Hollard.

Hollard Specialist Insurance Company

'21

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

The financial statements have been prepared by the Financial Manager (Short Term), Group Reporting, Sabeha Gani, CA(SA),under the supervision of the Head of Short Term Reporting, Group Reporting, Deon Naidoo, CA(SA).

(Registration number: 1966/007612/06)

Audited consolidated annual financial statements for the year ended 30 June 2021

CONTENTS

SALIENT FEATURES

for the year ended 30 June 2021

		GROUP				
	Notes	**2021 R'000**	2020 R'000	2019 R'000	2018 R'000	2017 R'000
Statement of profit and loss information						
Gross written premiums	(1)	**862 964**	967 227	1 433 549	1 395 861	1 623 908
Net written premiums	(2)	**857 383**	957 148	1 418 331	1 380 467	1 530 867
Investment income	(3)	**58 014**	65 730	147 293	132 825	165 792
Net Insurance claims		**480 225**	437 649	586 000	564 101	719 957
Profit attributable to equity holders of the parent		**45 552**	82 249	14 691	25 349	199 821
Statement of financial position information						
Insurance liabilities		**290 105**	332 991	693 056	652 040	635 131
Equity attributable to equity holders of the parent		**205 145**	291 944	259 050	258 943	231 878
Total assets		**853 462**	1 005 926	1 841 102	1 907 050	1 834 355
Financial assets		**408 777**	490 840	1 179 258	1 627 541	1 087 483
Cash and cash equivalents		**339 923**	412 780	496 275	87 171	469 103
Trading ratios		**%**	%	%	%	%
Written premium: Net to gross		**99,35**	98,96	98,94	98,90	94,27
Combined operating ratio	(4)	**87,79**	79,76	86,30	84,56	94,47
Solvency ratio	(5)	**48,41**	55,18	63,81	75,14	75,34
Actuarial Information						
Solvency Capital Requirement		**264 650**	284 933	451 679	470 729	385 918
Solvency Capital Requirement Cover	(6)	**1,28**	1,47	1,80	1,85	1,62

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

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

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

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

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

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

DIRECTORS' RESPONSIBILITY STATEMENT AND APPROVAL OF ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2021

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 7 to 60, have been approved by the Board of the Group and Company and are signed on its behalf by:

ADH Enthoven
Chairman

22 October 2021

S Ntombela
Chief Executive Officer

22 October 2021

CERTIFICATION BY COMPANY SECRETARY

for the year ended 30 June 2021

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.

A Allardyce
Company Secretary

22 October 2021

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

22 October 2021

INDEPENDENT AUDITOR'S REPORT

for the year ended 30 June 2021

To the Shareholder 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 11 to 59, which comprise the consolidated and separate statements of financial position as at 30 June 2021, 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 2021, 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, which includes 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 of Auditors (IRBA) Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touché has been the auditor of Hollard Specialist Insurance Company Limited for 17 years.

Deloitte & Touche

Deloitte & Touche
Registered Auditor
Per: Dinesh Munu

Partner

29 October 2021

AUDIT AND COMPLIANCE COMMITTEE REPORT

for the year ended 30 June 2021

HOLLARD GROUP AUDIT AND COMPLIANCE COMMITTEE REPORT

The Hollard Group Audit and Compliance Committee ("the Committee") is pleased to present its annual report, for the financial year ended 30 June 2021, which outlines how the Committee discharged both its statutory and Board-delegated duties. The Committee serves as the Audit and Compliance Committee for Hollard Holdings (Proprietary) Limited, The Hollard Insurance Company Limited, Hollard Life Assurance Company Limited, Hollard Specialist Insurance Limited and Hollard Specialist Life Limited, ("the Group"). The Committee's report is presented in terms of section 94(7)(f) of the Companies Act 71, 2008 and describes how the Committee has carried out its functions, including, without limitation, the consideration of the financial statements and accounting practices of the Group.

The Covid-19 pandemic has led to significant challenges for the business and the insurance industry at large. In the reporting period, the economic outlook has worsened from the impact of Covid-19 and market performance is expected to further deteriorate. The Group has experienced an unprecedented financial year, recognising the catastrophic impact of Covid-19 on the claims experience. The Committee continuously monitors the impact of Covid-19 on the businesses' performance and the initiatives taken by the business to manage the interests of its policyholders and all its stakeholders. This includes ensuring that Hollard and its employees comply with the risk management practices prescribed by Covid-19 regulations (eg. Covid-19 screening and a *Work From Anywhere* model to encourage social distancing), in response to the pandemic.

1. THE COMMITTEE

1.1. Terms of Reference ("ToR")

The Committee operates within the framework provided by its Board-approved Terms of Reference and carries out its mandate in compliance with these Terms of Reference. To ensure it is aligned with best practice, the Committee's ToR are reviewed regularly. The Committee is satisfied that it has fulfilled its responsibilities in accordance with its Terms of Reference.

1.2. Composition and meeting attendance

The Committee is composed of three independent non-executive directors, namely, Mr M Bower (Chairman), Ms N Simamane and Ms B Ngonyama. In accordance with the requirements of the Companies Act, individual members of the Committee are appointed annually by the shareholders at the Annual General Meeting for the ensuing financial year. The Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Group Head of Finance, Heads of Control Functions and External and Internal Auditors attended the scheduled Committee meetings. In addition, the Committee holds closed sessions of members regularly, to deliberate on any matters that may require confidential assessment. This includes closed sessions with the Internal and External Auditors, to determine whether there were any significant issues identified during each audit process. The Committee also conducts annual reviews to consider the effectiveness and performance of the assurance areas of the business, and to ensure interactive collaboration between finance, compliance, internal audit and external audit.

1.3. Roles and responsibilities

The Committee's key roles and responsibilities are focused on driving an integrated approach to assurance which ensures that the significant risks facing the Group are effectively mitigated. To achieve this, the Group is focused on improving the first capability of the 1st line of defence and the system of internal controls. This is aligned to the Combined Assurance Framework adopted by the Board. Amongst other matters, the role of the Committee is to monitor the relationship between assurance providers, including approval of the Group Compliance, Group Internal Audit and External Audit coverage plans for each financial year.

In establishing the compliance culture of the Group, the Committee has identified and monitored all material compliance risks, as well as ensured that management performs formal compliance risk assessments. The Compliance Function has focused on achieving compliance with the relevant legislation and regulations, which included, but not limited to, complying with the requirements of the Protection of Personal Information Act by 1 July 2021. Following a review of the Compliance Function's performance and effectiveness, the Committee found the Compliance Functions' performance to be satisfactory.

Internal Audit

The Committee maintained oversight of the Internal Audit Function for the reporting period. An Internal Audit plan was presented and approved by the Committee for the 2021 financial year.

The Committee has found the Internal Audit Function to have sufficient capacity to assess the internal financial controls of the Group. Upon review of the Internal Auditors report in assessing the effectiveness of internal financial controls and the implementation of risk management processes, both the internal financial controls and risk management processes were found to be effective. The Committee has found the Internal Audit Function to be independent and competent to perform its duties for the 2021 financial year, in accordance with its approved charter.

Lovashnee Forte was appointed the new Group Head of Internal Audit with effect from 01 May 2021, following the resignation of Anusha Pillay on 22 January 2021. The Committee Chairman was integrally involved in and provided valuable input into the recruitment and appointment process of the Group Head of Internal Audit. The Internal Audit function has had direct access to the Committee Chairman and all the committee members, and has discharged its responsibilities during the reporting period for: developing risk-based audit planning methodologies in line with King IV recommendations; following up on each internal audit with a detailed report to Management and recommendations on aspects that require improvement; and reporting significant findings to the Committee.

External Auditor

The Committee has reviewed the quality and effectiveness of the External Audit process and confirms there is a suitable process 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.

The Committee has adopted a policy for non-audit services rendered by the External Auditor and pre-approves the contracts for any such services rendered. This policy is regularly reviewed.

Internal Financial Controls & the Annual Financial Statements

A review of the financial reporting risks, internal audit report and the external audit report was conducted by the Committee in the assessment of the internal financial controls. This included consideration of any material business irregularities and litigious matters that may have a significant impact on the Annual Financial Statements. To this extent, the Committee has found the internal financial controls to be satisfactory.

The Committee reviewed the expertise, resources and experience of the finance function and found it adequate. The Committee has assessed the Annual Financial Statements for the financial year ended 30 June 2021, including the quality of the Group earnings and has recommended the Annual Financial Statements to the Board for approval.

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 2021 and is satisfied that same complies with International Financial Reporting Standards.

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

The Committee has supported the reappointment of Deloitte South Africa as External Auditor for the 2021 financial year and agreed to the engagement letter, terms, audit plan and budgeted external audit fees.

After evaluating the extent of non-audit 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 Annual General Meeting of the shareholders, it will be recommended that Deloitte South Africa be re-appointed as External Auditor for the ensuing financial year.

3. CHIEF FINANCIAL OFFICER & THE FINANCE FUNCTION

The Committee is satisfied with the knowledge and experience of the Chief Financial Officer, Mr Dirk Viljoen. The Committee has found the knowledge and experience of the Group's finance function to be appropriate and that the financial reporting procedures are sufficient.

There is ongoing preparation for the implementation of International Financial Reporting Standards 17 (IFRS 17) within the finance function to ensure compliance with the standard. An IFRS 17 project team was established and the progress of the project is reported to the Committee at each meeting.

An Internal Financial Controls project has been implemented to assess the adequacy of the internal financial controls in the finance function as well as to remediate any identified gaps, in alignment to the IFRS 17 reporting requirements. Process documentation and interim testing have commenced, with the tracking of remediation initiatives. The finance function, together with Group Internal Audit have carried out interim testing, to ensure financial controls are adequate and effective. Management has ensured there is appropriate mitigation of risks that may impact successful project completion. The Committee monitors the overall status of the programme through the progress reports presented to the Committee at each meeting.

