HOLLARD'S
FINANCIAL YEAR
JULY 2014 –
JUNE 2015

FULL STEAM AHEAD

Hollard.

(Registration number 1952/003004/06)
Audited consolidated annual financial statements for the year ended 30 June 2015

THE HOLLARD INSURANCE COMPANY LIMITED

Hollard.

CONTENTS

Hollard.

Group salient features

for the year ended 30 June 2015

	2015 R'000	2014 R'000	2013 R'000	2012 R'000	2011 R'000
Income statement information					
Gross premium income[1]	**11 376 501**	9 003 297	7 103 163	10 685 181	10 554 654
Net written premium income[2]	**8 857 186**	6 930 218	5 774 314	8 260 702	7 898 542
Investment income[3]	**1 051 336**	905 618	1 585 847	729 430	546 926
Net insurance claims	**4 877 829**	3 932 344	3 093 707	4 278 066	4 126 514
Profit attributable to equity holders of the parent	**746 719**	720 976	1 688 697	705 671	313 119
Statement of financial position information					
Insurance liabilities	**5 402 403**	4 598 553	3 238 350	2 784 548	5 904 670
Equity attributable to equity holders of parent	**3 694 967**	3 510 974	3 274 243	1 747 524	1 404 168
Total assets	**11 998 170**	10 826 046	8 705 723	11 435 811	13 031 842
Financial assets (i.e. listed investments and unlisted investments)	**3 425 392**	3 644 615	2 727 482	2 273 106	2 490 865
Cash and cash equivalents	**2 962 959**	2 195 306	1 855 578	2 141 922	4 139 863
Trading ratios	**%**	%	%	%	%
Written premium: Net to gross	**77.9**	77.0	81.3	77.3	74.8
Combined operating ratio[4]	**100.9**	101.7	99.7	98.6	97.2
Solvency ratio[5]	**57.6**	69.1	77.7	79.4	56.6
Actuarial information					
Capital adequacy requirement (CAR)	**2 086 775**	1 724 114	1 332 040	1 241 638	759 803

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

(5) "Solvency ratio" is the ratio between shareholders' funds (including contingency reserve for years prior to 2012) and net written premium income. Solvency is calculated and presented at a Company level.

Directors' responsibility statement and approval of the annual financial statements

for the year ended 30 June 2015

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 controls. 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 controls, 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 reporting on the Group and Company's annual financial statements.

The Group and Company's annual financial statements are prepared in accordance with International Financial Reporting Standards and incorporate responsible disclosures in line with the accounting policies of the Group. The Group 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 page 3 to 78, have been approved by the Board of the Group and Company and are signed on its behalf by:

ADH Enthoven
Chairman

27 October 2015

NG Kohler
Chief Executive Officer

27 October 2015

Certification by Company Secretary

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

NL Shirilele
Company Secretary

27 October 2015

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 Short Term Insurance Act, 1998. The Committee reviewed the Company's financial statements, and assessed that these accurately represented the financial position of the Company. The Committee further reviewed the 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 is satisfied that it has discharged all its responsibilities.

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.

PK Ward
Chairman: Audit Committee

27 October 2015

Independent Auditor's Report

To the shareholders of The Hollard Insurance Company Limited

We have audited the consolidated and separate financial statements of The Hollard Insurance Company Limited set out on pages 8 to 77, which comprise the statements of financial position as at 30 June 2015, and the income statements, the statements of comprehensive income, the statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated and separate annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of The Hollard Insurance Company Limited as at 30 June 2015, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 30 June 2015, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the consolidated and separate audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Deloitte & Touche

Deloitte & Touche
Registered Auditors
Per: D Munu
Partner

30 October 2015

National Executive

LL Bam (Chief Executive); AE Swiegers (Chief Operating Officer); GM Pinnock (Audit); DL Kennedy (Risk Advisory); NB Kader (Tax); TP Pillay (Consulting); K Black (Clients and Industries); JK Mazzocco (Talent and Transformation); MJ Jarvis (Finance); M Jordan (Strategy); S Gwala (Managed Services); TJ Brown (Chairman of the Board); MJ Comber (Deputy Chairman of the Board).

A full list of partners and directors is available on request.

B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code

Member of Deloitte Touche Tohmatsu Limited

Directors' report

for the year ended 30 June 2015

The Directors have the pleasure in presenting the Directors' report which forms part of the Group and Company's annual financial statements for the year ended 30 June 2015.

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, associates and joint venture are listed in notes 36, 37 and 48 on pages 68 to 71 and 75 to 77 of the annual financial statements.

General review

In the year under review the Group achieved a net profit attributable to equity holders of the parent of R746 719 000 (2014: R720 976 000), which emanated from the Group's operations as follows:

	GROUP	
	2015 R'000	2014 R'000
Net premium income	**8 782 584**	6 956 527
Investment income	**1 051 336**	905 618
Other income	**234 913**	130 152
Total revenue	**10 068 833**	7 992 297
Net insurance claims	**4 877 829**	3 932 344
Other operating expenses	**3 895 656**	2 928 698
Total expenses	**8 773 485**	6 861 042
Results of operating activities	**1 295 348**	1 131 255
Share of profit in associates	**85 430**	(18 014)
Profit before taxation	**1 380 778**	1 113 241
Taxation	**(272 499)**	(177 458)
Profit for the year	**1 108 279**	935 783
Non-controlling interest	**(361 560)**	(214 807)
Net profit attributable to equity holders of the parent	**746 719**	720 976

Share capital

There were no changes in the authorised share capital of the Company for the year. No shares were issued during the year.

Dividends

Dividends on ordinary shares of Rnil (2014: Rnil) and dividends on preference shares of R554 957 000 (2014: R521 643 000) were declared by the Company during the year.

Subsidiaries and associates

The Company acquired a shareholding in the following subsidiary:

- Execuline Underwriting Managers (Pty) Limited (51%).

The Company sold all its interest in the following subsidiary:

- Haven Development Company (100%).

Aggregate profits of the subsidiaries and associates for the year amounted to R160 293 546 and R85 430 000 respectively (2014: R164 715 852 and R43 548 000 respectively).

Going concern

The Board believes that the Group and Company will continue to 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.

Subsequent events

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

Directorate

In terms of the requirements of the Memorandum of Incorporation, the following Directors retired by rotation, made themselves available for re-election and were re-elected at the Annual General Meeting held on 21 November 2014:
R Fihrer, PK Ward.

Executive Directors
NG Kohler (Group CEO), TBT Mparutsa (Group CFO) and IH Ross (Group Chief Underwriting Officer) were the only Executive Directors who held office during the year.

Non-Executive Directors
ADH Enthoven, B Ngonyama, PK Ward, R Fihrer, BF Mohale, S Patel and NV Simamane were in office during the year as Non-Executive Directors.

Preparation of annual financial statements
The annual financial statements have been prepared by Yolandi Evans (CA(SA)), under supervision of the Financial Manager Rika Hopley (CA(SA)).

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

Company Secretary
NL Shirilele

Business address
Hollard at Arcadia
22 Oxford Road
Parktown
Johannesburg

Postal address
PO Box 87419
Houghton
2041

Holding company
The immediate holding company is Hollard Holdings (Pty) Ltd (78.43%) (2014: 78.43%) and the ultimate holding company is Pickent Investments Limited (formerly R Enthoven and Sons (Pty) Ltd). Both of these companies are incorporated in the Republic of South Africa.

Statements of financial position

as at 30 June 2015

	Notes	GROUP 2015 R'000	GROUP 2014 R'000	COMPANY 2015 R'000	COMPANY 2014 R'000
Assets					
Property and equipment	5	**63 714**	57 227	**46 235**	45 916
Investment property	6	**53 639**	64 661	**–**	–
Intangible assets	7	**85 488**	63 615	**60 003**	21 514
Interest in subsidiaries	8	**–**	–	**792 931**	701 792
Interest in associates	9	**173 677**	216 209	**295 449**	481 224
Financial assets	10	**3 425 392**	3 644 615	**2 869 935**	2 916 468
Other financial assets	47	**246 458**	–	**246 458**	–
Reinsurance assets	21	**2 525 610**	1 930 136	**2 046 119**	1 560 104
Insurance, loans and other receivables	13	**1 805 228**	2 423 613	**1 552 157**	2 110 712
Deferred acquisition costs	22	**163 468**	177 467	**155 022**	169 530
Deferred taxation	14	**81 816**	48 759	**80 040**	44 319
Current income taxation	35	**66 709**	4 438	**61 221**	–
Cash and cash equivalents	15	**2 962 959**	2 195 306	**2 359 354**	1 673 466
Non-current asset held for sale	16	**344 012**	–	**390 273**	–
Total assets		**11 998 170**	10 826 046	**10 955 197**	9 725 045
Equity and liabilities					
Share capital and premium	17	**606 850**	606 850	**606 850**	606 850
Contingency reserve		**93 209**	90 957	**–**	–
Share option reserve		**4 012**	4 012	**4 012**	4 012
Foreign currency translation reserve	19	**7 006**	11 800	**–**	–
Non-distributable reserves	18	**9 206**	8 836	**–**	–
Credit protection reserves		**20**	9	**–**	–
Retained earnings		**2 974 664**	2 788 510	**3 765 194**	3 469 268
Equity attributable to equity holders of the parent		**3 694 967**	3 510 974	**4 376 056**	4 080 130
Non-controlling interest		**352 551**	387 989	**–**	–
Total equity		**4 047 518**	3 898 963	**4 376 056**	4 080 130
Insurance liabilities	21	**5 402 403**	4 598 553	**4 476 560**	3 853 706
Reinsurance liabilities		**840 771**	702 775	**739 442**	641 831
Borrowings	24	**354**	354	**–**	–
Employee benefits	25	**254 106**	123 153	**211 025**	111 060
Trade and other payables	26	**998 425**	1 067 439	**739 129**	714 737
Shareholders for dividend	33	**18 053**	48 582	**3 492**	–
Deferred taxation	14	**424 403**	364 508	**409 493**	311 747
Current income taxation	35	**12 137**	21 719	**–**	11 834
Total liabilities		**7 950 652**	6 927 083	**6 579 141**	5 644 915
Total equity and liabilities		**11 998 170**	10 826 046	**10 955 197**	9 725 045

Income statements

for the year ended 30 June 2015

	Notes	GROUP 2015 R'000	GROUP 2014 R'000	COMPANY 2015 R'000	COMPANY 2014 R'000
Revenue					
Gross premium income	21	**11 376 501**	9 003 297	**9 492 385**	7 475 719
Reinsurance premiums outwards		**(2 519 315)**	(2 073 079)	**(1 899 267)**	(1 567 995)
Net written premium income		**8 857 186**	6 930 218	**7 593 118**	5 907 724
Less: Change in unearned premium reserve		**(74 602)**	26 309	**(51 789)**	46 195
Gross amount		**(190 781)**	31 252	**(75 205)**	(1 572)
Reinsurer's share		**116 179**	(4 943)	**23 416**	47 767
Net premium income		**8 782 584**	6 956 527	**7 541 329**	5 953 919
Interest	27	**172 042**	158 999	**136 093**	136 380
Dividends	27	**121 099**	150 918	**179 469**	224 548
Realised profit/(loss) on disposal of investments	28	**53 305**	80 731	**23 422**	(34 184)
Unrealised profit on revaluation of investments	29	**693 738**	484 195	**628 737**	443 659
Profit/(loss) on translation of foreign currencies		**10 449**	47 928	**(8 789)**	50 916
Profit/(loss) on disposal of subsidiaries and associates		**534**	(17 596)	**(140)**	13 986
Profit on disposal of property and equipment		**169**	443	**–**	–
Investment income		**1 051 336**	905 618	**958 792**	835 305
Other income		**234 913**	130 152	**135 661**	65 671
Total revenue		**10 068 833**	7 992 297	**8 635 782**	6 854 895
Expenses					
Gross claims and loss adjustment expense		**6 424 053**	4 902 136	**5 790 579**	4 286 575
Reinsurer's share		**(1 546 224)**	(969 792)	**(1 402 992)**	(782 856)
Net insurance claims		**4 877 829**	3 932 344	**4 387 587**	3 503 719
Commission and other acquisition costs		**1 073 311**	743 439	**904 863**	642 702
Change in Life fund provision		**–**	(4 834)	**–**	–
Interest paid	27	**16 094**	6 272	**16 039**	4 939
Marketing and administration expenses		**2 806 251**	2 183 821	**2 320 024**	1 906 454
Total expenses		**8 773 485**	6 861 042	**7 628 513**	6 057 814
Results of operating activities		**1 295 348**	1 131 255	**1 007 269**	797 081
Share of profit/(loss) of associates		**85 430**	(18 014)	**–**	–
Profit before taxation	30	**1 380 778**	1 113 241	**1 007 269**	797 081
Taxation	31	**(272 499)**	(177 458)	**(156 385)**	(127 644)
Profit for the year		**1 108 279**	935 783	**850 884**	669 437
Profit for the year attributable to:					
Equity holders of the parent		**746 719**	720 976		
Non-controlling interest		**361 560**	214 807		
		1 108 279	935 783		

Statements of comprehensive income

for the year ended 30 June 2015

	Notes	GROUP 2015 R'000	GROUP 2014 R'000	COMPANY 2015 R'000	COMPANY 2014 R'000
Profit for the year		**1 108 279**	935 783	**850 884**	669 437
Other comprehensive profit					
Exchange differences on translating foreign operations		**(7 493)**	5 657	**–**	–
Raising of credit protection reserve		**11**	8	**–**	–
Unrealised (loss)/gain on financial and other assets at fair value through other comprehensive income		**(706)**	84	**–**	–
Other comprehensive (loss)/profit for the year	20	**(8 188)**	5 749	**–**	–
Total comprehensive income for the year		**1 100 091**	941 532	**850 884**	669 437
Total comprehensive income attributable to:					
Equity holders of the parent		**742 912**	725 184		
Non-controlling interest		**357 179**	216 348		
		1 100 091	941 532		

