Hollard.

Hollard's financial year July 2019 – June 2020

Hollard.

HOLLARD SPECIALIST INSURANCE COMPANY 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: Short Term Reporting, Deon Naidoo, (CA(SA)), under the supervision of the Head of Finance, Prevashini Naicker, (CA(SA)).

(Registration number: 1966/007612/07)
Audited consolidated annual financial statements for the year ended 30 June 2020

CONTENTS

GROUP SALIENT FEATURES

for the year ended 30 June 2020

		GROUP				
	Notes	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	967 227	1 433 549	1 395 861	1 623 908	1 866 644
Net written premiums	2	957 148	1 418 331	1 380 467	1 530 867	1 708 739
Investment income	3	90 307	140 784	132 825	165 792	166 824
Net Insurance claims		437 649	586 000	564 101	719 957	850 468
Equity holders of the parent		82 249	14 694	25 349	199 821	118 726
Statement of financial position information						
Insurance liabilities		332 991	693 056	652 040	635 131	998 006
Attributable to equity holders of the parent		291 944	260 428	258 943	231 878	827 722
Total assets		1 005 926	1 841 102	1 907 050	1 834 355	2 837 713
Financial assets		490 840	1 179 258	1 627 541	1 087 483	1 639 171
Cash and cash equivalents		412 780	496 275	87 171	469 103	551 924
		%	%	%	%	%
Trading ratios						
Written premium: Net to gross		98.96	98.94	98.90	94.27	91.54
Combined operating ratio	4	79.76	86.30	84.56	94.47	94.36
Solvency ratio	5	55.18	63.81	75.14	75.34	78.36
Actuarial Information						
Solvency Capital Requirement (SCR)	6	284 933	451 679	470 729	385 918	514 474
SCR coverage ratio	6	1.47	1.80	1.85	1.62	1.86

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

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

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

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

(5) "Solvency ratio" is the ratio between shareholders' funds and net written premium income. Solvency is calculated and presented at a Company level.

(6) 2018 and prior years were based on capital adequacy requirement (CAR) and CAR cover.

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 Specialist Insurance Company (the "Company") and its subsidiaries (the "Group").

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

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

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

The External Auditors are responsible for 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 appropriate disclosures in line with the accounting policies of the Group. The Group's and Company's annual financial statements are based on appropriate accounting policies consistently applied except, as otherwise stated and supported by reasonable and prudent judgements and estimates.

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

These annual financial statements, set out on pages 6 to 57, have been approved by the Board of the Group and Company and are signed on its behalf by:

ADH Enthoven
Chairman

6 November 2020

S Ntombela
Chief Executive Officer

6 November 2020

CERTIFICATION BY COMPANY SECRETARY

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

Corpstat Governance Services (Pty) Ltd
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. The Committee has reviewed the Group's and Company's annual financial statements, and recommends them for approval to the Board. The Committee further reviewed the Group's and Company's accounting policies, and the reports of the internal and external audit functions, and of the compliance officer. The Committee met three times during the year, and the chairman of the Committee reported on the work of the Committee to the Board.

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

MR Bower
Chairman: Audit Committee

6 November 2020

INDEPENDENT AUDITOR'S REPORT

for the year ended 30 June 2020

To the shareholders of Hollard Specialist Insurance 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 Specialist Insurance Company Limited and its subsidiaries ("the Group") set out on pages 10 to 55 which comprise the consolidated and separate statements of financial position as at 30 June 2020, and statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group and Company as at 30 June 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 of information included in the document titled "directors report" which included 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, 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 Specialist Insurance Company Limited for 16 years.

Deloitte & Touche

Deloitte & Touche
Registered Auditor
Per: D Munu
Partner

6 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, No 71 of 2008, the Insurance Act, No 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 Board
- 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 Board, regarding compliance culture and compliance risk appetite.
- To assist the Board 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 Board, to be able to exercise its authority and perform its responsibilities.
- To in consultation with the Chief Risk Officer, determine the appointment, performance assessment, remuneration and/or dismissal of the Head of the Compliance Function.
- To approve the annual compliance coverage plan.
- To ensure that the Head of the Compliance Function reviews any proposed outsourcing of material business activity and regularly reviews and reports to the Committee, compliance with the Group's outsourcing policy.
- To ensure that the risks associated with the outsourcing of a material business activity are appropriately assessed, monitored, managed and regularly reviewed.

2. Statutory duties

2.1 Financial statements and accounting policies

The Committee has reviewed the Group's accounting policies and financial statements for the financial year ended 30 June 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 Board that the Group is a "going concern", as reflected in the annual financial statements.

2.3 External Auditor appointment and independence

In consultation with the Group's executive management, the Committee approved continuation of Deloitte South Africa as External Auditor for the 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 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 Specialist Insurance Company, it was recommended that Deloitte South Africa be re- appointed as External Auditor for the ensuing financial year.

3. Statement on internal financial controls

Ultimately, the Group's Board is 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

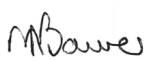
The Risk and IT Committee is responsible for the governance of risk management in the Group.

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.



Mark Bower
Chairperson of the Audit Committee

6 November 2020

DIRECTORS' REPORT

for the year ended 30 June 2020

The directors present their annual report which forms part of the audited annual financial statements of the Hollard Specialist Insurance Group and Hollard Specialist Insurance Company for the year ended 30 June 2020.

Nature of the business

Hollard Specialist Insurance Company is incorporated in the Republic of South Africa and a registered short-term insurer and underwrites all classes of business. The only subsidiary company, owns property for rental. The Hollard Specialist Insurance Group operates in South Africa.

Financial performance

In the year under review the Group achieved net profit after tax of R210 075 000 (2019: R213 517 000), which arose from the Group's operations as follows:

	GROUP	
	2020 R'000	2019 R'000
Net premium income	**1 034 642**	1 372 988
Investment income	**65 730**	147 293
Other operating income	**15 729**	16 680
Total revenue	**1 116 101**	1 536 961
Net insurance claims	**(437 649)**	(586 000)
Other operating expenses	**(393 576)**	(619 896)
Total expenses	**(831 225)**	(1 205 896)
Profit before taxation	**284 876**	331 065
Taxation	**(74 801)**	(117 548)
Profit for the year	**210 075**	213 517
Equity owners of the company	**82 249**	14 694
Non-controlling interests	**127 826**	198 823
	210 075	213 517

Share capital

Details of the authorised and issued share capital of the Hollard Specialist Insurance Company are reflected in note 14 to the annual financial statements.

Dividends

Hollard Specialist Insurance Group and Company declared and paid dividends of R603 million (2019: R430 million).

Subsidiaries

Erf Four Nine Nine Spartan (Proprietary) Limited – 100% (2019:100%)

Hollard Specialist Insurance Company's interest in the aggregate profit after tax in the subsidiary amounted to R0.8 million (2019: R0.8million).

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

Going concern

During the current financial year a portion of the cell captive business was transferred to a new underwriter in terms of the purchase agreement of Hollard Specialist insurance Company by Hollard in 2017.

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

Also refer to the going concern note on page 55 of these financials 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. Furthermore, voluntary donations to the Solidarity fund, and the rendering of financial assistance to brokers and partners, also provided additional relief during this period.

The pandemic has raised certain risk levels, some of these are listed below:

- Higher risk of bad debts relating to premiums;
- Higher number claims for credit insurance;
- Higher risk of fraudulent claims.

As at June 2020, the Group and Company raised COVID-19 related provisions as deemed necessary. These provisions were based on existing information at balance sheet date.

The Company has also reviewed current expense practices (including remuneration) and dividend declarations to ensure that both solvency and liquidity levels remain stable.

Capital contribution

During the financial year, preference share capital of R9.4 million (2019:R 84.6 million) was contributed by several preference shareholders, this relates to the capitalisation of cell captive arrangements that were insolvent.

Subsequent events

The Board is not aware of any event since the end of the financial year, not otherwise dealt with in these annual financial statements, that would affect the operations of the Group and Company, or the results of these operations.

Directorate

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:

- R Fihrer
- B Ngonyama
- MR Bower

Directors' interest in contracts

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

Executive directors

S Ntombela (Group CEO), DJ Viljoen (Group CFO) and AL Mhlanga 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 Claassen (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 87419
Houghton
2041

Holding company

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

STATEMENTS OF FINANCIAL POSITION

as at 30 June 2020

	Notes	GROUP 2020 R'000	GROUP 2019 R'000	COMPANY 2020 R'000	COMPANY 2019 R'000
Assets					
Property and equipment	5	5 832	12 211	5 832	12 002
Right-of-use assets	6	696	–	696	–
Investment properties	7	14 579	22 240	2 959	3 340
Intangible assets	8	1 435	35 129	1 435	35 129
Investment in subsidiaries	9	–	–	1 773	3 146
Financial assets	10	490 840	1 179 258	490 840	1 179 258
Reinsurance assets		27 749	26 989	27 749	26 989
Insurance, loans and other receivables	11	29 495	57 576	27 907	55 308
Deferred acquisition cost	16	3 749	6 851	3 749	6 851
Deferred taxation	12	18 596	4 355	18 596	4 355
Current income taxation		175	219	–	–
Cash and cash equivalents	13	412 780	496 275	412 548	496 151
Total assets		1 005 926	1 841 102	994 084	1 822 529
Equity and liabilities					
Attributable to equity holders of the parent		291 944	260 428	283 140	245 144
Issued share capital	14	4 940	2 940	4 940	2 940
Share premium	14	395 563	197 563	395 563	197 563
Retained earnings		(108 559)	59 925	(117 363)	44 641
Subordinate debt capital		–	200 000	–	200 000
Non-controlling interest		245 006	459 914	245 006	459 914
Total equity		536 950	920 342	528 146	905 058
Insurance liabilities	15	332 991	693 056	332 991	693 056
Reinsurance liabilities		15 856	18 783	15 856	18 783
Provisions	17	10 922	7 531	10 922	7 531
Trade and other payables	18	87 051	191 844	85 252	189 841
Deferred taxation	12	1 239	1 286	–	–
Current income taxation		20 917	8 260	20 917	8 260
Total liabilities		468 976	920 760	465 938	917 471
Equity and liabilities		1 005 926	1 841 102	994 084	1 822 529

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		967 227	1 433 549	967 227	1 433 549
Reinsurance outwards		(10 079)	(15 218)	(10 079)	(15 218)
Net written premiums		957 148	1 418 331	957 148	1 418 331
Less: Change in unearned premium reserve		77 494	(45 343)	77 494	(45 343)
Gross amount		77 395	(45 262)	77 395	(45 262)
Reinsurer share		99	(81)	99	(81)
Net premium income		1 034 642	1 372 988	1 034 642	1 372 988
Investment income		90 307	140 784	88 526	139 495
Interest received	19	81 496	128 603	81 458	128 587
Dividends received	19	6 775	10 672	6 775	10 672
Rental income		2 036	1 557	293	285
Investment management fees		–	(48)	–	(48)
Investment (losses)/gains		(24 577)	6 509	(17 297)	6 509
Realised gains on disposal of investments	20	2 898	37 169	2 898	37 169
Unrealised losses on revaluation of investments	21	(27 475)	(30 660)	(20 195)	(30 660)
Other operating income		15 729	16 680	15 729	16 680
Total revenue		1 116 101	1 536 961	1 121 600	1 535 673
Expenses					
Gross policyholder benefits and claims Incurred		439 994	588 674	439 994	588 674
Reinsurance recoveries		(2 345)	(2 674)	(2 345)	(2 674)
Net Insurance claims		437 649	586 000	437 649	586 000
Commissions and other acquisitions		124 903	181 981	124 903	181 981
Interest paid		5 042	20 531	5 034	20 531
Marketing and administration expenses		263 631	417 384	262 670	416 882
Total expenses		831 225	1 205 896	830 256	1 205 394
Profit before taxation	22	284 876	331 065	291 344	330 279
Taxation	23	74 801	117 548	74 789	117 524
Profit for the year		210 075	213 517	216 555	212 755
Profit for the year attributable to:					
Equity holders of the parent		82 249	14 694	88 729	13 932
Non-controlling interests		127 826	198 823	127 826	198 823
		210 075	213 517	216 555	212 755