4. STATEMENT ON INTERNAL FINANCIAL CONTROLS

Ultimately, the Board is responsible for providing reasonable assurance that the Group has effective financial and non-financial controls in place. The Committee is able to assess the effectiveness of financial and non-financial controls by reviewing the combined assurance reports presented at every meeting. In the year under review, these mechanisms were assessed by Internal Audit in line with the Board approved annual audit plan. It was confirmed that there were no significant breakdowns in the design or operational effectiveness of the internal financial control systems and that matters to be addressed were either receiving attention or had already been resolved.

The Committee was able to advise the Board that the Group's internal financial controls form an effective basis for preparation of the Annual Financial Statements.

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

Based on this information, together with discussions held with Management and the Committees, the Board confirms that the risks relating to internal controls and/or risk management shortcomings were highlighted to the Committees during the year under review, with sufficient plans in place to mitigate these risks.

The Committee is satisfied that it has fulfilled its responsibilities for the 2021 financial year in terms of its ToR, as well as its legal and regulatory responsibilities.

MR Bower

Chairman of the Audit and Compliance Committee

22 October 2021

DIRECTORS' REPORT

for the year ended 30 June 2021

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 2021.

Nature of business

Hollard Specialist Insurance Company is incorporated in the Republic of South Afria 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 R135 917 000 (2020: R210 075 000), which arose from the Group's operations as follows:

	GROUP	
	2021 R'000	2020 R'000
Net Premium income	**887 584**	1 034 642
Investment Income	**58 014***	65 730
Other Operating Income	**23 689**	15 729
Total Revenue	**969 288**	1 116 101
Net Insurance Claims	**480 225**	437 649
Other operating expenses	**300 092**	393 576
Total Expenses	**780 317**	831 225
Profit before taxation	**188 971**	284 876
Taxation	**53 054**	74 801
Profit for the year	**135 917**	210 075
Equity owners of the Company	**45 552**	82 249
Non controlling interests	**90 365**	127 826
	135 917	210 075

** includes realised and unrealised gains and losses*

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 R261 734 000 (2020: R602 832 000)

Subsidiaries

Erf Four Nine Nine Spartan (Proprietary) Limited – 100% (2020:100%)

Hollard Specialist Insurance Company's interest in the aggregate profit/(loss) after tax in the subsidiary amounted to R3.2 million (2020: R(6.4) million)

Going concern

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

Also refer to the going concern note on page 59 of these financials statements for further details.

Taking into consideration the Covid-19 pandemic, as well as the financial and economic uncertainty and volatilty, the Board has spent significant attention on the assumptions, estimates, and disclosures included in the preparation of the financial statements. As at June 2021, the group and company raised Covid related provisions as deemed necessary. These provisions were based on existing information at balance sheet date.

During July 2021 civil unrest occurred in South Africa's KwaZulu-Natal and Gauteng provinces resulting in widespread rioting and looting and resulted in significant losses to our non-life insurance policyholders. We are working together with South African Special Risks Insurance Association (SASRIA) to facilitate the smooth and quick settlement of all valid claims related to these events to ensure that businesses can return to their business operations as quickly as possible. There are no financial losses attributable to Hollard at this stage.

Capital contribution

During the financial year, preference share capital of R16 million (2020: R9.4 million) was contributed by several preference shareholders, this relates to the capitalisation of cell captive arrangements that were insolvent.

Subsequent events

During July 2021 civil unrest occurred in South Africa's KwaZulu-Natal and Gauteng provinces resulting in widespread rioting and looting and resulted in significant losses to our non-life insurance policyholders. We are working together with South African Special Risks Insurance Association (SASRIA) to facilitate the smooth and quick settlement of all valid claims related to these events to ensure that businesses can return to their business operations as quickly as possible. There are no financial losses attributable to Hollard at this stage.

DIRECTORS' REPORT (CONTINUED)

for the year ended 30 June 2021

The Board is not aware of any other event since the end of the financial year, not otherwise dealt with in these annual financial statements, that would affect the operations of the 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 18 November 2020:

S Nkosi
NV Simamane

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) 2021) and AL Mhlanga (resigned 1 February 2021) were the only executive directors who held office during the year.

Non-Executive Directors

NG Kohler, ADH Enthoven, B Ngonyama, MR Bower, R Fihrer, S Patel, AS Nkosi, MS Claassen 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 (resigned 01 May 2021)
A.Allardyce (appointed 1 May 2021)

Business address

Hollard at Arcadia
22 Oxford Road
Parktown
Johannesburg
2193

Postal address

P.O. Box 87419
Houghton
2041

Holding company

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

STATEMENT OF FINANCIAL POSITION

for the year ended 30 June 2021

		GROUP		COMPANY	
	Notes	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Assets					
Property and equipment	5	947	5 832	947	5 832
Right of use assets	6	580	696	580	696
Investment properties	7	16 959	14 579	2 959	2 959
Intangible assets	8	900	1 435	900	1 435
Investment in subsidiaries	9	–	–	1 773	1 773
Financial assets	10	408 777	490 840	408 777	490 840
Reinsurance assets		23 014	27 749	23 014	27 749
Insurance, loans and other receivables	11	45 767	29 494	45 487	27 907
Deferred acquisition cost	16	706	3 749	706	3 749
Deferred taxation	12	15 832	18 596	15 832	18 596
Current income taxation		57	175	–	–
Cash and cash equivalents	13	339 923	412 780	336 956	412 548
Total assets		853 462	1 005 926	837 931	994 084
Equity and liabilities					
Attributable to equity holders of the parent		205 145	291 944	193 074	283 138
Issued share capital	14	4 940	4 940	4 940	4 940
Share premuim	14	395 563	395 563	395 563	395 563
Retained earnings		(195 358)	(108 559)	(207 429)	(117 363)
Non-controlling interest		221 990	245 006	221 990	245 006
Total equity		427 135	536 950	415 064	528 146
Insurance liabilities	15	290 105	332 991	290 105	332 991
Reinsurance liabilities		12 246	15 856	12 246	15 856
Provisions	18	8 502	10 922	8 502	10 922
Trade and other payables	19	96 268	87 051	94 455	85 252
Deferred taxation	12	1 647	1 239	–	–
Current income taxation		17 559	20 917	17 559	20 917
Total liabilities		426 327	468 976	422 867	465 938
Equity and liabilities		853 462	1 005 926	837 931	994 084

STATEMENT OF PROFIT AND LOSS
for the year ended 30 June 2021

	Notes	GROUP 2021 R'000	GROUP 2020 R'000	COMPANY 2021 R'000	COMPANY 2020 R'000
Revenue					
Gross written premiums		862 964	967 227	862 964	967 227
Reinsurance outwards		(5 581)	(10 079)	(5 581)	(10 079)
Net written premiums		857 383	957 148	857 383	957 148
Less: Change in unearned premium reserve		30 201	77 494	30 201	77 494
Gross amount		30 201	77 395	30 201	77 395
Reinsurer share		–	99	–	99
Net premium income		887 584	1 034 642	887 584	1 034 642
Investment income		45 760	90 307	43 742	88 526
Interest received	20	38 323	81 496	38 258	81 458
Dividends received	20	5 162	6 775	5 162	6 775
Rental income		2 275	2 036	322	293
Investment gains/(losses)		12 254	(24 577)	9 874	(17 297)
Realised gains/(losses) on disposal of investments	21	11 068	2 898	11 068	2 898
Unrealised gains/(losses) on revaluation of investments	22	1 186	(27 475)	(1 194)	(20 195)
Other operating income		23 690	15 729	23 689	15 729
Total revenue		969 288	1 116 101	964 889	1 121 600
Expenses					
Gross policyholder benefits and claims Incurred		476 509	439 994	476 509	439 994
Reinsurance recoveries		3 716	(2 345)	3 716	(2 345)
Net Insurance claims		480 225	437 649	480 225	437 649
Commissions and other acquisitions		111 314	124 903	111 314	124 903
Interest paid		1 039	5 042	1 038	5 034
Marketing and administration expenses		187 739	263 631	187 679	262 670
Total expenses		780 317	831 225	780 256	830 256
Result of operating activities		188 971	284 875	184 633	291 344
Profit before taxation	23	188 971	284 876	184 633	284 876
Taxation	24	53 054	74 801	51 983	74 789
Profit for the year		135 917	210 075	132 650	216 555
Profit for the year attributable to:					
Equity holders of the parent		45 552	82 249	42 285	82 249
Non-controlling interests		90 365	127 826	90 365	127 826
		135 917	210 075	132 650	210 075

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2021

	GROUP		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Profit for the year	135 917	210 073	132 650	216 555
Total other comprehensive income	135 917	210 073	132 650	216 555
Total other comprehensive income attributable to:				
Equity holders of the parent	45 552	82 248	42 285	88 729
Non-controlling interest	90 365	127 826	90 365	127 826
	135 917	210 073	132 650	216 555

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2021

	Equity Attributable to Owners						
	Issued share capital R'000	Share premuim R'000	Retained earnings R'000	Total Ordinary Sharehoders Equity R'000	Subordinate debt capital R'000	Non-controlling interest R'000	Total Equity R'000
GROUP							
Balance at 1 July 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
Net profit/(loss)	**–**	**–**	**45 552**	**45 552**	**–**	**90 365**	**135 917**
Total comprehensive income	**–**	**–**	**45 552**	**45 552**	**–**	**90 365**	**135 917**
Dividends paid	**–**	**–**	**(132 351)**	**(132 351)**	**–**	**(129 383)**	**(261 734)**
Capital movement	**–**	**–**	**–**	**–**	**–**	**16 002**	**16 002**
Balance at 30 June 2021	**4 940**	**395 563**	**(195 358)**	**205 145**	**–**	**221 990**	**427 135**
COMPANY							
Balance at 1 July 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
Net profit/(loss)	**–**	**–**	**42 285**	**42 285**	**–**	**90 365**	**132 650**
Total comprehensive income	**–**	**–**	**42 285**	**42 285**	**–**	**90 365**	**132 650**
Dividends paid	**–**	**–**	**(132 351)**	**(132 351)**	**–**	**(129 383)**	**(261 734)**
Capital movement	**–**	**–**	**–**	**–**	**–**	**16 002**	**16 002**
Balance at 30 June 2021	**4 940**	**395 563**	**(207 429)**	**193 074**	**–**	**221 990**	**415 064**

