 292
Other comprehensive income	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	569 292	569 292	569 292
Dividends paid	–	–	–	–	(688 660)	(688 660)	(688 660)
Balance at 30 June 2019	20	19 980	–	–	1 224 877	1 244 877	1 244 877
Profit for the year	–	–	–	–	445 146	445 146	445 146
Other comprehensive income	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	445 146	445 146	445 146
Dividends paid	–	–	–	–	(194 732)	(194 732)	(194 732)
Balance at 30 June 2020	20	19 980	–	–	1 475 291	1 495 291	1 495 291

STATEMENTS OF CASH FLOWS

for the year ended 30 June 2020

	Notes	GROUP 2020 R'000	GROUP 2019 R'000	COMPANY 2020 R'000	COMPANY 2019 R'000
Cash flows from operating activities					
Cash receipts from policyholders and other customers		5 323 023	4 986 458	5 296 297	4 993 705
Cash paid to policyholders, suppliers and employees (net of transfer to reserves)		1 535 140	2 503 598	1 576 525	2 511 065
Cash generated from operations	28	6 858 163	7 490 056	6 872 822	7 504 770
Interest paid		(116 754)	(69 290)	(116 754)	(69 265)
Dividends Paid	29	(194 881)	(688 660)	(194 732)	(688 660)
Interest received		201 741	205 791	200 749	204 532
Dividends received	30	53 794	64 187	65 844	74 462
Rental Received		16 617	12 961	16 617	12 926
Other Income		(357 709)	438 095	(371 845)	426 763
Taxation paid	31	(262 410)	(246 907)	(262 410)	(246 493)
Net cash outflow from operating activities		6 198 561	7 206 233	6 210 291	7 219 035
Cash flows from Investing activities					
Acquisition of listed and unlisted investments		(4 678 565)	(6 527 335)	(4 678 565)	(6 527 335)
Dividend received from associates		12 050	10 275	–	–
Acquisition of subsidiaries		(1 984)	(2 155)	(1 984)	(2 155)
Cash movement through acquisition and sale of subsidiaries		–	2 115	–	–
Acquisition of property and equipment		(5 600)	(41 744)	(5 596)	(41 357)
Acquisition of intangible assets		(67 280)	(19 273)	(67 280)	(19 273)
Acquisition of bonds		(4 733 022)	(3 537 795)	(4 733 022)	(3 537 795)
Proceeds on disposal of listed and unlisted investments		2 535 192	1 895 710	2 535 156	1 895 710
Proceeds on disposal of listed investments		220 949	192 266	220 913	192 266
Proceeds on disposal of unlisted investments		2 314 244	1 703 444	2 314 244	1 703 444
Proceeds on disposal of other financial assets		1 045 667	1 452 129	1 045 666	1 452 129
Proceed on disposal of property and equipment		13 042	–	13 042	–
Proceed on sale intangible assets		2 739	–	2 739	–
Increase in loans to subsidiaries		–	–	(750)	–
(Increase)/decrease in loans to group companies		(19 576)	11 173	(19 576)	11 173
Increase in loans		261 553	38 382	261 553	38 382
Net cash outflow/(inflow) from investing activities		(5 635 784)	(6 718 520)	(5 648 619)	(6 730 521)
Cash flows from financing activities					
Increase in long term borrowings		77	102	77	102
Net cash inflow from financing activities		77	102	77	102
Cash and cash equivalents					
Net increase in cash and cash equivalents		562 855	487 816	561 750	488 615
Cash, deposits and similar securities at beginning of year		2 534 326	2 046 510	2 519 438	2 030 823
Cash and cash equivalents at end of year	13	3 097 180	2 534 326	3 081 187	2 519 438

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 103 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 16: *Leases* and IFRIC 23: *Uncertainty Over Income Tax Treatments* as issued by the International Accounting Standards Board (IASB). The Group implemented IFRS 16 using the modified retrospective approach, under this approach, there were no changes to comparative period primary financial statements or note disclosures. There was no impact to opening retained earnings on adoption.

IFRS 16: *Leases* replaces IAS 17: *Leases* and relates interpretations for annual periods beginning on or after 1 July 2019. IFRS 16: *Leases* sets out the requirements for identification, measurement and presentation of leases for a lessor and lessee

IFRS 16: *Leases* requires all leases that meet the recognitions criteria to be accounted for as right-of-use asset with a related lease liability. The impact to the Group for a right-of-use asset of R256.9 million was recognised on adoption with a corresponding lease liability. The net impact on earnings as a result of the adoption of IFRS 16 compared to IAS 17 was R13.6 million.

The standard allows certain practical expedients on adoption of the standards, the Group adopted the following the practical expedients:
- Initial direct costs were excluded from measurement of the right-of-use asset;
- Operating leases with a lease term of less than 12 months as at 1 July 2020 were treated as short term leases;
- A single discount rate was used of a portfolio of leases with similar characteristics;
- Not to apply this standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4;
- Use of hindsight in determining some lease terms; and
- The exemption for short term leases and leases of low value items, lease payments for these will be recognised on a systematic basis over the lease term.

Operating lease commitments	R'000
Operating lease liability as at 1 July 2019	794 907
Not later than one year	86 310
Later than one year and not more than five years	420 039
Later than five years	288 558
Relief option for short-term leases	(2 314)
Lease type obligations – initial application of IFRS 16	26 251
Changes in cashflows – discounting	(54 431)
Sub-leasing accounting – IFRS 16 application	(214 967)
Other	(26 315)
Additional lease liability at 1 July 2019	523 131
Liabilities from finance lease as of 30 June 2019	45
Right-of-use asset	523 176

1. Accounting policies (continued)

1.1 Basis of presentation (continued)

Adoption of new and revised standards (continued)

Standards, interpretations and amendments to published standards that are not yet effective as at June 2020

The following amendment to IFRS will have an impact on the Group and Company's future financial statements:

- IFRS 17: *Insurance Contracts* – original issue that replaces IFRS 4 Insurance Contracts (effective from annual periods beginning on or after 1 January 2023). This standard is expected to have a material impact on the financial statements. A group-wide implementation project is currently in progress.

International Financial Reporting Standards ("IFRS")		
Amendments to References to the Conceptual Framework in IFRS Standards	Amendments to references to the conceptual framework in IFRS Standards	Annual period beginning on or after 1 January 2020
Amendments to IFRS 3 (October 2018)	Definition of business	Annual period beginning on or after 1 January 2020
Amendments to IAS 1 and IAS 8 (October 2018)	Definition of material	Annual period beginning on or after 1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 (September 2019)	Interest rate benchmark reform	Annual period beginning on or after 1 January 2020
Amendments to IFRS 16	COVID-19-related rent concessions	Annual period beginning on or after 1 January 2020
Amendments to IAS 1	Classification of liabilities as current or non-current	Annual period beginning on or after 1 January 2020
Annual improvements to IFRS Standards 2018 – 2020 (May 2020)	Annual improvements to IFRS Standards 2018 – 2020 (May 2020)	Annual period beginning on or after 1 January 2020
Amendments to IFRS 3 (May 2020)	Reference to the conceptual framework	Annual period beginning on or after 1 January 2020
Amendments to IAS 37 (May 2020)	Onerous contracts-cost of fulfilling a contract	Annual period beginning on or after 1 January 2020

Reclassification of comparatives

During the current financial year, a classification exercise was performed, certain accounts were reclassified. The impact on comparatives is tabled below:

	GROUP			COMPANY		
	Current year R'000	Prior year R'000	Variance R'000	Current year R'000	Prior year R'000	Variance R'000
2019						
Assets						
Reinsurance asset	611 057	224 454	386 603	611 057	224 454	386 603
Insurance, loans and receivable	706 387	833 562	(127 175)	704 967	832 143	(127 176)
Liabilities						
Insurance liabilities	18 317 099	17 930 497	386 603	18 317 099	17 930 497	386 603
Trade and other liabilities	1 175 910	1 303 086	(127 176)	1 163 333	1 290 509	(127 176)

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. Under the equity method, investments in associates are carried in the consolidated statement of financial position's reserves at cost and adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any impairment in the value of individual investments. Post-acquisition losses of an associate in excess of the Group's interest in that associate, which includes any long-term interest that, in substance form part of the Group's net investments in associates, are not recognised unless the Group has incurred obligations or made payments on behalf of the associate. Post-acquisition profits are recognised in the income statement.

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

1. Accounting policies (continued)

1.2 Basis of consolidation (continued)

Goodwill

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

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

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

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

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.

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).

Acquired rights over books of business

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

1.6 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.

1. Accounting policies (continued)

1.6 Financial instruments (continued)

Financial assets (continued)

Investments (continued)

ii) Financial assets at amortised cost

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.

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. 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

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 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 amortised cost.

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.

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.

1. Accounting policies (continued)

1.7 Impairment of assets excluding goodwill (continued)

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 PD and 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.

1.10 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

The Group has considered the possible impact of the COVID-19 pandemic and the related decline in economic conditions and outlook, as well as on expected policyholder behaviour around lapses, surrenders, and withdrawals. It has reviewed recent claims experience, publicly available models that project infection and mortality rates of COVID-19 and has also observed the outcomes from premium relief options that clients have exercised in the last three months of the financial year.

The COVID-19 pandemic is an event which is unprecedented, and has highly uncertain outcomes. Management has considered the potential impact of COVID-19 on the Group and, in the absence of credible experience data, have set aside an explicit provision in addition to the base actuarial assumptions and liability to allow for this additional uncertainty.

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 Solvency Capital Requirement (SCR) for statutory purposes in accordance with the SAPs and APNs issued by ASSA and Financial Soundness Standards For Insurers (FSI) issued by the Prudential Authority (PA).

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.

1. Accounting policies (continued)

1.11 Policyholder insurance and investment contracts – classification (continued)

Classification of insurance and investment contracts (continued)

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.

Amounts received under investment contracts, and unit-linked assurance contracts are not recorded through profit or loss, except for fee income and investment income attributable to those contracts, but are accounted for directly through the consolidated statement of financial position as an adjustment to investment contract liabilities.

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.

iii) 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. The reinsurance debtors are assessed for recoverability annually.

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 Solvency Capital Requirement (SCR) as part of the risk management framework

The Group and Company are required to demonstrate solvency to the Prudential Authority. This requires the Group and Company to demonstrate that it has sufficient assets to meet its liabilities and SCR, in the event of substantial deviations from the main risk assumptions affecting the business. Regulatory returns are submitted to the PA quarterly. The SCR is one of two key solvency requirements (with the Minimum Capital Requirement (MCR) being the other) designed to ensure the security of policyholder obligations and to provide triggers for regulatory intervention. The SCR is the primary requirement within the FSIs.

The SCR is designed to ensure that a sufficient minimum level of eligible own funds is held against the key risks to which an insurer is exposed. The SCR captures risks covering existing business over the coming 12 months. It is calibrated to correspond to the Value-at-Risk of an insurer's basic own funds at a confidence level of 99.5% over a one-year period.

Hollard uses the standardised formula for calculating the SCR.

The standardised formula for calculating the SCR is designed for use by insurers in South Africa. The main features of the standardised formula are that it:

- Is a forward-looking, risk-based measure that addresses the key risks faced by insurers;
- Measures risks primarily through the application of stress scenarios to an insurer's assets and liabilities;
- Is proportionate in that it allows for the use of simplified calculations under certain conditions; and
- Makes allowance for the risk-reducing impact of diversification benefits between risks, and also for risk mitigation instruments, changes to policyholder behaviour and future management actions.

The standardised formula requires the calculation of capital requirements for each key risk category, namely market risk, underwriting risk and operational risk. The capital requirements for each risk category are aggregated using a correlation matrix prescribed in the FSIs which allows for diversification benefits between some risk categories in calculating the SCR.

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.

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 Head of Actuarial Function (HAF) reports annually on the actuarial soundness of the premium rates in use and the financial soundness 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.

1. Accounting policies (continued)

1.11 Policyholder insurance and investment contracts – classification (continued)

Liability adequacy test (continued)

i) 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 2020, and unlisted equities, stated at fair value as determined by either the contractual terms of the investment or by directors' valuation. Policyholder liabilities are valued in accordance with the long-term assumptions set out in the Company's Statement of actuarial values of assets and liabilities.

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..

1.12 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. On certain books of business, data constraints does not allow for the accrual basis to be applied. In these circumstances, premium is recognised on receipt. 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. Accounting policies (continued)

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.

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. Taxation in respect of the South African life insurance operations is determined in accordance with the rates and basis applicable to section 29A of the Income Tax Act at the reporting date.

Current taxation

The charge for current tax is based on the results for the year as adjusted for items which are non-taxable or disallowed. It is calculated using taxation rates that have been enacted or substantively enacted by the reporting date.