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 30 June 2020

		GROUP		COMPANY	
	Notes	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Profit for the year		210 075	213 517	216 555	212 755
Other comprehensive income		–	–	–	–
Total other comprehensive income		210 075	213 517	216 555	212 755
Total other comprehensive income attributable to:					
Equity holders of the parent		82 249	14 694	88 729	13 932
Non-controlling interest		127 826	198 823	127 826	198 823
		210 075	213 517	216 555	212 755

STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2020

	Equity attributable to owners						
	Issued share capital	Share premium	Retained earnings	Total ordinary shareholders equity	Subordinate debt capital	Non-controlling interest	Total equity
GROUP							
Balance at 1 July 2018	2 940	197 563	58 431	258 934	200 000	592 834	1 051 768
Net profit/(loss)	–	–	14 694	14 694	–	198 823	213 517
Total comprehensive income	–	–	14 694	14 694	–	198 823	213 517
Dividends paid	–	–	(13 200)	(13 200)	–	(416 376)	(429 576)
Capital movement	–	–	–	–	–	84 633	84 633
Balance at 30 June 2019	2 940	197 563	59 925	260 428	200 000	459 914	920 342
Net profit/(loss)	–	–	82 249	82 249	–	127 826	210 075
Total comprehensive income	–	–	82 249	82 249	–	127 826	210 075
Shares issued	2 000	198 000	–	200 000	–	–	200 000
Dividends paid	–	–	(250 733)	(250 733)	–	(352 099)	(602 832)
Capital movement	–	–	–	–	(200 000)	9 365	(190 635)
Balance at 30 June 2020	**4 940**	**395 563**	**(108 559)**	**291 944**	**–**	**245 006**	**536 950**
COMPANY							
Balance at 1 July 2018	**2 940**	**197 563**	**43 909**	**244 412**	**200 000**	**592 834**	**1 037 245**
Net profit/(loss)	**–**	**–**	**13 932**	**13 932**	**–**	**198 823**	**212 755**
Total comprehensive income	**–**	**–**	**13 932**	**13 932**	**–**	**198 823**	**212 755**
Dividends paid	**–**	**–**	**(13 200)**	**(13 200)**	**–**	**(416 376)**	**(429 576)**
Capital movement	**–**	**–**	**–**	**–**	**–**	**84 633**	**84 633**
Balance at 30 June 2019	**2 940**	**197 563**	**44 641**	**245 144**	**200 000**	**459 914**	**905 058**
Net profit/(loss)	**–**	**–**	**88 729**	**88 729**	**–**	**127 826**	**216 555**
Total comprehensive income	**–**	**–**	**88 729**	**88 729**	**–**	**127 826**	**216 555**
Shares issued	**2 000**	**198 000**	**–**	**200 000**	**–**	**–**	**200 000**
Dividends paid	**–**	**–**	**(250 733)**	**(250 733)**	**–**	**(352 099)**	**(602 832)**
Capital movement	**–**	**–**	**–**	**–**	**(200 000)**	**9 365**	**(190 635)**
Balance at 30 June 2020	**4 940**	**395 563**	**(117 363)**	**283 140**	**–**	**245 006**	**528 146**

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		1 116 101	1 536 961	1 121 601	1 535 673
Cash paid to policyholders, suppliers and employees		(1 284 750)	(1 193 995)	(1 290 375)	(1 192 794)
Cash generated from/(utilised by) operations	24	(168 649)	342 966	(168 774)	342 879
Interest paid		(5 034)	(20 531)	(5 034)	(20 531)
Dividends paid	25	(602 832)	(429 576)	(602 832)	(429 576)
Interest received		81 458	128 587	81 458	128 587
Dividends received	26	6 775	10 672	6 775	10 672
Taxation paid	27	(76 390)	(150 716)	(76 373)	(150 498)
Net cash outflow from operating activities		(764 672)	(118 598)	(764 780)	(118 467)
Cash flows from investing activities					
Acquisition of listed and unlisted investments		(87 954)	(538 570)	(87 954)	(538 570)
Acquisition of property and equipment		–	(286)	–	(286)
Proceeds on disposal of listed and unlisted investments	28	759 766	685 484	759 766	685 484
Net cash inflow from investing activities		671 812	146 629	671 812	146 629
Cash flows from financing activities					
Non-controlling interest capital contribution		9 365	84 633	9 365	84 633
Net cash inflow from financing activities		9 365	84 633	9 365	84 633
Cash and cash equivalents					
Net (decrease)/increase in cash and cash equivalents		(83 495)	112 664	(83 603)	112 794
Cash, deposits and similar securities at beginning of year		496 275	383 611	496 151	383 357
Cash and cash equivalents at end of year		412 780	496 275	412 548	496 151

1. Summary of significant accounting policies

Statement of compliance

The consolidated annual financial statements are stated in South African Rand and are prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board ("IASB") in issue and effective for the Group at 30 June 2020 and the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and financial reporting pronouncements as issued by the Financial Reporting Standards Council and the Companies Act of South Africa, 2008.

Accounting policies

The principal accounting policies adopted and the methods of computation used in the preparation of these consolidated annual financial statements are set out below and are consistent in all material respects with those applied during the previous year except for the adoption of new and amended statements and interpretations as disclosed in note 1.1.

1.1 Basis of preparation

IFRS comprise, IAS and interpretations originated by the IFRIC or the former SIC. The standards referred to are set by the IASB.

The consolidated and separate annual financial statements have been prepared in compliance with IFRS and interpretations for year-ends commencing on or before 1 July 2019 and in compliance with the Companies Act, No 71 of 2008.

The consolidated and separate financial statements have been prepared on a historical cost basis, except for:

Carried at fair value:
- Financial instruments, (which includes derivative financial instruments) which are designated at fair value through profit and loss;

Fair value is the price that would be received to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value may be observable, i.e. for listed investments, or estimated using a valuation technique, i.e. for derivatives and unlisted equity instruments. The valuation techniques and inputs used to develop these measurements, as well as the effect on the measurements on profit or loss, are disclosed in the notes to the respective statements of financial position item. For consistency and comparability in fair value measurements, disclosure on the inputs to valuation techniques is categorised per the fair value hierarchy.

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 related interpretations for annual periods beginning on or after 1 January 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 was not material and a right-of-use asset of R0.8 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 R47k.

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 2019 were treated as short term leases;
- a single discount rate was used on 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;
- 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 obligation as at 1 July 2019	273
Sub-leasing accounting – IFRS 16 application	1 084
Other	(273)
Lease liability as at 1 July 2019	1 084

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.

1. Summary of significant accounting policies (continued)

1.1 Basis of preparation (continued)

Operating lease commitments (continued)

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

Amendments to reference to the conceptual framework in IFRS standards (effective from annual periods beginning on or after 1 January 2020):

- IFRS 3: *Definition of Business* (effective from annual periods beginning on or after 1 January 2020).
- IAS 1 and IAS 8: *Definition of Material* (effective from annual periods beginning on or after 1 January 2020).
- IFRS 9, IAS 39 and IFRS 7: *Interest Rate Benchmark Reform* (effective from annual periods beginning on or after 1 January 2020).
- IFRS 16: *COVID-19 Related Rent Concessions* (effective from annual periods beginning on or after 1 January 2020).
- IAS 1: *Classification of Liabilities as Current or Non-current* (effective from annual periods beginning on or after 1 January 2020).
- Annual improvements to IFRS standards 2018 – 2020 (May 2020) (effective from annual periods beginning on or after 1 January 2020).
- IFRS 3: *Reference to Conceptual Framework* (effective from annual periods beginning on or after 1 January 2020).
- IAS 37: *Onerous Contracts-cost of Fulfilling a Contract* (effective from annual periods beginning on or after 1 January 2020).

Except for IFRS 17, none of the above are expected to have a significant impact on the Group and Company.

1.2 Consolidation

The consolidated annual financial statements incorporate the financial statements of the Hollard Specialist Insurance Company and entities controlled by the Company (its subsidiaries).

Subsidiaries

Subsidiary undertakings, which are those companies in which the Hollard Specialist Insurance Company, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations, have been consolidated. Control is achieved where the Hollard Specialist Insurance Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities and when the Hollard Specialist Insurance Company has the majority of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Hollard Specialist Insurance Company and are no longer included from the date on which control ceases (effective date of disposal). Gains and losses on disposal of subsidiaries are included in the statement of comprehensive income. In the Company's financial statements, interests in subsidiary companies are shown at cost less any required impairment (which is assessed annually as set out in the accounting policies).

The Hollard Specialist Insurance Company uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

At the acquisition date, the identifiable assets acquired and liabilities assumed are measured at fair values except deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements which are recognised and measured in accordance with IAS 12: *Income taxes* and IAS 19: *Employee benefits* respectively.

The accounting policies for subsidiaries are consistent, in all material respects, with the policies adopted by the Hollard Specialist Insurance Company. Inter-group transactions, balances and unrealised gains and losses are eliminated on consolidation.

The Hollard Specialist Insurance Company consolidates a special purpose entity (SPE) when the substance of the relationship between the Hollard Specialist Insurance Company and the SPE indicates that the Hollard Specialist Insurance Company controls the SPE. The Hollard Specialist Insurance Company operates cell captives on behalf of entities that wish to participate in the insurance result of a particular category of insured risk. Preference shares are issued to those participants giving them the rights to share in profits on an agreed basis. To reflect the substance of the transaction it is consolidated and the participants' share of profits is treated as a non-controlling interest.

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Hollard Specialist Insurance Company's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination (see below) and the Non-controlling interests' share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Hollard Specialist Insurance Company except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

1.3 Property and equipment

Property and equipment comprise of owner-occupied properties, which are held for use in the supply of services or for administrative purposes, computer equipment, office equipment, furniture and fittings and motor vehicles. These assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying value or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Hollard Specialist Insurance Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred. Depreciation on property and equipment is calculated using the straight-line method after allocating their cost to their residual values over their estimated useful lives. The assets residual values and useful lives are reviewed at each statement of financial position date and adjusted if appropriate. The expected useful lives are as follows:

Office equipment	20%
Computer equipment	33.33% to 50%
Motor vehicles	20% to 50%
Furniture and fittings	16.67%
Leasehold improvements	Shorter of useful life and lease term
Land	Land is not depreciated

There has been no change to the useful lives from those applied in the previous financial year. The residual values and useful lives are reassessed on an annual basis.

Where the carrying amount of the asset is greater than its estimated recoverable amount, the asset is written down immediately to its recoverable amount. Gains and losses on disposal are determined by reference to the carrying amount of the asset and the net profit is recorded in the statement of comprehensive income on disposal.

Where the residual value is greater than or equal to the carrying value, no depreciation is provided for.

1.4 Intangible assets

Computer software

Costs associated with maintaining computer software are recognised as an expense when incurred. Costs clearly associated with an identifiable and unique system, which will be controlled by the Hollard Specialist Insurance Company and has a probable benefit exceeding the cost beyond one year, are recognised as an asset. These costs comprise all directly attributable costs necessary to create, produce and prepare the asset for its intended use, such as costs of material and supplier services used or consumed in generating the intangible asset. Expenditure that enhances and extends the benefits of computer software beyond their original specifications and lives is recognised as a capital improvement and capitalised to the original cost of the software. Computer software development costs recognised as assets are amortised using the straight-line method over their expected useful lives. Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down immediately to its recoverable amount.

