Hollard Specialist Insurance Limited

’22

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

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

(Registration number: 1966/007612/06)

Audited consolidated annual financial statements for the year ended 30 June 2022

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SALIENT FEATURES

for the year ended 30 June 2022

	GROUP				
	2022 R'000	2021 R'000	2020 R'000	2019 R'000	2018 R'000
Statement of profit or loss information					
Gross written premiums(1)	996 518	862 964	967 227	1 433 549	1 395 861
Net written premiums(2)	979 299	857 383	957 148	1 418 331	1 380 467
Investment income(3)	54 809	58 014	65 730	147 293	132 825
Net Insurance claims	535 843	480 225	437 649	586 000	564 101
Profit attributable to equity holders of the parent	105 992	45 552	82 248	14 691	25 349
Statement of financial position information					
Insurance liabilities	396 588	290 105	332 991	693 056	652 040
Equity attributable to equity holders of the parent	286 957	205 145	291 944	259 050	258 943
Total assets	1 006 114	853 462	1 005 926	1 841 102	1 907 050
Financial assets	361 969	408 777	490 840	1 179 258	1 627 541
Cash and cash equivalents	446 080	339 923	412 780	496 275	87 171
Trading ratios	%	%	%	%	%
Written premium: Net to gross	98.27	99,35	98,96	98,94	98,90
Combined operating ratio(4)	80.32	87,79	79,86	86,30	84,56
Solvency ratio(5)	48,80	48,41	55,18	63,81	75,14
Actuarial Information					
Solvency capital requirement(5)	259 217	264 650	284 933	451 679	470 729
Solvency capital requirement cover(6)	1,54	1,28	1,47	1,80	1,85

(1) "Gross premium income" represents the total income arising from insurance contracts only.
(2) "Net written premium income" is gross premium income less reinsurance premium outwards.
(3) "Investment income" includes net investment income and unrealised gains and/or losses on the investment and trading portfolios.
(4) "Combined operating ratio" is calculated and presented at a Company level and is defined as the ratio between the sum of net insurance claims, commission and other acquisition costs, marketing and administrative expenses divided by net written premium income.
(5) "Solvency ratio" is the ratio between shareholders' funds and net written premium income. Solvency is calculated and presented at a Company level.
(6) "Solvency capital requirement" from the 2019 financial year is based on Solvency Assessment and Management (SAM) while the prior years were based on interim measures.

DIRECTORS' RESPONSIBILITY STATEMENT AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2022

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 Limited (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 59, have been approved by the Board of the Group and Company and are signed on its behalf by:

ADH Enthoven
Chairman

28 October 2022

W Lategan
Chief Executive Officer

28 October 2022

CERTIFICATION BY COMPANY SECRETARY

for the year ended 30 June 2022

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

28 October 2022

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDER OF HOLLARD SPECIALIST INSURANCE 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 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 2022, 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 2022, and their consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act of South Africa.

Basis for Opinion

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Hollard Specialist Insurance Limited audited consolidated annual financial statements for the year ended 30 June 2022" which includes the Group Salient Features, Directors' responsibility Statement and Approval of the Annual Financial Statements, Certification by Company Secretary, Audit Committee Report and the Directors' Report as required by the Companies Act of South Africa. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the 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 Limited for 18 years.

DocuSigned by:
Deloitte & Touche
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Deloitte & Touche
Registered Auditor
Per: Rachel Nkgodi
Partner

8 November 2022

5 Magwa Crescent
Waterfall City
2090

AUDIT AND COMPLIANCE COMMITTEE REPORT

for the year ended 30 June 2022

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 2022. This report outlines how the Committee discharged both its statutory and Board-delegated duties.

The 2022 financial year reflects a steady growth in earnings and a solid recovery from the prior year's Covid-19 related losses. Economic, infrastructure and environmental challenges continue to impact the business and the insurance industry at large, with the recent KZN floods catastrophe being one of the worst natural disasters in South Africa's history and significantly impacting the underwriting results. The Committee continuously monitors the businesses' performance and the initiatives taken by the business to manage the interests of its policyholders and all its stakeholders.

1. THE COMMITTEE'S COMPOSITION AND TERMS OF REFERENCE (TOR)

1.1. 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, 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.

1.2. ToR

The Committee operates within the framework provided by its Board-approved Terms of Reference and carries out its mandate in compliance with this governing document. The Committee is satisfied that it has fulfilled its responsibilities in accordance with its Terms of Reference.

The Committee's key roles and responsibilities are focused on driving an integrated approach to assurance for effective risk mitigation. The Company has adopted the three lines of defence governance model to strengthen the Board's governance. The capability of the first line of defence and the system of internal controls are continually enhanced, in alignment to the Groups' Combined Assurance Framework. The Committee monitors the relationship between assurance providers, including approval of the Group Compliance, Group Internal Audit and External Audit coverage plans for each financial year.

The Committee monitors all material compliance risks and ensures that management performs formal compliance risk assessments. The Compliance Function is focused on achieving compliance with the relevant legislation and regulations that are applicable to the Group. Following a review of the Compliance Function's performance and effectiveness, the Committee found the Compliance Function's performance to be satisfactory.

2. INTERNAL AUDIT

The Committee maintained oversight of the Internal Audit Function for the reporting period and monitored the progress of completion of the approved Internal Audit plan. Upon review of the Internal Auditor's 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 reviewed and approved the internal audit charter and evaluated the independence, effectiveness, and performance of the function (both internal and co-sourced) in line with its charter. The Committee has found the Internal Audit Function to be independent and competent to perform its duties. The Internal Audit function has direct access to the Committee Chairman and all the Committee members, without limitation.

3. EXTERNAL AUDIT

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 External Audit process reviewed the Company's' compliance with the relevant legislation and regulations, including the audit requirements prescribed by the Prudential Standards.

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.

4. STATUTORY DUTIES

4.1. Financial statements and accounting policies

The Committee has reviewed the Accounting Policies and Financial Statements for the financial year ended 30 June 2022 and is satisfied that same complies with International Financial Reporting Standards.

4.2. Going concern

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

4. STATUTORY DUTIES continued

4.3. External auditor's appointment and independence

The Committee has supported the reappointment of Deloitte South Africa as External Auditor for the 2022 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 Company and the broader 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 2023 financial year.

4.4. Mandatory Audit firm rotation

In preparation for the audit firm rotation in 2024, the Group has conducted a detailed audit firm review and has appointed PWC as the incoming auditors commencing July 2023. The Committee has approved the terms of engagement in October 2022, ahead of the IFRS 17 implementation, to allow for the appropriate level of engagement with Deloitte ahead of the 2024 transition.

5. CHIEF FINANCIAL OFFICER AND 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 satisfactory.

The Committee has assessed the Annual Financial Statements for the financial year ended 30 June 2022, including the quality of the earnings and has recommended the Annual Financial Statements to the Board for approval.

There is ongoing preparation for the implementation of International Financial Reporting Standards 17 (IFRS 17) within the finance function through the IFRS17 Project, to ensure compliance with the Standards. An Internal Financial Controls project has also been effective in assessing the adequacy of the internal financial controls across the Hollard Group, to identify areas for improvement. The overall progress of each project is assessed by the Committee at each meeting.

6. STATEMENT ON INTERNAL FINANCIAL CONTROLS

The Committee is able to assess the effectiveness of financial and non-financial controls by reviewing the combined assurance reports presented at every meeting. 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. In the year under review, these mechanisms were assessed by Internal Audit to determine the adequacy of controls. As such, it was confirmed that there were no material breakdown 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 nothing has come to its attention which would indicate that the internal financial controls do not form an effective basis for preparation of the Annual Financial Statements and were found to be satisfactory.

7. STATEMENT ON INTERNAL CONTROL AND RISK MANAGEMENT

Effectiveness of the 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 Committee 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 confirms that to the best of its knowledge it has fulfilled its responsibilities for the 2022 financial year in terms of its ToR, as well as its legal and regulatory responsibilities.

MR Bower
Chairman of the Audit and Compliance Committee

28 October 2022

DIRECTORS' REPORT
for the year ended 30 June 2022

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 Limited for the year ended 30 June 2022.

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

Financial performance
In the year under review, the Group achieved net profit after tax of R194 889 000 (2021: R135 917 000), which arose from the Group's operations as follows:

	GROUP	
	2022 R'000	2021 R'000
Net premium income	979 376	887 584
Investment income and investment gains/(losses)*	54 810	58 014
Other operating income	20 146	23 690
Total revenue	1 054 332	969 288
Net Insurance claims	535 843	480 225
Other operating expenses	250 705	300 092
Total expenses	786 548	780 317
Profit before taxation	267 784	188 971
Taxation	72 895	53 054
Profit for the year	194 889	135 917
Non-controlling interests	88 897	90 365
Equity holders of the parent	105 992	45 552

** Includes Investment gains/(losses).*

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

Dividends
Hollard Specialist Insurance Limited declared and paid dividends of R 173 million (2021: R262 million).