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.

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.

1.16 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 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lessor

Operating leases

Rental income is recognised in the statement of comprehensive income over the period of the lease term on a systematic line basis. Assets leased under operating leases are included under the appropriate category of assets in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar fixed assets.

Right-of-use assets

Leased assets that meet certain criteria in terms of IFRS 16, are recognised as right-of-use assets with a corresponding liability in the statement of financial position. The assets area amortised over the term of the lease while the liability is reduced as lease payments are made. Finance costs are charged to the statement of comprehensive income over the term of the lease.

Lease costs for low value assets and short term leases are recognised in the statement of comprehensive income over the lease term on a systematic basis. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place..

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 COVID-19 pandemic and resultant significant volatility of markets have created uncertainty in the Group's current and expected future operating environment. This uncertainty has an impact on the judgements and estimates used in preparation of the financial statements.

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 97 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.

1. Accounting policies (continued)

1.19 Critical accounting estimates and judgements in applying accounting policies

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

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.

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

Goodwill

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

2. Financial risk management

2.1 Introduction

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

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

2.2 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.

2. Financial risk management (continued)

2.2 Exposure to risks arising from financial instruments (continued)

2.2.1 Credit risk (continued)

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 108 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 112 to 114. 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 115 of these annual financial statements illustrates the Group's split of assets and liabilities by major currency.

b) Interest rate risk

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

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

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

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) Exposure to credit risk

The carrying amount of financial and insurance assets represent 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	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
GROUP				
Other assets				
Investment in associates	68 789	66 821	–	–
Financial assets at fair value through profit or loss – listed investments	1 284 592	1 347 017	–	–
Financial assets at fair value through profit or loss – unlisted investments	11 714 095	10 089 192	23 485	29 886
Financial assets at fair value through profit or loss – bonds	10 808 311	6 118 663	10 808 311	6 118 663
Financial assets at amortised cost	331 895	311 597	331 895	311 597
Loans and other receivables	377 697	502 060	377 697	502 060
Loans – interest-bearing	76 973	177 718	76 973	177 718
Loans – non-interest-bearing	78 648	91 686	78 648	91 686
Other loans and receivables	222 076	232 656	222 076	232 656
Cash and cash equivalents	3 097 180	2 534 326	3 085 362	2 519 438
Insurance assets				
Insurance receivables – premium debtors	315 217	334 466	315 217	334 466
Reinsurance assets	621 827	611 057	621 827	611 057
Total	28 619 299	21 915 199	15 563 794	10 427 167
COMPANY				
Other assets				
Investment in subsidiaries	15 180	18 260	–	–
Loans to subsidiaries	750	–	750	–
Investment in associates	78 547	73 600	–	–
Financial assets at fair value through profit or loss – listed investments	1 284 592	1 346 973	–	–
Financial assets at fair value through profit or loss – unlisted investments	11 714 095	10 089 192	23 485	29 886
Financial assets at fair value through profit or loss – bonds	10 808 311	6 118 663	10 808 311	6 118 663
Financial assets at amortised cost	331 895	311 597	331 895	311 597
Loans and other receivables	376 495	500 642	376 495	500 642
Loans – interest-bearing	76 973	177 718	76 973	177 718
Loans – non-interest-bearing	78 648	91 686	78 648	91 686
Other loans and receivables	220 874	231 238	220 874	231 238
Cash and cash equivalents	3 081 187	2 519 438	3 081 187	2 519 438
Insurance assets				
Insurance receivables – premium debtors	315 217	334 466	315 217	334 466
Reinsurance assets	621 827	611 057	621 827	611 057
Total	28 628 096	21 923 888	15 559 167	10 425 749

b) 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.

	AA- R'000	A+ R'000	A R'000	A- R'000	BBB- R'000	BB+ R'000	BB R'000	BB- R'000	B R'000	Not rated R'000	Total R'000
GROUP											
2020											
Other assets											
Financial assets at fair value through profit or loss – listed investments	–	–	–	–	–	–	–	–	–	23 485	23 485
Financial assets at fair value through profit or loss – bonds	–	–	49 406	–	–	9 925 654	541 087	938	239 540	51 688	10 808 311
Financial assets at amortised cost	–	–	–	–	–	–	–	–	–	331 895	331 895
Loans and other receivables	–	–	–	–	–	–	–	–	–	377 697	377 697
Loans – interest-bearing	–	–	–	–	–	–	–	–	–	76 973	76 973
Loans – non-interest-bearing	–	–	–	–	–	–	–	–	–	78 648	78 648
Other loans and receivables	–	–	–	–	–	–	–	–	–	222 076	222 076
Cash and cash equivalents	–	13 171	6 451	–	149	974 043	1 400 466	17 363	–	673 719	3 085 362
Insurance assets											
Insurance receivables – premium debtors	–	–	–	–	–	6 875	18 500	–	–	289 842	315 217
Reinsurance assets	–	–	–	3 329	–	4 155	–	–	–	614 343	621 827
Total	–	13 171	55 857	3 329	149	10 910 727	1 960 053	18 301	239 540	2 362 669	15 563 794
2019											
Other assets											
Financial assets at fair value through profit or loss – listed investments	–	–	–	–	–	–	–	–	–	29 887	29 887
Financial assets at fair value through profit or loss – bonds	–	–	50 937	–	5 682 490	129 177	–	–	217 027	39 031	6 118 663
Financial assets at amortised cost	–	–	–	–	–	–	–	–	–	311 597	311 597
Loans and other receivables	–	–	–	–	–	–	–	–	–	502 060	502 060
Loans – interest-bearing	–	–	–	–	–	–	–	–	–	177 718	177 718
Loans – non-interest-bearing	–	–	–	–	–	–	–	–	–	91 686	91 686
Other loans and receivables	–	–	–	–	–	–	–	–	–	232 656	232 656
Cash and cash equivalents	21 723	–	272	–	1 056 417	1 117 902	–	17 365	–	320 647	2 534 326
Insurance assets											
Insurance receivables – premium debtors	–	17 279	–	–	30 659	–	–	–	–	286 529	334 466
Reinsurance assets	–	43 618	–	23 540	105 638	–	5 035	–	–	433 226	611 057
Total	21 723	60 897	51 209	23 540	6 875 204	1 247 079	5 035	17 365	217 027	1 922 977	10 442 056

3. Risk management (continued)

3.1 Credit risk (continued)

b) Credit rating (continued)

	AA- R'000	A+ R'000	A R'000	A- R'000	BBB- R'000	BB+ R'000	BB R'000	BB- R'000	B R'000	Not rated R'000	Total R'000
COMPANY											
2020											
Other assets											
Loans to subsidiaries	–	–	–	–	–	–	–	–	–	750	750
Financial assets at fair value through profit or loss – unlisted investments	–	–	–	–	–	–	–	–	–	23 485	23 485
Financial assets at fair value through profit or loss – bonds	–	–	49 406	–	–	9 925 654	541 087	938	239 540	51 688	10 808 311
Financial assets at amortised cost	–	–	–	–	–	–	–	–	–	331 895	331 895
Loans and other receivables	–	–	–	–	–	–	–	–	–	376 495	376 495
Loans – interest-bearing	–	–	–	–	–	–	–	–	–	76 973	76 973
Loans – non-interest-bearing	–	–	–	–	–	–	–	–	–	78 648	78 648
Other loans and receivables	–	–	–	–	–	–	–	–	–	220 874	220 874
Cash and cash equivalents	–	13 171	6 451	–	–	970 461	1 400 022	17 363	–	673 719	3 081 187
Insurance assets											
Insurance receivables – premium debtors	–	–	–	–	–	6 875	18 500	–	–	289 842	315 217
Reinsurance assets	–	–	–	3 329	–	4 155	–	–	–	614 343	621 827
Total	–	13 171	55 857	3 329	–	10 907 145	1 959 609	18 301	239 540	2 362 217	15 559 168
2019											
Other assets											
Financial assets at fair value through profit or loss – listed investments	–	–	–	–	–	–	–	–	–	29 887	29 887
Financial assets at fair value through profit or loss – bonds	–	–	50 937	–	5 682 490	129 177	–	–	217 027	39 031	6 118 663
Financial assets at amortised cost	–	–	–	–	–	–	–	–	–	311 597	311 597
Loans and other receivables	–	–	–	–	–	–	–	–	–	500 642	500 642
Loans – interest-bearing	–	–	–	–	–	–	–	–	–	177 718	177 718
Loans – non-interest-bearing	–	–	–	–	–	–	–	–	–	91 686	91 686
Other loans and receivables	–	–	–	–	–	–	–	–	–	231 238	231 238
Cash and cash equivalents	21 723	–	272	–	1 056 417	1 117 902	–	17 365	–	305 760	2 519 439
Insurance assets											
Insurance receivables – premium debtors	–	17 279	–	–	30 659	–	–	–	–	286 529	334 466
Reinsurance assets	–	43 618	–	23 540	105 638	–	5 035	–	–	433 226	611 057
Total	21 723	60 897	51 209	23 540	6 875 204	1 247 079	5 035	17 365	217 027	1 906 672	10 425 751

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 not impaired R'000	Individually impaired R'000	Gross carrying value R'000	Neither past due nor impaired R'000	Past due not impaired R'000	Individually impaired R'000	Gross carrying value R'000
2020								
Loans to subsidiaries	–	–	–	–	750	–	–	750
Financial assets at fair value through profit or loss – unlisted investments	11 714 095	–	–	11 714 095	11 714 095	–	–	11 714 095
Financial assets at fair value through profit or loss – bonds	10 808 311	–	–	10 808 311	10 808 311	–	–	10 808 311
Financial assets at amortised cost	331 895	–	–	331 895	331 895	–	–	331 895
Total	22 854 301	–	–	22 854 301	22 854 301	–	–	22 854 301
Insurance receivables – premium debtors	222 010	32 896	60 311	315 217	222 010	32 896	60 311	315 217
Total	222 010	32 896	60 311	315 217	222 010	32 896	60 311	315 217

	GROUP				COMPANY			
	Neither past due nor impaired R'000	Past due not impaired R'000	Individually impaired R'000	Gross carrying value R'000	Neither past due nor impaired R'000	Past due not impaired R'000	Individually impaired R'000	Gross carrying value R'000
2019								
Financial assets at fair value through profit or loss – unlisted investments	10 089 192	–	–	10 089 192	10 089 192	–	–	10 089 192
Financial assets at fair value through profit or loss – bonds	6 118 663	–	–	6 118 663	6 118 663	–	–	6 118 663
Financial assets at amortised cost	311 597	–	–	311 597	311 597	–	–	311 597
Total	16 519 452	–	–	16 519 452	16 519 452	–	–	16 519 452
Insurance receivables – premium debtors	255 605	78 861	8 801	343 267	255 605	78 861	8 801	343 267
Total	255 605	78 861	8 801	343 267	255 605	78 861	8 801	343 267

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
2020										
Insurance receivables – premium debtors	–	6 734	6 116	20 046	32 896	–	6 734	6 116	20 046	32 896
	–	6 734	6 116	20 046	32 896	–	6 734	6 116	20 046	32 896
2019										
Insurance receivables – 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

Movement in the allowance for impairment in receivables and premium debtors

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:

	GROUP		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Balance at the beginning of the year	(8 801)	(5 988)	(8 801)	(5 988)
– Collective impairment loss reversed	16 956	14 264	16 956	14 264
– Collective impairment loss recognised	(68 467)	(17 077)	(68 467)	(17 077)
Balance at the end of the year	(60 312)	(8 801)	(60 312)	(8 801)

3. Risk management (continued)

3.1 Credit risk (continued)

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

	GROUP				COMPANY			
			Subjected to lifetime ECL				Subjected 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
Balance at the beginning of the year	150 742	–	1 361	149 381	150 742	–	1 361	149 381
Originations, purchases and interest accruals	2 954	–	–	2 954	2 954	–	–	2 954
Repayments and other derecognitions (excluding write-offs)	(1 676)	–	(4 829)	3 153	(1 676)	–	(4 829)	3 153
Model changes, interest accrued and write offs	32 908	–	–	32 908	32 908	–	–	32 908
Balance at the end of the year	184 928	–	(3 468)	188 396	184 928	–	(3 468)	188 396

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.

Further, judgement was applied in the current period due to uncertainty arising as a result of COVID-19 due to less liquidity and greater volatility in financial markets. This has increased the criticality of estimates, assumptions and judgements in the assessment of the valuation of the ECL allowance. The critical inputs in these valuations relate to projection of future cash flows and discount rates.

