Hollard.

Hollard Specialist Life 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 Enza-Azania Khumalo, (CA(SA)), under the supervision of the Head: Group Reporting Deon Naidoo, (CA(SA)).

(Registration number: 1994/001332/06)

Audited annual financial statements for the year ended 30 June 2023

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GROUP SALIENT FEATURES

for the year ended 30 June 2023

	2023 R'000	2022 R'000	2021 R'000	2020 R'000	2019 R'000
Statement of profit and loss information					
Gross written premiums [1]	**655 765**	681 067	700 536	737 178	728 262
Net written premiums [2]	**654 049**	663 852	697 516	733 175	721 100
Investment income [3]	**73 571**	50 666	87 885	66 520	68 337
Net insurance claims	**340 904**	238 723	412 637	163 857	102 020
(Loss)/profit attributable to equity holders of the parent	**(91 624)**	155 337	60 628	187 546	232 924
Statement of financial position information					
Policyholder liabilities under investment contracts	**109 947**	104 116	104 460	145 116	23 925
Equity attributable to equity holders of the parent	**727 952**	881 827	920 919	885 024	755 809
Total assets	**1 186 582**	1 263 055	1 335 096	1 404 259	1 239 723
Financial assets	**819 564**	830 150	858 970	585 518	612 921
Cash and cash equivalents	**131 483**	106 242	186 549	400 164	432 479
Actuarial Information					
Value of in-force business	**393 203**	428 012	485 875	545 762	503 624
Total embedded value	**1 121 155**	1 309 839	1 427 695	1 488 395	1 336 942
Actuarial Information					
Solvency capital requirement	**524 342**	590 525	670 695	591 309	529 657
Solvency capital requirement cover	**1.86**	1.98	2.14	2.10	2.13

[1] *"Gross premium income" represents the total income arising from insurance contracts only. In accordance with International Financial Reporting Standards (IFRS) 9: Financial Instruments: Recognition and measurement, all items of income and expenditure in respect of investment contracts are excluded from the income statement and accounted for directly against the liability under these contracts in the statement of financial position.*

[2] *"Net written premium income" is gross premium income less reinsurance premium outward.*

[3] *"Investment income" includes net investment income and unrealised gains and/or losses on the investment and trading portfolios.*

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 Life Limited (the "Company").

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 transactions are executed and recorded in accordance with sound business practices and the Company'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 Company'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 Company's annual financial statements.

The Company's annual financial statements are prepared in accordance with IFRS and incorporate appropriate disclosures in line with the accounting policies of the Company. The 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 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 4 and 7 to 53, 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

EMBEDDED VALUE STATEMENT

for the year ended 30 June 2023

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

The embedded value has been calculated on a best estimate basis, where the assumptions have been arrived at by removing both compulsory and discretionary margins from the financial soundness basis. The risk discount rate used in the calculation was Risk-free Curve + 4% consistent with the prior year.

- Expenses were allowed for based on an expense analysis carried out during the year;
- Expense inflation is derived as the difference between the real yield curve and the nominal yield curve;
- Mortality assumptions were set based on the results of a mortality experience analysis carried out during the year with explicit allowance for HIV/AIDS;
- Withdrawals were set at levels consistent with an experience analysis carried out during the financial year;
- The risk-free interest rate curve and the inflation curve supplied by the Prudential Authority were used to determine the policyholder liabilities;
- Income tax was allowed for explicitly at the appropriate rates and capital gains tax was allowed for implicitly in the discount rate (unchanged);
- No explicit reserving was made for any Covid-19 claims; and
- Negative reserves were allowed for on the published reporting basis (unchanged).

	2023 R'000	2022 R'000
Value of in-force business	**393 203**	428 012
Excess of assets over liabilities	**727 952**	881 827
Total embedded value	**1 121 155**	1 309 839

The embedded value (EV) includes profits attributable to Hollard Specialist Life Limited's cell captive partners. The VIF is gross of tax and EV gross of cost of capital.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDER OF HOLLARD SPECIALIST LIFE LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Hollard Specialist Life Limited ("the Company") set out on pages 11 to 53, which comprise the statement of financial position as at 30 June 2023, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Hollard Specialist Life Limited ("the company") as at 30 June 2023, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Statements* section of our report. We are independent of the Company 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 Life Limited audited annual financial statements for the year ended 30 June 2023" which includes the Directors' Report as required by the Companies Act of South Africa, the Certification by the Company Secretary, the Directors' responsibility statement and approval of annual financial statements, Embedded value statement and the Audit and compliance committee report. The other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 financial statements

The directors are responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 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 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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

In terms of the Independent Regulatory Board for Auditors (IRBA) Rule published in Government Gazette Number 39475 dated 04 December 2015, we report that Deloitte & Touche has been the auditor of Hollard Specialist Life Limited for 19 years.

DocuSigned by:
Deloitte & Touche
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Deloitte & Touche
Registered Auditor
Per: Harshal Kana
Partner

2 November 2023
5 Magwa Crescent
Waterfall City
2090

AUDIT 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 reflects a decline in gross written premium and net earnings before tax. Economic, infrastructure and environmental challenges continue to impact the business and the insurance industry at large. The Company 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 business' 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 (AGM) 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] *Ms B Ngonyama resigned as a member of the Committee on 21 July 2023.*

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

The Committee monitors all material compliance risks and ensures that management performs formal compliance risk assessments. The Compliance Function is focused on 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 Company's compliance with the relevant legislation and regulations, including the audit requirements prescribed by the Prudential Standards.

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

4. STATUTORY DUTIES

4.1 Financial statements and accounting policies

The Committee has reviewed the accounting policies and financial statements for the financial year ended 30 June 2023 and is satisfied that it complies with International Financial Reporting Standards.

4.2 Going concern

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

4.3 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 at the end of the 2023 financial year, collaboration between Deloitte and PWC (as incoming auditor for 2024) has been positive, and a seamless audit rotation process is expected. At the AGM 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 for the year ending 30 June 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 mechanisms were assessed by Internal Audit to determine the adequacy of controls. As such, it was confirmed that there was no material breakdown in the design or operational effectiveness of the internal financial control systems and that matters to be addressed were either receiving attention or had already been resolved.

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 nothing has come to its attention which would indicate that the internal financial controls do not form an effective basis for preparation of the annual financial statements and were found to be satisfactory.

7. STATEMENT ON INTERNAL CONTROL AND RISK MANAGEMENT

Effectiveness of the internal control systems are monitored by the risk management and internal audit functions, on the basis of which, recommendations are made to Management, the Committee as well as the Risk and IT Committee. The Risk and IT Committee is responsible for the governance of risk management in the Group.

Based on this information, together with discussions held with Management and the Committees, the Committee confirms that the risks relating to internal controls and 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 have pleasure in presenting the directors' report which forms part of the Company's annual financial statements for the year ended 30 June 2023.

Nature of business
The Company is a registered life insurer and transacts in all classes of life assurance business throughout the Republic of South Africa.

General review
In the year under review the Company achieved net (loss)/profit of (R91 624 000) (2022: 155 337 000), which arose from the Company's operations as follows:

	2023 R'000	2022 R'000
Net premium income	**654 046**	663 852
Investment income*	**73 571**	50 666
Other operating income	**18 957**	11 596
Total revenue	**746 574**	726 114
Net insurance claims	**340 904**	238 723
Other operating expenses	**501 278**	276 589
Total expenses	**842 182**	515 312
(Loss)/profit before taxation	**(95 608)**	210 802
Taxation	**(3 984)**	55 465
(Loss)/profit for the year	**(91 624)**	155 337

** Includes investment gains/(losses).*

Share capital
There were no changes in the authorised and issued ordinary share capital of the Company during the year.

Dividends
Dividends on ordinary shares of R62 251 000 (2022: R194 429 000) were declared by the Company during the year.

Going concern
The directors have assessed the Company's ability to continue as a going concern. As at 30 June 2023, the Company had a strong net asset value and liquidity position.

The Board and its Committees received regular reports on the operational, functional, solvency and liquidity-related impacts on the Company.

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

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
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

WT Lategan (Group CEO – appointed 1 July 2022), DJ Viljoen (Group CFO), AL Mhlanga (appointed 8 December 2022) and N Omar (appointed 25 November 2022) were the only executive directors who held office during the year.

Non-executive directors

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

Auditors

PricewaterhouseCoopers were appointed from 1 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

	Notes	2023 R'000	Restated 2022 R'000	Restated 2021 R'000
Assets				
Investment properties	4	**–**	6 041	6 041
Right of use assets		**–**	–	50
Intangible assets	5	**100**	100	1 714
Financial assets*	6	**819 564**	830 150	858 970
Policyholder assets under insurance contracts	15	**95 621**	176 383	96 686
Reinsurance assets		**99 644**	118 894	127 459
Insurance, loans and other receivables	9	**12 427**	18 327	41 335
Deferred taxation	17	**4 662**	4 283	8 745
Current income taxation		**17 039**	2 635	7 547
Cash and cash equivalents*	10	**131 483**	106 242	186 549
Non-current assets held for sale	11	**6 041**	–	–
Total assets		**1 186 582**	1 263 055	1 335 096
Equity and liabilities				
Attributable to equity holders of the parent		**727 952**	881 827	920 919
Share capital and premium	12	**94 687**	94 687	94 687
Retained earnings		**633 265**	787 140	826 232
Total equity		**727 952**	881 827	920 919
Cell captive shareholder liabilities*	13	**20 345**	20 623	20 901
Trade and other payables	14	**194 297**	95 871	138 532
Policyholder liabilities under investment contracts	15	**109 947**	104 116	104 460
Reinsurance liabilities		**275**	–	2 812
Provisions	16	**4 523**	6 011	2 844
Deferred taxation	17	**129 244**	154 607	144 627
Total liabilities		**458 630**	381 228	414 176
Equity and liabilities		**1 186 582**	1 263 055	1 335 096

** Refer to note 36 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

	Notes	2023 R'000	Restated 2022 R'000
Revenue			
Gross written premiums		655 765	681 067
Reinsurance outwards		(1 716)	(2 723)
Net written premiums		654 049	678 344
Less: Change in unearned premium reserve		(3)	(14 492)
Gross amount		(3)	(14 492)
Net premium income	18	654 046	663 852
Investment income		43 697	42 548
Interest received	19	38 310	36 713
Dividends received	19	5 221	5 600
Rental income		166	235
Investment gains		29 874	8 118
Realised gains on disposal of investments	20	4 566	6 993
Unrealised gains on revaluation of investments	21	25 308	1 125
Other operating income	22	18 957	11 596
Total revenue		746 574	726 114
Expenses			
Gross policyholder benefits and claims Incurred	23	273 593	320 162
Reinsurance recoveries	23	(19 003)	(21 288)
Transfer to/(from) policyholder liabilities		86 314	(60 151)
Net insurance claims		340 904	238 723
Change in investment contract liabilities		(2 462)	3 498
Commissions and other acquisition costs		155 211	61 535
Interest paid		3	226
Marketing and administration expenses*		348 526	211 330
Total expenses		842 182	515 312
(Loss)/profit before taxation	24	(95 608)	210 802
Taxation		(3 984)	55 465
(Loss)/profit for the year		(91 624)	155 337