STATEMENTS OF CASH FLOWS

for the year ended 30 June 2021

		GROUP		COMPANY	
	Notes	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Cash flows from operating activities					
Cash receipts from policyholders and other customers		969 288	1 116 101	964 889	1 121 601
Cash paid to policyholders , suppliers and employees		(897 195)	(1 284 750)	(896 016)	(1 290 375)
Cash generated from/(utilised by) operations	25	72 093	(168 649)	68 873	(168 774)
Interest paid	20	(1 039)	(5 034)	(1 038)	(5 034)
Dividends paid	26	(261 734)	(602 832)	(261 734)	(602 832)
Interest received	20	38 323	81 496	38 258	81 458
Dividends received	27	5 162	6 775	5 162	6 775
Taxation paid	28	(53 121)	(76 390)	(52 577)	(76 373)
Net cash outflow from operating activities		(200 316)	(764 672)	(203 055)	(764 780)
Cash flows from Investing activities					
Acquisition of listed and unlisted investments		(65 861)	(87 954)	(65 861)	(87 954)
Acquisition of intangible assets		(900)	–	(900)	–
Acquisition of bonds		(25 000)	–	(25 000)	–
Proceeds on disposal of unlisted investments	29	188 000	759 766	188 000	759 766
Proceeds on disposal of other financial assets	29	15 222	–	15 222	–
Net cash outflow/(inflow) from investing activities		111 461	671 812	111 461	671 812
Cash flows from financing activities					
Capital contribution		16 002	9 365	16 002	9 365
Net cash (outflow)/inflow from financing activities		16 002	9 365	16 002	9 365
Cash and cash equivalents					
Net increase/(decrease) in cash and cash equivalents		(72 857)	(83 495)	(75 592)	(83 603)
Cash, deposits and similar securities at beginning of year		412 780	496 275	412 548	496 151
Cash and cash equivalents at end of year		339 923	412 780	336 956	412 548

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2021

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 2021 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 01 July 2020 and in compliance with the Companies Act, No 71 of 2008.

The consolidated and seperate financial statements have been prepared on an 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.No new or revised standards and/or interpretations were adopted.

Standards, interpretations and amendments to published standards that are not yet effective as at June 2021

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

- 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.
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform — Phase 2 - 1 January 2021
- Amendment to IFRS 16 - Covid-19-Related Rent Concessions beyond 30 June 2021 - 1 April 2021
- Amendments to IAS 16 Property - Plant and Equipment — Proceeds before Intended Use - 1 January 2022
- Amendments to IFRS 3 (May 2020) - Reference to the Conceptual Framework - 1 January 2022
- Amendments to IAS 37 (May 2020) - Onerous Contracts - Cost of Fulfilling a Contract - 1 January 2022
- Amendments to IAS 1 - Classification of liabilities as current or non-current - 1 January 2023
- Amendments to IAS 1 - Classification of Liabilities as Current or Non-current — Deferral of Effective Date - 1 January 2023
- Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of accounting policies - 1 January 2023
- Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction - 1 January 2023
- Amendments to IAS 8 - Definition of accounting estimates - 1 January 2023.

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).

1. Summary of significant accounting policies (continued)

1.2 Consolidation (continued)

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 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 3-5 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. Summary of significant accounting policies (continued)

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 line basis. Assets leased under operating leases are included under the appropriate category of assets in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar fixed assets.

The Hollard Specialist Insurance Company as lessee

Finance leases
Assets held under finance leases are recognised as assets of the Hollard Specialist Insurance Company at their fair value at the date of acquisition. The corresponding liability to the lessor is included in the statement of financial position as a finance obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the statement of comprehensive income over the term of the relevant lease.

The interest element of the finance cost is charged to the statement of comprehensive income over the lease period according to the effective interest method. The assets acquired under the finance leases are depreciated over the shorter of the useful life of the asset and the lease term, whilst the property is depreciated over its useful life. Leased assets under finance leases are treated in the same manner as owned fixed assets.

Right of use assets
Leased assets that meet certain criteria in terms of IFRS 16, are recognised as right of use assets with a corresponding liability in the statement of financial position. These 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.

1. Summary of significant accounting policies (continued)

1.9 Impairment of tangible and intangible assets (continued)

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.

1. Summary of significant accounting policies (continued)

1.11 Impairment of financial assets (continued)

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 forecasts of forward-looking economic conditions.

Calculation of ECL

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

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

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

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

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

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

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

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

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

1. Summary of significant accounting policies (continued)

1.11 Impairment of financial assets (continued)

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.

Salvage and subrogation reimbursements

Some insurance contracts permit the Group and or Compnay to sell property acquired in settling a claim. The Group and or Company may also have the right to pursue third parties for payment of some or all costs.

Estimates of salvage recoveries and subrogation reimbursements are considered as an allowance in the measurement of the liability for claims.

1. Summary of significant accounting policies (continued)

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.

1.18 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.

1. Summary of significant accounting policies (continued)

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

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 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. Summary of significant accounting policies (continued)

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.

1.28 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 Group 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 Groups' 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.

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.

3 Financial risk management (continued)

Introduction (continued)

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

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

3.1 Exposure to risk arising from financial instruments

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

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

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

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

3.1.1 Credit risk

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

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

Insurance, loans and other receivables

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

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

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

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 31 of the financial statements

3 Financial risk management (continued)

3.1 Exposure to risk arising from financial instruments (continued)

3.1.1 Credit risk (continued)

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. This exposure is monitored on a regular basis for any shortfall in the claims history to verify that the contract is progressing as expected and that no further exposure for the Group and Company will arise.

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

3.1.2 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 page 32. 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.

3 Financial risk management (continued)

3.1 Exposure to risk arising from financial instruments (continued)

3.1.3 Market risk (continued)

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 investements 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 Prudential Authority (PA) 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	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
GROUP				
Other Assets				
Financial assets at fair value through profit or loss – Listed investments	42 535	42 102	–	–
Financial assets at fair value through profit or loss – Unlisted investments	312 155	399 993	312 155	399 993
Financial assets at fair value through profit or loss – Bonds	37 506	26 496	37 506	26 496
Financial assets at amortised cost	16 581	22 249	16 581	22 249
Loans and other receivables	11 755	14 922	11 755	14 588
Cash and cash equivalents	339 923	412 780	339 923	412 780
Insurance Assets				
Insurance receivables – Premium debtors	34 012	14 573	34 012	14 573
Deferred acquisition costs	706	3 749	–	–
Reinsurance assets	23 014	27 749	23 014	27 749
Total	818 187	964 613	774 946	918 428
COMPANY				
Other Assets				
Investment in subsidairies	1 773	1 773	–	–
Financial assets at fair value through profit or loss – Listed investments	42 535	42 102	–	–
Financial assets at fair value through profit or loss – Unlisted investments	312 155	399 993	312 155	399 993
Financial assets at fair value through profit or loss – Bonds	37 506	26 496	37 506	26 496
Financial assets at amortised cost	16 581	22 249	16 581	22 249
Loans and other receivables	11 475	13 334	11 475	13 270
Cash and cash equivalents	336 956	412 548	336 956	412 548
Insurance Assets				
Insurance receivables – Premium debtors	34 012	14 573	34 012	14 573
Deferred acquisition costs	706	3 749	–	–
Reinsurance assets	23 014	27 749	23 014	27 749
Total	816 713	964 566	771 699	916 878

4. Risk management (continued)

4.1 Credit risk (continued)

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	A+ R'000	A R'000	A– R'000	BBB+ R'000	BBB– R'000	BB+ R'000	BB R'000	B R'000	Not Rated R'000	Total R'000
GROUP												
2021												
Other Assets												
Financial assets at fair value through profit or loss – Listed investments	–	–	–	–	–	–	–	–		–	–	
Financial assets at fair value through profit or loss – Unlisted investments	–	–	–	–	–	–	–	126 349	49 189	–	136 616	312 155
Financial assets at fair value through profit or loss – Bonds	–	–	–	–	–	–	–	–	35 879	1 627	–	37 506
Financial assets at amortised cost	–	–	–	–	–	–	–	–	–	–	16 581	16 581
Loans and other receivables	–	–	–	–	–	–	–	–	–	–	11 755	11 755
Cash and cash equivalents	–	–	–	–	–	–	2 967	193 153	128 206	–	15 597	339 923
Insurance Assets												
Insurance receivables – Premium debtors	–	–	–	–	41	–	–	–	10	–	33 962	34 012
Reinsurance assets	–	945	7 043	5 102	6 431	–	720	–	–	–	2 774	23 014
Total	-	945	7 043	5 102	6 472	-	3 687	319 503	213 284	1 627	217 285	774 946
2020												
Other Assets												
Financial assets at fair value through profit or loss – Listed investments	–	–	–	–	–	–	–	–	–	–	–	–
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	315 642	92 761	1 527	497 094	918 428
COMPANY												
2021												
Other Assets												
Financial assets at fair value through profit or loss – Listed investments	–	–	–	–	–	–	–	–		–	–	
Financial assets at fair value through profit or loss – Unlisted investments	–	–	–	–	–	–	–	126 349	49 189	–	136 616	312 155
Financial assets at fair value through profit or loss – Bonds	–	–	–	–	–	–	–	–	35 879	1 627	–	37 506
Financial assets at amortised cost	–	–	–	–	–	–	–	–	–	–	16 581	16 581
Loans and other receivables	–	–	–	–	–	–	–	–	–	–	11 475	11 475
Cash and cash equivalents	–	–	–	–	–	–	–	193 153	128 206	–	15 597	336 956
Insurance Assets												
Insurance receivables – Premium debtors	–	–	–	–	41	–	–	–	10	–	33 962	34 012
Reinsurance assets	–	945	7 043	5 102	6 431	–	720	–	–	–	2 774	23 014
Total	–	945	7 043	5 102	6 472	–	720	319 503	213 284	1 627	217 005	771 698
2020												
Other Assets												
Financial assets at fair value through profit or loss – Listed investments	–	–	–	–	–	–	–			–	–	
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	–	315 642	92 761	1 527	495 775	916 878