3.2 Liquidity risk

3.2.1 Maturity profile on financial and insurance assets – contractual cash flows 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 value in statement of financial position 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						
2020						
Financial assets at fair value through profit or loss	23 806 998	23 806 998	11 924 719	1 251 161	9 055 204	1 575 913
Financial assets at amortised cost	331 895	331 895	–	–	–	331 895
Reinsurance assets	621 827	621 827	621 827	–	–	–
Insurance, loans and other receivables	692 915	692 915	692 915	–	–	–
Cash and cash equivalents	3 097 180	3 085 362	3 085 213	149	–	–
Total	28 550 815	28 538 997	16 324 674	1 251 310	9 055 204	1 907 808
2019						
Financial assets at fair value through profit or loss	17 554 872	17 554 828	10 483 615	–	6 135 474	935 738
Financial assets at amortised cost	311 597	311 597	–	–	–	311 597
Reinsurance assets	611 057	611 057	611 057	–	–	–
Insurance, loans and other receivables	833 562	833 562	833 562	–	–	–
Cash and cash equivalents	2 534 326	2 534 326	2 534 326	–	–	–
Total	21 845 414	21 845 370	14 462 560	–	6 135 474	1 247 335

	Carrying value in statement of financial position 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						
2020						
Financial assets at fair value						
Loans to subsidiaries	750	750	–	750	–	–
Financial assets at fair value through profit or loss	23 806 998	23 806 998	11 924 719	1 251 161	9 055 204	1 575 913
Financial assets at amortised cost	331 895	331 895	–	–	–	331 895
Reinsurance assets	621 827	621 827	621 827	–	–	–
Insurance, loans and other receivables	691 713	691 713	691 713	–	–	–
Cash and cash equivalents	3 081 187	3 081 187	3 081 187	–	–	–
Total	28 534 370	28 534 370	16 319 446	1 251 911	9 055 204	1 907 808
2019						
Financial assets at fair value through profit or loss	17 554 828	17 554 828	10 483 615	–	6 135 474	935 738
Financial assets at amortised cost	311 597	311 597	–	–	–	311 597
Reinsurance assets	611 057	611 057	611 057	–	–	–
Insurance, loans and other receivables	832 791	832 791	832 791	–	–	–
Cash and cash equivalents	2 519 438	2 519 438	2 519 438	–	–	–
Total	21 829 711	21 829 711	14 446 901	–	6 135 474	1 247 335

3.2.2 Maturity profile on financial liabilities – contractual cash flows liabilities

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

	Carrying value in statement of financial position 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	Open-ended R'000
GROUP							
2020							
Non-derivative financial liabilities							
Trade and other payables and employee benefits	2 060 550	2 060 549	2 060 549	–	–	–	–
Trade and other payables	1 886 930	1 886 930	1 886 930	–	–	–	–
Employee benefits	173 620	173 620	173 620	–	–	–	–
Total	2 060 550	2 060 549	2 060 549	–	–	–	–
2019							
Non-derivative financial liabilities							
Trade and other payables and employee benefits	1 457 727	1 457 727	1 457 727	–	–	–	–
Trade and other payables	1 303 085	1 303 085	1 303 085	–	–	–	–
Employee benefits	154 642	154 642	154 642	–	–	–	–
Total	1 457 727	1 457 727	1 457 727	–	–	–	–

3. Risk management (continued)

3.2 Liquidity risk (continued)

3.2.2 Maturity profile on financial liabilities – contractual cash flows liabilities (continued)

	Carrying value in statement of financial position 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	Open-ended R'000
COMPANY							
2020							
Non-derivative financial liabilities							
Trade and other payables and employee benefits	**2 061 668**	**2 061 668**	**2 061 668**	–	–	–	–
Trade and other payables	**1 888 632**	**1 888 632**	**1 888 632**	–	–	–	–
Employee benefits	**173 036**	**173 036**	**173 036**	–	–	–	–
Total	**2 061 668**	**2 061 668**	**2 061 668**	–	–	–	–
2019							
Non-derivative financial liabilities							
Trade and other payables and employee benefits	1 445 524	1 445 524	1 445 524	–	–	–	–
Trade and other payables	1 291 157	1 291 157	1 291 157	–	–	–	–
Employee benefits	154 367	154 367	154 367	–	–	–	–
Total	1 445 524	1 445 524	1 445 524	–	–	–	–

3.2.3 Maturity profile on financial liabilities – probable contractual cash outflows

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

	Probable cash outflows R'000	Maturity within a year R'000	Maturity between 2 and 5 years R'000
GROUP			
2020			
Policyholder liabilities	**23 823 156**	–	**23 823 156**
Claims reported and loss adjustment expenses	**521 498**	–	**521 498**
Claims incurred but not yet reported	**259 898**	–	**259 898**
Unearned premium provision	**206 880**	–	**206 880**
Reinsurance liabilities	**219 800**	**219 800**	–
	25 031 232	**219 800**	**24 811 432**
2019			
Policyholder liabilities	16 972 954	–	16 972 954
Claims reported and loss adjustment expenses	412 207	–	412 207
Claims incurred but not yet reported	238 527	–	238 527
Unearned premium provision	269 906	–	269 906
Reinsurance liabilities	243 740	243 740	–
	18 137 334	243 740	17 893 594

	Probable cash outflows R'000	Maturity within a year R'000	Maturity between 2 and 5 years R'000
COMPANY			
2020			
Policyholder liabilities	**23 823 156**	**–**	**23 823 156**
Claims reported and loss adjustment expenses	**521 498**	**–**	**521 498**
Claims incurred but not yet reported	**259 898**	**–**	**259 898**
Unearned premium provision	**206 880**	**–**	**206 880**
Reinsurance liabilities	**219 800**	**219 800**	**–**
	25 031 232	**219 800**	**24 811 432**
2019			
Policyholder liabilities	16 972 954	–	16 972 954
Claims reported and loss adjustment expenses	412 207	–	412 207
Claims incurred but not yet reported	238 527	–	238 527
Unearned premium provision	269 906	–	269 906
Reinsurance liabilities	243 740	243 740	–
	18 137 334	243 740	17 893 594

3.3 Market risk

3.3.1 Sensitivity analysis – currency risk

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

The following significant exchange rates applied during the year:

	2020		2019	
	Average Rate	Reporting date spot rate	Average Rate	Reporting date spot rate
GROUP				
British Pound	**17.33**	**19.49**	18.36	17.88
US Dollar	**15.68**	**17.35**	14.19	14.09

3.3.2 Sensitivity analysis – foreign currency exposure

A 10% strengthening/(devaluation) in the relevant foreign currencies against ZAR at the reporting date would have increased/(decreased) equity and profit/(loss) by the amounts shown below. This assumes that all other variables, in particular interest rates, remain constant.

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

	Profit/(loss)		Equity	
	10% increase R'000	10% decrease R'000	10% increase R'000	10% decrease R'000
GROUP				
2020				
US Dollar	**4 649**	**(4 649)**	**5 146**	**(5 146)**
	4 649	**(4 649)**	**5 146**	**(5 146)**
2019				
British Pound	2	(2)	2	(2)
US Dollar	3 910	(3 910)	3 880	(3 880)
	3 912	(3 912)	3 882	(3 882)

3. Risk management (continued)

3.3 Market risk (continued)

3.3.2 Sensitivity analysis – foreign currency exposure (continued)

	Profit/(loss)		Equity	
	10% increase R'000	10% decrease R'000	10% increase R'000	10% decrease R'000
COMPANY				
2020				
British Pound	4 649	4 649	5 146	5 146
	4 649	4 649	5 146	5 146
2019				
British Pound	2	(2)	2	(2)
US Dollar	3 910	(3 910)	3 880	(3 880)
	3 912	(3 912)	3 882	(3 882)

3.3.3 Sensitivity analysis – interest rate risk

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

	2020			2019		
	Carrying amount R'000	Nominal interest rate %	Effective interest rate %	Carrying amount R'000	Nominal interest rate %	Effective interest rate %
Profile – GROUP						
Fixed rate instruments						
Financial assets						
Bonds						
Due in 2 years	1 543 643	8.67	11.28	269 110	8.75	11.29
Due between 2 years and 5 years*	8 689 199	11.75	11.67	5 681 450	8.25	8.85
Due after 5 years	575 469	10.24	10.30	168 103	10.98	11.07
	10 808 311			6 118 663		
Variable rate instruments						
Financial assets						
Loans – interest-bearing	76 973			174 754		
Cash and cash equivalents	3 097 180			2 534 326		
	3 174 154			2 709 080		
Profile – COMPANY						
Fixed rate instruments						
Financial assets						
Bonds						
Due in 2 years	1 543 643	8.67	11.28	269 110	8.75	11.29
Due between 2 years and 5 years*	8 689 199	11.75	11.67	5 681 450	8.25	8.85
Due after 5 years	575 469	10.24	10.30	168 103	10.98	11.07
	10 808 311			6 118 663		
Variable rate instruments						
Financial assets						
Loans – interest-bearing	76 973			174 754		
Cash and cash equivalents	3 081 187			2 519 438		
	3 158 160			2 694 192		

** 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.*

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

Sensitivity analysis – variable rate exposure

	Profit/(loss)		Equity	
	2% increase R'000	2% decrease R'000	2% increase R'000	2% decrease R'000
GROUP				
2020				
Loans – interest-bearing	**2 905**	**(2 905)**	**2 905**	**(2 905)**
Cash and cash equivalents	**203 099**	**(203 099)**	**203 099**	**(203 099)**
	206 004	**(206 004)**	**206 004**	**(206 004)**
2019				
Loans – interest-bearing	3 301	(3 301)	3 301	(3 301)
Cash and cash equivalents	155 864	(155 864)	155 864	(155 864)
	159 165	(159 165)	159 165	(159 165)
COMPANY				
2020				
Loans – interest-bearing	**2 905**	**(2 905)**	**2 905**	**(2 905)**
Cash and cash equivalents	**203 099**	**(203 099)**	**203 099**	**(203 099)**
	206 004	**(206 004)**	**206 004**	**(206 004)**
2019				
Loans – interest-bearing	3 301	(3 301)	3 301	(3 301)
Cash and cash equivalents	155 864	(155 864)	155 864	(155 864)
	159 165	(159 165)	159 165	(159 165)

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 200 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 2019.

Sensitivity analysis – exposure to equity price risk

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

	2020			2019		
	Carrying amount R'000	Listed/ Not listed	Relevant stock exchange	Carrying amount R'000	Listed/ Not listed	Relevant stock exchange
GROUP						
Ordinary shares	**1 284 592**	**Listed**	**JSE**	1 346 973	Listed	JSE
Ordinary shares	**369 120**	**Not listed**	**N/A**	259 838	Not listed	N/A
Preference shares	**355 379**	**Not listed**	**N/A**	341 483	Not listed	N/A
	2 009 091			1 948 294		
COMPANY						
Ordinary shares	**1 284 592**	**Listed**	**JSE**	1 346 973	Listed	JSE
Ordinary shares	**369 120**	**Not listed**	**N/A**	259 838	Not listed	N/A
Preference shares	**355 379**	**Not listed**	**N/A**	341 483	Not listed	N/A
	2 009 091			1 948 294		

3. Risk management (continued)

3.3 Market risk (continued)

3.3.3 Sensitivity analysis – interest rate risk (continued)

Sensitivity analysis

All other variables constant, for listed equity investments, a 200 basis point increase/(decrease) in the relevant stock exchange index over the year would have increased/(decreased) equity and profit/(loss) by the amounts shown below. The analysis is performed on the same basis for 2019.

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 2019.

