

A background image of a smiling couple, with the man on the left and the woman on the right, both looking down and smiling. The image is overlaid with a purple gradient.

Hollard.

The Hollard Insurance Company 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 Head: Short Term Reporting, Deon Naidoo, (CA(SA)), under the supervision of the Head of Finance, Prevashini Naicker, (CA(SA)).

(Registration number: 1952/003004/06)

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

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GROUP SALIENT FEATURES

for the year ended 30 June 2021

			GROUP			
	Notes	2021 R'000	2020 R'000	2019 R'000	2018 R'000	2017 R'000
Statement of profit and loss information						
Gross written premiums ⁽¹⁾		12 079 723	11 711 472	11 325 711	10 259 310	12 356 647
Net written premiums ⁽²⁾		8 347 870	8 860 170	8 816 276	7 928 871	9 557 362
Investment income ⁽³⁾		369 386	288 059	446 306	701 928	693 567
Net Insurance claims		4 877 401	4 618 497	4 488 532	4 384 080	5 241 672
Profit attributable to equity holders of the parent		347 368	346 808	575 326	219 102	764 598
Statement of financial position information						
Insurance liabilities		6 613 724	4 904 967	4 839 221	4 841 376	5 172 590
Equity attributable to equity holders of the parent		2 935 702	2 930 457	3 020 570	2 873 166	2 880 729
Total assets		14 199 357	11 723 656	11 288 563	11 612 742	12 564 368
Financial assets		3 776 765	2 944 421	3 006 929	2 970 051	2 784 533
Cash and cash equivalents		2 841 061	3 234 235	2 575 793	2 222 504	2 079 388
Trading ratios						
		%	%	%	%	%
Written premium: Net to gross		69,1%	75,7%	77,8%	77,3%	77,3%
Combined operating ratio ⁽⁴⁾		100,9%	98,7%	96,4%	101,0%	99,4%
Solvency ratio ⁽⁵⁾		36,0%	33,0%	34,3%	36,0%	39,2%
Actuarial Information						
Solvency capital requirement ⁽⁶⁾		2 430 287	2 549 895	2 552 495	2 214 333	2 304 177
Solvency capital requirement cover ⁽⁶⁾		1,32	1,27	1,33	1,33	1,26

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

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

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

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

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

⁽⁶⁾ "Solvency Capital Requirement" from the 2019 year is based on SAM while the prior years were based on interim measures.

DIRECTORS' RESPONSIBILITY STATEMENT AND APPROVAL OF ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2021

In terms of the Companies Act of South Africa, the Directors are required to maintain adequate accounting records and to prepare annual financial statements that fairly present the financial position at year-end and the results and cash flows for the year of The Hollard Insurance Company Limited ("Hollard" or the "Company") and its subsidiaries (the "Group").

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

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

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

The External Auditors are responsible for providing an opinion on the Group's and Company's annual financial statements.

The Group's and Company's annual financial statements are prepared in accordance with International Financial Reporting Standards and incorporate appropriate disclosures in line with the accounting policies of the Group. The Group's and Company's annual financial statements are based on appropriate accounting policies consistently applied except, as otherwise stated and supported by reasonable and prudent judgements and estimates.

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

These annual financial statements, set out on pages 8 to 74, have been approved by the Board of the Group and Company and are signed on its behalf by:



ADH Enthoven
Chairman

22 October 2021



S Ntombela
Chief Executive Officer

22 October 2021

CERTIFICATION BY COMPANY SECRETARY

for the year ended 30 June 2021

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



A Allardyce

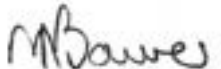
Company Secretary

22 October 2021

AUDIT COMMITTEE REPORT

The Committee is composed of three independent non-executive directors. The work of the Committee is specified by its charter, and the provisions of the Insurance Act. The Committee has reviewed the Group's and Company's annual financial statements, and recommends them for approval to the board. The Committee further reviewed the Group's and Company's accounting policies, and the reports of the internal and external audit functions, and of the compliance officer. The Committee met three times during the year, and the chairman of the Committee reported on the work of the Committee to the Board.

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



MR BOWER

Chairman: Audit Committee

22 October 2021

INDEPENDENT AUDITOR'S REPORT

for the year ended 30 June 2021

To the Shareholder of The Hollard Insurance Company Limited Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of The Hollard Insurance Company Limited and its subsidiaries ("the Group") set out on pages 12 to 73, which comprise the consolidated and separate statements of financial position as at 30 June 2021, and statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group and Company as at 30 June 2021, and their consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act of South Africa.

Basis for Opinion

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

Other Information

The directors are responsible for the other information. The other information comprises of information included in the Group salient features, the Directors' responsibility statement and Approval of the Annual Financial Statements, the Directors Report, the Audit Committees report, the certification by Company Secretary and the Directorate and Administration as required by the Companies Act of South Africa. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

for the year ended 30 June 2021

Key audit matter	How the matter was addressed in the audit
<p>Valuation of Incurred But Not Enough Reported (IBNER) Business Interruption (BI) liability</p> <p>This key audit matter is applicable to both the consolidated and separate financial statements.</p> <p>The total value of the Group's Gross IBNER liability at 30 June 2021 was R1 136 197 649 (Company – R1 136 197 649) included in Claims incurred but not yet reported balance as disclosed in Note 22.</p> <p>The calculation of this insurance liability is subject to inherent uncertainty and significant estimation is required.</p> <p>We considered the valuation of the IBNER BI liability to be a matter of most significance to the current year audit due to the following:</p> <ul style="list-style-type: none"> • The magnitude of the IBNER liability. • Substantial uncertainty regarding the ultimate outcome of claims that have occurred but had not yet been reported by the reporting date for both instance where the indemnity period has lapsed and where the policy holder is still within their indemnity period. • The significance of estimation uncertainty because of assumptions applied by management on the development pattern of the IBNER depending on the indemnity period per policy exposure. 	<p>In order to assess the reasonableness of judgements applied by management in the determination of the IBNER BI liability, using our actuarial expertise, we:</p> <ul style="list-style-type: none"> • Tested the design effectiveness and implementation of the controls relating to the preparation of the IBNER BI provision calculation. • Tested the integrity of the information used in the calculation of the IBNER BI provision by performing substantive procedures, on a sample basis, on the completeness and accuracy of the claims data used in calculating BI IBNER. • Evaluated the process and methodologies adopted in estimating the IBNER BI provision. • Assessed the presentation and disclosure in respect of IBNER BI provision and considered whether the disclosures reflected the risks inherent in the accounting for IBNER. • Inspected the commitment of reinsurance recoveries from lead reinsurers and assessed the appropriateness of RI recoveries against the treaties. • Assessed the modelling of the 75th percentile result against the accounting policy and chosen assumptions and methods.
<p>Valuation of Incurred But Not Reported (IBNR)</p> <p>This key audit matter is applicable to both the consolidated and separate financial statements.</p> <p>The total value of the Group and Company Gross IBNR liability at 30 June 2021 was R607 759 350 included in Claims incurred but not yet reported balance as disclosed in Note 22.</p> <p>At each year-end, the Group and Company estimate insurance claims that have been incurred before year end but will only be reported after year-end.</p> <p>The calculation of IBNR is based on actuarial methods which are subject to inherent uncertainty and significant judgement is required in its determination. In determining the IBNR the Group and Company used patterns based on past experience and historical claims, adjusted for current year developments, to provide a basis for future development of claims.</p> <p>This matter is a key audit matter due to inherent uncertainty and significant judgements required in the actuarial modelling process.</p>	<p>In evaluating the valuation of the IBNR, we audited the calculations and performed various procedures including the following:</p> <ul style="list-style-type: none"> • Testing the design effectiveness and implementation of the controls relating to the preparation of the reserves calculation; • Testing the integrity of the information used in the calculation of the IBNR by performing substantive procedures, on a sample basis, on the completeness and accuracy of the claims data used in calculating IBNR; • Performance of an independent recalculation of IBNR by Deloitte Actuarial and Insurance Solutions using historical claims data experience and trends and comparing the estimates to the numbers disclosed; • The audit team has assessed the release of the data discrepancy reserve raised in the financial statement in prior year. • Assessing the presentation and disclosure in respect of IBNR and consider whether the disclosures reflected the risks inherent in the accounting for IBNR.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

for the year ended 30 June 2021

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

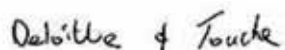
As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Report on Other Legal and Regulatory Requirements

In terms of the independent Regulatory Board of Auditors (IRBA) Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of The Hollard Insurance Company Limited for 13 years.



Deloitte & Touche

Registered Auditor

Per: Dinesh Munu

Partner

10 November 2021

AUDIT COMMITTEE REPORT

for the year ended 30 June 2021

Hollard Group Audit and Compliance Committee Report

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

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

1. Committee

1.1. Terms of Reference ("ToR")

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

1.2. Composition and meeting attendance

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

1.3. Roles and responsibilities

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

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

Internal Audit

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

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

Lovashnee Forte was appointed the new Group Head of Internal Audit with effect from 1 May 2021, following the resignation of Anusha Pillay on 22 January 2021. The Committee Chairman was integrally involved in and provided valuable input into the recruitment and appointment process of the Group Head of Internal Audit. The Internal Audit function has had direct access to the Committee Chairman and all the Committee members, and has discharged its responsibilities during the reporting period for: developing risk-based audit planning methodologies in line with King IV recommendations; following up on each internal audit with a detailed report to Management and recommendations on aspects that require improvement; and reporting significant findings to the Committee.

External Auditor

The Committee has reviewed the quality and effectiveness of the External Audit process and confirms there is a suitable process in place for the Committee to be informed of any irregularities (as described in the Auditing Profession Act, 2005) that may be identified and reported by the External Auditor.

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

AUDIT COMMITTEE REPORT (CONTINUED)

for the year ended 30 June 2021

Internal Financial Controls & the Annual Financial Statements

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

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

2. STATUTORY DUTIES

2.1. Financial Statements and Accounting Policies

The Committee has reviewed the Group's Accounting Policies and Financial Statements for the financial year ended 30 June 2021 and is satisfied that same complies with International Financial Reporting Standards.

2.2. Going Concern

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

2.3. External Auditor appointment and independence

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

After evaluating the extent of non-audit work the Auditor undertakes for the Group, and compliance with criteria relating to independence and conflicts of interest, the Committee has satisfied itself that Deloitte South Africa is independent of the Group. Guarantees provided by the auditing firm confirm that its claim to independence is supported and demonstrated by its own internal governance processes.

At the Annual General Meeting of the Shareholders, it will be recommended that Deloitte South Africa be re-appointed as External Auditor for the ensuing financial year.

3. CHIEF FINANCIAL OFFICER & THE FINANCE FUNCTION

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

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

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

4. STATEMENT ON INTERNAL FINANCIAL CONTROLS

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

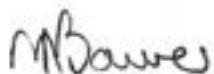
The Committee was able to advise the Board that the Group's internal financial controls form an effective basis for preparation of the Annual Financial Statements.

5. STATEMENT ON INTERNAL CONTROL AND RISK MANAGEMENT

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

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

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



Mark Bower
Chairman of the Audit and Compliance Committee

22 October 2021

DIRECTORS' REPORT

for the year ended 30 June 2021

The Directors have pleasure in presenting the Directors' report which forms part of the Group's and Company's annual financial statements for the year ended 30 June 2021.

Nature of business

The Company is a registered insurer and underwrites all classes of short-term insurance business throughout the Republic of South Africa. The activities and details of the interest in subsidiaries and associates are listed in notes 9 and 10 on pages 47 to 48 of the annual financial statements.

General review

In the year under review the Group achieved net profit attributable to equity holders of the parent of R347 368 000 (2020: R346 808 000), which arose from the Group's operations as follows:

	GROUP	
	2021 R'000	2020 R'000
Net premium income	8 306 952	8 776 291
Investment income*	369 386	288 059
Other income	210 655	104 608
Total revenue	8 886 993	9 168 958
Net insurance claims	4 877 401	4 618 497
Other operating expenses	3 547 776	4 084 872
Total Expenses	8 425 177	8 703 369
Results of operating activities	461 816	465 589
Share of profit in associates	45 845	42 635
Profit before taxation	507 661	508 224
Taxation	109 892	126 466
Profit for the year	397 769	381 758
Non-controlling interest	50 401	34 950
Net profit attributable to equity holders of the parents	347 368	346 808

* Includes Investment gains/(losses)

Share capital

There was no change in the authorised and issued ordinary share capital of the Company during the year.

Dividends

Dividends on ordinary shares of R291 290 000 (2020: R451 710 280) were declared by the Company during the year.

Subsidiaries and associates

The Company's aggregate share of the profits of subsidiaries and associates for the year amounted to R47 969 000 and R45 845 000 respectively (2020: R22 487 000 and R42 635 000 respectively).

Going concern

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

Also refer to note 40 of these financial statements for further information.

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

DIRECTORS' REPORT (CONTINUED)

for the year ended 30 June 2021

Subsequent events

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

Hollard Mozambique is in the process of acquiring an insurance portfolio which is pending approval from regulatory bodies in order to be finalised.

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 Group, or the results of these operations.

Directorate

In terms of the requirements of the Memorandum of Incorporation, the following Directors retired by rotation, made themselves available for re-election and were re-elected at the Annual General Meeting held on 18 November 2020:

AS Nkosi and NV Simamane

Directors' interest in contracts

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

Executive Directors

S Ntombela (Group CEO), DJ Viljoen (Group CFO), were the only executive directors who held office during the year.

Non-Executive Directors

NG Kohler, ADH Enthoven, B Ngonyama, MR Bower, R Fihrer, S Patel, AS Nkosi, NV Simamane and MS Claasen were in office during the year as Non-Executive Directors.

Auditors

Deloitte & Touche will continue in office in accordance with section 90 of the Companies Act No 71 of 2008.

Company Secretary

Corpstat Governance Services (Pty) Ltd (resigned 1 May 2021)
A.Allardyce (appointed 1 May 2020)

Business address

Hollard at Arcadia
22 Oxford Road
Parktown
Johannesburg
2193

Postal address

P.O. Box 87419
Houghton
2041

Holding company

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

STATEMENT OF FINANCIAL POSITION

for the year ended 30 June 2021

	Notes	GROUP		COMPANY	
		2021 R'000	2020 R'000	2021 R'000	2020 R'000
Assets					
Investment properties	5	32 300	32 400	–	–
Right of use assets	6	156 362	194 494	156 362	194 494
Intangible assets	7	143 756	151 640	143 348	151 231
Property and equipment	8	152 331	169 260	152 196	169 125
Investment in subsidiaries	9	–	–	44 086	35 602
Investment in associates	10	248 614	258 983	259 348	214 404
Financial assets	11	3 776 765	2 944 421	3 742 827	2 910 484
Reinsurance assets	22	3 326 618	1 681 159	3 326 618	1 681 159
Insurance, loans and other receivables	13	1 659 215	1 648 236	1 653 979	1 668 327
Deferred acquisition cost	25	115 413	113 681	115 413	113 681
Deferred taxation	14	89 042	106 811	89 042	106 811
Current income taxation		12	8	–	–
Cash and cash equivalents	15	2 841 061	3 234 235	2 837 896	3 233 633
Non-current assets held for sale	16	1 657 868	1 188 328	152 433	152 433
Total assets		14 199 357	11 723 656	12 673 548	10 631 384
Equity and liabilities					
Attributable to equity holders of the parent		2 935 702	2 930 457	2 871 216	2 804 906
Share capital and premium	17	1 642 601	1 642 601	1 642 601	1 642 601
Contingency reserves		10 479	9 774	–	–
Foreign currency translation reserve	20	(23 354)	28 184	–	–
Credit protection reserves		3	3	–	–
Share option reserve		4 012	4 012	4 012	4 012
Non-Distributable reserve	19	1 193	1 193	–	–
Retained earnings		1 300 768	1 244 690	1 224 603	1 158 293
Non-controlling interest		133 134	82 733	–	–
Total equity		3 068 836	3 013 190	2 871 216	2 804 906
Borrowings	18	600 450	600 923	600 096	600 569
Trade and other payables	21	1 537 574	1 378 155	1 448 103	1 347 657
Insurance liabilities	22	6 613 724	4 904 967	6 613 724	4 904 967
Reinsurance liabilities		901 628	656 401	901 628	656 401
Provisions	23	49 638	172 794	49 571	172 181
Deferred taxation	14	183 151	131 630	172 999	121 393
Current income taxation		16 211	23 310	16 211	23 310
Non-current liabilities held for sale	16	1 228 145	842 286	–	–
Total liabilities		11 130 521	8 710 466	9 802 332	7 826 478
Equity and liabilities		14 199 357	11 723 656	12 673 548	10 631 384

STATEMENT OF PROFIT AND LOSS

for the year ended 30 June 2021

	Notes	GROUP		COMPANY	
		2021 R'000	2020 R'000	2021 R'000	2020 R'000
Revenue					
Gross written premiums		12 079 723	11 711 472	11 311 624	11 051 009
Reinsurance outwards		(3 731 853)	(2 851 302)	(3 305 202)	(2 505 489)
Net written premiums		8 347 870	8 860 170	8 006 422	8 545 520
Less: Change in unearned premium reserve		(40 918)	(83 879)	(22 548)	(58 390)
Gross amount		(138 969)	(190 464)	(110 666)	(121 288)
Reinsurer share		98 051	106 585	88 118	62 898
Net premium income		8 306 952	8 776 291	7 983 874	8 487 130
Investment income		294 493	402 081	312 302	364 109
Interest received	24	189 445	257 007	154 053	209 836
Dividends received	24	102 811	142 180	158 249	154 273
Rental income		2 237	2 894	–	–
Investment gains/(losses)		74 893	(114 022)	123 680	(79 044)
Realised (losses)/gains on disposal of investments	27	(369)	402	(86)	402
Unrealised gains/(losses) on revaluation of investments	28	178 599	(224 870)	197 783	(192 054)
(Loss)/profit on translation of foreign currency		(103 337)	110 446	(74 017)	112 608
Other operating income		210 655	104 608	136 432	101 759
Total revenue		8 886 993	9 168 958	8 556 288	8 873 954
Expenses					
Gross policyholder benefits and claims incurred		7 848 259	5 277 032	7 461 675	5 119 983
Reinsurance recoveries		(2 970 858)	(658 535)	(2 680 584)	(618 631)
Net Insurance claims		4 877 401	4 618 497	4 781 091	4 501 352
Commissions and other acquisitions		835 171	970 604	728 107	943 146
Interest paid	24	57 793	82 284	55 184	77 977
Marketing and administration expenses		2 654 812	3 031 984	2 549 636	2 933 299
Total expenses		8 425 177	8 703 369	8 114 018	8 455 774
Result of operating activities		461 816	465 589	442 270	418 180
Share of income/(loss) in associates		45 845	42 635	–	–
Profit before taxation	29	507 661	508 224	442 270	418 180
Taxation	30	109 892	126 466	84 670	101 179
Profit for the year		397 769	381 758	357 600	317 001
Profit for the year attributable to:					
Equity holders of the parent		347 368	346 808	357 600	317 001
Non-controlling interests		50 401	34 950	–	–
		397 769	381 758	357 600	317 001