Statements of changes in equity

for the year ended 30 June 2015

	Attributable to equity holders of the parent										
	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 reserves R'000	Non-distri-butable reserves 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 2013	16 200	69 650	73 440	4 012	7 603	1	30 351	3 072 986	3 274 243	267 571	3 541 814
Profit for the year	–	–	–	–	–	–	–	720 976	720 976	214 807	935 783
Other comprehensive income/(loss)	–	–	–	–	4 201	8	(1)	–	4 208	1 541	5 749
Total comprehensive income	–	–	–	–	4 201	8	(1)	720 976	725 184	216 348	941 532
Transfer to contingency reserve	–	–	17 517	–	–	–	–	(30 727)	(13 210)	13 210	–
Transfer from non-distributable reserve	–	–	–	–	–	–	(21 514)	21 514	–	–	–
Transfer from foreign currency translation reserve	–	–	–	–	(4)	–	–	4	–	–	–
Issue of ordinary share	521 000	–	–	–	–	–	–	–	521 000	–	521 000
Write down of Etana investment net of tax	–	–	–	–	–	–	–	(316 761)	(316 761)	–	(316 761)
NAV acquired through Etana acquisition	–	–	–	–	–	–	–	(157 190)	(157 190)	–	(157 190)
Derecognition on sale of interest in subsidiary	–	–	–	–	–	–	–	–	–	(992)	(992)
Dividends paid on ordinary shares	–	–	–	–	–	–	–	–	–	(108 148)	(108 148)
Dividends paid on A-ordinary shares in Hollard Insurance Company of Namibia Limited	–	–	–	–	–	–	–	(649)	(649)	–	(649)
Dividends paid on preference shares	–	–	–	–	–	–	–	(521 643)	(521 643)	–	(521 643)
Balance at 30 June 2014	**537 200**	**69 650**	**90 957**	**4 012**	**11 800**	**9**	**8 836**	**2 788 510**	**3 510 974**	**387 989**	**3 898 963**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**746 719**	**746 719**	**361 560**	**1 108 279**
Other comprehensive income/(loss)	**–**	**–**	**–**	**–**	**(4 491)**	**11**	**370**	**303**	**(3 807)**	**(4 381)**	**(8 188)**
Total comprehensive income	**–**	**–**	**–**	**–**	**(4 491)**	**11**	**370**	**747 022**	**742 912**	**357 179**	**1 100 091**
Transfer to contingency reserve	**–**	**–**	**2 252**	**–**	**–**	**–**	**–**	**(3 398)**	**(1 146)**	**1 146**	**–**
Loss of control	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(273 688)**	**(273 688)**
Transfer to NCI	**–**	**–**	**–**	**–**	**(303)**	**–**	**–**	**(1 831)**	**(2 134)**	**2 134**	**–**
Dividends paid on ordinary shares	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(124 734)**	**(124 734)**
Dividends paid on A-ordinary shares in Hollard Insurance Company of Namibia Limited	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(681)**	**(681)**	**681**	**–**
Dividends paid on A-ordinary shares in Hollard Insurance Company of Namibia Limited	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(681)**	**(681)**
Dividends paid on preference shares	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(554 958)**	**(554 958)**	**–**	**(554 958)**
Acquisition of shares in a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2 525**	**2 525**
Balance at 30 June 2015	**537 200**	**69 650**	**93 209**	**4 012**	**7 006**	**20**	**9 206**	**2 974 664**	**3 694 967**	**352 551**	**4 047 518**
COMPANY											
Balance at 1 July 2013	16 200	69 650	–	4 012	–	–	–	3 795 425	3 885 287		
Profit for the year	–	–	–	–	–	–	–	669 437	669 437		
Total comprehensive income	–	–	–	–	–	–	–	669 437	669 437		
Issue of ordinary share	521 000	–	–	–	–	–	–	–	521 000		
Write down of Etana investment net of tax	–	–	–	–	–	–	–	(316 761)	(316 761)		
NAV acquired through Etana acquisition	–	–	–	–	–	–	–	(157 190)	(157 190)		
Dividends paid on preference shares	–	–	–	–	–	–	–	(521 643)	(521 643)		
Balance at 30 June 2014	**537 200**	**69 650**	**–**	**4 012**	**–**	**–**	**–**	**3 469 268**	**4 080 130**		
Profit for the year	**–**	**–**	**–**	**–**	**–**		**–**	**850 884**	**850 884**		
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**850 884**	**850 884**		
Dividends paid on preference shares	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(554 958)**	**(554 958)**		
Balance at 30 June 2015	**537 200**	**69 650**	**–**	**4 012**	**–**	**–**	**–**	**3 765 194**	**4 376 056**		

Statements of cash flows

for the year ended 30 June 2015

	Notes	GROUP 2015 R'000	GROUP 2014 R'000	COMPANY 2015 R'000	COMPANY 2014 R'000
Cash flows from operating activities					
Cash receipts from policyholders and other customers		**9 400 969**	6 603 018	**8 099 884**	5 594 083
Cash paid to policyholders, suppliers and employees		**(8 142 086)**	(6 421 586)	**(7 151 873)**	(5 712 785)
Cash generated from/(utilised by) operations	32	**1 258 883**	181 432	**948 011**	(118 702)
Interest paid	27	**(16 094)**	(6 272)	**(16 039)**	(4 939)
Dividends paid	33	**(586 168)**	(524 575)	**(551 466)**	(521 643)
Interest received	27	**172 042**	158 999	**136 093**	136 380
Dividends received	34	**110 931**	172 676	**169 301**	246 306
Taxation paid	35	**(209 291)**	(71 052)	**(167 415)**	(33 905)
Net cash inflow/(outflow) from operating activities		**730 303**	(88 792)	**518 485**	(296 503)
Cash flows from investing activities					
Acquisition of property and equipment		**(28 211)**	(24 515)	**(15 548)**	(18 083)
Acquisition of listed and unlisted investments		**(192 357)**	(715 820)	**(50 762)**	(699 838)
Acquisition of associate		**–**	(5 154)	**–**	(5 154)
Acquisition of subsidiaries	36	**(43)**	(1 976)	**(4 219)**	(1 976)
Acquisition of intangible assets		**(48 167)**	(13 912)	**(40 873)**	(10 575)
Acquisition of bonds		**–**	(48 028)	**–**	–
Proceeds on disposal of subsidiaries	36	**(98)**	2 159	**–**	3 130
Proceeds on disposal of property and equipment	38	**1 549**	5 375	**391**	–
Proceeds on disposal of listed and unlisted investments	40	**296 492**	446 024	**249 504**	446 024
Proceeds on disposal of associates	37	**–**	39 257	**–**	39 257
Proceeds on disposal of non-current asset held for sale	41	**–**	12 000	**–**	12 000
Proceeds on maturity of bonds		**12 979**	32 716	**–**	–
Decrease in loans to subsidiaries		**–**	–	**28 910**	29 163
Decrease in loans to associated companies		**–**	–	**–**	11 019
Decrease in loans to joint venture		**–**	9 757	**–**	19 513
Increase in loans due to Group companies		**–**	12 766	**–**	–
Decrease in foreign currency translation reserve		**(4 794)**	(6 310)	**–**	–
Cash obtained through acquisition of business – Etana		**–**	180 676	**–**	180 676
Cash paid for acquisition of business – Etana		**–**	(13 741)	**–**	(13 741)
Cash derecognised due to derecognition of previously proportionally accounted JV		**–**	(3 754)	**–**	–
Net cash inflow/(outflow) from investing activities		**37 350**	(92 480)	**167 403**	(8 585)
Cash flows from financing activities					
Rights issue of shares		**–**	521 000	**–**	521 000
Net cash inflow from financing activities		**–**	521 000	**–**	521 000
Cash and cash equivalents					
Net increase in cash and cash equivalents		**767 653**	339 728	**685 888**	215 912
Cash and cash equivalents at beginning of year		**2 195 306**	1 855 578	**1 673 466**	1 457 554
Cash and cash equivalents at end of year	15	**2 962 959**	2 195 306	**2 359 354**	1 673 466

Notes to the annual financial statements

for the year ended 30 June 2015

1. Accounting policies

The principal accounting policies adopted in the preparation of the Group 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 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 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 and Company's estimates and underlying assumptions are reviewed for reasonability on an ongoing basis. Revisions to accounting estimates are recognised in the income statement 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 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. The Group and Company adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the IFRIC of the IASB relevant to its operations that are effective for annual reporting periods beginning on or after 1 January 2014. The adoption of these revised standards and interpretations did not have any effect on the Group and Company's financial performance or position, although they did give rise to additional disclosures including, in some cases, changes to existing accounting policies.

The Group and Company will comply with standards issued but not yet effective for the 2015 financial year, from the respective effective dates. It is expected that the application of these standards will have an impact on the Group's reported results, financial position and cashflow. The adoption of these standards will give rise to additional disclosures including, in some cases, changes to existing accounting policies for the Group and Company.

The new and amended IFRS and IFRIC interpretations together with the dates on or after which they became effective, are as follows:

Amendments and International Financial Reporting Standards effective for the first time for the financial year ended 30 June 2015

The following amendments and International Financial Reporting Standards are mandatory for the Group's and Company's accounting period and have been adopted where applicable:

- IAS 32: *Financial instruments: Presentation* (effect for annual periods beginning on or after 1 January 2014):
  Amendments relating to the offsetting of assets and liabilities
- IAS 36: *Impairment of Assets* (effective for annual periods beginning on or after 1 January 2014):
  Amendments related to recoverable amount disclosures for non-financial assets
- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) (effective for annual periods beginning on or after1 January 2014)
- Defined Benefit Plans: Employee Contributions (Amendments to IAS 19) (effective for annual periods beginning on or after 1 January 2014)

International Financial Reporting Standards and amendments issued but not yet effective for the financial year ended 30 June 2015

- IFRS 9: *Financial instruments* (effective for annual periods beginning on or after 1 January 2015):
  New standard amended to defer the mandatory effective date of IFRS 9 and amendments to transition disclosures.
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11) (effective for annual periods beginning on or after 1 January 2016)
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38) (effective for annual periods beginning on or after 1 January 2016)
- Equity Method in Separate Financial Statements (Amendments to IAS 27) (effective for annual periods beginning on or after 1 January 2016)

Interpretations of International Financial Reporting Standards issued but not yet effective for the financial year ended 30 June 2015

There are no interpretations of International Financial Reporting Standards issued but not yet effective for the financial year ended 30 June 2015.

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

1. Accounting policies (continued)

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 all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. Gains and losses on disposal of subsidiaries are accounted for in the income statement.

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 income statement.

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 IAS 39: *Financial Instruments: Recognition and Measurement* due to the fact that it continually manages and evaluates these investments on a fair value basis.

Investment 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 has no 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's reserves 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, forms 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 the income statement.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment on an annual basis. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is immediately recognised in the income statement.

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 IAS 39 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, forms 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 income statement.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment on an annual basis. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is immediately recognised in the income statement.

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 IAS 39 due to the fact that it continually manages and evaluates these investments on a fair value basis.

Accounting for entities under common control

IFRS does not provided 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 or associate at the acquisition date. Goodwill arising on the acquisition of the subsidiary or associate 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.

The Group's policy for goodwill arising on acquisition of an associate is described under "Investments in associates" above.

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 income statement.

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.

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

1. Accounting policies (continued)

1.3 Foreign currencies (continued)

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 income statement. 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 income statement 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. None of the Group entities has the currency of a hyperinflationary economy.

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 income statement.

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	33%
Leasehold improvements	33%
Owner-occupied properties	4%

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 income statement. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement 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.

If an owner-occupied property becomes an investment property because its use has changed, any difference arising between the carrying amount and the fair value at the date of transfer is recognised in other comprehensive income as a revaluation gain or loss of property. If a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement. On disposal of such investment property, any surplus previously recorded in other comprehensive income is transferred to retained earnings.

Equipment

Equipment is reflected at cost less accumulated depreciation and impairment losses. Depreciation is provided on the straight-line basis at rates considered appropriate to reduce the cost or revalued amounts to net realisable value over the estimated useful life.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group or Company and the cost of the item can be reliably measured. All other repairs and maintenance expenditure is charged to the income statement during the financial period in which it is incurred.

The assets' residual values and useful lives are reviewed at each statement of financial position date and adjusted if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses on disposal are determined by comparing the asset's proceeds on disposal to its carrying amount and are included in the income statement. When revalued assets are sold, the amounts included in the revaluation surplus are transferred to retained earnings.

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 income statement 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 income statement.

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

Distribution rights

Distribution rights represent the right to distribute products through an established distribution network. These rights are amortised over the period in which benefits are expected to be obtained, not exceeding twenty years.

Computer software

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 five years).

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 books 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.

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, held-to-maturity financial assets and loans and other receivables. The classification is dependent on the purpose for which the investments were acquired. Management determines the classification of its investments at the time of purchase according to the following accounting policies:

i) Financial assets at fair value through profit or loss

A financial asset is classified in this category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit taking, or if so designated by management in terms of the Group and Company's investment strategy.

For the purpose of these annual financial statements, short term is defined as any period of less than 12 months. Investments which the Group and Company have elected to designate at fair value through profit or loss are investments held for long-term. For the purpose of these annual financial statements, long-term is defined as any period in excess of 12 months.

ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group and the Company have a positive intention and ability to hold to maturity, are classified as held-to-maturity investments and are included in non-current assets, except for maturities within 12 months from the statement of financial position date which are classified as current assets. This category also includes all assets that are not designated either as fair value through profit or loss or as fair value through other comprehensive income.

iii) Financial assets at fair value through other comprehensive income

Financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as financial assets at fair value through other comprehensive income and are included in non-current assets unless management has the express intention of holding the investments for less than 12 months from the statement of financial position date or unless they will be sold to raise operating capital, in which case they are included in current assets. Fair value through other comprehensive income investments include listed and unlisted shares, unit trusts, deposits and money market securities.

iv) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market that are created by the Group or Company in exchange for providing money, goods or services directly to a debtor, other than those that originated with the intention to sell immediately or in the short-term or shares designated at fair value through profit or loss. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the overall impairment review of loans and receivables.

v) Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

1. Accounting policies (continued)

1.7 Non-derivative financial instruments (continued)

Recognition and measurement

Financial instrument purchases and disposals are initially measured at cost and are recognised using trade date accounting. The trade date is the date on which the Group and/or the Company commits to purchase or sell the asset. Subsequent to initial measurement, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income are carried at fair value, while the held-to-maturity investments and loans and receivables are carried at amortised cost using the effective interest method, less any provision for impairment.

A provision for impairment of held-to-maturity investments and loans and receivables is established when there is objective evidence that the Group or Company will not be able to collect all amounts due according to their original terms.

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 has 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 income statement 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 income statement.

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.

Offsetting

Where a legally enforceable right to offset exists for recognised financial assets and financial liabilities and there is an intention to settle the liability and realise the asset simultaneously or to settle on a net basis, all related financial effects are offset.

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;
- Insurance liabilities; and
- Provision for liabilities arising from a contractual relationship with existing Group and Company staff.

1.8 Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions and valuation techniques. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. The changes in fair value of derivatives that do not qualify for hedge accounting are recognised immediately in the income statement.

1.9 Impairment of tangible and intangible 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. 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; and
- Economic conditions that correlate with defaults on assets in the Group and/or the Company.

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

If there is objective evidence that an impairment loss has been incurred on loans and receivables carried at amortised cost and financial assets at fair value through other comprehensive income, 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 income statement.

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 income statement.

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 income statement, 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.

Non-financial assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised as the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

1.10 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.

1.11 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.

1.12 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.

1.13 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 income statement 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.

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

1. Accounting policies (continued)

1.13 Insurance contracts (continued)

Management of insurance and financial risk (continued)

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.

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 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.

The majority of the Group and Company's IBNR is calculated as a percentage of net earned premium as prescribed by Board Notice 169 of 2011. This percentage is a best estimate reserve, which represents the expected value of the unreported claims liabilities. Different percentages are applicable for different classes of business and appropriateness is assessed against the Group 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 calculated according to Interim Measure principles. Where the Interim Measure reserves prove to be too low an additional reserve is raised.

Adjustments to the amounts of claims provisions established in prior years are reflected in the annual financial statements for the period in which the adjustments are made and disclosed separately.

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 at the statement of financial position date 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 income statement 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 income statement.

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.

1.14 Revenue

The accounting policy in relation to revenue from insurance contracts is disclosed in note 1.13.

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 income statement 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.

Rental income

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

1.15 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 income statement 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.

Equity compensation plan

The Group and Company operate a cash-settled equity compensation plan for the benefit of black employees of the Group and Company. The options issued or granted to employees were raised as a liability and recognised in the income statement immediately or over the vesting period. The liability was measured annually until settled and any changes in value were recognised in profit or loss.

The scheme had been wound up during the 2011 financial year and the balance transferred to equity.

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.

1.16 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 income statement 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 income statement except to the extent that it relates to items recognised directly in equity, in which case the related income tax is also recognised in equity.

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.

A withholding tax on dividends replaced STC with effect from 1 April 2012. The Company is exempt from paying withholding tax on dividends received as it is a company tax resident in the Republic of South Africa.