Amortisation of intangibles

Amortisation of intangibles is charged to the statement of comprehensive income. The expected useful lives are as follows:

- Computer software development costs 3 – 7 years

Amortisation commences from the date the software is applied to day-to-day business processing. As the software is proprietary and specific to the Hollard Specialist Insurance Company's operations, no residual value is estimated.

1.5 Investment properties

Investment property is property held to earn rentals and/or for capital appreciation.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that the cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequently the investment properties are measured at fair value, with adjustments recognised in the statement of comprehensive income.

Transfers are made to investment property when, and only when there is a change in use, evidenced by the end of owner-occupation, commencement of an operating lease to another party or completion of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Hollard Specialist Insurance Company as an owner-occupied property becomes an investment property, the Hollard Specialist Insurance Company accounts for such property in accordance with the policy stated under property and equipment up to the end of change in use. When the Hollard Specialist Insurance Company completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of comprehensive income.

1.6 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 including leases of low value items and leases with a term of 12 months or less.

The Hollard Specialist Insurance Company as lessor

Operating leases

Rental income is recognised in the statement of comprehensive income over the period of the lease term on a systematic 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.

1. Summary of significant accounting policies (continued)

1.6 Leases (continued)

The Hollard Specialist Insurance Company as lessee

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. Theses assets are 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 a penalty is recognised as an expense in the period in which termination takes place.

1.7 Acquisition costs associated with insurance contracts

Acquisition costs for insurance contracts represent commission payments and other costs that relate to the securing of new contracts and the renewing of existing contracts. These costs are expensed as incurred.

1.8 Operating and administration expenditure

Operating expenses include administration expenditure, marketing and development expenditure, indirect taxes and levies other than life insurance taxes as well as all other non-commission related expenditure, and are expensed as incurred.

1.9 Impairment of tangible and intangible assets

At each statement of financial position date, the Hollard Specialist Insurance Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Hollard Specialist Insurance Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and the value in use. In assessing value in use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

If the recoverable amount of the asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount, in which case the impairment loss is taken to profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years.

1.10 Financial assets

The Group and Company classify its investments in debt and equity securities into the following categories: financial assets as at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost. The classification and measurement is dependent on the IFRS 9 criteria. IFRS 9 applies two criteria to determine how financial assets should be classified and measured, namely:

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

Financial assets at fair value through profit and loss include derivative financial instruments.

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.

Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are expensed when incurred. Subsequent to initial recognition, these investments are carried at amortised cost, using the effective interest method. Gains and losses are recognised in the statement of comprehensive income when the investments are derecognised or impaired, as well as through the amortisation process.

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.

1.11 Impairment of financial assets

The Hollard Specialist Insurance Company assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

The Hollard Specialist Insurance Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics which are collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. The impairment assessment is performed at each statement of financial position date.

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. Any subsequent reversal of an impairment loss is recognised in the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

For assets carried at cost, if there is objective evidence that an impairment loss on an unquoted equity investment that is not carried at fair value, because its fair value can not be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return of a similar asset.

For financial assets and loans carried at amortised cost, the amount of the impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced by the impairment loss and the loss is recorded in the statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Hollard Specialist Insurance Company may measure impairment on the basis of an instrument's fair value using an observable market price.

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.

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

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

1. Summary of significant accounting policies (continued)

1.11 Impairment of financial 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%

1.12 Derecognition of financial assets

A financial asset (or, when applicable a part of a financial asset or part of a Hollard Specialist Insurance Company of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired,
- the Hollard Specialist Insurance Company retains the right to receive cash flows from the asset, but assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement, or
- the Hollard Specialist Insurance Company has transferred its rights to receive cash flows from the asset and either:
  – has transferred substantially all the risks and rewards of the asset, or
  – has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Hollard Specialist Insurance Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Hollard Specialist Insurance Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Hollard Specialist Insurance Company could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including cash-settled option or similar provision) on the transferred asset, the extent of the Hollard Specialist Insurance Company's continuing involvement is the amount of the transferred asset that the Hollard Specialist Insurance Company may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Hollard Specialist Insurance Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.13 Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration paid plus incremental cost. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of comprehensive income.

1.14 Cash and cash equivalents

Cash and cash equivalents comprise balances with bankers, highly liquid short-term funds on deposit and cash on hand, but do not include money market securities held for investment.

1.15 Share capital

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

1.16 Classification of insurance contracts

Insurance contracts are those contracts where the Hollard Specialist Insurance Company has accepted significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholder. Insurance risk is risk other than financial risk, transferred from the holder of the contract to the issuer. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can however be reclassified as insurance contracts after inception, if insurance risk becomes significant.

Reinsurance

Contracts entered into with reinsurers by the short-term operations, under which the Hollard Specialist Insurance Company is compensated for losses on one or more contracts, and which meet the classification requirements for insurance contracts, are classified as reinsurance contracts held.

The benefits to which Hollard Specialist Insurance Company are entitled under their reinsurance contracts held are recognised as reinsurance assets, consisting of short-term balances due from reinsurers that are dependent on the expected claims and benefits. Reinsurance liabilities are primarily premiums payable and are recognised as an expense when due.

1.17 Income recognition

Premiums

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

Premiums on reinsurance assumed are included in gross written premiums and accounted for as if the reinsurance was considered direct business, taking into account the product classification of the reinsured business.

Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance or reinsurance business assumed.

The earned portion of the premium received is recognised as revenue. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten less provisions raised for cash backs. Outward reinsurance premiums are recognised as an expense in accordance with the pattern of indemnity received.

Unearned premiums

Premiums are earned from the date the risk attaches over the indemnity period, based on the pattern of the risk underwritten. Unearned premiums, which represent the proportion of premiums written in the current year which relate to the risks that have not expired by the end of the financial year, are calculated on the 365th basis for even risk business and other bases that best represent the unearned risk profile for uneven risk business.

Reinsurance contracts

Only contracts that give rise to a significant transfer of insurance risk are accounted for as reinsurance. Amounts recoverable under such contracts are recognised in the same year as the related claim. Contracts that do not transfer significant risk (that is, financial reinsurance) are accounted for as financial assets. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

Investment income

Investment return comprises interest, dividends, rental income and realised and unrealised gains or losses. Dividend income from investments is recognised when the Hollard Specialist Insurance Company's rights to receive payment have been established.

Interest income is recognised using the effective interest method by reference to the principal debt outstanding and the interest rate. Rental income is recognised on a straight-line basis over the term of the relevant lease. Other investment returns are accounted for on an accrual basis.

1. Summary of significant accounting policies (continued)

1.18 Claims recognition

Insurance contracts

Underwriting results

The Hollard Specialist Insurance Company's short-term underwriting results are determined after making provisions for unearned premiums, outstanding claims and such additional provisions as are considered necessary. The methods used to determine these provisions are set out below.

Claims incurred

Claims incurred consist of claims and claims handling expenses paid during the financial year together with the movement in the provision for outstanding claims. Claims outstanding comprise provisions for the Hollard Specialist Insurance Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the statement of financial position date whether reported or not, and an appropriate risk margin.

Whilst the directors consider that the gross provisions for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made, and disclosed separately if material. The methods used to value the provisions, and the estimates made, are reviewed regularly.

1.19 Policyholder insurance contracts

IBNR – insurance contracts

The majority of the Group's and Company's IBNR is calculated using triangulation methods, and is held at a 75th percentile. As a result, different levels of provisions are applicable for different classes of business and appropriateness is assessed against the Group's and Company's past claims experience.

Cash-back provisions

A provision is made for the accrued expected obligations to policyholders to the extent that the premiums for these benefits are already received and other terms and conditions are met within the period leading up to the expected cash back.

Deferred acquisition costs

The costs of acquiring new and renewal insurance business that is commission and other acquisition costs, primarily related to the term products of that business, are deferred. Deferred acquisition costs are amortised on a pro-rata basis over the contract term. Similarly, any reinsurance commissions received are deferred and recognised as income over the term of the reinsurance contract. Deferred acquisition costs and reinsurance commissions received are included in unearned premium provision.

Liability adequacy test – insurance contracts

At each reporting date the adequacy of the insurance liabilities is assessed. This is done using an unearned premium approach for pre-claims liabilities and by using a statistical approach for the claims liabilities. The claims liabilities are reported at a 75% level of sufficiency, claims liabilities are thus expected to be sufficient three out of every four years. If that assessment shows that the carrying amount of the insurance liabilities (less related deferred acquisition costs) is inadequate in the light of the estimated future cash flows, the insurance liability is increased and the deficiency is recognised as a loss.

1.20 Financial liabilities

Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

1.21 Provisions

Provisions are recognised when the Hollard Specialist Insurance Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Hollard Specialist Insurance Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain and the amount can be measured reliably. The expense relating to any provision is presented in the statement of comprehensive income. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

Leave pay provision

Leave pay provision is calculated based on the outstanding number of days' leave due to employees, applied to the total cost of their employment.

Employee bonus provision

Within the Hollard Specialist Insurance Company there are various formulas to calculate bonuses payable to employees. Provisions are raised based on the estimates of the total amount due.

1.22 Taxation

Income taxation on the profit or loss for the periods presented comprises current and deferred taxation.

Current taxation

The charge for current tax is based on the results for the year as adjusted for items that are non-taxable or are disallowed. It is calculated using the tax rates that have been enacted or substantively enacted on the statement of financial position date, in each particular jurisdiction in which the Hollard Specialist Insurance Company operates.

Deferred taxation

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same tax authority and the Hollard Insurance Group intends to settle its current tax assets and liabilities on a net basis.

Dividends tax

A dividends tax became effective on 1 April 2012 and this tax is levied on non-exempt shareholders. The Hollard Specialist Insurance Company is responsible for the collection of the dividends tax and payment of the amounts collected to the South African Revenue Service. As this tax is levied on the shareholders and not the Company, it does not form part of the tax expense recognised in the statement of other comprehensive income. Dividends are reflected gross of tax.

1.23 Employee retirements benefits

The policy of the Hollard Specialist Insurance Company is to provide retirement benefits for its employees. The contributions paid by the Hollard Specialist Insurance Company to fund obligations for the payment of retirement benefits are charged to the statement of comprehensive income in the year to which they relate. The Hollard Specialist Insurance Company's employees are members of a defined contribution plan, which is governed by the Pension Funds Act, No 24 of 1956.

For defined contribution plans, the Hollard Specialist Insurance Company pays contributions to privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Hollard Specialist Insurance Company has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

1.24 Exceptional items

Exceptional items include income and expense items which are not considered to be of a trading nature and include impairments of goodwill and profit on sale of property.

1.25 Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and where there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.26 Dividend distribution

Dividend distribution to the Hollard Specialist Insurance Company's shareholders is recognised as a liability in the Hollard Specialist Insurance Company's financial statements in the period in which the dividends are approved by the Hollard Specialist Insurance Company's Board of Directors.

1.27 Events after the statement of financial position date

The financial statements are adjusted to reflect events that occurred between the statement of financial position date and the date when the financial statements are authorised for issue, provided they provide evidence of conditions that existed at the statement of financial position date. Events that are indicative of conditions that arose after the statement of financial position date are disclosed (if material), but do not result in an adjustment of the financial statements themselves.

1. Summary of significant accounting policies (continued)

1.28 Transactions with related parties

Transactions with related parties are subject to terms and conditions that are no less favourable than those arranged with third parties.

1.29 Key assumptions in applying accounting policies

Key assumptions are those used to derive estimates, which require management's most complex or subjective judgements.

