Hollard Specialist Insurance Limited

These annual financial statements were audited in compliance with the Companies Act 71 of 2008.
These annual financial statements have been prepared by the Financial Manager, Samukelisiwe Hleza, (CA(SA)) under the supervision of the Head: Group Reporting, Deon Naidoo, (CA(SA)).

(Registration number: 1966/007612/06)

Audited consolidated annual financial statements for the year ended 30 June 2023

CONTENTS

GROUP SALIENT FEATURES

for the year ended 30 June 2023

	GROUP				
	2023 R'000	Restated 2022 R'000	Restated 2021 R'000	2020 R'000	2019 R'000
Statement of profit and loss information					
Gross written premiums [1]	530 005	996 518	873 792	967 227	1 433 549
Net written premiums [2]	526 597	979 299	868 212	957 148	1 418 331
Investment income [3]	68 378	54 810	58 014	65 730	147 293
Net insurance claims	244 889	526 032	468 379	437 649	586 000
Profit attributable to equity holders of the parent	42 899	106 300	53 813	82 248	14 691
Statement of financial position information					
Insurance liabilities	219 013	348 081	251 338	332 991	693 056
Equity attributable to equity holders of the parent	279 328	307 179	225 059	291 944	269 050
Total assets	763 870	987 215	841 393	1 005 926	1 841 102
Financial assets	502 659	700 670	611 156	490 840	1 179 258
Cash and cash equivalents	164 169	107 379	137 543	412 780	496 275
Trading ratios	%	%	%	%	%
Written premium: net to gross	99,36	98,27	99,36	98,96	98,94
Combined operating ratio [4]	102,25	89,09	86,75	79,86	86,30
Solvency ratio [5]	50,28	29,98	48,41	55,18	63,81
Actuarial Information					
Solvency capital requirement [5]	126 200	259 217	264 650	284 933	451 679
Solvency capital requirement cover [6]	2,99	1,54	1,28	1,47	1,80

(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" is presented at a Company level.

DIRECTORS' RESPONSIBILITY STATEMENT AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2023

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 (IFRS) 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 67, have been approved by the Board of the Group and Company and are signed on its behalf by:

MR Bower
Independent Director

25 October 2023

W Lategan
Chief Executive Officer

25 October 2023

CERTIFICATION BY COMPANY SECRETARY

for the year ended 30 June 2023

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

25 October 2023

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 ("the Group") set out on pages 11 to 67, which comprise the consolidated and separate statements of financial position as at 30 June 2023, the 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 consolidated and separate 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 Hollard Specialist Insurance Limited as at 30 June 2023, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards 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 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 2023", which includes the Group Salient Features, Directors' responsibility Statement and Approval of the Annual Financial Statements, Certification by Company Secretary, Audit and Compliance Committee Report, Directorate and Administration information 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 and will not express an audit opinion or any form of assurance conclusion thereon.

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

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

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and the 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.

TO THE SHAREHOLDER OF HOLLARD SPECIALIST INSURANCE LIMITED

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 are 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 and/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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Report on Other Legal and Regulatory Requirements

In terms of the Independent Regulatory Board for (IRBA) Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Hollard Specialist Insurance Limited for 19 years.

DocuSigned by:
Deloitte & Touche
73D753558CE6434...

Deloitte & Touche
Registered Auditor
Per: Rachel Nkgodi
Partner

21 November 2023

5 Magwa Crescent
Waterfall City
Waterfall, 2090

AUDIT AND COMPLIANCE COMMITTEE REPORT

for the year ended 30 June 2023

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 2023. This report outlines how the Committee discharged both its statutory and Board-delegated duties during the year.

The 2023 financial year reflected a decrease in gross written premium and net earnings before tax, this was due to a transfer of a book of business to another company within the Hollard Group. Economic, infrastructure and environmental challenges continue to impact the business and the insurance industry at large, with the recent adverse weather events encompassing flooding in the Western Cape and heavy rains coupled with tornado activity in KwaZulu-Natal. The Group remains cautious about the pace of recovery of the national economy. The year saw consumer price inflation steadily increase, followed closely by commensurate and significant interest rate hikes resulting in substantial pressure on the disposable income of consumers. 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

1.1 Composition and meeting attendance

During the financial year, the Committee was composed of three independent non-executive directors, namely, Mr M Bower (Chairman), Ms N Simamane and Ms B Ngonyama[1]. 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 Terms of Reference

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 Group 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 monitoring 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 in line with its charter. The Committee has Found the Internal Audit Function to be independent and adequately resourced and competent to perform its duties. The Internal Audit Function has direct access to the Committee Chairman and all the Committee members, without limitation. Progress has been made in digitising and automating internal audit activities. All internal audit reporting is now automated.

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 included a review of the Group'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 2023 and is satisfied that same complies with International Financial Reporting Standards.

[1] Ms B Ngonyama resigned as a Member of the Committee on 21 July 2023.

4.2 Going concern

The Committee has undertaken an assessment of the Group's documented status, including key assumptions prepared by management and is comfortable in recommending to the Board that each Company within the Group is a going concern, as reflected in the annual financial statements.

4.3 External Auditor appointment and independence

The Committee has supported the reappointment of Deloitte South Africa as External Auditor for the 2023 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.

Following a successful process to identify a suitable External Auditor following the Deloitte rotation end FY2023, collaboration between Deloitte and PWC (as incoming auditor for 2024) has been positive, and a seamless audit rotation process is expected. At the Annual General Meeting of the Shareholders, it will be recommended that PWC be appointed as External Auditor for the 2024 financial year.

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 2023, including the quality of the earnings and has recommended the annual financial statements to the Board for approval.

During 2023 there was ongoing focus on and preparation for the implementation of International Financial Reporting Standards 17 (IFRS 17) within the finance function through the IFRS 17 Project, to ensure timeous compliance with the Standard. 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 was assessed by the Committee at each meeting. The Committee is of the view that the Group is sufficiently prepared to deliver financial reporting in compliance with IFRS 17 as required in 2024.

6. STATEMENT ON INTERNAL FINANCIAL CONTROLS

The Committee is able to assess the effectiveness of financial and non-financial controls by reviewing the 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 internal financial controls were assessed by Internal Audit as part of the Internal Controls Programme to determine the adequacy of controls. There were deficient controls and matters raised that resulted in material adjustments to the prior year, the Committee reviewed the progress on remediation plans and were satisfied that any material impact on the Group's annual financial statements had been appropriately mitigated by management through manual controls and increased oversight where necessary. The Committee will continue to monitor and evaluate remediation plans in 2024.

Fraud prevention and detection remains a key priority for the business. Initiatives to automate and digitise fraud prevention and detection activities are explored and implemented on an ongoing basis. Any material fraud matters are reported to the Committee. During the year under review no significant fraud matters were identified for escalation to the Committee.

The Committee was able to advise the Board that it has analysed, reviewed and discussed information provided by management, other Board committees, Internal Audit and the External Auditor that the controls of the Group, together with management's additional procedures performed to mitigate identified control deficiencies, can be relied upon as a reasonable basis for the preparation of the annual financial statements throughout the year under review.

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 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 2023 financial year in terms of its ToR, as well as its legal and regulatory responsibilities, and nothing to indicate the contrary has been brought to the Committee's attention.

MBower

MR Bower
Chairman of the Audit and Compliance Committee

25 October 2023

DIRECTORS' REPORT
for the year ended 30 June 2023

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 2023.

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 R42 899 000 (2022: R106 300 000), which arose from the Group's operations as follows:

	GROUP	
	2023 R'000	2022 R'000
Net premium income	546 435	979 376
Investment income and investment gains/(losses)	68 378	54 809
Other operating income	11 192	20 146
Total revenue	**626 005**	1 054 332
Net insurance claims	(244 889)	(526 032)
Other operating expenses	(294 903)	(346 432)
Total expenses	**(539 792)**	(872 464)
Profit before taxation	**86 213**	181 868
Taxation	(43 314)	(75 568)
Profit for the year	**42 899**	106 300

Share capital
Hollard Specialist Insurance Limited declared and paid dividends of R233 million (2022: R173 million).

Subsidiaries
Erf Four Nine Nine Spartan (Proprietary) Limited – 100% (2022: 100%)

Hollard Specialist Insurance Company's interest in the aggregate profit after tax in the subsidiary amounted to R1 million (2022: R1,5 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 37 of these financial statements for further details.

Capital contribution
During the financial year, preference share capital of R9 million (2022: R43 million) was contributed by several preference shareholders.

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

Directorate

In terms of the requirements of the Memorandum of Incorporation (MoI), the following directors retired by rotation, made themselves available for re-election and were re-elected at the AGM held on 13 April 2023:

- S Patel
- B Ngonyama (resigned 21 July 2023)
- 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

Willem Theron Lategan (Group CEO) (appointed 1 July 2022), DJ Viljoen (Group CFO) and Nashir Omar (appointed 25 November 2022) were executive directors who held office during the year.

Non-executive directors

NG Kohler (resigned 1 August 2022), ADH Enthoven (resigned 1 August 2022), B Ngonyama, MR Bower, R Fihrer, S Patel, AS Nkosi (resigned 1 July 2023), MS Claassen and NV Simamane were in office during the year non-executive directors.

Auditors

PricewaterhouseCoopers were appointed auditors from 01 July 2023 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

PO Box 87419
Houghton
2041

Holding company

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

STATEMENT OF FINANCIAL POSITION

for the year ended 30 June 2023

		GROUP			COMPANY		
	Notes	2023 R'000	Restated 2022 R'000	Restated 2021 R'000	2023 R'000	Restated 2022 R'000	Restated 2021 R'000
Assets							
Investment properties	5	13 190	16 149	16 959	–	2 959	2 959
Property and equipment	6	635	691	947	635	691	947
Right-of-use assets		–	–	580	–	–	580
Intangible assets	8	900	900	900	900	900	900
Investment in subsidiaries	9	–	–	–	1 773	1 773	1 773
Financial assets*	10	502 659	700 670	611 156	502 659	700 670	611 156
Reinsurance assets	15	14 238	70 448	23 014	14 238	70 448	23 014
Insurance, loans and other receivables*	11	18 225	40 390	33 698	17 808	39 805	33 419
Deferred acquisition cost	16	40 489	42 114	706	40 489	42 114	706
Deferred taxation	12	4 687	8 416	15 832	4 687	8 416	15 832
Current income taxation*		1 719	58	58	1 579	–	–
Cash and cash equivalents*	13	164 169	107 379	137 543	158 916	103 260	134 576
Non-current assets held for sale	7	2 959	–	–	2 959	–	–
Total assets		763 870	987 215	841 393	746 643	971 036	825 862
Equity and liabilities							
Attributable to equity holders of the parent		279 328	307 179	225 059	264 775	293 633	212 986
Share capital and premium	14	400 503	400 503	400 503	400 503	400 503	400 503
Retained earnings*		(121 175)	(93 324)	(175 444)	(135 728)	(106 870)	(187 517)
Total equity		279 328	307 179	225 059	264 775	293 633	212 986
Cellcaptive Shareholder Liabilities*	19	160 758	204 484	221 990	160 758	204 484	221 990
Trade and other payables*	20	95 463	88 504	90 481	93 676	86 694	88 667
Insurance liabilities*	15	219 013	348 080	251 338	219 013	348 080	251 338
Reinsurance liabilities		156	21 963	12 245	156	21 963	12 245
Provisions	18	204	715	8 502	204	715	8 502
Deferred taxation	12	887	824	1 644	–	–	–
Current income taxation*		8 061	15 466	30 134	8 061	15 466	30 134
Total liabilities		484 542	680 037	616 334	481 868	677 402	612 876
Equity and liabilities		763 870	987 215	841 393	746 643	971 036	825 862

* *Refer to note 38 for the details on the restatements. The comparative information has been restated as a result of prior period errors.*