Subsidiaries
Erf Four Nine Nine Spartan (Proprietary) Limited – 100% (2021:100%).

Hollard Specialist Insurance Limited's interest in the aggregate profit after tax in the subsidiary amounted to R1,5 million (2021: R3,3 million).

Going concern
The directors have assessed the Group and Company's ability to continue as a going concern and 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 financial statements for further details.

Capital contribution
During the financial year, preference share capital of R43 million (2021:R16 million) was contributed by several preference shareholders, this relates to the capitalisation of cell captive arrangements that were insolvent.

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

Directorate
In terms of the requirements of the Memorandum of Incorporation (MoI), the following directors retired by rotation, made themselves available for re-election and were re-elected at the AGM held on 02 December 2021:

MR Bower
B Ngonyama
R Fihrer

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) (resigned 01 July 2022) and DJ Viljoen (Group CFO) were the only executive directors who held office during the year. WT Lategan was appointed Group CEO on 01 July 2022.

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
A Allardyce

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) (Proprietary) Limited (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 2022

	Notes	GROUP 2022 R'000	GROUP 2021 R'000	COMPANY 2022 R'000	COMPANY 2021 R'000
Assets					
Investment properties	5	16 149	16 959	2 959	2 959
Property and equipment	6	691	947	691	947
Right of use assets	7	–	580	–	580
Intangible assets	8	900	900	900	900
Investment in subsidiaries	9	–	–	1 773	1 773
Financial assets	10	361 969	408 777	361 969	408 777
Reinsurance assets	15	70 448	23 014	70 448	23 014
Insurance, loans and other receivables	11	59 289	45 767	58 704	45 487
Deferred acquisition cost	16	42 114	706	42 114	706
Deferred taxation	12	8 416	15 832	8 416	15 832
Current income taxation		58	57	–	–
Cash and cash equivalents	13	446 080	339 923	441 961	336 956
Total assets		1 006 114	853 462	989 935	837 931
Equity and liabilities					
Attributable to equity holders of the parent		286 957	205 145	273 415	193 074
Share capital and premium	14	400 503	400 503	400 503	400 503
Retained earnings		(113 546)	(195 358)	(127 088)	(207 429)
Non-controlling interest		204 484	221 990	204 484	221 990
Total equity		491 441	427 135	477 899	415 064
Trade and other payables	19	94 291	96 268	92 478	94 455
Insurance liabilities	15	396 588	290 105	396 588	290 105
Reinsurance liabilities		21 963	12 246	21 963	12 246
Provisions	18	715	8 502	715	8 502
Deferred taxation	12	824	1 647	–	–
Current income taxation		292	17 559	292	17 559
Total liabilities		514 673	426 327	512 036	422 867
Equity and liabilities		1 006 114	853 462	989 935	837 931

STATEMENT OF PROFIT OR LOSS

for the year ended 30 June 2022

	Notes	GROUP 2022 R'000	GROUP 2021 R'000	COMPANY 2022 R'000	COMPANY 2021 R'000
Revenue					
Gross written premiums		996 518	862 964	996 518	862 964
Reinsurance outwards		(17 219)	(5 581)	(17 219)	(5 581)
Net written premiums		979 299	857 383	979 299	857 383
Less: Change in unearned premium reserve		77	30 201	77	30 201
Gross amount		(1 353)	30 201	(1 353)	30 201
Reinsurer share		1 430	–	1 430	–
Net premium income		979 376	887 584	979 376	887 584
Investment income		41 062	45 760	39 002	43 742
Interest received	20	34 299	38 323	34 159	38 258
Dividends received	20	4 733	5 162	4 733	5 162
Rental income		2 030	2 275	110	322
Investment gains/(losses)		13 747	12 254	14 557	9 874
Realised gains/(losses) on disposal of investments	21	712	11 068	712	11 068
Unrealised gains/(losses) on revaluation of investments	22	13 036	1 186	13 845	(1 194)
Other operating income		20 146	23 690	20 146	23 689
Total revenue		1 054 332	969 288	1 053 081	964 889
Expenses					
Gross policyholder benefits and claims Incurred		568 389	476 509	568 389	476 509
Reinsurance recoveries		(32 546)	3 716	(32 546)	3 716
Net insurance claims		535 843	480 225	535 843	480 225
Commissions and other acquisitions		130 276	111 314	130 276	111 314
Interest paid		(51)	1 039	(51)	1 038
Marketing and administration expenses		120 480	187 739	120 411	187 679
Total expenses		786 548	780 317	786 479	780 256
Profit before taxation	23	267 784	188 971	266 602	184 633
Taxation	24	72 895	53 054	73 184	51 983
Profit for the year		194 889	135 917	193 418	132 650
Profit for the year attributable to:					
Equity holders of the parent		105 992	45 552	104 521	42 285
Non-controlling interests		88 897	90 365	88 897	90 365
		194 889	135 917	193 418	132 650

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2022

	GROUP		COMPANY	
	2022 R'000	2021 R'000	**2022 R'000**	2021 R'000
Profit for the year	194 889	135 917	193 418	132 650
Total comprehensive income	194 889	135 917	193 418	132 650
Total comprehensive income attributable to:				
Equity holders of the parent	105 992	45 552	104 521	42 285
Non-controlling interest	88 897	90 365	88 897	90 365
	194 889	135 917	193 418	132 650

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2022

	Issued share capital R'000	Share premium R'000	Retained earnings R'000	Total Ordinary Shareholders Equity R'000	Non-controlling interest R'000	Total Equity R'000
	Equity Attributable to Owners					
GROUP						
Balance at 1 July 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
Net profit/(loss)	–	–	105 992	105 992	88 897	194 889
Total comprehensive income	–	–	105 992	105 992	88 897	194 889
Dividends paid	–	–	(24 180)	(24 180)	(149 067)	(173 247)
Capital movement	–	–	–	–	42 664	42 664
Balance at 30 June 2022	4 940	395 563	(113 546)	286 957	204 484	491 441
COMPANY						
Balance at 1 July 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
Net profit/(loss)	–	–	104 521	104 521	88 897	193 418
Total comprehensive income	–	–	104 521	104 521	88 897	193 418
Dividends paid	–	–	(24 180)	(24 180)	(149 067)	(173 247)
Capital movement	–	–	–	–	42 664	42 664
Balance at 30 June 2022	4 940	395 563	(127 088)	273 415	204 484	477 899

STATEMENTS OF CASH FLOWS

for the year ended 30 June 2022

		GROUP		COMPANY	
	Notes	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Cash flows from operating activities					
Cash receipts from policyholders and other customers		992 821	969 288	992 517	964 889
Cash paid to policyholders, suppliers and employees		(773 539)	(897 200)	(774 782)	(896 015)
Cash generated from operations	25	219 282	72 088	217 735	68 874
Interest paid	20	51	(1 039)	51	(1 038)
Dividends paid	26	(173 247)	(261 734)	(173 247)	(261 734)
Interest received	20	34 299	38 323	34 159	38 258
Dividends received	27	4 733	5 162	4 733	5 162
Taxation paid	28	(83 570)	(53 120)	(83 035)	(52 577)
Net cash inflow/(outflow) from operating activities		1 548	(200 320)	396	(203 055)
Cash flows from Investing activities					
Acquisition of listed and unlisted investments		(13 077)	(65 861)	(13 077)	(65 861)
Acquisition of intangible assets		–	(900)	–	(900)
Acquisition of bonds		(6 388)	(25 000)	(6 388)	(25 000)
Proceeds on disposal of listed and unlisted investments	29	77 620	188 000	77 620	188 000
Proceeds on maturity of bonds	29	3 790	15 222	3 790	15 222
Net cash inflow from investing activities		61 945	111 461	61 945	111 461
Cash flows from financing activities					
Capital contribution		42 664	16 002	42 664	16 002
Net cash inflow from financing activities		42 664	16 002	42 664	16 002
Cash and cash equivalents					
Net increase/(decrease) in cash and cash equivalents		106 157	(72 857)	105 005	(75 592)
Cash, deposits and similar securities at beginning of the year		339 923	412 780	336 956	412 548
Cash and cash equivalents at end of the year		446 080	339 923	441 961	336 956

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2022

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 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 2019 and in compliance with the Companies Act, No 71 of 2008.

The consolidated and separate 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 or 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 2022

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

- IFRS 17: Insurance Contracts – Original issue that replaces IFRS 4 Insurance Contracts (effective from annual periods beginning on or after 1 January 2023). This standard is expected to have a material impact on the financial statements. A group wide Implementation project is currently in progress.
- 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 Limited and entities controlled by the Company (its subsidiary).