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

1. Accounting policies (continued)

1.16 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group and/or Company intends to settle its current tax assets and liabilities on a net basis.

1.17 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.

1.18 Borrowings

Borrowings are recognised initially at fair value, 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 income statement over the period of the borrowing using the effective interest rate method.

1.19 Operating leases

Leases of assets under which the lessor effectively retains all the risks and benefits of ownership are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated, any payment required by the lessor by way of a penalty is recognised as an expense in the period in which termination takes place.

1.20 Dividend distribution

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

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 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 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 and/or Company's processes for determining significant reserving assumptions are outlined in note 21.

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.

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 of 5.96%, 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.

Due to the number and the diversity of investments the disclosure of a sensitivity analysis has not been prepared as it does not provide the user of the financial statements with a meaningful comparison.

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

3. Financial risk management

Introduction

The Group 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 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 Risk and Compliance Committee, which is responsible for developing and monitoring the Group and Company's risk management policies. The Committee reports regularly to the Board on its activities.

The Group 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 and Company's activities. The Group and Company, through its training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees, brokers and partners understand their roles and obligations.

The Group's Risk 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 Risk 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 Risk 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 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 Risk 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.

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 insurance contract intermediaries and third-party recoveries;
- Investments and cash equivalents;
- Reinsurers' share of insurance liabilities; and
- Amounts due from reinsurers and third parties in respect of claims already paid.

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

3. Financial risk management (continued)

3.1 Exposure to risk arising from financial instruments (continued)

Credit risk (continued)

Insurance debtors, 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 procedures on credit.

The Group and Company's exposure to credit risk is influenced mainly by the individual characteristics of each intermediary and the portfolios that they administer. A significant amount of the Group 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 are also protected by guarantees provided by the intermediary guarantee facility for the non-payment of premiums collected by intermediaries.

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

Investments

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

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

The analysis of credit quality of the Group and Company's assets is disclosed in note 4 on pages 26 to 36 of the financial statements.

Reinsurance

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

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

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

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 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 and/or Company's reputation.

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

Based on actuarial modelling of historical and future expected trends, the Group and Company have estimated the probable cash outflows associated with general insurance liabilities. The maturity analysis of the gross insurance liabilities is set out in note 4.2.3 on page 31. 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.

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 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 and Company's return on investment.

Financial assets and liabilities that are utilised to support the Group 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 and Company's reporting currencies.

The Group is 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 and Botswana 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. The Group and Company uses limited derivative instruments to manage this risk which is assessed on an ongoing basis by the Investment Committee. The table in note 4.3.1 on page 32 of the annual financial statements illustrates the split of assets and liabilities of the Group per major currency.

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.

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 instrument in the Group and Company's investment portfolios. The Group 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.

Capital management

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

In each country in which the Group operates, the local insurance regulator specifies the minimum amount and type of capital that must be held by each of the subsidiaries in addition to their insurance liabilities. The minimum required capital must be maintained at all times. The Company submits quarterly and annual returns to the Financial Services Board (FSB) in terms of the Short-term Insurance Act 1998, and is required at all times to maintain a statutory surplus asset ratio as defined in the Act. Interim measures will be replaced in 2016 by new solvency requirements being developed in the FSB's Solvency Assessment and Management (SAM) initiative. The returns submitted during the year showed that the Company met the minimum capital requirements throughout the year. The operating subsidiaries also met their respective solvency requirements.

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

The Group 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;
- prepare for the new solvency regime in South Africa in 2016;
- safeguard the Group 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
- manage its capital structure and make adjustments to it, in light of changes in economic conditions.

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

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	
	2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
GROUP				
Financial assets				
Investments in associates	**163 536**	206 069	**–**	–
Loans to associates	**10 141**	10 141	**10 141**	10 141
Listed investments (Financial assets at fair value through profit and loss)	**749 680**	906 180	**–**	–
Unlisted investments (Financial assets at fair value through profit and loss)	**2 586 813**	2 630 845	**1 020 341**	1 263 884
Financial assets held-to-maturity	**87 511**	103 820	**87 511**	103 820
Financial assets at fair value through other comprehensive income	**1 388**	3 770	**–**	–
Loans – interest bearing	**64 094**	96 134	**64 094**	96 134
Loans – non-interest bearing	**4 109**	59 443	**4 109**	59 443
Other loans and receivables	**293 879**	948 350	**293 879**	948 350
Cash and cash equivalents	**2 962 959**	2 195 306	**2 962 959**	2 195 306
Non-current assets held for sale	**344 012**	–	**–**	–
Insurance assets				
Insurance receivables	**1 443 146**	1 319 686	**1 443 146**	1 319 686
Deferred acquisition costs	**163 468**	177 467	**–**	–
Reinsurance assets	**2 525 610**	1 930 136	**2 525 610**	1 930 136
Total	**11 400 346**	10 587 347	**8 411 790**	7 926 900
COMPANY				
Financial assets				
Investments in subsidiaries	**734 552**	614 638	**–**	–
Loans to subsidiaries	**58 379**	87 154	**58 379**	87 154
Investments in associates	**285 308**	471 083	**–**	–
Loans to associates	**10 141**	10 141	**10 141**	10 141
Listed investments (Financial assets at fair value through profit and loss)	**707 287**	823 428	**–**	–
Unlisted investments (Financial assets at fair value through profit and loss)	**2 162 648**	2 093 040	**653 755**	726 078
Loans – interest bearing	**62 990**	73 740	**62 990**	73 740
Loans – non-interest bearing	**4 109**	51 109	**4 109**	51 109
Other loans and receivables	**242 502**	925 498	**242 502**	925 498
Cash and cash equivalents	**2 359 354**	1 673 466	**2 359 354**	1 673 466
Non-current assets held for sale	**390 273**	–	**–**	–
Insurance assets				
Insurance receivables	**1 242 556**	1 060 365	**1 242 556**	1 060 365
Deferred acquisition costs	**155 022**	169 530	**–**	–
Reinsurance assets	**2 046 119**	1 560 104	**2 046 119**	1 560 104
Total	**10 461 240**	9 613 296	**6 679 905**	6 167 655

b) The Group and Company's maximum exposure to listed investments and bonds by industry at the reporting date was as follows:

i) Listed investments(*)

	Carrying value			
	GROUP		COMPANY	
Industry	2015 R'000	2014 R'000	2015 R'000	2014 R'000
Automobiles and parts	–	2 280	–	2 280
Banks	101 542	134 313	101 542	134 313
Basic resources	2 247	16 977	2 247	16 977
Chemicals	990	1 555	990	1 555
Construction and materials	–	3 615	–	3 615
Financial services	25 834	43 500	25 834	15 501
Food and beverages	3 814	4 304	2 937	4 304
Healthcare	2 041	1 597	2 041	1 597
Industrial goods and services	770	11 944	770	11 944
Insurance	602 569	656 373	561 053	611 253
Media	1 895	1 252	1 895	1 252
Oil and gas	–	4 768	–	4 768
Personal and household goods	2 057	2 108	2 057	2 108
Real estate	1 810	9 814	1 810	1 527
Retail	2 070	2 771	2 070	2 771
Technology	313	1 687	313	1 687
Telecommunications	572	4 480	572	3 134
Travel and leisure	1 156	2 842	1 156	2 842
	749 680	906 180	707 287	823 428

(*) Includes both financial assets at fair value through profit and loss and financial assets at fair value through other comprehensive income.

ii) Bonds

	Carrying value GROUP	
Industry	2015 R'000	2014 R'000
Telecommunications	671	3 565
Banks	51 529	28 152
Government	11 645	41 652
Petroleum	13 404	19 473
Industrial goods and services	10 262	10 978
	87 511	103 820

There are no bonds held at Company level.

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

4. Risk management (continued)

4.1 Credit risk (continued)

c) Credit rating

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

	AAA R'000	AA+ R'000	AA R'000	AA- R'000	A+ R'000	A R'000	A- R'000	BBB+ R'000	BBB- R'000	BBB R'000	BB+ R'000	BB R'000	BB- R'000	Not rated R'000	Total R'000
GROUP															
2015															
Loans to associates	–	–	–	–	–	–	–	–	–	–	–	–	–	10 141	10 141
Financial assets held-to-maturity	–	–	–	–	–	–	–	–	–	–	–	–	–	87 511	87 511
Unlisted investments	–	–	–	–	–	–	–	–	–	–	–	–	–	1 020 341	1 020 341
Other loans and receivables	–	–	–	–	–	–	–	–	–	–	–	–	–	362 082	362 082
Cash and cash equivalents	–	–	–	–	–	–	–	1 265 628	–	1 060 914	–	37 848	–	598 569	2 962 959
Insurance assets															
Insurance receivables	–	–	–	–	–	–	–	–	–	–	–	–	–	1 443 146	1 443 146
Reinsurance assets	–	726	4 688	535 145	299 218	124 600	90 294	245 995	39 547	10 484	(43)	168	1 918	1 172 870	2 525 610
Total	–	726	4 688	535 145	299 218	124 600	90 294	1 511 623	39 547	1 071 398	(43)	38 016	1 918	4 694 660	8 411 790
2014															
Loans to associates	–	–	–	–	–	–	–	–	–	–	–	–	–	10 141	10 141
Financial assets held-to-maturity	–	–	–	–	–	–	–	–	–	–	–	–	–	103 820	103 820
Unlisted investments	–	–	–	–	–	–	(2 254)	–	–	–	–	–	–	1 266 138	1 263 884
Other loans and receivables	–	–	–	–	–	–	–	–	–	–	–	–	–	1 103 927	1 103 927
Cash and cash equivalents	–	675 372	–	–	–	–	27 712	934 252	–	125 476	–	–	–	432 494	2 195 306
Insurance assets															
Insurance receivables	–	–	–	–	–	–	–	–	–	–	–	–	–	1 319 686	1 319 686
Reinsurance assets	–	5 994	12 724	35 778	216 767	5 739	73 100	325 513	18 594	7 239	(429)	–	–	1 229 116	1 930 135
Total	–	681 366	12 724	35 778	216 767	5 739	98 558	1 259 765	18 594	132 715	(429)	–	–	5 465 322	7 926 899
COMPANY															
2015															
Loans to subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	58 379	58 379
Loans to associates	–	–	–	–	–	–	–	–	–	–	–	–	–	10 141	10 141
Unlisted investments	–	–	–	–	–	–	–	–	–	–	–	–	–	653 755	653 755
Other loans and receivables	–	–	–	–	–	–	–	–	–	–	–	–	–	309 601	309 601
Cash and cash equivalents	–	–	–	–	–	–	–	1 264 672	–	1 056 785	–	37 848	–	49	2 359 354
Insurance assets															
Insurance receivables	–	–	–	–	–	–	–	–	–	–	–	–	–	1 242 556	1 242 556
Reinsurance assets	–	726	4 688	535 145	299 218	124 600	90 294	245 995	39 547	10 484	168	(43)	1 918	693 381	2 046 121
Total	–	726	4 688	535 145	299 218	124 600	90 294	1 510 667	39 547	1 067 269	168	37 805	1 918	2 967 862	6 679 907
2014															
Loans to subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	87 154	87 154
Loans to associates	–	–	–	–	–	–	–	–	–	–	–	–	–	10 141	10 141
Unlisted investments	–	–	–	–	–	–	(2 254)	–	–	–	–	–	–	728 332	726 078
Other loans and receivables	–	–	–	–	–	–	–	–	–	–	–	–	–	1 050 347	1 050 347
Cash and cash equivalents	–	675 372	–	–	–	–	27 712	934 252	–	–	–	–	–	36 130	1 673 466
Insurance assets									–						
Insurance receivables	–	–	–	–	–	–	–	–	–	–	–	–	–	1 060 365	1 060 365
Reinsurance assets	–	5 994	10 544	35 778	216 767	1 580	73 100	323 132	18 594	3 544	(429)	–	–	871 500	1 560 104
Total	–	681 366	10 544	35 778	216 767	1 580	98 558	1 257 384	18 594	3 544	(429)	–	–	3 843 969	6 167 655

d) 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 but not impaired R'000	Individually impaired R'000	Gross carrying amount R'000	Neither past due nor impaired R'000	Past due but not impaired R'000	Individually impaired R'000	Gross carrying amount R'000
2015								
Loans to subsidiaries	–	–	–	–	58 379	–	12 462	70 841
Loans to associates	10 141	–	2 713	12 854	10 141	–	2 713	12 854
Financial assets held-to-maturity	87 511	–	–	87 511	–	–	–	–
Unlisted investments	1 020 341	–	–	1 020 341	653 755	–	–	653 755
Other loans and receivables	328 052	34 030	42 680	404 762	277 925	31 676	48 820	358 421
Cash and cash equivalents	2 962 959	–	–	2 962 959	2 359 354	–	–	2 359 354
Financial assets	4 409 004	34 030	45 393	4 488 427	3 359 554	31 676	63 995	3 455 225
Insurance receivables	1 389 009	54 137	25 471	1 468 617	1 242 556	–	24 952	1 267 508
Reinsurance assets	2 525 610	–	–	2 525 610	2 046 119	–	–	2 046 119
Insurance assets	3 914 619	54 137	25 471	3 994 227	3 288 675	–	24 952	3 313 627
2014								
Loans to subsidiaries	–	–	–	–	87 154	–	12 591	99 745
Loans to associates	10 141	–	2 713	12 854	10 141	–	2 713	12 854
Loans to joint venture	–	–	–	–	–	–	–	–
Financial assets held-to-maturity	103 820	–	–	103 820	–	–	–	–
Unlisted investments	1 263 884	–	–	1 263 884	726 078	–	–	726 078
Other loans and receivables	1 011 027	92 900	55 382	1 159 309	979 556	70 791	58 282	1 108 629
Cash and cash equivalents	2 195 306	–	–	2 195 306	1 673 466	–	–	1 673 466
Financial assets	4 584 178	92 900	58 095	4 735 173	3 476 395	70 791	73 586	3 620 772
Insurance receivables	1 274 488	45 198	25 138	1 344 824	1 060 365	–	24 952	1 085 317
Reinsurance assets	1 930 136	–	–	1 930 136	1 560 104	–	–	1 560 104
Insurance assets	3 204 624	45 198	25 138	3 274 960	2 620 469	–	24 952	2 645 421

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

	GROUP					COMPANY				
	Less than 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	Less than 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
2015										
Other loans and receivables	–	272	2 380	31 378	34 030	–	272	26	31 378	31 676
Insurance receivables	–	–	20 077	34 060	54 137	–	–	–	–	–
	–	272	22 457	65 438	88 167	–	272	26	31 378	31 676
2014										
Other loans and receivables	70 791	–	–	22 109	92 900	1 857	3 866	3 825	61 243	70 791
Insurance receivables	–	–	13 389	31 809	45 198	–	–	–	–	–
	70 791	–	13 389	53 918	138 098	1 857	3 866	3 825	61 243	70 791

The Group and Company record impairment allowances for loans and receivables in a separate impairment allowance account. The movement in the allowance for impairment in respect of loans and receivables and premium debtors for the Group and Company during the year was as follows:

	GROUP		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
Balance at beginning of the year	80 520	46 236	83 234	48 907
– Collective impairment loss recognised	19 508	33 386	6 475	52 430
– Collective impairment loss reversed	(20 540)	(1 005)	(15 937)	(20 000)
– Acquisition of business – Etana	–	1 897	–	1 897
– Net foreign currency translation differences	(527)	6	–	–
Balance at end of the year	78 961	80 520	73 772	83 234