STATEMENT OF PROFIT OR LOSS

for the year ended 30 June 2023

		GROUP		COMPANY	
	Notes	2023 R'000	Restated 2022 R'000	2023 R'000	Restated 2022 R'000
Revenue					
Gross written premiums	21	530 005	996 518	530 005	996 518
Reinsurance outwards		(3 408)	(17 219)	(3 408)	(17 219)
Net written premiums		526 597	979 299	526 597	979 299
Less: Change in unearned premium reserve		19 838	77	19 838	77
Gross amount		20 284	(1 353)	20 284	(1 353)
Reinsurer share		(446)	1 430	(446)	1 430
Net premium income		546 435	979 376	546 435	979 376
Investment income		59 122	41 062	56 890	39 002
Interest received	22	52 018	34 299	51 706	34 159
Dividends received	22	5 184	4 733	5 184	4 733
Rental income		1 920	2 030	–	110
Investment gains/(losses)		9 256	13 748	9 256	14 557
Realised gains/(losses) on disposal of investments	23	766	712	766	712
Unrealised gains/(losses) on revaluation of investments	24	8 490	13 036	8 490	13 845
Other operating income		11 192	20 146	11 192	20 146
Total revenue		626 005	1 054 332	623 773	1 053 081
Expenses					
Gross policyholder benefits and claims incurred*		226 920	558 578	226 920	558 578
Reinsurance recoveries		17 969	(32 546)	17 969	(32 546)
Net insurance claims		244 889	526 032	244 889	526 032
Commissions and other acquisitions		73 054	130 276	73 054	130 276
Interest paid		540	(51)	540	(51)
Marketing and administration expenses*		221 309	216 207	220 484	216 138
Total expenses		539 792	872 464	538 967	872 395
Profit before taxation*	25	86 213	181 868	84 806	180 686
Taxation*	26	43 314	75 568	42 915	75 858
Profit for the year		42 899	106 300	41 891	104 828

* *Refer to note 38 for the details on the restatements. The comparative information has been restated as result of prior period errors.*

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2023

	GROUP		COMPANY	
	2023 R'000	Restated 2022 R'000	**2023 R'000**	Restated 2022 R'000
Profit for the year	**42 899**	106 300	**41 891**	104 828
Total other comprehensive income	**42 899**	106 300	**41 891**	104 828

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2023

			Equity Attributable to Owners			
	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
GROUP						
Balance at 1 July 2021	4 940	395 563	(195 358)	205 145	204 484	409 629
Restatement*			19 914	19 914	(204 484)	(184 570)
Restated balance at the beginning of the year at 1 July 2021	4 940	395 563	(175 444)	225 059	–	225 059
Net profit/(loss)*	–	–	106 300	106 300	–	106 300
Total comprehensive income	–	–	106 300	106 300	–	106 300
Dividends paid	–	–	(24 180)	(24 180)	–	(24 180)
Restated balance at 30 June 2022	4 940	395 563	(93 324)	307 179	–	307 179
Net profit/(loss)	**–**	**–**	**42 899**	**42 899**	**–**	**42 899**
Total comprehensive income	**–**	**–**	**42 899**	**42 899**	**–**	**42 899**
Dividends paid	**–**	**–**	**(70 750)**	**(70 750)**	**–**	**(70 750)**
Balance at 30 June 2023	**4 940**	**395 563**	**(121 175)**	**279 328**	**–**	**279 328**
COMPANY						
Balance at 1 July 2021	4 940	395 563	(207 429)	193 074	204 484	397 558
Restatement*	–	–	19 912	19 912	(204 484)	(184 572)
Restated balance at the beginning of the year at 1 July 2021	4 940	395 563	(187 517)	212 986	–	212 986
Net profit/(loss)*	–	–	104 828	104 828	–	104 828
Total comprehensive income	–	–	104 828	104 828	–	104 828
Dividends paid	–	–	(24 180)	(24 180)	–	(24 180)
Restated balance 30 June 2022	4 940	395 563	(106 869)	293 634	–	293 634
Net profit/(loss)	**–**	**–**	**41 891**	**41 891**	**–**	**41 891**
Total comprehensive income	**–**	**–**	**41 891**	**41 891**	**–**	**41 891**
Dividends paid	**–**	**–**	**(70 750)**	**(70 750)**	**–**	**(70 750)**
Balance at 30 June 2023	**4 940**	**395 563**	**(135 728)**	**264 775**	**–**	**264 775**

* *Refer to note 38 for the details on the restatements. The comparative information has been restated as a result of prior period errors.*

STATEMENTS OF CASH FLOWS

for the year ended 30 June 2023

		GROUP		COMPANY	
	Notes	2023 R'000	Restated 2022 R'000	2023 R'000	Restated 2022 R'000
Cash flows from operating activities					
Cash receipts from policyholders and other customers		448 222	992 821	448 390	992 517
Cash paid to policyholders, suppliers and employees		(361 037)	(774 518)	(362 445)	(775 759)
Cash generated from operations*	27	87 185	218 303	85 945	216 758
Interest paid	22	(540)	51	(540)	51
Dividends paid	28	(232 640)	(173 247)	(232 640)	(173 247)
Interest received	22	52 018	34 299	51 706	34 159
Dividends received	29	5 184	4 733	5 184	4 730
Taxation paid	30	(48 588)	(83 643)	(48 170)	(83 110)
Net cash (outflow)/inflow from operating activities		(137 381)	496	(138 515)	(656)
Cash flows from investing activities					
Acquisition of listed and unlisted investments		(23 010)	(149 398)	(23 010)	(149 398)
Acquisition of other financial assets*		(416 900)	(834 072)	(416 900)	(834 072)
Acquisition of bonds		–	(6 388)	–	(6 388)
Proceeds on disposal of listed and unlisted investments	31	145 088	213 943	146 088	213 943
Proceeds on disposal of other financial assets*		479 184	697 750	479 184	697 750
Proceeds on maturity of bonds	31	1 185	4 841	1 185	4 841
Net cash inflow from investing activities*		185 547	(73 324)	185 547	(73 324)
Cash flows from financing activities					
Capital contribution		8 624	42 664	8 624	42 664
Net cash inflow from financing activities		8 623	42 664	8 623	42 664
Cash and cash equivalents					
Net increase/(decrease) in cash and cash equivalents*		56 790	(30 164)	55 656	(31 316)
Cash, deposits and similar securities at the beginning of the year*		107 379	137 543	103 260	134 576
Cash and cash equivalents at the end of the year*		164 169	107 379	158 916	103 260

** Refer to note 38 for the details on the restatements. The comparative information has been restated as a result of prior period errors.*

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 2023 and the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and financial reporting pronouncements as issued by the Financial Reporting Standards Council and the Companies Act of South Africa, 2008.

Accounting policies

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

1.1 Basis of preparation

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

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

The consolidated and separate financial statements have been prepared on 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 2023

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

• Amendments to IAS 1 – Classification of liabilities as current or non-current – 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
• Amendments to IFRS 17 – Insurance contracts – 1 January 2023

Except for IFRS 17, none of these are expected to have a material impact on the Group financial statements. The impact of IFRS 17 is disclosed below.

Summary of IFRS 17 impact

IFRS 17 is an accounting change that does not impact the fundamentals of our insurance business	
• No impact on our solvency position	• There is an impact on the timing in which we recognise insurance profits. This results in a reduction to shareholder equity on transition by no more than R20 million
• No impact on our cash position	
• No impact on our ability to declare and pay dividends	

1. Summary of significant accounting policies (continued)

1.1 Basis of preparation (continued)

IFRS 17 Insurance Contracts

IFRS 17 replaces IFRS 4 for financial year periods commencing on or after 1 January 2023. IFRS 17 becomes effective for The Company on 1 July 2023 which will require a restatement of the financial year 2023 comparatives when reporting on the 2024 financial period.

IFRS 17 provides a comprehensive guidance on accounting for insurance, reinsurance and investment contracts with discretionary participation features and has a significant impact on accounting for insurance and reinsurance contracts, including changes to the presentation of insurance revenue and insurance service result.

The Company applies IFRS 17 to the below short-term contracts:
- Insurance contracts, including reinsurance contracts, it issues; and
- Reinsurance contracts it holds.

Further, the Company does not apply IFRS 17 to the following:
- warranties provided by a manufacturer, dealer or retailer in connection with the sale of its goods or services to a customer;
- employers' assets and liabilities from employee benefit plans and retirement benefit obligations reported by defined benefit retirement plans;
- contractual rights or contractual obligations contingent on the future use of, or the right to use, a non-financial item (for example, some licence fees, royalties, variable and other contingent lease payments and similar items);
- residual value guarantees provided by a manufacturer, dealer or retailer and a lessee's residual value guarantees when they are embedded in a lease;
- financial guarantee contracts, unless the issuer has previously asserted explicitly that it regards such contracts as insurance contracts and has used accounting applicable to insurance contracts;
- contingent consideration payable or receivable in a business combination;
- insurance contracts in which the Company is the policyholder, unless those contracts are reinsurance contracts held; and
- credit card contracts, or similar contracts that provide credit or payment arrangements, that meet the definition of an insurance contract if, and only if, the Company does not reflect an assessment of the insurance risk associated with an individual customer in setting the price of the contract with that customer (refer IFRS 9 and other applicable IFRS Standards). However, if, and only if, IFRS 9 requires a company to separate an insurance coverage component (refer IFRS 9) that is embedded in such a contract, the Company shall apply IFRS 17 to that component.

Project Governance and progress update

The IFRS 17 implementation programme was instituted in 2019 under the sponsorship of the Group Chief Financial Officer. It has been governed by the IFRS 17 Steering Committee consisting of executive and senior management of the impacted financial, actuarial and information technology areas across the Company, as well as including representation from both Group Internal Audit and External Audit.

The Company has progressed well with the activities required for implementation of IFRS 17. The Company policy and methodology decisions which have formed the basis of the transition work have been finalised and reviewed by PWC. The work to determine the transition to the IFRS 17 balance sheet has been completed and is also under review by the PWC.

A new target operating model for the financial reporting process has been developed and the relevant new systems, components and IFRS 17 engine have undergone full end to end testing before being fully deployed into production. The financial year 2023 comparative year reporting is in progress.

Ongoing training to the relevant stakeholders to embed IFRS 17 understanding continues.

Classification of Insurance Contracts

Insurance contracts are contracts under which the Company accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis.

The definition of an insurance contract has remained largely the same under IFRS 17 as it was under IFRS 4, thus the adoption of IFRS 17 does not significantly change the classification of the Company's insurance contracts. The Company issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing the present value of benefits payable when an insured event occurs with the present value of the benefits payable if an insured event did not occur. Insurance contracts can also transfer financial risk.

Aggregation of Insurance contracts:

Insurance contracts within each broad product line are allocated to portfolios of insurance contracts that are managed together and subject to similar risks.

Portfolios of insurance contracts issued will be divided into groups of insurance contracts into minimum of:
- a group of insurance contracts that are onerous at initial recognition, if any;
- a group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently, if any; and
- a group of remaining contracts in the portfolio, if any.

Groups of insurance contracts are onerous if the fulfilment cash flows allocated to each contract at initial recognition in total are a net outflow. For reinsurance contracts the references to onerous contracts are replaced with references to contracts on which there is a net cost at initial recognition.

Each group of contracts does not include contracts issued more than one year apart in the same group.

These groups represent the level of aggregation at which insurance revenue is measured. Such groups are not subsequently reconsidered.

1. Summary of significant accounting policies (continued)

1.1 Basis of preparation (continued)

Recognition of Insurance contracts

The Company recognises insurance contracts issued from the beginning of the coverage period; or if earlier, the date when the first payment from the policyholder is due or for a group of onerous contracts, when the group becomes onerous.

The Company recognises reinsurance contracts held from the earlier of the beginning of the coverage period of the group of reinsurance contracts held; and the date the Company recognises an onerous group of underlying insurance contracts applying paragraph 25(c) of the standard, if the Company entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

Measurement Models

IFRS 17 introduces different measurement models in calculating insurance and reinsurance contract liabilities reflecting the different extents of policyholder participation in investment of insurance company performance: non-participating or indirect participation (General measurement model (GMM) and direct participating (Variable Fee Approach (VFA)). For short-duration contracts, IFRS 17 permits a simplified approach (premium allocation approach (PAA)). A company may simplify the measurement of a group of insurance contracts using the PAA if, and only if, at the inception of the group; the Company reasonably expects that such simplification would produce a measurement of the liability for remaining coverage for the group that would not differ materially from the liability calculated as per GMM or the coverage period of each contract in the group is one year or less. The simplification allows the Liability for Remaining Coverage (LRC) to be primarily based on premium received, less earned premium and unamortised acquisition cash flows, rather than to be disaggregated into the present value of future cashflows (PVFCF), risk adjustment and CSM. The liability for incurred claims is measure consistently with the GMM, whereby all the incurred claims are subject to discounting and risk adjustment. The Company assessed that majority of its non-life (re-) insurance contracts issued and reinsurance contracts held in force as of the transition date is eligible for the application of PAA and applied PAA measurement for such contracts under IFRS 17.