Subsidiaries

Subsidiary undertakings, which are those companies in which the Hollard Specialist Insurance Limited, 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 Limited 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 Limited has the majority of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Hollard Specialist Insurance Limited 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 Limited 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 Limited. Inter-group transactions, balances and unrealised gains and losses are eliminated on consolidation.

The Hollard Specialist Insurance Limited consolidates a SPE when the substance of the relationship between the Hollard Specialist Insurance Limited and the SPE indicates that the Hollard Specialist Insurance Limited controls the SPE. The Hollard Specialist Insurance Limited 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 Limited 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 Limited 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 Limited 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	20%
Motor vehicles	20%
Furniture and fittings	10%

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 Limited 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 three to five 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 Limited 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 Limited as an owner-occupied property becomes an investment property, the Hollard Specialist Insurance Limited 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 Limited 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 Limited 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 Limited as lessee

Right of use assets

Leased assets that meet certain criteria in terms of IFRS 16, are recognised as right of use assets with a corresponding liability in the statement of financial position. 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 capitalised or expensed as incurred depending on the term of the policy. Capitalised costs are then released over the term of the policy.

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 Limited 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 Limited 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 or 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 Limited assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

The Hollard Specialist Insurance Limited 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 cannot 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 Limited 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 – PERFORMING:	Performing loans are loans which are being serviced according to the contractual terms. In other words, interest and capital repayments are being made and there are no arrears.
Stage 2 – UNDER PERFOMING:	Loans for which interest and capital repayments have been made but are not being serviced on a regular basis. There are some arrears or short payments or missed payments. (i.e. loans potentially in default per the definition in IFRS 9).
Stage 3 – NON PERFORMING:	Loans that are non-performing, past maturity or contractual repayment dates and where information indicates a substantial or even full impairment is required.

The Group makes use of estimates of PD and LGD to calculate the ECL balance for financial assets at amortised cost.

Depending on the relevant information available, PDs are based on historic default rate curves which are used as a baseline to build a PD. Stage 1 has been allocated 8%, stage 2 has 60% and stage 3 has 100%.

In determining the loss given default, four levels were identified based on a combination of the level of security held and other mitigating factors, such as loans between group companies with strong capitalisation. The levels were as follows:
Level 1 – 1%
Security = above three times
Other factors = Group Company and strong capitalisation
Level 2 – 20%
Security 1 ≤ three times
Level 3 – 50%
Security 0 < and > one time
Level 4 – 97,5%
No security

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.

1. Summary of significant accounting policies (continued)

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 Limited of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired,
- the Hollard Specialist Insurance Limited 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 Limited 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 Limited 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 Limited'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 Limited 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 Limited's continuing involvement is the amount of the transferred asset that the Hollard Specialist Insurance Limited 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 Limited'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 Limited 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 Limited 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 Limited 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 Company to sell property acquired in settling a claim. The Group and or Company may also have the right to pursue third parties for payment of some or all costs.

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

1. 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 Limited'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 Limited'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 Limited'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.

While 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 Limited 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 Limited 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 Limited 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 Limited 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 Limited 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 Limited is to provide retirement benefits for its employees. The contributions paid by the Hollard Specialist Insurance Limited 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 Limited'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 Limited pays contributions to privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Hollard Specialist Insurance Limited 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 Limited's shareholders is recognised as a liability in the Hollard Specialist Insurance Limited's financial statements in the period in which the dividends are approved by the Hollard Specialist Insurance Limited'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 Specialist Insurance Limited's management decides on assumptions that can materially affect the reported amounts of assets and liabilities within the next financial year. These estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The most significant assets and liabilities, which typically require such assumptions, are the following:

- The Hollard Specialist Insurance Limited holds a number of financial assets that are held at fair value through profit or 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 1.9 and 1.11 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 36 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. The Group's and Company's largest reinsurance counterparty is Hannover Re. This exposure is monitored on a regular basis for any shortfall in the claims history to verify that the contract is progressing as expected and that no further exposure for the Group and Company will arise.

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

3.1.2 Liquidity risk

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

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

Based on actuarial modelling of historical and future expected trends, the Group and Company have estimated the probable cash outflows associated with general insurance liabilities. The maturity analysis of the gross insurance liabilities is set out in note 4.2.3 on page 38. 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 investments in the Group's and Company's investment portfolios. The Group's and Company's fixed interest rate investments do not give rise to significant interest rate risk. Furthermore, the majority of interest sensitive investments are short term, therefore the impact is minimal. The Group and Company do not use derivative instruments to manage this risk other than an ongoing assessment by the Investment Committee of market expectations within the South African market to determine an optimal asset allocation in interest sensitive investments.

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

c) Other market price (or equity) risk

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

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

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

3.1.4 Capital management

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

In each country in which the Group operates, the local insurance regulator specifies the minimum amount and type of capital that must be held by each of the subsidiaries in addition to their insurance liabilities. The minimum required capital must be maintained at all times. The Company submits quarterly and annual returns to the Financial Sector Conduct Authority (FSCA) in terms of the Insurance Act, and is required at all times to maintain a statutory surplus asset ratio as defined in the Act. Interim measures was replaced in 1 July 2018 by new solvency requirements being developed in the FSCA's 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 represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	CARRYING VALUE IN STATEMENT OF FINANCIAL POSITION		NET CREDIT EXPOSURE	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
GROUP				
Other assets				
Financial assets at fair value through profit or loss – listed investments	29 360	42 535	–	–
Financial assets at fair value through profit or loss – unlisted investments	272 571	312 155	272 571	312 155
Financial assets at fair value through profit or loss – bonds	42 386	37 506	42 386	37 506
Financial assets at amortised cost	17 653	16 581	17 653	16 581
Loans and other receivables	17 356	11 755	17 356	11 755
Cash and cash equivalents	446 080	339 923	446 080	339 923
Insurance assets				
Insurance receivables – premium debtors	41 933	34 012	41 933	34 012
Deferred acquisition costs	42 114	706	–	–
Reinsurance assets	70 448	23 014	70 448	23 014
Total	979 901	818 187	908 427	774 946
COMPANY				
Other assets				
Investment in subsidiaries	1 773	1 773	–	–
Financial assets at fair value through profit or loss – listed investments	29 360	42 535	–	–
Financial assets at fair value through profit or loss – unlisted investments	272 571	312 155	272 571	312 155
Financial assets at fair value through profit or loss – bonds	42 386	37 506	42 386	37 506
Financial assets at amortised cost	17 653	16 581	17 653	16 581
Loans and other receivables	16 771	11 475	16 771	11 475
Cash and cash equivalents	441 961	336 956	441 961	336 956
Insurance assets				
Insurance receivables – premium debtors	41 933	34 012	41 933	34 012
Deferred acquisition costs	42 114	706	–	–
Reinsurance assets	70 448	23 014	70 448	23 014
Total	976 970	816 713	903 723	771 699

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 of financial and insurance assets that are neither past due nor impaired at the reporting date. These ratings have been sourced from Bloomberg.

	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												
2022												
Other assets												
Financial assets at fair value through profit or loss – unlisted investments	–	–	–	–	–	–	–	114 752	19 623	–	138 196	272 571
Financial assets at fair value through profit or loss – bonds	–	–	–	–	–	–	–	21 769	20 617	–	–	42 386
Financial assets at amortised cost	–	–	–	–	–	–	–	–	–	–	17 653	17 653
Loans and other receivables	–	–	–	–	–	–	–	–	439	–	16 917	17 356
Cash and cash equivalents	–	–	–	–	–	–	4 120	193 021	61 540	–	187 399	446 080
Insurance assets												
Insurance receivables – premium debtors	–	–	–	–	–	38	–	(1 359)	–	–	43 254	41 933
Reinsurance assets	1 698	5 883	7 293	–	8 803	–	–	22	–	–	46 749	70 448
Total	1 698	5 883	7 293	–	8 803	38	4 120	328 206	102 219	–	450 167	908 427
2021												
Other assets												
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
COMPANY												
2022												
Other assets												
Financial assets at fair value through profit or loss – listed investments	–	–	–	–	–	–	–	–	–	–	–	–
Financial assets at fair value through profit or loss – unlisted investments	–	–	–	–	–	–	–	114 752	19 623	–	138 196	272 571
Financial assets at fair value through profit or loss – bonds	–	–	–	–	–	–	–	21 769	20 617	–	–	42 386
Financial assets at amortised cost	–	–	–	–	–	–	–	–	–	–	17 653	17 653
Loans and other receivables	–	–	–	–	–	–	–	–	439	–	16 332	16 771
Cash and cash equivalents	–	–	–	–	–	–	–	193 021	61 540	–	187 399	441 961
Insurance assets												
Insurance receivables – premium debtors	–	–	–	–	–	38	–	(1 359)	–	–	43 254	41 933
Reinsurance assets	1 698	5 883	7 293	–	8 803	–	–	22	–	–	46 749	70 448
Total	1 698	5 883	7 293	–	8 803	38	–	328 206	102 219	–	449 582	903 723
2021												
Other assets												
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	771 699

Credit ratings are sourced from Bloomberg for S&P, Fitch and Moody's.