Sensitivity analysis – index exposure

	Profit/(loss)		Equity	
	2% increase R'000	2% decrease R'000	2% increase R'000	2% decrease R'000
GROUP				
2020				
Ordinary shares – listed – JSE	**25 692**	**(25 692)**	**25 692**	**(25 692)**
Ordinary shares – not listed	**6 311**	**(6 311)**	**6 311**	**(6 311)**
Preference shares – not listed	**6 937**	**(6 937)**	**6 937**	**(6 937)**
	38 940	**(38 940)**	**38 940**	**(38 940)**
2019				
Ordinary shares – listed – JSE	26 939	(26 939)	26 939	(26 939)
Ordinary shares – not listed	3 947	(3 947)	3 947	(3 947)
Preference shares – not listed	6 560	(6 560)	6 560	(6 560)
	37 446	(37 446)	37 446	(37 446)
COMPANY				
2020				
Ordinary shares – listed – JSE	**25 692**	**(25 692)**	**25 692**	**(25 692)**
Ordinary shares – not listed	**6 311**	**(6 311)**	**6 311**	**(6 311)**
Preference shares – not listed	**6 937**	**(6 937)**	**6 937**	**(6 937)**
	38 940	**(38 940)**	**38 940**	**(38 940)**
2019				
Ordinary shares – listed – JSE	26 939	(26 939)	26 939	(26 939)
Ordinary shares – not listed	3 947	(3 947)	3 947	(3 947)
Preference shares – not listed	6 560	(6 560)	6 560	(6 560)
	37 446	(37 446)	37 446	(37 446)

3.4 Comprehensive income

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	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Interest income on unimpaired loans and receivables	**33 777**	28 844	**33 777**	28 844
Interest income on financial assets at fair value through profit or loss	**90 829**	72 740	**89 837**	72 740
Interest income on financial assets at amortised cost	**110 912**	104 207	**110 912**	102 948
Net gain on financial assets as at fair value through profit and loss*	**(48 957)**	19 577	**(41 963)**	(15 425)
Financial income	**186 561**	225 368	**192 563**	189 107

** Net gains include realised and unrealised gains and losses as well as dividends.*

	GROUP		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Interest expense on financial liabilities measured at amortised cost	(116 754)	(69 290)	(116 754)	(69 265)
Net fee costs from third parties in respect of holding financial assets	(14 516)	(12 173)	(14 516)	(12 173)
Financial expense	(131 270)	(81 463)	(131 270)	(81 438)
Net financial income	55 291	195 729	61 293	212 885
The above financial income and expense items include the following in respect of financial assets/liabilities not at fair value through profit and loss:				
Total interest income	124 606	133 473	123 614	132 213
Total interest expense	(116 754)	(69 290)	(116 754)	(69 265)
Net Interest income	7 852	64 183	6 860	62 948

Impairment losses

The amount of the impairment loss for each class of financial asset during the reporting period was as follows:

	GROUP 2020 R'000	GROUP 2019 R'000	COMPANY 2020 R'000	COMPANY 2019 R'000
Impairment of other loans and receivables				
– Impairment (recognised)/reversed	(23 035)	(23 574)	(23 035)	(23 574)
Impairment of premium debtors				
– Impairment (recognised)/reversed	(160 311)	(8 801)	(160 311)	(8 801)
Impairment losses	(83 346)	(32 375)	(83 346)	(32 375)

4. Property and equipment

	GROUP 2020 R'000	GROUP 2019 R'000	COMPANY 2020 R'000	COMPANY 2019 R'000
Cost				
Leasehold improvements	169 423	176 332	169 423	176 332
Motor vehicles	269	322	269	322
Office equipment	53 053	67 826	52 676	67 453
Office equipment	7 898	7 670	7 898	7 670
Computer hardware	17 217	30 256	17 016	30 059
Furniture and fittings	27 938	29 900	27 762	29 724
Property and equipment – cost	222 745	244 480	222 368	244 107
Accumulated depreciation				
Leasehold improvements	(69 483)	(56 813)	(69 483)	(56 813)
Motor vehicles	(251)	(251)	(251)	(251)
Office equipment	(23 251)	(24 090)	(23 104)	(24 030)
Office equipment	(2 217)	(1 432)	(2 217)	(1 432)
Computer hardware	(10 148)	(14 257)	(10 050)	(14 218)
Furniture and fittings	(10 886)	(8 401)	(10 837)	(8 380)
Property and equipment – accumulated depreciation and impairment	(92 985)	(81 154)	(92 838)	(81 094)
Net carrying amount				
Leasehold improvements	99 940	119 519	99 940	119 519
Motor vehicles	18	72	18	72
Office equipment	29 802	43 737	29 574	43 423
Office equipment	5 681	6 238	5 681	6 238
Computer hardware	7 069	16 000	6 967	15 841
Furniture and fittings	17 052	21 499	16 926	21 344
Property and equipment – carrying value	129 760	163 328	129 532	163 014

	GROUP		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
4. Property and equipment (continued)				
Reconciliation of movement on net carrying amount:				
Balance at the beginning of the year	163 327	154 624	163 013	154 624
Additions	5 599	41 731	5 596	41 357
Leasehold improvements	4 883	25 956	4 883	25 956
Office equipment	228	662	228	662
Computer hardware	3	8 686	–	8 488
Furniture and fittings	485	6 427	485	6 251
Acquisitions	–	14	–	–
Office equipment	–	14	–	–
Depreciation for the year	(26 125)	(33 034)	(26 036)	(32 969)
Leasehold improvements	(20 950)	(23 743)	(20 950)	(23 743)
Motor vehicles	(54)	(96)	(54)	(96)
Office equipment	(785)	(732)	(785)	(726)
Computer hardware	(562)	(5 522)	(502)	(5 484)
Furniture and fittings	(3 774)	(2 941)	(3 745)	(2 920)
Disposals	(13 042)	(7)	(13 042)	–
Leasehold improvements	(3 512)	–	(3 512)	–
Motor vehicles	–	–	–	–
Computer hardware	(8 372)	(7)	(8 372)	–
Furniture and fittings	(1 158)	–	(1 158)	–
Balance at the end of the year	129 759	163 328	129 531	163 013
5. Right-of-use				
Cost				
Property	251 337	–	251 337	–
Motor vehicles	5 524	–	5 524	–
Office equipment	94	–	94	–
Right-of-use asset – cost	256 955	–	256 955	–
Accumulated depreciation				
Property	(35 901)	–	(35 901)	–
Motor vehicles	(1 139)	–	(1 139)	–
Office equipment	(63)	–	(63)	–
Right-of-use asset – accumulated depreciation and impairment	(37 103)	–	(37 103)	–
Net carrying amount				
Property	215 436	–	215 436	–
Motor vehicles	4 385	–	4 385	–
Office equipment	31	–	31	–
Right-of-use assets – carrying value	219 852	–	219 852	–
Reconciliation of movement on net carrying amount:				
Balance at the beginning of the year	–	–	–	–
Recognised on 1 July 2019 on adoption of IFRS 16	256 955	–	256 955	–
Property	251 337	–	251 337	–
Motor vehicles	5 524	–	5 524	–
Office equipment	94	–	94	–
Depreciation for the year	(37 103)	–	(37 103)	–
Property	(35 901)	–	(35 901)	–
Motor vehicles	(1 139)	–	(1 139)	–
Office equipment	(63)	–	(63)	–
Balance at the end of the year	219 852	–	219 852	–

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
6. Intangible assets				
Cost				
Computer software	113 749	49 207	113 749	49 207
Acquired rights over books of business	9 020	9 020	9 020	9 020
Intangible assets – cost	122 769	58 227	122 769	58 227
Accumulated amortisation and impairment				
Computer software	(28 399)	(20 683)	(28 399)	(20 683)
Acquired rights over books of business	(6 625)	(5 122)	(6 625)	(5 122)
Intangible assets – accumulated amortisation and impairment	(35 024)	(25 805)	(35 024)	(25 805)
Net carrying amount				
Computer software	85 350	28 524	85 350	28 524
Acquired rights over books of business	2 395	3 898	2 395	3 898
Intangible assets	87 745	32 422	87 745	32 422
Reconciliation of movement on net carrying amount:				
Balance at the beginning of the year	32 422	25 473	32 422	25 473
Additions	67 281	19 274	67 281	19 274
Computer software	67 281	10 254	67 281	10 254
Acquired rights over books of business	–	9 020	–	9 020
Amortisation for the year	(9 219)	(12 325)	(9 219)	(12 325)
Computer software	(7 716)	(7 203)	(7 716)	(7 203)
Acquired rights over books of business	(1 503)	(5 122)	(1 503)	(5 122)
Disposals	(2 739)	–	(2 739)	–
Computer software	(2 739)	–	(2 739)	–
Balance at the end of the year	87 745	32 422	87 745	32 422

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.

	Company 2020 R'000	Company 2019 R'000
7. Investment in subsidiaries		
Interest in subsidiaries comprises:		
Shares at fair value through profit or loss	15 180	18 260
Loans to subsidiaries	750	–
Investments in subsidiaries	15 930	18 260

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
8. Investment in associates				
Interest in associates comprises:				
Shares at fair value through profit or loss	60 494	55 547	78 547	73 600
Group share of post acquisition profits, losses and reserves	7 991	11 274	–	–
Carrying value of associates	68 485	66 821	78 547	73 600
Loans to associates	2 260	2 260	2 260	2 260
Impairment on loans	(2 260)	(2 260)	(2 260)	(2 260)
Investment in associates	68 485	66 821	78 547	73 600

	GROUP	
	2020 R'000	2019 R'000

8. Investment in associates (continued)

Financial position of associates

	2020 R'000	2019 R'000
Analysis of associates at 30 June 2020		
Total assets attributable	513 047	451 663
Total liabilities attributable	167 192	135 666
Net assets attributable	345 855	315 997
Net profit before taxation	80 834	57 481
Taxation	(16 483)	(2 336)
Net profit after taxation	64 351	55 145
Group share of post acquisition profits	14 195	12 227
Carrying amount of interest in associates	68 485	66 821
Fair valuation of associates (at Company level)	78 547	73 600

9. Financial assets

	GROUP		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Financial assets at fair value through profit or loss	23 806 998	17 554 872	23 806 998	17 554 828
Financial assets at amortised cost	331 895	311 597	331 895	311 597
	24 138 893	17 866 469	24 138 893	17 866 425
Financial assets at fair value through profit or loss				
Listed investments	1 284 592	1 347 017	1 284 592	1 346 973
Unlisted investments	11 714 095	10 089 192	11 714 095	10 089 192
Bonds	10 808 311	6 118 663	10 808 311	6 118 663
	23 806 998	17 554 872	23 806 998	17 554 828

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

	GROUP 2020	GROUP 2019	COMPANY 2020	COMPANY 2019
Listed investments				
At market value	1 284 592	1 347 017	1 284 592	1 346 973
Analysis of spread of listed investments by market sector	%	%	%	%
Automobiles and parts	0.20	0.22	0.20	0.22
Banks	4.53	4.33	4.53	4.33
Basic resources	3.38	4.41	3.38	4.41
Chemicals	–	0.03	–	0.03
Construction and materials	0.14	0.17	0.14	0.17
Consumer services	0.44	–	0.44	–
Financial services	12.14	6.78	12.14	6.78
Food and beverage	3.32	3.30	3.32	3.30
Healthcare	1.91	0.64	1.91	0.64
Industrial goods and services	3.80	3.41	3.80	3.41
Industrial transportation	0.25	–	0.25	–
Insurance	31.77	40.14	31.77	40.14
Investment instruments	19.97	14.82	19.97	14.82
Media	6.21	3.82	6.21	3.82
Mining	1.99	2.48	1.99	2.48
Oil and gas	0.81	0.61	0.81	0.61
Personal and household goods	1.18	2.31	1.18	2.31
Real estate	2.88	5.56	2.88	5.56
Retail	2.95	4.10	2.95	4.10
Technology	1.10	0.88	1.10	0.88
Travel and leisure	0.05	0.85	0.05	0.85
Telecommunications	0.98	1.14	0.98	1.14
	100.00	100.00	100.00	100.00

	GROUP		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Unlisted Investments				
at fair value	11 714 095	10 089 192	11 714 095	10 089 192
	%	%	%	%
Exchange traded funds	0.24	0.29	0.24	0.29
Private equity investments	0.20	0.30	0.20	0.30
Hedge funds	0.57	0.56	0.57	0.56
Unit trusts	98.97	98.81	98.97	98.81
Ordinary shares	0.02	0.04	0.02	0.04
	100.00	100.00	100.00	100.00
Total listed and unlisted investments at fair value	12 998 687	11 436 209	12 998 687	11 436 165
Bonds				
Bonds and other assets at amortised cost by industry	10 808 311	6 118 663	10 808 311	6 118 663
	%	%	%	%
Financial services	0.40	2.70	0.40	2.70
Banks	95.27	96.25	95.27	96.25
Government	3.93	0.02	3.93	0.02
Insurance	0.38	0.99	0.38	0.99
Real estate	–	0.02	–	0.02
State-owned entities	0.02	0.02	0.02	0.02
	100.00	100.00	100.00	100.00

	Maturity spread R'000	Maturity spread %	Nominal interest rate %	Effective interest rate %
GROUP				
Bonds				
An analysis of debt securities by maturity spread for 2020				
0 – 1 year	293 205	2.71	8.73	11.18
1 – 2 years	1 250 438	11.57	8.61	11.38
2 – 5 years	8 689 199	80.39	11.75	11.67
More than 5 years	575 469	5.32	10.24	10.30
	10 808 311	100.00		
An analysis of debt securities by maturity spread for 2019				
1 – 2 years	269 110	4.40	8.75	11.29
2 – 5 years	5 681 450	92.85	8.25	8.85
More than 5 years	168 103	2.75	10.98	11.07
	6 118 663	100.00		
COMPANY				
Bonds				
An analysis of debt securities by maturity spread for 2020				
0 – 1 year	293 205	2.71	8.73	11.18
1 – 2 years	1 250 438	11.57	8.61	11.38
2 – 5 years	8 689 199	80.39	11.75	11.67
More than 5 years	575 469	5.32	10.24	10.30
	10 808 311	100.00		
An analysis of debt securities by maturity spread for 2019				
1 – 2 years	269 110	4.40	8.75	11.29
2 – 5 years	5 681 450	92.85	8.25	8.85
More than 5 years	168 103	2.75	10.98	11.07
	6 118 663	100.00		

All bonds reported above are South African in origin.