Premium allocation approach

The premium allocation approach is intended to produce an accounting outcome like that which resulted from the unearned premium approach used by many short-duration insurers under IFRS 4. The results from this approach are therefore likely to be more readily understood within the context of many short-duration contracts. However, there are some important differences:

- The liability for remaining coverage is measured using premiums received (minus any insurance acquisition cash flows at the measurement date if applicable). The word 'received' is interpreted literally, rather than interpreted to mean amounts due. Under IFRS 4, the unearned premium provision would have often been set up based on premiums receivable, with a separate asset recorded for the premium receivable.
- No separate asset is recognised for deferred acquisition costs, except for those assets in respect of insurance acquisition cash flows paid before the related group of insurance contracts is recognised. Instead, any acquisition cash flows are expensed when incurred.
- The Company did not discount its insurance liabilities under IFRS 4.
- The fulfilment cash flows model required for incurred claims, which is the same as the general model except for one simplification, is different to the incurred claim model used under IFRS 4.
- The liability for remaining coverage under the premium allocation approach will be the same as under the general model for groups of contracts that are onerous.

Components to be measured will be dealt with as follows:

Liability components

A group of insurance contracts is measured as the sum of the Liability for Remaining Coverage (LRC) and the Liability for Incurred Claims (LIC). These components relate to the provision of future service and past service respectively.

The LRC is defined as the sum of the following components:

- Fulfilment cash flows related to future service, which comprise:
  - Best estimate of future cash flows;
  - Risk adjustment for non-financial risk; and
  - CSM.

- The LIC is structured similarly to the LRC, except for the CSM. The LIC consists of the following:
- Fulfilment cash flows related to past service, which comprise:
  - Best estimate of future cash flows; and
  - Risk adjustment for non-financial risk.

Fulfilment cash flows

The fulfilment cash flows comprise unbiased and probability-weighted estimates of future cash flows within the contract boundary (the contract boundary for an insurance contract under IFRS 17 determines which cash flows should be included within the fulfilment cash flows, and hence the value of the CSM). Fulfilment cash flows are determined separately for insurance contracts (including reinsurance contracts) issued and reinsurance contracts held. Fulfilment cash flows are allocated to groups of insurance contracts for measurement purposes. Fulfilment cash flows exclude cash flows not directly attributable to the fulfilment of the insurance contracts. An explicit risk adjustment for non-financial risk is estimated separately from the other estimates. This risk adjustment represents the compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk. For reinsurance contracts held, the risk adjustment reflects that some of this uncertainty will be ceded to the reinsurer. The risk adjustment forms part of the fulfilment cash flows for a group of insurance contracts.

1. Summary of significant accounting policies (continued)

1.1 Basis of preparation (continued)

Best estimate of future cash flows

IFRS 17, indicates that estimates of future cashflows should:

- include all cash flows that are within the contract boundary;
- incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows;
- reflect the perspective of the Company, if estimates of any relevant market variables are consistent with observable market prices for those variables;
- be current; and
- be explicit.

The estimate of future cashflows should include all cash flows that are within the contract boundary. For the Company, the following cash flows are in scope under IFRS 17:

Liability for Remaining Coverage (LRC):

- Insurance premiums (includes premiums overdue, due and not yet due)
- Expected future incurred claims (including claims-related expenses)
- Expected future third-party recoveries and salvages (excluding reinsurance recoveries)
- Claims handling costs
- Insurance acquisition cash flows that are directly attributable to the portfolio
- Policy administration and maintenance costs
- An allocation of fixed and variable overheads directly attributable to insurance contracts.

Liability for Incurred Claims (LIC):

- The following claims-related cashflows need to be included:
  - Reported claims not yet paid (including claims-related expenses)
  - Incurred claims not yet reported which includes estimates of expected movements in reported claims not yet paid (including claims-related expenses (i.e. ALAE))
  - Claims payable (i.e. amounts where a credit note has been issued but physical payment has not yet been processed/made)
  - Claims handling costs
  - Policy administration and maintenance costs
  - An allocation of fixed and variable overheads directly attributable to insurance contracts.

The following cash flows shall not be included when estimating the cash flows that will arise as the Company fulfils an existing insurance contract:

- Investment returns
- Reinsurance cash flows (within the insurance cash flows)
- New business premiums.

Under the PAA, the calculation of fulfilment cash flows for the measurement of the liability for remaining coverage is only required if facts and circumstances indicate that the group of contracts is onerous. This creates a practical problem since modelled fulfilment cash flows are not available for contracts measured under the PAA. The Company will therefore use a combined ratio as a proxy for fulfilment cashflows, determined on the following basis (to ensure consistency with fulfilment cash flows):

- Based on expected claims and expenses rather than incurred amounts
- Includes an allowance for the risk adjustment
- Includes an allowance for directly attributable expenses (which includes a portion of overheads) as required by IFRS 17.

Cash flows within the boundary of insurance contracts

The Company includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums, or in which the Company has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation to provide insurance contract services ends when:

- The Company has the practical ability to reassess the risks of the policyholder and, as a result, can set a price or level of benefits that fully reflects those risks, or
- Both of the following criteria are satisfied:
  - The Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio
  - The pricing of the premiums up to the date when the risks are reassessed does not consider the risks that relate to periods after the reassessment date
- A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognised. Such amounts relate to future insurance contracts.

IFRS 17 has defined acquisition costs as the costs incurred in selling, underwriting, and starting a group of insurance contracts that are directly attributable to the portfolio of insurance contract. The insurance acquisition cashflows also include the allocation of insurance cash flows directly attributable to the portfolio to which the insurance contract belongs.

The Company is permitted to elect whether to recognise insurance acquisition cash flows as an expense when it incurs those costs or to include those cash flows within the liability for remaining coverage (and hence amortise those cash flows over the coverage period). The ability of a company to recognise insurance acquisition cash flows as an expense when it incurs those costs is available provided that the coverage period of each contract in the group on initial recognition is no more than one year. Otherwise, acquisition cash flows must be included within the liability for remaining coverage. The company has elected, where permitted, to expense insurance acquisition cash flows when incurred.

1. Summary of significant accounting policies (continued)

1.1 Basis of preparation (continued)

Risk Adjustment for non-financial risk

The risk adjustment reflects the compensation required for bearing the uncertainty about the amount and timing of future cash flows that arises from non-financial risk. It is calculated as a 75th percentile level of stress over a one-year period. The level of stress is determined with reference to external regulatory stresses and internal economic capital stresses.

Discount rates

The company will apply bottom-up discount rates for all groups of insurance and reinsurance contracts. Bottom-up discount rates are constructed using risk-free rates, plus an illiquidity premium, where applicable. Risk-free rates are determined by reference to the risk-free yield curve published by the prudential authority.

Loss component

A loss component represents a notional record of the losses attributable to each group of onerous insurance contracts (or contracts profitable at inception that have become onerous). The loss component is released based on a systematic allocation of the subsequent changes in the fulfilment cash flows to:
- the loss component; and
- the liability for remaining coverage excluding the loss component.

The loss component is also updated for subsequent changes in estimates of the fulfilment cash flows related to future service. The systematic allocation of subsequent changes to the loss component results in the total amounts allocated to the loss component being equal to zero by the end of the coverage period of a group of contracts (since the loss component will have been materialised in the form of incurred claims).

Under the PAA, if at any time during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, a company shall calculate the difference between:
- the carrying amount of the Liability for Remaining Coverage (LFRC); and
- the fulfilment cash flows that relate to remaining coverage of the group

To the extent that the fulfilment cash flows exceed the carrying amount of the LFRC, the Company shall recognise a loss in profit or loss and increase the LFRC.

Measurement in initial recognition

Under the PAA, on initial recognition, the carrying amount of the liability is:
- the premiums, if any, received at initial recognition;
- minus any insurance acquisition cash flows at that date, unless the Company chooses to recognise the payments as an expense applying paragraph 59(a); and
- plus, or minus any amount arising from the derecognition at that date of the asset or liability recognised for insurance acquisition cash flows.

Subsequent Measurement

At end of each subsequent reporting period, the carrying amount of the liability is the carrying amount at the start of the reporting period:
- plus, the premiums received in the period;
- minus insurance acquisition cash flows; unless the Company chooses to recognise the payments as an expense applying paragraph 59(a);
- plus any amounts relating to the amortisation of insurance acquisition cash flows recognised as an expense in the reporting period; unless the Company chooses to recognise insurance acquisition cash flows as an expense applying paragraph 59(a);
- plus any adjustment to a financing component, applying paragraph 56;
- minus the amount recognised as insurance revenue for coverage provided in that period (see paragraph B126); and
- minus any investment component paid or transferred to the liability for incurred claims.

Transition approaches

The IFRS 17 Standard for Hollard is applicable to annual periods beginning on or after 1 July 2023. However, the requirement for 2023 comparative information means that the IFRS 17 transition statement of financial position is required at 1 July 2022.

When determining the insurance liabilities at transition, the IFRS 17 Standard should be applied retrospectively as if it had always applied unless it is "impracticable" to do so based on the requirements in IAS 8: Accounting policies, Changes in Accounting Estimates and Errors. This retrospective approach is referred to as the full retrospective approach (FRA). Where it is impracticable to apply IFRS 17 retrospectively, various simplifications are permitted when adopting the modified retrospective approach (MRA) or fair value approach (FVA) provided that certain criteria have been met. The FVA has to be applied if there is no reasonable and supportable information to apply the MRA.

As IFRS 17 is applied retrospectively, the Company determined the transition approach at a group of insurance contracts level, depending on availability of reasonable and supportable historic information.

The company assessed that majority of its non-life (re-) insurance contracts issued and reinsurance contracts held in force as of the transition date is eligible for the application of PAA and applied PAA measurement for such contracts under IFRS 17. Due to their short-term nature such in-force contracts typically applied the full retrospective transition approach.

Presentation and disclosure

IFRS 17 will also affect the presentation of the revenue from the insurance contracts, which will no longer include gross written premium or investment components. Furthermore, the insurance revenue and insurance service expenses will be presented gross of reinsurance, with the reinsurance result included in the net expenses from reinsurance contracts held. The insurance and reinsurance contract liabilities are subject to discounting; the unwind of the discount will be part of the insurance finance expense or reinsurance finance income, rather than insurance service result. The amounts on the face of the profit or loss statement and statement of financial position will be supplemented by disclosures to explain the recognised amounts. Explanation of insurance amount recognised in profit or loss are as below:

1. Summary of significant accounting policies (continued)

1.1 Basis of preparation (continued)

Insurance revenue

Insurance revenue represents the changes in the liability for remaining coverage over the period for a group of insurance contracts excluding changes in the liability that do not relate to services expected to be covered by the consideration received. The consideration received refers to the amount of premiums paid to the Company, adjusted for the discounting effect and excluding any investment components. Investment components are amounts payable to the policyholder in all circumstances. The amount of insurance revenue recognised in the reporting period depicts the delivery of promised services at an amount that reflects the portion of premiums the Company expects to be entitled to in exchange for those services.

For contracts measured under the PAA, insurance revenue for the period is the amount of expected premium receipts allocated to the period based on the passage of time. However, if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then insurance revenue for the period is allocated based on the expected timing of incurred insurance service expenses.

Insurance service expenses

The main components of insurance profits recognised in insurance service expenses are:

- the actual incurred claims and administration expense cash flows (excluding amounts allocated to the loss component and excluding investment components payable in the period);
- actual incurred acquisition expense cash flows on insurance contracts measured under the PAA (where businesses do not elect to include these cash flows in the liability for remaining coverage);
- expected future losses on onerous groups of contracts;
- the changes in liability for incurred claims relating to past service; and
- the amortisation of insurance acquisition cash flows for contracts not measured under the PAA.

The expense cash flows refer only to expenses which are directly attributable to fulfilling the insurance contracts. Non-attributable expenses will be recognised separately in profit or loss.

The combined impact of insurance revenue and insurance service expenses will be presented as the insurance service result in profit or loss.

Income or expenses from reinsurance contracts

The company will present income or expenses from a group of reinsurance contracts held, other than insurance finance income or expenses, as a single amount.