4. Risk management (continued)

4.1 Credit risk (continued)

Financial and insurance assets that are neither past due nor impaired

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

	GROUP				COMPANY			
	Neither past due nor impaired R'000	**Past due not impaired R'000**	**Individually impaired R'000**	**Net carrying value R'000**	Neither past due nor impaired R'000	Past due not impaired R'000	Individually impaired R'000	Net carrying value R'000
2022								
Financial assets at fair value through profit or loss – listed investments	29 360	–	–	29 360	29 360	–	–	29 360
Financial assets at fair value through profit or loss – unlisted investments	272 571	–	–	272 571	272 571	–	–	272 571
Financial assets at fair value through profit or loss – bonds	42 386	–	–	42 386	42 386	–	–	42 386
Financial assets at amortised cost	17 653	–	–	17 653	17 653	–	–	17 653
Loans and other receivables	16 885	470	–	17 356	16 771	–	–	16 771
Cash and cash equivalents	446 080	–	–	446 080	441 961	–	–	441 961
Total	824 935	470	–	825 405	820 701	–	–	820 701
Insurance receivables – premium debtors	55 903	–	(13 970)	41 933	55 903	–	(13 970)	41 933
Reinsurance assets	57 246	13 202	–	70 448	57 246	13 202	–	70 448
Total	113 149	13 202	(13 970)	112 381	113 149	13 202	(13 970)	112 381
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

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
2022										
Loans and other receivables	96	95	82	198	470	–	–	–	–	–
Reinsurance assets	–	–	–	13 202	13 202	–	–	–	13 202	13 202
	96	95	82	13 400	13 672	–	–	–	13 202	13 202
2021										
Loans and other receivables	–	92	91	247	430	–	–	–	247	247
	–	92	91	247	430	–	–	–	247	247

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

	GROUP		COMPANY	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Balance at the beginning of the year	36 882	36 882	36 882	36 882
– Collective impairment loss reversed	(2 336)	–	(2 336)	–
Balance at the end of the year	34 547	36 882	34 547	36 882

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

	COMPANY		
	Subjected to lifetime ECL		
	Total allowance for ECL R'000	12 month ECL Allowance for ECL R'000	Not credit impaired Allowance for ECL R'000
2022			
Balance at the beginning of the year	67	–	67
Repayments and other derecognitions (excluding write-offs)	(67)	–	(67)
Balance at the end of the year	–	–	–
2021			
Balance at the beginning of the year	67	–	67
Balance at the end of the year	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 and Company's contractual maturities of financial assets, including interest payments. This has been determined based on the contractual maturities of dated instruments, and classified as open ended where the asset has no fixed maturity date. The carrying amount represents the probable cash flows as it is net of impairments.

	Carrying value in statement of financial position R'000	Total contractual cash flows R'000	On demand R'000	0 – 12 months R'000	1 – 2 years R'000	2 – 5 years R'000	More than 5 years R'000
GROUP							
2022							
Financial assets at fair value through profit or loss	344 316	344 316	301 931	4 697	1 677	10 316	25 696
Financial assets at amortised cost	17 653	17 653	–	–	–	17 653	–
Reinsurance assets	70 448	70 448	–	57 246	–	13 202	–
Insurance, loans and other receivables	59 289	59 289	–	59 289	–	–	–
Deferred acquisition costs	42 114	42 114	–	42 114	–	–	–
Cash and cash equivalents	446 080	446 080	446 080	–	–	–	–
Total	979 900	979 900	748 011	163 346	1 677	41 171	25 696
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
COMPANY							
2022							
Financial assets at fair value through profit or loss	344 316	344 316	301 931	4 697	1 677	10 316	25 696
Financial assets at amortised cost	17 653	17 653	–	–	–	17 653	–
Reinsurance assets	70 448	70 448	–	57 246	–	13 202	–
Insurance, loans and other receivables	58 704	58 704	–	58 704	–	–	–
Deferred acquisition costs	42 114	42 114	–	42 114	–	–	–
Cash and cash equivalents	441 961	441 961	441 961	–	–	–	–
Total	975 196	975 196	743 892	162 761	1 677	41 171	25 696
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

4. Risk management (continued)

4.2 Liquidity risk (continued)

Maturity profile on financial liabilities – contractual cash flows liabilities

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

	Carrying value in statement of financial position R'000	Total contractual cash flows R'000	0 – 12 months R'000	1 – 2 years R'000	2 – 5 years R'000
GROUP					
2022					
Non-derivative financial liabilities					
Trade and other payables	94 291	94 291	92 539	–	1 752
Total	94 291	94 291	92 539	–	1 752
2021					
Non-derivative financial liabilities					
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
COMPANY					
2022					
Non-derivative financial liabilities					
Trade and other payables	92 478	92 478	92 478	–	–
Total	92 478	92 478	92 478	–	–
2021					
Non-derivative financial liabilities					
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

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

	Probable cash outflows R'000	Maturity within a year R'000	Maturity between 2 and 5 years R'000	Maturity more than 5 years R'000
GROUP AND COMPANY				
2022				
Claims reported and loss adjustment expenses	276 716	272 305	4 252	159
Claims incurred but not yet reported	(23 443)	(23 069)	(360)	(13)
Unearned premium provision	141 515	139 322	2 193	–
Unexpired risk reserve	1 799	1 772	28	–
Reinsurance liabilities	21 963	21 963	–	–
	418 551	412 293	6 113	145
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 premium 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

4.3 Market risk

Sensitivity analysis – Interest rate risk

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

	2022 Carrying amount R'000	2021 Carrying amount R'000
GROUP		
Variable rate instruments		
Cash and cash equivalents	446 080	339 923
	446 080	339 923
COMPANY		
Variable rate instruments		
Cash and cash equivalents	441 961	336 956
	441 961	336 956

The Group and Company's investment 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 the 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				
2022				
Cash and cash equivalents	8 922	8 922	8 922	8 922
	8 922	8 922	8 922	8 922
2021				
Cash and cash equivalents	6 739	6 739	6 739	6 739
	6 739	6 739	6 739	6 739
COMPANY				
2022				
Cash and cash equivalents	8 839	8 839	8 839	8 839
	8 839	8 839	8 839	8 839
2021				
Cash and cash equivalents	6 739	6 739	6 739	6 739
	6 739	6 739	6 739	6 739

Sensitivity analysis – exposure to equity price risk

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

	2022			2021		
	Carrying amount R'000	Listed/Not listed R'000	Relevant stock exchange R'000	Carrying amount R'000	Listed/not listed R'000	Relevant stock exchange R'000
GROUP AND COMPANY						
Preference shares	29 360	Listed	JSE	42 535	Not listed	JSE
Preference shares	17 653	Not listed	N/A	16 581	Not listed	N/A
	47 012			59 116		

4. Risk management (continued)

4.3 Market risk (continued)

Sensitivity analysis – index exposure

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

	PROFIT/(LOSS)		EQUITY	
	5% increase R'000	5% decrease R'000	5% increase R'000	5% decrease R'000
GROUP AND COMPANY				
2022				
Preference shares – listed – JSE	1 468	1 468	1 468	1 468
Preference shares – not listed	883	883	883	883
	2 351	2 351	2 351	2 351
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

Comprehensive income

Financial income and expenditure

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

	GROUP		COMPANY	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Financial assets at fair value through profit or loss	19 895	24 401	19 755	24 337
Financial assets at amortised cost	14 404	13 922	14 404	13 922
Net gain on financial assets as at fair value through profit or loss	18 481	17 416	19 290	15 036
Financial income	52 780	55 739	53 449	53 295
Interest expense on financial liabilities measured at amortised cost	51	(1 039)	51	(1 038)
Financial expense	51	(1 039)	51	(1 038)
Net financial income	52 831	54 700	53 500	52 257
The above financial income and expense items include the following in respect of financial assets/liabilities not at fair value through profit or loss:				
Total interest income	34 299	38 323	34 159	38 258
Total interest expense	51	(1 039)	51	(1 038)
Net interest income	34 350	37 284	34 210	37 220

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

Impairment losses				
The amount of the impairment loss for each class of financial asset during the reporting period was as follows:				
Impairment of premium debtors				
– Impairment reversed	(2 336)	–	(2 336)	–
Impairment losses	(2 336)	–	(2 336)	–

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5. Investment properties

	GROUP		COMPANY	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Investment Property – land and buildings – cost	22 240	22 240	3 340	3 340
Investment Property – land and buildings – revaluation	(6 091)	(5 281)	(381)	(381)
Fair value on investment properties	16 149	16 959	2 959	2 959
Reconciliation of movement on fair value amount:				
Balance at the beginning of the year	16 959	14 579	2 959	2 959
Unrealised gain or losses on assets at fair value through profit/loss	(810)	2 380	–	–
Balance at the end of the year	16 149	16 959	2 959	2 959

Investment property comprises the following:
Property situated on ERF 35325 Belville, Cape Town. The cost of the property is R3,3 million and the market value is R3 million (2021: R3 million)
Property situated in Irene Extension 3 Pretoria. The cost of the property is R22,2million and the market value is R13 million (2021: R14 million)

Investment property is valued every three years by an independent expert property valuator and internally for the years between.