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

4. Risk management (continued)

4.2 Liquidity risk

4.2.1 Maturity profile on financial and insurance assets

The following tables detail the Group and Company's contractual maturities of financial and insurance assets, including interest payments:

	Carrying amount 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						
2015						
Loans to associates	**10 141**	**12 854**	**12 854**	**–**	**–**	**–**
Financial assets at fair value through profit or loss	**3 336 493**	**2 712 273**	**2 463 873**	**248 400**	**–**	**–**
Financial assets at fair value through other comprehensive income	**1 388**	**1 388**	**1 388**	**–**	**–**	**–**
Held-to-maturity assets	**87 511**	**87 511**	**27 029**	**43 246**	**17 236**	**–**
Reinsurance assets	**2 525 610**	**2 525 610**	**2 248 405**	**277 205**	**–**	**–**
Insurance, loans and other receivables	**1 805 228**	**1 468 617**	**1 451 731**	**5 630**	**11 256**	**–**
Deferred acquisition costs	**163 468**	**163 468**	**128 497**	**23 570**	**11 401**	**–**
Cash and cash equivalents	**2 962 959**	**2 962 959**	**2 962 959**	**–**	**–**	**–**
	10 892 798	**9 934 680**	**9 296 736**	**598 051**	**39 893**	**–**
2014						
Loans to associates	10 141	12 854	12 854	–	–	–
Loans to joint venture	–	–	–	–	–	–
Financial assets at fair value through profit or loss	3 537 025	3 537 025	3 218 364	318 661	–	–
Financial assets at fair value through other comprehensive income	3 770	3 770	3 770	–	–	–
Held-to-maturity assets	103 820	103 820	39 872	25 875	38 073	–
Reinsurance assets	1 930 136	1 930 136	1 756 829	173 307	–	–
Insurance, loans and other receivables	2 423 613	2 504 132	2 477 534	6 703	13 234	6 661
Deferred acquisition costs	177 467	177 467	143 038	23 958	10 471	–
Cash and cash equivalents	2 195 306	2 195 306	2 195 306	–	–	–
	10 381 278	10 464 510	9 847 567	548 504	61 778	6 661
COMPANY						
2015						
Loans to subsidiaries	**58 379**	**70 841**	**70 841**	**–**	**–**	**–**
Loans to associates	**10 141**	**12 854**	**12 854**	**–**	**–**	**–**
Financial assets at fair value through profit or loss	**2 869 935**	**2 288 109**	**2 035 757**	**248 400**	**3 952**	**–**
Reinsurance assets	**2 046 119**	**2 046 119**	**1 768 914**	**277 205**	**–**	**–**
Insurance, loans and other receivables	**1 552 157**	**1 625 930**	**1 609 044**	**5 630**	**11 256**	
Deferred acquisition costs	**155 022**	**155 022**	**121 856**	**22 353**	**10 813**	**–**
Cash and cash equivalents	**2 359 354**	**2 359 354**	**2 359 354**	**–**	**–**	**–**
	9 051 107	**8 558 229**	**7 978 620**	**553 588**	**26 021**	**–**
2014						
Loans to subsidiaries	87 154	99 745	99 745	–	–	–
Loans to associates	10 141	12 854	12 854	–	–	–
Financial assets at fair value through profit or loss	2 916 468	2 233 955	1 915 294	318 661	–	–
Reinsurance assets	1 560 104	1 560 104	1 386 797	173 307	–	–
Insurance, loans and other receivables	2 110 712	2 193 946	2 167 348	6 703	13 234	6 661
Deferred acquisition costs	169 530	169 530	136 640	22 887	10 003	–
Cash and cash equivalents	1 673 466	1 673 466	1 673 466	–	–	–
	8 527 575	7 943 600	7 392 144	521 558	23 237	6 661

4.2.2 Maturity profile of financial liabilities

The following tables detail the Group and Company's contractual maturities of financial liabilities, including interest payments:

	Carrying amount 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						
2015						
Non-derivative financial liabilities						
Borrowings	**354**	**380**	**380**	**–**	**–**	**–**
Trade and other payables and employee benefits	**1 252 531**	**1 252 531**	**1 246 548**	**–**	**–**	**5 983**
	1 252 885	**1 252 911**	**1 246 928**	**–**	**–**	**5 983**
2014						
Non-derivative financial liabilities						
Borrowings	354	380	380	–	–	–
Trade and other payables and employee benefits	1 190 592	1 190 592	1 188 114	1 652	827	–
	1 190 946	1 190 972	1 188 494	1 652	827	–
COMPANY						
2015						
Non-derivative financial liabilities						
Trade and other payables and employee benefits	**950 154**	**950 154**	**950 154**	**–**	**–**	**–**
	950 154	**950 154**	**950 154**	**–**	**–**	**–**
2014						
Non-derivative financial liabilities						
Trade and other payables and employee benefits	825 797	825 797	825 797	–	–	–
	825 797	825 797	825 797	–	–	–

4.2.3 Maturity profile of insurance liabilities

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

	GROUP				COMPANY			
	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	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
2015								
Claims reported and loss adjustment expenses	**2 433 092**	**2 159 845**	**273 247**	**–**	**2 020 935**	**1 743 149**	**277 786**	**–**
Claims incurred but not yet reported	**798 689**	**696 269**	**102 420**	**–**	**734 676**	**633 692**	**100 984**	**–**
Unearned premium provision	**2 077 127**	**1 774 002**	**303 125**	**–**	**1 686 778**	**1 383 014**	**303 764**	**–**
Cash back reserve	**36 778**	**18 713**	**18 065**	**–**	**34 171**	**13 888**	**20 283**	**–**
Unexpired risk reserve	**2 214**	**2 214**	**–**	**–**	**–**	**–**	**–**	**–**
Life fund reserves	**4 730**	**4 730**	**–**	**–**	**–**	**–**	**–**	**–**
Policyholder liabilities	**42 812**	**40 296**	**2 516**	**–**	**–**	**–**	**–**	**–**
Provision for claims fluctuations	**6 961**	**6 961**	**–**	**–**	**–**	**–**	**–**	**–**
Reinsurance liabilities	**840 771**	**840 771**	**–**	**–**	**739 442**	**739 442**	**–**	**–**
	6 243 174	**5 543 801**	**699 373**	**–**	**5 216 002**	**4 513 185**	**702 817**	**–**
2014								
Claims reported and loss adjustment expenses	1 926 471	1 764 133	162 338	–	1 577 186	1 414 848	162 338	–
Claims incurred but not yet reported	690 992	626 067	64 925	–	630 776	565 851	64 925	–
Unearned premium provision	1 889 073	1 627 943	261 130	–	1 612 587	1 351 456	261 131	–
Cash back reserve	34 762	19 103	15 659	–	33 157	17 498	15 659	–
Unexpired risk reserve	1 001	1 001	–	–	–	–	–	–
Life fund reserves	5 034	5 034	–	–	–	–	–	–
Policyholder liabilities	45 575	45 575	–	–	–	–	–	–
Provision for claims fluctuations	5 645	5 645	–	–	–	–	–	–
Reinsurance liabilities	702 775	702 775	–	–	641 831	641 831	–	–
	5 301 328	4 797 276	504 052	–	4 495 537	3 991 484	504 053	–

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

4. Risk management (continued)

4.3 Market risk

4.3.1 Sensitivity analysis

The Group and Company's primary market exposure is to interest rate, equity price and currency risk.

Currency risk

The following exchange rates applied during the year:

	2015		2014	
	Average rate	Reporting date spot rate	Average rate	Reporting date spot rate
GROUP				
Australian Dollar	**9.4823**	**9.3795**	9.5176	9.9799
Botswana Pula	**1.2078**	**1.2341**	1.1739	1.1908
Namibian Dollar	**1.0000**	**1.0000**	1.0000	1.0000
Mozambique Metical	**0.3424**	**0.3153**	0.3380	0.3355
Pakistani Rupee	**0.1129**	**0.1195**	0.1002	0.1067
COMPANY				
Australian Dollar	**9.4823**	**9.3795**	9.5176	9.9799
British Pound	**18.0430**	**19.1199**	16.884	18.0761
US Dollar	**11.4962**	**12.1688**	10.3726	10.6012

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. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for prior year.

	Profit/(loss)		Equity	
	10% increase R'000	10% decrease R'000	10% increase R'000	10% decrease R'000
GROUP				
2015				
Australian Dollar	**9 445**	**(9 445)**	**9 445**	**(9 445)**
British Pound	**3 879**	**(3 879)**	**3 879**	**(3 879)**
Botswana Pula	**3 089**	**(3 089)**	**11 574**	**(11 574)**
Mozambique Metical	**4 031**	**(4 031)**	**1 745**	**(1 745)**
US Dollar	**11 749**	**(11 749)**	**11 749**	**(11 749)**
	32 193	**(32 193)**	**38 392**	**(38 392)**
2014				
Australian Dollar	66 321	(66 321)	66 321	(66 321)
British Pound	3 649	(3 649)	3 649	(3 649)
Botswana Pula	2 341	(2 341)	8 123	(8 123)
Mozambique Metical	4 009	(4 009)	16 619	(16 619)
US Dollar	10 112	(10 112)	10 112	(10 112)
	86 432	(86 432)	104 824	(104 824)

There is no currency fluctuation effect on the Namibian Dollar.

	Profit/(loss)		Equity	
	10% increase R'000	10% decrease R'000	10% increase R'000	10% decrease R'000
COMPANY				
2015				
Australian Dollar	**9 445**	**(9 445)**	**9 445**	**(9 445)**
British Pound	**3 879**	**(3 879)**	**3 879**	**(3 879)**
US Dollar	**11 749**	**(11 749)**	**11 749**	**(11 749)**
	25 073	**(25 073)**	**25 073**	**(25 073)**
2014				
Australian Dollar	66 321	(66 321)	66 321	(66 321)
British Pound	3 649	(3 649)	3 649	(3 649)
US Dollar	10 112	(10 112)	10 112	(10 112)
	80 082	(80 082)	80 082	(80 082)

Interest rate risk

At the reporting date the interest rate profile of the Group's and Company's interest bearing financial instruments was:

	2015	2014
	Carrying amount R'000	Carrying amount R'000
GROUP		
Variable rate instruments		
Financial assets		
Cash and cash equivalents	**2 962 959**	2 195 306
Unlisted debentures	**158 169**	145 967
	3 121 128	2 341 273
COMPANY		
Variable rate instruments		
Financial assets		
Cash and cash equivalents	**2 359 354**	1 673 466
Unlisted debentures	**158 167**	145 967
	2 517 521	1 819 433

The Group and Company's fixed rate instruments are not exposed to interest rate risk, therefore no sensitivity analysis is necessary.

Sensitivity analysis for variable rate instruments of the Group and Company

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

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

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

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

4. Risk management (continued)

4.3 Market risk (continued)

4.3.1 Sensitivity analysis (continued)

Interest rate risk (continued)

	Profit/(loss)		Equity	
	2% increase R'000	2% decrease R'000	2% increase R'000	2% decrease R'000
GROUP				
2015				
Cash and cash equivalents	**59 259**	**(59 259)**	**59 259**	**(59 259)**
Unlisted debentures	**3 001**	**(3 001)**	**3 001**	**(3 001)**
Net cash flow sensitivity	**62 260**	**(62 260)**	**62 260**	**(62 260)**
2014				
Cash and cash equivalents	43 906	(43 906)	43 906	(43 906)
Unlisted debentures	2 076	(2 076)	2 076	(2 076)
Net cash flow sensitivity	45 982	(45 982)	45 982	(45 982)
COMPANY				
2015				
Cash and cash equivalents	**27 103**	**(27 103)**	**27 103**	**(27 103)**
Unlisted debentures	**3 001**	**(3 001)**	**3 001**	**(3 001)**
Net cash flow sensitivity	**30 104**	**(30 104)**	**30 104**	**(30 104)**
2014				
Cash and cash equivalents	23 968	(23 968)	23 968	(23 968)
Unlisted debentures	2 076	(2 076)	2 076	(2 076)
Net cash flow sensitivity	26 044	(26 044)	26 044	(26 044)

Equity price risk

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

	2015			2014		
	Carrying amount R'000	Listed/ not listed	Relevant stock exchange	Carrying amount R'000	Listed/ not listed	Relevant stock exchange
GROUP						
Description of equity investments						
Ordinary shares	**624 219**	**Listed**	**JSE**	770 078	Listed	JSE
Preference shares	**121 541**	**Listed**	**JSE**	132 422	Listed	JSE
Preference shares	**3 920**	**Listed**	**LSE**	3 680	Listed	LSE
	749 680			906 180		

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

	Profit/(loss)		Equity	
	5% increase R'000	5% decrease R'000	5% increase R'000	5% decrease R'000
GROUP				
2015				
Ordinary shares – Listed	**31 211**	**(31 211)**	**31 211**	**(31 211)**
Preference shares – Listed	**6 273**	**(6 273)**	**6 273**	**(6 273)**
	37 484	**(37 484)**	**37 484**	**(37 484)**
2014				
Ordinary shares – Listed	38 504	(38 504)	38 504	(38 504)
Preference shares – Listed	6 805	(6 805)	6 805	(6 805)
	45 309	(45 309)	45 309	(45 309)

	2015			2014		
	Carrying amount R'000	Listed/ not listed	Relevant stock exchange	Carrying amount R'000	Listed/ not listed	Relevant stock exchange
COMPANY						
Description of equity investments						
Ordinary shares	**581 826**	**Listed**	**JSE**	687 326	Listed	JSE
Preference shares	**121 541**	**Listed**	**JSE**	132 422	Listed	JSE
Preference shares	**3 920**	**Listed**	**LSE**	3 680	Listed	LSE
	707 287			823 428		

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

	Profit/(loss)		Equity	
	5% increase R'000	5% decrease R'000	5% increase R'000	5% decrease R'000
COMPANY				
2015				
Ordinary shares – Listed	**32 987**	**(32 987)**	**32 987**	**(32 987)**
Preference shares – Listed	**6 232**	**(6 232)**	**6 232**	**(6 232)**
	39 219	**(39 219)**	**39 219**	**(39 219)**
2014				
Ordinary shares – Listed	27 966	(27 966)	27 966	(27 966)
Preference shares – Listed	5 995	(5 995)	5 995	(5 995)
	33 961	(33 961)	33 961	(33 961)

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

4. Risk management (continued)

4.4 Income statement note

a) Financial income and expenditure

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

	GROUP		COMPANY	
	2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
Interest income on financial assets measured at amortised cost	**116 581**	119 264	**104 658**	111 677
Interest income on held-to-maturity assets	**12 393**	8 127	**–**	–
Net income on financial assets designated at fair value through profit or loss	**43 068**	31 608	**31 435**	24 703
Financial income	**172 042**	158 999	**136 093**	136 380
Interest expense on financial liabilities measured at amortised cost	**16 094**	6 272	**16 039**	4 939
Financial expense	**16 094**	6 272	**16 039**	4 939
Net financial income	**155 948**	152 727	**120 054**	131 441
The above financial income and expense items include the following in respect of financial assets/liabilities not at fair value through profit or loss:				
Total interest income	**128 974**	127 391	**104 658**	111 677
Total interest expense	**(16 094)**	(6 272)	**(16 039)**	(4 939)
	112 880	121 119	**88 619**	106 738

b) 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 write-back)/impairment recognised	**(3 322)**	7 244	**(9 462)**	7 478
Impairment of loans to subsidiaries				
– (Impairment write-back)/impairment recognised	**–**	–	**(129)**	335
Impairment of loans to associates				
– (Impairment write-back)/impairment recognised	**–**	(2 810)	**–**	(2 810)
Impairment of premium debtors				
– Impairment recognised	**2 291**	25 138	**–**	24 952
	(1 031)	29 572	**(9 591)**	29 955