The Hollard Specialist Insurance Company's management decides on assumptions that can materially affect the reported amounts of assets and liabilities within the next financial year. These estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The most significant assets and liabilities, which typically require such assumptions, are the following:

- The Hollard Specialist Insurance Company holds a number of financial assets that are held at fair value through profit and loss. These are valued at quoted market prices as far as possible. However, if such prices are unavailable, fair value is based either on internal valuations or management's best estimates of realisable amounts.
- Impairment tests are conducted on all assets included in the statement of financial position. In determining the value in use, various estimates are used by management including deriving future cash flows and applicable discount rates. These estimates are most applicable to the impairment tests on reinsurance assets, intangible assets (including goodwill), deferred acquisition costs and receivables. Further details are contained in note 1.13 and 1.17 of the accounting policies.
- The IBNR provision consists of a best estimate reserve and an explicit risk margin. Further details are contained in note 15.4 of the notes to the consolidated annual financial statements.

2. Accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and 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 the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

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

Revisions to accounting estimates are recognised in the year in which the estimate is 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. In terms of IAS 8: *Accounting policies, changes in accounting estimates and errors*, changes in accounting estimates do not necessitate a prior period adjustment.

3. Financial risk management

Introduction

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

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

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

3.1 Exposure to risk arising from financial instruments

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

- Credit risk
- Liquidity risk
- Market risk

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

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

3.1.1 Credit risk

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

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

Insurance, loans and other receivables

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

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

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

Investments

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

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

The analysis of credit quality of the Group's and Company's assets is disclosed in note 4 on pages 28 to 35 of the financial statements.

Reinsurance

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

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

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

1. Summary of significant accounting policies (continued)

3.1 Exposure to risk arising from financial instruments

3.1.2 Liquidity risk

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

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

Based on actuarial modelling of historical and future expected trends, the Group and Company have estimated the probable cash outflows associated with general insurance liabilities. The maturity analysis of the gross insurance liabilities is set out in note 4.2.3 on page 33. The maturity profile of the related insurance and investment assets is expected to be similar to the profile of the liabilities. The Group and Company have taken into account that the unearned premium provision, which will be recognised as earned premium in the future, will not lead to claim cash outflows equal to this provision. This has been taken into account in estimating future cash outflows associated with insurance liabilities.

3.1.3 Market risk

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

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

a) Currency risk

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

The Group and Company are exposed to foreign currency risk for transactions that are denominated in a currency other than Rand. This exposure is limited to the operations of the Mozambique foreign subsidiaries, transactions with foreign reinsurers, debt securities and equity investments in foreign companies. These foreign investments were made for the purposes of obtaining favourable international exposure to foreign currency and are monitored by the Investment Committee.

b) Interest rate risk

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

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

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

c) Other market price (or equity) risk

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

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

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

3.1.4 Capital management

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

In each country in which the Group operates, the local insurance regulator specifies the minimum amount and type of capital that must be held by each of the subsidiaries in addition to their insurance liabilities. The minimum required capital must be maintained at all times. The Company submits quarterly and annual returns to the Financial Sector Conduct Authority ("FSCA") in terms of the Insurance Act, and is required at all times to maintain a statutory surplus asset ratio as defined in the Act. Interim measures was replaced in 1 July 2018 by new solvency requirements being developed in the FSCA's Solvency Assessment and Management ("SAM") initiative. The returns submitted during the year showed that the Company met the minimum capital requirements throughout the year. The operating subsidiaries also met their respective solvency requirements.

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

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

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

4. Risk management

4.1 Credit risk

Exposure to credit risk

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

	Carrying value in statement of financial position		Net credit exposure	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
GROUP				
Other assets				
Financial assets at fair value through profit or loss – listed investments	42 102	54 049	42 102	54 049
Financial assets at fair value through profit or loss – unlisted investments	399 993	972 384	399 993	972 384
Financial assets at fair value through profit or loss – bonds	26 496	130 585	26 496	130 585
Financial assets at amortised cost	22 249	22 240	22 249	22 240
Loans and other receivables	14 922	12 473	14 588	12 473
Cash and cash equivalents	412 780	496 275	412 780	496 275
Insurance assets				
Insurance receivables – premium debtors	14 573	45 103	14 573	45 103
Deferred acquisition costs	3 749	6 851	–	–
Reinsurance assets	27 749	26 989	27 749	26 989
Total	964 613	1 766 949	960 530	1 760 098
COMPANY				
Other assets				
Investment in subsidiaries	1 773	1 773	–	–
Loans to subsidiaries	–	1 373	–	1 373
Financial assets at fair value through profit or loss – listed investments	42 102	54 049	42 102	54 049
Financial assets at fair value through profit or loss – unlisted investments	399 993	972 384	399 993	972 384
Financial assets at fair value through profit or loss – bonds	26 496	130 585	26 496	130 585
Financial assets at amortised cost	22 249	22 240	22 249	22 240
Loans and other receivables	13 334	10 205	13 270	10 205
Cash and cash equivalents	412 548	496 151	412 548	496 151
Insurance assets				
Insurance receivables – premium debtors	14 573	45 103	14 573	45 103
Deferred acquisition costs	3 749	6 851	–	–
Reinsurance assets	27 749	26 989	27 749	26 989
Total	964 566	1 767 703	958 980	1 759 079

Credit rating

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

	AA+ R'000	AA R'000	AA- R'000	A+ R'000	A R'000	A- R'000	BBB+ R'000	BBB R'000	BBB- R'000	BB+ R'000	BB R'000	BB- R'000	B+ R'000	B 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	–	–	–	–	–	–	–	–	–	14 980	27 122	–	–	–	–	–	42 102
Financial assets at fair value through profit or loss – unlisted investments	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	399 993	399 993
Financial assets at fair value through profit or loss – bonds	–	–	–	–	–	–	–	–	–	–	24 969	–	–	1 527	–	–	26 496
Financial assets at amortised cost	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	22 249	22 249
Loans and other receivables	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	14 588	14 588
Cash and cash equivalents	–	–	–	–	–	–	–	–	232	315 642	67 792	–	–	–	–	29 114	412 780
Insurance assets																	
Insurance receivables – premium debtors	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	14 573	14 573
Reinsurance assets	–	57	1 338	2 381	293	6 968	135	–	–	–	–	–	–	–	–	16 577	27 749
Total	–	57	1 338	2 381	293	6 968	135	–	232	330 622	119 883	–	–	1 527	–	497 094	960 530

	AA+ R'000	AA R'000	AA- R'000	A+ R'000	A R'000	A- R'000	BBB+ R'000	BBB R'000	BBB- R'000	BB+ R'000	BB R'000	BB- R'000	B+ R'000	B R'000	B- R'000	Not Rated R'000	Total R'000
2019																	
Other assets																	
Financial assets at fair value through profit or loss – listed investments	–	–	–	–	–	–	–	–	–	18 210	35 840	–	–	–	–	–	54 050
Financial assets at fair value through profit or loss – unlisted investments	–	–	–	–	–	–	–	–	–	–	546 760	–	–	–	–	425 624	972 384
Financial assets at fair value through profit or loss – bonds	–	–	–	–	–	–	–	–	–	–	76 198	–	–	3 696	–	50 691	130 585
Financial assets at amortised cost	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	22 240	22 240
Loans and other receivables	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	12 473	12 473
Cash and cash equivalents	–	–	–	–	–	–	–	–	124	413 115	27 517	–	–	–	–	55 520	496 276
Insurance assets																	
Insurance receivables – premium debtors	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	45 103	45 103
Reinsurance assets	–	–	1 543	9 670	–	6 722	3 858	–	986	–	–	–	–	–	–	4 210	26 989
Total	–	–	1 543	9 670	–	6 722	3 858	–	1 110	431 325	686 315	–	–	3 696	–	615 861	1 760 100
COMPANY																	
2020																	
Other assets																	
Financial assets at fair value through profit or loss – listed investments	–	–	–	–	–	–	–	–	–	14 980	27 122	–	–	–	–	–	42 102
Financial assets at fair value through profit or loss – unlisted investments	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	399 993	399 993
Financial assets at fair value through profit or loss – bonds	–	–	–	–	–	–	–	–	–	–	24 969	–	–	1 527	–	–	26 496
Financial assets at amortised cost	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	22 249	22 249
Loans and other receivables	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	13 270	13 270
Cash and cash equivalents	–	–	–	–	–	–	–	–	–	315 642	67 792	–	–	–	–	29 114	412 548
Insurance assets																	
Insurance receivables – premium debtors	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	14 573	14 573
Reinsurance assets	–	57	1 338	2 381	293	6 968	135	–	–	–	–	–	–	–	–	16 577	27 749
Total	–	57	1 338	2 381	293	6 968	135	–	–	330 622	119 883	–	–	1 527	–	495 775	958 979
2019																	
Other assets																	
Loans to subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1 373	1 373
Financial assets at fair value through profit or loss – listed investments	–	–	–	–	–	–	–	–	–	18 210	35 840	–	–	–	–	–	54 049
Financial assets at fair value through profit or loss – unlisted investments	–	–	–	–	–	–	–	–	–	–	546 760	–	–	–	–	425 624	972 384
Financial assets at fair value through profit or loss – bonds	–	–	–	–	–	–	–	–	–	–	76 198	–	–	3 696	–	50 691	130 585
Financial assets at amortised cost	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	22 240	22 240
Loans and other receivables	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	10 205	10 205
Cash and cash equivalents	–	–	–	–	–	–	–	–	–	413 115	27 517	–	–	–	–	55 520	496 151
Insurance assets																	
Insurance receivables – premium debtors	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	45 103	45 103
Reinsurance assets	–	–	1 543	9 670	–	6 722	3 858	–	986	–	–	–	–	–	–	4 210	26 989
Total	–	–	1 543	9 670	–	6 722	3 858	–	986	431 324	686 315	–	–	3 696	–	614 966	1 759 079

4. Risk management (continued)

4.1 Credit risk (continued)

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								
Financial assets at fair value through profit or loss – listed investments	42 102	–	–	42 102	42 102	–	–	42 102
Financial assets at fair value through profit or loss – unlisted investments	399 993	–	–	399 993	399 993	–	–	399 993
Financial assets at fair value through profit or loss – bonds	26 496	–	–	26 496	26 496	–	–	26 496
Financial assets at amortised cost	22 249	–	–	22 249	22 249	–	–	22 249
Loans and other receivables	13 603	1 318	–	14 922	13 334	–	–	13 334
Cash and cash equivalents	412 780	–	–	412 780	412 548	–	–	412 548
Financial assets	917 223	1 318	–	918 541	916 721	–	–	916 721
Insurance receivables – premium debtors	14 573	–	–	14 573	14 573	–	–	14 573
Reinsurance assets	24 269	3 480	–	27 749	24 269	3 480	–	27 749
Insurance assets	38 842	3 480	–	42 322	38 842	3 480	–	42 322
2019								
Loans to subsidiaries	–	–	–	–	1 373	–	–	1 373
Financial assets at fair value through profit or loss – listed investments	54 049	–	–	54 049	54 049	–	–	54 049
Financial assets at fair value through profit or loss – unlisted investments	972 384	–	–	972 384	972 384	–	–	972 384
Financial assets at fair value through profit or loss – bonds	130 585	–	–	130 585	130 585	–	–	130 585
Financial assets at amortised cost	22 240	–	–	22 240	22 240	–	–	22 240
Loans and other receivables	12 473	–	–	12 473	10 205	–	–	10 205
Cash and cash equivalents	496 275	–	–	496 275	496 151	–	–	496 151
Financial assets	1 688 006	–	–	1 688 006	1 686 987	–	–	1 686 987
Insurance receivables – premium debtors	45 103	–	–	45 103	45 103	–	–	45 103
Reinsurance assets	26 989	–	–	26 989	26 989	–	–	26 989
Insurance assets	72 092	–	–	72 092	72 092	–	–	72 092

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										
Loans and other receivables	134	134	135	915	1 318	–	–	–	–	–
Reinsurance assets	–	–	–	3 480	3 480	–	–	–	3 480	3 480
	134	134	135	4 395	4 798	–	–	–	3 480	3 480
2019										
Loans and other receivables	–	–	–	–	–	–	–	–	–	–
Reinsurance assets	–	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–	–

Movement in the allowance for impairment in respect of loans and receivables and premium debtors

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

	GROUP		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Balance at the beginning of the year	25 251	16 847	25 251	16 847
– Collective impairment loss reversed	1 945	8 984	1 945	8 984
– Collective impairment loss recognised	9 686	(580)	9 686	(580)
Balance at the end of the year	36 882	25 251	36 882	25 251

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
2020								
Balance at the beginning of the year	9	–	9	–	9	–	9	–
Originations, purchases and interest accruals	58	–	58	–	58	–	58	–
Balance at the end of the year	67	–	67	–	67	–	67	–
2019								
Balance at the beginning of the year	9	–	9	–	9	–	9	–
Originations, purchases and interest accruals	–	–	–	–	–	–	–	–
Balance at the end of the year	9	–	9	–	9	–	9	–

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 the projection of future cash flows and discount rates.