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2021

	GROUP		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Profit for the year	397 769	381 758	357 600	317 001
Other comprehensive income	(51 538)	40 234	–	–
Exchange differences on translation of foreign operations	(51 538)	40 234	–	–
	346 231	421 992	357 600	317 001
Total comprehensive income				
Equity holders of the parent	295 830	372 318	357 600	317 001
Non-controlling interests	50 401	49 674	–	–
	346 231	421 992	357 600	317 001

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2021

Equity Attributable to Owners											
	Issued share capital R'000	Share premium R'000	Contingency reserve R'000	Share option reserve R'000	Foreign currency translation reserve R'000	Credit protection reserve R'000	Non- distributable reserve R'000	Retained earnings R'000	Total Ordinary Shareholders Equity R'000	Non- controlling interest R'000	Total Equity R'000
GROUP											
Balance at 1 July 2019	1 586 687	55 914	20 499	4 012	2 674	3	1 193	1 349 592	3 020 574	33 059	3 053 633
Net profit/(loss)	-	-	-	-	-	-	-	346 808	346 808	34 950	381 758
Other comprehensive income	-	-	-	-	25 510	-	-	-	25 510	14 724	40 234
Total comprehensive income	-	-	-	-	25 510	-	-	346 808	372 318	49 674	421 992
Dividends paid	-	-	-	-	-	-	-	(451 710)	(451 710)	-	(451 710)
Transfer from contingency reserve	-	-	(10 725)	-	-	-	-	-	(10 725)	-	(10 725)
Balance at 30 June 2020	1 586 687	55 914	9 774	4 012	28 184	3	1 193	1 244 690	2 930 457	82 733	3 013 190
Net profit/(loss)	-	-	-	-	-	-	-	347 368	347 368	50 401	397 769
Other comprehensive income	-	-	-	-	(51 538)	-	-	-	(51 538)	-	(51 538)
Total comprehensive income	-	-	-	-	(51 538)	-	-	347 368	295 830	50 401	346 231
Dividends paid	-	-	-	-	-	-	-	(291 290)	(291 290)	-	(291 290)
Transfer to contingency reserve	-	-	705	-	-	-	-	-	705	-	705
Balance at 30 June 2021	1 586 687	55 914	10 479	4 012	(23 354)	3	1 193	1 300 768	2 935 702	133 134	3 068 836
COMPANY											
Balance at 1 July 2019	1 586 687	55 914	-	4 012	-	-	-	1 293 002	2 939 615	-	2 939 615
Net profit/(loss)	-	-	-	-	-	-	-	317 001	317 001	-	317 001
Total comprehensive income	-	-	-	-	-	-	-	317 001	317 001	-	317 001
Dividends paid	-	-	-	-	-	-	-	(451 710)	(451 710)	-	(451 710)
Balance at 30 June 2020	1 586 687	55 914	-	4 012	-	-	-	1 158 293	2 804 906	-	2 804 906
Net profit/(loss)	-	-	-	-	-	-	-	357 600	357 600	-	357 600
Total comprehensive income	-	-	-	-	-	-	-	357 600	357 600	-	357 600
Dividends paid	-	-	-	-	-	-	-	(291 290)	(291 290)	-	(291 290)
Balance at 30 June 2021	1 586 687	55 914	-	4 012	-	-	-	1 224 603	2 871 216	-	2 871 216

STATEMENTS OF CASH FLOWS

for the year ended 30 June 2021

		GROUP		COMPANY	
	Notes	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Cash flows from operating activities					
Cash receipts from policyholders and other customers		8 336 891	8 550 585	8 020 771	8 287 309
Cash paid to policyholders , suppliers and employees		(7 883 347)	(7 306 475)	(7 561 178)	(7 023 078)
Cash generated from/(utilised by) operations					
	31	453 544	1 244 110	459 593	1 264 231
Interest paid	24	(57 793)	(82 284)	(55 184)	(77 977)
Dividends paid	32	(291 290)	(451 710)	(291 290)	(451 710)
Interest received	24	189 445	257 007	154 053	209 836
Dividends received	33	118 654	105 128	174 092	117 221
Taxation paid	34	(47 705)	(212 290)	(22 394)	(188 145)
Net cash inflow from operating activities		364 855	859 961	418 870	873 456
Cash flows from investing activities					
Acquisition of listed and unlisted investments		(781 626)	(78 702)	(781 626)	(78 702)
Acquisition of property and equipment		(23 985)	(121 784)	(23 985)	(121 784)
Acquisition of intangible assets		(42 873)	(30 116)	(42 873)	(30 116)
Acquisition of bonds		(23 290)	(50 647)	(23 290)	(50 647)
Proceeds on disposal of listed and unlisted investments		5 218	15 400	5 218	15 400
Proceeds on disposal of listed investments		5 218	7 375	5 218	7 375
Proceeds on disposal of unlisted investments		–	8 025	–	8 025
Proceeds on disposal of other financial assets		75 724	56 122	75 724	56 122
Proceeds on disposal of property and equipment		164	–	164	–
Dividends received from associates		56 578	14 230	–	–
Decrease in loans		4 552	13 706	4 552	13 706
Net cash (outflow)/inflow from investing activities		(729 538)	(181 791)	(786 116)	(196 021)
Cash flows from financing activities					
Repayment of lease liability		(28 018)	(19 844)	(28 018)	(19 844)
(Decrease)/increase in long term borrowings		(473)	116	(473)	116
Net cash (outflow)/inflow from financing activities		(28 491)	(19 728)	(28 491)	(19 728)
Cash and cash equivalents					
Net (decrease)/increase in cash and cash equivalents		(393 174)	658 442	(395 737)	657 707
Cash, deposits and similar securities at beginning of year		3 234 235	2 575 793	3 233 633	2 575 926
Cash and cash equivalents at end of year		15	2 841 061	3 234 235	2 837 896
					3 233 633

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2021

1. Accounting policies

The principal accounting policies adopted in the preparation of the Group's and Company's annual financial statements are set out below and have been consistently applied to all years presented unless otherwise stated.

1.1 Basis of presentation

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

These consolidated annual financial statements have been prepared on the historical cost basis, except for investment and owner-occupied property, interest in subsidiaries and associates, the revaluation of investment financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income which are carried at fair value.

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

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

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

- IFRS 17: Insurance Contracts – original issue that replaces IFRS 4 Insurance Contracts (effective from annual periods beginning on or after 1 January 2023). This standard is expected to have a material impact on the financial statements. A group-wide implementation project is currently in progress.
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2 – 1 January 2021
- Amendment to IFRS 16 – Covid-19-Related Rent Concessions beyond 30 June 2021 – 1 April 2021
- Amendments to IAS 16 Property – Plant and Equipment – Proceeds before Intended Use – 1 January 2022
- Amendments to IFRS 3 (May 2020) – Reference to the Conceptual Framework – 1 January 2022
- Amendments to IAS 37 (May 2020) – Onerous Contracts – Cost of Fulfilling a Contract – 1 January 2022
- Amendments to IAS 1 – Classification of liabilities as current or non-current – 1 January 2023
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current – Deferral of Effective Date – 1 January 2023
- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of accounting policies – 1 January 2023
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction – 1 January 2023
- Amendments to IAS 8 – Definition of accounting estimates – 1 January 2023

Except for IFRS 17 none of these are expected to have a material impact on the Group financial statements:

1.2 Basis of consolidation

The consolidated annual financial statements incorporate the annual financial statements of the Company, its subsidiaries, associates and joint ventures.

Investments in subsidiaries

Subsidiaries are entities over which the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The results of subsidiaries are consolidated from the date on which the Group acquires effective control. Consolidation is discontinued from the effective date on which control ceases. Gains and losses on disposal of subsidiaries are accounted for in the statement of comprehensive income.

The Group uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date in terms of IFRS 3: Business Combinations, irrespective of the extent of any non-controlling interest.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

for the year ended 30 June 2021

1. Accounting policies (continued)

1.2 Basis of consolidation (continued)

The interest of non-controlling shareholders in the acquiree is initially measured at their proportion of the net fair value of the assets, liabilities and contingent liabilities recognised. Non-controlling interest in the net assets of consolidated subsidiaries are identifiable separately from the Group's equity therein. Non-controlling interest consists of the amount of those interests at the date of the original business combination and their share of changes in equity since the date of the combination. Losses attributable to non-controlling shareholders in excess of their interest in the subsidiary's equity are allocated against the interest of the Group except to the extent that they have a binding obligation and are able to make an additional investment to cover the losses.

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Company classifies its investments in subsidiaries at fair value through profit or loss financial instruments in accordance with IFRS 9: Financial Instruments due to the fact that it continually manages and evaluates these investments on a fair value basis.

Investments in associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these annual financial statements using the equity method of accounting, except when the investments is classified as held for sale, in which case it is accounted for in accordance with IFRS 5: Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost and adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any impairment in the value of individual investments. Post-acquisition losses of an associate in excess of the Group's interest in that associate, which includes any long-term interest that, in substance, form part of the Group's net investments in associates, are not recognised unless the Group has incurred obligations or made payments on behalf of the associate. Post-acquisition profits are recognised in comprehensive income.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Associates' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Company classifies its investments in associates at fair value through profit or loss financial instruments in accordance with IFRS 9 due to the fact that it continually manages and evaluates these investments on a fair value basis.

Interest in joint arrangements

Joint ventures are entities where control is shared equally with a third party. Under the terms of these arrangements, the strategic, financial and operating policy decisions relating to joint venture activities require the unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these annual financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5: Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in joint ventures are carried in the consolidated statement of financial position's reserves at cost and adjusted for post-acquisition changes in the Group's share of the net assets of the joint ventures, less any impairment in the value of individual investments. Post-acquisition losses of a joint venture in excess of the Group's interest in that joint venture, which includes any long-term interest that, in substance, form part of the Group's net investments in joint ventures, are not recognised unless the Group has incurred obligations or made payments on behalf of the joint venture. Post-acquisition profits are recognised in the statement of comprehensive income.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Joint ventures' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Company classifies its investments in joint ventures at fair value through profit or loss financial instruments in accordance with IFRS 9 due to the fact that it continually manages and evaluates these investments on a fair value basis.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

for the year ended 30 June 2021

1. Accounting policies (continued)

1.2 Basis of consolidation (continued)

Accounting for entities under common control

IFRS does not provide specific guidance on accounting for business combinations under common control. Therefore, an accounting policy would be elected using the principles outlined in IAS 8 Accounting policies, Changes in Accounting Estimates and Errors. This approach requires the entity first to consider the requirements in IFRSs dealing with similar and related issues. After this assessment, the entity evaluates the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the Framework.

IFRS 3 is not applied to transactions where there is a transfer of a business between Group entities that are ultimately controlled by the same party before and after the transfer. Therefore, the predecessor accounting policy was selected for the accounting of entities under common control. Under this methodology, the assets and liabilities are transferred at their carrying amounts as they were recognised in the seller's financial statements. The excess between the assets and liabilities recognised and the purchase consideration transferred to the seller, is recognised as an equity transaction directly in the Statement of Changes in Equity.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the acquisition date. Goodwill arising on the acquisition of the subsidiary is initially recognised at cost as a separate asset. Goodwill is tested annually for impairment and is carried at cost less any accumulated impairment losses. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination for the purpose of impairment testing. Each of these cash-generating units represents the Group's investment by primary reporting segment.

Cash-generating units to which the goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss for goodwill is not reversed in a subsequent period.

1.3 Foreign currencies

General

Foreign assets and liabilities are initially recorded at the spot rate and translated into South African Rand at the exchange rates ruling at the statement of financial position date. Foreign investment income or loss is translated into South African Rand at the average exchange rate for the year. Gains or losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Functional and presentation currency

The individual annual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated annual financial statements are presented in South African Rand, which is the Company's functional currency and the Group's presentation currency. All financial information presented in South African Rand has been rounded to the nearest thousand (R'000) except when otherwise indicated.

Transactions and balances

Transactions in foreign currencies are translated into the functional currency at the foreign exchange rate ruling at the date of the transaction. At each statement of financial position date, assets and liabilities denominated in currencies different to the functional currency are translated into the functional currency at the ruling rate at that date. Foreign exchange gains or losses are recognised in the statement of comprehensive income. Translation differences on non-monetary items are reported as part of the fair value gain or loss.

Group companies

For the purposes of presenting consolidated annual financial statements, the assets and liabilities of the Group's foreign operations are translated from their respective functional currency into the Group's presentation currency at the closing exchange rates ruling at the statement of financial position date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates ruling at the date of the various transactions are used. All translation differences arising from the translation and consolidation of foreign operations are recognised directly in other comprehensive income as a foreign currency translation gain or loss. Such translation differences are recognised in the statement of comprehensive income in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing exchange rate at the statement of financial position date.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

for the year ended 30 June 2021

1. Accounting policies (continued)

1.4 Property and equipment

Property and equipment is initially recorded at cost. Costs include all expenditure that is directly attributable to the acquisition of an asset and to bringing it to a working condition for its intended use, including import duties and non-refundable purchase taxes but excluding trade discounts and rebates. Maintenance and repairs expenditure, which neither adds to the value of property and equipment nor significantly prolongs its expected useful life, is recognised directly in the statement of comprehensive income.

Each category of property and equipment is depreciated on the straight-line basis at rates considered appropriate to reduce its cost to net realisable value over its estimated useful life. The rates used to depreciate each category of property and equipment are as follows:

Motor vehicles	20%
Office equipment	10%
Computer equipment	20%
Furniture and fittings	10%
Leasehold improvements	shorter of useful life and lease term
Land is not depreciated.	

There have been no changes to useful lives from those applied in the previous financial year.

Property

Owner-occupied properties are carried at fair value less subsequent depreciation for buildings. The fair value is determined every three years by external, independent professional valuers. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation increase arising on the revaluation of owner-occupied properties is credited to the revaluation surplus in other comprehensive income.

Decreases that offset previous increases of the same asset are charged against their valuation reserve in other comprehensive income. All other decreases are charged to the comprehensive income. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of comprehensive income and depreciation based on the asset's original cost, net of any related deferred tax, is transferred from the revaluation surplus to other comprehensive income.

1.5 Investment property

Property held either to earn rental income or for capital appreciation, or for both, and which is not occupied by companies in the Group, is classified as investment property. The Group's investment property comprises freehold land and buildings.

Investment property is treated as a long-term investment and is measured initially at cost, including transaction costs. After initial recognition, investment property is measured at open-market fair value and is subject to a valuation by an external, independent professional valuer every three years. If the open-market valuation information cannot be reliably determined, the Group uses alternative valuation methods such as recent prices on active markets. Gains or losses arising from changes in the fair value of investment property are credited or charged directly to the statement of comprehensive income in the year in which they are identified. On disposal of investment property, the difference between the net disposal proceeds and the carrying value is recognised in the statement of comprehensive income.

If an investment property were to become owner-occupied, it would be reclassified as property and equipment and would be fair valued at the date of reclassification.

1.6 Intangible assets

Intangible assets are recognised when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity, and the cost of the asset can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses. The amortisation method for intangible assets is reviewed annually.

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

Acquired computer software packages and licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful life (three to seven years).

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

for the year ended 30 June 2021

1. Accounting policies (continued)

1.6 Intangible assets (continued)

Acquired rights over books of business

The acquisition of the books of business is recognised as intangible assets due to the fact that:

- It is probable that the expected future economic benefits attributable to the books of business will flow to the entity;
- The costs of the books of business have been measured reliably;
- These books of business are initially recognised at cost;
- These costs of business are, subsequent to initial recognition, carried at cost less accumulated amortisation, fair value adjustments and any impairment losses; and
- These books of business are revalued annually using actuarial valuation models.

Intellectual property

The acquisition of intellectual property is recognised as intangible assets due to the fact that:

- It is probable that the expected future economic benefits attributable to the intellectual property will flow to the entity;
- The costs of intellectual property have been measured reliably;
- The intellectual property is initially recognised at cost; and
- The intellectual property is, subsequent to initial recognition, carried at cost less accumulated amortisation, fair value adjustments and any impairment losses;

1.7 Non-derivative financial instruments

Financial assets

Investments

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

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

i) Financial assets at fair value through profit or loss

A debt instrument is classified as a financial asset at fair value through profit or loss if so designated, as well as if the debt instrument financial assets were not classified as measured at amortised cost or fair value through other comprehensive income.

ii) Financial assets at fair value through other comprehensive income

A debt instrument is measured at fair value through other comprehensive income if it meets both of the following conditions (and is not designated as fair value through profit or loss):

- a. It is held within a business model where the objective is achieved by both collecting contractual cash flows and selling financial assets; and
- b. its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets held in this type of business model are managed to realise cash flows by both collecting contractual cash flows and selling the financial instrument. Both these activities are fundamental to achieving the objective of the business model.

On initial recognition of an equity instrument that is not held for trading, the instrument may be irrevocably designated at fair value through other comprehensive income. In such an instance changes in the equity instrument's fair value are recorded in other comprehensive income (OCI). This election is made on an investment-by-investment basis.

iii) Financial assets at amortised cost

A debt instrument is classified as a financial asset at amortised cost if it meets both of the following conditions (and is not designated as fair value through profit or loss):

- a. it is held within a business model where the objective is achieved by collecting contractual cash flows; and
- b. its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding."

Financial assets held in a "hold-to-collect contractual cash flows business model" are managed to realise cash flows by collecting contractual payments over the life of the instrument.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

for the year ended 30 June 2021

1. Accounting policies (continued)

1.7 Non-derivative financial instruments (continued)

Recognition and measurement

Financial instrument purchases and disposals are initially measured at fair value and are recognised using trade date accounting. The trade date is the date on which the Group and Company commit 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 other comprehensive income 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.

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 the statement of comprehensive income.

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

Financial instruments are derecognised when the rights to receive cash flows from the investments have expired or where they have been transferred and the Group and/or the Company have also transferred substantially all the risks and rewards of ownership.

Gains or losses

Realised and unrealised gains or losses arising from changes in the fair value of investments classified as at fair value through profit or loss are included in the statement of comprehensive income in the period in which they arise. Unrealised gains or losses arising from changes in the fair value through other comprehensive income investments are recognised in other comprehensive income. When investments classified as fair value through other comprehensive income are sold or impaired, the accumulated fair value adjustments are included in the profit or loss as net realised gains or losses on non-derivative financial instruments.

Fair value

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income.

The fair value of investments is based on quoted bid prices for listed instruments and collective investments schemes are valued using the repurchase price. The use of cash flow models is applied for non-active market instruments. Fair values for unlisted investments are estimated using applicable cash flow models or price/earnings ratios refined to reflect the specific circumstances of each investment. Where the fair value of an investment cannot be measured reliably, the investment is carried at cost less any impairment.

Financial liabilities

Financial liabilities, including borrowings, are initially measured at cost, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with the interest expense being recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating the corresponding interest expense over the relevant period. The effective interest rate is the rate that exactly discounts future cash payments through the expected life of the financial liability or where appropriate, a shorter period.