	GROUP		COMPANY	
	2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
5. Property and equipment				
Cost				
Office equipment	**169 930**	153 356	**141 161**	134 937
Motor vehicles	**16 617**	25 421	**11 494**	19 260
Leasehold improvements	**14 589**	12 479	**9 531**	7 915
	201 136	191 256	**162 186**	162 112
Accumulated depreciation				
Office equipment	**116 713**	109 988	**102 091**	99 669
Motor vehicles	**8 651**	13 825	**4 576**	10 067
Leasehold improvements	**12 058**	10 216	**9 284**	6 460
	137 422	134 029	**115 951**	116 196
Net carrying amount				
Office equipment	**53 217**	43 368	**39 070**	35 268
Motor vehicles	**7 966**	11 596	**6 918**	9 193
Leasehold improvements	**2 531**	2 263	**247**	1 455
	63 714	57 227	**46 235**	45 916
Reconciliation of movement on net carrying amount:				
Net carrying amount at beginning of year	**57 227**	43 056	**45 916**	25 278
Disposal of a subsidiary	**–**	(4 439)	**–**	–
Additions	**28 211**	24 515	**15 548**	18 083
Office equipment	**24 613**	16 882	**13 932**	12 753
Motor vehicles	**–**	4 066	**–**	2 288
Leasehold improvements	**3 598**	3 567	**1 616**	3 042
Acquisition of business – Etana	**–**	14 338	**–**	14 338
Office equipment	**–**	6 331	**–**	6 331
Motor vehicles	**–**	8 007	**–**	8 007
Derecognition of proportionally accounted JV	**–**	(339)	**–**	–
Disposals	**(1 380)**	(493)	**(391)**	–
Office equipment	**(133)**	(9)	**–**	–
Motor vehicles	**(1 231)**	(298)	**(391)**	–
Leasehold improvements	**(16)**	(186)	**–**	–
Write-off	**(454)**	–	**(105)**	–
Office equipment	**(454)**	–	**(105)**	–
Reclassify to intangible assets	**–**	(3 823)	**–**	–
Computer software	**–**	(3 823)	**–**	–
Depreciation for the year	**(19 638)**	(15 823)	**(14 733)**	(11 783)
Office equipment	**(14 085)**	(11 151)	**(10 130)**	(8 378)
Motor vehicles	**(2 251)**	(2 057)	**(1 780)**	(1 369)
Leasehold improvements	**(3 302)**	(2 615)	**(2 823)**	(2 036)
Net foreign currency translation differences	**(252)**	235	**–**	–
Net carrying amount at end of year	**63 714**	57 227	**46 235**	45 916

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

	GROUP		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
6. Investment property				
Fair value at beginning of year	**64 661**	2 900	**–**	–
Acquisition of subsidiaries		61 761		
Devaluation	**(8 122)**	–	**–**	–
Disposal of subsidiary	**(2 900)**	–	**–**	–
Fair value at end of year	**53 639**	64 661	**–**	–

Investment properties consist of:
– freehold property;
– sectional title located at stand 306 Ferreiras Dorp Township, Province of Gauteng, measuring 1 162 square metres; and
– sectional title located at stand 317 Ferreiras Dorp Township, Province of Gauteng, measuring 1 012 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 801 460 (2014: R2 539 801), repairs and maintenance incurred amount to R138 583 (2014: R185 953).

	GROUP		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
7. Intangible assets				
Cost				
Goodwill	**26 796**	25 207	**–**	–
Acquired rights over books of business	**17 317**	17 317	**17 317**	17 317
Computer software	**112 664**	62 370	**81 424**	40 552
	156 777	104 894	**98 741**	57 869
Accumulated amortisation, impairment and fair value adjustments				
Goodwill	**23 728**	–	**–**	–
Acquired rights over books of business	**9 610**	7 797	**9 610**	7 797
Computer software	**37 951**	33 482	**29 128**	28 558
	71 289	41 279	**38 738**	36 355
Net carrying amount				
Goodwill	**3 068**	25 207	**–**	–
Acquired rights over books of business	**7 707**	9 520	**7 707**	9 520
Computer software	**74 713**	28 888	**52 296**	11 994
	85 488	63 615	**60 003**	21 514
Reconciliation of movement on net carrying amount:				
Net carrying amount at beginning of year	**63 615**	51 392	**21 514**	15 641
Additions	**48 167**	13 912	**40 873**	10 575
Computer software	**48 167**	13 912	**40 873**	10 575
Disposal of subsidiaries	**–**	(23 042)	**–**	–
Acquisition of a subsidiary	**1 589**	23 966	**–**	–
Derecognition of proportionally accounted JV	**–**	(11)	**–**	–
Reclassify from property and equipment	**–**	3 823	**–**	–
Write-off	**(53)**	–	**–**	–
Impairment, amortisation charge and fair value movements	**(27 906)**	(6 459)	**(2 384)**	(4 702)
Goodwill	**(23 728)**	–	**–**	–
Present value of in-force policies	**–**	–	**–**	–
Acquired rights over books of business	**(1 814)**	(2 156)	**(1 814)**	(2 156)
Computer software	**(2 364)**	(4 303)	**(570)**	(2 546)
Net foreign currency translation differences	**76**	34	**–**	–
Net carrying value at end of year	**85 488**	63 615	**60 003**	21 514

The Group tests goodwill annually for impairment, or more frequently if there are indicators that goodwill might be impaired. As at 30 June 2015, an impairment of R23 728 413 was raised relating to the investment in a subsidiary.

The Group and Company hold acquired rights over books of business. These rights are carried at fair value and are revalued annually using actuarial valuation models.

	COMPANY	
	2015 R'000	2014 R'000
8. Interest in subsidiaries		
Interest in subsidiaries comprise:		
Shares at fair value through profit or loss	**734 552**	614 638
Loans to subsidiaries	**70 841**	99 745
	805 393	714 383
Write-off of impairment on loans	**(12 462)**	(12 591)
	792 931	701 792
Non-current (net)	**792 931**	701 792
Loans bear interest at the following rates:		
Interest free	**31 688**	60 463
JIBAR	**26 691**	26 691
	58 379	87 154
The loans have the following terms of repayment:		
No fixed repayment terms	**58 379**	87 154
	58 379	87 154

Certain loans are secured by assets of the subsidiary to the extent of R30 354 837 and the balance of the loans are unsecured.

Details of subsidiaries are provided in note 48 on page 75 of these annual financial statements.

	GROUP		COMPANY	
	2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
9. Interest in associates				
Interest in associates comprises:				
Shares at fair value through profit or loss	**–**	–	**432 344**	471 083
Shares at cost	**109 218**	109 218	**–**	–
Group share of post-acquisition profits	**155 093**	96 850	**–**	–
Transfer to Non-Current Assets held for sale	**(100 775)**		**(147 036)**	
Carrying value of associates	**163 536**	206 068	**285 308**	471 083
Loans to associates	**10 141**	10 141	**10 141**	10 141
	173 677	216 209	**295 449**	481 224
Loans bear interest at the following rates:				
Interest free	**10 141**	10 141	**10 141**	10 141
	10 141	10 141	**10 141**	10 141

All loans are secured by property of the associates to the extent of R10 141 000.

The loans have no fixed terms of repayment.

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

9. Interest in associates (continued)

The financial position and performance of the Group's significant associates are categorised by nature of business as follows:

	Investment R'000	Underwriting managers R'000	Property holdings R'000	Short-term insurance R'000	Total
Analysis of associates for 2015					
Total assets	**68 033**	**713 097**	**24 961**	**–**	**806 091**
Total liabilities	**37 107**	**282 207**	**36 075**	**–**	**355 389**
Net assets	**30 926**	**430 890**	**(11 114)**	**–**	**450 702**
Net profit before taxation	**12 359**	**46 622**	**94**	**–**	**59 075**
Taxation	**(3 736)**	**–**	**–**	**–**	**(3 736)**
Net profit after taxation	**8 623**	**46 622**	**94**	**–**	**55 339**
Group share of post-acquisition profits	**14 630**	**147 396**	**(3 025)**	**(3 904)**	**155 097**
Carrying amount of interest in associates	**14 870**	**148 664**	**–**	**–**	**163 534**
Loans to associates	**–**	**–**	**10 141**	**–**	**10 141**
Fair valuation of associates (at Company level)	**26 624**	**258 683**	**–**	**–**	**285 307**

Losses incurred by associates are capped to the original investment amount. The carrying amount of our interest in the associates will therefore never be negative. Losses incurred on property holdings have been capped and are currently standing at a cumulative amount of R2 195 719 (2014: R2 239 093).

	Investment R'000	Underwriting managers R'000	Property holdings R'000	Short-term insurance R'000	Total
Analysis of associates for 2014					
Total assets	92 073	681 367	24 655	2 584 432	3 382 527
Total liabilities	56 416	248 500	31 080	2 270 235	2 606 231
Net assets	35 657	432 867	(6 425)	314 197	776 296
Net profit before taxation	8 274	88 373	(967)	27 663	123 343
Taxation	(2 364)	–	–	(143 375)	(145 739)
Net profit after taxation	5 910	88 373	(967)	(115 712)	(22 396)
Group share of post-acquisition profits	16 522	148 026	(3 025)	(64 674)	96 849
Carrying amount of interest in associates	16 763	149 299	–	40 005	206 067
Loans to associates	–	–	10 141	–	10 141
Fair valuation of associates (at Company level)	12 295	282 234	–	176 553	471 082

Details of associates are provided in note 48 on page 75 of these annual financial statements.

	GROUP		COMPANY	
	2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
10. Financial assets				
Financial assets at fair value through other comprehensive income	**1 388**	3 770	**–**	–
Financial assets held-to-maturity	**87 511**	103 820	**–**	–
Financial assets at fair value through profit or loss	**3 336 493**	3 537 025	**2 869 935**	2 916 468
	3 425 392	3 644 615	**2 869 935**	2 916 468
Current	**3 116 510**	3 262 005	**2 617 582**	2 597 807
Non-current	**308 882**	382 610	**252 353**	318 661
	3 425 392	3 644 615	**2 869 935**	2 916 468
Financial assets at fair value through other comprehensive income				
Unlisted investments	**1 388**	3 770		
	1 388	3 770		
Financial assets held-to-maturity				
Debt securities	**87 511**	103 820		
	87 511	103 820		
Financial assets at fair value through profit or loss				
Listed investments	**749 680**	906 180	**707 287**	823 428
Unlisted investments	**2 586 813**	2 630 845	**2 162 648**	2 093 040
	3 336 493	3 537 025	**2 869 935**	2 916 468

An analysis of the Group and Company's financial assets by market sector and maturity spread is provided below.

	GROUP		COMPANY	
	2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
10.1 Listed investments:				
At market value	**749 680**	906 180	**707 287**	823 428
Analysis of spread of listed investments by market sector	**%**	%	**%**	%
Automobiles and parts	**–**	0.25	**–**	0.28
Banks	**13.54**	14.82	**14.36**	16.31
Basic resources	**0.30**	1.87	**0.32**	2.06
Chemicals	**0.13**	0.17	**0.14**	0.19
Construction and materials	**–**	0.40	**–**	0.44
Food and beverages	**3.45**	4.80	**3.65**	1.88
Financial services	**0.51**	0.47	**0.42**	0.52
Healthcare	**0.27**	0.18	**0.29**	0.19
Industrial goods and services	**0.10**	1.32	**0.11**	1.45
Insurance	**80.38**	72.43	**79.32**	74.23
Media	**0.25**	0.14	**0.27**	0.15
Oil and gas	**–**	0.53	**–**	0.58
Personal and household goods	**0.27**	0.23	**0.29**	0.26
Real estate	**0.24**	1.08	**0.26**	0.19
Retail	**0.28**	0.31	**0.29**	0.34
Technology	**0.04**	0.19	**0.04**	0.20
Telecommunications	**0.08**	0.49	**0.08**	0.38
Travel and leisure	**0.16**	0.32	**0.16**	0.35
	100.00	100.00	**100.00**	100.00

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

	GROUP		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
10. Financial assets (continued)				
10.2 Unlisted investments				
At fair value	**2 588 201**	2 634 615	**2 162 648**	2 093 040
	%	%	**%**	%
Linked policies	**31**	28	**37**	36
Private equity investments	**47**	54	**50**	52
Debentures	**6**	6	**7**	7
Unit trusts	**16**	12	**6**	5
	100	100	**100**	100
Total listed and unlisted investments at fair value	**3 337 881**	3 540 795	**2 869 935**	2 916 468

	GROUP	
	R'000	% maturity spread
10.3 Debt securities (Bonds)		
Analysis of debt securities by maturity spread for 2015		
0 – 1 year	**27 029**	**31**
1 – 2 years	**43 246**	**49**
2 – 5 years	**17 236**	**20**
	87 511	**100**
Analysis of debt securities by maturity spread for 2014		
0 – 1 year	39 872	38
1 – 2 years	25 875	25
2 – 5 years	38 073	37
	103 820	100

All bonds reported above are listed on the Mozambique stock exchange.