2019 movement denotes an amount of less than R1 000.

4. Risk management (continued)

4.2 Liquidity risk

4.2.1 Maturity profile on financial and insurance assets – contractual cash flows assets

The following tables detail the Group's and Company's contractual maturities of financial and insurance assets, 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
GROUP						
2020						
Financial assets at fair value through profit or loss	468 591	468 591	457 183	1 527	9 880	–
Financial assets at amortised cost	22 249	22 249	22 249	–	–	–
Reinsurance assets	27 749	27 749	27 749	–	–	–
Insurance, loans and other receivables	29 494	29 494	29 142	352	–	–
Deferred acquisition costs	3 749	3 749	3 749	–	–	–
Cash and cash equivalents	412 780	412 780	412 780	–	–	–
Total	964 612	964 612	952 852	1 879	9 880	–
2019						
Financial assets at fair value through profit or loss	1 157 018	1 157 018	1 045 466	101 236	10 317	–
Financial assets at amortised cost	22 240	22 240	–	22 240	–	–
Reinsurance assets	26 989	26 989	26 989	–	–	–
Insurance, loans and other receivables	57 576	57 576	57 576	–	–	–
Deferred acquisition costs	6 851	6 851	6 851	–	–	–
Cash and cash equivalents	496 275	496 275	496 275	–	–	–
Total	1 766 950	1 766 950	1 633 157	123 476	10 317	–
COMPANY						
2020						
Financial assets at fair value through profit or loss	468 591	468 591	457 183	1 527	9 880	–
Financial assets at amortised cost	22 249	22 249	22 249	–	–	–
Reinsurance assets	27 749	27 749	27 749	–	–	–
Insurance, loans and other receivables	27 906	27 906	27 906	–	–	–
Deferred acquisition costs	3 749	3 749	3 749	–	–	–
Cash and cash equivalents	412 548	412 548	412 548	–	–	–
Total	962 792	962 792	951 385	1 527	9 880	–
2019						
Loans to subsidiaries	1 373	1 373	1 373	–	–	–
Financial assets at fair value through profit or loss	1 157 018	1 157 018	1 045 466	101 236	10 317	–
Financial assets at amortised cost	22 240	22 240	–	22 240	–	–
Reinsurance assets	26 989	26 989	26 989	–	–	–
Insurance, loans and other receivables	55 308	55 308	55 308	–	–	–
Deferred acquisition costs	6 851	6 851	6 851	–	–	–
Cash and cash equivalents	496 151	496 151	496 151	–	–	–
Total	1 765 931	1 765 931	1 632 138	123 476	10 317	-

4.2.2 Maturity profile on financial liabilities – contractual cash flows liabilities

The following tables detail the Group's and Company's contractual maturities of 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
GROUP						
2020						
Non-derivative financial liabilities						
Trade and other payables and employee benefits	97 973	97 973	96 153	–	1 820	–
Trade and other payables	87 051	87 051	85 231	–	1 820	–
Employee benefits	10 922	10 922	10 922	–	–	–
Total	97 973	97 973	96 153	–	1 820	–
2019						
Non-derivative financial liabilities						
Trade and other payables and employee benefits	199 375	199 375	199 375	–	–	–
Trade and other payables	191 844	191 844	191 844	–	–	–
Employee benefits	7 531	7 531	7 531	–	–	–
Total	199 375	199 375	199 375	–	–	–
COMPANY						
2020						
Non-derivative financial liabilities						
Trade and other payables and employee benefits	96 174	96 174	96 174	–	–	–
Trade and other payables	85 252	85 252	85 252	–	–	–
Employee benefits	10 922	10 922	10 922	–	–	–
Total	96 174	96 174	96 174	–	–	–
2019						
Non-derivative financial liabilities						
Trade and other payables and employee benefits	197 372	197 372	197 372	–	–	–
Trade and other payables	189 841	189 841	189 841	–	–	–
Employee benefits	7 531	7 531	7 531	–	–	–
Total	197 372	197 372	197 372	–	–	–

4.2.3 Maturity profile on financial liabilities – probable contractual cash outflows

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	Maturity more than 5 years R'000
GROUP AND COMPANY				
2020				
Claims reported and loss adjustment expenses	220 301	178 938	41 364	–
Claims incurred but not yet reported	(8 123)	(6 592)	(1 531)	–
Unearned premium provision	117 837	54 085	63 752	–
Unexpired risk reserve	2 976	1 366	1 610	–
Reinsurance liabilities	15 856	7 278	8 579	–
	348 848	235 074	113 774	–

4. Risk management (continued)

4.2 Liquidity risk

4.2.3 Maturity profile on financial liabilities – probable contractual cash outflows (continued)

	Probable cash outflows R'000	Maturity within a year R'000	Maturity between 2 and 5 years R'000	Maturity more than 5 years R'000
GROUP AND COMPANY				
2019				
Claims reported and loss adjustment expenses	218 046	177 106	40 940	–
Claims incurred but not yet reported	51 971	42 170	9 801	–
Unearned premium provision	398 985	183 125	215 860	–
Unexpired risk reserve	24 053	11 040	13 013	–
Reinsurance liabilities	18 783	8 621	10 162	–
	711 838	422 061	289 776	–

4.3 Market risk

4.3.1 Sensitivity analysis – interest rate risk

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

	2020 Carrying amount	2019 Carrying amount
Profile – GROUP		
Variable rate instruments		
Financial assets		
Cash and cash equivalents	412 780	496 275
	412 780	496 275
Profile – COMPANY		
Variable rate instruments		
Financial assets		
Cash and cash equivalents	412 548	496 151
	412 548	496 151

Sensitivity analysis for variable rate instruments of the Group and Company

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

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

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

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				
Cash and cash equivalents	8 256	(8 256)	8 256	(8 256)
	8 256	(8 256)	8 256	(8 256)
2019				
Cash and cash equivalents	9 925	(9 925)	9 925	(9 925)
	9 925	(9 925)	9 925	(9 925)

	Profit/(loss)		Equity	
	2% increase R'000	2% decrease R'000	2% increase R'000	2% decrease R'000
COMPANY				
2020				
Cash and cash equivalents	8 251	(8 251)	8 251	(8 251)
	8 251	(8 251)	8 251	(8 251)
2019				
Cash and cash equivalents	9 923	(9 923)	9 923	(9 923)
	9 923	(9 923)	9 923	(9 923)

4.3.2 Sensitivity analysis – exposure to equity price risk

The Group's 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						
Preference shares	42 102	Listed	JSE	54 049	Not listed	JSE
Preference shares	22 249	Not listed	N/A	22 240	Not listed	N/A
	64 351			76 289		
COMPANY						
Preference shares	42 102	Listed	JSE	54 049	Not listed	JSE
Preference shares	22 249	Not listed	N/A	22 240	Not listed	N/A
	64 351			76 289		

Sensitivity analysis – index exposure

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

	Profit/(loss)		Equity	
	5% increase R'000	5% decrease R'000	5% increase R'000	5% decrease R'000
GROUP and COMPANY				
2020				
Preference shares – listed – JSE	2 105	(2 105)	2 105	(2 105)
Preference shares – not listed	1 112	(1 112)	1 112	(1 112)
	3 217	(3 217)	3 217	(3 217)
2019				
Preference shares – listed – JSE	2 702	(2 702)	2 702	(2 702)
Preference shares – not listed	1 112	(1 112)	1 112	(1 112)
	3 814	(3 814)	3 814	(3 814)

	GROUP		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
5. Property and equipment				
Cost				
Leasehold improvements	3 152	3 152	3 152	3 152
Office equipment	42 825	45 233	42 825	42 855
Office equipment	1 369	2 506	1 369	1 369
Computer hardware	31 710	31 710	31 710	31 710
Furniture and fittings	9 746	11 017	9 746	9 776
Property and equipment – cost	45 977	48 385	45 977	46 007
Accumulated depreciation				
Leasehold improvements	(1 937)	(1 626)	(1 937)	(1 626)
Office equipment	(38 208)	(34 548)	(38 208)	(32 379)
Office equipment	(1 349)	(2 439)	(1 349)	(1 290)
Computer hardware	(27 456)	(22 849)	(27 456)	(22 848)
Furniture and fittings	(9 403)	(9 260)	(9 403)	(8 241)
Property and equipment – accumulated depreciation and impairment	(40 145)	(36 174)	(40 145)	(34 005)
Net carrying amount				
Leasehold improvements	1 215	1 526	1 215	1 526
Office equipment	4 617	10 685	4 617	10 476
Office equipment	20	67	20	79
Computer hardware	4 254	8 861	4 254	8 862
Furniture and fittings	343	1 757	343	1 535
Property and equipment – carrying value	5 832	12 211	5 832	12 002
Reconciliation of movement on net carrying amount:				
Balance at the beginning of the year	12 211	20 043	12 002	19 399
Additions	–	286	–	286
Computer hardware	–	286	–	286
Depreciation for the year	(6 375)	(8 118)	(6 165)	(7 684)
Leasehold improvements	(311)	(311)	(311)	(311)
Office equipment	(59)	(405)	(59)	(178)
Computer hardware	(4 609)	(5 929)	(4 609)	(5 929)
Furniture and fittings	(1 396)	(1 473)	(1 186)	(1 266)
Disposals	(5)	–	(5)	–
Furniture and fittings	(5)	–	(5)	–
Balance at the end of the year	5 832	12 211	5 832	12 002
6. Right-of-use				
Cost				
Property	812	–	812	–
Right-of-use asset – cost	812	–	812	–
Accumulated depreciation				
Property	(116)	–	(116)	–
Right-of-use asset – accumulated depreciation and impairment	(116)	–	(116)	–
Net carrying amount				
Property	696	–	696	–
Balance at the end of the year	696	–	696	–

	GROUP		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Reconciliation of movement on net carrying amount:				
Balance at the beginning of the year	–	–	–	–
Recognised on adoption of IFRS 16	812	–	812	–
Property	812	–	812	–
Depreciation for the year	(116)	–	(116)	–
Property	(116)	–	(116)	–
Balance at the end of the year	696	–	696	–

The right-of-use asset relates to a portion of the property at 22 Oxford Road, Parktown, that the Company leases.