In accordance with the definition of a financial liability contained in IAS 32: Financial Instruments: Presentation, the Group and Company classify the following statement of financial position items as financial liabilities:

- Borrowings;
- Reinsurance liabilities;
- Trade and other payables;
- Provision for liabilities arising from a contractual relationship with existing Group and Company staff; and
- Long-term liabilities, which commonly take the form of loan funding.

1.8 Impairment of assets excluding goodwill

The Group and/or the Company assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired, other than those dealt with in terms of IFRS 9: Financial Instruments. A financial asset or group of financial assets other than those carried at fair value through profit or loss is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of financial assets is impaired includes observable data that comes to the attention of the Group and/or the Company about the following events:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as default or delinquency in payments;
- Adverse changes in the payment status of issuers or debtors; or
- Economic conditions that correlate with defaults on assets in the Group and/or the Company.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

for the year ended 30 June 2021

1. Accounting policies (continued)

1.8 Impairment of assets excluding goodwill (continued)

All impairment losses are recognised in the statement of comprehensive income as soon as they are identified.

If there is objective evidence that an impairment loss has been incurred on premium receivables carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics.

The Group and/or the Company assesses at each statement of financial position date whether there is objective evidence that a financial asset at fair value through other comprehensive income is impaired, including, in the case of equity investments, a significant or prolonged decline in the fair value of the security below its costs. If any such evidence exists, the cumulative loss, which is measured as the difference between the acquisition cost and the current fair value of the investment, is removed from other comprehensive income and recognised in the statement of comprehensive income.

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 and recognised in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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. A counterparty is considered to be in default when it is considered that they are unlikely to settle their obligation to the Company. Due to the low number of instruments subject to the ECL model, this definition is considered appropriate as each instrument is assessed individually. Write-offs are further assessed on a case by case basis.

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

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

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

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

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

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

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

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk. The ECL calculation of a financial instrument takes into account both the contractual and available behavioural repayment patterns over the relevant estimation period.

ECLs are measured as the present value of all cash shortfalls and is discounted using the effective rate of return required by shareholders of 18.5%.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

for the year ended 30 June 2021

1. Accounting policies (continued)

1.9 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments of three months or less in money market instruments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are measured at fair value with reference to expected cash flows and current market interest rates.

1.10 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

1.11 Share capital

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

1.12 Insurance contracts

Classification of insurance contracts

The Group and/or Company issues contracts which transfer insurance risk or financial risk or, in some cases, both.

Insurance contracts are those contracts under which the Group and/or Company (as insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects them. Such contracts may also transfer financial risk. As a general guideline, the Group and Company define 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 statement of comprehensive income in accordance with the requirements of IFRS 4: Insurance Contracts.

The Group and/or Company classifies financial guarantee business as insurance contracts.

Management of insurance and financial risk

As is stated above, the Group and/or 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 Group and/or Company manages them.

Premiums

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

Outward reinsurance premiums are recognised as an expense in accordance with the pattern of indemnity received. Reinsurance commissions received are recognised as income over the term of the reinsurance contract.

Unearned premium provision

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

Deferred acquisition costs

Deferred acquisition costs consist of commissions and other variable costs directly connected with acquisition or renewal of insurance contracts. The deferred acquisition costs are amortised on a straight-line basis over the average term of the policies, from one to five years. Deferred acquisition costs are regularly tested for impairment using the liability adequacy test as per IFRS 4. The deferred acquisition cost is not reinstated once written off.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

for the year ended 30 June 2021

1. Accounting policies (continued)

1.12 Insurance contracts (continued)

Claims incurred

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

The provision for outstanding claims comprises the Group's and/or Company's estimate of the undiscounted ultimate cost of settling all claims incurred but unpaid at the statement of financial position date, whether reported or not. Related anticipated reinsurance recoveries are disclosed separately as assets.

IBNR

The majority of the Company's incurred but not reported reserve (IBNR) is calculated using triangulation methods, and is held at a 75th percentile. As a result, different levels of provisions are applicable for different classes of business and appropriateness is assessed against the Company's past claims.

The Company's internal actuaries review the adequacy of the Company's claims provisions. The chain ladder method, which involves the analysis of historical claims development factors and the selection of the estimated development factors based on the historical pattern, is used to assess the adequacy of the reserves. For classes of business where the incurred or paid to date claims are less than 66% developed, the Bornhuetter Ferguson method (which adds a dimension to the chain ladder method by including the expected loss ratio in the calculation) is also considered.

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

Unexpired risk provision and liabilities and related assets under liability adequacy tests

Provision is made for unexpired risks where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the statement of financial position date exceeds the unearned premium provision in relation to such policies.

Liability adequacy tests are performed quarterly to ensure the adequacy of the liability raised. Current best estimates of future contractual cash flows, claims handling and administration expenses are used in performing these tests. Any deficiency is recognised in income for the year (unexpired risk provision).

Reinsurance

The Group and/or Company cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential. Reinsurance arrangements do not relieve the Group and/or Company from its direct obligations to its policyholders. Premiums ceded and claims reimbursed are reflected in the statement of comprehensive income and statement of financial position separately from the gross amounts.

Only those reinsurance contracts which give rise to a significant transfer of insurance risk are accounted for as reinsurance. Amounts recoverable under such contracts are recognised in the same year as the related claim. Reinsurance contracts that do not transfer significant insurance risk are accounted for as financial assets. Amounts recoverable under reinsurance contracts are assessed for impairment at each statement of financial position date.

Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group and/or Company may not recover all amounts due and that there is a reliably measurable impact on the amounts that the Group and/or Company will receive from the reinsurer. Impairment losses are recognised in the statement of comprehensive income.

Salvage and subrogation reimbursements

Some insurance contracts permit the Group and/or Company to sell property acquired in settling a claim. The Group and/or Company may also have the right to pursue third parties for payment of some or all costs. Estimates of salvage recoveries and subrogation reimbursements are considered as an allowance in the measurement of the liability for claims.

1.13 Revenue

The accounting policy in relation to revenue from insurance contracts is disclosed in note 1.12.

Interest income and finance cost

Interest income and expenditure for all interest bearing financial instruments, including financial instruments measured at fair value through profit or loss, is recognised within investment income and finance costs in the statement of comprehensive income using the effective interest method. When a receivable is impaired, the Group and/or Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original interest rate of the instrument, and continues unwinding the discount as interest income.

Dividend income

Dividend income for equities is recognised when the right to receive payment is established, which is the last day to trade in respect of quoted shares and when declared in respect of unquoted shares.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

for the year ended 30 June 2021

1. Accounting policies (continued)

1.13 Revenue (continued)

Rental income

Rental income from investment properties is recognised in the statement of comprehensive income on a straight-line basis over the term of each lease.

Commission

Commission payments and receipts are shown gross of reinsurance commissions.

Revenue from contracts with customers

The group's revenue subject to IFRS 15 is attributed to service fee income from risk financed business which is earned over the contract term.

1.14 Employee benefits

Pension and provident scheme arrangements

The Group and Company operate defined contribution pension and provident funds. Contributions to the funds in respect of present service are charged against income as incurred. Contributions are adjusted periodically to take account of salary increases and any other changing circumstances. The Group and Company have no further obligations once the contributions have been paid.

Profit-sharing and bonus plans

The Group and Company operate several bonus and profit share plans for the benefit of employees. A provision is recognised when the Group and/or Company is contractually obliged to pay the profit share or bonus to its employees or where a past practice has created a constructive obligation to do so.

Leave pay

Employee entitlements to annual leave and long-service leave are recognised when they accrue to employees. Provision is made for the estimated liability of this leave as a result of services rendered by employees up to the statement of financial position date.

Termination benefits

Termination benefits are payable when an employee's employment is terminated before the normal retirement date or whenever an employee accepts a voluntary redundancy in exchange for these benefits. The Group and Company recognise termination benefits in the statement of comprehensive income when it is demonstrably committed to either terminating the employment of current employees according to a detailed, formal plan without possibility of withdrawal or where it is committed to providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Other post-employment obligations

The Group and Company have no obligation for post-retirement medical benefits in respect of pensioners, former employees or current employees.

1.15 Taxation

Income taxation on the profit or loss for the period comprises current and deferred taxation. Taxable profit differs from profits as reported in the statement of comprehensive income because it excludes items of income or expenses that are taxable or deductible in other years, and it further excludes items that are never taxable nor deductible. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in other comprehensive income, in which case the related income tax is also recognised in other comprehensive income.

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.

Current taxation

Current taxation is the expected taxation payable using taxation rates enacted at statement of financial position date, including any prior year adjustments.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

for the year ended 30 June 2021

1. Accounting policies (continued)

1.15 Taxation (continued)

Deferred taxation

Deferred taxation is provided at current tax rates, on the comprehensive basis, using the statement of financial position liability method in respect of all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are recognised for all taxable temporary timing differences and deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) 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.

Dividend Withholding Tax

The Company is exempt from paying withholding tax on ordinary share dividends received as they are a company resident in the Republic of South Africa. Accordingly, no withholding tax should be deducted from dividends payable by the issuer to the Company.

1.16 Provisions

Provisions are recognised when the Group and/or Company has a present legal or constructive obligation of uncertain timing or amount as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are measured as the present value of management's best estimate of the expenditure required to settle the obligation at the reporting date. When the effect of discounting is material, provisions are discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Provisions are not recognised for future operating losses. When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

1.17 Borrowings

Borrowings are recognised initially at cost, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds and the redemption value is recognised in the statement of comprehensive income over the period of the borrowing using the effective interest rate method.

1.18 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 Insurance Company as lessor

Operating leases

Rental income is recognised in the statement of comprehensive income over the period of the lease term on a systematic line basis. Assets leased under operating leases are included under the appropriate category of assets in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar fixed assets.

The Hollard Insurance Company as lessee

Right of use asset

Leased assets that meet certain criteria in terms of IFRS 16, are recognised as right of use assets with a corresponding liability in the statement of financial position. The assets are amortised over the term of the lease while the liability is reduced as lease payments are made. Finance costs are charged to the statement of comprehensive income over the term of the lease.

Lease costs for low value assets and short term leases are recognised in the statement of comprehensive income over the lease term on a systematic basis. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

1.19 Dividend distribution

Dividend distributions to the Group's and/or Company's shareholders are recognised as a liability in the Group's and/or Company's annual financial statements in the period in which the Board of Directors approves the dividend after performing solvency and liquidity tests.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

for the year ended 30 June 2021

2. Critical accounting estimates and judgements

The Group and/or Company makes certain estimates and assumptions that affect the reported amounts of assets and liabilities in the annual financial statements.

2.1 Claims incurred

The estimation of the ultimate liability arising from claims made under insurance contracts is the Group's and/or Company's most critical accounting estimate. These estimates rely on the assumption that past experience adjusted for the effect of current developments and likely trends is an appropriate basis for predicting future events. The Group's and/or Company's estimates and assumptions are reviewed, and updated and the tools with which it monitors and manages risk are refined as new information becomes available.

The Group's and/or Company's processes for determining significant reserving assumptions are outlined in note 22.

2.2 Valuation of unlisted investments

The Group and Company determine the fair value of its unlisted investments using well established valuation techniques. These techniques include discounted cash flow analysis, price earnings ratio and net asset value methodologies. Where the underlying investments of an investment holding company are property or listed investments, the company is valued on the net asset value basis which reflects the fair value of the underlying investments.

Short Term insurance companies are valued on a discounted cash flow basis. In instances where reliable future cash flows cannot be estimated, the valuation is based on a price earnings valuation technique. In the event that no cash flow information is available, the valuation is based on the net asset value of the business.

In using discounted cash flow analyses, the discount rate used is based on the build-up method which incorporates a risk-free rate, an equity risk premium and an unsystematic risk premium.

In using the price earnings valuation technique, the valuation is based on a PE multiple of the current year's normalised earnings. 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.

The year-end valuations are approved by the Investment Committee.

3. Financial risk management

Introduction

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

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

for the year ended 30 June 2021

3. Financial risk management (continued)

Introduction (continued)

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

3.1 Exposure to risk arising from financial instruments

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

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

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

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

3.1.1 Credit risk

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

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

Insurance, loans and other receivables

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

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

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

Investments

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

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

The analysis of credit quality of the Group's and Company's assets is disclosed in note 4 on pages 32 to 37 of the financial statements.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

for the year ended 30 June 2021

3. Financial risk management (continued)

3.1 Exposure to risk arising from financial instruments (continued)

3.1.1 Credit risk (continued)

Reinsurance

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

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

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

3.1.2 Liquidity risk

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

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

Based on actuarial modelling of historical and future expected trends, the Group and Company have estimated the probable cash outflows associated with general insurance liabilities. The maturity analysis of the gross insurance liabilities is set out in note 4.2 (c) on page 39. The maturity profile of the related insurance and investment assets is expected to be similar to the profile of the liabilities. The Group and Company have taken into account that the unearned premium provision, which will be recognised as earned premium in the future, will not lead to claim cash outflows equal to this provision. This has been taken into account in estimating future cash outflows associated with insurance liabilities.

3.1.3 Market risk

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

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

a) Currency risk

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

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

b) Interest rate risk

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

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for the year ended 30 June 2021

3. Financial risk management (continued)

3.1 Exposure to risk arising from financial instruments (continued)

3.1.3 Market risk (continued)

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

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

c) Other market price (or equity) risk

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

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

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

3.1.4 Capital management

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

In each country in which the Group operates, the local insurance regulator specifies the minimum amount and type of capital that must be held by each of the subsidiaries in addition to their insurance liabilities. The minimum required capital must be maintained at all times. The Company submits quarterly and annual returns to the Prudential Authority (PA) in terms of the Insurance Act, and is required at all times to maintain a statutory surplus asset ratio as defined in the Act. The returns submitted during the year showed that the Company met the minimum capital requirements throughout the year. The operating subsidiaries also met their respective solvency requirements.

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

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

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

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for the year ended 30 June 2021

4. Risk management

4.1 Credit risk

a) Exposure to credit risk

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

	CARRYING VALUE IN STATEMENT OF FINANCIAL POSITION		NET CREDIT EXPOSURE	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
GROUP				
Other Assets				
Financial assets at fair value through profit or loss – Unlisted investments	2 195 330	1 347 454	2 195 330	1 347 454
Financial assets at fair value through profit or loss – Bonds	136 772	188 350	136 772	188 350
Financial assets at amortised cost	650 512	737 757	650 512	737 757
Loans and other receivables	419 613	436 460	419 613	436 460
Loans – interest bearing	4 732	12 395	4 732	12 395
Loans – non-interest bearing	1 000	63 487	1 000	63 487
Other loans and receivables	413 881	360 577	413 881	360 577
Cash and cash equivalents	2 841 061	3 234 235	2 841 061	3 234 235
Insurance Assets				
Insurance receivables – Premium debtors	1 239 602	1 211 776	1 239 602	1 211 776
Reinsurance assets	3 326 618	1 681 159	3 326 618	1 681 159
Total	10 809 508	8 837 191	10 809 508	8 837 191
COMPANY				
Other Assets				
Loans to subsidiaries	1 664	1 664	1 664	1 664
Financial assets at fair value through profit or loss – Unlisted investments	2 195 330	1 347 454	2 195 330	1 347 454
Financial assets at fair value through profit or loss – Bonds	136 772	188 350	136 772	188 350
Financial assets at amortised cost	650 512	737 757	650 512	737 757
Loans and other receivables	414 377	456 551	414 377	456 551
Loans – interest bearing	4 732	12 395	4 732	12 395
Loans – non-interest bearing	1 000	63 487	1 000	63 487
Other loans and receivables	408 645	380 669	408 645	380 669
Cash and cash equivalents	2 837 896	3 233 633	2 837 896	3 233 633
Insurance Assets				
Insurance receivables – Premium debtors	1 239 602	1 211 776	1 239 602	1 211 776
Reinsurance assets	3 326 618	1 681 159	3 326 618	1 681 159
Total	10 802 771	8 858 344	10 802 771	8 858 344

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(CONTINUED)

for the year ended 30 June 2021

4. Risk management (continued)

4.1 Credit risk (continued)

b) Credit rating

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

	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B	B-	Not Rated	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
GROUP																	
2021																	
Other Assets																	
Financial assets at fair value through profit or loss –																	
Unlisted investments	-	-	-	-	-	-	-	-	-	387 335	-	-	-	-	-	1 807 995	2 195 330
Financial assets at fair value through profit or loss – Bonds	-	20 292	-	40 464	-	-	-	-	2 018	-	73 998	-	-	-	-	-	136 772
Financial assets at amortised cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	650 512	650 512
Loans and other receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	419 613	419 613
Loans – interest bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4 732	4 732
Loans – non-interest bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 000	1 000
Other loans and receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	413 881	413 881
Cash and cash equivalents	-	-	-	-	-	-	-	-	2 923	55 162	2 178 028	-	-	-	-	604 948	2 841 061
Insurance Assets																	
Insurance receivables – Premium debtors	-	-	-	-	-	29 670	-	-	-	(22)	12 963	-	-	-	-	1 196 991	1 239 602
Reinsurance assets	4 223	(4) 171 191	337 558	14 111	492 109	841 698	-	-	-	-	41 959	-	-	-	-	1 423 775	3 326 618
Total	4 223	20 288	171 191	378 022	14 111	521 779	841 698	-	4 941	442 475	2 306 948	-	-	-	-	6 103 834	10 809 508
2020																	
Other Assets																	
Financial assets at fair value through profit or loss –																	
Unlisted investments	-	-	-	7 279	-	-	-	-	-	661 791	291 745	-	-	-	-	386 639	1 347 454
Financial assets at fair value through profit or loss – Bonds	-	-	-	-	20 190	-	-	-	2 035	40 526	50 172	-	-	-	-	75 427	188 350
Financial assets at amortised cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	737 757	737 757
Loans and other receivables	-	-	-	-	-	-	-	-	36	-	5 247	-	-	-	-	431 177	436 460
Loans – interest bearing	-	-	-	-	-	-	-	-	-	-	5 247	-	-	-	-	7 148	12 395
Loans – non-interest bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	63 487	63 487
Other loans and receivables	-	-	-	-	-	-	-	-	36	-	-	-	-	-	-	360 542	360 578
Cash and cash equivalents	-	-	-	76 528	32 480	-	12 349	-	2 948	1 190 884	1 672 922	-	-	-	1 019	245 104	3 234 235
Insurance Assets																	
Insurance receivables – Premium debtors	-	-	-	-	-	-	-	-	-	52 267	57 223	-	-	-	-	1 102 286	1 211 776
Reinsurance assets	(8)	1 989 48 875	85 399	10 669	393 838	3 020	-	5	8 042	2 301	-	-	-	-	-	1 127 029	1 681 159
Total	(8)	1 989 48 875	169 206	63 339	393 838	15 369	-	5 024	1 953 510	2 079 610	-	-	-	-	1 019	4 105 419	8 837 191

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for the year ended 30 June 2021

4. Risk management (continued)

4.1 Credit risk (continued)

b) Credit rating (continued)