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

	Fair value through profit or loss R'000	At amortised cost investments R'000	Loans and receivables R'000	Financial assets at fair value through other compre-hensive income 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									
2015									
Assets									
Investments in associates	–	–	–	–	–	–	163 536	163 536	163 536
Loans to associates	–	–	10 141	–	10 141	–	–	10 141	10 141
Financial assets	3 336 493	87 511	–	1 388	3 425 392	–	–	3 425 392	3 425 392
Preference shares and debt instruments	1 058 291	87 511	–	–	1 145 802	–	–	1 145 802	1 145 802
Equities	1 043 996	–	–	1 388	1 045 384	–	–	1 045 384	1 045 384
Unit trusts and pooled funds	424 167	–	–	–	424 167	–	–	424 167	424 167
Linked policies	810 039	–	–	–	810 039	–	–	810 039	810 039
Reinsurance assets	–	–	–	–	–	2 525 610	–	2 525 610	2 525 610
Insurance, loans and other receivables	–	–	210 971	–	210 971	1 443 146	151 111	1 805 228	1 805 228
Deferred acquisition costs	–	–	–	–	–	163 468	–	163 468	163 468
Cash and cash equivalents	–	–	2 962 959	–	2 962 959	–	–	2 962 959	2 962 959
Non-current assets held for sale	344 012	–	–	–	344 012	–	–	344 012	344 012
	3 680 505	87 511	3 184 071	1 388	6 953 475	4 132 224	314 647	11 400 346	11 400 346
Liabilities									
Borrowings	–	–	354	–	354	–	–	354	354
Insurance liabilities	–	–	–	–	–	5 402 403	–	5 402 403	5 402 403
Reinsurance liabilities	–	–	–	–	–	840 771	–	840 771	840 771
Employee benefits	–	–	–	–	–	–	254 106	254 106	254 106
Trade and other payables	–	–	–	–	–	–	998 425	998 425	998 425
	–	–	354	–	354	6 243 174	1 252 531	7 496 059	7 496 059
2014									
Assets									
Investments in associates	–	–	–	–	–	–	206 068	206 068	206 068
Loans to associates	–	–	10 141	–	10 141	–	–	10 141	10 141
Loans to joint venture	–	–	–	–	–	–	–	–	–
Financial assets	3 537 025	103 820	–	3 770	3 644 615	–	–	3 644 615	3 644 615
Preference shares and debt instruments	1 121 902	103 820	–	–	1 225 722	–	–	1 225 722	1 225 722
Equities	1 353 247	–	–	3 770	1 357 017	–	–	1 357 017	1 357 017
Unit trusts and pooled funds	318 776	–	–	–	318 776	–	–	318 776	318 776
Linked policies	743 100	–	–	–	743 100	–	–	743 100	743 100
Reinsurance assets	–	–	–	–	–	1 930 136	–	1 930 136	1 930 136
Insurance, loans and other receivables	–	–	991 555	–	991 555	1 319 686	112 372	2 423 613	2 423 613
Deferred acquisition costs	–	–	–	–	–	177 467	–	177 467	177 467
Cash and cash equivalents	–	–	2 195 306	–	2 195 306	–	–	2 195 306	2 195 306
	3 537 025	103 820	3 197 002	3 770	6 841 617	3 427 289	318 440	10 587 346	10 587 346
Liabilities									
Borrowings	–	–	354	–	354	–	–	354	354
Insurance liabilities	–	–	–	–	–	4 598 553	–	4 598 553	4 598 553
Reinsurance liabilities	–	–	–	–	–	702 775	–	702 775	702 775
Employee benefits	–	–	–	–	–	–	123 153	123 153	123 153
Trade and other payables	–	–	–	–	–	–	1 067 439	1 067 439	1 067 439
	–	–	354	–	354	5 301 328	1 190 592	6 492 274	6 492 274

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

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

	Fair value through profit or loss R'000	Loans and receivables R'000	Financial assets at fair value through other compre-hensive income 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								
2015								
Assets								
Investments in subsidiaries	734 552	–	–	734 552	–	–	734 552	734 552
Loans to subsidiaries	–	58 379	–	58 379	–	–	58 379	58 379
Investments in associates	285 308	–	–	285 308	–	–	285 308	285 308
Loans to associates	–	10 141	–	10 141	–	–	10 141	10 141
Financial assets	2 869 935	–	–	2 869 935	–	–	2 869 935	2 869 935
Preference shares and debt instruments	1 058 291	–	–	1 058 291	–	–	1 058 291	1 058 291
Equities	1 001 605	–	–	1 001 605	–	–	1 001 605	1 001 605
Linked policies	810 039	–	–	810 039	–	–	810 039	810 039
Reinsurance assets	–	–	–	–	2 046 119	–	2 046 119	2 046 119
Insurance, loans and other receivables	–	209 579	–	209 579	1 242 556	100 022	1 552 157	1 552 157
Deferred acquisition costs	–	–	–	–	155 022	–	155 022	155 022
Cash and cash equivalents	–	2 359 354	–	2 359 354	–	–	2 359 354	2 359 354
Non-current assets held for sale	390 273	–	–	390 273	–	–	390 273	390 273
	4 280 068	2 637 453	–	6 917 521	3 443 697	100 022	10 461 240	10 461 240
Liabilities								
Insurance liabilities	–	–	–	–	4 476 560	–	4 476 560	4 476 560
Reinsurance liabilities	–	–	–	–	739 442	–	739 442	739 442
Employee benefits	–	–	–	–	–	211 025	211 025	211 025
Trade and other payables	–	–	–	–	–	739 129	739 129	739 129
	–	–	–	–	5 216 002	950 154	6 166 156	6 166 156
2014								
Assets								
Investments in subsidiaries	614 638	–	–	614 638	–	–	614 638	614 638
Loans to subsidiaries	–	87 154	–	87 154	–	–	87 154	87 154
Investments in associates	471 083	–	–	471 083	–	–	471 083	471 083
Loans to associates	–	10 141	–	10 141	–	–	10 141	10 141
Loans to joint venture	–	–	–	–	–	–	–	–
Financial assets	2 916 468	–	–	2 916 468	–	–	2 916 468	2 916 468
Preference shares and debt instruments	1 121 901	–	–	1 121 901	–	–	1 121 901	1 121 901
Equities	1 051 467	–	–	1 051 467	–	–	1 051 467	1 051 467
Linked policies	743 100	–	–	743 100	–	–	743 100	743 100
Reinsurance assets	–	–	–	–	1 560 104	–	1 560 104	1 560 104
Insurance, loans and other receivables	–	950 651	–	950 651	1 060 365	99 695	2 110 711	2 110 711
Deferred acquisition costs	–	–	–	–	169 530	–	169 530	169 530
Cash and cash equivalents	–	1 673 466	–	1 673 466	–	–	1 673 466	1 673 466
Non-current assets held for sale	–	–	–	–	–	–	–	–
	4 002 189	2 721 412	–	6 723 601	2 789 999	99 695	9 613 295	9 613 295
Liabilities								
Insurance liabilities	–	–	–	–	3 853 706	–	3 853 706	3 853 706
Reinsurance liabilities	–	–	–	–	641 831	–	641 831	641 831
Employee benefits	–	–	–	–	–	111 060	111 060	111 060
Trade and other payables	–	–	–	–	–	714 737	714 737	714 737
	–	–	–	–	4 495 537	825 797	5 321 334	5 321 334

12. Determination of fair value and fair value hierarchy

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

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total fair value R'000
GROUP				
2015				
Financial assets carried at fair value through profit or loss				
Listed ordinary shares	**624 219**	**–**	**–**	**624 219**
Listed preference shares	**125 461**	**–**	**–**	**125 461**
Unlisted ordinary shares*	**–**	**–**	**419 776**	**419 776**
Unlisted preference shares*	**–**	**–**	**653 755**	**653 755**
Linked policies	**–**	**810 039**	**–**	**810 039**
Unit trusts	**–**	**545 074**	**–**	**545 074**
Unlisted debentures	**–**	**158 169**	**–**	**158 169**
Financial assets at fair value through other comprehensive income				
Unlisted ordinary shares	**–**	**–**	**1 388**	**1 388**
	749 680	**1 513 282**	**1 074 919**	**3 337 881**
2014				
Financial assets carried at fair value through profit or loss				
Listed ordinary shares	770 078	–	–	770 078
Listed preference shares	136 102	–	–	136 102
Unlisted ordinary shares*	–	–	588 624	588 624
Unlisted preference shares*	–	–	728 578	728 578
Linked policies	–	743 100	–	743 100
Unit trusts	–	430 031	–	430 031
Unlisted debentures	–	145 967	–	145 967
Foreign exchange contracts	–	(5 454)	–	(5 454)
Financial assets at fair value through other comprehensive income				
Unlisted ordinary shares	–	–	3 770	3 770
	906 180	1 313 644	1 320 972	3 540 796
COMPANY				
2015				
Financial assets carried at fair value through profit or loss				
Interest in associates	**–**	**–**	**285 308**	**285 308**
Interest in subsidiaries	**–**	**–**	**734 552**	**734 552**
Listed ordinary shares	**581 826**	**–**	**–**	**581 826**
Listed preference shares	**125 461**	**–**	**–**	**125 461**
Unlisted ordinary shares*	**–**	**–**	**419 776**	**419 776**
Unlisted preference shares*	**–**	**–**	**653 755**	**653 755**
Unit Trusts	**–**	**120 911**	**–**	**120 911**
Unlisted debentures	**–**	**158 167**	**–**	**158 167**
Linked policies	**–**	**810 039**	**–**	**810 039**
	707 287	**1 089 117**	**2 093 391**	**3 889 795**
2014				
Financial assets carried at fair value through profit or loss				
Interest in associates	–	–	471 083	471 083
Interest in subsidiaries	–	–	614 638	614 638
Listed ordinary shares	687 326	–	–	687 326
Listed preference shares	136 102	–	–	136 102
Unlisted ordinary shares*	–	–	369 592	369 592
Unlisted preference shares*	–	–	728 577	728 577
Unit Trusts	–	111 255	–	111 255
Unlisted debentures	–	145 967	–	145 967
Linked policies	–	743 100	–	743 100
Foreign exchange contracts	–	(5 454)	–	(5 454)
	823 428	994 868	2 183 890	4 002 186

** These investments do not meet the definition of related parties.*

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

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

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

Financial assets measured using a valuation technique based on assumptions that are supported by prices for observable current market transactions are 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.

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 assets or liability 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 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 and Company's own data.

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

The following table shows a reconciliation of the opening and closing amount of Level 3 financial assets which are recorded at fair value:

	At 1 July 2014 R'000	Total gains/ (losses) in profit or loss statement R'000	Total gains/ (losses) recorded in other compre-hensive income R'000	Purchases R'000	Interest, dividends and management fees R'000	Sales R'000	Foreign exchange R'000	Transfer (to)/from other category R'000	At 30 June 2015 R'000	Total gains/ (losses) for the period included in profit or loss for assets held at 30 June 2015 R'000
GROUP										
2015										
Financial assets at fair value through profit or loss										
Unlisted ordinary shares	588 624	293 419	–	–	–	–	–	(462 267)	419 776	293 419
Unlisted preference shares	728 578	11 586	–	–	51 863	(138 272)	–	–	653 755	11 586
	1 317 202	305 005	–	–	51 863	(138 272)	–	(462 267)	1 073 531	305 005
Financial assets at fair value through other comprehensive income										
Unlisted ordinary shares	3 770	–	(2 341)	–	–	–	(41)	–	1 388	–
	3 770	–	(2 341)	–	–	–	(41)	–	1 388	–
Total financial instruments	1 320 972	305 005	(2 341)	–	51 863	(138 272)	(41)	(462 267)	1 074 919	305 004
COMPANY										
2015										
Financial assets at fair value through profit or loss										
Investment in associates	471 082	(38 738)	–	–	–	–	–	(147 036)	285 308	(38 738)
Investment in subsidiaries	614 636	362 155	–	4 219	–	–	–	(246 458)	734 552	362 155
Unlisted ordinary shares	369 594	293 419	–	–	–	–	–	(243 237)	419 776	293 419
Unlisted preference shares	728 578	11 585	–	–	51 864	(138 272)	–	–	653 755	11 585
Total financial instruments	2 183 890	628 421	–	4 219	51 864	(138 272)	–	(636 731)	2 093 391	628 421

	At 1 July 2013 R'000	Total gains/ (losses) in profit or loss statement R'000	Total gains/ (losses) recorded in other compre-hensive income R'000	Purchases R'000	Interest, dividends and management fees R'000	Sales R'000	Foreign exchange R'000	Transfer (to)/from other category R'000	At 30 June 2014 R'000	Total gains/ (losses) for the period included in profit or loss for assets held at 30 June 2014 R'000
GROUP										
2014										
Financial assets at fair value through profit or loss										
Unlisted ordinary shares	416 624	171 500	–	500	–	–	–	–	588 624	171 500
Unlisted preference shares	815 179	(46 885)	–	280 992	1 492	(322 200)	–		728 578	(46 885)
	1 231 803	124 615	–	281 492	1 492	(322 200)	–	–	1 317 202	124 615
Financial assets at fair value through other comprehensive income										
Unlisted ordinary shares	3 470	–	250	–	–	–	50	–	3 770	–
	3 470	–	250	–	–	–	50	–	3 770	–
Total financial instruments	1 235 273	124 615	250	281 492	1 492	(322 200)	50	–	1 320 972	124 615
COMPANY										
2014										
Financial assets at fair value through profit or loss										
Investment in associates	579 449	(74 264)	–	5 154	–	(39 257)	–	–	471 082	(74 264)
Investment in subsidiaries	517 814	99 953	–	–	–	(3 131)	–	–	614 636	99 953
Unlisted ordinary shares	229 689	139 405	–	500	–	–	–	–	369 594	139 405
Unlisted preference shares	815 179	(46 885)	–	280 992	1 492	(322 200)	–	–	728 578	(46 885)
Non-current assets held for sale	380 000	(368 000)	–	–	–	(12 000)	–	–	–	–
Total financial instruments	2 522 131	(249 791)	–	286 646	1 492	(376 588)	–	–	2 183 890	118 209

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

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

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

The following table shows the sensitivity of the fair value of financial assets:

	GROUP			COMPANY		
	Carrying amount R'000	2% effect of reasonably possible alternative assumptions (+) R'000	2% effect of reasonably possible alternative assumptions (-) R'000	Carrying amount R'000	2% effect of reasonably possible alternative assumptions (+) R'000	2% effect of reasonably possible alternative assumptions (-) R'000
2015						
Financial assets carried at fair value through profit or loss						
Interest in associates	–	–	–	285 308	289 450	281 164
Interest in subsidiaries	–	–	–	734 552	806 835	604 810
Unlisted ordinary shares	419 776	428 171	411 380	419 776	428 171	411 380
Unlisted preference shares	653 755	666 830	640 680	653 755	666 830	640 680
Non-current asset held for sale	344 012	350 893	337 132	390 273	398 078	382 467
	1 417 543	1 445 894	1 389 192	2 483 664	2 589 364	2 320 501
Financial assets at fair value through other comprehensive income						
Unlisted ordinary shares	1 388	1 416	1 360	–	–	–
	1 388	1 416	1 360	–	–	–
Total financial instruments at fair value	1 418 931	1 447 310	1 390 552	2 483 664	2 589 364	2 320 501
2014						
Financial assets carried at fair value through profit or loss						
Interest in associates	–	–	–	471 083	499 161	468 121
Interest in subsidiaries	–	–	–	614 638	636 207	594 301
Unlisted ordinary shares	588 624	600 396	576 851	369 592	376 083	363 328
Unlisted preference shares	728 578	731 579	725 709	728 577	731 579	725 709
	1 317 202	1 331 975	1 302 560	2 183 890	2 243 030	2 151 459
Financial assets at fair value through other comprehensive income						
Unlisted ordinary shares	3 770	3 846	3 695	–	–	–
	3 770	3 846	3 695	–	–	–
Total financial instruments at fair value	1 320 972	1 335 821	1 306 255	2 183 890	2 243 030	2 151 459

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 risk-free rate of 5.96% (after tax RSA R186 bond rate). 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.

The above sensitivity analysis in the positive scenario assumes a 2% decrease in the discount rate and a 2% increase in projected free cash flows. The converse applies to the negative analysis where discount rates were increased by 2% and cash flows were decreased by 2%.

13. Insurance, loans and other receivables

	GROUP		COMPANY	
	2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
Insurance receivables	**1 443 146**	1 319 686	**1 242 556**	1 060 365
Other receivables	**151 111**	112 372	**100 022**	99 695
Total insurance and other receivables	**1 594 257**	1 432 058	**1 342 578**	1 160 060
Originated at amortised cost				
Loans bearing interest				
– Related parties in the Group	**–**	22 109	**–**	–
– Loans to staff	**26 904**	27 658	**25 800**	27 372
– Loans to other	**37 190**	46 368	**37 190**	46 369
Interest-free loans				
– Related parties in the Group	**–**	58 334	**–**	50 000
– Loans to other	**4 109**	1 109	**4 109**	1 109
Total loans	**68 203**	155 578	**67 099**	124 850
Receivable from Group companies	**168 686**	871 359	**168 398**	861 184
– Impairment provision	**(25 918)**	(35 382)	**(25 918)**	(35 382)
Total loans receivable from Group companies	**142 768**	835 977	**142 480**	825 802
Total insurance, loans and other receivables	**1 805 228**	2 423 613	**1 552 157**	2 110 712
The interest rates charged on the secured and unsecured loans comprise:				
Prime less 1%	**247**	5 107	**247**	5 107
Prime less 1.5%	**3 636**	4 205	**3 636**	4 205
Prime less 2%	**2 283**	2 124	**2 283**	2 124
Prime less 3%	**4 102**	3 857	**4 102**	3 857
80% of prime	**6 773**	6 689	**6 773**	6 689
86% of prime	**5 630**	–	**5 630**	–
Prime	**880**	15 610	**880**	15 610
Prime plus 2%	**13 190**	8 391	**13 190**	8 391
Prime plus 4%	**572**	–	**–**	–
Interest at 7%	**1 327**	1 239	**1 327**	1 239
Interest at 8.5%	**–**	22 109	**–**	–
Interest at 15%	**531**	287	**–**	–
South African Revenue Service (SARS) rate	**24 923**	26 570	**24 922**	26 570
Interest-free loans	**4 109**	59 390	**4 109**	51 058
	68 203	155 578	**67 099**	124 850
The loans have the following terms of repayment:				
No fixed repayment terms	**8 527**	41 185	**8 527**	10 742
On specified date	**28 571**	83 314	**28 573**	83 316
90 days notice period	**29 952**	27 962	**29 950**	27 962
After termination of employment with the Company	**49**	2 830	**49**	2 830
Monthly	**531**	287	**–**	–
Quarterly	**573**	–	**–**	–
	68 203	155 578	**67 099**	124 850

Certain loans are secured by assets of the counterparty to the extent of R24 178 191 (2014: R36 895 613) and the balance of the loans are unsecured.