7. Investment property

Investment property – land and buildings – cost	22 240	22 240	3 340	3 340
Investment property – land and buildings – revaluation	(7 661)	–	(381)	–
Fair value on investment properties	14 579	22 240	2 959	3 340
Reconciliation of movement on fair value amount:				
Balance at the beginning of the year	22 240	22 240	3 340	3 340
Impairment for the year	(7 661)	–	(381)	–
Balance at the end of the year	14 579	22 240	2 959	3 340

Investment property comprises the following:

- Property situated on Erf 35325, Belville, Cape Town. The cost of the property is R2.4 million and the market value is R3.0 million (2019: R3.3 million).
- Property situated in Irene Extension 3, Pretoria. The cost of the property is R18.4 million and the market value is R17.1 million (2019: R17.1 million).

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

8. Intangible assets

Cost				
Computer software	28 532	104 388	28 532	104 388
Intangible assets – cost	28 532	104 388	28 532	104 388
Accumulated amortisation and impairment				
Computer software	(27 097)	(69 259)	(27 097)	(69 259)
Intangible assets – accumulated amortisation and impairment	(27 097)	(69 259)	(27 097)	(69 259)
Net carrying amount				
Computer software	1 435	35 129	1 435	35 129
Intangible assets	1 435	35 129	1 435	35 129
Reconciliation of movement on net carrying amount:				
Balance at the beginning of the year	35 129	47 883	35 129	47 883
Additions	–	13 630	–	13 630
Computer software	–	13 630	–	13 630
Amortisation for the year	(8 923)	(25 218)	(8 923)	(25 218)
Computer software	(8 923)	(25 218)	(8 923)	(25 218)
Impairment for the year	(24 771)	–	(24 771)	–
Computer software	(24 771)	–	(24 771)	–
Disposals	–	(1 166)	–	(1 166)
Computer software	–	(1 166)	–	(1 166)
Balance at the end of the year	1 435	35 129	1 435	35 129

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

9. Investment in subsidiaries

Interest in subsidiaries comprises:				
Shares at fair value through profit or loss	1 773	1 773		
Loans to subsidiaries	–	1 373		
Investments in subsidiaries	1 773	3 146		

This loan is unsecured.

Details of subsidiaries are provide on page 55 of these financials.

10. Financial assets

Financial assets at fair value through profit or loss	468 591	1 157 018	468 591	1 157 018
Financial assets at amortised cost	22 249	22 240	22 249	22 240
	490 840	1 179 258	490 840	1 179 258
Current	479 433	1 121 755	479 433	1 121 755
Non-current	11 407	57 503	11 407	57 503
	490 840	1 179 258	490 840	1 179 258
Financial assets at fair value through profit or loss				
Listed investments	42 102	54 049	42 102	54 049
Unlisted investments	399 993	972 384	399 993	972 384
Bonds	26 496	130 585	26 496	130 585
	468 591	1 157 018	468 591	1 157 018

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

Listed investments				
At market value	42 102	54 049	42 102	54 049
Analysis of spread of listed investments by market sector	%	%	%	%
Banks	100.00	100.00	100.00	100.00
	100.00	100.00	100.00	100.00
Unlisted investments				
At fair value	422 242	994 624	422 242	994 624
	%	%	%	%
Private equity investments	5.27	2.24	5.27	2.24
Unit trusts	94.73	97.76	94.73	97.76
	100.00	100.00	100.00	100.00
Total listed and unlisted investments at fair value	464 344	1 048 673	464 344	1 048 673
Bonds				
Bonds and other assets at amortised cost by industry	26 496	130 585	26 496	130 585
	%	%	%	%
Banks	100.00	100.00	100.00	100.00
	100.00	100.00	100.00	100.00

	Maturity spread R'000	Maturity spread %	Nominal interest rate %	Effective interest rate %
GROUP				
2020				
Bonds				
An analysis of debt securities by maturity spread for 2020				
0 – 1 year	15 088	56.95	4.99	4.99
1 – 2 years	1 527	5.76	3.20	5.75
2 – 5 years	9 880	37.29	6.49	6.49
	26 496	100.00		
2019				
An analysis of debt securities by maturity spread for 2019				
0 – 1 year	73 082	55.97	7.33	7.21
1 – 2 years	47 186	36.13	6.90	6.94
2 – 5 years	10 317	7.90	9.61	9.61
	130 585	100.00		
COMPANY				
2020				
Bonds				
An analysis of debt securities by maturity spread for 2020				
0 – 1 year	15 088	56.95	4.99	4.99
1 – 2 years	1 527	5.76	3.20	5.75
2 – 5 years	9 880	37.29	6.49	6.49
	26 496	100.00		
2019				
An analysis of debt securities by maturity spread for 2019				
0 – 1 year	73 082	55.97	7.33	7.21
1 – 2 years	47 186	36.13	6.90	6.94
2 – 5 years	10 317	7.90	9.61	9.61
	130 585	100.00		

	Fair value through profit or loss R'000	Loans and receiv-ables R'000	At amortised cost invest-ments R'000	Financial assets at fair value through other compre-hensive income 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									
Financial assets	468 591	–	22 249	–	490 840	–	–	490 840	490 840
Reinsurance assets	–	–	–	–	–	27 749	–	27 749	27 749
Insurance, loans and other receivables	–	–	–	–	–	14 573	14 922	29 495	29 495
Deferred acquisition costs	–	–	–	–	–	3 749	–	3 749	3 749
Cash and cash equivalents	–	–	412 780	–	412 780	–	–	412 780	412 780
Total	468 591	–	435 029	–	903 620	46 071	14 922	964 613	964 613

10. Financial assets (continued)

	Fair value through profit or loss R'000	Loans and receiv-ables R'000	At amortised cost invest-ments R'000	Financial assets at fair value through other compre-hensive income 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
Liabilities									
Insurance liabilities	–	–	–	–	–	331 922	–	331 922	331 922
Reinsurance liabilities	–	–	–	–	–	15 856	–	15 856	15 856
Employee benefits	–	–	–	–	–	–	10 922	10 922	10 922
Trade and other payables	–	–	–	–	–	–	87 051	87 051	87 051
Total	–	–	–	–	–	347 779	97 973	445 751	445 751
2019									
Assets									
Financial assets	1 157 018	–	22 240	–	1 179 258	–	–	1 179 258	1 179 258
Reinsurance assets	–	–	–	–	–	26 989	–	26 989	26 989
Insurance, loans and other receivables	–	–	–	–	–	45 103	12 473	57 576	57 576
Deferred acquisition costs	–	–	–	–	–	6 851	–	6 851	6 851
Cash and cash equivalents	–	–	496 275	–	496 275	–	–	496 275	496 275
Total	1 157 018	–	518 515	–	1 675 533	78 943	12 473	1 766 949	1 766 949
Liabilities									
Insurance liabilities	–	–	–	–	–	693 056	–	693 056	693 056
Reinsurance liabilities	–	–	–	–	–	18 783	–	18 783	18 783
Employee benefits	–	–	–	–	–	–	7 531	7 531	7 531
Trade and other payables	–	–	–	–	–	–	191 844	191 844	191 844
Total	–	–	–	–	–	711 839	199 375	911 214	911 214
COMPANY									
2020									
Assets									
Investment in subsidiaries	1 773	–	–	–	1 773	–	–	1 773	1 773
Financial assets	468 591	–	22 249	–	490 840	–	–	490 840	490 840
Reinsurance assets	–	–	–	–	–	27 749	–	27 749	27 749
Insurance, loans and other receivables	–	–	–	–	–	14 573	13 334	27 907	27 907
Deferred acquisition costs	–	–	–	–	–	3 749	–	3 749	3 749
Cash and cash equivalents	–	–	412 548	–	412 548	–	–	412 548	412 548
Total	470 364	–	434 797	–	905 161	46 071	13 334	964 566	964 566
Liabilities									
Insurance liabilities	–	–	–	–	–	331 922	–	331 922	331 922
Reinsurance liabilities	–	–	–	–	–	15 856	–	15 856	15 856
Employee benefits	–	–	–	–	–	–	10 922	10 922	10 922
Trade and other payables	–	–	–	–	–	–	85 252	85 252	85 252
Total	–	–	–	–	–	347 778	96 174	443 952	443 952

	Fair value through profit or loss R'000	Loans and receivables R'000	At amortised cost investments R'000	Financial assets at fair value through other comprehensive income R'000	Total financial instruments R'000	Insurance contract assets and liabilities R'000	Other assets and liabilities R'000	Total per statement of financial position R'000	Fair value of financial instruments R'000
COMPANY									
2019									
Assets									
Investment in subsidiaries	1 773	–	–	–	1 773	–	–	1 773	1 773
Loans to subsidiaries	–	–	–	–	–	–	1 373	1 373	1 373
Financial assets	1 157 018	–	22 240	–	1 179 258	–	–	1 179 258	1 179 258
Reinsurance assets	–	–	–	–	–	26 989	–	26 989	26 989
Insurance, loans and other receivables	–	–	–	–	–	45 103	10 205	55 308	55 308
Deferred acquisition costs	–	–	–	–	–	6 851	–	6 851	6 851
Cash and cash equivalents	–	–	496 151	–	496 151	–	–	496 151	496 151
Total	1 158 791	–	518 391	–	1 677 182	78 943	11 578	1 767 703	1 767 703
Liabilities									
Insurance liabilities	–	–	–	–	–	693 056	–	693 056	693 056
Reinsurance liabilities	–	–	–	–	–	18 783	–	18 783	18 783
Employee benefits	–	–	–	–	–	–	7 531	7 531	7 531
Trade and other payables	–	–	–	–	–	–	189 841	189 841	189 841
Total	–	–	–	–	–	711 839	197 372	909 211	909 211

10.1 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				
Listed investments	42 102	–	–	42 102
Unlisted investments	–	399 993	–	399 993
Bonds	–	26 496	–	26 496
	42 102	426 489	–	468 591
2019				
Financial assets carried at fair value through profit or loss				
Listed investments	54 049	–	–	54 049
Unlisted investments	–	972 384	–	972 384
Bonds	–	130 585	–	130 585
	54 049	1 102 969	–	1 157 018

10. Financial assets (continued)

10.1 Determination of fair value and fair values hierarchy (continued)

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total fair value R'000
COMPANY				
2020				
Financial assets carried at fair value through profit or loss				
Interest in subsidiaries	–	–	1 773	1 773
Listed Investments	42 102	–	–	42 102
Unlisted Investments	–	399 993	–	399 993
Bonds	–	26 496	–	26 496
	42 102	426 489	1 773	470 364
2019				
Financial assets carried at fair value through profit or loss				
Interest in subsidiaries	–	–	1 773	1 773
Listed Investments	54 049	–	–	54 049
Unlisted Investments	–	972 384	–	972 384
Bonds	–	130 585	–	130 585
Total	54 049	1 102 969	1 773	1 158 791

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

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

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

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 pre-tax 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.

	GROUP		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
11. Insurance, loans and other receivables				
Insurance receivables – premium debtors	14 573	45 103	14 573	45 103
Other receivables	14 922	12 473	13 334	10 205
Total insurance and other receivables	29 495	57 576	27 907	55 308

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

12. Deferred taxation				
Deferred income tax assets				
Deferred income tax to be recovered within 12 months	18 596	4 355	18 596	4 355
Deferred income tax assets	18 596	4 355	18 596	4 355
Balance at the beginning of the year	4 355	(41 829)	4 355	(41 829)
Movement during the year attributed to:				
Provisions	4 098	65 872	4 098	65 872
Unrealised gain or losses on assets at fair value through profit/loss	10 143	(19 688)	10 143	(19 688)
Balance at the end of the year	18 596	4 355	18 596	4 355
Balance comprises:				
Provisions	14 904	–	14 904	–
Unrealised gain or losses on assets at fair value through profit/loss	3 692	–	3 692	–
Balance at the end of the year	18 596	–	18 596	–
Deferred income tax liabilities				
Deferred income tax to be recovered within 12 months	1 239	1 286	–	–
Deferred income tax liabilities	1 239	1 286	–	–
Balance at the beginning of the year	1 286	1 286	–	–
Movement during the year attributed to:				
Provisions	(47)	–	–	–
Balance at the end of the year	1 239	1 286	–	–
Balance comprises:				
Provisions	1 239	1 286	–	–
Balance at the end of the year	1 239	1 286	–	–
13. Cash and cash equivalents				
Cash on call	341 018	346 981	341 018	346 981
Cash at bank	53 389	58 217	53 157	58 093
Cash on deposit	18 373	91 077	18 373	91 077
Cash and cash equivalents	412 780	496 275	412 548	496 151
14. Share capital and premium				
Authorised				
3 000 000 ordinary shares	3 000	3 000	3 000	3 000
	3 000	3 000	3 000	3 000
Issued and fully paid				
2 939 801 ordinary shares	4 940	2 940	4 940	2 940
	4 940	2 940	4 940	2 940
Share premium	395 563	197 563	395 563	197 563
Issued shared capital	400 503	200 503	400 503	200 503

The subordinated debt balance was converted into share capital and share premium during the current financial year.