Insurance finance income and expense

The company recognises all insurance finance income or expenses for the reporting period in profit or loss. The Company has therefore elected not to disaggregate insurance finance income or expenses between profit or loss and other comprehensive income.

Under the PAA, the effect of and changes in financial risk form part of the insurance finance income and expenses.

The changes in the risk adjustment for non-financial risk have been disaggregated between the insurance service result and insurance finance income and expenses.

Preliminary effects of the transition to IFRS 17

To adopt IFRS 17 in the consolidated financial statements, an IFRS 17 implementation programme has been operating since 2019. The programme made significant progress in 2022 to ensure operational readiness and financial analysis for the opening balance sheet reporting as of the transition date of 1 July 2022, which is the starting point for the comparative period information required by IFRS 17.

At the transition date, the Company assessed that majority of its non-life (re-) insurance contracts issued and reinsurance contracts held in force as of the transition date is eligible for the application of PAA and applied PAA measurement for such contracts under IFRS 17. Due to their short-term nature such in-force contracts typically applied the full retrospective transition approach.

At the transition date, the Company classified, recognised and measured its in-force business as if IFRS 17 had always been applied. The Company recognised and measured assets for insurance acquisition cash flows as if IFRS 17 had always been applied, except that the recoverability assessment was not applied before the transition date.

Furthermore, the Company reclassified all rights and obligations arising from portfolios of (re-)insurance contracts, such as:

- (re-)insurance-related receivables or payables;
- insurance acquisition cash flows, to be presented as (re-)insurance contract assets/liabilities; and
- portfolios of insurance contracts issued are presented separately from portfolios of reinsurance contracts held.

The Company assessed the impact that the initial application of IFRS 17 will have on its financial statements. The result of this exercise estimates a reduction of no more than R20 million in the Company’s equity attributable to the parent (capital and reserves) at 30 June 2022.

The transition calculations as reflected above are preliminary only, and is subject to change as:

- Certain accounting policy decisions and assumptions are still being concluded upon; and
- Not all systems and controls are operational.

Impact of changes in Tax Legislations

National Treasury (NT) promulgated the 2022 Taxation Laws Amendment Act (2022 TLAA) in January 2023, that was substantively enacted on December 22, 2022 and which contained changes to section 28 of the Income Tax Act to cater to the implementation of IFRS 17. The changes ensure that section 28 and section 29A is aligned to terminology and principles of IFRS 17.

1. Summary of significant accounting policies (continued)

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).

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 Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred. Depreciation on property and equipment is calculated using the straight-line method after allocating their cost to their residual values over their estimated useful lives. The assets residual values and useful lives are reviewed at each statement of financial position date and adjusted if appropriate. The expected useful lives are as follows:

Office equipment	20%
Computer equipment	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. Summary of significant accounting policies (continued)

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.

1.5 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 it's 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. Summary of significant accounting policies (continued)

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.

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 are 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, including money market securities held for investment.

1.15 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. At Group level, the accounting policy choice selected in terms of the write down in the excess of the carrying amount of scoped-in non-current assets is not to recognise the excess write down at all.

1.16 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.

1.17 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)

1.18 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.

1.19 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.

1.20 Policyholder insurance contracts

Cell captive shareholder liabilities

The Company operates cell captives on behalf of entities that wish to participate in the insurance result of a particular category of insured risk. Preference shares are issued to those participants giving them the rights to share in profits on an agreed basis. In prior years, the Company viewed the participants' share of profits, as non-controlling interests which were included in equity. After a review in the current year of the shareholder agreements underlying the preference shares, as well as considering how peer companies treat similar instruments, the Company presented the participants' share of profits as a financial liability and restated the comparative information. The Company concluded that the preference shares meet the definition of a financial liability as per IAS 32 Financial Instruments: Presentation. While the Company can defer the payment of dividends to meet its prudential regulatory capital requirements it remains contractually obligated to pay the profits as dividends in the future.

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)

1.21 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.

1.22 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.

1.23 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.

1.24 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.

1.25 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)

1.26 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.

1.27 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.

1.28 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.

1.29 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.

1.30 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 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 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 and Company's assets is disclosed in note 3 on pages 33 to 37 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 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 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 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)

b) interest rate 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 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	
	2023 R'000	Restated 2022 R'000	2023 R'000	Restated 2022 R'000
GROUP				
Other assets				
Financial assets at fair value through profit or loss – listed investments	28 495	29 360	–	–
Financial assets at fair value through profit or loss – unlisted investments	162 511	272 571	162 511	272 571
Financial assets at fair value through profit or loss – bonds	37 758	42 386	37 758	42 386
Financial assets at amortised cost**	273 894	356 354	273 894	356 354
Loans and other receivables	3 923	–	3 923	–
Cash and cash equivalents*	164 169	107 379	164 169	107 379
Non-current assets held for sale	2 959	–	–	–
Insurance assets				
Insurance receivables – premium debtors	14 302	40 390	14 302	40 390
Deferred acquisition costs	40 489	42 114	–	–
Reinsurance assets	14 238	70 448	14 238	70 448
Total	742 739	961 002	670 795	889 529
COMPANY				
Other assets				
Investment in subsidiaries	1 773	1 773	–	–
Financial assets at fair value through profit or loss – listed investments	28 495	29 360	–	–
Financial assets at fair value through profit or loss – unlisted investments	162 511	272 571	162 511	272 571
Financial assets at fair value through profit or loss – bonds	37 758	42 386	37 758	42 386
Financial assets at amortised cost*	273 894	356 354	273 894	356 354
Loans and other receivables	3 923	–	3 923	–
Cash and cash equivalents*	158 916	103 260	158 916	103 260
Non-current assets held for sale	2 959	–	–	–
Insurance assets				
Insurance receivables – premium debtors	13 885	39 805	13 885	39 805
Deferred acquisition costs	40 489	42 114	–	–
Reinsurance assets	14 238	70 448	14 238	70 448
Total	738 842	958 071	665 125	884 824

* *Refer to note 38 for the details on the restatements. The comparative information has been restated as result of prior period errors.*
** *Amortised cost approximates fair value.*

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	AA– R'000	A+ R'000	A R'000	A– R'000	BBB+ R'000	BBB R'000	BBB– R'000	BB+ R'000	BB R'000	BB– R'000	B+ R'000	B R'000	B– R'000	Not rated R'000	Total R'000
GROUP																	
2023																	
Other assets																	
Financial assets at fair value through profit or loss – unlisted investments	225	–	–	–	–	–	–	–	–	39 544	–	–	–	–	–	122 743	162 511
Financial assets at fair value through profit or loss – bonds	–	–	–	10 453	–	–	–	–	–	1 643	25 663	–	–	–	–	–	37 758
Financial assets at amortised cost	1 347	–	–	–	–	–	–	–	–	10 487	133 541	–	–	–	–	128 518	273 894
Loans and other receivables	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	3 923	3 923
Cash and cash equivalents	–	–	–	–	–	–	–	–	5 253	95	144 200	–	–	–	–	14 621	164 169
Insurance assets																	
Insurance receivables – premium debtors	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	14 302	14 302
Reinsurance assets	–	–	4 748	5 313	–	3 765	–	–	–	22	–	–	–	–	–	390	14 238
Total	1 572	–	4 748	15 766	–	3 765	–	–	5 253	51 792	303 404	–	–	–	–	284 497	670 975
Restated 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*	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	356 354	356 354
Cash and cash equivalents*	–	–	–	–	–	–	–	–	4 120	103 259	–	–	–	–	–	–	107 379
Insurance assets																	
Insurance receivables – premium debtors*	–	–	–	–	–	–	38	–	–	–	–	–	–	–	–	40 352	40 390
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	239 802	40 240	–	–	–	–	581 649	889 529

* *Refer to note 38 for the details on the restatements. The comparative information has been restated as a result of prior period errors.*

4. Risk management (continued)
4.1 Credit risk (continued)
Credit rating (continued)

	AA+ R'000	AA R'000	AA– R'000	A+ R'000	A R'000	A– R'000	BBB+ R'000	BBB R'000	BBB– R'000	BB+ R'000	BB R'000	BB– R'000	B+ R'000	B R'000	B– R'000	Not rated R'000	Total R'000
Total	–	1 698	5 883	7 293	–	8 803	38	–	4 120	326 663	101 780	–	–	–	–	431 122	889 529
COMPANY																	
2023																	
Other assets																	
Financial assets at fair value through profit or loss – unlisted investments	225	–	–	–	–	–	–	–	–	39 544	–	–	–	–	–	122 743	162 511
Financial assets at fair value through profit or loss – bonds	–	–	–	10 453	–	–	–	–	–	1 643	25 663	–	–	–	–	–	37 758
Financial assets at amortised cost	1 347	–	–	–	–	–	–	–	–	10 487	133 541	–	–	–	–	128 518	273 894
Loans and other receivables	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	3 923	3 923
Cash and cash equivalents	–	–	–	–	–	–	–	–	–	95	144 200	–	–	–	–	14 621	158 916
Insurance assets																	
Insurance receivables – premium debtors	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	13 885	13 885
Reinsurance assets	–	–	4 748	5 313	–	3 765	–	–	–	22	–	–	–	–	–	390	14 238
Total	1 572	–	4 748	15 766	–	3 765	–	–	–	51 792	303 404	–	–	–	–	284 080	665 127
Restated 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*	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	356 354	356 354
Cash and cash equivalents*	–	–	–	–	–	–	–	–	–	103 260	–	–	–	–	–	–	103 260
Insurance assets																	
Insurance receivables – premium debtors*	–	–	–	–	–	–	38	–	–	–	–	–	–	–	–	39 767	39 805
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	–	–	239 803	40 240	–	–	–	–	581 064	884 824

* *Refer to note 38 for the details on the restatements. The comparative information has been restated as a result of prior period errors.*

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'00
2023								
Financial assets at fair value through profit or loss – listed investments	**28 495**	**–**	**–**	**28 495**	**28 495**	**–**	**–**	**28 495**
Financial assets at fair value through profit or loss – unlisted investments	**162 511**	**–**	**–**	**162 511**	**162 511**	**–**	**–**	**162 511**
Financial assets at fair value through profit or loss – bonds	**37 758**	**–**	**–**	**37 758**	**37 758**	**–**	**–**	**37 758**
Financial assets at amortised cost	**273 894**	**–**	**–**	**273 894**	**273 894**	**–**	**–**	**273 894**
Loans and other receivables	**3 923**	**–**	**–**	**3 923**	**3 923**	**–**	**–**	**3 923**
Cash and cash equivalents	**164 169**	**–**	**–**	**164 169**	**158 916**	**–**	**–**	**158 916**
Total	**670 751**	**–**	**–**	**670 751**	**665 498**	**–**	**–**	**665 498**
Insurance receivables – premium debtors	**14 302**	**–**	**–**	**14 302**	**13 885**	**–**	**–**	**13 885**
Reinsurance assets	**14 238**	**–**	**–**	**14 238**	**14 238**	**–**	**–**	**14 238**
Total	**28 540**	**–**	**–**	**28 540**	**28 123**	**–**	**–**	**28 123**
Restated 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*	356 354	–	–	356 354	356 354	–	–	356 354
Cash and cash equivalents*	107 379	–	–	107 379	103 260	–	–	103 260
Total	808 049	–	–	808 049	803 930	–	–	803 930
Insurance receivables – premium debtors*	54 360	–	(13 970)	40 390	53 774	–	(13 970)	39 804
Reinsurance assets	57 246	13 202	–	70 448	57 246	13 202	–	70 448
Total	111 606	13 202	(13 970)	110 838	111 021	13 202	(13 970)	110 253

* *Refer to note 38 for the details on the restatements. The comparative information has been restated as a result of prior period errors.*

4. Risk management (continued)

4.1 Credit risk (continued)

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										
Reinsurance assets	–	–	–	13 202	13 202	–	–	–	13 202	13 202
	–	–	–	13 202	13 202	–	–	–	13 202	13 202

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	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Balance at the beginning of the year	34 547	36 882	34 547	36 882
– Collective impairment loss reversed	–	(2 336)	–	(2 336)
Balance at the end of the year	34 547	34 546	34 547	34 546