	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B	B-	Not Rated	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
COMPANY																	
2021																	
Other Assets																	
Loans to subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 664	1 664
Financial assets at fair value through profit or loss																	
– Unlisted investments	-	-	-	-	-	-	-	-	-	387 335	-	-	-	-	-	1 807 995	2 195 330
Financial assets at fair value through profit or loss – Bonds	-	20 292	-	40 464	-	-	-	-	2 018	-	73 998	-	-	-	-	-	136 772
Financial assets at amortised cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	650 512	650 512
Loans and other receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	414 377	414 377
Loans – interest bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4 732	4 732
Loans – non-interest bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 000	1 000
Other loans and receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	408 645	408 645
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	55 162	2 178 028	-	-	-	-	604 707	2 837 896
Insurance Assets																	
Insurance receivables – Premium debtors	-	-	-	-	-	29 670	-	-	-	(22)	12 963	-	-	-	-	1 196 991	1 239 602
Reinsurance assets	4 223	(4)	171 191	337 558	14 111	492 109	841 698	-	-	-	41 959	-	-	-	-	1 423 773	3 326 618
Total	4 223	20 288	171 191	378 022	14 111	521 779	841 698	-	2 018	442 475	2 306 947	-	-	-	-	6 100 020	10 802 771
2020																	
Other Assets																	
Loans to subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 664	1 664
Financial assets at fair value through profit or loss																	
– Unlisted investments	-	-	-	7 279	-	-	-	-	-	661 791	291 745	-	-	-	-	386 639	1 347 454
Financial assets at fair value through profit or loss – Bonds	-	-	-	-	20 190	-	-	-	2 035	40 526	50 172	-	-	-	-	75 427	188 350
Financial assets at amortised cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	737 757	737 757
Loans and other receivables	-	-	-	-	-	-	-	-	-	-	5 247	-	-	-	-	451 305	456 551
Loans – interest bearing	-	-	-	-	-	-	-	-	-	-	5 247	-	-	-	-	7 148	12 395
Loans – non-interest bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	63 487	63 487
Other loans and receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	380 669	380 669
Cash and cash equivalents	-	-	-	76 528	32 480	-	12 349	-	-	1 190 884	1 675 870	-	-	-	1 019	244 503	3 233 633
Insurance Assets																	
Insurance receivables – Premium debtors	-	-	-	-	-	-	-	-	-	52 267	57 223	-	-	-	-	1 102 286	1 211 776
Reinsurance assets	(8)	1 989	48 875	85 399	10 669	393 838	3 020	-	5	8 042	2 301	-	-	-	-	1 127 029	1 681 159
Total	(8)	1 989	48 875	169 206	63 339	393 838	15 369	-	2 040	1 953 510	2 082 558	-	-	-	1 019	4 126 611	8 858 344

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

for the year ended 30 June 2021

4. Risk management (continued)

4.1 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:

	GROUP				COMPANY			
	Neither past due nor impaired R'000	Past due not impaired R'000	Individually impaired R'000	Gross carrying value R'000	Neither past due nor impaired R'000	Past due not impaired R'000	Individually impaired R'000	Gross carrying value R'000
2021								
Loans to subsidiaries	-	-	-	-	-	-	1 664	1 664
Financial assets at fair value through profit or loss –								
Listed investments	794 150	-	-	794 150	760 213	-	-	760 213
Financial assets at fair value through profit or loss –								
Unlisted investments	2 195 330	-	-	2 195 330	2 195 330	-	-	2 195 330
Financial assets at fair value through profit or loss – Bonds	136 772	-	-	136 772	136 772	-	-	136 772
Financial assets at amortised cost	650 512	-	-	650 512	650 512	-	-	650 512
Loans and other receivables	419 613	-	-	419 613	414 377	-	-	414 377
Loans – interest bearing	4 732	-	-	4 732	4 732	-	-	4 732
Loans – non- interest bearing	1 000	-	-	1 000	1 000	-	-	1 000
Other loans and receivables	413 881	-	-	413 881	408 645	-	-	408 645
Cash and cash equivalents	2 841 061	-	-	2 841 061	2 837 896	-	-	2 837 896
Total	7 037 438	-	-	7 037 438	6 995 101	-	1 664	6 996 765
Insurance receivables								
– Premium debtors	1 168 210	30 872	40 520	1 239 602	1 168 210	30 872	40 520	1 239 602
Reinsurance assets	3 325 040	1 578	-	3 326 618	3 325 040	1 578	-	3 326 618
Total	4 493 250	32 450	40 520	4 566 220	4 493 250	32 450	40 520	4 566 220
2020								
Loans to subsidiaries	-	-	-	-	1 664	-	38 047	39 711
Financial assets at fair value through profit or loss –								
Listed investments	670 860	-	-	670 860	636 923	-	-	636 923
Financial assets at fair value through profit or loss –								
Unlisted investments	1 347 454	-	-	1 347 454	1 347 454	-	-	1 347 454
Financial assets at fair value through profit or loss – Bonds	188 350	-	-	188 350	188 350	-	-	188 350
Financial assets at amortised cost	737 757	-	-	737 757	737 757	-	-	737 757
Loans and other receivables	420 054	9 979	6 427	436 460	445 020	5 104	6 427	456 551
Loans – interest bearing	12 395	-	-	12 395	12 395	-	-	12 395
Loans – non- interest bearing	63 487	-	-	63 487	63 487	-	-	63 487
Other loans and receivables	344 172	9 979	6 427	360 578	369 138	5 104	6 427	380 669
Cash and cash equivalents	3 234 235	-	-	3 234 235	3 233 633	-	-	3 233 633
Total	6 598 710	9 979	6 427	6 615 116	6 590 801	5 104	44 474	6 640 379
Insurance receivables								
– Premium debtors	1 105 891	105 885	-	1 211 776	1 105 891	105 885	-	1 211 776
Reinsurance assets	1 677 771	3 387	-	1 681 158	1 677 771	3 387	-	1 681 158
Total	2 783 662	109 272	-	2 892 934	2 783 662	109 272	-	2 892 934

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(CONTINUED)

for the year ended 30 June 2021

4. Risk management (continued)

4.1 Credit risk (continued)

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

	GROUP					COMPANY				
	> 30 days R'000	31 to 60 days R'000	61 to 90 days R'000	More than 90 days R'000	Total past due but not impaired R'000	> 30 days R'000	31 to 60 days R'000	61 to 90 days R'000	More than 90 days R'000	Total past due but not impaired R'000
2021										
Loans and other receivables	-	-	-	-	-	-	-	-	-	-
Insurance receivables – Premium debtors	-	-	30 872	-	30 872	-	-	30 872	-	30 872
Reinsurance assets	-	-	-	1 578	1 578	-	-	-	1 578	1 578
	-	-	30 872	1 578	32 450	-	-	30 872	1 578	32 450
2020										
Loans and other receivables	36	-	-	9 943	9 979	-	-	-	5 104	5 104
Insurance receivables – Premium debtors	-	65 094	15 143	25 647	105 885	-	65 094	15 143	25 647	105 885
Reinsurance assets	-	-	-	3 387	3 387	-	-	-	3 387	3 387
	36	65 094	15 143	38 977	119 251	-	65 094	15 143	34 138	114 376

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

	GROUP		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Balance at the beginning of the year	242 394	149 182	242 896	148 680
– Collective impairment loss reversed/utilised	7 850	(17 988)	7 348	(16 984)
– Collective impairment loss recognised	23 162	111 200	23 162	111 200
Balance at the end of the year	273 406	242 394	273 406	242 896

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(CONTINUED)

for the year ended 30 June 2021

4. Risk management (continued)

4.1 Credit risk (continued)

e) Reconcillation of loss allowance relating to loans and receivable subsequently measured at amortised cost

	GROUP			COMPANY		
	Subjected to lifetime ECL			Subjected to lifetime ECL		
	Not credit impaired	Credit impaired		Not credit impaired	Credit impaired	
	Total allowance for ECL R'000	Allowance for ECL R'000	Allowance for ECL R'000	Total allowance for ECL R'000	Allowance for ECL R'000	Allowance for ECL R'000
2021						
Balance at the beginning of the year	72 279	464	71 815	72 279	464	71 815
Originations, purchases and interest accruals	77 472	383	77 089	77 472	383	77 089
Repayments and other derecognitions (excl write-offs)	(28 629)	(2)	(28 628)	(28 629)	(2)	(28 628)
Model changes, interest accrued and write offs	(55 444)	–	(55 444)	(55 444)	–	(55 444)
Balance at the end of the year	65 678	846	64 832	65 678	846	64 832
2020						
Balance at the beginning of the year	67 325	498	66 827	67 325	498	66 827
Originations, purchases and interest accruals	10 501	7	10 494	10 501	7	10 494
Repayments and other derecognitions (excl write-offs)	(41)	(41)	–	(41)	(41)	–
Model changes, interest accrued and write offs	(5 506)	–	(5 506)	(5 506)	–	(5 506)
Balance at the end of the year	72 279	464	71 815	72 279	464	71 815

During the current year the provision for ECL increased due to an increase in the portion of the balance allocated to Stage 2 and Stage 3 of the model. The ECL for balances allocated to these stages, are based on lifetime expected credit losses thus resulting in a higher loss allowance when allocated to these stages.

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for the year ended 30 June 2021

4. Risk management (continued)

4.2 Liquidity risk

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

	Carrying value in statement of financial position R'000	Total contractual cash flows R'000	0 – 12 months R'000	1 – 2 years R'000	2 – 5 years R'000	More than 5 years R'000
GROUP						
2021						
Financial assets at fair value through profit or loss	3 126 252	3 126 252	3 021 785	20 292	23 247	60 928
Financial assets at amortised cost	650 512	650 512	650 512	–	–	–
Reinsurance Assets	3 326 618	3 326 618	3 326 618	–	–	–
Insurance, loans and other receivables	1 659 215	1 659 215	1 471 751	22	6 076	181 367
Deferred acquisition costs	115 413	115 413	115 066	347	–	–
Cash and cash equivalents	2 841 061	2 841 061	2 841 061	–	–	–
Total	11 719 071	11 719 071	11 426 792	20 661	29 323	242 295
2020						
Financial assets at fair value through profit or loss	2 206 664	2 206 664	109 365	87 236	20 190	1 989 874
Financial assets at amortised cost	737 757	737 757	–	–	–	737 757
Reinsurance Assets	1 681 159	1 681 159	1 680 492	–	–	667
Insurance, loans and other receivables	1 648 236	1 648 236	1 559 279	5 028	6 944	76 985
Deferred acquisition costs	113 681	113 681	113 681	–	–	–
Cash and cash equivalents	3 234 235	3 234 235	3 234 235	–	–	–
Total	9 621 732	9 621 732	6 697 052	92 264	27 134	2 805 283
COMPANY						
2021						
Loans to subsidiaries	1 664	1 664	1 664	–	–	–
Financial assets at fair value through profit or loss	3 092 315	3 092 315	2 987 848	20 292	23 247	60 928
Financial assets at amortised cost	650 512	650 512	650 512	–	–	–
Reinsurance Assets	3 326 618	3 326 618	3 326 618	–	–	–
Insurance, loans and other receivables	1 653 979	1 653 979	1 466 514	22	6 076	181 367
Deferred acquisition costs	115 413	115 413	115 066	347	–	–
Cash and cash equivalents	2 837 896	2 837 896	2 837 896	–	–	–
Total	11 678 397	11 678 397	11 386 118	20 661	29 323	242 295
2020						
Loans to subsidiaries	1 664	1 664	1 664	–	–	–
Financial assets at fair value through profit or loss	2 172 727	2 172 727	75 428	87 236	20 190	1 989 874
Financial assets at amortised cost	737 757	737 757	–	–	–	737 757
Reinsurance Assets	1 681 159	1 681 159	1 680 492	–	–	667
Insurance, loans and other receivables	1 668 327	1 668 327	1 584 248	5 028	2 066	76 985
Deferred acquisition costs	113 681	113 681	113 681	–	–	–
Cash and cash equivalents	3 233 633	3 233 633	3 233 633	–	–	–
Total	9 608 948	9 608 948	6 689 146	92 264	22 256	2 805 283

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

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for the year ended 30 June 2021

4. Risk management (continued)

4.2 Liquidity risk (continued)

b) Maturity profile on financial liabilities – contractual cash flows liabilities

	Carrying value in statement of financial position R'000	Total contractual cash flows R'000	0 – 12 months R'000	1 – 2 years R'000	2 – 5 years R'000	More than 5 years R'000
GROUP						
2021						
Non-derivative financial liabilities						
Trade and other payables	1 303 113	1 303 113	1 290 304	–	12 809	–
Lease liability	188 225	283 278	43 995	44 378	147 252	47 653
Borrowings	600 450	600 000	–	–	480 000	120 000
Total	2 091 788	2 186 391	1 334 299	44 378	640 061	167 653
2020						
Non-derivative financial liabilities						
Trade and other payables	1 119 848	1 119 848	1 119 848	–	–	–
Lease liability	209 496	320 570	41 275	43 621	138 031	97 643
Borrowings	600 923	600 000	–	–	480 000	120 000
Total	1 930 267	2 040 418	1 161 123	43 621	618 031	217 643
COMPANY						
2021						
Non-derivative financial liabilities						
Trade and other payables	1 213 641	1 213 640	1 200 831	–	12 809	–
Lease liability	188 225	283 278	43 995	44 378	147 252	47 653
Borrowings	600 096	600 000	–	–	480 000	120 000
Total	2 001 962	2 096 918	1 253 769	44 378	640 061	167 653
2020						
Non-derivative financial liabilities						
Trade and other payables	1 089 348	1 089 348	1 089 348	–	–	–
Lease liability	209 496	320 570	41 275	43 621	138 031	97 643
Borrowings	600 569	600 000	–	–	480 000	120 000
Total	1 899 413	2 009 918	1 130 623	43 621	618 031	217 643

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

	Probable cash outflows R'000	Maturity within a year R'000	Maturity between 2 and 5 years R'000	Maturity more than 5 years R'000
GROUP AND COMPANY				
2021				
Claims reported and loss adjustment expenses	2 560 577	2 232 997	327 684	(104)
Claims incurred but not yet reported	1 743 957	1 520 850	223 178	(71)
Unearned premium provision	2 247 331	2 220 128	27 057	145
Cash back reserve	61 859	29 742	30 957	1 160
Reinsurance liabilities	901 628	901 628	–	–
	7 515 352	6 905 345	608 876	1 131
2020				
Claims reported and loss adjustment expenses	1 840 262	1 441 828	394 041	4 393
Claims incurred but not yet reported	838 726	648 881	187 752	2 093
Unearned premium provision	2 156 327	2 136 425	19 902	–
Cash back reserve	69 652	33 488	34 857	1 307
Reinsurance liabilities	656 401	656 401	–	–
	5 561 368	4 917 023	636 552	7 793

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

for the year ended 30 June 2021

4. Risk management (continued)

4.3 Market risk

a) Sensitivity analysis – Currency risk

The following exchange rates applied during the year

	2021		2020	
	Average Rate	Reporting date spot rate	Average Rate	Reporting date spot rate
GROUP				
Mozambique Metical	0,22	0,22	0,24	0,25
COMPANY				
British Pound	–	–	19,79	21,52
US Dollar	15,40	14,29	15,72	17,35
Euro	18,37	16,94	–	–

A 10% strengthening/devaluation in the relevant foreign currencies against the ZAR at the reporting date would have increased/ (decreased) equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for the prior year and only for currencies with material exposure.

a) Sensitivity analysis – Foreign currency exposure

	PROFIT/(LOSS)		EQUITY	
	10% increase R'000	10% decrease R'000	10% increase R'000	10% decrease R'000
GROUP				
2021				
US Dollar	28 639	(28 639)	28 639	(28 639)
Euro	660	(660)	660	(660)
Mozambique Metical	8 114	(8 114)	8 114	(8 114)
	37 413	(37 413)	37 413	(37 413)
2020				
US Dollar	4 209	(4 209)	4 209	(4 209)
Mozambique Metical	7 004	(7 004)	7 004	(7 004)
	11 213	(11 213)	11 213	(11 213)
COMPANY				
2021				
US Dollar	28 639	(28 639)	28 639	(28 639)
Euro	660	(660)	660	(660)
	29 299	(29 299)	29 299	(29 299)
2020				
US Dollar	4 209	(4 209)	(4 209)	4 209
	4 209	(4 209)	(4 209)	4 209

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

for the year ended 30 June 2021

4. Risk management (continued)

4.3 Market (continued)

b) Sensitivity analysis – Interest rate risk

	2021	2020
	Carrying amount R'000	Carrying amount R'000
Profile – GROUP		
Variable rate instruments		
Financial assets		
Loans – interest bearing	4 732	12 395
Cash and cash equivalents	2 841 061	3 234 235
	2 845 793	3 246 630
Financial Liabilities		
Borrowings	600 450	600 923
	600 450	600 923
Profile – COMPANY		
Variable rate instruments		
Financial assets		
Loans – interest bearing	4 732	12 395
Cash and cash equivalents	2 837 896	3 233 633
	2 842 628	3 246 028
Financial Liabilities		
Borrowings	600 096	600 569
	600 096	600 569

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

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

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

for the year ended 30 June 2021

4. Risk management (continued)

4.3 Market (continued)

b) Sensitivity analysis – Variable rate exposure

	PROFIT/(LOSS)		EQUITY	
	2% increase R'000	2% decrease R'000	2% increase R'000	2% decrease R'000
GROUP				
2021				
Loans – interest bearing	95	(95)	95	(95)
Cash and cash equivalents	56 821	(56 821)	56 821	(56 821)
	56 916	(56 916)	56 916	(56 916)
Financial Liabilities				
Borrowings	12 009	(12 009)	12 009	(12 009)
	12 009	(12 009)	12 009	(12 009)
2020				
Loans – interest bearing	248	(248)	248	(248)
Cash and cash equivalents	64 685	(64 685)	64 685	(64 685)
	64 933	(64 933)	64 933	(64 933)
Financial Liabilities				
Borrowings	12 018	(12 018)	12 018	(12 018)
	12 018	(12 018)	12 018	(12 018)
COMPANY				
2021				
Loans – interest bearing	95	(95)	95	(95)
Cash and cash equivalents	56 758	(56 758)	56 758	(56 758)
	56 853	(56 853)	56 853	(56 853)
Financial Liabilities				
Borrowings	12 001	(12 001)	12 001	(12 001)
	12 001	(12 001)	12 001	(12 001)
2020				
Loans – interest bearing	248	(248)	248	(248)
Cash and cash equivalents	64 673	(64 673)	64 673	(64 673)
	64 921	(64 921)	64 921	(64 921)
Financial Liabilities				
Borrowings	12 011	(12 011)	12 011	(12 011)
	12 011	(12 011)	12 011	(12 011)

c) Sensitivity analysis -Exposure to equity price risk

	2021			2020		
	Carrying amount R'000	Listed/Not listed	Relevant stock exchange	Carrying amount R'000	Listed/Not listed	Relevant stock exchange
GROUP						
2021						
Ordinary shares	635 763	Listed	JSE	515 813	Listed	JSE
Ordinary shares	459 214	Not listed	N/A	–	Not listed	N/A
Preference shares	102 891	Listed	JSE	102 487	Listed	JSE
Preference shares	603 321	Not listed	N/A	–	Not listed	N/A
	1 801 189			618 300		
COMPANY						
Ordinary shares	601 825	Listed	JSE	481 876	Listed	JSE
Ordinary shares	459 214	Not listed	N/A	–	Not listed	N/A
Preference shares	102 891	Listed	JSE	102 487	Listed	JSE
Preference shares	603 321	Not listed	N/A	–	Not listed	N/A
	1 767 251			584 363		