6. Property and equipment

	GROUP		COMPANY	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Cost				
Leasehold improvements	3 152	3 152	3 152	3 152
Office equipment	11 223	23 940	11 223	23 940
Office equipment	1 369	1 369	1 369	1 369
Computer hardware	108	12 825	108	12 825
Furniture and fittings	9 746	9 746	9 746	9 746
Property and equipment – cost	14 375	27 092	14 375	27 092
Accumulated depreciation				
Leasehold improvements	(2 461)	(2 247)	(2 461)	(2 247)
Office equipment	(11 223)	(23 898)	(11 223)	(23 898)
Office equipment	(1 369)	(1 364)	(1 369)	(1 364)
Computer hardware	(108)	(12 788)	(108)	(12 788)
Furniture and fittings	(9 746)	(9 746)	(9 746)	(9 746)
Property and equipment – accumulated depreciation and impairment	(13 684)	(26 145)	(13 684)	(26 145)
Net carrying amount				
Leasehold improvements	691	905	691	905
Office equipment	–	42	–	42
Office equipment	–	6	–	6
Computer hardware	–	36	–	36
Property and equipment – carrying value	691	947	691	947
Reconciliation of movement on net carrying amount:				
Balance at the beginning of the year	947	5 832	947	5 832
Depreciation for the year	(256)	(1 476)	(256)	(1 476)
Leasehold improvements	(214)	(311)	(214)	(311)
Office equipment	(6)	(15)	(6)	(15)
Computer hardware	(36)	(807)	(36)	(807)
Furniture and fittings	–	(343)	–	(343)
Disposals	–	(3 409)	–	(3 409)
Computer hardware	–	(3 409)	–	(3 409)
Balance at the end of the year	691	947	691	947

7. Right of use assets

	GROUP		COMPANY	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Cost				
Property	–	812	–	812
Right of use asset – cost	–	812	–	812
Accumulated depreciation				
Property	–	(232)	–	(232)
Right of use asset – accumulated depreciation and impairment	–	(232)	–	(232)
Net carrying amount				
Property	–	580	–	580
Right of use assets – carrying value	–	580	–	580
Reconciliation of movement on net carrying amount:				
Balance at the beginning of the year	580	696	580	696
Disposals	(580)	–	(580)	–
Property	(580)	–	(580)	–
Balance at the end of the year	–	580	–	580

8. Intangible assets

	GROUP 2022 R'000	GROUP 2021 R'000	COMPANY 2022 R'000	COMPANY 2021 R'000
Cost				
Computer software	–	28 532	–	28 532
Acquired rights over books of business	900	900	900	900
Intangible assets – cost	900	29 432	900	29 432
Accumulated amortisation and impairment				
Computer software	–	(28 532)	–	(28 532)
Intangible assets – accumulated amortisation and impairment	–	(28 532)	–	(28 532)
Net carrying amount				
Acquired rights over books of business	900	900	900	900
Intangible assets	900	900	900	900
Reconciliation of movement on net carrying amount:				
Balance at the beginning of the year	900	1 435	900	1 435
Additions	–	900	–	900
Acquired rights over books of business	–	900	–	900
Amortisation for the year	–	(1 435)	–	(1 435)
Computer software	–	(1 435)	–	(1 435)
Balance at the end of the year	900	900	900	900

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

9. Investment in subsidiaries

	COMPANY 2022 R'000	COMPANY 2021 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	Proportion held 2022 %	Proportion held 2021 %	2022 Shares R'000	2022 Indebtedness R'000	2021 Shares R'000	2021 Indebtedness R'000
Interest in subsidiaries comprises:									
Erf Four Nine Nine Spartan (Proprietary) Limited	C	RSA	1	100	100	1 773	–	1 773	–
						1 773	–	1 773	–

10. Financial assets

	GROUP 2022 R'000	GROUP 2021 R'000	COMPANY 2022 R'000	COMPANY 2021 R'000
Financial assets at fair value through profit or loss	344 316	392 196	344 316	392 196
Financial assets at amortised cost	17 653	16 581	17 653	16 581
	361 969	408 777	361 969	408 777
Current	306 628	356 316	306 628	356 316
Non-current	55 341	52 461	55 341	52 461
	361 969	408 777	361 969	408 777
Financial assets at fair value through profit or loss				
Listed investments	29 360	42 535	29 360	42 535
Unlisted investments	272 571	312 155	272 571	312 155
Bonds	42 385	37 506	42 385	37 506
	344 316	392 196	344 316	392 196
An analysis of the Group and Company's financial assets by market sector and maturity spread is provided below				
Listed investments				
at market value	29 360	42 535	29 360	42 535
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	272 571	312 155	272 571	312 155
	%	%	%	%
Unit trusts	100,00	100,00	100,00	100,00
	100,00	100,00	100,00	100,00
Total listed and unlisted investments at fair value	301 931	354 690	301 931	354 690
Bonds				
Bonds and other assets at amortised cost by industry	42 385	37 506	42 385	37 506
	%	%	%	%
Banks	100,00	100,00	100,00	100,00
	100,00	100,00	100,00	100,00

10. Financial assets (continued)

	Maturity spread R'000	Maturity spread %
GROUP AND COMPANY		
Bonds		
An analysis of debt securities by maturity spread for 2022		
0 – 1 year	4 697	11,08
1 – 2 years	1 677	3,96
2 – 5 years	10 316	24,34
More than 5 years	25 695	60,62
	42 385	100,00
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

All bonds reported above are South African in origin.

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									
2022									
Assets									
Financial assets	344 316	–	17 653	–	361 969	–	–	361 969	361 969
Reinsurance assets	–	–	–	–	–	70 448	–	70 448	70 448
Insurance, loans and other receivables	–	–	–	–	–	–	59 289	59 289	59 289
Deferred acquisition costs	–	–	–	–	–	42 114	–	42 114	42 114
Cash and cash equivalents	–	–	446 080	–	446 080	–	–	446 080	446 080
Total	344 316	–	463 733	–	808 049	112 562	59 289	979 900	979 900
Liabilities									
Insurance liabilities	–	–	–	–	–	396 588	–	396 588	396 588
Reinsurance liabilities	–	–	–	–	–	21 963	–	21 963	21 963
Employee benefits	–	–	–	–	–	–	715	715	715
Trade and other payables	–	–	–	–	–	–	94 291	94 291	94 291
Total	–	–	–	–	–	418 551	95 006	513 557	513 557
2021									
Assets									
Financial assets	392 195	–	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	45 766	45 766
Deferred acquisition costs	–	–	–	–	–	706	–	706	706
Cash and cash equivalents	–	–	336 956	–	336 956	–	2 967	339 923	339 923
Total	392 195	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	–	–	–	–	–	–	96 268	96 268	96 268
Total	–	–	–	–	–	302 351	104 770	407 121	407 121

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									
2022									
Assets									
Investment in subsidiaries	1 773	–	–	–	1 773	–	–	1 773	1 773
Financial assets	344 316	–	17 653	–	361 969	–	–	361 969	361 969
Reinsurance assets	–	–	–	–	–	70 448	–	70 448	70 448
Insurance, loans and other receivables	–	–	–	–	–	–	58 704	58 704	58 704
Deferred acquisition costs	–	–	–	–	–	42 114	–	42 114	42 114
Cash and cash equivalents	–	–	441 961	–	441 961	–	–	441 961	441 961
Total	346 090	–	459 613	–	805 703	112 562	58 704	976 969	976 969
Liabilities									
Insurance liabilities	–	–	–	–	–	396 588	–	396 588	396 588
Reinsurance liabilities	–	–	–	–	–	21 963	–	21 963	21 963
Employee benefits	–	–	–	–	–	–	715	715	715
Trade and other payables	–	–	–	–	–	–	92 478	92 478	92 478
Total	–	–	–	–	–	418 551	93 193	511 743	511 743
2021									
Assets									
Investment in subsidiaries	1 773	–	–	–	1 773	–	–	1 773	1 773
Financial assets	392 195	–	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	–	–	–	–	–	706	–	706	706
Cash and cash equivalents	–	–	336 956	–	336 956	–	–	336 956	336 956
Total	393 968	11 696	353 537	–	759 202	57 452	59	816 713	816 713
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	–	–	–	–	–	–	94 454	94 455	94 455
Total	–	–	–	–	–	302 351	102 957	405 308	405 308

10. Financial assets (continued)

10.1 Determination of fair value and fair values hierarchy

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

	Level 1	Level 2	Level 3	Total fair value
GROUP				
2022				
Financial assets carried at fair value through profit or loss				
Listed investments	29 360	–	–	29 360
Unlisted investments	–	272 570	–	272 570
Bonds	–	42 386	–	42 386
	29 360	314 956	–	344 316
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	349 661	–	392 196
COMPANY				
2022				
Financial assets carried at fair value through profit or loss				
Interest in subsidiaries	–	–	1 773	1 773
Listed investments	29 360	–	–	29 360
Unlisted investments	–	272 570	–	272 570
Bonds	–	42 386	–	42 386
	29 360	314 956	1 773	346 089
2021				
Financial assets carried at fair value through profit or loss				
Interest in subsidiaries	–	–	1 773	1 773
Listed investments	42 535	–	–	42 535
Unlisted investments	–	312 155	–	312 155
Bonds	–	37 506	–	37 506
Total	42 535	349 661	1 773	393 969

10. Financial assets (continued)

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

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

Included in the Level 2 category are financial assets measured using a valuation technique based on assumptions that are supported by prices for observable current market transactions 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 10,555% (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.