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							
2023							
Financial assets at fair value through profit or loss	228 765	228 765	151 462	1 643	–	39 544	36 116
Financial assets at amortised cost**	273 894	273 894	273 894	–	–	–	–
Reinsurance assets	14 238	14 239	–	14 239	–	–	–
Insurance, loans and other receivables	18 225	18 225	–	18 225	-	–	–
Deferred acquisition costs	40 489	40 489	–	40 489	–	–	–
Cash and cash equivalents	164 169	164 169	157 816	6 353	–	–	–
Total	**739 780**	**739 780**	**583 172**	**80 948**	**–**	**39 544**	**36 116**
Restated 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*	356 354	356 354	–	–	–	356 354	–
Reinsurance assets	70 448	70 448	–	57 246	–	13 202	–
Insurance, loans and other receivables*	40 390	40 390	–	40 390	–	–	–
Deferred acquisition costs	42 114	42 114	–	42 114	–	–	–
Cash and cash equivalents*	107 379	107 379	107 379	–	–	–	–
Total	961 002	961 002	409 310	144 447	1 677	379 872	25 696
COMPANY							
2023							
Financial assets at fair value through profit or loss	228 765	228 765	151 462	1 643	–	39 544	36 116
Financial assets at amortised cost**	273 894	273 894	273 894	–	–	–	–
Reinsurance assets	14 238	14 238	–	14 238	–	–	–
Insurance, loans and other receivables	17 809	17 809	–	17 809	–	–	–
Deferred acquisition costs	40 489	40 489	–	40 489	–	–	–
Cash and cash equivalents	158 916	158 916	157 816	1 100	–	–	–
Total	**734 111**	**734 111**	**583 172**	**75 279**	**–**	**39 544**	**36 116**
Restated 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*	356 354	356 354	–	–	–	356 354	–
Reinsurance assets	70 448	70 448	–	57 246	–	13 202	–
Insurance, loans and other receivables*	41 933	41 933	–	41 933	–	–	–
Deferred acquisition costs	42 114	42 114	–	42 114	–	–	–
Cash and cash equivalents*	103 260	103 260	103 260	–	–	–	–
Total	958 425	958 425	405 191	145 990	1 677	379 872	25 696

** Refer to note 38 for the details on the restatements. The comparative information has been restated as a result of prior period errors.*
*** Financial assets at amortised cost includes Money Market and treasury bills whose maturity exceeds 90 days.*

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	On demand	0 – 12 months R'000	1 – 2 years R'000	2 – 5 years R'000
GROUP						
2023						
Non-derivative financial liabilities						
Trade and other payables	**95 463**	**95 463**	**–**	**95 463**	**–**	**–**
Total	**95 463**	**95 463**	**–**	**95 463**	**–**	**–**
Restated 2022						
Non-derivative financial liabilities						
Trade and other payables*	88 504	88 504	–	88 504	–	–
Total	88 504	88 504	–	88 504	–	–
COMPANY						
2023						
Non-derivative financial liabilities						
Trade and other payables	**93 676**	**93 676**	**–**	**93 676**	**–**	**–**
Total	**93 676**	**93 676**	**–**	**93 676**	**–**	**–**
Restated 2022						
Non-derivative financial liabilities						
Trade and other payables*	86 694	86 694	–	86 694	–	–
Total	86 694	86 694	–	86 694	–	–

* *Refer to note 38 for the details on the restatements. The comparative information has been restated as a result of prior period errors.*

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				
2023				
Claims reported and loss adjustment expenses	**121 185**	**119 230**	**1 686**	**269**
Claims incurred but not yet reported	**11 478**	**11 418**	**52**	**8**
Unearned premium provision	**244 938**	**242 617**	**2 321**	**–**
Unexpired risk reserve	**3 599**	**3 564**	**35**	**–**
Reinsurance liabilities	**1 979**	**1 979**	**–**	**–**
	383 179	**378 808**	**4 094**	**278**
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

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:

	2023 Carrying amount R'000	Restated 2022 Carrying amount R'000
GROUP		
Variable rate instruments		
Cash and cash equivalents*	**164 169**	107 379
	164 169	107 379
COMPANY		
Variable rate instruments		
Cash and cash equivalents*	**158 916**	103 260
	158 916	103 260

* *Refer to note 38 for the details on the restatements. The comparative information has been restated as a result of prior period errors.*

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
	4% increase R'000	4% increase R'000
GROUP		
2023		
Cash and cash equivalents	**6 567**	**6 567**
	6 567	**6 567**
Restated 2022		
Cash and cash equivalents*	4 295	4 295
	4 295	4 295
COMPANY		
2023		
Cash and cash equivalents	**6 357**	**6 357**
	6 357	**6 357**
Restated 2022		
Cash and cash equivalents*	4 130	4 130
	4 130	4 130

* *Refer to note 38 for the details on the restatements. The comparative information has been restated as a result of prior period errors.*

The Group and Company's investment in long-term debt and fixed income securities is 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.

Sensitivity analysis – exposure to equity price risk

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

	2023			2022		
	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	**28 495**	**Listed – JSE**	**N/A**	29 360	Not listed	N/A
Preference shares	**15 477**	**Not listed**	**N/A**	17 653	Not listed	N/A
	43 972			47 012		

4. Risk management (continued)

4.3 Market risk (continued)

Sensitivity analysis – index exposure

All of the Group and Company's listed equity investments are listed on the JSE Limited. For such investments a 5% 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				
2023				
Preference shares – listed – JSE	**1 425**	**1 425**	**1 425**	**1 425**
Preference shares – not listed	**774**	**774**	**774**	**774**
	2 199	**2 199**	**2 199**	**2 199**
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

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	
	2023 R'000	Restated 2022 R'000	2023 R'000	Restated 2022 R'000
Financial assets at fair value through profit or loss	**34 501**	19 895	**34 189**	19 755
Financial assets at amortised cost	**17 517**	14 404	**17 517**	14 404
Net gain on financial assets as at fair value through profit or loss*	**14 440**	18 481	**14 440**	19 290
Financial income	**66 458**	52 780	**66 146**	53 449
Interest expense on financial liabilities measured at amortised cost	**(540)**	51	**(540)**	51
Net fee costs from third parties in respect of holding financial assets	**–**	–	**–**	–
Financial expense	**(540)**	51	**(540)**	51
Net financial income	**65 918**	52 831	**65 606**	53 500
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	**52 018**	34 299	**51 706**	34 159
Total interest expense	**(540)**	51	**(540)**	51
Net interest income	**51 478**	34 350	**51 166**	34 210

* *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:

	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Impairment of other loans and receivables				
Impairment of premium debtors				
– Impairment reversed/(recognised)	–	(2 336)	–	(2 336)
Impairment losses	**–**	(2 336)	**–**	(2 336)

5. Investment properties

	GROUP 2023 R'000	GROUP 2022 R'000	COMPANY 2023 R'000	COMPANY 2022 R'000
Investment Property – land and buildings – cost	18 900	18 900	–	2 400
Investment Property – land and buildings – revaluation	(5 710)	(5 711)	–	559
Fair value on investment properties	13 190	16 149	–	2 959
Reconciliation of movement on fair value amount:				
Balance at the beginning of the year	13 190	16 959	–	2 959
Unrealised gain or losses on assets at fair value through profit or loss	–	(810)	–	–
Balance at the end of the year	13 190	16 149	–	2 959

Investment property consists of:

- Property situated in Irene Extension 3 Pretoria. The cost of the property is R19 million and the market value is R13 million (2022: R16 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 2023 R'000	GROUP 2022 R'000	COMPANY 2023 R'000	COMPANY 2022 R'000
Cost				
Leasehold improvements	3 152	3 152	3 152	3 152
Office equipment	–	11 223	–	11 223
Office equipment	–	1 369	–	1 369
Computer hardware	–	108	–	108
Furniture and fittings	–	9 746	–	9 746
Property and equipment – cost	3 152	14 375	3 152	14 375
Accumulated depreciation				
Leasehold improvements	(2 517)	(2 461)	(2 517)	(2 461)
Office equipment	–	(11 223)	–	(11 223)
Office equipment	–	(1 369)	–	(1 369)
Computer hardware	–	(108)	–	(108)
Furniture and fittings	–	(9 746)	–	(9 746)
Property and equipment – accumulated depreciation and impairment	(2 517)	(13 684)	(2 517)	(13 684)
Net carrying amount				
Leasehold improvements	635	691	635	691
Property and equipment – carrying value	635	691	635	691
Reconciliation of movement on net carrying amount:				
Balance at the beginning of the year	691	947	691	947
Leasehold improvements	(56)	(214)	(56)	(214)
Office equipment	–	(6)	–	(6)
Computer hardware	–	(36)	–	(36)
Balance at the end of the year	635	691	635	691

7. Non-current assets held for sale

	GROUP AND COMPANY	
	2023 R'000	2022 R'000
Property – land and buildings	**2 959**	–
Fair value on land and buildings held for sale	**2 959**	–
Reconciliation of movement on fair value amount:		
Property – land and buildings	**2 959**	–
Balance at the end of the year	**2 959**	–

Non-current assets held for sale:

- The Property situated on ERF 35325 Belville Cape Town was reclassified as held for sale. The cost of the property is R3 million and the market value is R3 million (2022: Rnil).

The property above is classified as held for sale as the intention is to sell this asset. A buyer has been identified and the sale and purchase agreements have concluded. The sale was finalised in July 2023.

8. Intangible assets

	GROUP AND COMPANY	
	2023 R'000	2022 R'000
Cost		
Acquired rights over books of business	**900**	900
Intangible assets – cost	**900**	900
Net carrying amount		
Acquired rights over books of business	**900**	900
Intangible assets	**900**	900
Reconciliation of movement on net carrying amount:		
Balance at the beginning of the year	**900**	900
Balance at the end of the year	**900**	900

The Group and 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 2023 R'000	COMPANY 2022 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 2023 %	Proportion held 2022 %	2023 Shares R'000	2023 Indebted-ness R'000	2022 Shares R'000	2022 Indebted-ness 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		COMPANY	
	2023 R'000	Restated 2022 R'000	2023 R'000	Restated 2022 R'000
Financial assets at fair value through profit or loss	**228 765**	344 316	**228 765**	344 316
Financial assets at amortised cost*	**273 894**	356 354	**273 894**	356 354
	502 659	700 670	**502 659**	700 670
Current*	**427 000**	645 329	**427 000**	645 329
Non-current	**75 659**	55 341	**75 659**	55 341
	502 659	700 670	**502 659**	700 670
Financial assets at fair value through profit or loss				
Listed investments	**28 495**	29 360	**28 495**	29 360
Unlisted investments	**162 511**	272 571	**162 511**	272 571
Bonds	**37 758**	42 385	**37 758**	42 385
	228 764	344 316	**228 764**	344 316
An analysis of the Group and Company's financial assets by market sector and maturity spread is provided below:				
Listed investments				
At market value	**28 495**	29 360	**28 495**	29 360
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	**162 511**	272 571	**162 511**	272 571
	%	%	**%**	%
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	**191 006**	301 931	**191 006**	301 931
Bonds				
Bonds and other assets at amortised cost by industry	**37 758**	42 385	**37 758**	42 385
	%	%	**%**	%
Banks	**100,00**	100,00	**100,00**	100,00
	100,00	100,00	**100,00**	100,00

* *Refer to note 38 for the details on the restatements. The comparative information has been restated as a result of prior period errors.*

10. Financial assets (continued)

	Maturity spread R'000	Maturity spread %
GROUP AND COMPANY		
Bonds		
An analysis of debt securities by maturity spread for 2023		
0 – 1 year	**1 643**	**4,35**
1 – 2 years	**–**	**–**
2 – 5 years	**–**	**–**
More than 5 years	**36 115**	**95,65**
	37 758	**100,00**
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