** Refer to note 36 for the details on the restatements. The comparative information has been restated as a result of prior period errors.*

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2023

	2023 R'000	2022 R'000
(Loss)/profit for the year	(91 624)	155 337
Total other comprehensive income	**(91 624)**	155 337

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
COMPANY						
Balance at 1 July 2021	21	94 666	826 232	920 919	20 901	941 820
Restatement*	–	–	–	–	(20 901)	(20 901)
Restated balance at the beginning of the year at 1 July 2021	21	94 666	826 232	920 919	–	920 919
Net profit	–	–	155 337	155 337	–	155 337
Total comprehensive income	–	–	155 336	155 336	–	155 337
Dividends paid	–	–	(194 429)	(194 429)	–	(194 429)
Balance at 30 June 2022	21	94 666	787 140	881 827	–	881 827
Net loss	**–**	**–**	**(91 624)**	(91 624)	**–**	**(91 624)**
Total comprehensive income	**–**	**–**	**(91 624)**	**(91 624)**	**–**	**(91 624)**
Dividends paid	**–**	**–**	**(62 251)**	**(62 251)**	**–**	**(62 251)**
Balance at 30 June 2023	**21**	**94 666**	**633 265**	**727 952**	**–**	**727 952**

* *Refer to note 36 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

	Notes	2023 R'000	Restated 2022 R'000
Cash flows from operating activities			
Cash receipts from policyholders and other customers		**648 149**	713 892
Cash paid to policyholders, suppliers and employees		**(617 810)**	(639 929)
Cash generated from operations	26	**30 339**	73 963
Interest paid		**(3)**	(226)
Dividends paid	27	**(89 078)**	(206 924)
Interest received		**62 068**	36 713
Dividends received	28	**5 221**	5 600
Rental received		**166**	235
Other Income	22	**18 957**	11 596
Taxation paid	29	**(36 163)**	(36 111)
Net cash outflow from operating activities		**(8 493)**	(115 154)
Cash flows from investing activities			
Acquisition of listed and unlisted investments		**(64 326)**	(1 600)
Acquisition of other financial assets*		**(214 111)**	(552 371)
Proceeds on disposal of listed and unlisted investments		**34 844**	93 588
Proceeds on other financial assets*		**277 063**	491 197
Net cash (outflow)/inflow from investing activities*		**33 471**	30 815
Cash flows from financing activities			
Capital contribution		**264**	4 032
Net cash inflow from financing activities		**264**	4 032
Cash and cash equivalents			
Net increase/(decrease) in cash and cash equivalents*		**25 241**	(80 307)
Cash, deposits and similar securities at the beginning of the year*		**106 242**	186 549
Cash and cash equivalents at the end of the year		**131 483**	106 242

** Refer to note 36 for the details on the restatements. The comparative information has been restated as a result of prior period errors.*

1. Accounting policies

1.1 Basis of presentation

These separate annual financial statements have been prepared in accordance with IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations issued and effective at the time of preparing these annual financial statements.

These separate annual financial statements have been prepared on the historical cost basis, except for investment and owner-occupied property, the revaluation of investment financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income (OCI) which are carried at fair value. Policyholder liabilities under insurance contracts are valued in terms of the Financial Soundness Valuation basis contained in the Standards of Actuarial Practice (SAP) 104, issued by the Actuarial Society of South Africa.

Use of estimates and judgements

The preparation of financial statements in compliance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The Company's estimates and underlying assumptions are reviewed for reasonability on an ongoing basis. Revisions to accounting estimates are recognised in the statement of comprehensive income in the year in which the estimates are revised, if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the annual financial statements are disclosed in note 2 to these financial statements.

Adoption of new and revised standards

The Company's accounting policies are consistent with those of the previous financial year except for those instances where new or revised standards and/or interpretations had to be adopted.

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 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 Company's 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 of between R80 million and R160 million**
• **No impact** on our **cash** position	
• **No impact** on our ability to declare and pay **dividends**	

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 2022 comparatives when reporting on the 2023 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 long-term contracts holding significant insurance risk:

- insurance contracts, including reinsurance contracts it issues;
- reinsurance contracts it holds; and
- investment contracts with discretionary participation features it issues, provided the entity also issues insurance contracts.

1. Accounting policies (continued)

1.1 Basis of presentation (continued)

Further, the company does not apply IFRS 17 to the following:

- pure savings business measured under IFRS 9;
- those components defined as distinct in terms of IFRS 17.B31 and IFRS 17.B32, such as those distinct investment components that are modelled under IFRS 9 and other distinct goods and services measured under IFRS 15;
- its mass lapse stop-loss reinsurance treaty as the underlying risks as they relate to Hollard Life fall outside the scope of insurance risk transfer;
- 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);
- 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; and
- insurance contracts in which the Company is the policyholder, unless those contracts are reinsurance contracts held.

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 and the ongoing generation of IFRS 17 results have been finalised and reviewed by external audit. The work to determine the transition to the IFRS 17 balance sheet has been completed and is under review by the auditors.

A new target operating model for the financial reporting process has been developed and the relevant new systems, components and IFRS 17 CSM engine have undergone full end-to-end testing before being implemented 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 entity 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 entity's insurance contracts. The entity issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. As a general guideline, the entity 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.

Separating components from an insurance contract

At inception, the Company separates the following components from an insurance or reinsurance contract held and accounts for them as if they were stand-alone financial instruments:

- Distinct investment components: investment components that are not highly inter-related with the insurance components and for which contracts with equivalent terms are sold, or could be sold, separately in the same market or the same jurisdiction. These are in the scope of IFRS 9.

After separating any financial instrument components, the Company separates any promises to transfer distinct goods or non-insurance services to policyholders and accounts for them as separate contracts with customers. A good or service is distinct if the policyholder can benefit from it either on its own or with other resources that are readily available to the policyholder. A good or service is not distinct and is accounted for together with the insurance component if the cash flows and risks associated with the good or service are highly inter-related with the cash flows and risks associated with the insurance component, and the Company provides a significant service of integrating the good or service with the insurance component.

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 at initial recognition into the 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. Accounting policies (continued)

1.1 Basis of presentation (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 entity recognises an onerous group of underlying insurance contracts applying paragraph 25(c) of the standard, if the entity entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date. Notwithstanding the above recognition criteria, the Company delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date that any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held.

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 entity 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). An entity may simplify the measurement of a group of insurance contracts using the premium allocation approach if, and only if, at the inception of the group; the entity 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 the GMM or the coverage period of each contract in the group is one year or less. The simplification allows the 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 cash flows (PVFCF), risk adjustment and CSM. The liability for incurred claims is measured consistently with the GMM, whereby all the incurred claims are subject to discounting and risk adjustment.

Measurement on Initial recognition (excluding PAA)

On initial recognition, the Liability for Remaining Coverage (LRC) of a group of contracts (regardless of the measurement model applicable to the LRC) is measured as the sum of the following components.

Components to be dealt with will be measured as follows:

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

- Fulfilment cash flows related to **future** service, which comprise:
  - estimate of future cash flows;
  - an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
  - risk adjustment for non-financial risk.
- Contractual service margin (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:
  - 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 arise 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.

Best estimate of future cash flows

IFRS 17, indicates that estimates of future cash flows 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 entity, if estimates of any relevant market variables are consistent with observable market prices for those variables;
- be current; and
- be explicit.

1. Accounting policies (continued)

1.1 Basis of presentation (continued)

The estimate of future cash flows should include all cash flows that are within the contract boundary. For the entity, 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).
  - 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 cash flows 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).
  - Claims payable (i.e. amounts where a credit note has been issued but physical payment has not yet been processed/made).
  - Claims handling costs.

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

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

Discount rates

The entity 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.

Risk adjustment (RA)

The entity will disaggregate the change in the risk adjustment for non-financial risk between the insurance service result and (re-)insurance finance income or expenses. For contracts measured under the GMM, the entity will use a Value at Risk (VaR) methods to determine the risk adjustment for both the LRC and LIC and use a variation of Margins on Assumptions approach to allocate the RA to a lower contract level. The confidence level will be set in line with Hollard's internal risk appetite.

Non-financial risks included in the RA calibration include mortality risk, longevity risk, disability risk, lapse risk, expense risk and retrenchment risk. Operational risk, Expense inflation risk, life underwriting catastrophe risk and mass lapse risk have been excluded from the calibration.

The RA for reinsurance contracts will follow the same approach. The RA calibration for reinsurance contracts will be calculated as the difference between the RA for the underlying insurance contracts on a net and gross of reinsurance basis.

Contractual service margin

The CSM is a component of the carrying amount of the asset or liability for a group of insurance contracts issued which represents the unearned profit that the entity expects to recognise as it provides insurance contract services.

- If a group of insurance contracts is not onerous at initial recognition, the CSM will be measured as the equal and opposite amount of the net inflow resulting from the total of the fulfilment cash flows. This results in no income or expenses arising on initial recognition.
- If a group of insurance contracts is onerous at initial recognition, the Company will immediately recognise this net outflow in profit or loss. Following this, a loss component will be created to represent these losses recognised in profit or loss. Subsequently an increase or reversal of losses on onerous groups of insurance contracts will be presented in profit or loss.

For groups of reinsurance contracts held, any net gain or loss at initial recognition is recognised as the CSM unless the net cost of purchasing reinsurance relates to past events, in which case the entity recognises the net cost immediately in profit or loss.

Subsequent measurement (excluding PAA)

The carrying amount of a group of insurance contracts at each reporting date will be the sum of:

- the liability for remaining coverage, comprising:
  - the fulfilment cash flows related to service to be provided under the contract in future periods; and
  - the remaining CSM of the group at that date.
- the liability for incurred claims, comprising the fulfilment cash flows for past incurred claims and expenses not paid, including claims that have been incurred but not reported.

Fulfilment cash flows

The fulfilment cash flows of groups of insurance contracts are measured at the reporting date using current estimates of fulfilment cash flows, discount rates appropriate to the measurement model being used and current estimates of the risk adjustment for non-financial risk.

Fulfilment cash flows for past incurred claims include the discounted value of the estimates of future payments arising from these claims, for example the estimated future benefit payments on income protection contracts and riders such as premium waivers.

1. Accounting policies (continued)

1.1 Basis of presentation (continued)

Contractual service margin

The contractual service margin at the end of the reporting period represents the profit in the group of insurance contracts that has not yet been recognised in profit or loss because it relates to the future service to be provided under the contracts in the group.

For insurance contracts without direct participation features, the carrying amount of the contractual service margin of a group of contracts at the end of the reporting period equals the carrying amount at the start of the reporting period adjusted for:

- the effect of any new contracts added to the group;
- interest accreted on the carrying amount of the contractual service margin during the reporting period, measured at the discount rates;
- the changes in fulfilment cash flows relating to future service, except to the extent that:
  i. such increases in the fulfilment cash flows exceed the carrying amount of the contractual service margin, giving rise to a loss; or
  ii. such decreases in the fulfilment cash flows are allocated to the loss component of the liability for remaining coverage.
- the effect of any currency exchange differences on the contractual service margin; and
- the amount recognised as insurance revenue because of the transfer of insurance contract services in the period, determined by the allocation of the contractual service margin remaining at the end of the reporting period (before any allocation) over the current and remaining coverage period.