	GROUP		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
15. Insurance liabilities and reinsurance assets				
Gross				
Claims reported and loss adjustment expenses	220 302	218 046	220 302	218 046
Claims incurred but not yet reported	(8 124)	51 972	(8 124)	51 972
Unearned premium provision	117 837	398 985	117 837	398 985
Unexpired risk reserve	2 976	24 053	2 976	24 053
Total gross insurance liabilities	332 991	693 056	332 991	693 056
Recoverable from reinsurers				
Claims reported and loss adjustment expenses	28 445	28 195	28 445	28 195
Claims incurred but not yet reported	545	133	545	133
Unearned premium provision	104	5	104	5
Reinsurance recoveries	(1 345)	(1 345)	(1 345)	(1 345)
Total reinsurers' share of insurance liabilities	27 749	26 989	27 749	26 989
Net				
Claims reported and loss adjustment expenses	191 857	189 851	191 857	189 851
Claims incurred but not yet reported	(8 669)	51 839	(8 669)	51 839
Unearned premium provision	117 733	398 980	117 733	398 980
Unexpired risk reserve	2 976	24 053	2 976	24 053
Reinsurance recoveries	1 345	1 345	1 345	1 345
Total insurance liabilities – net	305 242	666 067	305 242	666 067

Movement in insurance liabilities and reinsurance assets

	2020			2019		
	Gross R'000	Recoverable from reinsurers R'000	Net R'000	Gross R'000	Recoverable from reinsurers R'000	Net R'000
GROUP AND COMPANY						
Claims reported and loss adjustment expenses						
Balance at the beginning of the year	218 046	28 195	189 851	230 779	34 706	196 073
Claims paid	(496 386)	(1 687)	(494 699)	(552 685)	(4 274)	(548 411)
Claims raised	498 642	1 937	496 705	545 671	(2 245)	547 916
Other	–	–	–	(5 719)	8	(5 727)
Balance at the end of the year	220 302	28 445	191 857	218 046	28 195	189 851
Claims incurred but not yet reported						
Balance at the beginning of the year	51 972	133	51 839	50 363	133	50 230
Movement for the year	(60 096)	412	(60 508)	1 609	–	1 609
Balance at the end of the year	(8 124)	545	(8 669)	51 972	133	51 839
Unearned premium provision						
Balance at the beginning of the year	398 985	5	398 980	367 990	93	367 897
Movement for the year	(281 148)	99	(281 247)	30 995	(88)	31 083
Balance at the end of the year	117 837	104	117 733	398 985	5	398 980
Cash back reserve						
Balance at the beginning of the year	–	–	–	215	–	215
Movement for the year	–	–	–	(215)	–	(215)
Balance at the end of the year	–	–	–	–	–	–

	2020 Gross R'000	2020 Recoverable from reinsurers R'000	2020 Net R'000	2019 Gross R'000	2019 Recoverable from reinsurers R'000	2019 Net R'000
GROUP AND COMPANY						
Unexpired risk reserve						
Balance at the beginning of the year	24 053	–	24 053	14 064	–	14 064
Movement for the year	(21 077)	–	(21 077)	9 989	–	9 989
Balance at the end of the year	2 976	–	2 976	24 053	–	24 053
Reinsurance recoveries						
Balance at the beginning of the year	–	(1 345)	1 345	–	(1 345)	1 345
Balance at the end of the year	–	(1 345)	1 345	–	(1 345)	1 345
Total						
Balance at the beginning of the year	693 056	26 989	666 067	663 411	33 588	629 823
Claims paid	(496 386)	(1 687)	(494 699)	(552 685)	(4 274)	(548 411)
Claims raised	498 642	1 937	496 705	545 671	(2 245)	547 916
Other	–	–	–	(5 719)	8	(5 727)
Movement for the year	(362 321)	511	(362 832)	42 378	(88)	42 466
Balance at the end of the year	332 991	27 749	305 242	693 056	26 989	666 067

	GROUP		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Gross written premiums per class of business				
Property	104	565	104	565
Transportation	53 858	59 990	53 858	59 990
Motor	658 475	619 291	658 475	619 291
Accident and health	1 671	2 651	1 671	2 651
Guarantee	65 039	216 875	65 039	216 875
Liability	1	2	1	2
Miscellaneous	188 079	534 175	188 079	534 175
Total	967 227	1 433 549	967 227	1 433 549

	GROUP	
	2020 R'000	2019 R'000
South Africa	967 227	1 433 549
Total	967 227	1 433 549

15.1 Terms and conditions of insurance contracts

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

The Company underwrites primarily short-tailed risks, that is, insurance under which claims are typically settled within one year of the occurrence of the events giving rise to the claims. Risks that are long tail in nature represent an insignificant portion of the Group's and Company's insurance portfolio.

15. Insurance liabilities and reinsurance assets (continued)

15.1 Terms and conditions of insurance contracts (continued)

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

Property

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

Accident

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

Personal accident

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

Motor

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

Engineering

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

Marine

Provides indemnity for both cargo and hull classes of business. Cargo covers physical loss of or damage to cargo, with a project delay option. Hull covers loss or damage to vessels as a result of accidents and may also include legal liability as a result of the accident.

Liability

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

15.2 Risks that arise from insurance contracts

The Company distributes these products across personal and commercial policyholders using traditional methods of distribution through intermediaries and direct sales, as well as through strategic partnerships with niche underwriting managers, retailers, banks and motor dealers.

15.3 Limiting exposure to insurance risk

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

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

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

Reinsurance governance

The Company has implemented an integrated risk management framework to manage risk in accordance with the Company's risk appetite. The Group Reinsurance Committee was integrated into the Group Actuarial Committee (ACTCOMM) in March 2018, with this Board subcommittee providing oversight of reinsurance activities.

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

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

Risk retention parameters

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

Counterparty risk and SAM Equivalence

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

Wherever possible, reinsurers in SAM equivalent jurisdictions are preferred given the capital and regime security considerations. The Company's balance sheet and investment management function regularly monitors the credit ratings of Hollard counterparties including reinsurers.

Claims development

The Company is liable for all insured events that occurred during the term of the contract, even if the loss is reported after the end of the contract term, subject to pre-determined time scales dependent on the nature of the insurance contract. The Company is therefore exposed to the risk that claims reserves will not be adequate to fund historic claims ''run-off risk''. To manage run-off risk the Company takes steps to ensure that it has appropriate information regarding its claims and exposures and adopts sound reserving practices.

The majority of the Company's insurance contracts are classified as "short-tailed", meaning that generally claims are settled within a year after the loss date. This contrasts with the "long-tailed" classes where the claims cost takes longer to emerge. The Company's long-tailed business is generally limited to third-party motor liability.

Process used to determine significant assumptions

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

15.4 Claims provisions

The Company's outstanding claims provisions include notified claims as well as incurred but not yet reported claims.

Notified claims

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

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

Claims IBNR

The majority of the Company's IBNR is calculated using triangulation methods, and is held at a 75th percentile. As a result, different levels of provisions are applicable for different classes of business and appropriateness is assessed against the Group's and Company's past claims experience.

The Company's internal actuaries review the adequacy of the Company's claims provisions. The chain ladder method which involves the analysis of historical claims development factors and the selection of the estimated development factors based on the historical pattern is used to assess the adequacy of the reserves.

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

15. Insurance liabilities and reinsurance assets (continued)

15.5 Unearned premium provisions

The Company raises provisions for unearned premiums on a basis which reflects the underlying risk profile of the insurance contracts. The majority of the Company's insurance contracts have an uneven risk profile and therefore the unearned premium provisions are released according to the risk profile over the period of insurance using a time proportionate basis. The remainder of the insurance contracts have an even risk profile and the unearned premium provisions, raised at the commencement of the contract are released evenly over the period of insurance using a time-proportionate basis. The provisions for unearned premiums are first determined on a gross level and thereafter the reinsurance impact is recognised. Deferred acquisition costs and reinsurance commission revenue are recognised on a basis consistent with the related provisions for unearned premiums.

15.6 Assumptions

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

16. Deferred acquisition cost

	GROUP		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Deferred commission and acquisition costs net of reinsurance	3 749	6 851	3 749	6 851
Current	3 749	6 851	3 749	6 851
Reconciliation of changes in acquisition costs				
Balance at the beginning of the year	6 851	11 364	6 851	11 364
Acquisition costs deferred during the year	1	(19)	1	(19)
Acquisition costs expensed during the year	(3 103)	(4 494)	(3 103)	(4 494)
Balance at the end of the year	3 749	6 851	3 749	6 851

17. Provisions

	Leave pay R'000	Bonus R'000	Provisions R'000
GROUP AND COMPANY			
2020			
Balance at the beginning of the year	2 031	5 500	7 531
Additional provisions raised during the year	90	7 981	8 071
Utilised during the year	(156)	(4 524)	(4 680)
Balance at the end of the year	1 965	8 957	10 922
2019			
Balance at the beginning of the year	5 291	8 279	13 570
Additional provisions raised during the year	(2 495)	5 101	2 606
Utilised during the year	(765)	(7 880)	(8 645)
Balance at the end of the year	2 031	5 500	7 531

Leave pay

In terms of the Group's and Company's policy, employees are entitled to accumulate a maximum of 25 days' leave and the leave pay provision is calculated on that basis. Any leave accumulated over this number is forfeited by the employees concerned. Whilst all employees are encouraged to take their full annual leave, they are entitled to encash a maximum of 5 days' leave (taxed) in a leave cycle. When employees who have leave due to them cease their employment with the Group, all accumulated and accrued leave is paid to them at the current total cost to company rate as part of their final salary payment, limited to a maximum number of 25 days.

The Group's and Company's provision for leave pay amounted to R1 965 000 (2019: R2 031 000) at the statement of financial position date.

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 R8 957 000 (2019: R5 500 000) at the statement of financial position date.

	GROUP		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
18. Trade and other payables				
Trade payables	(2 227)	14 675	(4 145)	12 668
Lease liability	1 015	–	1 015	–
Sundry creditors	84 145	136 993	84 264	138 370
Due to group company	4 118	40 176	4 118	38 803
Trade and other payables	87 051	191 844	85 252	189 841

This lease liability relates to IFRS 16 and was calculated using a weighted average incremental borrowing rate (IBR) of 10.53%.