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	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									
2023									
Assets									
Financial assets	228 765	–	273 894	–	502 659	–	–	502 659	502 659
Reinsurance assets	–	–	–	–	–	14 238	–	14 238	14 238
Insurance, loans and other receivables	–	–	–	–	–	9 068	9 157	18 225	18 225
Deferred acquisition costs	–	–	–	–	–	40 489	–	40 489	40 489
Cash and cash equivalents	–	–	158 916	–	158 916	–	5 253	164 169	164 169
Non-current assets held for sale	2 959	–	–		2 959	–	–	2 959	2 959
Total	231 724	–	432 810	–	664 534	63 795	14 410	742 739	742 739
Liabilities									
Insurance liabilities	–	–	–	–	–	219 013	–	219 013	219 013
Reinsurance liabilities	–		–	–	–	156	–	156	156
Employee benefits	–		–	–	–	–	204	204	204
Trade and other payables	–	–	–	–	–	18 716	76 741	95 463	95 463
Total	–		–	–	–	237 885	76 945	314 837	314 837
Restated 2022									
Assets									
Financial assets*	683 018	–	17 653	–	700 670	–	–	700 670	700 670
Reinsurance assets	–		–	–	–	70 448	–	70 448	70 448
Insurance, loans and other receivables*	–		–	–	–	–	40 390	40 390	40 390
Deferred acquisition costs	–		–	–	–	42 114	–	42 114	42 114
Cash and cash equivalents*	–	–	107 379	–	107 379	–	–	107 379	107 379
Total	683 018	–	125 032	–	808 049	112 562	40 390	961 001	961 001
Liabilities									
Insurance liabilities*	–		–	–	–	348 080	–	348 080	348 080
Reinsurance liabilities	–		–	–	–	21 963	–	21 963	21 963
Employee benefits	–		–	–	–	–	715	715	715
Trade and other payables*	–		–	–	–	–	88 504	88 504	88 504
Total	–		–	–	–	370 043	89 219	459 262	459 262

* *Refer to note 38 for the details on the restatements. The comparative information has been restated as a result of prior period errors.*

10. Financial assets (continued)

Categories and classes of financial and insurance assets and liabilities (continued)

	Fair value through profit or loss R'000	Loans and receivables	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									
2023									
Assets									
Investment in subsidiaries	1 773	–	–	–	1 773	–	–	1 773	1 773
Financial assets	228 765	–	273 894	–	502 659	–	–	502 659	502 659
Reinsurance assets	–		–	–	–	14 238	–	14 238	14 238
Insurance, loans and other receivables	–		–	–	–	9 068	8 743	17 808	17 808
Deferred acquisition costs	–		–	–	–	40 489	–	40 489	40 489
Cash and cash equivalents	–	–	158 916	–	158 916	–	–	158 916	158 916
Non-current assets held for sale	2 959		–	–	2 959	–	–	2 959	2 959
Total	**233 497**	**–**	**432 810**	**–**	**666 307**	**63 795**	**8 743**	**738 842**	**738 842**
Liabilities									
Insurance liabilities	–		–	–	–	219 013	–	219 013	219 013
Reinsurance liabilities	–		–	–	–	156	–	156	156
Employee benefits	–		–	–	–	–	204	204	204
Trade and other payables	–		–	–	–	18 716	74 960	93 676	93 676
Total	**–**		**–**	**–**	**–**	**237 885**	**75 164**	**313 050**	**313 050**
Restated 2022									
Assets									
Investment in Subsidiaries	1 773		–	–	1 773	–	–	1 773	1 773
Financial assets*	344 316	–	356 354	–	700 670	–	–	700 670	700 670
Reinsurance assets	–		–	–	–	70 448	–	70 448	70 448
Insurance, loans and other receivables*	–		–	–	–	–	39 805	39 805	39 805
Deferred acquisition costs	–		–	–	–	42 114	–	42 114	42 114
Cash and cash equivalents*	–		103 260	–	103 260	–	–	103 260	103 260
Total	346 090	–	459 613	–	805 703	112 562	39 805	958 070	958 070
Liabilities									
Insurance liabilities*	–		–	–	–	348 080	–	348 080	348 080
Reinsurance liabilities	–		–	–	–	21 963	–	21 963	21 963
Employee benefits	–		–	–	–	–	715	715	715
Trade and other payables*	–		–	–	–	–	86 694	86 694	86 694
Total	–		–	–	–	370 043	87 409	457 452	457 452

* *Refer to note 38 for the details on the restatements. The comparative information has been restated as a result of a prior period errors.*

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				
2023				
Financial assets carried at fair value through profit or loss				
Listed investments	**28 495**	**–**	**–**	**28 495**
Unlisted investments	**–**	**162 511**	**–**	**162 511**
Bonds	**–**	**37 758**	**–**	**37 758**
	28 495	**200 270**	**–**	**228 765**
2022				
Financial assets carried at fair value through profit or loss				
Listed investments	29 360	–	–	29 360
Unlisted investments	–	272 571	–	272 571
Bonds	–	42 386	–	42 386
	29 360	314 957	–	344 316
COMPANY				
2023				
Financial assets carried at fair value through profit or loss				
Interest in subsidiaries	**–**	**–**	**1 773**	**1 773**
Listed investments	**28 495**	**–**	**–**	**28 495**
Unlisted investments	**–**	**162 511**	**–**	**162 511**
Bonds	**–**	**37 758**	**–**	**37 758**
	28 495	**200 270**	**1 773**	**230 538**
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
Total	29 360	314 956	1 773	346 089

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 11.74% (R2 035). 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			
2023			
Financial assets at fair value through profit or loss			
Interest in subsidiaries	**1 773**	**35**	**(35)**
Total	**1 773**	**35**	**(35)**
2022			
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		COMPANY	
	2023 R'000	Restated 2022 R'000	2023 R'000	Restated 2022 R'000
Insurance receivables – premium debtors	18 225	40 390	17 808	39 805
Total insurance and other receivables*	18 225	40 390	17 808	39 805

* *Refer to note 38 for the details on the restatements. The comparative information has been restated as a result of prior period errors.*

12. Deferred taxation

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Deferred income tax assets				
Deferred income tax to be recovered within 12 months	–	9 458	–	9 458
Deferred income tax to be recovered after 12 months	(4 687)	(1 042)	(4 687)	(1 042)
Deferred income tax assets	(4 687)	8 416	(4 687)	8 416
Balance at the beginning of the year	8 416	15 832	8 416	15 832
Movement during the year attributed to:				
Prior year adjustments	–	(726)	–	(726)
Provisions	(3 246)	(3 525)	(3 246)	(3 525)
Unrealised gain or losses on assets at fair value through profit or loss	(483)	(3 165)	(483)	(3 165)
Balance at the end of the year	4 687	8 416	4 687	8 416
Balance comprises:				
Provisions	(6 212)	9 458	(6 212)	9 458
Unrealised gain or losses on assets at fair value through profit or loss	1 525	(1 042)	1 525	(1 042)
Balance comprises:	(4 687)	8 416	(4 687)	8 416
Deferred income tax liabilities				
Deferred income tax to be recovered after 12 months	887	824	–	–
Deferred income tax liabilities	887	824	–	–
Balance at the beginning of the year	824	1 647	–	–
Movement during the year attributed to:				
Unrealised gain or losses on assets at fair value through profit or loss	63	(823)	–	–
Balance at the end of the year	887	824	–	–
Balance comprises:				
Provisions	63	266	–	–
Unrealised gain or losses on assets at fair value through profit or loss	824	558	–	–
Deferred income tax – balance	887	824	–	–

13. Cash and cash equivalents

	GROUP		COMPANY	
	2023 R'000	Restated 2022 R'000	2023 R'000	Restated 2022 R'000
Cash on call	34 614	15 073	34 614	15 074
Cash at bank	129 555	73 156	124 302	69 036
Cash on deposit	–	19 150	–	19 150
Cash and cash equivalents*	164 169	107 379	158 916	103 260

* *Refer to note 38 for the details on the restatements. The comparative information has been restated as a result of prior period errors.*

14. Share capital and premium

	GROUP 2023 R'000	GROUP 2022 R'000	COMPANY 2023 R'000	COMPANY 2022 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 2023 R'000	GROUP Restated 2022 R'000	COMPANY 2023 R'000	COMPANY Restated 2022 R'000
Gross				
Claims reported and loss adjustment expenses	93 047	228 208	93 048	228 208
Claims incurred but not yet reported	3 181	(23 443)	3 181	(23 443)
Unearned premium provision	120 986	141 516	120 986	141 515
Unexpired risk reserve	1 799	1 799	1 799	1 799
Total gross insurance liabilities	219 013	348 081	219 013	348 081
Recoverable from reinsurers				
Claims reported and loss adjustment expenses	1 960	23 108	1 960	23 108
Claims incurred but not yet reported	309	438	309	438
Unearned premium provision	4 671	5 116	4 671	5 116
Reinsurance recoveries	7 299	41 786	7 299	41 786
Total reinsurers' share of insurance liabilities	14 238	70 448	14 238	70 448
Net				
Claims reported and loss adjustment expenses	91 087	205 100	91 087	205 100
Claims incurred but not yet reported	2 872	(23 881)	2 872	(23 881)
Unearned premium provision	116 315	136 400	116 315	136 400
Unexpired risk reserve	1 799	1 799	1 799	1 799
Reinsurance recoveries	(7 299)	(41 786)	(7 299)	(41 786)
Total insurance liabilities – net	204 774	277 633	204 774	277 632

15. Insurance liabilities and reinsurance assets (continued)

Movement in insurance liabilities and reinsurance assets

	2023			Restated 2022		
		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	228 208	23 108	205 100	181 479	23 987	157 491
Claims paid	104 752	(21 244)	125 996	(609 886)	5 809	(615 695)
Claims raised	(239 913)	96	(240 009)	656 615	(6 688)	663 303
Balance at the end of the year	93 047	1 960	91 087	228 208	23 108	205 100
Claims incurred but not yet reported						
GROUP AND COMPANY						
Balance at the beginning of the year	(23 442)	438	(23 880)	(28 415)	267	(28 682)
Movement for the year	26 623	(129)	26 752	4 972	171	4 801
Balance at the end of the year	3 181	309	2 872	(23 443)	438	(23 881)
Unearned premium provision						
GROUP AND COMPANY						
Balance at the beginning of the year	141 515	5 116	136 399	86 465	104	86 361
Movement for the year	(20 529)	(445)	(20 084)	55 051	5 012	50 039
Balance at the end of the year	120 986	4 671	116 315	141 516	5 116	136 400
Unexpired risk reserve						
GROUP AND COMPANY						
Balance at the beginning of the year	1 799	–	1 799	2 069	–	2 069
Movement for the year	–	–	–	(270)	–	(270)
Balance at the end of the year	1 799	–	1 799	1 799	–	1 799
Reinsurance recoveries						
GROUP AND COMPANY						
Balance at the beginning of the year	–	41 786	(41 786)	–	(1 345)	1 345
Movement for the year	–	49 085	(49 085)	–	43 131	(43 131)
Balance at the end of the year	–	7 299	(7 299)	–	41 786	(41 786)
Total						
GROUP AND COMPANY						
Balance at the beginning of the year	348 080	(13 124)	361 204	241 598	23 013	218 584
Claims paid	104 752	(21 244)	125 996	(609 886)	5 809	(615 695)
Claims raised	(239 913)	96	(240 009)	656 615	(6 688)	663 303
Movement for the year	6 094	48 511	(42 417)	59 754	48 314	11 441
Balance at the end of the year*	219 013	14 239	204 774	348 081	70 448	277 633

* *Refer to note 38 for the details on the restatements. The comparative information has been restated as a result of prior period errors.*

	GROUP AND COMPANY	
	2023 R'000	2022 R'000
Gross written premiums per class of business		
Property	32 748	26 887
Transportation	18 183	85 145
Motor	247 355	630 047
Accident and health	1 404	1 355
Guarantee	108 032	109 288
Liability	260	222
Miscellaneous	122 023	143 574
Total	530 005	996 518

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

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

Accident

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

Personal accident

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

Motor

Provides/provides indemnity for loss 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

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

Marine

Provide/provides indemnity for both cargo and hull classes of business. Cargo covers physical loss of or damage to cargo, 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

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

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

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	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
Deferred commission and acquisition costs	**40 489**	42 114	**40 489**	42 114
Current	**40 489**	42 114	**40 489**	42 114
Reconciliation of changes in acquisition costs				
Balance at the beginning of the year	**42 114**	706	**42 114**	706
Acquisition costs deferred during the year	**40 489**	42 114	**40 489**	42 114
Acquisition costs expensed during the year	**(42 114)**	(706)	**(42 114)**	(706)
Balance at the end of the year	**40 489**	42 114	**40 489**	42 114

17. Claims development tables

		Claims paid in respect of:						
Reporting year	Total R'000	**2023 R'000**	2022 R'000	2021 R'000	2020 R'000	2019 R'000	2018 R'000	2017 R'000
Gross actual claims costs								
2023	193 496	**191 072**	10 283	(2 661)	(2 354)	(2 055)	(1 231)	441
2022	568 400	**–**	544 203	32 040	(5 248)	(844)	(1 764)	14
2021	476 509	**–**	–	444 263	39 819	(7 214)	(363)	3
2020	439 331	**–**	–	–	401 648	49 361	(11 630)	(48)
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	2 647 310	**191 072**	554 487	473 642	433 865	469 015	258 215	267 015
Net actual claims costs								
2023	192 202	**189 845**	10 217	(2 661)	(2 354)	(2 055)	(1 231)	441
2022	535 854	**–**	513 467	30 230	(5 248)	(844)	(1 764)	14
2021	480 225	**–**	–	447 674	40 125	(7 214)	(363)	3
2020	436 987	**–**	–	–	399 561	49 104	(11 630)	(48)
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	2 457 698	**189 845**	523 685	475 243	432 084	330 748	240 916	265 179

18. Provisions

	Leave pay R'000	Bonus R'000	Provisions R'000
GROUP and COMPANY			
2023			
Balance at the beginning of the year	**(198)**	**913**	**715**
Provisions raised during the year	**402**	**–**	**402**
Utilised during the year	**–**	**(913)**	**(913)**
Balance at the end of the year	**204**	**–**	**204**
2022			
Balance at the beginning of the year	1 909	6 593	8 502
Provisions raised 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

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 five-days' leave (taxed) in a leave cycle. When employees who have leave due to them cease their employment with the Group, all accumulated and accrued leave is paid to them at the current total cost to company rate as part of their final salary payment, limited to a maximum number of 25 days.