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

for the year ended 30 June 2021

4. Risk management (continued)

4.3 Market (continued)

c) Sensitivity analysis – Index exposure

	PROFIT/(LOSS)		EQUITY	
	5% increase R'000	5% decrease R'000	5% increase R'000	5% decrease R'000
GROUP				
2021				
Ordinary shares – Listed – JSE	31 788	(31 788)	31 788	(31 788)
Ordinary shares – Not listed	22 961	(22 961)	22 961	(22 961)
Preference shares – Listed – JSE	5 145	(5 145)	5 145	(5 145)
Preference shares – Not listed	30 166	(30 166)	30 166	(30 166)
	90 060	(90 060)	90 060	(90 060)
2020				
Ordinary shares – Listed – JSE	25 791	(25 791)	25 791	(25 791)
Preference shares – Listed – JSE	5 124	(5 124)	5 124	(5 124)
	30 915	(30 915)	30 915	(30 915)
COMPANY				
2021				
Ordinary shares – Listed – JSE	30 091	(30 091)	30 091	(30 091)
Ordinary shares – Not listed	22 961	(22 961)	22 961	(22 961)
Preference shares – Listed – JSE	5 145	(5 145)	5 145	(5 145)
Preference shares – Not listed	30 166	(30 166)	30 166	(30 166)
	88 363	(88 363)	88 363	(88 363)
2020				
Ordinary shares – Listed – JSE	24 094	(24 094)	24 094	(24 094)
Preference shares – Listed – JSE	5 124	(5 124)	5 124	(5 124)
	29 218	(29 218)	29 218	(29 218)

	GROUP		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000

4.4 Comprehensive income

Financial income and expenditure

Financial assets at fair value through profit or loss	101 528	109 832	66 663	62 662
Financial assets at amortised cost	87 390	147 174	87 390	147 174
Financial income	188 918	257 007	154 053	209 836
Interest expense on financial liabilities measured at amortised cost	(57 793)	(82 284)	(55 184)	(77 977)
Net fee costs from third parties in respect of holding financial assets	–	–	–	–
Financial expense	(57 793)	(82 284)	(55 184)	(77 977)
Net financial income	131 125	174 723	98 869	131 859

The above financial income and expense items include the following in respect of financial assets/liabilities not at fair value through profit and loss:

Total interest expense	(57 793)	(82 284)	(55 184)	(77 977)
Net Interest income	(57 793)	(82 284)	(55 184)	(77 977)

Impairment losses

The amount of the impairment loss for each class of financial asset during the reporting period was as follows:

Impairment of other loans and receivables

– Impairment reversed/(recognised)

Impairment of premium debtors

– Impairment recognised

	14 772	(4 328)	14 772	(4 328)
	(23 162)	(111 200)	(23 162)	(111 200)
Impairment losses	(8 390)	(115 528)	(8 390)	(115 328)

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

for the year ended 30 June 2021

	GROUP		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
5. Investment Property				
Investment Property – land and buildings – Cost	32 300	28 001	–	–
Investment Property – land and buildings – Revaluation	–	4 399	–	–
Fair value on investment properties	32 300	32 400	–	–
Reconciliation of movement on fair value amount:				
Balance at the beginning of the year	32 400	28 001	–	–
Revaluation for the year	(100)	4 399	–	–
Balance at the end of the year	32 300	32 400	–	–

Investment property consists of:

- sectional title located at stand 306 Ferreiras Dorp Township, Gauteng, measuring 1162 square metres
- sectional title located at stand 317 Ferreiras Dorp Township, Gauteng, measuring 1012 square metres

The properties are carried at market value as last determined by an independent registered valuator.

Investment properties are not mortgaged as security for any liabilities.

Direct operating expenses incurred on the investment property amount to R2 044 042 (2020: R1 911 278), repairs and maintenance incurred amounts to R66 421 (2020: R148 575).

	GROUP		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
6. Right of use				
Cost				
Property	227 246	223 755	227 246	223 755
Motor vehicles	2 478	2 488	2 478	2 488
Office equipment	9 119	19 982	9 119	19 982
Right of use asset – Cost	238 843	246 225	238 843	246 225
Accumulated depreciation				
Property	(71 171)	(35 472)	(71 171)	(35 472)
Motor vehicles	(2 199)	(1 219)	(2 199)	(1 219)
Office equipment	(9 111)	(15 040)	(9 111)	(15 040)
Right of use asset – Accumulated depreciation and impairment	(82 481)	(51 731)	(82 481)	(51 731)
Net carrying amount				
Property	156 075	188 282	156 075	188 282
Motor vehicles	279	1 269	279	1 269
Office equipment	8	4 942	8	4 943
Right of use assets – Carrying value	156 362	194 494	156 362	194 494
Reconciliation of movement on net carrying amount:				
Balance at the beginning of the year	194 494	8 802	194 494	8 802
Recognised on 01 July 2019 on adoption of IFRS 16	–	218 260	–	218 260
Property	–	216 323	–	216 323
Motor vehicles	–	1 937	–	1 937
Additions	3 491	8 173	3 491	8 173
Property	3 491	7 622	3 491	7 622
Motor vehicles	–	551	–	551
Depreciation for the year	(39 803)	(40 741)	(39 803)	(40 741)
Property	(35 698)	(35 472)	(35 698)	(35 472)
Motor vehicles	(980)	(1 219)	(980)	(1 219)
Office equipment	(3 125)	(4 050)	(3 125)	(4 050)
Write off	(1 820)	–	(1 820)	–
Motor vehicles	(10)	–	(10)	–
Office equipment	(1 810)	–	(1 810)	–
Balance at the end of the year	156 362	194 494	156 362	194 494

Right of use assets have been calculated using varying lease terms and incremental borrowing rates as applicable.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

for the year ended 30 June 2021

	GROUP		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
7. Intangible assets				
Cost				
Computer software	172 763	269 901	172 763	269 901
Goodwill	408	408	–	–
Acquired rights over books of business	27 214	27 214	27 214	27 214
Intellectual property	83 876	83 876	83 876	83 876
Intangible assets – Cost	284 261	381 399	283 853	380 991
Accumulated amortisation and impairment				
Computer software	(97 561)	(187 123)	(97 561)	(187 123)
Acquired rights over books of business	(26 244)	(25 937)	(26 244)	(25 937)
Intellectual property	(16 700)	(16 700)	(16 700)	(16 700)
Intangible assets – Accumulated amortisation and impairment	(140 505)	(229 760)	(140 505)	(229 760)
Net carrying amount				
Computer software	75 202	82 778	75 202	82 779
Goodwill	408	408	–	–
Acquired rights over books of business	970	1 277	970	1 276
Intellectual property	67 176	67 176	67 176	67 176
Intangible assets	143 756	151 640	143 348	151 231
Reconciliation of movement on net carrying amount:				
Balance at the beginning of the year	151 640	182 595	151 231	182 186
Prior year adjustments	–	13 374	–	13 374
Computer software	–	13 374	–	13 374
Additions	42 873	30 116	42 873	30 116
Computer software	42 873	30 116	42 873	30 116
Amortisation for the year	(36 119)	(51 772)	(36 118)	(51 772)
Computer software	(35 812)	(50 889)	(35 811)	(50 889)
Acquired rights over books of business	(307)	(883)	(307)	(883)
Impairment for the year	(5 251)	(9 995)	(5 251)	(9 995)
Computer software	(5 251)	(9 995)	(5 251)	(9 995)
Disposals	(9 387)	(12 678)	(9 387)	(12 678)
Computer software	(9 387)	(12 678)	(9 387)	(12 678)
Balance at the end of the year	143 756	151 640	143 348	151 231

The Group tests goodwill annually for impairment, or more frequently if there are indicators that goodwill might be impaired. As at 30 June 2021, no impairment was raised (2020: Rnil).

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

for the year ended 30 June 2021

	GROUP		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
8. Property and equipment				
Cost				
Leasehold improvements	54 014	49 791	54 014	49 791
Motor vehicles	1 337	1 414	1 319	1 396
Office equipment	236 492	303 511	236 111	303 130
Office equipment	13 019	13 440	12 638	13 060
Computer hardware	151 646	218 159	151 646	218 159
Furniture and fittings	71 827	71 911	71 827	71 911
Property and equipment – Cost	291 844	354 717	291 444	354 317
Accumulated depreciation				
Leasehold improvements	(18 910)	(17 658)	(18 910)	(17 658)
Motor vehicles	(971)	(888)	(964)	(880)
Office equipment	(119 632)	(166 912)	(119 375)	(166 655)
Office equipment	(7 097)	(6 825)	(6 839)	(6 568)
Computer hardware	(62 935)	(114 018)	(62 935)	(114 018)
Furniture and fittings	(49 600)	(46 069)	(49 600)	(46 069)
Property and equipment – Accumulated depreciation and impairment	(139 513)	(185 457)	(139 248)	(185 193)
Net carrying amount				
Leasehold improvements	35 104	32 133	35 104	32 133
Motor vehicles	366	527	355	516
Office equipment	116 861	136 600	116 737	136 476
Office equipment	5 923	6 616	5 799	6 492
Computer hardware	88 712	104 142	88 712	104 142
Furniture and fittings	22 227	25 842	22 227	25 842
Property and equipment – Carrying value	152 331	169 260	152 196	169 125
Reconciliation of movement on net carrying amount:				
Balance at the beginning of the year	169 260	110 480	169 125	110 346
Additions	23 985	121 784	23 985	121 784
Leasehold improvements	8 477	16 434	8 477	16 434
Motor vehicles	–	417	–	417
Office equipment	289	2 400	289	2 400
Computer hardware	13 834	100 006	13 834	100 006
Right of use – Computer hardware	–	–	–	–
Furniture and fittings	1 385	2 527	1 385	2 527
Depreciation for the year	(39 638)	(32 423)	(39 638)	(32 423)
Leasehold improvements	(4 273)	(3 247)	(4 273)	(3 247)
Motor vehicles	(161)	(147)	(161)	(147)
Office equipment	(983)	(968)	(983)	(968)
Computer hardware	(29 256)	(23 262)	(29 256)	(23 262)
Right of use – Computer hardware	–	–	–	–
Furniture and fittings	(4 965)	(4 799)	(4 965)	(4 799)
Disposals	(1 277)	(30 583)	(1 277)	(30 583)
Leasehold improvements	(1 233)	(3 253)	(1 233)	(3 253)
Computer hardware	(9)	(27 330)	(9)	(27 330)
Furniture and fittings	(35)	–	(35)	–
Balance at the end of the year	152 331	169 260	152 196	169 125

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

for the year ended 30 June 2021

						COMPANY			
						2021 R'000		2020 R'000	
9. Investment in subsidiaries									
Interest in subsidiaries comprises:									
Shares at fair value through profit or loss						42 422		33 938	
Loans to subsidiaries						37 677		39 711	
						80 099		73 649	
Impairment on loans						(36 013)		(38 047)	
Investments in subsidiaries						44 086		35 602	
Carrying value of interest in subsidiary									
	Nature of business	Place of business	Issued share capital R	Proportion held 2021 %	Proportion held 2020 %	2021 Shares R'000	2021 Indebt- edness R'000	2020 Shares R'000	2020 Indebt- edness R'000
Interest in subsidiaries comprises:									
Casa Luigi Properties	A	RSA	100	100	100	-	-	-	-
Ground Lily Investments	C	RSA	1	100	100	-	-	-	-
Precept Supply Chain Management Consolidated	D	RSA	3 001 010	100	100	-	-	-	-
Hollard Portfolio Management	C	RSA	1	100	100	42 422	-	33 938	-
Newshelf 33	C	RSA	1	100	100	-	-	-	-
JJK Marketing Consultants (Pty) Ltd	C	RSA	1	100	100	-	-	-	-
EquiMed Underwriting Managers (Pty) Ltd	B	RSA	100	100	100	-	-	-	-
Apex Underwriting Managers (Pty) Ltd	B	RSA	100	100	100	-	-	-	2 034
Accredited Investments (Pty) Limited	B	RSA	100	100	100	-	-	-	-
Leungo Investments (Pty) Ltd	C	RSA	1	100	100	-	37 677	-	37 677
Execuline Underwriting Managers (Pty) Limited	B	RSA	100	100	100	-	-	-	-
Primus Risk Services Investments (Pty) Ltd	B	RSA	100	100	100	-	-	-	-
Bidcap Investments (Pty) Ltd	C	RSA	100	100	100	-	-	-	-
Buckingham Risk Solutions (Pty) Ltd	C	RSA	100	100	100	-	-	-	-
Electronic Risk Underwriting Managers (Pty) Ltd	B	RSA	100	100	100	-	-	-	-
Hollard Mocambique Companhia de Seguros	F	RSA	100	50,10	50,10	-	-	-	-
						42 422	37 677	33 938	39 711
Impairment on loans						-	(36 013)	-	(38 047)
						42 422	1 664	33 938	1 664

The loan is unsecured and there are no fixed repayment terms

The investment in Hollard Mocambique Companhia de Seguros, S.A.R.L (incorporated and operational in Mozambique) is held for sale and details are disclosed in note 16 on page 58 of these financial statements.

Nature of Business

- A Property Holding
- B Underwriting Managers
- C Investment Holding
- D Venture Capital
- E Business Process and Outsourcing
- F General Insurance
- G Administration

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

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for the year ended 30 June 2021

	GROUP		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
10. Investments in associates				
Interest in associates comprises:				
Shares at fair value through profit or loss	–	–	259 348	214 404
Shares at equity accounted carrying value	67 630	67 630	–	–
Group share of post acquisition profits, losses and reserves	180 984	191 353	–	–
Carrying value of associates	248 614	258 983	259 348	214 404
Investment in associates	248 614	258 983	259 348	214 404
Associates comprise Legal Expense Group Africa Ltd. The company holds a 39.9% (2020:39.9%) share in this associate.				
Analysis of associates				
Financial position of associates				
Non-current assets	–	–	678 629	756 982
Current assets	–	–	191 953	188 982
Total assets	–	–	870 582	945 964
Non-current liabilities	–	–	241 456	288 996
Current liabilities	–	–	116 947	97 165
Total liabilities	–	–	358 403	386 161
Net assets			512 179	559 803
Financial performance of associates				
Revenue	–	–	764 104	791 739
Net profit before taxation	–	–	149 536	149 832
Taxation	–	–	(34 637)	(39 991)
Net profit after taxation	–	–	114 899	109 841
11. Financial assets				
Financial assets at fair value through profit or loss	3 126 253	2 206 664	3 092 315	2 172 727
Financial assets at amortised cost	650 512	737 757	650 512	737 757
	3 776 765	2 944 421	3 742 827	2 910 484
Current	3 672 298	109 365	3 638 360	75 428
Non-current	104 467	2 835 056	104 467	2 835 056
	3 776 765	2 944 421	3 742 827	2 910 484
Financial assets at fair value through profit or loss				
Listed Investments	794 151	670 860	760 213	636 923
Unlisted Investments	2 195 330	1 347 454	2 195 330	1 347 454
Bonds	136 772	188 350	136 772	188 350
	3 126 253	2 206 664	3 092 315	2 172 727
An analysis of the Group and Company's financial assets by market sector and maturity spread is provided below				
Listed Investments				
at market value	794 151	670 860	760 213	636 923
Analysis of spread of listed investments by market sector	%	%	%	%
Automobiles and parts	–	0,04	–	0,04
Banks	13,52	13,25	14,12	13,95
Basic resources	0,92	0,85	0,96	0,89
Financial services	0,37	10,47	0,38	11,03
Food and beverage	0,08	0,22	0,08	0,24
Healthcare	0,11	–	0,12	–
Industrial goods and services	0,25	0,34	0,27	0,36
Insurance	76,57	73,63	75,53	72,23
Media	0,35	0,50	0,37	0,52
Personal and household goods	0,14	0,13	0,15	0,14
Real estate	0,15	0,15	0,15	0,16
Retail	0,35	0,31	0,36	0,33
Travel and leisure	–	0,10	–	0,10
Telecommunications	0,20	–	0,21	–
Corporate debentures	6,99	–	7,30	–
	100,00	100,00	100,00	100,00

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for the year ended 30 June 2021

11. Financial assets (continued)

	GROUP		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Unlisted Investments				
at fair value	2 195 330	2 085 211	2 195 330	2 085 211
	%	%	%	%
Linked policies	55,61	56,17	55,61	56,17
Private equity investments	1,84	38,01	1,84	38,01
Unit trusts	42,32	5,58	42,32	5,58
Ordinary shares	0,23	0,24	0,23	0,24
	100,00	100,00	100,00	100,00
Total listed and unlisted investments at fair value	2 989 481	2 756 071	2 955 543	2 722 134
Bonds				
Bonds and other assets at amortised cost by industry	136 772	188 350	136 772	188 350
	%	%	%	%
Financial services	–	40,16	–	40,16
Banks	66,69	32,01	66,69	32,01
Insurance	33,31	1,08	33,31	1,08
Automobiles and parts	–	26,75	–	26,75
	100,00	100,00	100,00	100,00
			Maturity spread R'000	Maturity spread %
GROUP and COMPANY				
Bonds				
An analysis of debt securities by maturity spread for 2021				
0 – 1 year			32 305	23,62
1 – 2 years			20 292	14,84
2 – 5 years			23 247	17,00
More than 5 years			60 928	44,54
			136 772	100,00
An analysis of debt securities by maturity spread for 2020				
0 – 1 year			75 428	40,05
1 – 2 years			32 438	17,22
2 – 5 years			20 190	10,72
More than 5 years			60 294	32,01
			188 350	100,00

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for the year ended 30 June 2021