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			
2022			
Financial assets at fair value through profit or loss			
Interest in subsidiaries	1 773	35	(35)
	1 773	35	(35)
2021			
Financial assets at fair value through profit or loss			
Interest in subsidiaries	1 773	35	(35)
Total	1 773	35	(35)

11. Insurance, loans and other receivables

	GROUP 2022 R'000	GROUP 2021 R'000	COMPANY 2022 R'000	COMPANY 2021 R'000
Insurance receivables – premium debtors	41 933	34 012	41 933	34 012
Other receivables	17 356	11 755	16 771	11 475
Total insurance and other receivables	59 289	45 767	58 704	45 487

12. Deferred taxation

	GROUP 2022 R'000	GROUP 2021 R'000	COMPANY 2022 R'000	COMPANY 2021 R'000
Deferred income tax assets				
Deferred income tax to be recovered within 12 months	9 458	2 066	9 458	2 066
Deferred income tax to be recovered after 12 months	(1 042)	13 766	(1 042)	13 766
Deferred income tax assets	8 416	15 832	8 416	15 832
Balance at the beginning of the year	15 832	18 596	15 832	18 596
Movement during the year attributed to:				
Prior year adjustments	(726)	(336)	(726)	(336)
Provisions	(3 525)	(1 137)	(3 525)	(1 137)
Unrealised gain or losses on assets at fair value through profit or loss	(3 165)	(1 291)	(3 165)	(1 291)
Balance at the end of the year	8 416	15 832	8 416	15 832
Balance comprises:				
Provisions	9 458	2 066	9 458	2 066
Unrealised gain or losses on assets at fair value through profit or loss	(1 042)	13 766	(1 042)	13 766
Balance comprises:	8 416	15 832	8 416	15 832
Deferred income tax liabilities				
Deferred income tax to be recovered within 12 months	–	–	–	–
Deferred income tax to be recovered after 12 months	824	1 647	–	–
Deferred income tax liabilities	824	1 647	–	–
Balance at the beginning of the year	1 647	1 239	–	–
Movement during the year attributed to:				
Provisions	–	(150)	–	–
Unrealised gain or losses on assets at fair value through profit or loss	(823)	558	–	–
Balance at the end of the year	824	1 647	–	–
Balance comprises:				
Provisions	266	1 089	–	–
Unrealised gain or losses on assets at fair value through profit or loss	558	558	–	–
Deferred income tax – balance	824	1 647	–	–

13. Cash and cash equivalents

	GROUP 2022 R'000	GROUP 2021 R'000	COMPANY 2022 R'000	COMPANY 2021 R'000
Cash on call	353 773	251 276	353 774	251 276
Cash at bank	73 156	88 647	69 036	85 680
Cash on deposit	19 150	–	19 150	–
Cash on hand	1	–	1	–
Cash and cash equivalents	446 080	339 923	441 961	336 956

14. Share capital and premium

	GROUP		COMPANY	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Authorised				
3 000 000 ordinary shares	3 000	3 000	3 000	3 000
1 000 preference shares*	–	–	–	–
	3 000	3 000	3 000	3 000
Issued and fully paid				
2 939 801 ordinary shares	4 940	4 940	4 940	4 940
15 preference shares*	–	–	–	–
	4 940	4 940	4 940	4 940
Share premium	395 563	395 563	395 563	395 563
Issued share capital	400 503	400 503	400 503	400 503

The directors are authorised until the forthcoming AGM to issue the unissued shares for any purpose and upon such terms and conditions as they deem fit but subject to the provisions of the Companies Act of 2008 and the Company's MoI.

* *Denotes amounts of less than R'000.*

15. Insurance liabilities and reinsurance assets

	GROUP		COMPANY	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Gross				
Claims reported and loss adjustment expenses	276 717	229 988	276 717	229 988
Claims incurred but not yet reported	(23 443)	(28 416)	(23 443)	(28 416)
Unearned premium provision	141 515	86 464	141 515	86 464
Cash back reserve	–	–	–	–
Unexpired risk reserve	1 799	2 069	1 799	2 069
Total gross insurance liabilities	396 588	290 105	396 588	290 105
Recoverable from reinsurers				
Claims reported and loss adjustment expenses	23 108	23 988	23 108	23 988
Claims incurred but not yet reported	438	267	438	267
Unearned premium provision	5 116	104	5 116	104
Reinsurance recoveries	41 786	(1 345)	41 786	(1 345)
Total reinsurers' share of insurance liabilities	70 448	23 014	70 448	23 014
Net				
Claims reported and loss adjustment expenses	253 609	206 000	253 609	206 000
Claims incurred but not yet reported	(23 881)	(28 683)	(23 881)	(28 683)
Unearned premium provision	136 399	86 360	136 399	86 360
Unexpired risk reserve	1 799	2 069	1 799	2 069
Reinsurance recoveries	(41 786)	1 345	(41 786)	1 345
Total insurance liabilities – net	326 140	267 091	326 140	267 091

15. Insurance liabilities and reinsurance assets (continued)

Movement in insurance liabilities and reinsurance assets

	2022			2021		
		Reinsurance			Reinsurance	
	Gross R'000	Recoverable from reinsurers R'000	Net R'000	Gross R'000	Recoverable from reinsurers R'000	Net R'000
Claims reported and loss adjustment expenses						
GROUP AND COMPANY						
Balance at the beginning of the year	229 988	23 988	206 000	220 301	28 445	191 857
Claims paid	(609 886)	5 809	(615 695)	(493 554)	(1 545)	(492 009)
Claims raised	656 615	(6 689)	663 304	503 240	(2 913)	506 152
Balance at the end of the year	276 717	23 108	253 609	229 988	23 988	206 000
Claims incurred but not yet reported						
GROUP AND COMPANY						
Balance at the beginning of the year	(28 416)	267	(28 683)	(8 124)	545	(8 669)
Movement for the year	4 973	171	4 802	(20 292)	(278)	(20 014)
Balance at the end of the year	(23 443)	438	(23 881)	(28 416)	267	(28 683)
Unearned premium provision						
GROUP AND COMPANY						
Balance at the beginning of the year	86 464	104	86 360	117 837	104	117 733
Movement for the year	55 051	5 012	50 039	(31 373)	–	(31 373)
Balance at the end of the year	141 515	5 116	136 399	86 464	104	86 360
Unexpired risk reserve						
GROUP AND COMPANY						
Balance at the beginning of the year	2 069	–	2 069	2 976	–	2 976
Movement for the year	(270)	–	(270)	(907)	–	(907)
Balance at the end of the year	1 799	–	1 799	2 069	–	2 069
Reinsurance recoveries						
GROUP AND COMPANY						
Balance at the beginning of the year	–	(1 345)	1 345	–	(1 345)	1 345
Movement for the year	–	43 131	(43 131)	–	–	–
Balance at the end of the year	–	41 786	(41 786)	–	(1 345)	1 345
Total						
GROUP AND COMPANY						
Balance at the beginning of the year	290 105	23 014	267 091	332 991	27 749	305 242
Claims paid	(609 886)	5 809	(615 695)	(493 554)	(1 545)	(492 009)
Claims raised	656 615	(6 689)	663 304	503 240	(2 913)	506 152
Reinsurance recoveries	–	–	–	–	–	–
Movement for the year	59 754	48 314	11 440	(52 572)	(278)	(52 294)
Balance at the end of the year	396 588	70 448	326 140	290 105	23 014	267 091

	GROUP AND COMPANY	
	2022 R'000	2021 R'000
Gross written premiums per class of business		
Property	26 887	228
Transportation	85 145	53 297
Motor	630 047	585 050
Accident and health	1 355	1 458
Guarantee	109 288	78 494
Liability	222	–
Miscellaneous	143 574	144 437
Total	996 518	862 964

15. Insurance liabilities and reinsurance assets (continued)

Exposure to insurance risk

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

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

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

Property

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.