The entity will allocate the CSM at the end of the reporting period based on the underlying coverage units. The coverage units represent the quantity of (re-)insurance contract services provided by the contracts in the group, determined by considering for each contract the quantity of the benefits provided under a contract and its expected coverage period. The sum assured (or annuity) in force is considered as the main driver for determining coverage units for insurance service under GMM. Whenever the entity provides both insurance service and investment-related or investment-return service to the policyholders, the coverage units are appropriately weighted to reflect both services to allocate the CSM over the current and remaining coverage period, whereby the unit fund value plus (investment component) plus any guaranteed benefit over and above the underlying fund value (insurance component) are considered as the main driver for determining coverage units for investment-related or investment-return service.

The entity will discount the coverage units using the same discount rate for each reporting period that is used to accrete the contractual service margin. The CSM allocated to coverage units provided in the period will be recognised in profit or loss.

Adjustments to the CSM are made for any changes in fulfilment cash flows that relate to future service.

For reinsurance contracts held, the CSM represents a deferred gain or loss that the entity will recognise as a reinsurance expense as it receives insurance contract services from the reinsurer in the future and is calculated as the sum of:

i. the initial recognition of the FCF;
ii. cash flows arising from the contracts in the group at that date;
iii. the amount de-recognised at the date of initial recognition of any asset or liability previously recognised for cash flows related to the group of reinsurance contracts held (other pre-recognition cash flows); and
iv. any income recognised in profit or loss when the entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group.

Contracts measured under the PAA

The PAA will be applied to all contracts with a contract boundary of one year or less. In some scenarios, the PAA will also be applied where the Company expects that the measurement under the PAA model would produce a measurement of the liabilities that would not differ materially from the one that would be produced by applying the GMM.

The liability of remaining coverage under the PAA represents the portion of the premiums related to future service. IFRS 17 is not expected to have a significant impact on the insurance liabilities for contracts measured under PAA.

A risk adjustment is determined for the liabilities for incurred claims where there is uncertainty in the size of the estimate and/or the timing of the future cash flows.

Transition approaches

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

As IFRS 17 is applied retrospectively, the entity determined the transition approach at a group of insurance contracts level, depending on availability of reasonable and supportable historic information. The selected transition approach will affect the measurement of the CSM on initial adoption of IFRS 17 as follows:

- **Fully retrospective approach** – the CSM is based on initial assumptions when groups of contracts were incepted and rolled forward to the date of transition as if IFRS 17 had always been applied;
- **Modified retrospective approach** – the CSM is calculated using modifications allowed by IFRS 17 considering the actual pre-transition fulfilment cash flows; and
- **Fair value approach** – the CSM at transition is calculated as the difference between the fair value of a group of contracts, without the consideration of the demand deposit floor requirement, and the respective fulfilment cash flows measured at the transition date.

For the majority of the underlying insurance groups, the FRA has been adopted. For a minor portion of the Hollard business where it has been demonstrated to be impracticable to apply the FRA, a combination of the MRA and FVA have been used.

1. Accounting policies (continued)

1.1 Basis of presentation (continued)

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.

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 entity, 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 entity expects to be entitled to in exchange for those services.

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

Under the GMM and PAA, the effect of and changes in financial risk form part of the insurance finance income and expenses. For groups of insurance contracts measured under the VFA, the fair value returns on the underlying items are recognised in 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 entity classified, recognised and measured its in-force business as if IFRS 17 had always been applied. The entity 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.

The entity also derecognised previously reported balances (e.g., deferred acquisition costs, present value of future profits, deferred front-end fees) that would not have existed if IFRS 17 had always been applied and recognised any resulting net difference in equity.

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

- (re-)insurance contract liabilities and liabilities for investment contracts with discretionary participation features; and
- policyholder loans that are highly interrelated with the insurance contracts, (3) (re-)insurance-related receivables or payables and (4) insurance acquisition cash flows, to be presented as (re-)insurance contract assets/liabilities. Portfolios of insurance contracts issued are presented separately from portfolios of reinsurance contracts held.

1. Accounting policies (continued)

1.1 Basis of presentation (continued)

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 between R80 million and R160 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 are 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 22 December 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 are aligned to terminology and principles of IFRS 17.

1.2 Property and equipment

Property and equipment comprise assets, 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 Life Limited and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred. Depreciation on property, plant 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:

Motor vehicles	20%

Depreciation commences when the assets are ready for their intended use.

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.

Property and equipment are derecognised on disposal or when future economic benefits are not expected to arise from the continued use of the asset. Any gain or loss arising from the derecognition of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

1.3 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 Life 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 useful lives, between three to five years. 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 3 – 5 years

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

1. Accounting policies (continued)

1.4 Investment property

Capital management

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.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of comprehensive income in the year of retirement or disposal.

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

For a transfer from investment property to owner-occupied property, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Hollard Specialist Life Limited as an owner-occupied property becomes an investment property, the Hollard Specialist Life 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 Life 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.

1.5 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.

The Hollard Specialist Life Limited as lessor

Operating leases

Rental income is recognised in the statement of comprehensive income over the term of the relevant lease on the straight-line basis. Assets leased under operating leases are included under the appropriate category of assets in the statement of financial position.

1.6 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.

1.7 Operating and administrative 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.

1.8 Impairment of tangible and intangible assets

At the end of each reporting period, the Hollard Specialist Life Limited assesses if there is any indication that such 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 Life 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 future 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 for which the estimates of future cash flows have not been adjusted.

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, to the extent 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.

1.9 Financial assets

Financial assets are recognised in the Hollard Specialist Life Limited's statement of financial position when the Hollard Specialist Life Limited becomes party to the contractual provisions of the instrument.

The Company classifies its investments in debt and equity securities into the following categories: financial assets as at fair value through profit or loss and financial assets at amortised cost. The classification and measurement is dependent on the IFRS 9 criteria. IFRS 9 applies two criteria to determine how financial assets should be classified and measured, namely:
a. the entity's business model for managing the financial assets: and
b. the contractual cash flow characteristics of the financial asset.

1. Accounting policies (continued)

1.9 Financial assets (continued)

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 OCI. Equity instruments by default are classified at fair value through profit or loss, unless the Company decides to designate it as fair value through OCI.

Financial assets are initially recorded at fair value plus, in the case of financial assets not fair valued through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset.

The classification depends on the purpose for which the investments were acquired or originated. In general, financial assets are classified as at fair value through profit and loss, as the Hollard Specialist Life Limited's strategy is to manage financial investments acquired to cover its insurance and investment contract liabilities. In addition shareholders' capital is invested under a formal capital management strategy that actively measures the performance on a fair value basis.

Financial instrument purchases and disposals are initially measured at cost and are recognised using trade date accounting. The trade date is the date on which the Company commits to purchase or sell the asset. Subsequent to initial measurement, financial assets at fair value through profit or loss and financial assets at fair value through OCI are carried at fair value, while financial assets at amortised cost are carried at amortised cost using the effective interest rate method, less any provision for impairment.

Financial assets at fair value through profit and loss have two sub-categories namely financial assets held for trading and those designated at fair value through profit and loss at inception. Investments typically bought with the intention to sell in the near future are classified as held for trading. For investments designated as at fair value through profit and loss, the following criteria must be met:
- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis, or
- the assets or liabilities are part of Hollard Specialist Life Limited's financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Financial assets at fair value through profit or loss, including derivative assets, are subsequently measured at fair value. Fair value adjustments and realised gains and losses are recognised in the statement of 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.

1.10 Impairment of financial assets

At each statement of financial position date, the Hollard Specialist Life Limited assesses whether a financial asset or group of financial assets is impaired.

The Hollard Specialist Life 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 can not be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return of a similar asset.

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

1. Accounting policies (continued)

1.10 Impairment of financial assets (continued)

On initial recognition of an equity instrument that is not held for trading, the instrument may be irrevocably designated at fair value through OCI. In such an instance, changes in the equity instrument's fair value are recorded in 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.

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 Company 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 historical 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 Company'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 PERFORMING:	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 Company 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 Company 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.

1.11 Derecognition of financial assets

A financial asset (or, when applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:
- the rights to receive cash flows from the asset have expired,
- the Hollard Specialist Life 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, or
- the Hollard Specialist Life 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 Life Limited has transferred its right to receive cash flows from an asset and has neither substantially transferred nor retained 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 Life 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 Life 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 Life Limited's continuing involvement is the amount of the transferred asset that the Hollard Specialist Life 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 Life Limited's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1. Accounting policies (continued)

1.12 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.

1.13 Reinsurance contracts

The Hollard Specialist Life Limited cedes insurance risk in the normal course of business. Reinsurance contracts are contracts entered into by the Hollard Specialist Life Limited with reinsurers under which the Hollard Specialist Life Limited is compensated for the entire or a portion of losses arising on one or more of the insurance contracts issued by the Hollard Specialist Life Limited.

Reinsurance assets represent balances due from reinsurance companies. These assets consist of short-term balances due from reinsurers (classified within loans and receivables) as well as longer-term receivables (classified as reinsurance assets) that are dependent on the present value of the expected claims and benefits arising, net of expected premiums payable under the related reinsurance contracts. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Hollard Specialist Life Limited may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Hollard Specialist Life Limited will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the statement of comprehensive income.

Reinsurance arrangements do not relieve the Hollard Specialist Life Limited from its obligations to policyholders.

Premiums and claims on assumed reinsurance are recognised as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

1.14 Cash and cash equivalents

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

1.15 Share capital

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

1.16 Classification of contracts

Insurance contracts are those contracts where the Hollard Specialist Life Limited (the insurer) has accepted significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. As a general guideline, the Hollard Specialist Life Limited determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Investment contracts are those contracts that transfer significant financial risk with no significant insurance risk.

Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, a credit rating or credit index or other variable.

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.

1.17 Income recognition

Insurance contracts

Premiums and annuity considerations on insurance contracts are recognised when due in terms of the contract, other than group schemes. Premium income on insurance contracts is shown gross of reinsurance. Premiums are shown before deduction of commission. Premium income received in advance is included in trade and other payables.

Reinsurance contracts

Reinsurance premiums are recognised when due for payment in accordance with the terms of each reinsurance contract.

Investment income

Investment return comprises interest, dividends and realised and unrealised gains or losses. Dividend income from investments is recognised when the Hollard Specialist Life 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. Other investment returns are accounted for on an accrual basis.

Policy fee income

The Hollard Specialist Life Limited recognises policy fees on investment management contracts on an accrual basis when the service is rendered. Fees consist primarily of investment management fees arising from services rendered in conjunction with the issue and management of investment contracts where the Hollard Specialist Life Limited actively manages the considerations received from its customers to fund a return that is based on the investment profile that the customer selected on origination of the contract.

1. Accounting policies (continued)

1.18 Benefits and claims recognition

Gross benefits and claims consist of benefits and claims accrued to policyholders, which include changes in the gross valuation of insurance and investment contract liabilities. It further includes internal and external claims-handling costs that are directly related to the processing and settlement of claims.