11. 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 investments R'000	Total financial instruments R'000	Insurance contract assets and liabilities R'000	Other assets and liabilities R'000	Total per statement of financial position R'000	Fair value of financial instruments R'000
GROUP								
2021								
Assets								
Investment in associates	248 614	-	-	248 614	-	-	248 614	248 614
Financial assets	3 126 252	-	650 512	3 776 765	-	-	3 776 765	3 776 765
Preference shares and debt instruments	1 264 715	-	650 512	1 915 227	-	-	1 915 226	1 915 226
Equities	640 774	-	-	640 774	-	-	640 775	640 775
Linked policies	1 220 764	-	-	1 220 764	-	-	1 220 764	1 220 764
Reinsurance assets	-	-	-	-	3 326 618	-	3 326 618	3 326 618
Insurance, loans and other receivables	-	108 422	-	108 422	1 527 143	23 650	1 659 215	1 659 215
Deferred acquisition costs	-	-	-	-	115 413	-	115 413	115 413
Cash and cash equivalents	-	-	2 841 061	2 841 061	-	-	2 841 061	2 841 061
Non-current assets held for sale	1 657 868	-	-	1 657 868	-	-	1 657 868	1 657 868
Total	5 032 735	108 422	3 491 573	8 632 729	4 969 173	23 650	13 625 552	13 625 552
Liabilities								
Borrowings	-	-	-	-	-	600 450	600 450	600 450
Insurance liabilities	-	-	-	-	6 613 724	-	6 613 724	6 613 724
Reinsurance liabilities	-	-	-	-	901 628	-	901 628	901 628
Employee benefits	-	-	-	-	-	49 638	49 638	49 638
Trade and other payables	-	-	-	-	-	1 491 337	1 491 337	1 491 337
Non-current liability held for sale	1 228 145	-	-	1 228 145	-	-	1 228 145	1 228 145
Total	1 228 145	-	-	1 228 145	7 515 352	2 141 425	10 884 922	10 884 922
2020								
Assets								
Investment in associates	258 983	-	-	258 983	-	-	258 983	258 983
Financial assets	2 206 664	-	737 757	2 944 421	-	-	2 944 421	2 944 421
Preference shares and debt instruments	514 554	-	737 757	1 252 311	-	-	1 252 311	1 252 311
Equities	520 826	-	-	520 826	-	-	520 826	520 826
Linked policies	1 171 284	-	-	1 171 284	-	-	1 171 284	1 171 284
Reinsurance assets	-	-	-	-	1 681 159	-	1 681 159	1 681 159
Insurance, loans and other receivables	-	181 012	-	181 012	1 465 989	1 236	1 648 237	1 648 237
Deferred acquisition costs	-	-	-	-	113 681	-	113 681	113 681
Cash and cash equivalents	-	-	3 234 235	3 234 235	-	-	3 234 235	3 234 235
Non-current assets held for sale	1 188 328	-	-	1 188 328	-	-	1 188 328	1 188 328
Total	3 653 976	181 012	3 971 992	7 806 979	3 260 829	1 236	11 069 045	11 069 045
Liabilities								
Borrowings	-	-	-	-	-	600 923	600 923	600 923
Insurance liabilities	-	-	-	-	4 904 967	-	4 904 967	4 904 967
Reinsurance liabilities	-	-	-	-	656 401	-	656 401	656 401
Employee benefits	-	-	-	-	-	172 181	172 181	172 181
Trade and other payables	-	-	-	-	-	1 329 345	1 329 345	1 329 345
Non-current liability held for sale	842 286	-	-	842 286	-	-	842 286	842 286
Total	842 286	-	-	842 286	5 561 368	2 102 449	8 506 103	8 506 103

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

for the year ended 30 June 2021

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

	Fair value through profit or loss R'000	Loans and receivables R'000	At amortised cost investments R'000	Total financial instruments R'000	Insurance contract assets and liabilities R'000	Other assets and liabilities R'000	Total per statement of financial position R'000	Fair value of financial instruments R'000
COMPANY								
2021								
Assets								
Investment in subsidiaries	42 422	-	-	42 422	-	-	42 422	42 422
Loans to subsidiaries	-	1 664	-	1 664	-	-	1 664	1 664
Investment in associates	259 348	-	-	259 348	-	-	259 348	259 348
Financial assets	3 092 315	-	650 512	3 742 827	-	-	3 742 827	3 742 827
Preference shares and debt instruments	1 264 715	-	650 512	1 915 227	-	-	1 915 227	1 915 227
Equities	606 837	-	-	606 837	-	-	606 837	606 837
Linked policies	1 220 764	-	-	1 220 764	-	-	1 220 764	1 220 764
Reinsurance assets	-	-	-	-	3 326 618	-	3 326 618	3 326 618
Insurance, loans and other receivables	-	108 318	-	108 318	1 527 142	18 519	1 653 979	1 653 979
Deferred acquisition costs	-	-	-	-	115 413	-	115 413	115 413
Cash and cash equivalents	-	-	2 837 896	2 837 896	-	-	2 837 896	2 837 896
Non-current assets held for sale	152 433	-	-	152 433	-	-	152 433	152 433
Total	3 546 518	109 982	3 488 409	7 144 908	4 969 172	18 519	12 132 600	12 132 600
Liabilities								
Borrowings	-	-	-	-	-	600 096	600 096	600 096
Insurance liabilities	-	-	-	-	6 613 724	-	6 613 724	6 613 724
Reinsurance liabilities	-	-	-	-	901 628	-	901 628	901 628
Employee benefits	-	-	-	-	-	49 571	49 571	49 571
Trade and other payables	-	-	-	-	-	1 401 866	1 401 866	1 401 866
Total	-	-	-	-	7 515 352	2 051 533	9 566 885	9 566 885
2020								
Assets								
Investment in subsidiaries	33 937	-	-	33 937	-	-	33 937	33 937
Loans to subsidiaries	-	1 664	-	1 664	-	-	1 664	1 664
Investment in associates	214 404	-	-	214 404	-	-	214 404	214 404
Financial assets	2 172 727	-	737 757	2 910 484	-	-	2 910 484	2 910 484
Preference shares and debt instruments	514 554	-	737 757	1 252 311	-	-	1 252 311	1 252 311
Equities	486 888	-	-	486 888	-	-	486 888	486 888
Linked policies	1 171 284	-	-	1 171 284	-	-	1 171 284	1 171 284
Reinsurance assets	-	-	-	-	1 681 159	-	1 681 159	1 681 159
Insurance, loans and other receivables	-	181 012	-	181 012	1 465 988	21 327	1 668 327	1 668 327
Deferred acquisition costs	-	-	-	-	113 681	-	113 681	113 681
Cash and cash equivalents	-	-	3 233 633	3 233 633	-	-	3 233 633	3 233 633
Non-current assets held for sale	152 433	-	-	152 433	-	-	152 433	152 433
Total	2 573 501	182 676	3 971 391	6 727 568	3 260 828	21 327	10 009 723	10 009 723
Liabilities								
Borrowings	-	-	-	-	-	600 569	600 569	600 569
Insurance liabilities	-	-	-	-	4 904 967	-	4 904 967	4 904 967
Reinsurance liabilities	-	-	-	-	656 401	-	656 401	656 401
Employee benefits	-	-	-	-	-	172 181	172 181	172 181
Trade and other payables	-	-	-	-	-	1 298 846	1 298 846	1 298 846
Total	-	-	-	-	5 561 368	2 071 596	7 632 964	7 632 964

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12. Determination of fair value and fair values hierarchy

	Level 1	Level 2	Level 3	Total fair value
GROUP				
2021				
Financial assets carried at fair value through profit or loss				
Interest in associates	-	-	248 614	248 614
Listed Investments	188 192	-	605 958	794 150
Listed Ordinary Shares	29 805	-	605 958	635 763
Listed Preference shares	102 891	-	-	102 891
Listed Debentures	55 497	-	-	55 497
Unlisted Investments	-	2 149 978	45 352	2 195 330
Unlisted Ordinary shares	-	-	5 011	5 011
Unlisted Preference shares	-	-	40 340	40 340
Units Trusts	-	929 215	-	929 215
Linked Policies	-	1 220 764	-	1 220 764
Bonds	-	136 772	-	136 772
	188 192	2 286 750	899 924	3 374 867
2020				
Financial assets carried at fair value through profit or loss				
Interest in associates	-	-	258 983	258 983
Listed Investments	179 306	-	491 554	670 860
Listed Ordinary Shares	24 260	-	491 554	515 814
Listed Preference shares	102 487	-	-	102 487
Listed Debentures	52 560	-	-	52 560
Unlisted Investments	-	1 287 645	59 809	1 347 454
Unlisted Ordinary shares	-	-	5 011	5 011
Unlisted Preference shares	-	-	54 798	54 798
Units Trusts	-	116 361	-	116 361
Linked Policies	-	1 171 284	-	1 171 284
Bonds	-	188 350	-	188 350
	179 306	1 475 995	810 346	2 465 647
COMPANY				
2021				
Financial assets carried at fair value through profit or loss				
Interest in subsidiaries	-	-	42 422	42 422
Interest in associates	-	-	259 348	259 348
Listed Investments	188 192	-	572 021	760 213
Listed Ordinary Shares	29 805	-	572 021	601 825
Listed Preference shares	102 891	-	-	102 891
Listed Debentures	55 497	-	-	55 497
Unlisted Investments	-	2 149 978	45 352	2 195 330
Unlisted Ordinary shares	-	-	5 011	5 011
Unlisted Preference shares	-	-	40 340	40 340
Units Trusts	-	929 215	-	929 215
Linked Policies	-	1 220 764	-	1 220 764
Bonds	-	136 772	-	136 772
	188 192	2 286 750	919 143	3 394 085
2020				
Financial assets carried at fair value through profit or loss				
Interest in subsidiaries	-	-	33 937	33 937
Interest in associates	-	-	214 404	214 404
Listed Investments	179 306	-	457 616	636 923
Listed Ordinary Shares	24 260	-	457 616	481 876
Listed Preference shares	102 487	-	-	102 487
Listed Debentures	52 560	-	-	52 560
Unlisted Investments	-	1 287 645	59 809	1 347 454
Unlisted Ordinary shares	-	-	5 011	5 011
Unlisted Preference shares	-	-	54 798	54 798
Units Trusts	-	116 361	-	116 361
Linked Policies	-	1 171 284	-	1 171 284
Bonds	-	188 350	-	188 350
Total	179 306	1 475 995	765 767	2 421 068

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12. Determination of fair value and fair values hierarchy (continued)

Quantitative information about fair value measurement

Level 3 listed investments consists of shares held in Clientele. These investments are valued using the appraisal method as at 30 June 2021.

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

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

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

The assumption used to value level 3 investments are based largely on unobservable inputs. Further, judgement was applied in the current period due to uncertainty arising as a result of Covid-19 due to less liquidity and greater volatility in financial markets. This has increased the criticality of estimates, assumptions and judgements in the assessment of the valuation of level 3 investments. The critical inputs in these valuations relating to projection of future cash flows and discount rates.

The Group and Company determine the fair value of its unlisted investments using well established valuation techniques. These techniques include discounted cash flow analysis, price earnings ratio and net asset value methodologies. Where the underlying investments of an investment holding company are property or listed investments, the company is valued on the net asset value basis which reflects the fair value of the underlying investments.

Companies are valued on a price earnings ratio method or on a discounted cash flow basis. A build-up method was used to construct the discount rate, incorporating all the appropriate risk components as well as a bond yield of 8.88% (R2030). The following appropriate risk components are incorporated in the discount rates and earnings factors used:

- Risk class exposure of the entity;
- Established history;
- Dependency on management; and
- Impact of owner managed business.

In applying the price earnings valuation technique, the current profit of the company is multiplied by an earnings factor. The potential future earnings of the company, current interest rate cycle, current business environment and management of the company are considered in determining the earnings factor.

In using discounted cash flow analyses the best estimate of future cash flows of a particular company are used. The current interest rate cycle, risk-free rate and any other relevant economic or business factors are considered in determining the discount rate.

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12. Determination of fair value and fair values hierarchy (continued)

Reconciliation of movements in Level 3 financial instruments measured at fair value

	Balance at the beginning of the year R'000	Total gains/ (losses) in profit or loss statement R'000	Total gains/ (losses) recorded in other com- prehensive income R'000	Purchases R'000	Fair value adjust- ments R'000	Balance at the end of the year R'000	Total gains/ (losses) in profit or loss statement R'000
GROUP							
2021							
Financial Assets at fair value through profit or loss							
Interest in associates	258 983	–	–	–	(10 369)	248 614	(10 369)
Listed Investments	491 553	–	–	–	114 405	605 958	114 405
Listed Ordinary Shares	491 553	–	–	–	114 405	605 958	114 405
Unlisted Investments	59 809	–	–	–	(14 457)	45 352	(14 457)
Unlisted Ordinary shares	5 011	–	–	–	–	5 011	–
Unlisted Preference shares	54 798	–	–	–	(14 457)	40 340	(14 457)
	810 346	–	–	–	89 578	899 924	89 578
2020							
Financial Assets at fair value through profit or loss							
Interest in associates	245 962	–	–	–	13 021	258 983	13 021
Listed Investments	612 609	–	–	45 425	(166 481)	491 553	(166 481)
Listed Ordinary Shares	612 609	–	–	45 425	(166 481)	491 553	(166 481)
Unlisted Investments	71 745	–	–	3 000	(14 936)	59 809	(14 936)
Unlisted Ordinary shares	2 011	–	–	3 000	–	5 011	–
Unlisted Preference shares	69 734	–	–	–	(14 936)	54 798	(14 936)
	930 317	–	–	48 425	(168 396)	810 346	(168 396)
COMPANY							
2021							
Financial Assets at fair value through profit or loss							
Interest in subsidiaries	33 937	–	–	–	8 484	42 422	8 484
Interest in associates	214 404	–	–	–	44 944	259 348	44 944
Listed Investments	457 616	–	–	–	114 405	572 021	114 405
Listed Ordinary Shares	457 616	–	–	–	114 405	572 021	114 405
Unlisted Investments	59 809	–	–	–	(14 457)	45 352	(14 457)
Unlisted Ordinary shares	5 011	–	–	–	–	5 011	–
Unlisted Preference shares	54 798	–	–	–	(14 457)	40 340	(14 457)
	765 766	–	–	–	153 376	919 143	153 376
2020							
Financial Assets at fair value through profit or loss							
Interest in subsidiaries	45 432	–	–	–	(11 495)	33 937	(11 495)
Interest in associates	229 788	–	–	–	(15 384)	214 404	(15 384)
Listed Investments	612 609	–	–	–	(154 993)	457 616	(154 993)
Listed Ordinary Shares	612 609	–	–	–	(154 993)	457 616	(154 993)
Unlisted Investments	71 745	–	–	3 000	(14 936)	59 809	(14 936)
Unlisted Ordinary shares	2 011	–	–	3 000	–	5 011	–
Unlisted Preference shares	69 734	–	–	–	(14 936)	54 798	(14 936)
Total	959 575	–	–	3 000	(196 809)	765 766	(196 809)

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	Carrying amount R'000	2% effect of reasonably possible alternative assumptions (+)	2% effect of reasonably possible alternative assumptions (-)

12. Determination of fair value and fair values hierarchy (continued)

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

GROUP

2021

Financial Assets at fair value through profit or loss

Interest in subsidiaries	248 614	253 587	243 642
Listed Investments	605 959	618 078	593 839
Listed Ordinary Shares	605 959	618 078	593 839
Unlisted Investments	45 352	46 259	44 445
Unlisted Ordinary shares	5 011	5 112	4 911
Unlisted Preference shares	40 340	41 147	39 533
	899 924	917 923	881 926

2020

Financial Assets at fair value through profit or loss

Interest in subsidiaries	258 983	264 162	253 803
Listed Investments	491 554	501 385	481 723
Listed Ordinary Shares	491 554	501 385	481 723
Unlisted Investments	59 809	61 005	58 613
Unlisted Ordinary shares	5 011	5 112	4 911
Unlisted Preference shares	54 798	55 893	53 702
	810 346	826 552	794 139

COMPANY

2021

Financial Assets at fair value through profit or loss

Interest in subsidiaries	42 422	43 270	41 574
Interest in associates	259 348	264 535	254 161
Listed Investments	572 021	583 461	560 580
Listed Ordinary Shares	572 021	583 461	560 580
Unlisted Investments	45 351	46 259	44 445
Unlisted Ordinary shares	5 011	5 112	4 911
Unlisted Preference shares	40 340	41 147	39 533
	919 143	937 525	900 760

2020

Financial Assets at fair value through profit or loss

Interest in subsidiaries	33 937	34 616	33 258
Interest in associates	214 404	218 692	210 116
Listed Investments	457 616	466 769	448 464
Listed Ordinary Shares	457 616	466 769	448 464
Unlisted Investments	59 809	61 005	58 613
Unlisted Ordinary shares	5 011	5 112	4 911
Unlisted Preference shares	54 798	55 893	53 702
Total	765 766	781 081	750 451

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for the year ended 30 June 2021

	GROUP		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
13. Insurance, loans and other receivables				
Insurance receivables – Premium debtors	1 239 602	1 211 776	1 239 602	1 211 776
Other receivables	216 781	255 448	211 545	275 540
Total insurance and other receivables	1 456 383	1 467 224	1 451 147	1 487 316
Loans				
Interest bearing loans	4 732	12 396	4 732	12 396
Interest bearing loans to staff	–	2 264	–	2 264
Interest bearing loans to other	4 732	10 132	4 732	10 132
Interest bearing impairment provisions	–	–	–	–
Interest free loans	1 000	63 487	1 000	63 487
Interest free loans to other	700	10 957	700	10 957
Interest free loans to ESD	300	106 142	300	106 142
Interest free impairment provisions	–	(53 612)	–	(53 612)
Total loans	5 732	75 883	5 732	75 883
Receivable from group companies	226 765	149 566	226 765	149 566
Impairment provision	(29 665)	(44 437)	(29 665)	(44 437)
Loans receivable from group companies	197 100	105 129	197 100	105 129
Insurance, loans and other receivables	1 659 215	1 648 236	1 653 979	1 668 327
The interest rates charged on the secured and unsecured loans comprise:				
Prime less 1%	2 120	–	2 120	–
Prime plus 2%	–	3 212	–	3 212
Prime plus 5%	–	1 892	–	1 892
Prime plus 6%	2 612	5 028	2 612	5 028
Interest at 6.5%	–	–	–	–
Interest at 7%	–	–	–	–
Interest at 12.5%	–	–	–	–
South African Reserve Service (SARS) rate	–	2 264	–	2 264
Hollard Investments Money Market Fund rate	–	–	–	–
Johannesburg Inter-Bank Rate (JIBAR)	–	–	–	–
Johannesburg Inter-Bank Rate (JIBAR) + 7%	–	–	–	–
Interest-free loans	1 000	63 487	1 000	63 487
Loans Receivable	5 732	75 883	5 732	75 883
The repayments terms of secured and unsecured loans comprise:				
90 days after notice	–	10 957	–	10 957
Repaid quarterly	–	5 028	–	5 028
Specific date	5 732	7 367	5 732	7 367
No fixed terms of repayment	–	52 531	–	52 531
Loans Receivable	5 732	75 883	5 732	75 883

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(CONTINUED)

for the year ended 30 June 2021

	GROUP		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
14. Deferred taxation				
Deferred income tax assets				
Deferred income tax to be recovered within 12 months	89 042	106 811	89 042	106 811
Deferred income tax assets	89 042	106 811	89 042	106 811
Balance at the beginning of the year	106 811	103 609	106 811	103 609
Movement during the year attributed to:				
Prior year adjustments	–	129	–	129
Provisions	(17 769)	3 073	(17 769)	3 073
Balance at the end of the year	89 042	106 811	89 042	106 811
Balance comprises:				
Provisions	89 042	106 811	89 042	106 811
Balance	89 042	106 811	89 042	106 811
Deferred income tax liabilities				
Deferred income tax to be recovered after 12 months	183 151	131 630	172 999	121 393
Deferred income tax liabilities	183 151	131 630	172 999	121 393
Balance at the beginning of the year	131 630	208 401	121 393	199 333
Movement during the year attributed to:				
Prior year adjustments	13 660	(7 586)	13 660	(7 586)
Unrealised gain or losses on Assets at fair value through profit/loss	37 861	(69 185)	37 946	(70 354)
Balance at the end of the year	183 151	131 630	172 999	121 393
Balance comprises:				
Unrealised gain or losses on assets at fair value through profit/loss	183 151	131 630	172 999	121 393
Deferred income tax – balance	183 151	131 630	172 999	121 393