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

Limiting exposure to insurance risk

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

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

15. Insurance liabilities and reinsurance assets (continued)

Limiting exposure to insurance risk (continued)

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

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

Reinsurance governance

The Group and Company have implemented an integrated risk management framework to manage risk in accordance with the Group's and Company's risk appetite. The Group Reinsurance Committee was integrated into the Group Actuarial Committee (ACTCOMM), 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 Group's and Company's absolute capacity in terms of shareholder funds and free reserves. The Company implements reinsurance structures to balance cost against risk mitigation and volatility, taking into account the risk appetite limits and surplus capital levels.

Counterparty risk and SAM equivalence

The Company only utilises reinsurers with credit ratings 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 Group and Company recognise that it is impossible to forecast with absolute certainty the future claims payable under existing insurance contracts. Actuarial valuations are performed to ensure that the technical provisions are adequate.

Claim provisions

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

Notified claims

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

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

Claims incurred but not yet reported (IBNR)

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

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

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

15. Insurance liabilities and reinsurance assets (continued)

Unearned premium provisions

The Group and Company raise provisions for unearned premiums on a basis which reflects the underlying risk profile of the insurance contracts. The majority of the Group's and Company's insurance contracts have an even risk profile and the unearned premium provisions, raised at the commencement of the contract are released evenly over the period of insurance using a time-proportionate basis. The provisions for unearned premiums are initially 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.

16. Deferred acquisition cost

	GROUP		COMPANY	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Deferred commission and acquisition costs net of reinsurance	42 114	706	42 114	706
Current	42 114	706	42 114	706
Reconciliation of changes in acquisition costs				
Balance at the beginning of the year	706	3 749	706	3 749
Acquisition costs deferred during the year	42 114	(3 749)	42 114	(3 749)
Acquisition costs expensed during the year	(706)	706	(706)	706
Balance at the end of the year	42 114	706	42 114	706

17. Claims development tables

		Claims paid in respect of:					
Reporting year	Total R'000	2022 R'000	2021 R'000	2020 R'000	2019 R'000	2018 R'000	2017 R'000
Gross actual claims costs							
2022	568 389	605 385	(17 701)	(9 422)	(8 572)	118	(1 419)
2021	476 509	–	507 307	(17 078)	(11 420)	(2 317)	18
2020	439 331	–	–	462 044	(13 587)	(7 519)	(1 607)
2019	418 495	–	–	–	429 767	(11 989)	716
2018	277 717	–	–	–	–	285 192	(7 475)
2017	273 363	–	–	–	–	–	273 363
Claims development tables – reporting year	2 453 803	605 385	489 606	435 544	396 188	263 484	263 596
Net actual claims costs							
2022	535 843	569 650	(20 507)	(11 133)	(2 173)	5	2
2021	480 225	–	506 478	(15 692)	(7 915)	(2 558)	(89)
2020	436 987	–	–	455 564	(14 492)	(888)	(3 197)
2019	283 129	–	–	–	291 757	(6 574)	(2 054)
2018	255 937	–	–	–	–	262 478	(6 541)
2017	273 363	–	–	–	–	–	273 363
Claims development tables – reporting year	2 265 485	569 650	485 971	428 739	267 178	252 463	261 485

18. Provisions

	Leave pay R'000	Bonus R'000	Provisions R'000
GROUP and COMPANY			
2022			
Balance at the beginning of the year	1 909	6 593	8 502
Provisions raised/reversed during the year	(2 066)	–	(2 066)
Utilised during the year	(41)	(5 680)	(5 721)
Balance at the end of the year	(198)	913	715
2021			
Balance at the beginning of the year	1 965	8 957	10 922
Provisions raised/reversed during the year	(86)	(10 046)	(10 132)
Utilised during the year	30	7 682	7 713
Balance at the end of the year	1 909	6 593	8 502

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. While 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 (R198 000) (2021: R1 909 000) 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 R913 000 (2021: R6 593 000) at the statement of financial position date.

19. Trade and other payables

	GROUP		COMPANY	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Trade payables	3 423	(5 440)	1 492	(7 371)
Sundry creditors	88 398	92 403	88 516	92 521
Lease liability	–	924	–	924
Due to group company	2 470	8 381	2 470	8 381
Trade and other payables	94 291	96 268	92 478	94 455

The prior year lease liability relates to IFRS 16 and was calculated using a weighted average incremental borrowing rate (IBR) of 10,53%

20. Dividends and interest

	GROUP		COMPANY	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Interest received				
Interest received – financial assets at amortised cost	14 404	13 922	14 404	13 922
Interest received on call deposits	14 404	13 922	14 404	13 922
Interest received – financial assets at fair value through profit or loss	19 895	24 401	19 755	24 337
Interest received on investments	16 245	21 223	16 105	21 159
Interest received from bank	2 974	1 415	2 974	1 415
Sundry interest received	–	1 083	–	1 083
Interest received on call deposits	676	680	676	680
Total interest received	34 299	38 323	34 159	38 258
Dividends received				
Dividends received – listed	2 616	3 790	2 616	3 790
Dividends received – unlisted	2 117	1 372	2 117	1 372
Total dividends received	4 733	5 162	4 733	5 162
Total interest received and dividend income	39 032	43 485	38 892	43 420
Interest paid				
Interest paid – collateral deposit	–	1	–	–
Interest paid – general	(51)	1 038	(51)	1 038
Total interest paid	(51)	1 039	(51)	1 038

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

	GROUP		COMPANY	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Unlisted investments	1 023	11 068	1 023	11 068
Listed investments	(311)	–	(311)	–
Net realised profits on fair value through profit or loss	712	11 068	712	11 068

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

	GROUP		COMPANY	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Unlisted investments	(1 789)	753	(980)	(1 627)
Listed investments	14 825	433	14 825	433
Net unrealised profits/(losses) on fair value through profit or loss assets	13 036	1 186	13 845	(1 194)

23. Profit before taxation

	2022			2021		
	Company R'000	Rest of Group R'000	Total R'000	Company R'000	Rest of Group R'000	Total R'000
Profit before taxation is determined after charging:						
Directors and prescribed officers emoluments						
Executive directors						
Director A						
Basic salary	1 573	4 719	6 292	1 516	4 548	6 064
Bonus and performance related payments	454	1 362	1 816	2 989	8 967	11 956
Estimated monetary value of other benefits	32	96	128	38	114	152
Pension/provident fund contributions	178	534	712	172	516	688
	2 237	6 711	8 948	4 715	14 145	18 860
Director B						
Basic salary	970	2 910	3 880	909	2 727	3 636
Bonus and performance related payments	272	816	1 088	1 856	5 568	7 424
Estimated monetary value of other benefits	44	132	176	42	126	168
Pension/provident fund contributions	113	339	452	106	318	424
	1 399	4 197	5 596	2 913	8 739	11 652
Director C						
Basic salary	–	–	–	1 814	1 814	3 628
Bonus and performance related payments	–	–	–	2 310	2 310	4 620
Estimated monetary value of other benefits	–	–	–	80	80	160
Pension/provident fund contributions	–	–	–	208	208	416
	–	–	–	4 412	4 412	8 824
Non-executive directors						
Director A	338	1 014	1 352	277	831	1 108
Director B	228	684	912	242	726	968
Director C	153	459	612	120	360	480
Director D	209	627	836	175	525	700
Director E	283	849	1 132	247	741	988
Director F	142	426	568	110	330	440
Director G	169	507	676	141	423	564
	1 522	4 566	6 088	1 312	3 936	5 248
Prescribed officers						
Prescribed officer A						
Basic salary	829	2 487	3 316	807	2 421	3 228
Bonus and performance related payments	301	903	1 204	1 454	4 362	5 816
Estimated monetary value of other benefits	79	237	316	204	612	816
Pension/provident fund contributions	100	300	400	97	291	388
	1 309	3 927	5 236	2 562	7 686	10 248
Prescribed officer B						
Basic salary	807	2 421	3 228	784	2 352	3 136
Bonus and performance related payments	293	879	1 172	1 454	4 362	5 816
Estimated monetary value of other benefits	87	261	348	85	255	340
Pension/provident fund contributions	99	297	396	96	288	384
	1 286	3 858	5 144	2 419	7 257	9 676

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for the year ended 30 June 2022