Insurance contracts

Claims on insurance contracts, which include death, disability, maturity, surrender and annuity payments, are charged to income when notified of a claim based on the estimated liability for compensation owed to policyholders. They also include allowance for claims that arise from death and disability events that have occurred up to the statement of financial position date even if they have not been reported to the Hollard Specialist Life Limited. Unpaid disability claims are estimated using the input of assessors for individual cases reported to the Hollard Specialist Life Limited and statistical analysis for the claims incurred but not reported. Outstanding claims are recognised in insurance and other payables. Reinsurance recoveries are accounted for in the same period as the related claim.

Investment contracts

Claims incurred are recorded as deductions from investment contract liabilities.

Reinsurance contracts

Contracts entered into with reinsurers, under which the Hollard Specialist Life 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.

Premiums payable on assumed reinsurance are recognised when due. Reinsurance recoveries are accounted for in the same period as the related claim.

The benefits to which the Hollard Specialist Life Limited is entitled under their reinsurance contracts held are recognised as reinsurance assets, consisting of long-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. Reinsurance assets are assessed for impairment on an annual basis, reducing the carrying amount of the reinsurance asset to its recoverable amount through the statement of comprehensive income.

1.19 Cell captive shareholder liabilities

Hollard Specialist Life 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. These arrangements provide the option for customers of the preference shareholder to purchase insurance products underwritten by the Hollard Specialist Life Limited.

Shareholder agreements govern the terms and conditions of these cell captive arrangements. Preference shareholders are responsible for maintaining the financial soundness requirement ratio of their respective cell captive arrangements. As a result, profits earned through this arrangement are recognised a liability.

The preference shareholder does not have the right to require Hollard Specialist Life Limited to acquire the preference shares. As a result, the preference shares issued are recognised as equity.

1.20 Policyholder insurance and investment contracts

Standards of Actuarial Practice (SAP) issued by the Actuarial Society of South Africa

The Company is licensed as a long-term insurer in South Africa in accordance with the Long-term Insurance Act (the Act) of 1998, as amended. The Act requires the determination of assets, liabilities and Solvency Capital Requirement (SCR) for statutory purposes in accordance with the SAPs and APNs issued by ASSA and Financial Soundness Standards For Insurers (FSI) issued by the Prudential Authority (PA).

In terms of IFRS 4: Insurance Contracts, defined insurance liabilities are allowed to be measured under existing local practice. The Company have adopted the Standards of Actuarial Practice (SAP) and Advisory Practice Notes (APN) issued by the Actuarial Society of South Africa (ASSA) to determine the liability in respect of insurance contracts issued in South Africa. The following APNs and SAPs are relevant to the determination of policyholder liabilities:

- APN 103: Report by the Statutory Actuary in the annual financial statements of South African Long-term Insurers;
- SAP 104: Calculation of the Value of the Assets, Liabilities and Capital Adequacy Requirement of Long-term Insurers;
- APN 105: Minimum Requirements for Deriving Aids Extra Mortality Rates;
- APN 106: Actuaries and Long-term Insurance in South Africa; and
- APN 110: Allowance for Embedded Investment Derivatives.

Where applicable, the APNs and SAPs are referred to in the accounting policies and notes to the financial statements.

Classification of insurance and investment contracts

The Company issues contracts which transfer insurance risk or financial risk or, in some cases, both. The Company demarcate these contracts in the following two broad categories:

i) Insurance contracts

Insurance contracts are those contracts under which the Company (as insurer) accept significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects them. Such contracts may also transfer financial risk. As a general guideline, the Company defines a significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

Receipts and payments under insurance contracts are accounted for in the income statement in accordance with the requirements of IFRS 4.

1. Accounting policies (continued)

1.20 Policyholder insurance and investment contracts (continued)

Claims incurred
Claims incurred consist of claims paid during the financial year, together with the movement in the provision for outstanding claims and are charged to income as incurred.

ii) Investment contracts

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Receipts and payments under investment contracts are not classified as insurance transactions in the income statement but instead are accounted for in the statement of financial position in accordance with IFRS 9. The liability recognised in the statement of financial position represents the expected amounts payable to the holders of the investment contracts inclusive of allocated investment income.

Management of insurance and financial risk

As is stated in sections i) and ii) on the previous page, the Company issues contracts that transfer insurance risk or financial risk, or in some instances both. This section summarises these risks and the way in which the Company manages them.

i) Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risks that the Company faces under insurance contracts is the risk that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits is greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the Board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

Reinsurance arrangements
The Company cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the transfer of its risks. Only reinsurance agreements that give rise to a significant transfer of insurance risk are accounted for as reinsurance contracts. Reinsurance agreements that do not transfer significant insurance risk are accounted for as financial assets. Reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders.

Policyholder behaviour risk
Insurance risk is affected by the policyholders' right to pay reduced or no future premiums, to terminate the contract completely or to withdraw benefits prior to expiry of the contract term. On the assumption that policyholders will make decisions rationally, overall insurance risk can be assumed to be aggregated by such behaviour. For example, it is likely that policyholders whose health has deteriorated significantly will be less inclined to terminate contracts insuring death benefits than those policyholders remaining in good health. This results in an increasing trend of expected mortality as the portfolio of insurance contracts reduces the voluntary terminations.

The Company has factored the impact of policyholder behaviour into the assumptions used to measure these liabilities.

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

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

Hollard uses the standardised formula for calculating the SCR.

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

1. Accounting policies (continued)

1.20 Policyholder insurance and investment contracts (continued)

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

Mortality and morbidity business
For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics (such as Aids) or widespread changes in lifestyle such as eating, smoking and exercise habits, resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant factor is the continued improvement in medical science and social conditions that would increase longevity. At present, these risks do not vary significantly in relation to the location of the risk insured by the Company. However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

For contracts with fixed and guaranteed benefits and fixed future premiums, there are no mitigating terms and conditions that reduce the insurance risk accepted. However, all applications for risk cover in excess of specified limits are reviewed by experienced underwriters and evaluated against established standards. All risk related liabilities in excess of specified monetary or impairment limits are reinsured.

The Company charges for mortality and morbidity risk on the basis of past scheme experience, industry class and average income among other factors. They have the right to alter these charges based upon its mortality and/or morbidity experience and hence minimise their exposure to mortality and morbidity risk. Delays in implementing increases in charges and market or regulatory restraints over the extent of the increases may reduce its mitigating effect. The Company manages these risks by way of regular investigations into mortality and morbidity experience and through their underwriting strategy and reinsurance arrangements.

The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured benefits. For example, the Company balances death risk and survival risk across their portfolio. Medical selection is also included in the Company's underwriting procedures with premiums varied to reflect the health condition and family medical history of the applicants. The Company has a reinsurance programme in place to limit the extent of risk on any single life insured. The degree of risk retention by the Company is assessed on a scheme and portfolio basis to ensure appropriate cover at all times.

The Head of Actuarial Function (HAF) reports annually on the actuarial soundness of the premium rates in use and the financial soundness of the Company's business taking into consideration the reasonable benefit expectations of policyholders. These rates are revised where appropriate in response to changes in mortality and/or morbidity experience.

Sources of uncertainty in the estimation of future benefit payments and premium receipts
Uncertainty in the estimation of future benefit payments and premium receipts for long-term insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and the variability in policyholder behaviour.

The Company uses appropriate base tables of standard mortality according to the type of contract being written and the territory in which the insured person resides. An ongoing investigation into the Company's mortality experience is carried out and statistical methods are used to adjust the crude mortality rates to produce a best estimate of expected mortality for the future. Where data is sufficient to be statistically credible, the statistics generated by the data are used without reference to an industry table. Where this is not the case, the best estimate of future mortality is based on standard industry tables adjusted for the Company's overall experience. For contracts that insure survival, an adjustment is made for future mortality improvements based on trends identified in the data and in the continuous mortality investigations performed by independent actuarial bodies.

The impact of any historical evidence of selective termination behaviour will be reflected in this experience. The Company maintains voluntary termination statistics to investigate the deviation of actual termination experience against assumptions. Statistical methods are used to determine appropriate termination rates. An allowance is then made for any trends in the data to arrive at a best estimate of future termination rates.

Liability adequacy test
At each statement of financial position date, liability adequacy tests are performed to ensure the adequacy of contract liabilities. In performing these tests, current best estimates of future contractual cash flows, claims-handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to the income statement and a provision is raised for losses identified by the liability adequacy tests.

Claims development table
IFRS 4 requires the disclosure of a claims development table in the financial statements. Given the fact that the majority of the Company's notified policyholder benefits are settled within a period of one year, no such table is provided in these financial statements.

ii) Financial risk:

Financial assets and liabilities are stated at fair value in the statement of financial position. Assets include listed equities, stated at fair value as determined by their market values as at 30 June 2022, and unlisted equities, stated at fair value as determined by either the contractual terms of the investment or by directors' valuation. Policyholder liabilities are valued in accordance with the long-term assumptions set out in the Company's Statement of actuarial values of assets and liabilities on page 42 of these financial statements.

The Company is exposed to financial risk through its financial assets, financial liabilities (investment contracts and borrowings), reinsurance assets and insurance liabilities. In particular, the key financial risk is the risk that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are interest rate risk, equity risk, currency risk, credit risk and liquidity risk. These risks arise from open positions in interest rate and equity products, all of which are exposed to general and specific market movements. The risk that the Company primarily face due to the nature of its investments and liabilities is interest rate risk.

1. Accounting policies (continued)

1.20 Policyholder insurance and investment contracts (continued)

The Company manages its financial risk within an asset liability management (ALM) framework that has been developed to achieve long-term investment returns in excess of their obligations under insurance and investment contracts. The principal technique of the Company's ALM is to match assets to the liabilities arising from insurance and investment contracts by reference to the type of benefits payable to policyholders. For each distinct category of liabilities, a separate portfolio of assets is maintained.

The Company's ALM is integrated with the management of the financial risks associated with the Company's other financial assets and liabilities not directly associated with insurance and investment liabilities, most notably borrowings.

Interest rate risk
Changes in market interest rates have a direct effect on the contractually determined cash flows associated with floating rate financial assets and liabilities and on the fair value of fixed maturity investments included in the Company's investment portfolios. Additionally, relative values of alternative investments and their liquidity could affect values of interest rate linked investments. The ongoing assessment by an investment research team of market expectations within the South African interest rate environment drives the process of asset allocation in this investment category.

Equity risk
Equity investments are made on behalf of policyholders and shareholders. Listed equities are reflected at market values which are susceptible to market fluctuations. The stock selection and investment analysis process of shareholder assets is supported by a well-developed research function utilising professional advisers. The acquisition of policyholder assets is based on the contracts entered into and the preferences expressed by the policyholders. Within these parameters, investments are managed with the aim of maximising policyholders' returns while limiting risk to acceptable levels within the framework of statutory requirements.

Currency risk
The Company has financial assets invested offshore, which are denominated in foreign currencies. These investments were made for the purpose of obtaining a favourable international exposure to foreign currency and are monitored by the Company's Investment Committee.

Credit risk
The Company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The Company monitors its exposure to individual counterparties to ensure that no single concentration exceeds predetermined limits. An appropriate level of provision is maintained against doubtful debts.