The Group's and Company's provision for leave pay amounted to R204 000 (2022: 198 000) 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 Rnil (2022: R913 000) at the statement of financial position date.

19. Cell captive shareholder liability

	GROUP		COMPANY	
	2023 R'000	Restated 2022 R'000	2023 R'000	Restated 2022 R'000
Reconciliation of cell captive shareholders' interest				
Balance at beginning of the year	**204 484**	221 990	**204 484**	221 990
Profits attributable to cells	**109 540**	88 897	**109 540**	88 897
Dividends paid	**(161 890)**	(149 067)	**(161 890)**	(149 067)
Capital Movement	**8 624**	42 664	**8 624**	42 664
Balance at the year-end*	**160 758**	204 484	**160 758**	204 484

* *Refer to note 38 for the details on the restatements. The comparative information has been restated as a result of prior period errors.*

Hollard Specialist Insurance Limited operates third-party 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 right to share in profits on an agreed basis.

20. Trade and other payables

	GROUP		COMPANY	
	2023 R'000	Restated 2022 R'000	2023 R'000	Restated 2022 R'000
Trade payables	**3 183**	3 422	**1 275**	1 493
Sundry creditors	**34 852**	82 612	**34 973**	82 731
Due to group company	**57 428**	2 470	**57 428**	2 470
Trade and other payables*	**95 463**	88 504	**93 676**	86 693

* *Refer to note 38 for the details on the restatements. The comparative information has been restated as a result of prior period errors.*

21. Net premium income

	GROUP 2023 R'000	GROUP 2022 R'000	COMPANY 2023 R'000	COMPANY 2022 R'000
Recurring premiums	492 016	983 415	492 016	983 415
Reinsurance premiums inwards	37 990	13 103	37 990	13 103
Gross written premiums	530 006	996 518	530 006	996 518
Reinsurance outwards	(3 409)	(17 219)	(3 409)	(17 219)
Group reinsurance outwards – Facultative	(74)	(490)	(74)	(490)
Group reinsurance outwards – Non-proportional	251	(12 431)	251	(12 431)
Group reinsurance outwards – Proportional	(3 586)	(4 298)	(3 586)	(4 298)
Change in unearned premium reserve	19 837	77	19 837	77
Gross amount	20 284	(1 353)	20 284	(1 353)
Reinsurer share	(447)	1 430	(447)	1 430
Net premium income	**546 435**	**979 376**	**546 435**	**979 376**

Net premium income represents income from insurance contracts only. Items of income and expenses in respect of investment contracts are excluded from the income statement and are accounted for directly against the liability under these contracts in the statement of finance position. Refer to the details of the movement in policyholder liabilities under investment contracts.

22. Dividends and interest

	GROUP 2023 R'000	GROUP 2022 R'000	COMPANY 2023 R'000	COMPANY 2022 R'000
Interest received				
Interest received – financial assets at amortised cost	17 517	14 404	17 517	14 404
Interest received on call deposits	17 517	14 404	17 517	14 404
Interest received – financial assets at fair value through profit or loss	34 501	19 895	34 189	19 755
Interest received on investments	21 825	16 245	21 810	16 105
Interest received from bank	4 110	2 974	4 110	2 974
Interest received on call deposits	8 566	676	8 269	676
Total interest received	52 018	34 299	51 706	34 159
Dividends received				
Dividends received – listed	2 258	2 616	2 258	2 616
Dividends received – unlisted	2 926	2 117	2 926	2 117
Total dividends received	5 184	4 733	5 184	4 733
Total interest received and dividend income	57 202	39 032	56 890	38 892
Interest paid				
Interest paid – general	540	(51)	540	(51)
Total interest paid	540	(51)	540	(51)

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

	GROUP 2023 R'000	GROUP 2022 R'000	COMPANY 2023 R'000	COMPANY 2022 R'000
Unlisted investments	766	1 023	766	1 023
Listed investments	–	(311)	–	(311)
Net realised (losses)/profits on fair value through profit or loss	766	712	766	712

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

	GROUP 2023 R'000	GROUP 2022 R'000	COMPANY 2023 R'000	COMPANY 2022 R'000
Unlisted investments	9 355	(1 789)	9 355	(980)
Listed investments	(865)	14 825	(865)	14 825
Net unrealised profits/(losses) on fair value through profit or loss assets	8 490	13 036	8 490	13 845

25. Profit before taxation

	2023			2022		
	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	396	1 188	1 584	1 573	4 720	6 293
Bonus and performance related payments	2 570	7 710	10 280	454	1 361	1 815
Estimated monetary value of other benefits	8	24	32	32	97	129
Pension/provident fund contributions	45	135	180	178	534	712
	3 019	9 057	12 076	2 237	6 712	8 949
Director B						
Basic salary	1 065	3 195	4 260	970	2 910	3 880
Bonus and performance related payments	1 606	4 818	6 424	272	815	1 087
Estimated monetary value of other benefits	47	141	188	44	132	176
Pension/provident fund contributions	124	372	496	113	338	451
	2 842	8 526	11 368	1 399	4 195	5 594
Director C						
Basic salary	1 641	4 923	6 564	1 155	3 464	4 618
Bonus and performance related payments	2 142	6 426	8 568	569	1 708	2 277
Estimated monetary value of other benefits	51	153	204	47	142	189
Pension/provident fund contributions	188	564	752	134	401	534
	4 022	12 066	16 088	1 905	5 714	7 618
Director D						
Basic salary	969	2 907	3 876	829	2 487	3 316
Bonus and performance related payments	1 178	3 534	4 712	301	903	1 204
Estimated monetary value of other benefits	114	342	456	79	237	316
Pension/provident fund contributions	115	345	460	100	300	400
	2 376	7 128	9 504	1 309	3 928	5 237
Non-executive directors						
Director A	371	1 113	1 484	338	1 014	1 352
Director B	192	576	768	228	684	912
Director C	164	492	656	153	459	612
Director D	234	702	936	209	627	836
Director E	298	894	1 192	283	849	1 132
Director F	151	453	604	142	426	568
Director G	185	555	740	169	507	676
	1 595	4 785	6 380	1 522	4 566	6 088
Prescribed officers						
Prescribed officer A						
Basic salary	853	2 559	3 412	807	2 421	3 228
Bonus and performance related payments	1 178	3 534	4 712	293	879	1 172
Estimated monetary value of other benefits	84	252	336	87	261	348
Pension/provident fund contributions	103	309	412	99	297	396
	2 218	6 654	8 872	1 286	3 858	5 144
Prescribed officer B						
Basic salary	806	2 418	3 224	765	2 295	3 060
Bonus and performance related payments	899	2 697	3 596	223	669	892
Estimated monetary value of other benefits	13	39	52	13	39	52
Pension/provident fund contributions	90	270	360	86	258	344
	1 808	5 424	7 232	1 087	3 261	4 348
Prescribed officer C						
Basic salary	654	1 962	2 616	597	1 791	2 388
Bonus and performance related payments	642	1 926	2 568	160	480	640
Estimated monetary value of other benefits	63	189	252	84	252	336
Pension/provident fund contributions	79	237	316	75	225	300
	1 438	4 314	5 752	916	2 748	3 664

25. Profit before taxation (continued)

	2023			2022		
	Company R'000	Rest of Group R'000	Total R'000	Company R'000	Rest of Group R'000	Total R'000
Prescribed officer D						
Basic salary	841	2 523	3 364	807	2 421	3 228
Bonus and performance related payments	1 375	4 125	5 500	223	669	892
Estimated monetary value of other benefits	59	177	236	52	156	208
Pension/provident fund contributions	99	297	396	95	285	380
	2 374	7 122	9 496	1 177	3 531	4 708
Prescribed officer E						
Basic salary	952	2 856	3 808	907	2 721	3 628
Bonus and performance related payments	1 071	3 213	4 284	113	339	452
Estimated monetary value of other benefits	7	21	28	6	18	24
Pension/provident fund contributions	107	321	428	101	303	404
	2 137	6 411	8 548	1 127	3 381	4 508
Directors and prescribed officers' emoluments	23 829	71 487	95 316	13 965	41 894	55 859

25. Profit before taxation (continued)

	GROUP		COMPANY	
	2023 R'000	Restated 2022 R'000	2023 R'000	Restated 2022 R'000
Auditor's remuneration				
Audit fees	3 827	3 710	3 779	3 674
	3 827	3 710	3 779	3 674
Depreciation – property and equipment				
Leasehold improvements	56	214	56	214
Office equipment	–	42	–	42
	56	256	56	256
Expenses for the acquisition of insurance contracts				
Commission	73 054	130 276	73 054	130 276
Other expenditure				
Staff remuneration	3 852	2 175	3 852	2 175
(Reversal)/write-off of premium debtors	(426)	(1 271)	(426)	(1 271)
Administration fees paid	64 773	80 149	64 773	80 149
Professional fees	7 857	5 577	7 796	5 552
Operating lease rentals – building	–	292	–	292
Operating lease rentals – computer	33	300	33	300
Profit attributable to cell captive shareholders*	109 540	88 897	109 540	88 897

* *Refer to note 38 for the details on the restatements. The comparative information has been restated as a result of prior period errors.*

26. Taxation

	GROUP		COMPANY	
	2023 R'000	Restated 2022 R'000	2023 R'000	Restated 2022 R'000
South African normal taxation				
Current year	39 523	68 976	39 186	68 442
Deferred tax expense				
Current year	3 791	6 592	3 729	7 416
Taxation	43 314	75 568	42 915	75 858
All taxation is payable in respect of continuing operations				
Tax rate reconciliation:	%	%	%	%
Tax calculated at standard rate of South African tax on earnings	27	28	27	28
Adjusted for:				
– Normal taxation – prior year	–	0,11	–	0,11
– Exempt income on dividends not taxable	(0,74)	(0,48)	(0,74)	(0,48)
– Realised gains not taxable	(0,02)	(0,01)	(0,02)	(0,01)
– Unrealised gains not taxable	(0,05)	(0,28)	(0,05)	(0,29)
– Other non-taxable income/non-deductible expenses	(0,77)	0,12	(0,77)	0,12
– Other	1,73	–	0,04	–
– Prior year (over)/underprovision	–	(0,24)	–	–
Tax rate reconciliation	27,15	27,22	25,46	27,45