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

	Fair value through profit or loss R'000	Loans and receivables R'000	At amortised cost invest-ments R'000	Total financial instru-ments 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 instru-ments R'000
GROUP								
2020								
Assets								
Investment in associates	68 789	–	–	68 789	–	–	68 789	68 789
Financial assets	23 806 998	–	331 895	24 138 893	–	–	24 138 893	24 138 893
Preference shares and debt instruments	22 522 406	–	331 895	22 854 301	–	–	22 854 301	22 854 301
Equities	1 284 592	–	–	1 284 592	–	–	1 284 592	1 284 592
Reinsurance assets	–	–	–	–	621 827	–	621 827	621 827
Insurance, loans and other receivables	–	56 992	–	56 992	311 047	324 877	692 916	692 916
Cash and cash equivalents	–	–	–	–	–	3 097 180	3 097 180	3 097 180
Total	23 875 787	56 992	331 895	24 264 674	932 874	3 422 057	28 619 605	28 619 605
Liabilities								
Borrowings	–	400 379	–	400 379	–	–	400 379	400 379
Insurance liabilities	23 660 062	–	–	23 660 062	1 556 005	–	25 216 067	25 216 067
Reinsurance liabilities	–	–	–	–	219 800	–	219 800	219 800
Employee benefits	–	–	–	–	–	173 620	173 620	173 620
Trade and other payables	–	–	–	–	–	1 886 930	1 886 930	1 886 930
Total	23 660 062	400 379	-	24 060 441	1 775 805	2 060 549	27 896 796	27 896 796
2019								
Assets								
Investment in associates	66 821	–	–	66 821	–	–	66 821	66 821
Financial assets	17 554 871	–	311 597	17 866 468	–	–	17 866 468	17 866 468
Preference shares and debt instruments	16 207 854	–	311 597	16 519 451	–	–	16 519 451	16 519 451
Equities	1 347 017	–	–	1 347 017	–	–	1 347 017	1 347 017
Reinsurance assets	–	–	–	–	611 057	–	611 057	611 057
Insurance, loans and other receivables	–	299 202	–	299 202	351 818	182 543	833 563	833 563
Cash and cash equivalents	–	–	–	–	–	2 534 326	2 534 326	2 534 326
Total	17 621 692	299 202	311 597	18 232 491	962 875	2 716 869	21 912 235	21 912 235
Liabilities								
Borrowings	–	400 302	–	400 302	–	–	400 302	400 302
Insurance liabilities	17 029 164	–	–	17 029 164	1 287 935	–	18 317 099	18 317 099
Reinsurance liabilities	–	–	–	–	243 740	–	243 740	243 740
Employee benefits	–	–	–	–	–	154 642	154 642	154 642
Trade and other payables	–	–	–	–	–	1 303 085	1 303 085	1 303 085
Total	17 029 164	400 302	–	17 429 466	1 531 675	1 457 727	20 418 868	20 418 868

	Fair value through profit or loss R'000	Loans and receivables R'000	At amortised cost invest-ments R'000	Total financial instru-ments 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 instru-ments R'000
COMPANY								
2020								
Assets								
Investment in subsidiaries	15 180	–	–	15 180	–	–	15 180	15 180
Loans to subsidiaries	–	750	–	750	–	–	750	750
Investment in associates	78 547	–	–	78 547	–	–	78 547	78 547
Financial assets	23 806 998	–	331 895	24 138 893	–	–	24 138 893	24 138 893
Preference shares and debt instruments	22 522 406	–	331 895	22 854 301	–	–	22 854 301	22 854 301
Equities	1 284 592	–	–	1 284 592	–	–	1 284 592	1 284 592
Reinsurance assets	–	–	–	–	621 827	–	621 827	621 827
Insurance, loans and other receivables	–	56 992	–	56 992	311 047	323 674	691 713	691 713
Cash and cash equivalents	–	–	–	–	–	3 081 187	3 081 187	3 081 187
Total	23 900 725	57 742	331 895	24 290 362	932 874	3 404 861	28 628 097	28 628 097
Liabilities								
Borrowings	–	400 379	–	400 379	–	–	400 379	400 379
Insurance liabilities	23 660 062	–	–	23 660 062	1 553 227	–	25 213 289	25 213 289
Reinsurance liabilities	–	–	–	–	219 800	–	219 800	219 800
Employee benefits	–	–	–	–	–	173 036	173 036	173 036
Trade and other payables	–	–	–	–	–	1 903 107	1 903 107	1 903 107
Total	23 660 062	400 379	–	24 060 441	1 773 027	2 061 668	27 895 136	27 895 136
2019								
Assets								
Investment in subsidiaries	18 260	–	–	18 260	–	–	18 260	18 260
Investment in associates	73 600	–	–	73 600	–	–	73 600	73 600
Financial assets	17 554 828	–	311 597	17 866 425	–	–	17 866 425	17 866 425
Preference shares and debt instruments	16 207 854	–	311 597	16 519 451	–	–	16 519 451	16 519 451
Equities	1 346 973	–	–	1 346 973	–	–	1 346 973	1 346 973
Reinsurance assets	–	–	–	–	224 454	–	224 454	224 454
Insurance, loans and other receivables	–	299 202	–	299 202	351 818	181 122	832 142	832 142
Cash and cash equivalents	–	–	–	–	–	2 519 438	2 519 438	2 519 438
Total	17 646 688	299 202	311 597	18 257 487	1 681 723	2 700 560	22 639 770	22 639 770
Liabilities								
Borrowings	–	400 302	–	400 302	–	–	400 302	400 302
Insurance liabilities	17 029 164	–	–	17 029 164	1 287 935	–	18 317 099	18 317 099
Reinsurance liabilities	–	–	–	–	243 740	–	243 740	243 740
Employee benefits	–	–	–	–	–	154 367	154 367	154 367
Trade and other payables	–	–	–	–	–	1 290 510	1 290 510	1 290 510
Total	17 029 164	400 302	–	17 429 466	1 531 675	1 444 877	20 406 018	20 406 018

10. (b) Determination of fair value and fair values hierarchy

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total fair value R'000
GROUP				
2020				
Financial assets carried at fair value through profit or loss				
Interest in associates	–	–	68 789	68 789
Listed investments	908 324	–	376 269	1 284 593
Listed ordinary shares	904 543	–	376 269	1 280 812
Listed debentures	3 781	–	–	3 781
Unlisted investments	95 772	11 592 445	25 878	11 714 096
Unlisted ordinary shares	–	–	2 393	2 393
Unlisted preference shares*	–	–	23 485	23 485
Hedge fund investments	–	67 348	–	67 348
Units trusts	–	11 226 297	–	11 226 297
Pooled funds	18 128	–	–	18 128
Global Independent Administrators (GIA)	9 718	–	–	9 718
Annuities	67 926	298 801	–	366 727
Bonds	3 136 370	7 671 941	–	10 808 311
Total	4 140 466	19 264 386	470 936	23 875 788
2019				
Financial assets carried at fair value through profit or loss				
Interest in associates	–	–	66 821	66 821
Listed investments	843 485	–	503 532	1 347 017
Listed ordinary shares	834 834	–	503 532	1 338 366
Listed debentures	8 651	–	–	8 651
Unlisted investments	23 756	10 031 848	33 588	10 089 192
Unlisted ordinary shares	–	–	3 702	3 702
Unlisted preference shares*	–	–	29 886	29 886
Hedge fund investments	–	56 998	–	56 998
Units trusts	–	9 713 073	–	9 713 073
Pooled funds	23 756	–	–	23 756
GIA	–	5 641	–	5 641
Annuities	–	256 136	–	256 136
Bonds	5 886 636	232 027	–	6 118 663
Total	6 753 877	10 263 875	603 941	17 621 693
COMPANY				
2020				
Financial assets carried at fair value through profit or loss				
Interest in subsidiaries	–	–	15 180	15 180
Interest in associates	–	–	78 547	78 547
Listed investments	908 324	–	376 269	1 284 593
Listed ordinary shares	904 543	–	376 269	1 280 812
Listed debentures	3 781	–	–	3 781
Unlisted investments	95 772	11 592 445	25 878	11 714 096
Unlisted ordinary shares	–	–	2 393	2 393
Unlisted preference shares*	–	–	23 485	23 485
Hedge fund investments	–	67 348	–	67 348
Units trusts	–	11 226 297	–	11 226 297
Pooled funds	18 128	–	–	18 128
GIA	9 718	–	–	9 718
Annuities	67 926	298 801	–	366 727
Bonds	3 136 370	7 671 941	–	10 808 311
Total	4 140 466	19 264 386	495 874	23 900 727

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total fair value R'000
2019				
Financial assets carried at fair value through profit or loss				
Interest in subsidiaries	–	–	18 260	18 260
Interest in associates	–	–	73 600	73 600
Listed investments	843 441	–	503 532	1 346 973
Listed ordinary shares	834 834	–	503 532	1 338 366
Listed debentures	8 607	–	–	8 607
Unlisted investments	23 756	10 031 848	33 588	10 089 192
Unlisted ordinary shares	–	–	3 702	3 702
Unlisted preference shares*	–	–	29 886	29 886
Hedge fund investments	–	56 998	–	56 998
Units trusts	–	9 713 073	–	9 713 073
Pooled funds	23 756	–	–	23 756
GIA	–	5 641	–	5 641
Annuities	–	256 136	–	256 136
Bonds	5 886 636	232 027	–	6 118 663
Total	6 753 833	10 263 875	628 980	17 646 688

** 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. Further, judgement was applied in the current period due to uncertainty arising as a result of COVID-19 due to less liquidity and greater volatility in financial markets. This has increased the criticality of estimates, assumptions and judgements in the assessment of the valuation of Level 3 investments. The critical inputs in these valuations relating to projection of future cash flows and discount rates.

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 9.25% (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.

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

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

	Balance at the beginning of the year R'000	Total gains/(losses) in profit or loss statement R'000	Purchases R'000	Transfer from/(to) other category R'000	Balance at the end of the year R'000	Total gains/(losses) in profit or loss statement R'000
GROUP						
2020						
Financial assets at fair value through profit or loss						
Interest in associates	66 821	1 968	–	–	68 789	1 968
Listed investments	503 532	(127 263)	–	–	376 269	(127 263)
Listed ordinary shares	503 532	(127 263)	–	–	376 269	(127 263)
Unlisted investments	33 588	(11 901)	4 191	–	25 878	(11 901)
Unlisted ordinary shares	3 702	(5 500)	4 191	–	2 393	(5 500)
Unlisted preference shares	29 886	(6 401)	–	–	23 485	(6 401)
	603 941	(137 196)	4 191	–	470 936	(137 196)
2019						
Financial assets at fair value through profit or loss						
Listed investments	552 160	(48 627)	–	–	503 533	(48 627)
Listed ordinary shares	552 160	(48 627)	–	–	503 533	(48 627)
Unlisted investments	2 785	–	917	–	33 588	–
Unlisted ordinary shares	2 785	–	917	–	3 702	–
Unlisted preference shares	–	–	–	29 886	29 886	–
	554 945	(48 627)	917	29 886	537 121	(48 627)
COMPANY						
2020						
Financial assets at fair value through profit or loss						
Interest in subsidiaries	18 260	(5 064)	1 984	–	15 180	(5 064)
Interest in associates	73 600	4 947	–	–	78 547	4 947
Listed investments	503 532	(127 263)	–	–	376 269	(127 263)
Listed ordinary shares	503 532	(127 263)	–	–	376 269	(127 263)
Unlisted investments	33 588	(11 901)	4 191	–	25 878	(11 901)
Unlisted ordinary shares	3 702	(5 500)	4 191	–	2 393	(5 500)
Unlisted preference shares	29 886	(6 401)	–	–	23 485	(6 401)
	628 980	(139 281)	6 175	–	495 874	(139 281)

	Balance at the beginning of the year R'000	Total gains/ (losses) in profit or loss statement R'000	Purchases R'000	Transfer from/(to) other category R'000	Balance at the end of the year R'000	Total gains/ (losses) in profit or loss statement R'000
2019						
Financial assets at fair value through profit or loss						
Interest in subsidiaries	12 197	3 908	2 155	–	18 260	3 908
Interest in associates	70 534	3 066	–	–	73 600	3 066
Listed investments	552 160	(48 627)	–	–	503 533	(48 627)
Listed ordinary shares	552 160	(48 627)	–	–	503 533	(48 627)
Unlisted investments	2 785	–	917	–	33 588	–
Unlisted ordinary shares	2 785	–	917	–	3 702	–
Unlisted preference shares	–	–	–	29 886	29 886	–
Total	637 676	(41 653)	3 072	–	599 093	(41 653)