Key areas of credit risk exposure include:
- Cash and cash equivalents;
- Financial assets and liabilities;
- Reinsurers' share of insurance liabilities;
- Amounts due from reinsurers in respect of claims already paid; and
- Amounts due from insurance intermediaries and administrators.

The Company structures the level of credit risk they accept by placing limits on their exposure to a single counterparty or groups of counterparty, as well as to geographical and industry segments. Such risks are subject to ongoing review by the Company's Investment Committee.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an ongoing basis and includes a review of their financial strength prior to finalisation of any treaty contract. Furthermore, the Company manages its credit exposure through the placement of its reinsurance programmes with a number of local subsidiaries of foreign parent companies to mitigate, as far as possible, the risk of default by any one reinsurer.

Individual business units maintain records of the payment history for significant counterparties with whom they conduct regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Company. Management information reported to the Company includes details of provisions for impairment on loans and receivables and subsequent write-offs. Internal audit undertakes regular reviews to assess the degree of compliance with the Company's credit procedures. Exposures to individual policyholders and groups of policyholders are collected within the ongoing monitoring of the controls associated with regulatory solvency.

Liquidity risk
The Company is exposed to daily calls on their available cash resources mainly from claims arising from their insurance contract obligations. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of borrowing facilities that should be in place to cover maturities, claims and surrenders at unexpected levels of demand. Furthermore, the Company's liabilities are backed by appropriate assets and it has significant liquid resources and substantial unutilised banking facilities.

1. Accounting policies (continued)

1.21 Financial liabilities

Financial liabilities comprise policyholders' liabilities under investment contracts

Financial liabilities are initially measured at fair value, net of transaction costs that are directly attributable to the raising of the funds. The measurement of policyholder liabilities under investment contracts is described in note 1.19 to the accounting policies.

Policyholder contracts that do not transfer significant insurance risk are classified in the financial statements as financial liabilities held at fair value through profit or loss, with changes in fair value being accounted for in the statement of comprehensive income. The premiums and benefit payments relating to these investment contracts have been excluded from the statement of comprehensive income and accounted for directly as a liability. Fees earned from these contracts are disclosed separately through profit and loss. These liabilities have been designated as financial liabilities held at fair value through income by management at inception.

Financial liabilities are initially recognised at fair value. Thereafter, financial liabilities are measured at amortised cost using the effective interest rate method, except for financial liabilities at fair value through profit and loss, which are measured at fair value.

Fair value is measured by taking into consideration the time value of money, credit risk, commodity and equity prices, volatility and servicing costs.

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 rate method.

1.22 Provisions

Provisions are recognised when the Hollard Specialist Life 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 Life 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 rates that reflect 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 Life 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 period comprises current and deferred taxation. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in OCI, in which case the related income tax is also recognised in OCI.

Income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Taxation in respect of the South African life insurance operations is determined in accordance with the rates and basis applicable.

Current taxation

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

Deferred taxation

Deferred 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 Specialist Life Limited intends to settle its current tax assets and liabilities on a net basis.

Dividends tax

Dividends tax is levied on non-exempt shareholders. The Company is responsible for the collection of the dividends tax and payment of the amounts collected to the South African Revenue Service (SARS). As this tax is levied on the shareholders and not the Company, it does not form part of the tax expense recognised in profit or loss or in OCI. Dividends are reflected gross of tax.

1. Accounting policies (continued)

1.24 Employee retirements benefits

The policy of the Hollard Specialist Life Limited is to provide retirement benefits for its employees. The contributions paid by the Hollard Specialist Life 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 Life Limited's employees are members of a defined contribution plan, which is governed by the Pension Funds Act 24 of 1956.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Hollard Specialist Life Limited pays contributions to privately administered pension insurance plans on a mandatory basis. The Hollard Specialist Life 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 Offsetting

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

1.26 Dividend distribution

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

1.27 Events after the statement of financial position date

The financial statements are adjusted to reflect events that occurred between the end of the reporting period and the date when the financial statements are authorised for issue, only if those events provide evidence of conditions that existed at the end of the reporting period. Events that are indicative of conditions that arose after the reporting period are disclosed, with no adjustment to the financial statements.

1.28 Transactions with related parties

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

1.29 Key assumptions in applying accounting policies

Key assumptions are those used to derive estimates, which require management judgement. Refer to note 2.

The Hollard Specialist Life 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:

- Policyholders' liabilities under insurance contracts are derived from estimates of the net present value of future claims and benefits under existing contracts, offset by probable future premiums to be received (net of expected service costs). The key assumptions have been detailed in note 14 of the notes.
- The Hollard Specialist Life Limited holds a number of financial assets that are designated at fair value through profit/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 and receivables. Further details are contained in note 1.10 and note 1.12 of the accounting policies.

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.

2.1 Critical accounting estimates and judgements in applying accounting policies

The Hollard Specialist Life Limited makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2.2 The ultimate liability arising from claims under insurance contracts

The estimation of the ultimate liability arising from claims under insurance contracts is the Hollard Specialist Life Limited's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Hollard Specialist Life Limited will ultimately pay for such claims.

Claim amounts are generally fixed or relatively easy to estimate. There is therefore limited uncertainty as to the expected claim amount on a particular policy. The reinsurance terms are also known in advance and the allowance for reinsurance recoveries is readily determinable. However it is necessary to estimate the timing of the claim payments. This is based on the probability that a policy will be in force and the probability of a claim arising in the future. For each policy the present value of the expected claims is estimated based on age and calendar-year based standard tables modified to reflect the recent claims experience of the Hollard Specialist Life Limited and incorporating an allowance for trends.

The assumptions used are generally best estimate assumptions with compulsory margins and in certain instances discretionary margins have been included for additional prudence. The discount rate used to capitalise the claim values is also based on current economic conditions but reflects the Hollard Specialist Life Limited's asset mix with an allowance for mismatching risk.

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

The determination of the liabilities under long-term insurance contracts are dependent on estimates made by the Hollard Specialist Life Limited. Estimates are made as to the expected number of deaths for each of the years in which the Hollard Specialist Life Limited is exposed to risk. The Hollard Specialist Life Limited bases these estimates on standard industry and national mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Hollard Specialist Life Limited's own experience.

Where future premiums are payable they have also been valued based on the current premium being paid. Future premiums are projected over the lifetime of each policy on a policy-by-policy basis. The value of the premiums takes into account the possibility that the policy may terminate due to early cancellation through lapsing or surrender. The interest rate used to discount the premiums reflects current economic conditions, the asset mix of the Hollard Specialist Life Limited and allows for mismatching risk.

Margins in premium rates to recoup upfront commission costs which have been capitalised as negative reserves have been recognised in full.

2.4 Fair value of investment contracts

The Hollard Specialist Life Limited issues investment contracts that are designated at fair value through profit or loss.

The liability held under these contracts is based on the account balance which represents the accumulated value of the allocated premiums less charges at the interest rate credited to the policies based on the investment performance of the underlying assets. The liability is set equal to a minimum of the surrender value payable on each policy. In most cases the liability held exceeds the minimum surrender value.

3. Risk management

3.1 Credit risk

a) Exposure to credit risk

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

	CARRYING VALUE IN STATEMENT OF FINANCIAL POSITION		NET CREDIT EXPOSURE	
	2023 R'000	Restated 2022 R'000	**2023 R'000**	Restated 2022 R'000
COMPANY				
Financial assets at fair value through profit or loss – unlisted investments	**551 445**	500 492	**551 445**	500 492
Financial assets at fair value through profit or loss – bonds	**20 310**	10 006	**20 310**	10 006
Financial assets at amortised cost	**247 809**	319 652	**247 809**	319 652
Loans and other receivables	**5 879**	15 180	**5 879**	15 180
Cash and cash equivalents	**131 483**	106 242	**131 483**	106 242
Insurance assets				
Insurance receivables – premium debtors	**6 548**	3 147	**6 548**	3 147
Reinsurance assets	**99 644**	114 919	**99 644**	114 919
Total	**1 063 119**	1 069 638	**1 063 119**	1 069 638

b) Credit rating

The following table provides information regarding the Company's aggregated credit exposures. The carrying amount of these financial instruments represents the Company's maximum exposure to credit risk. The Company does not engage in any activities to enhance the credit quality of these instruments such as obtaining collateral and purchasing credit derivatives or similar instruments. Concentrations of credit risk are determined on the basis of counterparty credit rating criteria, as risks faced by these groupings are similar in nature. The grouping of assets in such manner highlights the credit quality associated with financial assets and liabilities.

	BB+ R'000	BB R'000	Not rated R'000	Total R'000
COMPANY				
2023				
Other assets				
Financial assets at fair value through profit or loss – unlisted investments	**11 052**	**56 608**	**483 786**	**551 445**
Financial assets at fair value through profit or loss – bonds	**10 231**	**10 079**	**—**	**20 310**
Financial assets at amortised cost	**—**	**—**	**247 809**	**247 809**
Loans and other receivables	**—**	**—**	**5 879**	**5 879**
Cash and cash equivalents	**29 667**	**77 093**	**24 724**	**131 483**
Insurance assets				
Insurance receivables – premium debtors	**—**	**—**	**6 548**	**6 548**
Reinsurance assets	**—**	**—**	**99 644**	**99 644**
Total	**50 950**	**143 779**	**868 389**	**1 063 119**
Restated				
2022				
Other assets				
Financial assets at fair value through profit or loss – unlisted investments	11 651	14 913	473 928	500 492
Financial assets at fair value through profit or loss – bonds	—	10 006	—	10 006
Financial assets at amortised cost	—	—	319 652	319 652
Loans and other receivables	—	—	15 180	15 180
Cash and cash equivalents	7 126	85 285	13 832	106 242
Insurance assets				
Insurance receivables – premium debtors	—	—	3 147	3 147
Reinsurance assets	—	—	114 919	114 919
Total	18 777	110 204	940 657	1 069 638

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

3. Risk management (continued)

3.1 Credit risk (continued)

c) Financial and insurance assets that are neither past due nor impaired

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

	Neither past due nor impaired R'000	Past due not impaired R'000	Individually impaired R'000	Net carrying value R'000
2023				
Financial assets at fair value through profit or loss – unlisted investments	**551 445**	**—**	**—**	**551 445**
Financial assets at fair value through profit or loss – bonds	**20 310**	**—**	**—**	**20 310**
Financial assets at amortised cost	**247 809**	**—**	**—**	**247 809**
Loans and other receivables	**5 879**	**—**	**—**	**5 879**
Cash and cash equivalents	**131 483**	**—**	**—**	**131 483**
Total	**956 927**	**—**	**—**	**956 927**
Insurance receivables – premium debtors	**98**	**6 450**	**—**	**6 548**
Reinsurance assets	**99 644**	**—**	**—**	**99 644**
Total	**99 742**	**6 450**	**—**	**106 192**
Restated 2022				
Financial assets at fair value through profit or loss – unlisted investments	500 492	—	—	500 492
Financial assets at fair value through profit or loss – bonds	10 006	—	—	10 006
Financial assets at amortised cost	319 652	—	—	319 652
Loans and other receivables	15 180	—	—	15 180
Cash and cash equivalents	106 242	—	—	106 242
Total	951 572	—	—	951 572
Insurance receivables – premium debtors	5 976	—	(2 829)	3 147
Reinsurance assets	114 919	—	—	114 919
Total	120 895	—	(2 829)	118 066

d) Age analysis of other loans and receivables and premium debtors that are past due but not impaired