	2022			2021		
	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	765	2 295	3 060	737	2 211	2 948
Bonus and performance related payments	223	669	892	1 111	3 333	4 444
Estimated monetary value of other benefits	13	39	52	13	39	52
Pension/provident fund contributions	86	258	344	83	249	332
	1 087	3 261	4 348	1 944	5 832	7 776
Prescribed officer D						
Basic salary	597	1 791	2 388	580	1 740	2 320
Bonus and performance related payments	160	480	640	793	2 379	3 172
Estimated monetary value of other benefits	84	252	336	80	240	320
Pension/provident fund contributions	75	225	300	73	219	292
	916	2 748	3 664	1 526	4 578	6 104
Prescribed officer E						
Basic salary	807	2 421	3 228	786	2 358	3 144
Bonus and performance related payments	223	669	892	1 110	3 330	4 440
Estimated monetary value of other benefits	52	156	208	45	135	180
Pension/provident fund contributions	95	285	380	91	273	364
	1 177	3 531	4 708	2 032	6 096	8 128
Prescribed officer F						
Basic salary	1 154	3 462	4 616	1 122	3 366	4 488
Bonus and performance related payments	569	1 707	2 276	2 644	7 932	10 576
Estimated monetary value of other benefits	47	141	188	42	126	168
Pension/provident fund contributions	134	402	536	129	387	516
	1 904	5 712	7 616	3 937	11 811	15 748
Prescribed officer G						
Basic salary	907	2 721	3 628	871	2 613	3 484
Bonus and performance related payments	113	339	452	1 169	3 507	4 676
Estimated monetary value of other benefits	6	18	24	6	18	24
Pension/provident fund contributions	101	303	404	98	294	392
	1 127	3 381	4 508	2 144	6 432	8 576
Directors and Prescribed Officers emoluments	13 965	41 891	55 856	29 916	80 924	110 840

23. Profit before taxation (continued)

	GROUP		COMPANY	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Auditors remuneration				
Audit fees	3 710	3 795	3 674	3 755
	3 710	3 795	3 674	3 755
Depreciation – property and equipment				
Leasehold improvements	214	311	214	311
Office equipment	42	1 165	42	1 165
Computer hardware	36	807	36	807
Furniture and fittings	–	343	–	343
Office equipment	6	15	6	15
	256	1 476	256	1 476
Depreciation – right-of-use assets				
Property	–	116	–	116
	–	116	–	116
Expenses for the acquisition of insurance contracts				
Commission	130 276	111 314	130 276	111 314
Other expenditure				
Staff remuneration	2 175	33 434	2 175	33 434
Amortisation of intangible assets	–	1 435	–	1 435
(Reversal)/write-off of premium debtors	(1 271)	175	(1 271)	175
Administration fees paid	80 149	60 218	80 149	60 218
Professional fees	5 577	3 414	5 552	3 414
Operating lease rentals – building	292	1 266	292	1 266
Operating lease rentals – computer	300	498	300	498

24. Taxation

	GROUP		COMPANY	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
South African normal taxation				
Current year	66 302	49 732	65 768	49 219
Deferred tax expense				
Current year	6 593	3 322	7 416	2 764
Taxation	72 895	53 054	73 184	51 983
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	0,11	0,18	0,11	0,18
– Exempt income on dividends not taxable	(0,48)	(0,78)	(0,48)	(0,78)
– Realised gains not taxable	(0,01)	(0,34)	(0,01)	(0,34)
– Unrealised gains not taxable	(0,28)	(0,24)	(0,29)	(0,18)
– Other non-taxable income/non-deductible expenses	0,12	1,25	0,12	1,26
– Prior year underprovision	(0,24)	–	–	–
Tax rate reconciliation	27,22	28,07	27,45	28,14

25. Reconciliation of profit before taxation to cash generated from operation

	GROUP		COMPANY	
	2022	2021	2022 R'000	2021 R'000
Profit before tax	267 784	188 971	266 602	184 633
Adjustments for:				
Depreciation	256	1 592	256	1 592
Intangible asset amortisation	–	1 435	–	1 435
Loss/(profit) on disposal of investments	(712)	(11 068)	(712)	(11 068)
Net interest and dividend income	(39 083)	(42 446)	(38 943)	(42 382)
Unrealised (loss)/gain on revaluation of listed investments	(14 825)	(433)	(14 825)	(433)
Unrealised (loss)/gain on revaluation of unlisted investments	1 789	265	980	2 645
Unrealised (loss)/gain on revaluation of bonds	–	(1 018)	–	(1 018)
Operating cash flows before working capital changes	215 209	137 298	213 358	135 404
Working capital changes	4 073	(65 210)	4 377	(66 530)
(Increase)/decrease in Insurance receivables, loans and other receivables	(13 522)	(16 272)	(13 217)	(17 580)
Increase/(decrease) in other provisions	(7 787)	(2 419)	(7 787)	(2 419)
(Increase)/decrease in reinsurance assets	(47 434)	4 735	(47 434)	4 735
(Increase)/decrease in deferred acquisition costs	(41 408)	3 043	(41 408)	3 043
(Decrease)/increase in reinsurance liabilities	9 717	(3 611)	9 717	(3 611)
Increase/(decrease) in net outstanding claims and IBNR	51 702	(11 514)	51 702	(11 514)
Increase/(decrease) in unearned premiums	54 781	(31 373)	54 781	(31 373)
Increase/(decrease) in trade and other accounts payable and employee benefits	(1 976)	(7 799)	(1 977)	(7 811)
Cash generated from operations	219 282	72 088	217 735	68 874

26. Dividends paid

	GROUP		COMPANY	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Amount declared in statement of changes in equity	(24 180)	(132 351)	(24 180)	(132 351)
Amount declared to non-controlling interest	(149 067)	(129 383)	(149 067)	(129 383)
Cash amounts paid	(173 247)	(261 734)	(173 247)	(261 734)

27. Dividends received

Amount received per income statement	4 733	5 162	4 733	5 162
Cash amounts received	4 733	5 162	4 733	5 162

28. Taxation paid

Amount due at beginning of the year	(3 317)	(3 383)	(1 727)	(2 321)
Amount charged to income statement	(72 895)	(53 054)	(73 184)	(51 983)
Amount due at end of the year	(7 358)	3 317	(8 124)	1 727
Cash amounts paid	(83 570)	(53 120)	(83 035)	(52 577)
Amounts due at end of the year comprised as follows:				
Deferred taxation asset	(8 416)	(15 832)	(8 416)	(15 832)
Deferred taxation liability	824	1 647	–	–
Current income taxation asset	(58)	(57)	–	–
Current income taxation liability	292	17 559	292	17 559
	(7 358)	3 317	(8 124)	1 727

29. Proceeds on disposal of investments

	GROUP 2022 R'000	GROUP 2021 R'000	COMPANY 2022 R'000	COMPANY 2021 R'000
Proceeds on disposal of investments and bonds	81 409	203 222	81 410	203 222

30. Lease – Low value items

	GROUP 2022 R'000	GROUP 2021 R'000	COMPANY 2022 R'000	COMPANY 2021 R'000
During the current financial year, the Group incurred lease payments for the following low-value leased assets				
Computers	300	498	300	498
Printers	–	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 Rnil (2021: R289 553).

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 R85 522 (2021: R2 872 943).

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 1 (2021: 74).

33. Related-party transactions

Transactions between Group companies.

Hollard Specialist Insurance Limited's immediate holding company is Hollard Fundco (RF) (Proprietary) Limited (100%) and the ultimate holding company is Pickent Investments Limited. Both of these companies are incorporated in the Republic of South Africa.

Related-party relationships exist between the Group, fellow subsidiaries, associated companies and the holding company. The Group enters into commercial transactions with a number of these companies on an ongoing basis. All material transactions are concluded at arm's length and are eliminated on consolidation.

Listed below are details of related-party transactions and balances:

	COMPANY	
	2022 R'000	2021 R'000
Loans (from) / to related parties		
The Hollard Insurance Company Limited	(472)	(6 723)
Hollard Life Assurance Company Limited	(2 012)	(1 661)
Hollard Specialist Life Assurance	14	3
Management fees paid		
Hollard Life Assurance Company	15 474	6 563
Key management compensation		
– Salaries, bonuses and other short-term employee benefits (Key management refers to prescribed officers excluding Executive Directors)	35 224	66 256

34. Going concern

The directors have assessed the Group and Company's ability to continue as a going concern. As at 30 June 2022, the Group and Company had a strong net asset value and liquidity position.

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

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

35. Subsequent events

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

DIRECTORATE AND ADMINISTRATION

for the year ended 30 June 2022

Hollard Specialist Insurance Limited

Directorate and administration

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

Non-executive Chairman	ADH Enthoven
Group Chief Executive Officer	S Ntombela (resigned as CEO – 01 July 2022)
Group Chief Financial Officer	DJ Viljoen
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 Classen

Administration

Company Secretary

A Allardyce

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 Crescent
Waterfall City
Waterfall
Docex 10
Johannesburg

Registration number

1966/007612/06


www.hollard.co.za