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

	Carrying amount R'000	2% effect of reasonably possible alternative assumptions (+) R'000	2% effect of reasonably possible alternative assumptions (-) R'000
GROUP			
2020			
Financial assets at fair value through profit or loss			
Interest in associates	**68 789**	**1 376**	**(1 376)**
Listed investments	**376 269**	**7 525**	**(7 525)**
Listed ordinary shares	**376 269**	**7 525**	**(7 525)**
Unlisted investments	**25 878**	**518**	**(518)**
Unlisted ordinary shares	**2 393**	**48**	**(48)**
Unlisted preference shares	**23 485**	**470**	**(470)**
	470 937	**9 419**	**(9 419)**
2019			
Financial assets at fair value through profit or loss			
Interest in associates	73 600	7 360	(7 360)
Listed investments	503 532	–	–
Listed ordinary shares	503 532	–	–
Unlisted investments	33 588	370	(370)
Unlisted ordinary shares	3 702	370	(370)
Unlisted preference shares	29 886	–	–
	603 940	7 730	(7 730)

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

Sensitivity of Level 3 financial instruments measured at fair value to changes in key assumptions (continued)

	Carrying amount R'000	2% effect of reasonably possible alternative assumptions (+) R'000	2% effect of reasonably possible alternative assumptions (-) R'000
COMPANY			
2020			
Financial assets at fair value through profit or loss			
Interest in subsidairies	15 180	304	(304)
Interest in associates	78 547	1 571	(1 571)
Listed investments	376 269	7 525	(7 525)
Listed ordinary shares	376 269	7 525	(7 525)
Unlisted investments	25 878	518	(518)
Unlisted ordinary shares	2 393	48	(48)
Unlisted preference shares	23 485	470	(470)
	495 875	9 918	(9 918)
2019			
Financial assets at fair value through profit or loss			
Interest in subsidiaries	18 260	365	(365)
Interest in associates	73 600	1 472	(1 472)
Listed investments	503 532	10 071	(10 071)
Listed ordinary shares	503 532	10 071	(10 071)
Unlisted investments	33 588	672	(672)
Unlisted ordinary shares	3 702	74	(74)
Unlisted preference shares	29 886	598	(598)
Total	628 980	12 580	(12 580)

11. Insurance, loans and other receivables

	GROUP 2020 R'000	GROUP 2019 R'000	COMPANY 2020 R'000	COMPANY 2019 R'000
Insurance receivables – premium debtors	315 217	334 466	315 217	334 466
Other receivables	320 706	305 272	319 504	304 031
Total insurance and other receivables	635 923	639 738	634 721	638 497

	GROUP		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Loans				
Interest-bearing loans	76 974	177 718	76 974	177 718
Interest-bearing loans to staff	3 439	10 731	3 439	10 731
Interest-bearing loans to other	102 849	166 987	102 849	166 987
Interest-bearing impairment provisions	(29 314)	–	(29 314)	–
Interest free loans	(22 835)	(3 371)	(22 835)	(3 548)
Interest free loans to other	–	90	–	90
Interest free loans to ESD	78 648	91 596	78 648	91 596
Interest free impairment provisions	(101 483)	(95 057)	(101 483)	(95 234)
Total loans	54 139	174 347	54 139	174 170
Receivable from group companies	10 326	38 375	10 326	38 375
Impairment provision	(7 473)	(15 934)	(7 473)	(15 934)
Loans receivable from group companies	2 853	22 441	2 853	22 441
Insurance, loans and other receivables	692 915	836 526	691 713	835 108
The interest rates charged on the secured and unsecured loans comprise:				
Prime	64 847	68 078	64 847	68 078
Prime less 1.36%	2 709	3 489	2 709	3 489
Prime less 5.15%	6 485	6 218	6 485	6 218
Prime plus 2%	10 015	20 774	10 015	20 774
Prime plus 5%	7 273	7 290	7 273	7 290
Interest at 12.5%	–	51 031	–	51 031
South African Revenue Service (SARS) rate	3 439	10 731	3 439	10 731
Hollard Investments Money Market Fund rate	3 218	4 528	3 218	4 528
Johannesburg Inter-Bank Rate (JIBAR) + 7%	5 338	5 579	5 338	5 579
Interest-free loans	(49 185)	(3 371)	(49 185)	(3 548)
Loans receivable	54 139	174 347	54 139	174 170
The repayments terms of secured and unsecured loans comprise:				
90 days after notice	3 439	10 731	3 439	10 731
Repaid quarterly	43 539	77 181	43 539	77 181
Specific date	44 483	73 674	44 483	73 674
No fixed terms of repayment	(37 322)	12 761	(37 322)	12 584
Loans receivable	54 139	174 347	54 139	174 170
The interest rates charged on loans from group companies comprise:				
Prime less 3.8%	10 001	10 005	10 001	10 005
Interest-free loans	(7 148)	9 472	(7 148)	9 472
Loans receivable from group companies	2 853	19 477	2 853	19 477
The repayments terms of loans from group companies comprise:				
Specific date	2 853	18 942	2 853	18 942
No fixed terms of repayment	–	535	–	535
Loans receivable from group companies	2 853	19 477	2 853	19 477

	GROUP		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
12. Deferred taxation				
Deferred income tax assets				
Deferred income tax to be recovered within 12 months	–	–	–	–
Deferred income tax to be recovered after 12 months	859 735	–	859 715	–
Deferred income tax assets	859 735	–	859 715	–
Balance at the beginning of the year	19	15 466	–	15 452
Movement during the year attributed to:				
Unutilised tax losses	700 398	(15 447)	700 398	(15 452)
Unutilised tax losses – transfer in from corporate fund to tax funds	159 317		159 317	
Balance at the end of the year	859 735	19	859 715	–
Balance comprises:				
Unutilised tax losses	700 418	–	700 398	–
Unutilised tax losses – transfer in from corporate fund to tax funds	159 317	–	159 317	–
Balance at end of the year	859 734	–	859 715	–
Deferred income tax liabilities				
Deferred income tax to be recovered within 12 months	–	–	–	–
Deferred income tax to be recovered after 12 months	631 971	444 821	631 971	444 821
Deferred income tax liabilities	631 971	444 821	631 971	444 821
Balance at the beginning of the year	444 822	608 390	444 822	608 390
Movement during the year attributed to:				
Prior year adjustments	16 617	(5 135)	16 617	(5 135)
Provisions	260	1 908	260	1 908
Unrealised gain or losses on assets at fair value through profit/loss	(29 671)	(17 027)	(29 671)	(17 027)
Other income statement movement	–	8 135	–	8 135
Policyholder reserves to be "phased in"*	(66 523)	–	(66 523)	–
Deferred tax liabilities arising from disregarded assets in tax funds**	196 112	(151 449)	196 112	(151 449)
Change in negative reserves in tax funds	70 355	–	70 355	–
Balance at the end of the year	631 971	444 822	631 971	444 822
Balance comprises:				
Provisions	(498)	(390)	(498)	(390)
Unrealised gain or losses on assets at fair value through profit/loss	82 927	112 597	82 927	112 597
Policyholder reserves to be "phased in"*	266 091	–	266 091	–
Deferred tax liabilities arising from disregarded assets in tax funds**	196 112	–	196 112	–
Change in negative reserves in tax funds	87 339	332 615	87 339	332 615
Deferred income tax – balance	631 971	444 822	631 971	444 822

* *In respect of the 2019 financial year and for financial years thereafter, the determination of the value of liabilities has been amended according to the provisions of section 29A(1) of the Income Tax Act (No. 58 of 1962). The value of liabilities utilised for tax purposes are determined net of re-insurance assets and negative liabilities. Furthermore, for financial years prior to 2019, negative liabilities which have been recognised for IFRS purposes but eliminated under the Statutory Valuation Method are to be "phase in" in accordance to section 29A(15) of the Income Tax Act. A deferred tax liability is held in respect of reserves that are "phased in" as at the reporting period in terms of section 29A(1) and section 29A(15) of the Income Tax Act.*

** *In terms of the 2019 tax return submitted, the Individual Policyholder Fund (IPF) had an assessed tax loss of R8,896,846,752. A gross deferred tax asset (DTA) of R2.3 billion (tax affect of R700 million) has been recognised for the IPF in terms of IAS 12: Income Taxes in respect of investment contracts, recognised in terms of IFRS 9: Financial Instruments. The investment returns which are recognised as a result of the assets which back the policyholder liabilities in the IPF gives rise to future taxable profits and accordingly an excess Income position in the IPF for financial years commencing from 2020. The excess Income is primarily based on guaranteed returns with major financial services providers. These investment assets yield returns greater than prevailing prime rates. As these returns are guaranteed and specified until maturity, namely, five years, there is sufficient taxable profit that will be available against which the unused tax losses in the IPF can be utilised.*

A deferred tax liability (DTL) of R197 million has been recognised in terms of IAS 12: Income Taxes, arising from the "disregarded asset" as contemplated in terms of section 29A(16) of the Income Tax Act. The disregarded assets represents the DTA recognised in the IPF, which is consumed as the taxable profit are realised.

	GROUP		COMPANY	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000

13. Cash and cash equivalents

Cash on call	**1 816 934**	1 398 453	**1 816 934**	1 398 453
Cash at bank	**218 047**	252 006	**202 054**	237 118
Cash on deposit	**1 062 106**	883 859	**1 062 106**	883 859
Cash on hand	**93**	8	**93**	8
Cash and cash equivalents	**3 097 180**	2 534 326	**3 081 187**	2 519 438

14. Share capital and premium

Authorised				
100 000 000 ordinary shares	**1 000**	1 000	**1 000**	1 000
Issued and fully paid				
2 000 000 ordinary shares	**20**	20	**20**	20
Share premium	**19 980**	19 980	**19 980**	19 980
Issued shared capital	**20 000**	20 000	**20 000**	20 000

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.

15. Insurance liabilities

Liabilities under investment contracts				
Balance at the beginning of the year	**17 029 164**	8 802 864	**17 029 164**	8 802 864
IFRS 9: *Transition Adjustment*	**–**	1 242	**–**	1 242
Movement for the year	**6 630 898**	8 225 058	**6 630 898**	8 225 058
Balance at the end of the year	**23 660 062**	17 029 164	**23 660 062**	17 029 164
Liabilities under insurance contracts				
Balance at the beginning of the year	**(56 210)**	973 310	**(56 210)**	973 310
IFRS 9: *Transition Adjustment*	**–**	(1 242)	**–**	(1 242)
Movement for the year	**219 304**	(1 028 278)	**219 304**	(1 028 278)
Balance at the end of the year	**163 094**	(56 210)	**163 094**	(56 210)
	23 823 156	16 972 954	**23 823 156**	16 972 954
The movement in the liabilities balance for the purpose of the statement of cash flows is reported as follows:				
Increase/(decrease) in liabilities under investment contracts	**6 630 898**	8 226 300	**6 630 898**	8 226 300
Increase/(decrease) in liabilities under insurance contracts	**219 304**	(1 029 520)	**219 304**	(1 029 520)
Increase/(decrease) in liabilities under investment and insurance contracts	**6 850 202**	7 196 780	**6 850 202**	7 196 780
Gross insurance liabilities	**23 758 443**	16 926 828	**23 758 443**	16 926 828
Total reinsurer's share of insurance liabilities	**64 713**	46 126	**64 713**	46 126
Net insurance liabilities	**23 823 156**	16 972 954	**23 823 156**	16 972 954
Other liabilities				
Outstanding Claims	**1 183 253**	1 074 239	**1 183 253**	1 074 239
Unearned premium provision	**206 880**	269 906	**206 880**	269 906
Total insurance liabilities	**25 213 290**	18 317 099	**25 213 290**	18 317 099

Sensitivity analysis – insurance liabilities

	GROUP		COMPANY	
	Insurance contracts R'000	Linked and RA R'000	Insurance contracts R'000	Linked and RA R'000
Base value	163 094	23 660 062	163 094	23 660 062
Renewal expenses decrease by 10%	81 268	23 660 062	81 268	23 660 062
Withdrawal rates decrease by 10%	37 956	23 660 062	37 956	23 660 062
Mortality rates decrease by 5%	(87 676)	23 660 062	(87 676)	23 660 062
Investment returns decrease by 1%	113 614	23 660 062	113 614	23 660 062
Equity risk premium increases by 1%	166 608	23 660 062	166 608	23 660 062
Shock asset values by 10%	157 058	21 796 053	157 058	21 796 053

	GROUP		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
16. Employee benefits				
Balance at the beginning of the year	154 642	152 651	154 367	152 601
Movement	18 977	1 991	18 669	1 766
Additional provisions raised during the year	200 322	240 978	199 908	240 841
Acquisition of subsidiary or business	–	93	–	–
Utilised during the year	(181 345)	(239 080)	(181 239)	(239 075)
Balance at the end of the year	173 619	154 642	173 036	154 367

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 R37 562 968 and R36 979 725.95 respectively at the statement of financial position date (2019: R29 061 037 and R28 782 382 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 R136 056 688 and R136 056 688 respectively at the statement of financial position date (2019: R125 581 028 and R125 581 028 respectively).