	GROUP		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
15. Cash and cash equivalents				
Cash on call	2 001 944	2 289 989	2 001 944	2 289 989
Cash at bank	839 062	933 930	835 897	933 485
Cash on deposit	–	10 258	–	10 102
Cash on hand	55	57	55	57
Cash and cash equivalents	2 841 061	3 234 235	2 837 896	3 233 633

Included in cash and cash equivalents is collateral of R358 million (2020: R274 million) held by Hollard in a Hollard named account with Investec, on behalf of Hollard's clients. The collateral will be utilised to offset in the event of a claim and Hollard holds a legal right by way of an indemnity from their client. The funds cannot be released without Hollard's consent. The funds can without consent in the event of a claim be released directly back to Hollard.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

for the year ended 30 June 2021

	GROUP		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
16. Non-current assets and liabilities held for sale				
The Group and Company hold the following assets as held for sale:				
Investment in Hollard Mocambique Companhia de Seguros	1 657 868	1 188 328	152 433	152 433
	1 657 868	1 188 328	152 433	152 433
The Group and Company hold the following liability as held for sale:				
Investment in Hollard Mocambique Companhia de Seguros	1 228 145	842 286	-	-
	1 228 145	842 286	-	-
The above is classified as held for sale as the intention is to sell this asset. A buyer has been identified and the sale is expected in the 12 months after financial position date pending regulatory approval.				
Listed below are the assets and liabilities that are recognised in the subsidiary				
Assets				
Property and equipment	3 468	2 433	-	-
Intangible assets	1 507	2 595	-	-
Investment in associates	14 441	14 846	-	-
Financial assets	349 976	557 723	-	-
Reinsurance assets	653 028	336 753	-	-
Insurance, loans and other receivables	425 290	137 302	-	-
Deferred acquisition cost	32 609	30 982	-	-
Deferred taxation	42 083	17 312	-	-
Current income taxation	38 427	18 926	-	-
Cash and cash equivalents	95 820	68 390	-	-
Non-current assets held for sale	1 218	1 066	-	-
	1 657 868	1 188 328	-	-
Liabilities				
Insurance liabilities	863 678	594 075	-	-
Reinsurance liabilities	221 361	144 391	-	-
Provisions	14 363	12 583	-	-
Trade and other payables	58 513	69 609	-	-
Deferred taxation	29 467	12 446	-	-
Current income taxation	40 762	9 182	-	-
	1 228 145	842 286	-	-
Listed below is the financial performance of the subsidiary				
Total revenue	432 500	338 752	-	-
Total expenses	306 242	240 857	-	-
Profit before taxation	126 258	97 895	-	-
Taxation	25 253	27 856	-	-
Profit for the year	101 005	70 039	-	-

17. Share capital and premium

Authorised

6000000 Ordinary Shares

3000000 Preference Shares-Class A

2999999 Preference Shares-Class B

12 000	12 000	12 000	12 000
3 000	3 000	3 000	3 000
3 000	3 000	3 000	3 000

18 000 18 000 18 000 18 000

Issued and fully paid

4914999 Ordinary Shares

3000000 Preference Shares-Class A

2999999 Preference Shares-Class B

1 580 687	1 580 687	1 580 687	1 580 687
3 000	3 000	3 000	3 000
3 000	3 000	3 000	3 000

1 586 687 1 586 687 1 586 687 1 586 687

Share Premium

55 914 55 914 55 914 55 914

Issued shared capital

1 642 601 1 642 601 1 642 601 1 642 601

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(CONTINUED)

for the year ended 30 June 2021

	GROUP		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000

18. Borrowings

Long term borrowings

Long term funding

Long term interest

Total

600 354	600 354	600 000	600 000
96	569	96	569

The loan bears interest at three month JIBAR + 192bps and is serviced quarterly. The loan is repayable in tranches from 30 June 2023.

	GROUP	
	2021 R'000	2020 R'000
19. Non-distributable reserve		
Non-distributable reserves consist of:		
Revaluation reserve	1 193	1 193
Movements for the year were as follows:		
Balance at the beginning of the year	1 193	1 193
Balance at end of year	1 193	1 193

	GROUP	
	2021 R'000	2020 R'000
20. Foreign currency translation reserve		
Balance at the beginning of the year	28 184	2 674
Exchange differences on translation of foreign operations	(51 538)	25 510
Balance at end of year	(23 354)	28 184

	GROUP		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
21. Trade and other payables				
Trade payables	62 055	52 637	59 100	53 054
VAT payable	46 237	48 811	46 237	48 811
Sundry creditors	1 237 812	1 151 103	1 151 296	1 107 054
Lease liability	188 225	209 496	188 225	209 496
Due to group company	3 245	(83 892)	3 245	(70 758)
Trade and other payables	1 537 574	1 378 155	1 448 103	1 347 657

The lease liability has been calculated using varying lease terms and incremental borrowing rates as applicable.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

for the year ended 30 June 2021

	GROUP		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
22. Insurance liabilities and reinsurance assets				
Gross				
Claims reported and loss adjustment expenses	2 560 577	1 840 262	2 560 577	1 840 262
Claims incurred but not yet reported	1 743 957	838 726	1 743 957	838 726
Unearned premium provision	2 247 331	2 156 327	2 247 331	2 156 327
Cash back reserve	61 859	69 652	61 859	69 652
Total gross insurance liabilities	6 613 724	4 904 967	6 613 724	4 904 967
Recoverable from reinsurers				
Claims reported and loss adjustment expenses	908 529	486 076	908 529	486 076
Claims incurred but not yet reported	1 219 118	125 671	1 219 118	125 671
Unearned premium provision	611 128	523 011	611 128	523 011
Reinsurance paid loss recoveries	587 843	546 401	587 843	546 401
Total reinsurers' share of insurance liabilities	3 326 618	1 681 159	3 326 618	1 681 159
Net				
Claims reported and loss adjustment expenses	1 652 048	1 354 186	1 652 048	1 354 186
Claims incurred but not yet reported	524 839	713 055	524 839	713 055
Unearned Premium Provision	1 636 203	1 633 316	1 636 203	1 633 316
Cash Back Reserve	61 859	69 652	61 859	69 652
Reinsurance paid loss recoveries	(587 843)	(546 401)	(587 843)	(546 401)
Total insurance liabilities – net	3 287 106	3 223 808	3 287 106	3 223 808

Movement in insurance liabilities and reinsurance assets

	2021			2020		
	Gross R'000	Recoverable from reinsurers R'000	Net R'000	Gross R'000	Recoverable from reinsurers R'000	Net R'000
GROUP AND COMPANY						
Claims reported and Loss Adjustment Expenses						
Balance at the beginning of the year	1 840 262	486 077	1 354 186	2 122 986	867 525	1 255 462
Claims paid	(5 820 449)	(1 133 200)	(4 687 249)	(5 140 869)	(990 472)	(4 150 397)
Claims raised	6 540 764	1 555 652	4 985 112	4 858 145	609 024	4 249 121
Balance at the end of the year	2 560 577	908 529	1 652 048	1 840 262	486 077	1 354 186
Claims incurred but not yet reported						
Balance at the beginning of the year	838 726	125 671	713 055	584 610	118 228	466 381
Movement for the year	905 231	1 093 447	(188 216)	254 116	7 443	246 673
Balance at the end of the year	1 743 957	1 219 118	524 839	838 726	125 671	713 055
Unearned Premium Provision						
Balance at the beginning of the year	2 156 327	523 011	1 633 316	2 054 250	460 122	1 594 127
Movement for the year	91 004	88 117	2 887	102 077	62 888	39 189
Balance at the end of the year	2 247 331	611 128	1 636 203	2 156 327	523 011	1 633 316
Cash Back Reserve						
Balance at the beginning of the year	69 652	–	69 652	77 375	–	77 375
Movement for the year	(7 793)	–	(7 793)	(7 723)	–	(7 723)
Balance at the end of the year	61 859	–	61 859	69 652	–	69 652
Reinsurance paid loss recoveries						
Balance at the beginning of the year	–	546 401	(546 401)	–	565 178	(565 178)
Movement for the year	–	41 442	(41 442)	–	(18 777)	18 777
Balance at the end of the year	–	587 843	(587 843)	–	546 401	(546 401)
Balance at the beginning of the year	4 904 967	1 681 159	3 223 808	4 839 221	2 011 054	2 828 167
Claims paid	(5 820 449)	(1 133 200)	(4 687 249)	(5 140 869)	(990 472)	(4 150 397)
Claims raised	6 540 764	1 555 652	4 985 112	4 858 145	609 024	4 249 121
Movement for the year	988 442	1 223 006	(234 564)	348 470	51 553	296 917
Balance at the end of the year	6 613 724	3 326 618	3 287 106	4 904 967	1 681 159	3 223 808

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

for the year ended 30 June 2021

22. Insurance liabilities and reinsurance assets (continued)

Exposure to insurance risk

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

The Group and Company underwrite primarily short-tailed risks, that is, insurance under which claims are typically settled within one year of the occurrence of the events giving rise to the claims. Risks that are long tail in nature represent an insignificant portion of the Group's and Company's insurance portfolio. Consequently, whilst the Group and Company may experience variations in its claims patterns from one year to the next, the Group's and Company's exposure at any time to insurance contracts issued more than one year before is limited.

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

Property

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

Accident

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

Personal accident

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

Motor

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

Engineering

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

Marine

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

Liability

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

The Group and Company distribute these products across personal and commercial policyholders using traditional methods of distribution through intermediaries and direct sales, as well as through strategic partnerships with niche underwriting managers, retailers, banks and motor dealers. These non-traditional distribution arrangements include profit participation measures to promote good risk management amongst the insurers and originators of the business. The Group and Company also provide primary risk policies, which are contracts structured to provide entry level insurance cover for corporate entities.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

for the year ended 30 June 2021

	GROUP		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
22. Insurance liabilities and reinsurance assets				
(continued)				
Gross written premiums per class of business				
Property	4 390 717	3 995 442	4 269 517	3 983 283
Transportation	434 557	426 745	411 247	412 731
Motor	3 980 197	4 303 647	3 855 203	4 014 305
Accident and health	332 757	319 537	154 471	144 965
Guarantee	823 397	794 307	820 299	791 442
Liability	1 086 972	901 186	1 026 977	854 410
Engineering	754 227	726 445	600 608	605 880
Agriculture	30 306	12 235	12 839	12 208
Miscellaneous	246 593	231 928	160 463	231 785
Total	12 079 723	11 711 472	11 311 624	11 051 009

Premium by country

	GROUP	
	2021 R'000	2020 R'000
South Africa	11 311 624	11 051 009
Foreign	768 099	660 463
Total	12 079 723	11 711 472

Limiting exposure to insurance risk

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

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

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

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

Reinsurance governance

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

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

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

Reinsurance strategy

The Group and Company utilises third-party reinsurance cover to mitigate risk from single events or risk accumulation which could significantly impact earnings or economic capital. This cover is placed on local and international reinsurance markets by the Reinsurance Department.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

for the year ended 30 June 2021

22. Insurance liabilities and reinsurance assets (continued)

Dynamic financial analysis is performed each year to inform the risk retention and reinsurance purchase, including analysis of the economic capital position. Hollard's insurance risk and return position is tested against a wide range of reinsurance alternatives including proportional, non-proportional and aggregate structures.

The Group and Company uses catastrophe modelling to assess its exposure to low-frequency high-severity risks, the most common of these risks relates to natural catastrophes such as earthquake, flood, wildfire and windstorm. Catastrophe reinsurance is specifically put in place to reduce the threat associated with such events.

Risk retention parameters

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

Counterparty risk and SAM Equivalence

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

Wherever possible, reinsurers in SAM equivalent jurisdictions are preferred given the capital and regime security considerations. The Company's Balance Sheet and Investment Management function regularly monitors the credit ratings of Hollard counterparties including reinsurers.

Process used to determine significant assumptions

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

Claim provisions

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

Notified claims

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

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

Claims incurred but not yet reported (IBNR)

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

The Company's internal actuaries review the adequacy of the Company's claims provisions. The chain ladder method, which involves the analysis of historical claims development factors and the selection of the estimated development factors based on the historical pattern, is used to assess the adequacy of the reserves. For classes of business where the incurred or paid to date claims are less than 66% developed, the Bornhuetter Ferguson method (which adds a dimension to the chain ladder method by including the expected loss ratio in the calculation) is also considered.

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

Sensitivity for IBNR and IBNER

The calculation of the license's technical provisions is sensitive to a number of factors, especially, but not limited to:

- The choice of percentile;
- Sensitivities for IBNR and IBNER due to COVID-19; and
- The discount rate used.

The methodology applied by the license, complies with South African actuarial guidance (APN 401).

A sensitivity analysis has been performed on some of the material assumptions made in calculating the IBNR and IBNER provisions. These were based on figures as at 30 June 2020 and 30 June 2021.

The analysis was carried out where data was available.

Where data is available, the IBNR and IBNER provision is derived by taking into account the past development of historical claims, to project what development can be expected for current claims. This projected claims development is then discounted to obtain a present value. The sensitivity analysis that was performed highlights the impact of a different:

- Percentile;
- Sensitivities for IBNR and IBNER due to COVID-19; and
- Discount rate

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(CONTINUED)

for the year ended 30 June 2021

	2021		2020	
	Amount R'000	Difference R'000	Amount R'000	Difference R'000
22. Insurance liabilities and reinsurance assets (continued)				
Differing Percentiles				
Whole book Net IBNRs are held at the 75th percentile				
If the IBNRs were held at Best Estimate	259 745	(132 877)	300 266	(162 789)
If the IBNRs were held at the 75th Percentile	392 623	–	463 055	–
If the IBNRs were held at the 90th Percentile	505 057	112 435	570 942	107 887
The Commercial Property Net IBNRs are held at the 75th percentile				
If the IBNRs were held at Best Estimate	23 940	(14 604)	16 141	(8 852)
If the IBNRs were held at the 75th Percentile	38 544	–	24 993	–
If the IBNRs were held at the 90th Percentile	52 433	13 889	33 137	8 145
Sensitivities for IBNR and IBNER due to COVID – 19*				
Whole book frequency/severity assumptions (base: 75th percentile)				
Unchanged	392 623	–	463 055	–
If the attritional and large loss frequency or severity assumptions were increased by 5%	407 461	14 838	480 458	17 403
If the attritional and large loss frequency or severity assumptions were increased by 10%	422 300	29 677	494 984	31 929
Differing Discount Rates				
Whole book discounted (base: 75th percentile)				
If the interest rate curve was adjusted down by 2% across all durations	395 122	2 499	470 048	6 993
If the interest rate curve was adjusted down by 1% across all durations	393 856	1 234	468 320	5 265
Unchanged	392 623	–	463 055	–

* IBNRs and IBNERs are calculated using the same methodology and are disclosed together in the sensitivity analysis.

Unearned premium provisions

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

Business interruption claims

The Company held net claims provisions of R143 million (R267 million 30 June 2020) as its best estimate of exposure relating to policies with business interruption extensions.

Cash back provisions

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

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(CONTINUED)

for the year ended 30 June 2021

	Leave Pay R'000	Bonus R'000	Other R'000	Provisions R'000
23. Provisions				
GROUP				
2021				
Balance at the beginning of the year	37 712	134 470	612	172 794
Additional provisions raised during the year	13 919	6 456	–	20 376
Utilised during the year	(13 203)	(129 783)	(546)	(143 532)
Balance at the end of the year	38 428	11 143	66	49 638
2020				
Balance at the beginning of the year	31 845	242 553	–	274 398
Additional provisions raised during the year	17 419	8 335	612	26 366
Utilised during the year	(11 552)	(116 418)	–	(127 970)
Balance at the end of the year	37 712	134 470	612	172 794
COMPANY				
2021				
Balance at the beginning of the year	37 712	134 470	–	172 182
Additional provisions raised during the year	13 919	6 456	–	20 375
Utilised during the year	(13 202)	(129 784)	–	(143 986)
Balance at the end of the year	38 429	11 142	–	49 571
2020				
Balance at the beginning of the year	31 845	242 553	–	274 398
Additional provisions raised during the year	17 419	8 335	–	25 754
Utilised during the year	(11 552)	(116 418)	–	(127 970)
Balance at the end of the year	37 712	134 470	–	172 182

Leave pay

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

The Group's provision for leave pay amounted to R38 428 000 at the statement of financial position date (2020: R37 712 000).

Incentive scheme

In terms of the Group's and Company's policy, selected employees, at the discretion of the directors receive an incentive bonus. This bonus relates to employee, corporate and business unit performance and is subject to approval by the Remuneration Committee.

The Group's and Company's provision for staff incentives amounted to R11 143 000 at the statement of financial position date (2020: R134 470 000).