Loans are carried at amortised cost using the effective-interest method and are reviewed for impairment at the end of the financial year. Insurance, trade and other receivables are widespread and have been adjusted for impairments where required.

Loans to subsidiaries and associates are deemed to be part of the investment and therefore included in notes 8 and 9 on page 39 of these annual financial statements.

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

	GROUP		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
14. Deferred taxation				
14.1 Deferred income tax assets				
– Deferred income tax to be recovered after 12 months	812	922	–	–
– Deferred income tax to be recovered within 12 months	81 004	47 837	80 040	44 319
Balance at end of year	81 816	48 759	80 040	44 319
Balance at beginning of year	48 759	73 752	44 319	68 765
Transfer (to)/from deferred tax liability	–	(1 826)	–	–
Derecognition of joint venture	–	(1 278)	–	–
Acquisition of subsidiary	–	4	–	–
Disposal of subsidiary	–	(1 542)	–	–
Movements during the year attributable to:	–			
Capital allowances	–	(2 979)	–	–
Prepayments	–	–	–	–
Changes in foreign currency	10	(11)	–	–
Unrealised gains on assets at fair value through profit or loss	–	–	–	–
Unrealised loss on foreign exchange differences	(2 544)	(8 475)	–	(11 183)
Unutilised tax losses	1 884	6 518	1 817	6 241
Provisions	33 707	(15 404)	33 904	(19 504)
Balance at end of year	81 816	48 759	80 040	44 319
Balance comprises:				
Capital allowances	68	(862)	–	–
Changes in foreign currency	–	–	–	–
Unrealised losses on assets at fair value through profit or loss	964	3 518	–	–
Unutilised tax losses	9 707	8 335	9 425	7 607
Prepayments	–	–	–	–
Provisions	71 077	37 768	70 615	36 712
	81 816	48 759	80 040	44 319
14.2 Deferred income tax liabilities				
– Deferred income tax to be recovered after 12 months	421 073	360 990	409 493	311 747
– Deferred income tax to be recovered within 12 months	3 330	3 518	–	–
Balance at end of year	424 403	364 508	409 493	311 747
Balance at beginning of year	364 508	339 437	311 747	298 141
Transfer (to)/from deferred tax assets	–	(1 826)	–	–
Derecognition of joint venture	–	(1 027)	–	–
Acquisition of subsidiary	–	2 613	–	–
Transfer to other financial assets	(108 759)	–	–	–
Movements during the year attributable to:				
Capital allowances	318	30	–	–
Unrealised gains on assets at fair value through profit or loss	166 387	21 088	97 746	13 606
Unrealised gains on financial assets at fair value through other comprehensive income	(749)	80	–	–
Unrealised gains on foreign exchange differences	3 616	1 042	–	–
Prepayments	168	–	–	–
Changes in foreign currency	(493)	37	–	–
Unutilised tax losses	792	3 034	–	–
Provisions	(1 385)	–	–	–
Balance at end of year	424 403	364 508	409 493	311 747
Balance comprises:				
Capital allowances	2 644	–	–	–
Unrealised gains on assets at fair value through profit or loss	417 032	354 177	409 493	311 747
Unrealised gains on financial assets at fair value through other comprehensive income	152	896	–	–
Unrealised losses on foreign exchange differences	6 637	3 518	–	–
Lease asset	–	13	–	–
Unutilised tax losses	(305)	5 751	–	–
Prepayments	168	–	–	–
Provisions	(1 925)	153	–	–
	424 403	364 508	409 493	311 747

	GROUP		COMPANY	
	2015 R'000	2014 R'000	**2015 R'000**	2014 R'000

15. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, current accounts and short-term deposits with maturity less than 12 months. At reporting date the effective rate on bank call accounts and deposits was 6.39% (2014: 5.65%) and the weighted average days duration was 18 days. The effective interest rate on current accounts at the statement of financial position date was 4.60% (2014: 3.85%)

Cash on call	**1 701 105**	1 052 860	**1 701 105**	1 052 860
Cash at bank	**757 673**	633 624	**452 811**	360 769
Cash on deposit	**504 103**	508 757	**205 390**	259 790
Cash on hand	**78**	65	**48**	47
	2 962 959	2 195 306	**2 359 354**	1 673 466

16. Non-current assets held for sale

The Group and Company hold the following assets as held for sale:

Lomhold (Pty) Ltd	**100 775**	–	**147 036**	–
Unlisted investment – Direct Axis (SA) (Pty) Ltd	**243 237**	–	**243 237**	–
	344 012	–	**390 273**	–

The investments are expected to be sold within the next 12 months and are carried at the lower of carrying value or fair value less cost to sell.

17. Share capital and premium

Authorised				
6 000 000 ordinary shares	**12 000**	12 000	**12 000**	12 000
3 000 000 class A redeemable convertible preference shares	**3 000**	3 000	**3 000**	3 000
2 999 999 class B redeemable convertible preference shares	**3 000**	3 000	**3 000**	3 000
	18 000	18 000	**18 000**	18 000
Issued and fully paid				
5 100 001 ordinary shares	**531 200**	531 200	**531 200**	531 200
3 000 000 class A redeemable convertible preference shares	**3 000**	3 000	**3 000**	3 000
2 999 999 class B redeemable convertible preference shares	**3 000**	3 000	**3 000**	3 000
	537 200	537 200	**537 200**	537 200
Share premium	**69 650**	69 650	**69 650**	69 650
	606 850	606 850	**606 850**	606 850

The class A and B preference shares receive dividends at the discretion of the Board of Directors. The class A preference shares have voting rights equal to one vote for one share.

The class A and B preference shares have no fixed date for redemption and are redeemable or convertible to ordinary shares at the election of the Company.

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

	GROUP	
	2015 R'000	2014 R'000
18. Non-distributable reserves		
Non-distributable reserves consist of:		
Revaluation reserve	**9 206**	8 836
Movements for the year were as follows:		
Balance at beginning of year	**8 836**	30 351
Revaluation of amortised cost investments	**(1 080)**	84
Revaluation of land and buildings	**1 056**	(118)
Deferred tax on amortised cost investments	**394**	33
Transfer to retained earnings	**–**	(21 514)
Balance at end of year	**9 206**	8 836
19. Foreign currency translation reserve		
Balance at beginning of year	**11 800**	7 603
Exchange differences (net of non-controlling interest) on translation of foreign operations	**(4 491)**	4 201
Transfer to retained earnings	**–**	(4)
Transfer to NCI	**(303)**	–
Balance at end of year	**7 006**	11 800

	GROUP 2015			
	Gross amount R'000	Non-controlling interest R'000	Tax expense R'000	Net of tax and NCI R'000
20. Components of other comprehensive income				
Exchange differences on translating foreign operations	**(7 493)**	**(3 002)**	**–**	**(10 495)**
Raising of credit protection reserve	**11**	**–**	**–**	**11**
Unrealised loss on financial and other assets at fair value through other comprehensive income	**(312)**	**(1 076)**	**(394)**	**(1 782)**
	(7 794)	**(4 078)**	**(394)**	**(12 266)**

	GROUP 2014			
	Gross amount R'000	Non-controlling interest R'000	Tax expense R'000	Net of tax and NCI R'000
Exchange differences on translating foreign operations	5 657	(1 456)	–	4 201
Raising of credit protection reserve	8	–	–	8
Unrealised gain on financial assets at fair value through other comprehensive income	117	(85)	(33)	(1)
	5 782	(1 541)	(33)	4 208

21. Insurance liabilities and reinsurance assets

	GROUP		COMPANY	
	2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
Gross				
Claims reported and loss adjustment expenses	**2 433 091**	1 926 471	**2 020 935**	1 577 187
Claims incurred but not yet reported	**798 691**	690 992	**734 677**	630 776
Unearned premium provision	**2 077 126**	1 889 073	**1 686 778**	1 612 587
Cash back reserve	**36 778**	34 762	**34 170**	33 156
Life fund reserves	**4 730**	5 034	**–**	–
Policyholder liabilities	**42 812**	45 575	**–**	–
Unexpired risk reserve	**2 214**	1 001	**–**	–
Provision for claims fluctuations	**6 961**	5 645	**–**	–
Total gross insurance liabilities	**5 402 403**	4 598 553	**4 476 560**	3 853 706
Recoverable from reinsurers				
Claims reported and loss adjustment expenses	**1 224 355**	811 309	**1 014 149**	624 195
Claims incurred but not yet reported	**281 675**	233 899	**269 338**	215 780
Unearned premium provision	**709 034**	596 139	**471 094**	447 678
Life fund reserves	**–**	–	**–**	–
Deferred reinsurance expense	**–**	–	**–**	–
Reinsurance recoveries	**310 546**	288 789	**291 538**	272 451
Experience account balances	**–**	–	**–**	–
Total reinsurers' share of insurance liabilities	**2 525 610**	1 930 136	**2 046 119**	1 560 104
Net				
Claims reported and loss adjustment expenses	**1 208 736**	1 115 162	**1 006 786**	952 992
Claims incurred but not yet reported	**517 016**	457 093	**465 339**	414 996
Unearned premium provision	**1 368 092**	1 292 934	**1 215 684**	1 164 909
Cash back reserve	**36 778**	34 762	**34 170**	33 156
Life fund reserves	**4 730**	5 034	**–**	–
Policyholder liabilities	**42 812**	45 575	**–**	–
Unexpired risk reserve	**2 214**	1 001	**–**	–
Provision for claims fluctuations	**6 961**	5 645	**–**	–
Reinsurance recoveries	**(310 546)**	(288 789)	**(291 538)**	(272 451)
Total insurance liabilities – net	**2 876 793**	2 668 417	**2 430 441**	2 293 602

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

21. Insurance liabilities and reinsurance assets (continued)

Movement in insurance liabilities and reinsurance assets

	2015			2014		
	Gross R'000	Reinsurance assets R'000	Net R'000	Gross R'000	Reinsurance assets R'000	Net R'000
a) Claims reported and loss adjustment expenses						
GROUP						
Balance at beginning of year	**1 926 471**	**811 309**	**1 115 162**	1 264 442	454 165	810 277
Acquisition of a subsidiary	**–**	**–**	**–**	–	–	–
Acquisition of business – Etana	**–**	**–**	**–**	676 206	410 898	265 308
Claims paid	**(5 793 196)**	**(1 045 443)**	**(4 747 753)**	(4 765 694)	(858 010)	(3 907 684)
Exchange rate movement	**(14 959)**	**(6 773)**	**(8 186)**	7 160	2 308	4 852
Claims raised	**6 314 775**	**1 465 262**	**4 849 513**	4 744 357	801 948	3 942 409
Balance at end of year	**2 433 091**	**1 224 355**	**1 208 736**	1 926 471	811 309	1 115 162
COMPANY						
Balance at beginning of year	**1 577 187**	**624 195**	**952 992**	979 474	328 639	650 835
Claims paid	**(5 242 916)**	**(959 479)**	**(4 283 437)**	(4 249 765)	(806 429)	(3 443 336)
Acquisition of business – Etana	**–**	**–**	**–**	676 206	410 898	265 308
Claims raised	**5 686 664**	**1 349 433**	**4 337 231**	4 171 272	691 087	3 480 185
Balance at end of year	**2 020 935**	**1 014 149**	**1 006 786**	1 577 187	624 195	952 992
b) Claims incurred but not yet reported						
GROUP						
Balance at beginning of year	**690 992**	**233 899**	**457 093**	433 025	82 954	350 071
Acquisition of business – Etana	**–**	**–**	**–**	121 190	50 820	70 370
Acquisition of a subsidiary	**–**	**–**	**–**	–	–	–
Exchange rate movement	**(220)**	**50**	**(270)**	275	(17)	292
Movements for the year	**107 919**	**47 726**	**60 193**	136 502	100 142	36 360
Balance at end of year	**798 691**	**281 675**	**517 016**	690 992	233 899	457 093
COMPANY						
Balance at beginning of year	**630 776**	**215 780**	**414 996**	394 283	73 191	321 092
Acquisition of business – Etana	**–**	**–**	**–**	121 190	50 820	70 370
Movements for the year	**103 901**	**53 558**	**50 343**	115 303	91 769	23 534
Balance at end of year	**734 677**	**269 338**	**465 339**	630 776	215 780	414 996
c) Unearned premium provision						
GROUP						
Balance at beginning of year	**1 889 073**	**596 139**	**1 292 934**	1 439 870	307 676	1 132 194
Acquisition of business – Etana	**–**	**–**	**–**	461 741	281 216	180 525
Acquisition of a subsidiary	**–**	**–**	**–**	–	–	–
Exchange rate movement	**(1 713)**	**(3 281)**	**1 568**	6 822	7 872	(1 050)
Movements for the year	**189 766**	**116 176**	**73 590**	(19 360)	(625)	(18 735)
Balance at end of year	**2 077 126**	**709 034**	**1 368 092**	1 889 073	596 139	1 292 934
COMPANY						
Balance at beginning of year	**1 612 587**	**447 678**	**1 164 909**	1 135 458	118 695	1 016 763
Acquisition of business – Etana	**–**	**–**	**–**	461 741	281 216	180 525
Movements for the year	**74 191**	**23 416**	**50 775**	15 388	47 767	(32 379)
Balance at end of year	**1 686 778**	**471 094**	**1 215 684**	1 612 587	447 678	1 164 909