	> 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
2023					
Insurance receivables – premium debtors	**6 450**	**—**	**—**	**—**	**6 450**
	6 450	**—**	**—**	**—**	**6 450**
2022					
Insurance receivables – premium debtors	—	—	—	—	—
	—	—	—	—	—

3. Risk management (continued)

3.2 Liquidity risk

a) Maturity profile on financial and insurance assets – contractual cash flows assets

The following tables detail the 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
COMPANY							
2023							
Financial assets at fair value through profit or loss	**571 755**	**571 755**	**551 445**	**—**	**—**	**—**	**20 310**
Financial assets at amortised cost	**247 809**	**247 809**	**—**	**183 000**	**—**	**64 809**	**—**
Reinsurance assets	**99 644**	**99 644**	**—**	**—**	**—**	**99 644**	**—**
Insurance, loans and other receivables	**12 427**	**12 427**	**—**	**12 427**	**—**	**—**	**—**
Cash and cash equivalents	**131 484**	**131 484**	**111 044**	**20 439**	**—**	**—**	**—**
Total	**1 063 119**	**1 063 119**	**662 489**	**215 867**	**—**	**164 453**	**20 310**
Restated 2022							
Financial assets at fair value through profit or loss	510 498	510 498	500 492	—	—	—	10 006
Financial assets at amortised cost	319 652	319 652	—	255 953	—	—	63 699
Reinsurance assets	114 919	114 919	—	4 229	—	110 690	—
Insurance, loans and other receivables	18 327	18 327	—	18 327	—	—	—
Cash and cash equivalents	106 242	106 242	106 242	—	—	—	—
Total	1 069 638	1 069 638	606 734	278 509	—	110 690	73 705

b) 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 R'000	0 – 12 months R'000	1 – 2 years R'000	2 – 5 years R'000
COMPANY						
2023						
Non-derivative financial liabilities						
*Trade and other payables**	**194 297**	**194 297**	**—**	**194 297**	**—**	**—**
Total	**194 297**	**194 297**	**—**	**194 297**	**—**	**—**
Restated 2022						
Non-derivative financial liabilities						
*Trade and other payables**	95 871	95 871	—	95 871	—	—
Total	95 871	95 871	—	95 871	—	—

* *VAT is not included in trade and other payables; and lease liability has been separately disclosed.*

3. Risk management (continued)

3.2 Liquidity risk (continued)

c) Maturity profile on financial liabilities – probable contractual cash outflows

The following table details the Company's probable cash outflows associated with the following table details the 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
COMPANY				
2023				
Policyholder liabilities	**(35 044)**	**60 716**	**163 977**	**(259 737)**
Claims reported and loss adjustment expenses	**30 569**	**30 569**	**—**	**—**
Claims incurred but not yet reported	**14 377**	**14 377**	**—**	**—**
Unearned premium provision	**4 424**	**4 424**	**—**	**—**
Reinsurance liabilities	**275**	**275**	**—**	**—**
	14 601	**110 361**	**163 977**	**(259 737)**
2022				
Policyholder liabilities	(123 786)	32 651	186 665	(343 103)
Claims reported and loss adjustment expenses	31 807	31 807	—	—
Claims incurred but not yet reported	18 013	18 013	—	—
Unearned premium provision	1 699	1 699	—	—
Reinsurance liabilities	(3 975)	(3 975)	—	—
	(76 242)	80 195	186 665	(343 103)

3.3 Market risk

a) Sensitivity analysis – interest rate risk

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

	2023 Carrying amount R'000	Restated 2022 Carrying amount R'000
Profile		
Cash and cash equivalents	**131 483**	106 242
	131 483	106 242

b) Sensitivity analysis – variable rate exposure

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.

	PROFIT/(LOSS)		EQUITY	
	2% increase R'000	2% decrease R'000	2% increase R'000	2% decrease R'000
COMPANY				
2023				
Cash and cash equivalents	**2 630**	**(2 630)**	**2 630**	**(2 630)**
	2 630	**(2 630)**	**2 630**	**(2 630)**
Restated 2022				
Cash and cash equivalents	2 125	(2 125)	2 125	(2 125)
	2 125	(2 125)	2 125	(2 125)

3. Risk management (continued)

3.3 Market risk (continued)

c) 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
COMPANY						
Preference shares	**64 809**	**Not listed**	**N/A**	63 699	Not listed	N/A
	64 809			63 699		

d) Sensitivity analysis – index exposure

All other variables constant, for listed equity investments, a 500 basis point increase/(decrease) in the relevant stock exchange index over the year would have increased/(decreased) equity and profit/(loss) by the amounts shown below. The analysis is performed on the same basis for 2022.

	PROFIT/(LOSS)		EQUITY	
	5% increase R'000	**5% decrease R'000**	**5% increase R'000**	**5% decrease R'000**
COMPANY				
2023				
Preference shares – not listed	**3 240**	**(3 240)**	**3 240**	**(3 240)**
	3 240	**(3 240)**	**3 240**	**(3 240)**
2022				
Preference shares – not listed	3 185	(3 185)	3 185	(3 185)
	3 185	(3 185)	3 185	(3 185)

3.4 Comprehensive income

a) Financial income and expenditure

The 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:

	2023 R'000	Restated 2022 R'000
Financial assets at fair value through profit or loss	**29 544**	23 045
Financial assets at amortised cost	**20 645**	13 668
Net gain on financial assets as at fair value through profit and loss	**35 095**	13 718
Financial income	**85 284**	50 431
Interest expense on financial liabilities measured at amortised cost	**(3)**	(226)
Net financial income	**85 281**	50 205
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	**29 544**	23 045
Total interest expense	**(3)**	(226)
Net interest income	**29 541**	22 819

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

4. Investment properties

	2023 R'000	2022 R'000
Investment Property – land and buildings – Cost	–	5 600
Investment Property – land and buildings – Revaluation	–	441
	–	6 041

Investment property consists of Erf 35326 and 35327 situated in Bellville, Cape Town. The cost of the property is R5.6 million (2022: R5.6 million) and a market value of R6.0 million (2022: R6.0 million). The property was sold on the 14th of July 2023 and subsequently reallocated to non-current assets held for sale.

5. Intangible assets

	2023 R'000	2022 R'000
Cost		
Computer software	12 516	12 516
Acquired rights over books of business	100	100
Intangible assets – cost	12 616	12 616
Accumulated amortisation and impairment		
Computer software	(12 516)	(12 516)
Intangible assets – accumulated amortisation and impairment	(12 516)	(12 516)
Net carrying amount		
Acquired rights over books of business	100	100
Intangible assets	100	100
Reconciliation of movement on net carrying amount:		
Balance at the beginning of the year	100	1 714
Amortisation for the year	–	(1 614)
Computer software	–	(1 614)
Balance at the end of the year	100	100

6. Financial assets

	2023 R'000	Restated 2022 R'000
Financial assets at fair value through profit or loss	571 755	510 498
Financial assets at amortised cost	247 809	319 652
	819 564	830 150
Financial assets at fair value through profit or loss		
Unlisted investments	551 445	500 492
Bonds	20 310	10 006
	571 755	510 498
An analysis of the Company's financial assets by market sector and maturity spread is provided below		
Unlisted Investments		
At fair value	551 445	500 492
	%	%
Unit trusts	100,00	100,00
	100,00	100,00
Bonds		
Bonds and other assets at amortised cost by industry	20 310	10 006
	%	%
Banks	100,00	100,00
	100,00	100,00
Total unlisted investments and bonds at fair value	571 755	510 498

	Maturity spread R'000	Maturity spread %	Nominal interest rate %	Effective interest rate %
COMPANY				
Bonds				
An analysis of debt securities by maturity spread for 2023				
More than five years	20 310	100,00	10,67	11,20
	20 310	100,00		
An analysis of debt securities by maturity spread for 2022				
More than five years	10 006	100,00	7,19	7,21
	10 006	100,00		

All bonds reported above are South African in origin.

7. Categories and classes of financial and insurance assets and liabilities

	Fair value through profit or loss R'000	Loans and receivables R'000	At amortised cost invest-ments R'000	Total financial instru-ments R'000	Insurance contract assets and liabilities R'000	Other assets and liabilities R'000	Total per statement of financial position R'000	Fair value of financial instru-ments R'000
COMPANY								
2023								
Assets								
Financial assets	571 755	–	247 809	819 564	–	–	819 564	819 564
Preference shares and debt instruments	571 755	–	247 809	819 564	–	–	819 564	819 564
Reinsurance assets	–	–	–	–	99 644	–	99 644	99 644
Insurance, loans and other receivables	–	–	–	–	12 427	–	12 427	12 427
Cash and cash equivalents	–	–	131 484	131 484	–	–	131 484	131 484
Total	571 755	–	379 292	951 047	112 071	–	1 063 119	1 063 119
Liabilities								
Insurance liabilities	–	–	–	–	14 326	–	14 326	14 326
Reinsurance liabilities	–	–	–	–	275	–	275	275
Employee benefits	–	–	–	–	–	4 523	4 523	4 523
Trade and other payables	–	–	–	–	–	194 297	194 297	194 297
Total	–	–	–	–	14 601	198 820	213 421	213 421
2022								
Assets								
Financial assets	510 498	–	319 652	830 150	–	–	830 150	830 150
Preference shares and debt instruments	510 498	–	319 652	830 150	–	–	830 150	830 150
Insurance asset	–	–	–	–	227 902	–	227 902	227 902
Reinsurance assets	–	–	–	–	118 894	–	118 894	118 894
Insurance, loans and other receivables	–	275	–	275	18 052	–	18 327	18 327
Cash and cash equivalents	–	–	106 242	106 242	–	–	106 242	106 242
Total	510 498	275	425 894	936 667	364 848	–	1 301 515	1 301 515
Liabilities								
Insurance liabilities	–	–	–	–	155 635	–	155 635	155 635
Employee benefits	–	–	–	–	–	6 011	6 011	6 011
Trade and other payables	–	–	–	–	–	95 871	95 871	95 871
Total	–	–	–	–	155 635	101 882	257 517	257 517

8. 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
COMPANY				
2023				
Financial assets carried at fair value through profit or loss				
Unlisted investments	–	**551 445**	–	**551 445**
Bonds	–	**20 310**	–	**20 310**
	–	**571 755**	–	**571 755**
2022				
Financial assets carried at fair value through profit or loss				
Unlisted investments	–	500 492	–	500 492
Bonds	–	10 006	–	10 006
Total	–	510 498	–	510 498

Quantitative information about fair value measurement

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 Company's own models whereby the majority of assumptions are market observable.

The Company determines 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 11,747% (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.

9. Insurance, loans and other receivables

	2023 R'000	2022 R'000
Insurance receivables – premium debtors	**3 721**	3 147
Other receivables	**8 706**	15 180
Total insurance and other receivables	**12 427**	18 327

All receivables are classified as current as all economic benefits are expected to occur within one year.

These receivables include all prepayments, insurance and other receivables and dividends receivable.