19. Dividends and interest				
Interest received				
Interest received – financial assets at amortised cost	27 379	33 269	27 379	33 269
Interest received on call deposits	27 379	33 269	27 379	33 269
Interest received – financial assets at fair value through profit or loss	54 117	95 334	54 079	95 318
Interest received on investments	50 831	94 632	50 793	94 632
Interest received from bank	1 469	686	1 469	686
Sundry interest received	1 303	16	1 303	–
Interest received on call deposits	262	–	262	–
Other interest received	252	–	252	–
Total interest received	81 496	128 603	81 458	128 587
Dividends received				
Dividends received – listed	4 955	4 943	4 955	4 943
– Listed preference shares	4 955	4 943	4 955	4 943
Dividends received – unlisted	1 820	5 729	1 820	5 729
– Unlisted preference shares	1 820	2 067	1 820	2 067
– Unlisted unit trust	–	3 662	–	3 662
Total dividends received	6 775	10 672	6 775	10 672
Total interest received and dividend income	88 271	139 275	88 233	139 259
Interest paid				
Interest paid – collateral deposit	8	–	–	–
Interest paid – general	5 034	20 235	5 034	20 235
Interest paid – SARS	–	296	–	296
Total interest paid	5 042	20 531	5 034	20 531
20. Realised profits on disposal of investments and other financial assets				
Unlisted investments	2 898	37 169	2 898	37 169
Net realised profits on fair value through profit or loss	2 898	37 169	2 898	37 169
21. Unrealised losses on revaluation of investments and other financial assets				
Unlisted investments	(15 528)	(35 075)	(8 248)	(35 075)
Listed investments	(11 947)	4 415	(11 947)	4 415
Net unrealised losses on fair value through profit or loss assets	(27 475)	(30 660)	(20 195)	(30 660)

22. 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
Director D						
Basic salary	1 799	1 799	3 598	1 142	1 142	2 284
Bonus and performance related payments	1 807	1 807	3 614	145	145	290
Estimated monetary value of other benefits	78	78	156	49	49	98
Pension/provident fund contributions	206	206	412	131	131	262
	3 890	3 890	7 780	1 467	1 467	2 934
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	787	2 362	3 149	761	2 285	3 046
Bonus and performance related payments	1 237	3 710	4 947	1 000	2 999	3 999
Estimated monetary value of other benefits	66	199	265	51	155	206
Pension/provident fund contributions	95	284	379	90	271	361
	2 185	6 555	8 740	1 902	5 710	7 612
Prescribed officer B						
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

	2020			2019		
	Company R'000	Rest of Group R'000	Total R'000	Company R'000	Rest of Group R'000	Total R'000
Prescribed officer C						
Basic salary	779	2 336	3 115	742	2 227	2 969
Bonus and performance related payments	1 178	3 533	4 711	1 068	3 205	4 273
Estimated monetary value of other benefits	82	247	329	78	235	313
Pension/provident fund contributions	95	284	379	90	271	361
	2 134	6 400	8 534	1 978	5 938	7 916
Prescribed officer D						
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 E						
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 F						
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 G						
Basic salary	783	2 349	3 132	746	2 240	2 986
Bonus and performance related payments	1 043	3 129	4 172	1 002	3 008	4 010
Estimated monetary value of other benefits	41	122	163	38	115	153
Pension/provident fund contributions	91	272	363	86	260	346
	1 958	5 872	7 830	1 872	5 623	7 495
Prescribed officer H						
Basic salary	1 108	3 325	4 433	788	2 366	3 154
Bonus and performance related payments	2 249	6 745	8 994	398	1 192	1 590
Estimated monetary value of other benefits	44	131	175	34	104	138
Pension/provident fund contributions	128	384	512	91	275	366
	3 529	10 585	14 114	1 311	3 937	5 248
Prescribed officer I						
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	26 694	72 301	98 995	24 009	69 119	93 128

	GROUP		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
22. Profit before taxation (continued)				
Auditors remuneration				
Audit fees	4 051	3 224	4 051	3 175
	4 051	3 224	4 051	3 175
Depreciation – property and equipment				
Leasehold improvements	311	311	311	311
Office equipment	6 064	7 807	5 854	7 373
Computer hardware	4 609	5 929	4 609	5 929
Furniture and fittings	1 396	1 473	1 186	1 266
Office equipment	59	405	59	178
	6 375	8 118	6 165	7 684
Depreciation – right-of-use assets				
Property	116	–	116	–
	116	–	116	–
Expenses for the acquisition of insurance contracts				
Commission	124 903	181 981	124 903	181 981
Other expenditure				
Amortisation of intangible assets	8 923	25 218	8 923	25 218
Impairment of intangible assets	24 771	–	24 771	–
Write-off of premium debtors	9 686	(580)	9 686	(580)
Administration fees paid	88 372	206 750	88 372	206 750
Professional fees	3 004	7 235	3 004	7 235
Operating lease rentals – building	2 917	1 766	2 917	1 766
Operating lease rentals – computer	299	27	299	27
23. Taxation				
South African normal taxation	89 042	163 734	89 030	163 710
Current year	89 229	154 038	89 217	154 038
Prior year	(187)	1 567	(187)	1 543
Capital gains	–	8 129	–	8 129
Deferred tax expense	(14 241)	(46 184)	(14 241)	(46 184)
Current year	(8 258)	(72 545)	(8 258)	(72 545)
Prior year	(5 983)	26 361	(5 983)	26 361
Taxation	74 801	117 548	74 789	117 524
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:				
– Exempt income on dividends not taxable	(0.18)	–	(0.18)	–
– Capital gains tax	–	(0.10)	–	(0.10)
– Realised gains not taxable	(0.02)	–	(0.02)	–
– Unrealised gains not taxable	0.11	–	0.11	–
– Other non-taxable income/non-deductible expenses	–	(0.73)	–	(0.73)
– Other	0.01	–	0.01	–
– Prior year (over)/underprovision	(2.32)	8.34	(2.25)	8.41
Tax rate reconciliation	25.60	35.51	25.67	35.58

	GROUP		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
24. Reconciliation of profit before taxation to cash generated from operation				
Profit before tax	284 876	331 065	291 344	330 279
Adjustments for:				
Depreciation	6 491	8 118	6 281	7 684
Intangible asset amortisation	8 923	25 218	8 923	25 218
Intangible asset impairment	24 771	–	24 771	–
Profit on disposal of investments	(2 898)	(37 169)	(2 898)	(37 169)
Net interest and dividend income	(83 229)	(118 743)	(83 199)	(118 728)
Unrealised loss/(gain) on revaluation of listed investments	11 947	(4 415)	11 947	(4 415)
Unrealised loss on revaluation of unlisted investments	15 528	35 076	8 247	35 076
Profits/(losses) on disposal of property and equipment	–	881	–	881
Operating cash flows before working capital changes	266 409	240 030	265 416	238 826
Working capital changes	(435 058)	102 936	(434 190)	104 053
Decrease(increase) in insurance receivables, loans and other receivables	28 081	(586)	27 401	590
Increase/(decrease) in other provisions	3 391	(6 039)	3 391	(6 039)
(Increase)/decrease in reinsurance assets	(761)	6 599	(761)	6 599
Decrease in deferred acquisition costs	3 102	4 513	3 102	4 513
Decrease in reinsurance liabilities	(2 926)	(333)	(2 926)	(333)
Decrease in net outstanding claims and IBNR	(57 840)	(11 124)	(57 840)	(11 124)
(Decrease)/increase in unearned premiums	(281 148)	30 995	(281 148)	30 995
(Decrease)/increase in trade and other accounts payable and employee benefits	(105 879)	68 922	(104 332)	68 863
(Decrease)/increase in unexpired risk reserve	(21 077)	9 989	(21 077)	9 989
Cash generated from operations	(168 649)	342 966	(168 774)	342 879
25. Dividends paid				
Amount declared in statement of changes in equity	(250 733)	(13 200)	(250 733)	(13 200)
Amount declared to non-controlling interest	(352 099)	(416 376)	(352 099)	(416 376)
Cash amounts Paid	(602 832)	(429 576)	(602 832)	(429 576)
26. Dividends received				
Amount received per income statement	6 775	10 672	6 775	10 672
Cash amounts received	6 775	10 672	6 775	10 672
27. Taxation paid				
Amount due at beginning of year	(4 972)	(38 140)	(3 905)	(36 879)
Amount charged to income statement	(74 801)	(117 548)	(74 789)	(117 524)
Amount due at end of year	3 383	4 972	2 321	3 905
Cash amounts paid	(76 390)	(150 716)	(76 373)	(150 498)
Amounts due at end of year comprised as follows:				
Deferred taxation asset	(18 597)	(4 355)	(18 596)	(4 355)
Deferred taxation liability	1 239	1 286	–	–
Current income taxation asset	(177)	(219)	–	–
Current income taxation liability	20 918	8 260	20 917	8 260
	3 383	4 972	2 321	3 905

	GROUP		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
28. Proceeds on disposal of investments				
Proceeds on disposal of unlisted investments	759 766	685 484	759 766	685 484
Proceeds on disposal of listed and unlisted investments	759 766	685 484	759 766	685 484
29. Lease – low-value items				
During the current financial year, the group incurred lease payments for the following low value leased assets				
Computers	299	27	299	27
Printers	27	1	27	1

30. Contingent liabilities

The Hollard Specialist Insurance Group, in the ordinary course of business enters into transactions which exposes the Group to tax, legal and business risk. Provisions are made for known liabilities which are expected to materialise. Possible obligations and known liabilities where no reliable estimate can be made or where it is considered improbable that an outflow would result, are noted as a contingent liability. This is in accordance with IAS 37: *Provisions, Contingent Liabilities and Contingent Assets.* At statement of financial position date there were no material contingent liabilities for the Hollard Specialist Insurance Group.

31. Staff pension and provident fund

The Company has a defined contribution pension fund, the Hollard Employees Pension Fund. The Company and employees' contributions to the fund charged against income for the year were R137 264 (2019: R103 551).

The Company also has a defined contribution provident fund, the Hollard Employees Provident Fund. The Company and employees' contribution to the fund charged against income for the year were R1 369 869 (2019: R1 314 982).

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

The Company had a total number of 73 (2019: 88) staff.

32. Related party transactions

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

The immediate holding company is Hollard Fundco (RF) Proprietary Limited and the ultimate holding company is Pickent Investments Limited. Both of these Companies are incorporated in the Republic of South Africa.

Listed below are details of related party balances and transactions:

	COMPANY	
	2020 R'000	2019 R'000
Loans to/(from) related parties		
Erf 499 (Pty) Ltd	–	1 373
The Hollard Insurance Company Limited	(443)	(34 898)
Hollard Life Assurance Company Limited	(2 698)	(5 397)
Hollard Specialist Life Assurance	(977)	1 493
Subordinated debt capital		
Hollard Fundco (RF) Proprietary Limited	–	(200 000)
Interest paid		
Hollard Fundco (RF) Proprietary Limited	3 501	19 140

33. Subsidiary

Carrying value of interest in subsidiary

	Nature of business	Place of business	Issued share capital R	Proportion held 2020 %	Proportion held 2019 %	Shares R'000 2020	Indebtedness R'000 2020	Shares R'000 2019	Indebtedness R'000 2019
Interest in subsidiaries comprises:									
Erf Four Nine Nine Spartan (Proprietary) Limited	Property holding	RSA	1	100	100	1 773	–	1 773	1 373
						1 773	–	1 773	1 373

34. 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.

35. Subsequent events

The Board is not aware of any event since the end of the financial year, not otherwise dealt with in these annual financial statements, that would affect the operations of the Group and Company, or the results of these operations.

DIRECTORATE AND ADMINISTRATION

Directorate

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

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

Administration

Company Secretary

Corpstat Governance Services (Pty) Ltd

Public Officer

U Murphy

Compliance Officer

W Luus

Registered office and business address

Hollard at Arcadia
22 Oxford Road
Parktown
Johannesburg
2193

Postal address

PO Box 87419
Houghton
2041

Website

www.hollard.co.za

Nature of business

The Company transacts short-term insurance business.

Auditors

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

Registration number

1966/007612/07

NOTES

www.hollard.co.za