	Leave pay R'000	Bonus R'000	Other R'000	Provisions R'000
17. Provisions				
GROUP				
2020				
Balance at the beginning of the year	29 061	125 581	–	154 642
Additional provisions raised during the year	17 297	183 025	723	20 939
Utilised during the year	(8 795)	(172 550)	–	(931)
Balance at the end of the year	37 563	136 056	723	174 342
2019				
Balance at the beginning of the year	29 118	123 533	–	152 651
Additional provisions raised during the year	3 563	237 414	–	240 978
Acquisition of subsidiary or business	93	–	–	93
Utilised during the year	(3 713)	(235 366)	–	(239 080)
Balance at the end of the year	29 061	125 581	–	154 642
COMPANY				
2020				
Balance at the beginning of the year	28 786	125 581	–	154 367
Additional provisions raised during the year	16 883	183 025	–	19 388
Utilised during the year	(8 689)	(172 550)	–	(719)
Balance at the end of the year	36 980	136 056	–	173 036
2019				
Balance at the beginning of the year	29 068	123 533	–	152 601
Additional provisions raised during the year	3 427	237 414	–	240 841
Utilised during the year	(3 709)	(235 366)	–	(239 075)
Balance at the end of the year	28 786	125 581	–	154 367

	GROUP		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000

18. Trade and other payables

Trade payables	74 285	119 831	67 210	111 910
VAT payable	526	6 808	526	6 808
Sundry creditors	1 768 649	1 176 447	1 781 137	1 171 791
Due to group company	39 759	–	39 759	–
Trade and other payables	**1 886 929**	1 303 086	**1 888 632**	1 290 509

Other liabilities

Included in sundry creditors are life assurance premiums amounting to R47 449 633 (2019: R80 860 599) in respect of policies that incepted after the statement of financial position date.

Also included in sundry creditors is an amount of R509 841 562 (2019: R75 110 673) that relates to lease commitment, calculated as per IFRS 16 and IAS 17 respectively.

All balances are current.

	GROUP		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000

19. Borrowings

Long term borrowings				
Long term funding	400 000	400 000	400 000	400 000
Long term interest	379	302	379	302
Total	**400 379**	400 302	**400 379**	400 302

The loan bears interest at the three 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.

20. Due to and from group companies

Due from subsidiaries	325	28 370	325	28 370
Due from fellow subsidiaries	(70 897)	(7 273)	(70 897)	(7 273)
Due from group companies	**(70 572)**	21 097	**(70 572)**	21 097
Due to fellow subsidiaries	31 138	112 829	31 138	112 829
Net due to and from group companies	**(39 434)**	133 926	**(39 434)**	133 926

21. Net premium income

Single premiums	–	68	–	68
Recurring premiums	6 793 748	6 584 080	6 793 748	6 584 080
Reinsurance premiums inwards	147 927	145 000	147 927	145 000
Gross written premiums	**6 941 675**	6 729 148	**6 941 675**	6 729 148
Reinsurance outwards	(1 632 125)	(1 704 257)	(1 632 125)	(1 704 257)
Change in unearned premium reserve	(3 063)	–	(3 063)	–
Net premium income	**5 306 487**	5 024 891	**5 306 487**	5 024 891

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 15 on page 133 for details of the movement in policyholder liabilities under investment contracts.

	GROUP 2020 R'000	GROUP 2019 R'000	COMPANY 2020 R'000	COMPANY 2019 R'000
22. Realised profits/(losses) on disposal of investments and other financial assets				
Unlisted investments	(9 302)	7 719	(9 302)	7 719
Listed investments	8 381	17 733	8 381	17 733
Net realised (losses)/profits on fair value through profit or loss	(921)	25 452	(921)	25 452
23. Unrealised profits/(losses) on revaluation of investments and other financial assets				
Unlisted investments	37 172	(5 348)	32 115	1 512
Listed investments	(158 945)	(72 354)	(158 945)	(72 347)
Net unrealised profits/(losses) on fair value through profit or loss assets	(121 773)	(77 702)	(126 830)	(70 835)
24. Other income				
Administration fees received	10 127	2 504	3 879	2 504
Management fees received	22 360	12 173	14 516	12 173
Sundry fees received	257	1 176	257	1 176
Sundry income received	249 546	422 241	249 503	410 910
Other operating income	282 291	438 094	268 155	426 763

Included in sundry income received is R96 million (2019: R261 million) relating to the experience refund within the FINRE agreement entered into with Munich Re.

25. Profit before taxation

	2020 Company R'000	2020 Rest of Group R'000	2020 Total R'000	2019 Company R'000	2019 Rest of Group R'000	2019 Total R'000
Profit before taxation is determined after charging:						
Directors and prescribed officers emoluments						
Executive directors						
Director A						
Basic salary	1 512	4 536	6 048	1 463	4 389	5 852
Bonus and performance related payments	2 385	7 155	9 540	1 853	5 559	7 412
Estimated monetary value of other benefits	30	90	120	20	60	80
Pension/provident fund contributions	171	513	684	164	492	656
	4 098	12 294	16 392	3 500	10 500	14 000
Director B						
Basic salary	904	2 712	3 616	646	1 938	2 584
Bonus and performance related payments	1 358	4 074	5 432	168	504	672
Estimated monetary value of other benefits	38	114	152	27	81	108
Pension/provident fund contributions	105	315	420	75	225	300
	2 405	7 215	9 620	916	2 748	3 664
Director C						
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

	2020			2019		
	Company R'000	Rest of Group R'000	Total R'000	Company R'000	Rest of Group R'000	Total R'000
Director D						
Basic salary	3 419	–	3 419	2 081	–	2 081
Bonus and performance related payments	2 338	–	2 338	2 727	–	2 727
Estimated monetary value of other benefits	156	–	156	99	–	99
Pension/provident fund contributions	395	–	395	247	–	247
	6 308	–	6 308	5 154	–	5 154
Non-executive directors						
Director A	38	116	154	178	534	712
Director B	37	113	150	157	472	629
Director C	325	975	1 300	221	665	886
Director D	271	815	1 086	226	680	906
Director E	147	441	588	153	460	613
Director F	201	604	805	194	582	776
Director G	277	831	1 108	304	912	1 216
Director H	137	410	547	130	391	521
Director I	168	503	671	–	–	–
	1 601	4 808	6 409	1 563	4 696	6 259
Prescribed officers						
Prescribed officer A						
Basic salary	–	–	–	322	966	1 288
Bonus and performance related payments	–	–	–	791	2 373	3 164
Estimated monetary value of other benefits	–	–	–	8	24	32
Pension/provident fund contributions	–	–	–	36	108	144
	–	–	–	1 157	3 471	4 628
Prescribed officer B						
Basic salary	–	–	–	727	2 181	2 908
Bonus and performance related payments	–	–	–	1 272	3 816	5 088
Estimated monetary value of other benefits	–	–	–	31	93	124
Pension/provident fund contributions	–	–	–	83	249	332
	–	–	–	2 113	6 339	8 452
Prescribed officer C						
Basic salary	722	2 166	2 888	645	1 935	2 580
Bonus and performance related payments	899	2 697	3 596	822	2 466	3 288
Estimated monetary value of other benefits	13	39	52	12	36	48
Pension/provident fund contributions	81	243	324	72	216	288
	1 715	5 145	6 860	1 551	4 653	6 204
Prescribed officer D						
Basic salary	577	1 731	2 308	553	1 659	2 212
Bonus and performance related payments	642	1 926	2 568	587	1 761	2 348
Estimated monetary value of other benefits	76	228	304	70	210	280
Pension/provident fund contributions	72	216	288	68	204	272
	1 367	4 101	5 468	1 278	3 834	5 112
Prescribed officer E						
Basic salary	874	2 622	3 496	757	2 271	3 028
Bonus and performance related payments	837	2 511	3 348	928	2 784	3 712
Estimated monetary value of other benefits	6	18	24	6	18	24
Pension/provident fund contributions	95	285	380	85	255	340
	1 812	5 436	7 248	1 776	5 328	7 104
Directors and prescribed officers emoluments	19 306	38 999	58 305	20 633	46 444	67 077

	GROUP		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
25. Profit before taxation (continued)				
Auditors remuneration				
Audit fees	9 284	6 068	9 153	5 963
	9 284	6 068	9 153	5 963
Depreciation				
Leasehold improvements	20 950	23 743	20 950	23 743
Motor vehicles	54	96	54	96
Office equipment	5 121	9 195	5 033	9 130
Computer hardware	562	5 522	502	5 484
Furniture and fittings	3 774	2 941	3 745	2 920
Office equipment	785	732	785	726
Right-of-use	37 102		37 102	
Property	35 900	–	35 900	–
Motor vehicles	1 139	–	1 139	–
Office equipment	63	–	63	–
	63 227	33 034	63 139	32 969
Expenses for the acquisition of insurance contracts				
Commission	461 211	513 017	459 949	525 695
Impairment losses on financial assets				
Impairment loss on loans to associates, subsidiaries and other	48 074	28 570	48 074	28 570
Other expenditure				
Amortisation of intangible assets	7 716	7 203	7 716	7 203
Write-off of premium debtors	10 690	6 825	10 690	6 825
Administration fees paid	392 508	305 205	392 508	305 205
Professional fees	198 339	130 708	198 299	129 415
Operating lease rentals – building	(45 460)	(9 538)	(45 460)	(9 538)
Operating lease rentals – computer	15 584	6 763	15 584	6 763
Research and development	93	71	93	71
26. Taxation				
South African normal taxation				
Current year	163 072	319 501	163 072	319 501
Prior year	(21 260)	–	(21 260)	4 493
Deferred tax expense				
Current year	(689 183)	(156 778)	(689 183)	(156 778)
Prior year	16 617	8 573	16 617	8 573
Taxation – dividend tax (life)	1 685	–	1 685	414
Taxation – withholding tax	812	414	812	3 235
Taxation	(528 257)	171 710	(528 257)	179 438
The income tax expense/(income) includes both policyholder and shareholder taxation.				
All taxation is payable in respect of continuing operations				
Tax rate reconciliation:	%	%	%	%
Tax calculated at standard rate of South African tax on earnings	28	28	28	28
Adjusted for:				
– Normal taxation – prior year	–	(2.75)	–	(2.75)
– Exempt income on dividends not taxable	21.17	–	21.17	–
– Capital gains tax	8.00	–	8.00	–
– Realised gains not taxable	–	4.54	–	4.54
– Unrealised gains not taxable	40.95	(1.94)	40.95	(1.94)
– Withholding taxation	(19.28)	(0.12)	(19.28)	(0.12)
– Other non-taxable income/non-deductable expenses	0.60	(3.65)	0.60	(3.65)
– Unutilised tax losses – individual policyholder fund	786.56	(0.11)	786.56	(0.11)
– Deferred tax liabilities arising from disregarded assets in tax funds	(235.97)	–	(235.97)	–
– Prior year (over)/underprovision	5.59	–	5.59	–
Tax rate reconciliation	635.61	23.97	635.61	23.97

Tax amendments impacting Long Term Insurers through the introduction of a Risk Policy Fund for all new risk business written after 1 July 2016 resulted in the gradual reduction of assessed tax losses in the Individual Policyholder Fund (IPF). For financial years commencing on or after this date, there has seen a significant decline in the assessed tax losses recognised in each year, resulting in a profit for the 2020 financial year. It is anticipated that a taxable profit will arise in the IPF in future years, ultimately reducing the assessed tax loss carried forward to zero. Therefore, in terms of IAS 12: Income Taxes, a value of R503 million was raised in the current period as a net deferred tax (gross DTA of R700 million and a gross DTL of R197 million) in recognition of the future taxable profits that are forecasted to be recognised in the IPF. Determining this value, Hollard Life Assurance Company determined the cash flows based on returns underlying its guaranteed investment products. Deferred tax arises on the temporary differences between the IFRS basis and the tax basis.