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	Gross carrying value R'000	Neither past due nor impaired R'000	Past due not impaired R'000	Gross carrying value R'000
2021						
Financial assets at fair value through profit or loss – Listed investments	42 535	–	42 535	42 535	–	42 535
Financial assets at fair value through profit or loss – Unlisted investments	312 155	–	312 155	312 155	–	312 155
Financial assets at fair value through profit or loss – Bonds	37 506	–	37 506	37 506	–	37 506
Financial assets at amortised cost	16 581	–	16 581	16 581	–	16 581
Loans and other receivables	11 325	430	11 755	11 228	247	11 475
Cash and cash equivalents	339 923	–	339 923	336 956	–	336 956
Total	760 025	430	760 455	756 961	247	757 208
Insurance receivables – Premium debtors	34 014	–	34 014	34 014	–	34 014
Reinsurance assets	23 014	–	23 014	23 014	–	23 014
Total	57 028	–	57 028	57 028	–	57 028
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
Total	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
Total	38 842	3 480	42 322	38 842	3 480	**42 322**

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
2021										
Loans and other receivables	–	92	91	247	430	–	–	–	247	247
	–	92	91	247	430	–	–	–	247	247
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**

4. Risk management (continued)

4.1 Credit risk (continued)

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	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Balance at the beginning of the year	36 882	25 251	36 882	25 251
– Collective impairment loss reversed	–	1 945	–	1 945
– Collective impairment loss recognised	–	9 686	–	9 686
Balance at the end of the year	36 882	36 882	36 882	36 882

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
2021								
Balance at the beginning of the year	67	–	67	–	67	–	67	–
Originations, purchases and interest accruals	–	–	–	–	–	–	–	–
Balance at the end of the year	67	–	67	–	67	–	67	–
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	–

4. Risk management (continued)

4.2 Liquidity risk

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						
2021						
Financial assets at fair value through profit or loss	**392 196**	**392 196**	**356 317**	**–**	**10 430**	**25 450**
Financial assets at amortised cost	**16 581**	**16 581**	**–**	**–**	**16 581**	**–**
Reinsurance Assets	**23 014**	**23 014**	**23 014**	**–**	**–**	**–**
Insurance, loans and other receivables	**45 767**	**45 767**	**45 767**	**–**	**–**	**–**
Deferred acquisition costs	**706**	**706**	**706**	**–**	**–**	**–**
Cash and cash equivalents	**339 923**	**339 923**	**339 923**	**–**	**–**	**–**
Total	**818 187**	**818 187**	**765 727**	**–**	**27 011**	**25 450**
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	–
COMPANY						
2021						
Financial assets at fair value through profit or loss	**392 196**	**392 196**	**356 317**	**–**	**10 430**	**25 450**
Financial assets at amortised cost	**16 581**	**16 581**	**–**	**–**	**16 581**	**–**
Reinsurance Assets	**23 014**	**23 014**	**23 014**	**–**	**–**	**–**
Insurance, loans and other receivables	**45 487**	**45 487**	**45 487**	**–**	**–**	**–**
Deferred acquisition costs	**706**	**706**	**706**	**–**	**–**	**–**
Cash and cash equivalents	**336 956**	**336 956**	**336 956**	**–**	**–**	**–**
Total	**814 940**	**814 940**	**762 480**	**–**	**27 011**	**25 450**
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	–

4. Risk management (continued)

4.2 Liquidity risk (continued)

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							
2021							
Non-derivative financial liabilities							
Trade and other payables and employee benefits	**96 268**	**96 531**	**92 254**	**1 811**	**2 467**	**–**	**–**
Trade and other payables	**95 344**	**95 344**	**92 052**	**1 592**	**1 701**	**–**	**–**
Lease liability	**924**	**1 187**	**202**	**219**	**766**	**–**	**–**
Total	**96 268**	**96 531**	**92 254**	**1 811**	**2 467**	**–**	**–**
2020							
Non-derivative financial liabilities							
Trade and other payables and employee benefits	87 051	87 411	85 348	202	1 820	275	–
Trade and other payables	86 037	86 037	85 161	–	1 110	–	–
Lease liability	1 014	1 374	187	202	710	275	–
Total	87 051	87 411	85 348	202	1 820	275	–
COMPANY							
2021							
Non-derivative financial liabilities							
Trade and other payables and employee benefits	**94 455**	**94 718**	**92 141**	**1 811**	**766**	**–**	**–**
Trade and other payables	**93 531**	**93 531**	**91 939**	**1 592**	**–**	**–**	**–**
Lease liability	**924**	**1 187**	**202**	**219**	**766**	**–**	**–**
Total	**94 455**	**94 718**	**92 141**	**1 811**	**766**	**–**	**–**
2020							
Non-derivative financial liabilities							
Trade and other payables and employee benefits	85 252	85 612	84 424	202	710	275	–
Trade and other payables	84 237	84 237	84 237	–	–	–	–
Lease liability	1 015	1 375	187	202	710	275	–
Total	85 252	85 612	84 424	202	710	275	–

4. Risk management (continued)

4.2 Liquidity risk (continued)

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				
2021				
Claims reported and loss adjustment expenses	**229 987**	**223 930**	**5 933**	**124**
Claims incurred but not yet reported	**(28 415)**	**(27 667)**	**(733)**	**(15)**
Unearned premuim provision	**86 464**	**85 124**	**1 340**	**–**
Unexpired risk reserve	**2 069**	**2 037**	**32**	**–**
Reinsurance liabilities	**12 246**	**12 246**	**–**	**–**
	302 351	**295 670**	**6 572**	**109**
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 premuim 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	–

4.3 Market risk

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:

	2021 Carryng amount R'000	2020 Carryng amount R'000
Profile – GROUP		
Variable rate instruments		
Cash and cash equivalents	**339 923**	412 780
	339 923	412 780
Profile – COMPANY		
Variable rate instruments		
Cash and cash equivalents	**336 956**	412 548
	336 956	412 548

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

4. Risk management (continued)

4.3 Market risk (continued)

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 AND COMPANY				
2021				
Cash and cash equivalents	**6 739**	**(6 739)**	**6 739**	**(6 739)**
	6 739	**(6 739)**	**6 739**	**(6 739)**
2020				
Cash and cash equivalents	8 256	(8 256)	8 256	(8 256)
	8 256	(8 256)	8 256	(8 256)

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:

	2021			2020		
	Carryng amount R'000	Listed/Not listed R'000	Relevant stock exchange	Carryng amount R'000	Listed/Not listed R'000	Relevant stock exchange
GROUP						
Preference shares	**42 535**	**Listed**	**JSE**	42 102	Not listed	JSE
Preference shares	**16 581**	**Not listed**	**N/A**	22 249	Not listed	N/A
	59 116			64 351		
COMPANY						
Preference shares	**42 535**	**Listed**	**JSE**	42 102	Not listed	JSE
Preference shares	**16 581**	**Not listed**	**N/A**	22 249	Not listed	N/A
	59 116			64 351		

4. Risk management (continued)

4.3 Market risk (continued)

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				
2021				
Preference shares – Listed – JSE	**2 127**	**2 127**	**2 127**	**2 127**
Preference shares – Not listed	**829**	**829**	**829**	**829**
	2 956	**2 956**	**2 956**	**2 956**
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)
	3 218	(3 218)	3 218	(3 218)
COMPANY				
2021				
Preference shares – Listed – JSE	**2 127**	**2 127**	**2 127**	**2 127**
Preference shares – Not listed	**829**	**829**	**829**	**829**
	2 956	**2 956**	**2 956**	**2 956**
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)
	3 218	(3 218)	3 218	(3 218)

	GROUP		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
5. Property and equipment				
Cost				
Leasehold improvements	3 152	3 152	3 152	3 152
Office equipment	23 940	42 825	23 940	42 825
Office equipment	1 369	1 369	1 369	1 369
Computer hardware	12 825	31 710	12 825	31 710
Furniture and fittings	9 746	9 746	9 746	9 746
Property and equipment – Cost	27 092	45 977	27 092	45 977
Accumulated depreciation				
Leasehold improvements	(2 247)	(1 937)	(2 247)	(1 937)
Office equipment	(23 898)	(38 208)	(23 898)	(38 208)
Office equipment	(1 364)	(1 349)	(1 364)	(1 349)
Computer hardware	(12 788)	(27 456)	(12 788)	(27 456)
Furniture and fittings	(9 746)	(9 403)	(9 746)	(9 403)
Property and equipment – Accumulated depreciation and impairment	(26 145)	(40 145)	(26 145)	(40 145)
Net carrying amount				
Leasehold improvements	905	1 215	905	1 215
Office equipment	42	4 617	42	4 617
Office equipment	6	20	6	20
Computer hardware	36	4 254	36	4 254
Furniture and fittings	–	343	–	343
Property and equipment – Carrying value	947	5 832	947	5 832
Reconciliation of movement on net carrying amount:				
Balance at the beginning of the year	5 832	12 211	5 832	12 002
Depreciation for the year	(1 476)	(6 375)	(1 476)	(6 165)
Leasehold improvements	(311)	(311)	(311)	(311)
Office equipment	(15)	(59)	(15)	(59)
Computer hardware	(807)	(4 609)	(807)	(4 609)
Furniture and fittings	(343)	(1 396)	(343)	(1 186)
Disposals	(3 409)	(5)	(3 409)	(5)
Computer hardware	(3 409)	–	(3 409)	–
Furniture and fittings	–	(5)	–	(5)
Balance at the end of the year	947	5 832	947	5 832