10. Cash and cash equivalents

	2023 R'000	Restated 2022 R'000
Cash on call	52 794	45 841
Cash at bank	78 690	41 844
Cash on deposit	–	18 557
Cash and cash equivalents	**131 483**	106 242

** Refer to note 36 for the details on the restatements. The comparative information has been restated as a result of prior period errors.*

11. Non-current assets held for sale

	2023 R'000	2022 R'000
Property – land and buildings	6 041	–
Fair value on land and buildings held for sale	**6 041**	–
Reconciliation of movement on fair value amount:		
Property – land and buildings	6 041	–
Balance at the end of the year	**6 041**	–

Non-current assets consist of the Property situated on Erf 35326 and 35327 in Bellville, Cape Town which was reclassified as held for sale. The cost of the property is R5.6 million (2022: R5.6 million) and a market value of R6.0 million (2022: R6.0 million).

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.

12. Share capital and premium

	2023 R'000	2022 R'000
Authorised		
3 000 000 ordinary shares	30	30
1 070 preference shares*	–	–
	30	30
Issued and fully paid		
2 125 000 Ordinary Shares	21	21
12 Preference Shares – class A*	–	–
	21	21
Share premium	94 666	94 666
Issued share capital	**94 687**	94 687

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.*

13. Cell captive shareholder liabilities*

	2023 R'000	Restated 2022 R'000
Reconciliation of cell captive shareholders interest		
Balance at the beginning of the year	20 623	20 901
Profits attributable to cells	26 286	8 185
Dividends paid	(26 828)	(12 495)
Capital movement	264	4 032
Balance at the end of the year	**20 345**	20 623

Hollard Specialist Life 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.

** Refer to note 36 for the details on the restatements. The comparative information has been restated as a result of prior period errors.*

14. Trade and other payables

	2023 R'000	2022 R'000
Trade payables	5 930	4 606
Sundry creditors	93 870	80 827
Due to Group company	94 497	10 438
Trade and other payables	**194 297**	**95 871**

All trade and other payables are current liabilities. The carrying amounts approximate the fair value given the demand feature of the financial instruments.

15a. Insurance liabilities

	2023 R'000	2022 R'000
Policyholder liabilities under investment contracts		
Balance at the beginning of the year	104 116	104 460
Contribution received	(3 437)	2 382
Maturities	(346)	(5 131)
Amounts transferred from the income statement	10 529	3 498
Other movement for the year	(916)	(1 093)
Balance at the end of the year	**109 947**	**104 116**
Policyholder liabilities under insurance contracts		
Balance at the beginning of the year	(227 902)	(165 185)
Amounts transferred to/from the income statement	3 787	(60 151)
Movement for the year	79 125	(2 566)
Balance at the end of the year	**(144 990)**	**(227 902)**
Total policyholder liabilities	**(35 044)**	**(123 786)**
Gross insurance liabilities	(35 044)	(123 786)
Outstanding claims	44 946	49 820
Unearned premium provision	4 424	1 699
Total insurance liabilities	**14 326**	**(72 267)**

Sensitivity analysis – Policyholder (asset)/liabilities

	2023		2022	
	Insurance Contracts	Linked and RA	Insurance Contracts	Linked and RA
Base value	(144 990)	109 947	(227 902)	104 116
Renewal expenses decrease by 10%	(170 764)	109 947	(248 650)	104 116
Withdrawal rates decrease by 10%	(188 331)	110 097	(268 546)	104 248
Mortality rates decrease by 5%	(165 838)	109 947	(251 063)	104 116
Investment returns decrease by 1%	(174 726)	109 947	(259 249)	104 116
Equity risk premium increases by 1%	(144 990)	109 947	(227 902)	104 116
Shock asset values by 10%	(149 949)	107 924	(235 047)	101 503

- Sensitivities were derived in line with the sensitivities compiled for the EV report.
- Liability sensitivities on linked business are offset by commensurate asset movements resulting in a nil balance sheet impact.
- Asset value shock: Shock equity and property by 10% and alternative investments by 1%.

15b. Insurance liabilities and reinsurance assets

	2023 R'000	2022 R'000
Gross		
Policyholder liabilities	**64 601**	(8 868)
Claims reported and loss adjustment expenses	**24 745**	30 705
Provision for outstanding maturities	**5 823**	1 102
Claims incurred but not yet reported	**14 377**	18 013
Unearned premium provision	**4 424**	1 699
Total gross insurance liabilities	**113 971**	42 651
Recoverable from reinsurers		
Claims reported and loss adjustment expenses	**95 368**	110 257
Reinsurance recoveries	**4 277**	4 662
Total reinsurers' share of insurance liabilities	**99 644**	114 919
Net		
Policyholder liabilities	**64 601**	(8 868)
Claims reported and loss adjustment expenses	**(70 622)**	(79 552)
Provision for outstanding maturities	**5 823**	1 102
Claims incurred but not yet reported	**14 377**	18 013
Unearned premium provision	**4 424**	1 699
Reinsurance recoveries	**(4 277)**	(4 662)
Total insurance liabilities – net	**14 326**	(72 267)

16. Provisions

	Leave pay R'000	Bonus R'000	Provisions R'000
COMPANY			
2023			
Balance at the beginning of the year	**2 840**	**3 171**	**6 011**
Additional provisions raised during the year	**316**	**1 787**	**2 103**
Utilised during the year	**(1 385)**	**(2 207)**	**(3 592)**
Balance at the end of the year	**1 771**	**2 751**	**4 523**
2022			
Balance at the beginning of the year	2 844	–	2 844
Additional provisions raised during the year	1 037	3 653	4 690
Utilised during the year	(1 041)	(482)	(1 523)
Balance at the end of the year	2 840	3 171	6 011

Leave pay

In terms of the Hollard Specialist Life Limited's policy, employees are entitled to 20 or 25 days leave, dependent on grade, per annum. Employees must take 15 days per annum, roll-over must be taken within 12 months.

Incentive scheme

In terms of the Hollard Specialist Life Limited's policy, selected employees at the discretion of the remuneration committee receive an incentive bonus. The incentive bonus is based on employee and Company performance, and other relevant criteria and is approved by the Remuneration Committee.

17. Deferred taxation

	2023 R'000	2022 R'000
Deferred income tax assets		
Deferred income tax to be recovered within 12 months	**131**	427
Deferred income tax to be recovered after 12 months	**4 531**	3 856
Deferred income tax assets	**4 662**	4 283
Balance at the beginning of the year	**4 283**	8 745
Movement during the year attributed to:		
Prior year adjustments	**–**	(119)
Capital allowances	**(44)**	(982)
Provisions	**(296)**	(787)
Return transfer from the corporate fund to tax funds	**720**	(2 575)
Balance at the end of the year	**4 662**	4 283
Balance comprises:		
Capital gains tax	**707**	3 043
Deferred tax asset (assessed tax losses in tax funds)	**2 292**	–
Provisions	**131**	427
Return transfer from the corporate fund to tax funds	**1 533**	813
Balance comprises:	**4 662**	4 283
Deferred income tax liabilities		
Deferred income tax to be recovered after 12 months	**129 244**	154 607
Deferred income tax liabilities	**129 244**	154 607
Balance at the beginning of the year	**154 607**	144 627
Movement during the year attributed to:		
Prior year adjustments	**–**	(682)
Unrealised gain or losses on assets at fair value through profit/loss	**2 859**	1 478
Release of "phase in" tax for zeroised negative liabilities	**(16 731)**	(18 590)
Change in negative reserves not taxed*	**(11 492)**	27 774
Balance at the end of the year	**129 244**	154 607
Balance comprises:		
Release of "phase in" tax for zeroised negative liabilities	**16 731**	33 462
Unrealised gain or losses on assets at fair value through profit/loss	**5 888**	3 647
Deferred tax liabilities (disregarded for transfer tax)	**619**	–
Change in negative reserves not taxed*	**106 006**	117 499
Deferred income tax - balance	**129 244**	154 607

No deferred tax asset has been raised for losses in the policyholder funds, as these losses are not likely to be utilised in the foreseeable future.

* *A deferred tax liability is held in respect of negative reserves that are untaxed as at the reporting period in terms of section 29(1), and a further DTL is held in respect of the phasing in tax due to the zeroisation of negative reserves prior to 1 July 2017 in terms of section 29A(15) of the Income Tax Act.*

18. Net premium income

	2023 R'000	2022 R'000
Recurring premiums	610 511	635 241
Reinsurance premiums inward	45 254	45 826
Gross written premiums	**655 765**	**681 067**
Reinsurance outwards	(1 716)	(2 723)
Group reinsurance outwards – non-proportional	(482)	(1 020)
Group reinsurance outwards – proportional	(1 233)	(1 703)
Change in unearned premium reserve	(3)	(14 492)
Net premium income	**654 046**	**663 852**

Net premium income represents income from insurance contracts only. Items of income and expense in respect of investment contracts are excluded from the income statement and are accounted for directly against the liability under these contracts in the statement of financial position. Please refer to note 15 on page 44 for details of the movement in policyholder liabilities under investment contracts.

19. Dividends and interest

	2023 R'000	2022 R'000
Interest received		
Interest received – financial assets at amortised cost	**20 372**	**13 668**
Interest received on call deposits	19 751	12 835
Sundry interest received	621	833
Interest received – financial assets at fair value through profit or loss	**17 938**	**23 045**
Interest received on investments	14 608	20 146
Interest received from bank	2 671	2 145
Sundry interest received	(667)	78
Interest received on call deposits	1 327	676
Total interest received	**38 310**	**36 713**
Dividends received		
Dividends received – listed	—	585
Dividends received – unlisted	5 221	5 015
Total dividends received	**5 221**	**5 600**
Total interest received and dividend income	**43 531**	**42 313**
Interest paid		
Interest paid – general	3	226
Total interest paid	**3**	**226**

20. Realised profits on disposal of investments and other financial assets

	2023 R'000	2022 R'000
Unlisted investments	4 566	7 215
Listed investments	—	(222)
Net realised profits on fair value through profit or loss	**4 566**	**6 993**

21. Unrealised profits on revaluation of investments and other financial assets

	2023 R'000	2022 R'000
Unlisted investments	**25 308**	(4 229)
Listed investments	**—**	5 354
Net unrealised profits on fair value through profit or loss assets	**25 308**	1 125

22. Other income

	2023 R'000	2022 R'000
Administration fees received	**863**	985
Management fees received	**9 985**	10 610
Sundry income received	**8 108**	2
Other operating income	**18 957**	11 596

23. Policyholder benefits

	2023 R'000	2022 R'000
Individual and group	**81 237**	36 748
- Death and disability	**68 010**	23 245
- Maturity	**712**	226
- Other	**12 515**	13 277
Claims and loss adjustments expense	**192 356**	283 414
Gross policyholder benefits and claims Incurred	**273 593**	320 162
Less: Reinsurance recoveries	**(19 003)**	(21 288)
Net policyholder benefits	**254 590**	298 874

Policyholder benefits represent payments under insurance contracts only. Items of income and expense in respect of investment contracts are excluded from the income statement and accounted for directly against the liability under these contracts in the statement of financial position. Please refer to note 15 on page 44 of these financial statements for the movement in policyholder liabilities under investment contracts.