27. Policyholder benefits

	GROUP		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Individual and Group	**(3 041 642)**	(4 115 699)	**(3 041 642)**	(4 115 699)
– Death and disability	**(2 937 886)**	(2 864 969)	**(2 937 886)**	(2 864 969)
– Maturity	**(18 043)**	(1 156 365)	**(18 043)**	(1 156 365)
– Surrenders	**(20 678)**	(31 706)	**(20 678)**	(31 706)
– Annuities	**(1 734)**	(18 807)	**(1 734)**	(18 807)
– Other	**(63 301)**	(43 852)	**(63 301)**	(43 852)
Claims and loss adjustments expense	**–**	–	**–**	–
Gross policyholder benefits and claims Incurred	**(3 041 642)**	(4 115 699)	**(3 041 642)**	(4 115 699)
Less: Reinsurance recoveries	**1 154 019**	1 079 041	**1 154 019**	1 079 041
– Death and disability	**1 154 019**	1 079 041	**1 154 019**	1 079 041
Net policyholder benefits	**(1 887 623)**	(3 036 658)	**(1 887 623)**	(3 036 658)

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 15 on page 133 of these financial statements for the movement in policyholder liabilities under investment contracts.

28. Reconciliation of profit before taxation to cash generated from operations

	GROUP		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Profit before taxation	**(74 923)**	745 138	**(83 110)**	748 818
Adjustments for:				
Depreciation	**63 227**	33 034	**63 139**	32 968
Intangible assets amortisation	**9 219**	12 325	**9 219**	12 325
Transfer to policyholder liabilities under investment contracts	**6 630 898**	8 226 300	**6 630 898**	8 226 300
Transfer to policyholder liabilities under insurance contracts	**219 304**	(1 029 520)	**219 304**	(1 029 520)
Investment income	**(72 816)**	(97 280)	**(84 866)**	(107 555)
Realised profit/(loss) on assets underlying investment contracts	**(66 352)**	(43 487)	**(66 352)**	(43 487)
Rental income	**(16 617)**	(12 961)	**(16 617)**	(12 926)
Other income	**357 709**	(438 095)	**371 845**	(426 763)
Unrealised gains/(losses) on disposal of investments – unlisted	**(32 232)**	5 347	**(32 115)**	(1 512)
Unrealised gains on revaluation of investments – listed	**158 945**	72 354	**158 945**	72 347
Unrealised income on investment contracts	**(525 330)**	(172 625)	**(525 330)**	(172 625)
Increase in employee benefits	**19 700**	1 991	**18 669**	1 766
Net decrease in accrued interest and dividends	**19 944**	7 641	**19 944**	7 641
Interest received	**(201 741)**	(205 791)	**(200 749)**	(204 532)
Interest paid	**116 754**	69 290	**116 754**	69 265
Share of income/(loss) in associates	**(18 156)**	(13 633)	**–**	–
Asset transfers	**(243 427)**	13 165	**(243 427)**	13 165
Operating cash flows before working capital changes	**6 344 106**	7 173 193	**6 356 151**	7 185 675

	GROUP 2020 R'000	GROUP 2019 R'000	COMPANY 2020 R'000	COMPANY 2019 R'000
28. Reconciliation of profit before taxation to cash generated from operations (continued)				
Working capital changes	514 057	316 863	516 671	319 095
Increase in insurance receivables, loans and other receivables	(92 514)	(87 988)	(92 732)	(80 741)
Increase in reinsurance assets	(10 770)	(59 244)	(10 770)	(59 244)
Decrease in reinsurance liabilities	(23 940)	(17 637)	(23 940)	(17 637)
Increase in net outstanding claims and IBNR	109 015	78 761	109 015	78 761
Increase/(decrease) in unearned premiums	(63 026)	77 610	(63 026)	77 610
Increase in trade and other accounts payable and employee benefits	595 292	458 990	598 124	453 976
Impact of IFRS 9 Transition Adjustment	–	(133 629)	–	(133 630)
Cash generated from operations	6 858 163	7 490 056	6 872 822	7 504 770
29. Dividends paid				
Amount due at beginning of year	–	–	–	–
Amount declared in statement of changes in equity	(194 881)	(688 660)	(194 732)	(688 660)
Amount due at end of year	–	–	–	–
Cash amounts paid	(194 881)	(688 660)	(194 732)	(688 660)
30. Dividends received				
Amount due at beginning of year	15 350	7 709	15 350	7 709
Amount received per income statement	73 738	71 828	85 788	82 103
Amount due at end of year	(35 294)	(15 350)	(35 294)	(15 350)
Cash amounts received	53 794	64 187	65 844	74 462
31. Taxation paid				
Amount due at beginning of year	(465 441)	(532 467)	(465 464)	(532 431)
Amount charged to income statement	(151 642)	(179 881)	(151 634)	(179 526)
Amount due at end of year	354 673	465 441	354 688	465 464
Cash amounts paid	(262 410)	(246 907)	(262 410)	(246 493)
Amounts due at end of year comprised as follows:				
Deferred taxation asset	(859 735)	19	(859 715)	–
Deferred taxation liability	631 971	444 821	631 971	444 821
Current income taxation asset	(98 712)	49	(98 697)	–
Current income taxation liability	20	20 688	–	20 643
	(326 456)	465 577	(326 441)	465 464

32. Business combinations

32.1 Summary of business combinations – 2020

There where no acquisitions or disposals of investments in subsidiaries in the 2020 financial year.

32.2 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:

32.1.1 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)

33. Investments in associates

There were no acquisitions or disposals of investments in associates in the 2020 or 2019 financial year.

34. Staff pension and provident fund

The Company has a defined contribution pension fund, the Hollard Employees Pension Fund, with 238 (2019: 247) employees of the Company being members of the fund. The Company's contributions to the fund charged against income for the year were R14 629 812 (2019: R13 813 922).

The Company also has a defined contribution provident fund, the Hollard Employees Provident Fund, with 1 095 (2019: 811) employees of the Company being members of the fund. The Company's contributions to the fund charged against income for the year amounted to R45 225 702 (2019: R77 271 248).

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

35. Lease - low-value items

During the current financial year, the Group incurred lease payments for the following low value leased assets:

	GROUP		COMPANY	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Computers	**15 843**	6 763	**15 843**	6 763
Printers	**359**	258	**359**	258

36. 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 39 on page 143 of the financial statements.

36. Related party transactions (continued)

Transactions between Group companies (continued)

	COMPANY	
	2020 R'000	2019 R'000
Loans to related parties		
Loans to subsidiaries	750	–
Loans to Hollard Holdings (Pty) Ltd	10 001	10 005
Loans to Pico Ruivo Investments (Pty) Ltd	–	535
Loans to Hollard Specialist Insurance Company Limited	2 698	5 397
Loans from related parties		
Loan from Fundco (RF) (Pty) Ltd	400 379	400 302
Loans to directors and prescribed officers		
Details of individual loans to directors and prescribed officers:		
M Shezi	3 439	3 190
NG Kohler	2 709	3 489
B Wyborn	–	7 541

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

The following repayments were made during the year:
- M Shezi Rnil (2019: Rnil)
- NG Kohler R1 000 000 (2019: R1 000 000)
- B Wyborn R7 540 911 (2019: R450 000)

The loans are given on commercial terms and conditions. The related interest income in 2020 was R468 856 (2019: R1 103 365).

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 is charged at the SARS rate and as at 30 June 2020, the rate was 4.75%.

Interest on loans to NG Kohler is charged at prime less 1.36% and at 30 June 2020, the prime rate was 7.25%.

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:

	COMPANY	
	2020 R'000	2019 R'000
Directors and their family members	3 572	4 228
Key management compensation		
Salaries, bonuses and other short-term employee benefits	56 605	67 077
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	217 656	208 965
Paid by Hollard Specialist Insurance Company Limited	6 287	12 301
Paid by Hollard Specialist Life Assurance Company Limited	6 648	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 received		
Paid by The Hollard Insurance Company Limited	29 627	27 433
Investment Policy with		
The Hollard Insurance Company Limited	1 171 284	1 090 854

Refer to notes 7, 8 and 11 of these annual financial statements for details of loans with Group companies and other related parties.

37. Capital 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 expect to incur non-insurance related capital expenditure during the financial year ended 30 June 2020, R362 878 000 (2019: Rnil). Any unanticipated capital or operating expenditure will be funded from internal sources.

	GROUP		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
The following capital expenditure budget has been approved by the Board for the financial year ending 30 June 2021				
Furniture, office equipment and computer hardware and software	362 878	–	362 878	–
	362 878	–	362 878	–

38. 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.

39. Subsidiaries, associates and joint ventures

	Nature of business	Place of business	Issued share capital R	Proportion held 2020 %	Proportion held 2019 %	2020 shares R'000	2020 Indebtedness R'000	2019 shares R'000	2019 Indebtedness R'000
Directly held subsidiaries									
Hollard Life Properties (Pty) Ltd	A	RSA	2	100	100	–	–	–	–
Hollard Wealth Management	C	RSA	1	100	100	445	–	427	–
Finningley (Pty) Ltd	E	RSA	100	100	100	–	–	–	–
Hollard Investment Managers	D	RSA	2	100	100	14 540	–	15 213	–
Altrisk Pty (Ltd)	E	RSA	1 075	100	100	–	–	–	–
Hollard Management Company (Pty) Ltd	D	RSA	1	100	100	–	–	–	–
Richton Employee Benefit Consultants (Pty) Ltd	E	RSA	100	100	100	(193)	–	549	–
NMG Pooling Administrators (Pty) Ltd	E	RSA	100	100	100	387	750	2 071	–
						15 180	750	18 260	
Directly Held associates									
Amserve Consultants Private Limited	F	India	100 652	49.99	49.99	–	–	–	–
Amsure Insurance Agency Public Limited	E	India	301 956	49.99	49.99	–	–	–	–
Ooba Pty (Ltd)	E	RSA	160	25.00	25.00	78 547	–	73 600	–
IFANet Independent Distribution Services (Pty) Ltd	C	RSA	100	24.00	25.62	–	2 260	–	2 260
						78 547	2 260	73 600	2 260

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 Public 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.

40. 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.

41. Going concern

The directors have assessed the Group's ability to continue as a going concern. As at the 30 June 2020, the Group had a strong net asset value and liquidity position. The COVID-19 pandemic and the resultant uncertain economic environment and financial market volatility caused by it, has created uncertainty in the operating environment of the Group and the requirement to closely monitor the position going forward.

The Board and its committees received regular reports on the operational, financial, solvency and liquidity related impacts on the Group.

Further to this, the Group has evaluated numerous downside scenarios and stress tests, considering the impact of relief measures provided, higher mortality and lapse risk; adverse outcomes of legal cases relating to business interruption claims, adverse catastrophe experience; market volatility and the enduring impact of COVID-19 on the business. Under these scenarios, we have identified mitigating recovery actions that can be taken to restore the capital and liquidity to the Group's target range.

The Group has responded to the pandemic through initiatives including but not limited to:

- The formation of a dedicated task force to implement a coordinated response across the business to ensure the health, safety and wellbeing of all stakeholders;
- The implementation of business continuity plans to minimise the spread of the virus
- On-going close monitoring of the Group's liquidity position;
- The deferment of dividend declarations;
- Addressing regulatory challenges posed by the pandemic with regards to tax and solvency requirements with the appropriate authorities and regulators; and
- Engaged with debt funding providers regarding financial and liquidity covenants.

As a result, the Board believes that the Group is well placed to meet its future capital and liquidity requirements and therefore believes that it is appropriate to adopt the going concern basis.

DIRECTORATE AND ADMINISTRATION

Directorate

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

Non-executive Chairman	ADH Enthoven
Group Chief Executive Officer	S Ntombela
Group Chief Financial Officer	DJ Viljoen
Non-executive director	NG Kohler
Lead Independent non-executive director	BF Mohale (resigned 30 July 2019)
Independent non-executive director	MR Bower
Independent non-executive director	NV Simamane
Independent non-executive director	SC Gilbert (resigned 31 August 2019)
Independent non-executive director	R Fihrer
Independent non-executive director	B Ngonyama
Independent non-executive director	S Patel
Independent non-executive director	AS Nkosi
Independent non-executive director	MS Classen (appointed 30 June 2020)

Administration

Company Secretary

Corpstat Governance Services (Pty) Ltd

Public officer

U Murphy

Compliance officer

Wikus Luus

Registered office and business address

Hollard at Arcadia
22 Oxford Road
Parktown
Johannesburg
2193

Postal address

PO Box 8742
Houghton
2041

Website

www.hollard.co.za

Nature of business

The Company transacts long-term assurance business.

Auditors

Deloitte & Touche
5 Magwa Crescent
Waterfall City
Waterfall
Docex 10 Johannesburg

Registration number

1993/001405/06