	GROUP 2021 R'000	GROUP 2020 R'000	COMPANY 2021 R'000	COMPANY 2020 R'000
6. Right of use				
Cost				
Property	812	812	812	812
Right of use asset – Cost	812	812	812	812
Accumulated depreciation				
Property	(232)	(116)	(232)	(116)
Right of use asset – Accumulated depreciation and impairment	(232)	(116)	(232)	(116)
Net carrying amount				
Property	580	696	580	696
Right of use assets – Carrying value	580	696	580	696
Reconciliation of movement on net carrying amount:				
Balance at the beginning of the year	696	–	696	–
Prior year adjustments	–	812	–	812
Property	–	812	–	812
Depreciation for the year	(116)	(116)	(116)	(116)
Property	(116)	(116)	(116)	(116)
Balance at the end of the year	580	696	580	696

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

	GROUP 2021 R'000	GROUP 2020 R'000	COMPANY 2021 R'000	COMPANY 2020 R'000
7. Investment Property				
Investment Property – land and buildings – Cost	22 240	22 240	3 340	3 340
Investment Property – land and buildings – Revaluation	(5 281)	(7 661)	(381)	(381)
Fair value on Investment properties	16 959	14 579	2 959	2 959
Reconciliation of movement on fair value amount:				
Balance at the beginning of the year	14 579	22 240	2 959	3 340
Revaluation for the year	2 380	(7 661)	–	(381)
Balance at the end of the year	16 959	14 579	2 959	2 959

Investment property comprises the following:

Property situated on ERF 35325 Belville CapeTown. The cost of the property is R3.3 million and the market value is R3 million.(2020: R3 million). Property situated in Irene Extension 3 Pretoria. The cost of the property is R22.2 million and the market value is R14 million (2020: R11.6 million).

8. Intangible assets

	GROUP 2021 R'000	GROUP 2020 R'000	COMPANY 2021 R'000	COMPANY 2020 R'000
Cost				
Computer software	28 532	28 532	28 532	28 532
Acquired rights over books of business	900	–	900	–
Intangible assets – Cost	29 432	28 532	29 432	28 532
Accumulated amortisation and impairment				
Computer software	(28 532)	(27 097)	(28 532)	(27 097)
Intangible assets – Accumulated amortisation and impairment	(28 532)	(27 097)	(28 532)	(27 097)
Net carrying amount				
Computer software	–	1 435	–	1 435
Acquired rights over books of business	900	–	900	–
Intangible assets	900	1 435	900	1 435
Reconciliation of movement on net carrying amount:				
Balance at the beginning of the year	1 435	35 129	1 435	35 129
Additions	900	–	900	–
Acquired rights over books of business	900	–	900	–
Amortisation for the year	(1 435)	(8 923)	(1 435)	(8 923)
Computer software	(1 435)	(8 923)	(1 435)	(8 923)
Impairment for the year	–	(24 771)	–	(24 771)
Computer software	–	(24 771)	–	(24 771)
Balance at the end of the year	900	1 435	900	1 435

9. Investment in subsidiaries

	COMPANY 2021 R'000	COMPANY 2020 R'000
Interest in subsidiaries comprises:		
Shares at fair value through profit or loss	1 773	1 773
Investments in subsidiaries	1 773	1 773

Carrying value of interest in subsidiary

	Nature of business	Place of business	Issued share capital R	Proprtion held 2021 %	Proprtion held 2020 %	2021 Shares R'000	2020 Shares R'000
Interest in subsidiaries comprises:							
Erf Four Nine Nine Spartan (Proprietary) Limited	Property Holding	RSA	1	100	100	1 773	1 773
						1 773	1 773

Details of subsidiaries are provided on page 59 of these financial statements

10. Financial assets

	GROUP		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Financial assets at fair value through other comprehensive income	–	–	–	–
Financial assets at fair value through profit or loss	392 196	468 591	392 196	468 591
Financial assets at amortised cost	16 581	22 249	16 581	22 249
	408 777	490 840	408 777	490 840
Current	356 316	479 433	356 316	479 433
Non-current	52 461	11 407	52 461	11 407
	408 777	490 840	408 777	490 840
Financial assets at fair value through profit or loss				
Listed Investments	42 535	42 102	42 535	42 102
Unlisted Investments	312 155	399 993	312 155	399 993
Bonds	37 506	26 496	37 506	26 496
	392 196	468 591	392 196	468 591
An analysis of the Group and Company's financial assets by market sector and maturity spread is provided below				
Listed Investments				
at market value	42 535	42 102	42 535	42 102
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	312 155	399 993	312 155	399 993
	%	%	%	%
Private equity investments	–	5,27	–	5,27
Unit trusts	100,00	94,73	100,00	94,73
	100,00	100,00	100,00	100,00
Bonds				
Bonds and other assets at amortised cost by industry	37 506	26 496	37 506	26 496
	%	%	%	%
Banks	100,00	100,00	100,00	100,00
	100,00	100,00	100,00	100,00

10. Financial assets

	Maturity spread R'000	Maturity spread % R'000
GROUP		
Bonds		
An analysis of debt securities by maturity spread for 2021		
0 – 1 year	**1 626**	**4,34**
2 – 5 years	**10 430**	**27,81**
More than 5 years	**25 450**	**67,85**
	37 506	**100,00**
An analysis of debt securities by maturity spread for 2020		
0 – 1 year	15 088	56,95
2 – 5 years	9 880	37,29
	26 496	100,00
COMPANY		
Bonds		
An analysis of debt securities by maturity spread for 2021		
0 – 1 year	**1 626**	**4,34**
2 – 5 years	**10 430**	**27,81**
More than 5 years	**25 450**	**67,85**
	37 506	**100,00**
An analysis of debt securities by maturity spread for 2020		
0 – 1 year	15 088	56,95
1 – 2 years	1 527	5,76
2 – 5 years	9 880	37,29
	26 496	100,00

10. Financial assets (continued)

Categories and classes of financial and insurance assets and liabilities

	Fair value through profit or loss R'000	Loans and receivables R'000	At amortised cost invest-ments R'000	Financial assets at fair value through other comprehen-sive 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									
2021									
Assets									
Financial assets	392 196	–	16 581	–	408 777	–	–	408 777	408 777
Reinsurance assets	–	–	–	–	–	23 014	–	23 014	23 014
Insurance, loans and other receivables	–	11 696	–	–	11 696	33 732	339	45 767	45 767
Deferred acquisition costs	–	–	–	–	–	706	–	706	706
Cash and cash equivalents	–	–	336 956	–	336 956	–	2 967	339 923	339 923
Total	392 196	11 696	353 537	-	757 429	57 452	3 306	818 187	818 187
Liabilities									
Insurance liabilities	–	–	–	–	–	290 105	–	290 105	290 105
Reinsurance liabilities	–	–	–	–	–	12 246	–	12 246	12 246
Employee benefits	–	–	–	–	–	–	8 502	8 502	8 502
Trade and other payables	–	–	–	–	–	–	94 455	94 455	94 455
Total	–	–	–	–	–	302 351	102 957	405 308	405 308
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
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

10. Financial assets (continued)

	Fair value through profit or loss R'000	Loans and receivables R'000	At amortised cost invest-ments R'000	Financial assets at fair value through other comprehen-sive 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
COMPANY									
2021									
Assets									
Investment in subsidiaries	1 773	-	-	-	1 773	-	–	1 773	1 773
Financial assets	392 196	-	16 581	-	408 777	-	–	408 777	408 777
Reinsurance assets	-	-	-	-	-	23 014	–	23 014	23 014
Insurance, loans and other receivables	-	11 696	-	-	11 696	33 732	59	45 487	45 487
Deferred acquisition costs	-	(0)	-	-	(0)	706	–	706	706
Cash and cash equivalents	-	-	336 956	-	336 956	-	–	336 956	336 956
Total	393 969	11 696	353 537	-	759 202	57 452	59	816 713	816 713
Liabilities									
Borrowings	–	–	–	–	–	–	–	–	–
Insurance liabilities	–	–	–	–	–	290 105	–	290 105	290 105
Reinsurance liabilities	–	–	–	–	–	12 246	–	12 246	12 246
Employee benefits	–	–	–	–	–	–	8 502	8 502	8 502
Trade and other payables	–	–	–	–	–	–	94 455	94 455	94 455
Total	–	–	–	–	–	302 351	102 957	405 308	405 308
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	96 172	443 952	443 952

10. Financial assets (continued)

10.1 Determination of fair value and fair values hierarchy

	Level 1	Level 2	Level 3	Total fair value
GROUP				
2021				
Financial assets carried at fair value through profit or loss				
Listed Investments	42 535	–	–	42 535
Unlisted Investments	–	312 155	–	312 155
Bonds	–	37 506	–	37 506
	42 535	349 662	–	392 196
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
COMPANY				
2021				
Financial assets carried at fair value through profit or loss				
Interest in subsidairies	–	–	1 773	1 773
Listed Investments	42 535	–	–	42 535
Unlisted Investments	–	312 155	–	312 155
Bonds	–	37 506	–	37 506
	42 535	349 662	1 773	393 969
2020				
Financial assets carried at fair value through profit or loss				
Interest in subsidairies	–	–	1 773	1 773
Listed Investments	42 102	–	–	42 102
Unlisted Investments	–	399 993	–	399 993
Bonds	–	26 496	–	26 496
Total	42 102	426 489	1 773	470 364