24. 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	133	179	178	534	712
	3 020	9 055	12 075	2 237	6 712	8 949
Director B						
Basic salary	1 065	3 194	4 259	970	2 910	3 880
Bonus and performance related payments	1 606	4 819	6 425	272	815	1 087
Estimated monetary value of other benefits	47	142	189	44	132	176
Pension/provident fund contributions	124	371	495	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	–	4 618	4 618
Bonus and performance related payments	2 142	6 425	8 567	–	2 277	2 277
Estimated monetary value of other benefits	51	153	204	–	189	189
Pension/provident fund contributions	188	564	752	–	534	534
	4 022	12 065	16 087	–	7 618	7 618
Director D						
Basic salary	1 528	1 528	3 055	1 463	1 463	2 925
Bonus and performance related payments	409	409	818	198	198	395
Estimated monetary value of other benefits	89	89	177	84	84	167
Pension/provident fund contributions	178	178	355	170	170	339
	2 203	2 203	4 405	1 913	1 913	3 826
Director E						
Basic salary	2 907	969	3 876	2 488	829	3 317
Bonus and performance related payments	3 534	1 178	4 712	903	301	1 204
Estimated monetary value of other benefits	342	114	456	236	79	315
Pension/provident fund contributions	346	115	461	298	100	398
	7 129	2 376	9 505	3 927	1 309	5 236
Non-executive directors						
Director A	371	1 112	1 483	338	1 014	1 352
Director B	192	576	768	228	684	912
Director C	164	492	655	153	459	612
Director D	234	703	937	209	628	837
Director E	298	893	1 191	283	850	1 133
Director F	151	452	603	142	426	568
Director G	185	555	740	169	508	677
	1 595	4 783	6 377	1 523	4 568	6 091
Prescribed officers						
Prescribed officer A						
Basic salary	806	2 417	3 223	765	2 294	3 059
Bonus and performance related payments	899	2 698	3 597	223	671	894
Estimated monetary value of other benefits	13	40	53	13	39	52
Pension/provident fund contributions	90	270	360	86	256	342
	1 808	5 425	7 233	1 087	3 260	4 347
Prescribed officer B						
Basic salary	654	1 963	2 617	597	1 793	2 390
Bonus and performance related payments	642	1 927	2 569	160	478	638
Estimated monetary value of other benefits	63	188	251	84	251	335
Pension/provident fund contributions	79	237	316	75	225	300
	1 438	4 315	5 753	916	2 747	3 663
Prescribed officer C						
Basic salary	952	2 857	3 809	907	2 722	3 629
Bonus and performance related payments	1 071	3 212	4 283	113	339	452
Estimated monetary value of other benefits	7	20	27	6	19	25
Pension/provident fund contributions	107	320	427	101	305	406
	2 137	6 409	8 546	1 127	3 385	4 512
Directors and prescribed officers' emoluments	26 194	55 157	81 349	14 129	35 707	49 836

24. Profit before taxation (continued)

	2023 R'000	Restated 2022 R'000
Auditor's remuneration		
Audit fees	3 662	3 515
	3 662	3 515
Expenses for the acquisition of insurance contracts		
Commission	155 211	61 535
Other expenditure		
Staff remuneration	42 907	51 261
Amortisation of intangible assets	—	1 614
Write-off of premium debtors	12 762	(12 413)
Administration fees paid	37 853	102 434
Professional fees	12 984	6 292
Operating lease rentals – building	2 383	3 792
Operating lease rentals – computer	996	586
Operating lease rentals – office equipment	43	—
Profit attributable to cell captive shareholders*	26 286	8 185

** Refer to note 36 for the details on the restatements. The comparative information has been restated as a result of prior period errors.*

25. Taxation

	2023 R'000	2022 R'000
South African normal taxation		
Current year	7 860	43 018
Prior year	13 900	(1 996)
Deferred tax expense		
Current year	(25 743)	15 005
Prior year	—	(562)
Taxation	(3 984)	55 465
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
Adjusted for:		
– Normal taxation – prior year	(21,14)	—
– Exempt income on dividends not taxable	2,14	(0,57)
– Realised gains not taxable	—	(0,01)
– Unrealised gains not taxable	1,14	(0,93)
– Other	(0,50)	(0,60)
– Other non-taxable income/non-deductible expenses	(2,57)	1,03
–Change in tax rate	—	(0,68)
– Prior year (over)/underprovision	—	(0,91)
Tax rate reconciliation	6,06	25,33

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

	2023 R'000	Restated 2022 R'000
Profit before tax*	(95 608)	210 802
Adjustments for:		
Intangible asset amortisation	—	1 614
Transfer to policyholder liabilities under insurance contracts	86 314	(60 151)
Transfer to policyholder liabilities under investment contracts	(2 462)	3 498
Investment income	(55 410)	(42 313)
Rental income	(166)	(235)
Other income	(18 957)	(11 596)
Profit on disposal of investments	(4 566)	(6 993)
Unrealised loss on revaluation of listed investments	—	(5 354)
Unrealised (loss)/gain on revaluation of unlisted investments	(25 308)	4 229
(Decrease)/increase in employee benefits	(1 489)	3 167
Interest expense	3	226
Operating cash flows before working capital changes*	**(117 649)**	**96 894**
Working capital changes*	147 987	(22 931)
Decrease in insurance receivables, loans and other receivables	5 900	23 008
Increase in cell captive liabilities*	26 286	8 185
Decrease in reinsurance assets	15 275	12 540
Increase/(decrease) in reinsurance liabilities	4 250	(6 787)
Decrease in net outstanding claims and IBNR	(4 874)	(16 701)
Increase/(decrease) in unearned premiums	2 725	(279)
Increase/(decrease) in trade and other accounts payable	98 426	(42 897)
Cash generated from operations	**30 339**	**73 963**

** Refer to note 36 for the details on the restatements. The comparative information has been restated as a result of prior period errors.*

27. Dividends paid

	2023 R'000	Restated 2022 R'000
Amount declared in statement of changes in equity	(62 251)	(194 429)
Amount declared to cell captive shareholders*	(26 828)	(12 495)
Cash amounts paid	**(89 078)**	**(206 924)**

** Refer to note 36 for the details on the restatements. The comparative information has been restated as a result of prior period errors.*

28. Dividends received

Amount received per income statement	5 221	5 600
Cash amounts received	**5 221**	**5 600**

29. Taxation paid

Amount due at beginning of year	(147 689)	(128 335)
Amount charged to income statement	3 984	(55 465)
Amount due at end of year	107 543	147 689
Cash amounts paid	**(36 163)**	**(36 111)**
Amounts due at end of year comprised as follows:		
Deferred taxation asset	(4 662)	(4 283)
Deferred taxation liability	129 244	154 607
Current income taxation asset	(17 039)	(2 635)
	107 543	147 689

30. Lease – Low-value items

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

	2023 R'000	2022 R'000
Computers	**996**	586
Office equipment	**43**	—

31. Contingent liabilities

The Company, in the ordinary course of business, enters into transactions which expose the Company 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 Company.

There are other legal or potential claims against the Company, the outcome of which at present cannot be foreseen or quantified. Therefore, no liability has been recognised for these potential claims in the financial statements in accordance with the requirements of IAS 37.

32. Staff pension and provident fund

The Company has a defined contribution pension fund, the Hollard Employees Pension Fund. The Company and employees' contributions to the fund charged against income for the year were Rnil (2022: R72 988).

The Company also has a defined contribution provident fund, the Hollard Employees Provident Fund. The Company and employees' contribution to the fund charged against income for the year were R1 387 077 (2022: R1 185 961).

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 526 (2022: 121).

33. Going concern

The directors have assessed the Company's ability to continue as a going concern. As at 30 June 2023, the Company had a strong net asset value and liquidity position.

The Board and its Committees received regular reports on the operational, functional, solvency and liquidity-related impacts on the Company.

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

34. 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.

35. Related party transactions

Transactions between Group companies

Hollard Specialist Life 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 Company, fellow subsidiaries, associated companies, joint ventures and the holding Company. The Company 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 where applicable.

	2023 R'000	2022 R'000
Loans from related parties		
Hollard Life Assurance Company Limited	**(94 099)**	(10 160)
Hollard Specialist Insurance Limited	**(23)**	(14)
The Hollard Insurance Company Limited	**(374)**	(264)
	(94 497)	(10 438)
Management fees paid		
Hollard Life Assurance Company	**9 231**	20 954
Investment in unlisted preference shares		
Yellowwoods Trust	**64 809**	63 334

36. Restatement of comparative financial year

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 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, and this error has resulted in a restatement. 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.

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.

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

	2022		
	As previously reported R'000	Restatement R'000	Restated R'000
Statement of comprehensive Income			
Marketing and administration expenses	203 145	8 185	211 330
Net impact	537 799	8 185	545 983
Profit before taxation	218 987	(8 185)	210 802
Income tax expense	55 465	–	55 465
Profit for the year	163 522	(8 185)	155 337

36.2 Restated comparative information in the statement of financial position

	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						
Financial assets	574 197	255 953	830 150	655 566	203 404	858 970
Cash and cash equivalents	362 195	(255 953)	106 242	389 953	(203 404)	186 549
Impact of restatement on total assets	936 392	–	936 392	1 045 519	–	1 045 519
Equity						
Non-controlling interest	20 623	(20 623)	–	20 901	(20 901)	–
Impact of restatement on total equity	20 623	(20 623)	–	20 901	(20 901)	–
Liabilities						
Cell captive shareholder liabilities	–	20 623	20 623	–	20 901	20 901
Impact of restatement on total liabilities	–	20 623	20 623	–	20 901	20 901

36.3 Restated comparative information in the statement of cash flows

	2022		
	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	(10 000)	(542 371)	(552 371)
Proceeds on disposals of other financial assets	1 375	489 822	491 197
Net cash outflow from investing activities	(8 625)	(52 549)	(61 174)
Cash and cash equivalents			
Net decrease in cash and cash equivalents	(27 758)	(52 548)	(80 306)
Cash, deposits and similar securities at beginning of year	389 953	(203 404)	186 549
Cash and cash equivalents at end of year	362 195	(255 953)	106 242

DIRECTORATE AND ADMINISTRATION
for the year ended 30 June 2023

Hollard Specialist Life Limited
Directorate and administration

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

Non-executive Chairman	ADH Enthoven (resigned – 1 August 2022)
Group Chief Executive Officer	WT Lategan (appointed – 1 July 2022)
Group Chief Financial Officer	DJ Viljoen
Executive director	AL Mhlanga (appointed – 8 December 2022)
Executive director	N Omar (appointed – 25 November 2022)
Lead independent non-executive director	B Ngonyama
Independent non-executive director	MR Bower
Independent non-executive director	NV Simamane
Independent non-executive director	R Fihrer
Independent non-executive director	MS Claassen
Independent non-executive director	S Patel
Independent non-executive director	AS Nkosi (resigned – 1 July 2023)
Independent non-executive director	NG Kohler (resigned – 1 August 2022)

Administration
Company Secretary

A Allardyce

Public Officer

RN Nyoka (appointed – 1 April 2023)
U Murphy (resigned – 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 long-term assurance business.

Auditors

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

Registration number

1994/001332/06


www.hollard.co.za