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

	GROUP		COMPANY	
	2023 R'000	Restated 2022 R'000	2023 R'000	Restated 2022 R'000
Profit before tax*	86 213	181 868	84 806	180 686
Adjustments for:				
Depreciation	56	256	56	256
Loss/(profit) on disposal of Investments	(766)	(712)	(766)	(712)
Net interest and dividend Income	(56 662)	(39 083)	(56 350)	(38 943)
Unrealised (loss)/gain on revaluation of listed investments	865	(14 825)	865	(14 825)
Unrealised (loss)/gain on revaluation of unlisted investments	(9 355)	1 789	(9 355)	980
Operating cash flows before working capital changes	**20 351**	129 293	**19 256**	127 442
Working capital changes	66 834	89 010	66 689	89 316
(Increase)/decrease in insurance receivables, loans and other receivables*	22 165	(13 608)	21 997	(13 218)
Increase/(decrease) in other provisions	(511)	(7 787)	(511)	(7 787)
Increase/(decrease) in cell captive liabilities*	109 291	88 897	109 291	88 897
(Increase)/decrease in reinsurance assets	56 210	(47 435)	56 210	(47 435)
(Increase)/decrease in deferred acquisition costs	1 625	(41 408)	1 625	(41 408)
(Decrease)/increase in reinsurance liabilities	(21 807)	9 717	(21 807)	9 717
Increase/(decrease) in net outstanding claims and IBNR	(87 010)	38 806	(87 010)	(38 716)
Increase/(decrease) in unearned premiums	(20 085)	54 782	(20 085)	54 782
Increase/(decrease) in trade and other accounts payable and employee benefits*	6 956	7 047	6 979	7 052
Cash generated from operations	**87 185**	218 303	**85 945**	216 758

* *Refer to note 38 for the details on the restatements. The comparative information has been restated as a result of prior period errors.*

28. Dividends paid

	GROUP AND COMPANY	
	2023 R'000	Restated 2022 R'000
Amount declared in statement of changes in equity	(70 750)	(24 180)
Amount declared to cell captive shareholders*	(161 890)	(149 067)
Cash amounts paid	**(232 640)**	(173 247)

* *Refer to note 38 for the details on the restatements. The comparative information has been restated as a result of prior period errors.*

29. Dividends received

Amount received per income statement	5 184	4 733
Cash amounts received	**5 184**	4 733

30. Taxation paid

	GROUP		COMPANY	
	2023 R'000	Restated 2022 R'000	2023 R'000	Restated 2022 R'000
Amount due at the beginning of the year	7 816	(15 891)	(7 050)	(14 302)
Amount charged to income statement	(43 314)	(75 568)	(42 915)	(75 858)
Amount due at the end of the year	2 542	7 816	1 795	7 050
Cash amounts paid	**48 588**	(83 643)	**48 170**	(83 110)
Amounts due at the end of the year comprised as follows:				
Deferred taxation asset	(4 687)	(8 416)	(4 687)	(8 416)
Deferred taxation liability	887	824	–	–
Current income taxation asset	(1 719)	(58)	(1 579)	–
Current income taxation liability	8 061	15 466	8 061	15 466
	2 542	7 816	**1 795**	7 050

31. Proceeds on disposal of investments

	GROUP 2023 R'000	GROUP 2022 R'000	COMPANY 2023 R'000	COMPANY 2022 R'000
Proceeds on disposal of investments and bonds	**625 457**	916 534	**625 457**	916 534

32. Lease – low-value items

	GROUP 2023 R'000	GROUP 2022 R'000	COMPANY 2023 R'000	COMPANY 2022 R'000
During the current financial year, the Group incurred lease payments for the following low-value leased assets				
Computers	**(33)**	(300)	**(33)**	(300)

33. 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.

34. 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 (2022: Rnil).

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 R101 600 (2022: R85 522).

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 (2022: 1).

35. Related-party transactions

Transactions between Group companies.

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

Related-party relationships exist between the Group, fellow subsidiaries, associated companies 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 2023 R'000	COMPANY 2022 R'000
Loans (from)/to related parties		
The Hollard Insurance Company Limited	**(57 249)**	(472)
Hollard Life Assurance Company Limited	**(202)**	(2 012)
Hollard Specialist Life Assurance	**23**	14
Management fees paid		
Hollard Life Assurance Company	**1 745**	15 474
Key management compensation		
– Salaries, bonuses and other short-term employee benefits	**49 404**	35 224
(Key management refers to prescribed officers excluding executive directors)		
Unlisted preference shares		
Yellowwoods	**15 344**	17 508

36. Going concern

The directors have assessed the Group and Company's ability to continue as a going concern. As at 30 June 2023, 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.

37. Subsequent events

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

38. Restatement of comparative financial year

Insurance Liabilities

A detailed review of the outstanding claims reserve identified outstanding balances on closed files as well as long outstanding balances. A further investigation into the closed files identified an overstatement of these reserves in the current and prior financial periods. The investigation into long outstanding balances noted that the company no longer had an obligation to settle these claims, thus resulting in the overstatement of these reserves in prior financial periods. These errors impacted the net claims and insurance liabilities accounts.

Management have noted the error and have put in place controls which includes, but not limited to:
- a detailed monthly review of the outstanding claims reserve by the claims management team; and
- a review of long outstanding cases or files

Cell captive liabilities

The company operates cell captives on behalf of entities that wish to participate in the insurance result of a particular category of insured risk. Preference shares are issued to those participants giving them the right to share in profits on an agreed basis. In prior years, the company viewed the participants' share of profits, as non-controlling interests which were included in equity. After a review in the current year of the shareholder agreements underlying the preference shares, as well as considering how peer companies treat similar instruments, the company presented the participants' share of profits as a financial liability and restated the comparative information. The company concluded that the preference shares meet the definition of a financial liability as per IAS 32: Financial Instruments: Presentation. Whilst the company can defer the payment of dividends to meet its prudential regulatory capital requirements it remains contractually obligated to pay the profits as dividends in the future.

The recognition of cell captive profits through the statement of comprehensive income was also restated and is now recognised as a cost in the marketing and administration expenses line item.

Cash and cash equivalents

Money market instruments were previously classified as cash and cash equivalents. Management undertook an exercise to confirm the classification of money market instruments in the current financial year which indicated the prior year classification should also have been reassessed. It was therefore concluded that balances for these instruments would be reclassified from cash and cash equivalents to financial assets.

This restatement impacts the statement of financial position, statement of cash flows and related notes.

Trade and other payables

Due to a journal processing error, certain journals were duplicated in one ledger account. This was identified by the finance team and corrected as necessary. These errors impacted the trade and other payables accounts.

Management have noted the error and have put in place controls which includes, but not limited to:
- reconciliation of all material balance sheet accounts by management; and
- review of all journals by management to ensure no duplication of journals.

VAT receivable

A VAT receivable balance was identified as long outstanding in the current financial year, this balance relates to prior year balances and in both current and prior year's period the VAT statement are up to date and does not reflect this balance. The recoverability of the balance could not be confirmed, therefore a provision for the balance should have been raised in prior years as such the annual financial statements are restated accordingly.

Management have noted the error and have put in place controls which includes, but not limited to:
- Reconciliation of all material balance sheet accounts by management; and
- Review of all long outstanding items and resolution of these items.

These restatements have impacted the statements of financial position, statements of comprehensive income, statements of changes in equity, statements of cash flows and relate notes.

38.1 Restated comparative information in the statement of profit or loss and other comprehensive income

	GROUP			COMPANY		
	2022			2022		
	As previously reported R'000	Restatement R'000	Restated R'000	As previously reported R'000	Restatement R'000	Restated R'000
Statement of comprehensive income						
Gross policyholder benefits and claims Incurred	568 389	(9 811)	558 578	568 389	(9 811)	558 578
Marketing and administration expenses	120 480	95 727	216 207	120 411	95 727	216 138
Net impact	688 869	85 916	774 785	688 800	85 916	774 716
Profit before taxation	267 784	(85 916)	181 868	266 602	(85 916)	180 686
Income tax expense	72 895	2 673	75 568	73 185	2 673	75 858
Profit for the year	194 889	(88 589)	106 300	193 418	(88 589)	104 828

38. Restatement of comparative financial year (continued)

38.2 Restated comparative information in the statement of financial position

	GROUP					
	2022			2021		
	As previously reported R'000	Restatement R'000	Restated R'000	As previously reported R'000	Restatement R'000	Restated R'000
Statement of financial position						
Assets						
Insurance, loans and other receivables	59 289	(18 899)	40 390	45 767	(12 069)	33 698
Financial assets	361 969	338 701	700 670	408 777	202 379	611 156
Cash and cash equivalents	446 080	(338 701)	107 379	339 922	(202 379)	137 543
Impact of restatement on total assets	867 338	(18 899)	848 439	794 466	(12 069)	782 397
Equity						
Retained earnings	(113 546)	20 222	(93 324)	(195 358)	19 912	(175 442)
Non-controlling interest	204 484	(204 484)	–	221 990	(221 990)	–
Impact of restatement on total equity	90 938	(184 262)	(93 324)	26 632	(202 078)	(175 442)
Liabilities						
Trade and other payables	94 291	(5 787)	88 504	96 269	(5 787)	90 481
Insurance liabilities	396 588	(48 507)	348 081	290 105	(38 769)	251 338
Cell captive shareholder liabilities	–	204 484	204 484	–	221 990	221 990
Current income taxation	292	15 174	15 466	17 559	12 575	30 134
Impact of restatement on total liabilities	491 171	165 364	656 535	403 933	190 009	593 943

	COMPANY					
	2022			2021		
	As previously reported R'000	Restatement R'000	Restated R'000	As previously reported R'000	Restatement R'000	Restated R'000
Statement of financial position						
Assets						
Insurance, loans and other receivables	58 704	(18 899)	39 805	45 487	(12 068)	33 419
Financial assets	361 969	338 701	700 670	408 777	202 379	611 156
Cash and cash equivalents	441 961	(338 701)	103 260	336 955	(202 379)	134 576
Impact of restatement on total assets	862 634	(18 899)	843 735	791 219	(12 068)	779 151
Equity						
Retained earnings	(127 088)	20 222	(106 869)	(207 429)	19 912	(187 517)
Non-controlling interest	204 484	(204 484)	–	221 990	(221 990)	–
Impact of restatement on total equity	77 396	(184 262)	(106 869)	14 561	(202 078)	(187 517)
Liabilities						
Trade and other payables	92 478	(5 787)	86 693	94 455	(5 787)	88 667
Insurance liabilities	396 588	(48 507)	348 081	290 105	(38 769)	251 338
Cell captive shareholder liabilities	–	204 484	204 484	–	221 990	221 990
Current income taxation	292	15 174	15 466	17 559	12 575	30 134
Impact of restatement on total liabilities	489 358	165 364	654 724	402 119	190 009	592 129

38. Restatement of comparative financial year (continued)

38.3 Restated comparative information in the statement of cash flows

	GROUP			COMPANY		
	2022			2022		
	As previously reported R'000	Restatement R'000	Restated R'000	As previously reported R'000	Restatement R'000	Restated R'000
Statement of cash flows						
Cash flows from Investing activities						
Acquisition of other financial assets	–	(834 072)	(834 072)	–	(834 072)	(834 072)
Proceeds on disposal of other financial assets	–	697 750	697 750	–	697 750	697 750
Net cash inflow from investing activities	–	(136 321)	(136 322)	–	(136 321)	(136 322)
Cash and cash equivalents						
Net increase/(decrease) in cash and cash equivalents	106 157	(136 321)	(30 164)	105 005	(136 321)	(31 316)
Cash, deposits and similar securities at beginning of the year	339 923	(202 380)	137 543	336 956	(202 380)	134 576
Cash and cash equivalents at end of the year	446 080	(338 701)	107 379	441 961	(338 701)	103 260

DIRECTORATE AND ADMINISTRATION

for the year ended 30 June 2023

Hollard Specialist Insurance Limited

Directorate and administration

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

Chairman	ADH Enthoven (resigned 1 August 2023)
Group Chief Executive Officer	WT Lategan (appointed 1 July 2022)
Group Chief Financial Officer	DJ Viljoen
Executive director	Nashir Omar (15 November 2022)
Non-executive director	NG Kohler (resigned 1 August 2022)
Independent non-executive director	R Fihrer
Independent non-executive director	MR Bower
Independent non-executive director	AS Nkosi (resigned 1 July 2023)
Independent non-executive director	B Ngonyama (resigned 21 July 2023)
Independent non-executive director	S Patel
Independent non-executive director	NV Simamane
Independent non-executive director	MS Claassen

Administration

Company Secretary

A Allardyce

Public Officer

U Murphy (resigned 1 April 2023)
RN Nyoka (appointed 1 April 2023)

Compliance Officer

M Patel

Registered office and business address

Hollard at Arcadia
22 Oxford Road
Parktown
Johannesburg
2193

Postal address

PO Box 87419
Houghton
2041

Website

www.hollard.co.za

Nature of business

The Company transacts short-term insurance business.

Auditors

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5 Magwa Crescent
Waterfall City
Waterfall
Docex 10
Johannesburg

Registration number

1966/007612/06

www.hollard.co.za