10. Financial assets (continued)

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

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

	Carrying amount R'000	2% effect of reasonably possible alternative assumptions (+) R'000	2% effect of reasonably possible alternative assumptions (-) R'000
COMPANY			
2021			
Financial Assets at fair value through profit or loss			
Interest in subsidairies	**1 773**	**35**	**(35)**
	1 773	**35**	**(35)**
2020			
Financial Assets at fair value through profit or loss			
Interest in subsidairies	1 773	35	(35)
Total	1 773	35	(35)

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 bond yield of 8.88% (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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

for the year ended 30 June 2021

11. Insurance, loans and other receivables

	GROUP 2021 R'000	GROUP 2020 R'000	COMPANY 2021 R'000	COMPANY 2020 R'000
Insurance receivables – Premium debtors	34 012	14 573	34 012	14 573
Other receivables	11 755	14 922	11 475	13 334
Total insurance and other receivables	45 767	29 494	45 487	27 907

12. Deferred taxation

	GROUP 2021 R'000	GROUP 2020 R'000	COMPANY 2021 R'000	COMPANY 2020 R'000
Deferred income tax assets				
Deferred income tax to be recovered within 12 months	2 066	18 596	2 066	18 596
Deferred income tax to be recovered after 12 months	13 766	–	13 766	–
Deferred income tax assets	15 832	18 596	15 832	18 596
Balance at the beginning of the year	18 596	4 355	18 596	4 355
Movement during the year attributed to:				
Prior year adjustments	(336)	–	(336)	–
Provisions	(1 137)	4 098	(1 137)	4 098
Unrealised gain or losses on Assets at fair value through profit/loss	(1 291)	10 143	(1 291)	10 143
Balance at the end of the year	15 832	18 596	15 832	18 596
Balance comprises:				
Provisions	2 066	14 904	2 066	14 904
Unrealised gain or losses on assets at fair value through profit/loss	13 766	3 692	13 766	3 692
Balance comprises:	15 832	18 596	15 832	18 596
Deferred income tax liabilities				
Deferred income tax to be recovered within 12 months	–	1 239	–	–
Deferred income tax to be recovered after 12 months	1 647	–	–	–
Deferred income tax liabilities	1 647	1 239	–	–
Balance at the beginning of the year	1 239	1 286	–	–
Movement during the year attributed to:				
Provisions	(150)	(47)	–	–
Unrealised gain or losses on assets at fair value through profit/loss	558			
Balance at the end of the year	1 647	1 239	–	–
Balance comprises:				
Provisions	1 089	1 239	–	–
Unrealised gain or losses on assets at fair value through profit/loss	558	–	–	–
Deferred income tax – balance	1 647	1 239	–	–

13 Cash and cash equivalents

	GROUP 2021 R'000	GROUP 2020 R'000	COMPANY 2021 R'000	COMPANY 2020 R'000
Cash on call	251 276	341 018	251 276	341 018
Cash at bank	88 647	53 389	85 680	53 157
Cash on deposit	–	18 373	–	18 373
Cash and cash equivalents	339 923	412 780	336 956	412 548

	GROUP		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
14. Share capital and premium				
Authorised				
3 000 000 Ordinary Shares	3 000	3 001	3 000	3 000
	3 000	3 001	3 000	3 000
Issued and fully paid				
2 939 801 Ordinary Shares	4 940	4 940	4 940	4 940
	4 940	4 940	4 940	4 940
Share Premium	395 563	395 563	395 563	395 563
Issued shared capital	400 503	400 503	400 503	400 503

	GROUP		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
15. Insurance liabilities and reinsurance assets				
Gross				
Claims reported and loss adjustment expenses	229 988	220 301	229 988	220 301
Claims incurred but not yet reported	(28 416)	(8 124)	(28 416)	(8 124)
Unearned premuim provision	86 464	117 837	86 464	117 837
Unexpired risk reserve	2 069	2 976	2 069	2 976
Total gross insurance liabilities	290 105	332 991	290 105	332 991
Recoverable from reinsurers				
Claims reported and loss adjustment expenses	23 988	28 445	23 988	28 445
Claims incurred but not yet reported	267	545	267	545
Unearned premuim provision	104	104	104	104
Reinsurance recoveries	(1 345)	(1 345)	(1 345)	(1 345)
Total reinsurers' share of insurance liabilities	23 014	27 749	23 014	27 749
Net				
Claims reported and loss adjustment expenses	206 000	191 857	206 000	191 857
Claims incurred but not yet reported	(28 683)	(8 669)	(28 683)	(8 669)
Unearned Premuim Provision	86 360	117 732	86 360	117 732
Unexpired Risk Reserve	2 069	2 976	2 069	2 976
Reinsurance Recoveries	1 345	1 345	1 345	1 345
Total insurance liabilities – net	267 091	305 242	267 092	305 242

15. Insurance liabilities and reinsurance assets (continued)

Movement in insurance liabilities and reinsurance assets

	2021 Gross R'000	2021 Reinsurance Recoverable from reinsurers R'000	2021 Net R'000	2020 Gross R'000	2020 Reinsurance Recoverable from reinsurers R'000	2020 Net R'000
Claims reported and Loss Adjustment Expenses						
GROUP AND COMPANY						
Balance at the beginning of the year	220 301	28 445	191 857	218 046	28 195	189 851
Claims paid	(493 554)	(1 545)	(492 009)	(496 386)	(1 687)	(494 699)
Claims raised	503 240	(2 913)	506 152	498 642	1 937	496 705
Balance at the end of the year	229 988	23 988	206 000	220 301	28 445	191 857
Claims incurred but not yet reported						
GROUP AND COMPANY						
Balance at the beginning of the year	(8 124)	545	(8 669)	51 972	133	51 838
Movement for the year	(20 292)	(278)	(20 014)	(60 096)	412	(60 508)
Balance at the end of the year	(28 416)	267	(28 683)	(8 124)	545	(8 669)
Unearned premium Provision						
GROUP AND COMPANY						
Balance at the beginning of the year	117 837	104	117 733	398 985	5	398 980
Movement for the year	(31 373)	–	(31 373)	(281 148)	99	(281 247)
Balance at the end of the year	86 464	104	86 360	117 837	104	117 732
Unexpired Risk Reserve						
GROUP AND COMPANY						
Balance at the beginning of the year	2 976	–	2 976	24 053	–	24 053
Movement for the year	(907)	–	(907)	(21 077)	–	(21 077)
Balance at the end of the year	2 069	–	2 069	2 976	–	2 976
Reinsurance Recoveries						
GROUP AND COMPANY						
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						
GROUP AND COMPANY						
Balance at the beginning of the year	332 991	27 749	305 242	693 056	26 989	666 067
Claims paid	(493 554)	(1 545)	(492 009)	(496 386)	(1 687)	(494 699)
Claims raised	503 240	(2 913)	506 152	498 642	1 937	496 705
Movement for the year	(52 572)	(278)	(52 294)	(362 321)	511	(362 832)
Balance at the end of the year	290 105	23 014	267 091	332 990	27 749	305 241

	GROUP 2021 R'000	GROUP 2020 R'000	COMPANY 2021 R'000	COMPANY 2020 R'000
Gross written premiums per class of business				
Property	228	104	228	104
Transportation	53 297	53 858	53 297	53 858
Motor	585 050	658 475	585 050	658 475
Accident and health	1 458	1 671	1 458	1 671
Guarantee	78 494	65 039	78 494	65 039
Miscellaneous	144 437	188 079	144 437	188 079
Total	862 964	967 227	862 964	967 227

	GROUP 2021 R'000	GROUP 2020 R'000
South Africa	862 964	967 227
Total	862 964	967 227

15. Insurance liabilities and reinsurance assets (continued)

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.

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.

15. Insurance liabilities and reinsurance assets (continued)

15.3 Limiting exposure to insurance risk

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) 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)

15.4 Claims provisions (continued)

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.

Assumptions

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

	GROUP		COMPANY	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
16. Deferred acquisition cost				
Deferred commission and acquisition costs net of reinsurance	**706**	3 749	**706**	3 749
Current	**706**	3 749	**706**	3 749
Reconciliation of changes in acquisition costs				
Balance at the beginning of the year	**3 749**	6 851	**3 749**	6 851
Acquisition costs deferred during the year	**(3 749)**	1	**(3 749)**	1
Acquisition costs expensed during the year	**706**	(3 103)	**706**	(3 103)
Balance at the end of the year	**706**	3 749	**706**	3 749

17 Claims development table

		Claims paid in respect of:					
Reporting year	Claims development tables – Year paid	**2021 R'000**	2020 R'000	2019 R'000	2018 R'000	2017 R'000	2016 R'000
Gross Actual claims costs							
2021	442 712	**476 509**	(15 430)	(12 944)	(3 005)	(2 146)	(272)
2020	499 425	**–**	537 570	(16 517)	(13 625)	(6 119)	(1 883)
	942 137	**476 509**	**522 140**	**(29 461)**	**(16 630)**	**(8 265)**	**(2 155)**
Net actual claims costs							
2021	446 325	**480 225**	(15 533)	(12 944)	(3 005)	(2 146)	(272)
2020	497 494	**–**	535 577	(16 456)	(13 625)	(6 119)	(1 883)
	943 819	**480 225**	**520 044**	**(29 400)**	**(16 630)**	**(8 265)**	**(2 155)**

18. Provisions

	Leave Pay R'000	Bonus R'000	Provisions R'000
GROUP AND COMPANY			
2021			
Balance at the beginning of the year	**1 965**	**8 957**	**10 922**
Additional provisions raised during the year	**(86)**	**(10 046)**	**(10 132)**
Utilised during the year	**30**	**7 682**	**7 712**
Balance at the end of the year	**1 909**	**6 593**	**8 502**
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

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 909 000 (2020: R1 965 000) 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 R6 593 000 (2020: R8 957 000) at the statement of financial position date.