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

for the year ended 30 June 2021

	GROUP		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
24. Dividends and interest				
Interest received				
Interest received – Financial assets at amortised cost	87 390	147 175	87 390	147 175
Interest received on call deposits	78 715	133 352	78 715	133 352
Sundry interest received	8 675	13 823	8 675	13 823
Interest received – Financial assets at fair value through profit or loss	102 055	109 832	66 663	62 662
Interest received on investments	41 343	70 112	41 263	23 681
Interest received from bank	22 375	40 245	22 375	40 245
Sundry interest received	2 870	(1 460)	2 870	(1 461)
Interest received on call deposits	872	738	–	–
Other interest received	34 595	197	155	197
Total Interest received	189 445	257 007	154 053	209 836
Dividends received				
Dividends received – Listed	42 517	58 082	42 517	58 082
– Listed Ordinary Shares	33 544	46 088	33 544	46 088
– Listed Preference shares	8 973	11 994	8 973	11 994
Dividends received – Unlisted	56 753	78 662	115 732	96 192
– Unlisted Ordinary Shares	–	22	58 979	17 552
– Unlisted Preference shares	55 238	75 528	55 238	75 528
– Unlisted Unit trust	1 515	3 112	1 515	3 112
Dividends received – Associates and Subsidiaries	3 541	5 436	–	–
Total Dividends received	102 811	142 180	158 249	154 273
Total interest received and dividend income	292 256	399 187	312 302	364 109
Interest paid				
Interest paid – Collateral Deposit	2 609	4 306	–	–
Interest paid – General	52 441	75 063	52 441	75 063
Interest paid – SARS	–	–	–	–
Interest paid from Treaty reserves	2 743	2 915	2 743	2 915
Total Interest paid	57 793	82 284	55 184	77 977

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

for the year ended 30 June 2021

	GROUP		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
25. Deferred acquisition cost				
Deferred commission and acquisition costs net of reinsurance	115 413	113 681	115 413	113 681
Current	115 413	113 681	115 413	113 681
Reconciliation of changes in acquisition costs				
Balance at the beginning of the year	113 681	109 765	113 681	109 765
Acquisition costs deferred during the year	112 841	100 258	112 841	100 258
Acquisition costs expensed during the year	(111 109)	(96 342)	(111 109)	(96 342)
Balance at the end of the year	115 413	113 681	115 413	113 681

CLAIMS PAID IN RESPECT OF:

	Total R'000	2021 R'000	2020 R'000	2019 R'000	2018 R'000	2017 R'000	2016 and earlier R'000
26. Claims development tables							
Reporting year							
Gross Actual claims costs							
2021	7 544 141	7 076 009	600 999	67 705	(206 925)	3 744	2 609
2020	5 066 867	—	5 314 590	(195 210)	(15 693)	(17 745)	(19 076)
2019	5 158 014	—	—	5 319 077	(54 622)	(101 959)	(4 482)
2018	6 122 516	—	—	—	6 125 169	65 981	(68 634)
2017	6 660 343	—	—	—	—	6 687 091	(26 748)
2016	6 585 403	—	—	—	—	—	6 585 403
	37 137 283	7 076 009	5 915 589	5 191 572	5 847 929	6 637 112	6 469 072
Net Actual claims costs							
2021	4 884 704	4 406 944	448 031	18 267	6 485	5 972	(996)
2020	4 455 888	—	4 496 383	(43 642)	6 503	(3 583)	227
2019	4 462 518	—	—	4 480 994	(22 416)	8 239	(4 300)
2018	4 395 896	—	—	—	4 430 218	(4 080)	(30 242)
2017	4 665 435	—	—	—	—	4 690 301	(24 866)
2016	4 750 838	—	—	—	—	—	4 750 838
	27 615 277	4 406 944	4 944 414	4 455 619	4 420 790	4 696 849	4 690 661

	GROUP		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
27. Realised profits/(losses) on disposal of investments and other financial assets				
Listed investments	(369)	402	(86)	402
Net realised (losses)/profits on fair value through profit or loss	(369)	402	(86)	402

	GROUP		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
28. Unrealised profits/(losses) on revaluation of investments and other financial assets				
Unlisted investments	59 716	(38 362)	78 900	(5 545)
Listed investments	118 883	(186 509)	118 883	(186 509)
Net unrealised profits/(losses) on fair value through profit or loss assets	178 599	(224 870)	197 783	(192 054)

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

for the year ended 30 June 2021

	2021			2020		
	Company R'000	Rest of Group R'000	Total R'000	Company R'000	Rest of Group R'000	Total R'000
29. Profit before taxation						
Profit before taxation is determined after charging:						
Directors and Prescribed Officers emoluments						
Executive directors						
<i>Director A</i>						
Basic salary	1 516	4 548	6 064	1 512	4 536	6 048
Bonus and performance related payments	2 989	8 967	11 956	2 385	7 155	9 540
Estimated monetary value of other benefits	38	114	152	30	90	120
Pension/provident fund contributions	172	516	688	171	513	684
	4 715	14 145	18 860	4 098	12 294	16 392
<i>Director B</i>						
Basic salary	909	2 727	3 636	904	2 712	3 616
Bonus and performance related payments	1 856	5 568	7 424	1 358	4 074	5 432
Estimated monetary value of other benefits	42	126	168	38	114	152
Pension/provident fund contributions	106	317	423	105	315	420
	2 913	8 738	11 651	2 405	7 215	9 620
Non-executive directors						
Director A	–	–	–	38	116	154
Director B	–	–	–	37	113	150
Director C	277	831	1 108	325	975	1 300
Director D	242	726	968	271	815	1 086
Director E	120	360	480	147	441	588
Director F	175	525	700	201	604	805
Director G	247	741	988	277	831	1 108
Director H	110	330	440	137	410	547
Director I	141	423	564	168	503	671
	1 312	3 936	5 248	1 601	4 808	6 409
Prescribed officers						
<i>Prescribed officer A</i>						
Basic salary	2 420	807	3 227	2 362	787	3 149
Bonus and performance related payments	4 363	1 454	5 817	3 710	1 237	4 947
Estimated monetary value of other benefits	612	204	816	199	66	265
Pension/provident fund contributions	290	97	387	284	95	379
	7 685	2 562	10 247	6 555	2 185	8 740
<i>Prescribed officer B</i>						
Basic salary	2 353	784	3 137	2 336	779	3 115
Bonus and performance related payments	4 363	1 454	5 817	3 533	1 178	4 711
Estimated monetary value of other benefits	254	85	339	247	82	329
Pension/provident fund contributions	287	96	383	284	95	379
	7 257	2 419	9 676	6 400	2 134	8 534
<i>Prescribed officer C</i>						
Basic salary	737	2 211	2 948	722	2 166	2 888
Bonus and performance related payments	1 111	3 333	4 444	899	2 697	3 596
Estimated monetary value of other benefits	13	39	52	13	39	52
Pension/provident fund contributions	83	249	332	81	243	324
	1 944	5 832	7 776	1 715	5 145	6 860
<i>Prescribed officer D</i>						
Basic salary	580	1 740	2 320	577	1 731	2 308
Bonus and performance related payments	793	2 379	3 172	642	1 926	2 568
Estimated monetary value of other benefits	80	240	320	76	228	304
Pension/provident fund contributions	73	219	292	72	216	288
	1 526	4 578	6 104	1 367	4 101	5 468

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

for the year ended 30 June 2021

	2021			2020		
	Company R'000	Rest of Group R'000	Total R'000	Company R'000	Rest of Group R'000	Total R'000
29. Profit before taxation						
(continued)						
<i>Prescribed officer E</i>						
Basic salary	2 358	786	3 144	2 349	783	3 132
Bonus and performance related payments	3 331	1 110	4 441	3 129	1 043	4 172
Estimated monetary value of other benefits	136	45	181	122	41	163
Pension/provident fund contributions	274	92	366	272	91	363
	6 099	2 033	8 132	5 872	1 958	7 830
<i>Prescribed officer F</i>						
Basic salary	3 365	1 122	4 487	3 325	1 108	4 433
Bonus and performance related payments	7 933	2 644	10 577	6 745	2 249	8 994
Estimated monetary value of other benefits	125	42	167	131	44	175
Pension/provident fund contributions	388	129	517	384	128	512
	11 811	3 937	15 748	10 585	3 529	14 114
<i>Prescribed officer G</i>						
Basic salary	871	2 613	3 484	874	2 622	3 496
Bonus and performance related payments	1 169	3 507	4 676	837	2 511	3 348
Estimated monetary value of other benefits	6	18	24	6	18	24
Pension/provident fund contributions	98	294	392	95	285	380
	2 144	6 432	8 576	1 812	5 436	7 248
Directors and Prescribed Officers emoluments	47 406	54 612	102 018	42 410	48 805	91 215

	GROUP		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Auditors remuneration				
Audit fees	11 326	10 852	9 202	9 190
	11 326	10 852	9 202	9 190
Depreciation – property and equipment				
Leasehold improvements	4 273	3 247	4 273	3 247
Motor vehicles	161	147	161	147
Office equipment	36 529	29 029	35 204	29 029
	40 963	32 423	39 638	32 423
Depreciation – right of use assets				
Property	35 698	35 472	35 698	35 472
Motor vehicles	980	1 219	980	1 219
Office equipment	3 125	91	3 125	91
	39 803	36 782	39 803	36 782
Expenses for the acquisition of insurance contracts				
Commission	835 171	970 604	728 107	943 146
Impairment losses on financial assets				
Impairment loss on loans to associates, subsidiaries and other	22 902	82 381	22 902	82 381
Other expenditure				
Amortisation of intangible assets	37 533	53 739	36 118	50 889
Write-off of premium debtors	28 366	68 331	28 366	68 331
Administration fees paid	781 062	813 407	781 062	813 407
Professional fees	74 249	87 203	69 367	68 991
Operating lease rentals – building	(5 671)	(390)	(5 671)	(390)
Operating lease rentals – computer	7 642	3 685	7 642	3 685
Research and development	345	426	345	426

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

for the year ended 30 June 2021

	GROUP		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
30. Taxation				
South African normal taxation				
Current year	40 599	202 180	15 291	181 135
Deferred tax expense				
Current year	55 630	(69 185)	55 716	(73 556)
Prior year	13 660	(7 586)	13 660	(7 457)
Taxation – Withholding tax	3	1 057	3	1 057
Taxation	109 892	126 466	84 670	101 179
All taxation is payable in respect of continuing operations				
Tax rate reconciliation:	%	%	%	%
Tax calculated at standard rate of South African tax on earnings	28	28	28	28
Adjusted for:				
– Normal taxation – prior year	2.69	–	3.09	(1.43)
– Exempt income on dividends not taxable	(8.78)	(4.68)	(9.96)	(15.65)
– Capital gains tax	(1.78)	(0.02)	–	0.03
– Realised gains not taxable	0.01	–	0.01	–
– Unrealised gains not taxable	0.23	0.81	(1.42)	3.37
– Withholding taxation and STC	–	–	–	0.25
– Other non-taxable income/non-deductable expenses	1.28	0.77	(0.58)	9.62
Tax rate reconciliation	21.65	24.88	19.14	24.19
31. Reconciliation of profit before taxation to cash generated from operation				
Profit Before Tax	507 661	508 224	442 270	418 180
Adjustments for:				
Depreciation	80 766	73 164	79 441	73 164
Write off of Loans	77 727	–	77 727	–
Intangible Asset Amortisation	37 533	51 772	36 118	51 772
Intangible Asset Impairment	5 251	9 995	5 251	9 995
Property and equipment impairment reversal	(4 481)	–	(4 481)	–
Investment Income	(292 256)	(399 186)	(312 302)	(364 109)
(Loss)/profit on disposal of Investments	369	(402)	86	(402)
Profit on disposal of property and equipment	(764)	–	(764)	–
Unrealised gain/(loss) on revaluation of Listed Investments	(118 883)	186 509	(118 883)	186 509
Unrealised gain/(loss) on revaluation of Unlisted Investments	(14 872)	22 977	(25 472)	(31 350)
Unrealised gain/(loss) on revaluation of Associate	(44 944)	15 384	(44 944)	15 384
Unrealised gain/(loss) on revaluation of Subsidiary	–	–	(8 484)	11 495
Unrealised loss on revaluation of Non-Current Assets held for sale	–	–	–	10 016
Impairment allowances on Premium Debtors	28 447	95 329	28 447	95 329
Interest expense	57 793	82 284	55 184	77 977
Share of profits/(losses) in Associates	(45 845)	(42 635)	–	–
Operating Cash Flows before Working Capital Changes	273 602	603 415	209 194	553 961
Working Capital Changes	179 942	640 695	250 399	710 271
(Increase)/decrease in Insurance Receivables, Loans and Other Receivables	(39 426)	130 378	(14 099)	104 494
Decrease in cash back reserve	(7 793)	(7 723)	(7 793)	(7 723)
Decrease in Other Provisions	(123 156)	(101 604)	(122 610)	(102 216)
Net movement on non-asset held for sale	(101 005)	(70 039)	–	–
(Increase)/decrease in Reinsurance Assets	(1 645 459)	329 895	(1 645 459)	329 895
Increase in Deferred Acquisition Costs	(1 731)	(3 916)	(1 731)	(3 916)
Increase/(decrease) in Reinsurance Liabilities	245 228	(99 077)	245 228	(99 077)
Increase/(decrease) in Net Outstanding Claims and IBNR	1 625 546	(28 608)	1 625 546	(28 608)
Increase in Unearned Premiums	91 004	102 077	91 004	102 077
Increase in Trade and Other Payables	136 734	389 313	80 313	415 346
Cash generated from Operations	453 544	1 244 110	459 593	1 264 231

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

for the year ended 30 June 2021

	GROUP		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
32. Dividends paid				
Amount declared in statement of changes in equity	(291 290)	(451 710)	(291 290)	(451 710)
Cash amounts Paid	(291 290)	(451 710)	(291 290)	(451 710)

33. Dividends received				
Amount due at beginning of year	103 374	66 322	103 374	66 322
Amount received per income statement	102 811	142 180	158 249	154 273
Amount due at end of year	(87 531)	(103 374)	(87 531)	(103 374)
Amount received per income statement received	118 654	105 128	174 092	117 221

34. Taxation paid				
Amount due at beginning of year	(48 121)	(133 945)	(37 892)	(124 858)
Amount charged to income statement	(109 892)	(126 466)	(84 670)	(101 179)
Amount due at end of year	110 308	48 121	100 168	37 892
Cash amounts Paid	(47 705)	(212 290)	(22 394)	(188 145)
Amounts due at end of year comprised as follows:				
Deferred taxation asset	(89 042)	(106 811)	(89 042)	(106 811)
Deferred taxation liability	183 151	131 630	172 999	121 393
Current income taxation asset	(12)	(8)	–	–
Current income taxation liability	16 211	23 310	16 211	23 310
	110 308	48 121	100 168	37 892

	GROUP		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
35. Capital expenditure				
The following capital expenditure budget has been approved by the Board for the financial year ending 30 June 2022				
Furniture, office equipment and computer hardware and software	107 956	134 993	107 956	134 993
	107 956	134 993	107 956	134 993

36. Lease – Low value items				
During the current financial year, the group incurred lease payments for the following low value leased assets				
Computers	7642	3685	7642	3685
Printers	473	473	473	473

37. Contingent Liabilities

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

There are other legal or potential claims against the Group, 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.

38. Staff pension and provident fund

The Company has both a defined contribution pension fund (Hollard Employees Pension Fund) and a defined contribution provident fund (Hollard Employees Provident fund). The contribution to these funds by the Company and employees against income for the year was R11 392 971 (2020: R11 156 796) and R22 529 719 (2020: R22 005 338) respectively.

The number of employees that are members of these funds are 1 125 (2020: 1 160).

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

for the year ended 30 June 2021

39. Related Party Transactions

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

Listed below are details of related party balances and transactions.

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

	Group		COMPANY	
	Sum insured 2021 R'000	Sum insured 2020 R'000	UPR 2021 R'000	UPR 2020 R'000
Guarantee policies issued				
Affiliated companies:				
• NER Estates- Zanray Investments	6 141	6 141	-	-
• Brokoop Insurance Brokers (Pty) Ltd	-	2 746	-	-
• PWV Insurance Brokers	-	37 930	-	-
• Insurance Zone Insurance Brokers (Pty) Ltd	-	13 469	-	-
• RBS	30 000	30 000	-	-
• NMG and C&A Holdings	25 000	25 000	-	-
• Harambee Youth Employment Accelerator	959	959	-	-
• Cluff Mining	175	175	-	-
• Frame Textile - Seardel Group	50	50	-	-
• Harambee Youth Employment Accelerate NPC	437	-	-	-

The guarantee policies were issued on commercial terms and conditions at market related rates.

39. Related Party Transactions (continued)

	2021 R'000	2020 R'000
Loans (from)/to related parties	(373 831)	(389 283)
Loans to subsidiaries	1 664	1 664
Loan to Hollard Specialist Insurance	6 723	443
Loans to/(from) Hollard Specialist Life Assurance	191	(18)
Loans to Syndicate Investments (Pty) Ltd	68 358	66 026
Loans to Syringa Tree (Pty) Ltd	28 491	27 193
Loan from IT00	(2 908)	(561)
Loans to Newshelf 76	28 577	27 431
Loans (from)/to Hollard Life Assurance Company	(7 251)	70 895
Loans to Hollard Holdings(Pty) Ltd	15 079	15 001
Loans from Fundco (RF) (Pty) Ltd*	(600 096)	(600 569)
Loan to G Venter	3 410	3 212
Loan to Sandolive (Pty) Ltd	83 931	-

* The loan from Fundco (RF) (Pty) Ltd is interest bearing with a repayment terms of 10 years from the date of advance.

The companies above are mainly in the broader Hollard Holdings structure.

	COMPANY	
	UPR 2021 R'000	UPR 2020 R'000
Management fees		
- Paid to Hollard Life Assurance Company Limited	195 596	217 656
Dividends		
- Dividends received from related parties	2 400	3 300
Interest		
- Interest received from related parties	2 609	4 306
Investment policy with		
- The Hollard Life Assurance Company Limited	1 220 764	1 171 284
Key management compensation		
- Salaries, bonuses and other short-term employee benefits (Key management refers to prescribed officers excluding Executive Directors)	66 259	58 794
Other transactions		
- Rent paid to Hollard Life Assurance Company Limited	28 830	29 627

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

for the year ended 30 June 2021

40. Going concern

The directors have assessed the Group's ability to continue as a going concern. As at 30 June 2021, the Group had a strong net asset value and liquidity position. The Covid-19 pandemic and the resultant uncertain economic environment and financial market volatility caused by it, has created uncertainty in the operating environment of the Group and the requirement to closely monitor the position going forward.

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

Further to this, the Group has evaluated numerous downside scenarios and stress tests, higher lapse risk; adverse catastrophe experience; market volatility and the enduring impact of COVID 19 on the business. Under these scenarios, we have identified mitigating recovery actions that can be taken to restore the capital and liquidity to the group's target range.

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

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

Business interruption

Hollard has revised their outstanding claims provisions resulting in an increase in business interruption claims at the end of the 2021 financial year. Various court rulings and reinsurance discussions have provided clarity on prior critical areas of judgement, claims aggregation and reinsurance recovery. Hollard has provided relief payments to policyholders in the hospitality industry in the 2021 financial year prior to claims being fully assessed and settled. The settlement of claims remains a priority and reinsurance has responded on the quota share and non -proportional policies submitted. It is estimated that the total exposure to Hollard is approximately R2bn. After taking into account reinsurance recoveries and claims settled to date, the net outstanding claims provision is approximately R143m at the end of 2021.

41. Subsequent events

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

Hollard Mozambique is in the process of acquiring an insurance portfolio which is pending approval from regulatory bodies in order to be finalised.

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 Group, or the results of these operations.

DIRECTORATE AND ADMINISTRATION

for the year ended 30 June 2021

Directorate

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

Non-Executive Chairman	ADH Enthoven
Group Chief Executive Officer	S Ntombela
Group Chief Financial Officer	DJ Viljoen
Non-Executive Director	NG Kohler
Independent Non-Executive Director	R Fihrer
Independent Non-Executive Director	MR Bower
Independent Non-Executive Director	AS Nkosi
Independent Non-Executive Director	B Ngonyama
Independent Non-Executive Director	S Patel
Independent Non-Executive Director	NV Simamane
Independent Non-Executive Director	MS Classen

Administration

Company Secretary

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

A Allardyce (appointed 01 May 2021)

Public Officer

U Murphy

Compliance Officer

M Patel

Registered office and business address

Hollard at Arcadia
22 Oxford Road
Parktown
Johannesburg
2193

Postal address

P O Box 87419
Houghton
2041

Website

www.hollard.co.za

Nature of business

The Company transacts short-term insurance business.

Auditors

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

Registration number

1952/003004/06



www.hollard.co.za