19. Trade and other payables

	GROUP		COMPANY	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Trade payables	**(5 440)**	(2 227)	**(7 371)**	(4 145)
Sundry creditors	**92 403**	84 145	**92 521**	84 264
Lease liability*	**924**	1 015	**924**	1 015
Due to group company	**8 381**	4 118	**8 381**	4 118
Trade and other payables	**96 268**	87 051	**94 455**	85 252

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

	GROUP		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
20. Dividends and interest				
Interest received				
Interest received – Financial assets at amortised cost	13 922	27 379	13 922	27 379
Interest received on call deposits	13 922	27 379	13 922	27 379
Interest received – Financial assets at fair value through profit or loss	24 401	54 117	24 337	54 079
Interest received on investments	21 223	50 831	21 159	50 793
Interest received from bank	1 415	1 469	1 415	1 469
Sundry interest received	1 083	1 303	1 083	1 303
Interest received on call deposits	680	262	680	262
Other interest received	–	252	–	252
Total Interest received	38 323	81 496	38 258	81 458
Dividends received				
Dividends received – Listed	3 790	4 955	3 790	4 955
Dividends received – Unlisted	1 372	1 820	1 372	1 820
Total Dividends received	5 162	6 775	5 162	6 775
Total interest received and dividend income	43 485	88 271	43 420	88 233
Interest paid				
Interest paid – Collateral Deposit	1	8	–	–
Interest paid – General	1 038	5 034	1 038	5 034
Total Interest paid	1 039	5 042	1 038	5 034

21. Realised profits/(losses) on disposal of investments

	GROUP		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Unlisted investments	11 068	2 898	11 068	2 898
Net realised (losses)/profits on fair value through profit or loss	11 068	2 898	11 068	2 898

22. Unrealised profits/(losses) on revaluation of investments

	GROUP		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Unlisted investments	753	(15 528)	(1 627)	(8 248)
Listed investments	433	(11 947)	433	(11 947)
Net unrealised profits/(losses) on fair value through profit or loss assets	1 186	(27 475)	(1 194)	(20 195)

	2021			2020		
	Company R'000	Rest of Group R'000	Total R'000	Company R'000	Rest of Group R'000	Total R'000
23. Profit before taxation						
Profit before taxation is determined after charging:						
Directors and Prescribed Officers emoluments						
Executive directors						
Director A						
Basic salary	1 516	4 548	6 064	1 512	4 536	6 048
Bonus and performance related payments	2 989	8 967	11 956	2 385	7 155	9 540
Estimated monetary value of other benefits	38	114	152	30	90	120
Pension/provident fund contributions	172	516	688	171	513	684
	4 715	14 145	18 860	4 098	12 294	16 392
Director B						
Basic salary	909	2 727	3 636	904	2 712	3 616
Bonus and performance related payments	1 856	5 568	7 424	1 358	4 074	5 432
Estimated monetary value of other benefits	42	126	168	38	114	152
Pension/provident fund contributions	106	318	424	105	315	420
	2 913	8 739	11 652	2 405	7 215	9 620
Director C						
Basic salary	1 814	1 814	3 628	1 799	1 799	3 598
Bonus and performance related payments	2 310	2 310	4 620	1 807	1 807	3 614
Estimated monetary value of other benefits	80	80	160	78	78	156
Pension/provident fund contributions	208	209	417	206	206	412
	4 412	4 413	8 825	3 890	3 890	7 780
Non-executive directors						
Director A	–	–	–	38	116	154
Director B	–	–	–	37	113	150
Director C	277	831	1 108	325	975	1 300
Director D	242	727	969	271	815	1 086
Director E	120	359	479	147	441	588
Director F	175	524	698	201	604	805
Director G	247	742	990	277	831	1 108
Director H	110	330	440	137	410	547
Director I	141	423	564	168	503	671
	1 312	3 936	5 248	1 601	4 808	6 409
Prescribed officers						
Prescribed officer A						
Basic salary	807	2 420	3 227	787	2 362	3 149
Bonus and performance related payments	1 454	4 363	5 817	1 237	3 710	4 947
Estimated monetary value of other benefits	204	612	816	66	199	265
Pension/provident fund contributions	97	290	387	95	284	379
	2 562	7 685	10 247	2 185	6 555	8 740
Prescribed officer B						
Basic salary	784	2 353	3 137	779	2 336	3 115
Bonus and performance related payments	1 454	4 363	5 817	1 178	3 533	4 711
Estimated monetary value of other benefits	85	254	339	82	247	329
Pension/provident fund contributions	96	287	383	95	284	379
	2 419	7 257	9 676	2 134	6 400	8 534

23. Profit before taxation (continued)

	2021			2020		
	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	737	2 211	2 948	722	2 166	2 888
Bonus and performance related payments	1 111	3 333	4 444	899	2 697	3 596
Estimated monetary value of other benefits	13	39	52	13	39	52
Pension/provident fund contributions	83	249	332	81	243	324
	1 944	5 832	7 776	1 715	5 145	6 860
Prescribed officer D						
Basic salary	580	1 740	2 320	577	1 731	2 308
Bonus and performance related payments	793	2 379	3 172	642	1 926	2 568
Estimated monetary value of other benefits	80	240	320	76	228	304
Pension/provident fund contributions	73	219	292	72	216	288
	1 526	4 578	6 104	1 367	4 101	5 468
Prescribed officer E						
Basic salary	786	2 358	3 144	783	2 349	3 132
Bonus and performance related payments	1 110	3 331	4 441	1 043	3 129	4 172
Estimated monetary value of other benefits	45	136	181	41	122	163
Pension/provident fund contributions	91	274	365	91	272	363
	2 032	6 099	8 131	1 958	5 872	7 830
Prescribed officer F						
Basic salary	1 122	3 365	4 487	1 108	3 325	4 433
Bonus and performance related payments	2 644	7 933	10 577	2 249	6 745	8 994
Estimated monetary value of other benefits	42	125	167	44	131	175
Pension/provident fund contributions	129	388	517	128	384	512
	3 937	11 811	15 748	3 529	10 585	14 114
Prescribed officer G						
Basic salary	871	2 613	3 484	874	2 622	3 496
Bonus and performance related payments	1 169	3 507	4 676	837	2 511	3 348
Estimated monetary value of other benefits	6	18	24	6	18	24
Pension/provident fund contributions	98	294	392	95	285	380
	2 144	6 432	8 576	1 812	5 436	7 248
Directors and Prescribed Officers emoluments	29 917	80 925	110 842	26 410	71 449	97 859

	GROUP 2021 R'000	GROUP 2020 R'000	COMPANY 2021 R'000	COMPANY 2020 R'000
23. Profit before taxation (continued)				
Auditors remuneration				
Audit fees	**3 795**	4 051	**3 755**	4 051
	3 795	4 051	**3 755**	4 051
Depreciation – property and equipment				
Leasehold improvements	**311**	311	**311**	311
Office equipment	**1 165**	6 064	**1 165**	5 855
Computer hardware	**807**	4 609	**807**	4 609
Furniture and fittings	**343**	1 396	**343**	1 186
Office equipment	**15**	59	**15**	59
	1 476	6 375	**1 476**	6 165
Depreciation – right of use assets				
Property	**116**	116	**116**	116
	116	116	**116**	116
Expenses for the acquisition of insurance contracts				
Commission	**111 314**	124 903	**111 314**	124 903
Other expenditure				
Amortisation of intangible assets	**1 435**	8 923	**1 435**	8 923
Impairment of intangible assets	**–**	24 771	**–**	24 771
Write-off of premium debtors	**175**	9 686	**175**	9 686
Administration fees paid	**60 218**	88 372	**60 218**	88 372
Professional fees	**3 414**	3 004	**3 414**	3 004
Operating lease rentals – building	**1 266**	2 917	**1 266**	2 917
Operating lease rentals – computer	**498**	299	**498**	299

	GROUP 2021 R'000	GROUP 2020 R'000	COMPANY 2021 R'000	COMPANY 2020 R'000
24. Taxation				
South African normal taxation				
Current year	**49 732**	89 042	**49 219**	89 030
Prior year	**–**	(187)	**–**	(187)
Deferred tax expense				
Current year	**3 322**	(8 258)	**2 764**	(8 258)
Prior year	**–**	(5 983)	**–**	(5 983)
Taxation	**53 054**	74 801	**51 983**	74 789
All taxation is payable in respect of continuing operations				
Tax rate reconciliation:	**%**	%	**%**	%
Tax calculated at standard rate of South African tax on earnings	**28**	28	**28**	28
Adjusted for:				
– Normal taxation – prior year	**0.18**	–	**0.18**	–
– Exempt income on dividends not taxable	**(0.78)**	(0.18)	**(0.78)**	(0.18)
– Realised gains not taxable	**(0.34)**	(0.02)	**(0.34)**	(0.02)
– Unrealised gains not taxable	**(0.24)**	0.11	**(0.18)**	0.11
– Other non-taxable income/non-deductable expenses	**1.25**	–	**1.26**	–
– Other	**–**	0.01	**–**	0.01
– Prior year (over)/underprovision	**–**	(2.32)	**–**	(2.25)
Tax rate reconciliation	**28.07**	25.60	**28.14**	25.67

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

for the year ended 30 June 2021

	GROUP		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
25. Reconciliation of profit before taxation to cash generated from operation				
Profit Before Tax	188 971	284 876	184 633	291 344
Adjustments for:				
Depreciation	1 592	6 491	1 592	6 281
Intangible Asset Amortisation	1 435	8 923	1 435	8 923
Intangible Asset Impairment	–	24 771	–	24 771
Loss/(profit) on disposal of Investments	(11 068)	(2 898)	(11 068)	(2 898)
Net Interest and Dividend Income	(42 446)	(83 229)	(42382)	(83 199)
Unrealised (loss)/gain on revaluation of Listed Investments	(433)	11 947	(433)	11 947
Unrealised (loss)/gain on revaluation of Unlisted Investments	2 645	15 528	2 645	8 247
Unrealised (loss)/gain on revaluation of Bonds	(1 018)	–	(1 018)	–
Operating Cash Flows before Working Captal Changes	139 678	266 409	135 404	265 416
Working Capital Changes	(67 585)	(435 058)	(66 531)	(434 190)
(Increase)/decrease in Insurance Receivables , Loans and Other Receivables	(16 272)	28 081	(17 580)	27 401
Increase/(decrease) in Other Provisions	(2 419)	3 391	(2 419)	3 391
(Increase)/decrease in Reinsurance Assets	4 735	(761)	4 735	(761)
(Increase)/decrease in Deferred Acquisition Costs	3 043	3 102	3 043	3 102
(Decrease)/increase in Reinsurance Liabilities	(3 611)	(2 926)	(3 611)	(2 926)
Increase/(decrease) in Net Outstanding Claims and IBNR and unexpired risk reserve	(11 514)	(78 917)	(11 514)	(78 917)
Increase/(decrease) in Unearned Premuims	(31 373)	(281 148)	(31 373)	(281 148)
Increase/(decrease) in Trade and Other Accounts Payable and Employee Benefits	(10 174)	(105 879)	(7 812)	(104 332)
Cash generated from Operations	72 093	(168 649)	68 873	(168 774)

	GROUP		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
26. Dividends paid				
Amount declared in statement of changes in equity	(132 351)	(250 733)	(132 351)	(250 733)
Amount declared to non-controling interest	(129 383)	(352 099)	(129 383)	(352 099)
Cash amounts Paid	(261 734)	(602 832)	(261 734)	(602 832)
27. Dividends received				
Amount received per income statement	5 162	6 775	5 162	6 775
Cash amounts Received	5 162	6 775	5 162	6 775
28. Taxation paid				
Amount due at beginning of year	(3 383)	(4 972)	(2 321)	(3 905)
Amount charged to income statement	(53 054)	(74 801)	(51 983)	(74 789)
Amount due at end of year	3 317	3 383	1 727	2 321
Cash amounts Paid	(53 120)	(76 390)	(52 577)	(76 373)
Amounts due at ennd of year comprised as follows:				
Deferred taxation asset	(15 832)	(18 596)	(15 832)	(18 596)
Deferred taxation liability	1 647	1 239	–	–
Current income taxation asset	(57)	(177)	–	–
Current income taxation liability	17 559	20 918	17 559	20 917
	3 317	3 383	1 727	2 321

	GROUP 2021 R'000	GROUP 2020 R'000	COMPANY 2021 R'000	COMPANY 2020 R'000
29. Proceeds on disposal of investments				
Proceeds on disposal of unlisted investments and bonds	203 222	759 766	203 222	759 766
30. Lease – Low value items				
During the current financial year, the group incurred lease payments for the following low value leased assets				
Computers	498	299	498	299
Equipment	27	27	27	27

31. 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.

32. 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 R289 553(2020: R137 264).

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 R2 872 943 (2020: R1 369 869).

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 staff of 74 (2020: 73)

33. Related Party Transactions

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

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

Listed below are details of related party balances and transactions

	COMPANY 2021 R'000	COMPANY 2020 R'000
Loans to / (from) related parties		
The Hollard Insurance Company Limited	(6 723)	(443)
Hollard Life Assurance Company Limited	(1 661)	(2 698)
Hollard Specialist Life Assurance	3	(977)
Interest paid		
Hollard Fundco (RF) (Pty) LTD	–	3 501
Management fees		
Hollard Specialist Life Assurance	6 563	6 287

34. Subsidiary

	Nature of business R	Place of Business	Issued Share Capital R	Proportion held % 2021	Proportion held % 2020	Shares R 2021	Indebtness R 2020	Shares R 2021	Indebtness R 2020
Carrying value of interest in subsidiary Interest in subsidiaries comprises:									
Erf Four Nine Nine Spartan (Proprietary) Limited	Property Holding	RSA	1	100	100	1773	–	1773	–

35. Going concern

The directors have assessed the Group's ability to continue as a going concern. As at 30 June 2021, 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, higher mortality and lapse risk; 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.

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.

The Covid-19 pandemic continues to impact the Group's operating environment beyond the reporting date.

36. Subsequent events

During July 2021 civil unrest occurred in South Africa's KwaZulu-Natal and Gauteng provinces resulting in widespread rioting and looting and resulted in significant losses to our non-life insurance policyholders. We are working together with South African Special Risks Insurance Association (SASRIA) to facilitate the smooth and quick settlement of all valid claims related to these events to ensure that businesses can return to their business operations as quickly as possible. There are no financial losses attributable to Hollard at this stage.

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

DIRECTORATE AND ADMINISTRATION

for the year ended 30 June 2021

Hollard Specialist Insurance Company

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(resigned 1 February 2020)
Non-Executive Director	NG Kohler
Independent Non-Executive Director	R Fihrer
Independent Non-Executive Director	MR Bower
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	MS Claasen

Administration

Company Secretary

Corpstat Governance Services (Pty) Ltd (resigned 01 May 2021)

A Allardyce (appointed 01 May 2021)

Public Officer

U Murphy

Compliance Officer

M Patel

Registered office and business address

Hollard at Arcadia
22 Oxford Road
Parktown
Johannesburg
2193

Postal address

P O Box 87419
Houghton
2041

Website

www.hollard.co.za

Nature of business

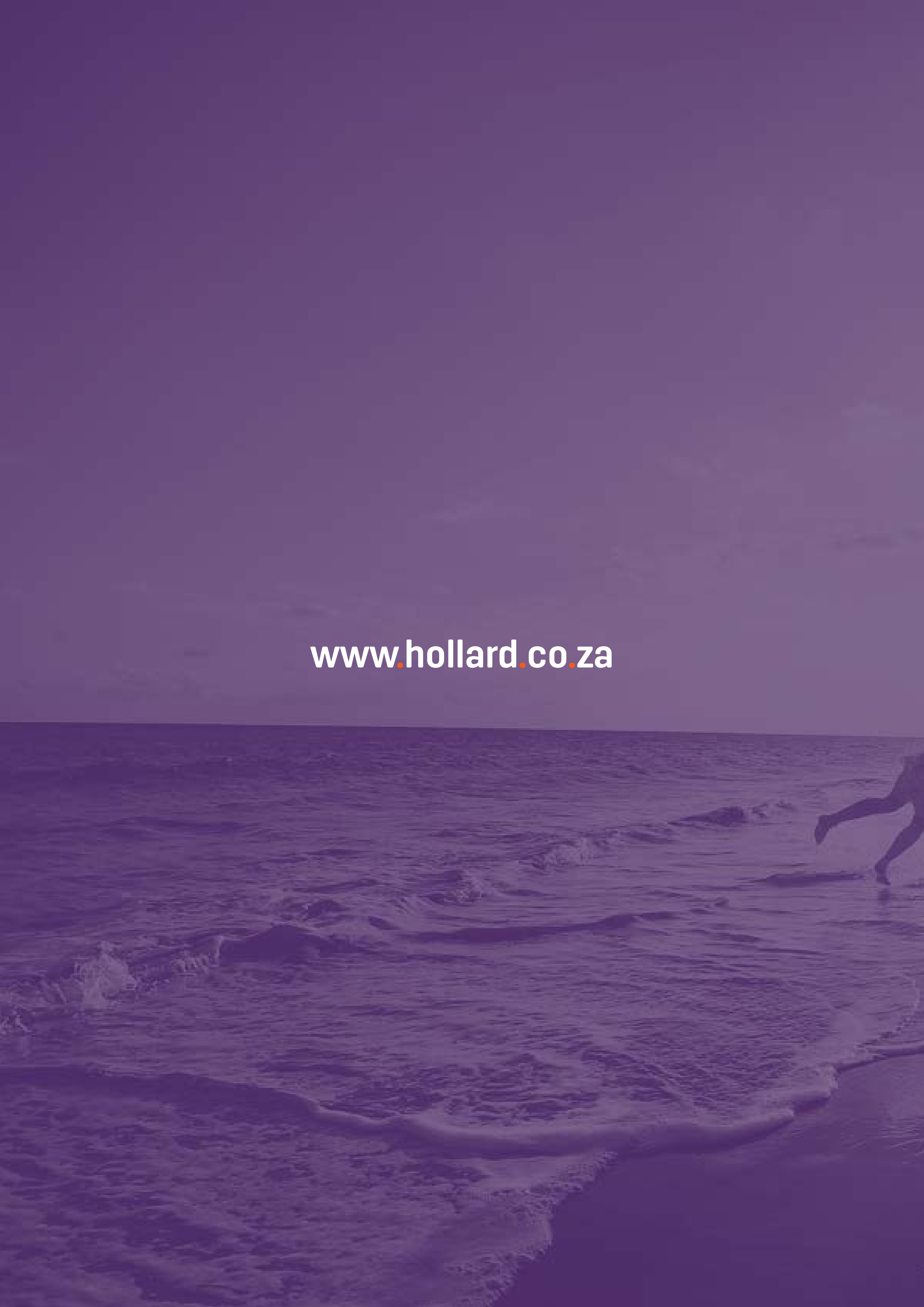
The Company transacts short-term insurance business.

Auditors

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

Registration number

1966/007612/06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