		2015			2014		
		Gross R'000	Reinsurance assets R'000	Net R'000	Gross R'000	Reinsurance assets R'000	Net R'000
d)	**Unexpired risk reserve**						
	GROUP						
	Balance at beginning of year	**1 001**	**–**	**1 001**	8 417	–	8 417
	Exchange rate movement	**(170)**	**–**	**(170)**	182	–	182
	Movements for the year	**1 383**	**–**	**1 383**	(7 598)	–	(7 598)
	Balance at end of year	**2 214**	**–**	**2 214**	1 001	–	1 001
e)	**Provision for claims fluctuations**						
	GROUP						
	Balance at beginning of year	**5 645**	**–**	**5 645**	2 659	–	2 659
	Exchange rate movement	**(283)**	**–**	**(283)**	61	–	61
	Movements for the year	**1 599**	**–**	**1 599**	2 925	–	2 925
	Balance at end of year	**6 961**	**–**	**6 961**	5 645	–	5 645
f)	**Cash back reserve**						
	GROUP						
	Balance at beginning of year	**34 762**	**–**	**34 762**	48 676	–	48 676
	Exchange rate movement	**(125)**	**–**	**(125)**	–	–	–
	Movements for the year	**2 141**	**–**	**2 141**	(13 914)	–	(13 914)
	Balance at end of year	**36 778**	**–**	**36 778**	34 762	–	34 762
	COMPANY						
	Balance at beginning of year	**33 156**	**–**	**33 156**	46 972	–	46 972
	Movements for the year	**1 014**	**–**	**1 014**	(13 816)	–	(13 816)
	Balance at end of year	**34 170**	**–**	**34 170**	33 156	–	33 156
g)	**Life fund reserves**						
	GROUP						
	Balance at beginning of year	**5 034**	**–**	**5 034**	21 636	8 918	12 718
	Exchange rate movement	**(304)**	**–**	**(304)**	449	200	249
	Movements for the year	**–**	**–**	**–**	(17 051)	(9 118)	(7 933)
	Balance at end of year	**4 730**	**–**	**4 730**	5 034	–	5 034
h)	**Policyholder liabilities**						
	GROUP						
	Balance at beginning of year	**45 575**	**–**	**45 575**	19 625	–	19 625
	Movements for the year	**(2 763)**	**–**	**(2 763)**	25 950	–	25 950
	Balance at end of year	**42 812**	**–**	**42 812**	45 575	–	45 575

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

21. Insurance liabilities and reinsurance assets (continued)

Movement in insurance liabilities and reinsurance assets (continued)

	2015			2014		
	Gross R'000	Reinsurance assets R'000	Net R'000	Gross R'000	Reinsurance assets R'000	Net R'000
i) Reinsurance recoveries						
GROUP						
Balance at beginning of year	–	288 789	(288 789)	–	277 039	(277 039)
Exchange rate movement	–	(211)	211	–	2 116	(2 116)
Movements for the year	–	21 968	(21 968)	–	9 634	(9 634)
Balance at end of year	–	310 546	(310 546)	–	288 789	(288 789)
COMPANY						
Balance at beginning of year	–	272 451	(272 451)	–	194 181	(194 181)
Movements for the year	–	19 087	(19 087)	–	78 270	(78 270)
Balance at end of year	–	291 538	(291 538)	–	272 451	(272 451)
Total						
GROUP						
Balance at beginning of year	4 598 553	1 930 136	2 668 417	3 238 350	1 130 752	2 107 598
Claims paid	(5 793 196)	(1 045 443)	(4 747 753)	(4 765 694)	(858 010)	(3 907 684)
Acquisition of business – Etana	–	–	–	1 259 137	742 934	516 203
Acquisition of a subsidiary	–	–	–	–	–	–
Exchange rate movement	(17 774)	(10 215)	(7 559)	14 949	12 479	2 470
Movements for the year	300 045	163 902	136 143	107 454	90 399	17 055
Claims raised	6 314 775	1 465 262	4 849 513	4 744 357	801 948	3 942 409
Reinsurance recoveries	–	21 968	(21 968)	–	9 634	(9 634)
Balance at end of year	5 402 403	2 525 610	2 876 793	4 598 553	1 930 136	2 668 417
COMPANY						
Balance at beginning of year	3 853 706	1 560 104	2 293 602	2 556 187	714 706	1 841 481
Claims paid	(5 242 916)	(959 479)	(4 283 437)	(4 249 765)	(806 429)	(3 443 336)
Acquisition of business – Etana	–	–	–	1 259 137	742 934	516 203
Movements for the year	179 106	76 974	102 132	116 875	139 536	(22 661)
Claims raised	5 686 664	1 349 433	4 337 231	4 171 272	691 087	3 480 185
Reinsurance recoveries	–	19 087	(19 087)	–	78 270	(78 270)
Balance at end of year	4 476 560	2 046 119	2 430 441	3 853 706	1 560 104	2 293 602

Insurance risk

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

Motor

Provides indemnity for loss of or damage to the insured motor vehicle. The cover is normally on an all-risks basis providing a wide scope of cover, however the insured may select restricted forms of cover such as 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 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 and loss or damage to plant and equipment.

Marine

Provide indemnity for both cargo and hull classes of business. Cargo covers physical loss of or damage to cargo. Hull covers accidental loss of or damage to commercial vessels.

Liability

Provide 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.

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.

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

21. Insurance liabilities and reinsurance assets (continued)

Insurance risk (continued)

Limiting exposure to insurance risk (continued)

Analysis of the Group and Company's risk profiles shows that the Group and Company underwrite a well diversified portfolio of risks and that the Group 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 and Company's distribution of risks underwritten across classes of business:

	GROUP		COMPANY	
	2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
Gross written premium per class of business				
Property	**3 288 965**	2 174 347	**3 123 396**	2 157 824
Transportation	**445 496**	269 252	**421 307**	267 770
Motor	**5 046 533**	4 332 828	**4 526 963**	3 873 272
Accident/health	**543 890**	676 690	**426 000**	390 372
Guarantee	**117 459**	55 594	**108 887**	48 925
Liability	**410 166**	252 079	**321 644**	217 309
Contract/engineering	**640 094**	492 699	**482 439**	367 422
Fire	**312 554**	211 260	**–**	–
Life	**354 907**	291 383	**–**	–
Marine	**–**	16 924	**–**	–
Compensations	**–**	–	**–**	–
Miscellaneous	**216 437**	230 241	**81 749**	152 825
Total	**11 376 501**	9 003 297	**9 492 385**	7 475 719
The Group and Company underwrite insurance contracts across South Africa as well as Namibia, Botswana and Mozambique. Using gross written premium as an indicator the table below illustrates the Group's geographical diversification.				
South Africa	**9 492 385**	7 475 719		
Foreign	**1 884 116**	1 527 578		
Total	**11 376 501**	9 003 297		

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 claims handling processes and specific techniques developed to proactively detect fraudulent claims.

Underwriting and reinsurance operating procedures

The Group and Company have implemented an integrated risk management framework to manage risk in accordance with the Group and Company's risk appetite. Group and Company reinsurance is managed by the Reinsurance Committee (RCOM). The objectives and responsibilities of the Committee as set out and approved by the Board of Directors are outlined below. The main objective of RCOM is to provide a framework that ensures that the risk assumption and risk retention practice is in line with prudent risk/reward parameters set by the Group. Specifically RCOM makes recommendations to the Board as to the risk retention policy of the companies within the Group and Company; communicates policy to the business units for adoption in line with their business operations; methodologies and processes employed by each company and each business unit for both facultative and treaty reinsurance arrangements and reviews the reinsurance programme for cost efficiency, compliance with risk assumption criteria and security.

Reinsurance strategy

The Group and Company obtain third-party reinsurance cover to reduce risks from single events or accumulation of risk which could have a significant impact on earnings for the current year or the Company's capital. This cover is placed on the local and international reinsurance market.

Dynamic financial analysis (DFA) is performed each year prior to renewal. DFA informs the decision making regarding risk retention and reinsurance purchase. Hollard's insurance risk and return position is tested against a wide range of reinsurance alternatives including viability of proportional and non-proportional alternatives.

The Group and Company use state-of-the-art catastrophe modelling tools to assess its exposure to low-frequency high-severity risks; the most common of these risks relates to natural catastrophes such as earthquakes, floods and windstorm. The Group's most significant aggregate exposure would arise from an earthquake. Where the Group and Company are at risk in case of the occurrence of an event that could threaten its solvency, catastrophe reinsurance is in place to reduce the threat associated with such an event.

Risk retention parameters

Hollard Insurance is in the business of assuming that level of risk which is deemed prudent in relation to the risk/reward and the Group and Company's absolute capacity in terms of shareholder funds and free reserves. Predetermined criteria are observed at all times other than where specific written permission has been obtained from the Chairman of RCOM acting on the authority of the majority of the members of such Committee.

Counterparty risk

Currently only internationally recognised credit rating agencies "A" rated reinsurers are utilised unless express permission is sought from the RCOM.

Treaty placing process

The treaty placing process is the responsibility of the Reinsurance Department, accountable to the Group Chief Underwriting Officer. The Group Chief Underwriting Officer reports directly to the CEO and is accountable to the Board via the RCOM.

The development of claims liabilities provides an indicator of the Group's and Company's ability to estimate the ultimate value of claims. The majority of the Group and Company's insurance contracts are classified as short tailed. The shorter settlement period for this type of business allows the Group and Company to achieve a higher degree of certainty about the estimated costs of claims. The longer time required to assess the emergence of a long-tail claim makes the estimation process more uncertain for these type of claims. The Group and Company's limited exposure to long-tailed business is in the personal accident, third-party motor liability, specialised liability and some engineering and marine classes. Actuarial valuations of the required technical provisions for these classes are performed regularly.

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 on pockets of the business 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 and due to the short-tail nature of the business it is not considered necessary to discount any of the claims provisions.

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 and Company's IBNR is calculated as a percentage of net earned premium as prescribed by Board Notice 169 of 2011. This percentage is a best estimate reserve, which represents the expected value of the unreported claims liabilities. Different percentages are applicable for different classes of business and appropriateness is assessed against the Group 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 calculated according to Interim Measure principles. Where the Interim Measure reserves prove to be too low an additional reserve is raised which is agreed with the FSB (dispensation).

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

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 and Company's insurance contracts have an even risk profile and the unearned premium provision, raised at the commencement of the contract are released evenly over the period of insurance using a time-proportionate basis as prescribed in Board Notice 169 of 2011. The provisions for unearned premiums are initially determined on a gross level and thereafter the reinsurance impact is recognised.

Assumptions

Very few assumptions are used in determining the technical provisions because the majority of the reserves are calculated according to Board Notice 169 of 2011. Where the Company has dispensation to use an alternative method to calculate reserves the main assumption is that the past experience will be indicative of future experience.

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

	GROUP		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
22. Deferred acquisition costs (DAC)				
Deferred commission and acquisition costs net of reinsurance	**163 468**	177 467	**155 022**	169 530
Current	**163 468**	177 467	**155 022**	169 530
Reconciliation of changes in acquisition costs				
Balance at beginning of year	**177 467**	149 182	**169 530**	142 807
Acquisition costs deferred during the year	**224 586**	113 258	**217 711**	116 764
Acquisition costs expensed during the year	**(238 229)**	(102 972)	**(232 219)**	(107 874)
Acquisition of business – Etana	**–**	17 833	**–**	17 833
Exchange rate differences	**(356)**	166	**–**	–
Balance at the end of financial year	**163 468**	177 467	**155 022**	169 530

23. Claims development tables

The presentation of the claims development tables for the Company is based on the actual date of the event that caused the claim (accident year basis).

The claims development tables represent the development of actual claims paid.

	Claims paid in respect of:								
Reporting year	Total R'000	2015 R'000	2014 R'000	2013 R'000	2012 R'000	2011 R'000	2010 R'000	2009 R'000	2008 and earlier R'000
COMPANY									
Gross									
Actual claims costs									
2015	**5 241 627**	**4 017 569**	**1 127 986**	**63 532**	**23 764**	**8 776**	**–**	**–**	**–**
2014	4 249 765	–	3 513 019	646 968	67 017	13 289	4 964	4 508	–
2013	3 208 605	–	–	2 620 643	518 605	33 435	19 238	13 103	3 581
2012	3 048 363	–	–	–	2 440 139	569 358	23 052	9 073	6 741
2011	3 036 839	–	–	–	–	2 318 443	632 162	32 864	53 370
2010	2 912 078	–	–	–	–	–	2 103 703	690 980	117 395
2009	2 585 923	–	–	–	–	–	–	1 932 217	653 706
2008	2 797 429	–	–	–	–	–	–	–	2 797 429
Cumulative payments to date	27 080 629	**4 017 569**	4 641 005	3 331 143	3 049 525	2 943 301	2 783 119	2 682 745	3 632 222
Net									
Actual claims costs									
2015	**4 282 181**	**3 423 731**	**811 316**	**26 658**	**10 810**	**4 218**	**5 448**	**–**	**–**
2014	3 436 912	–	2 874 337	519 442	30 883	6 542	4 394	1 314	–
2013	2 753 103	–	–	2 130 371	383 075	119 214	63 547	41 734	15 162
2012	2 629 894	–	–	–	2 033 226	559 067	16 438	8 147	13 016
2011	2 619 606	–	–	–	–	2 119 577	469 147	13 728	17 154
2010	2 490 920	–	–	–	–	–	1 830 357	571 546	89 017
2009	2 198 161	–	–	–	–	–	–	1 668 467	529 694
2008	2 154 311	–	–	–	–	–	–	–	2 154 311
Cumulative payments to date	22 565 088	**3 423 731**	3 685 653	2 676 471	2 457 994	2 808 618	2 389 331	2 304 936	2 818 354

	GROUP	
	2015 R'000	2014 R'000
24. Borrowings		
Interest bearing loan	**354**	354
The loan bears interest at prime less 1% and is repayable over 48 months.		
Total	**354**	354
Non-current	**354**	354

	GROUP		COMPANY	
	2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
25. Employee benefits				
Leave pay				
At beginning of year	**22 664**	9 849	**21 304**	8 023
Charged to the income statement	**(3 497)**	1 037	**(5 791)**	1 506
– additional provisions	**(2 109)**	14 146	**(5 791)**	13 281
– used during the year	**(1 388)**	(11 775)	**–**	(11 775)
– sale of subsidiaries	**–**	(1 334)	**–**	–
Acquisition of business – Etana	**–**	11 775	**–**	11 775
Net foreign currency translation differences	**(63)**	3	**–**	–
Balance at end of year	**19 104**	22 664	**15 513**	21 304
Incentive provision				
At beginning of year	**100 489**	194 035	**89 756**	182 580
Charged to the income statement	**136 269**	(93 775)	**105 756**	(92 824)
– additional provisions	**255 611**	67 098	**203 571**	50 326
– used during the year	**(119 342)**	(157 199)	**(97 815)**	(143 150)
– derecognition of previously proportionally accounted JV	**–**	(3 674)	**–**	–
Net foreign currency translation differences	**(1 756)**	229	**–**	–
Balance at end of year	**235 002**	100 489	**195 512**	89 756
Analysis of employee benefits				
Current	**254 106**	120 673	**211 025**	111 060
Non-current	**–**	2 480	**–**	–
Total	**254 106**	123 153	**211 025**	111 060

Leave pay

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

The Group and Company's provision for leave pay amounted to R19 104 000 and R15 513 000 respectively at the statement of financial position date (2014: R22 663 960 and R21 303 843).

Incentive scheme

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

The Group and Company's provision for staff incentives amounted to R235 002 000 and R195 512 000 respectively at the statement of financial position date (2014: R100 489 000 and R89 756 000).

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

	GROUP		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
26. Trade and other payables				
Trade and other creditors	835 000	1 007 118	656 981	736 328
Group companies payables	47 891	16 971	31 960	(21 591)
Other liabilities	115 534	43 350	50 188	–
	998 425	1 067 439	739 129	714 737
All balances are current.				
27. Interest received and dividend income				
Interest received				
Financial assets measured at amortised cost				
Interest on call and term deposits	80 978	73 204	80 979	67 432
Interest on secured loans	35 603	46 060	23 680	44 245
Financial assets at fair value through profit or loss				
Interest received on investments	17 264	9 710	16 677	9 665
Sundry interest income (on bank accounts, etc.)	25 225	21 898	14 491	15 038
Interest received SARS	579	–	266	–
Financial assets held-to-maturity				
Interest received on investments	12 393	8 127	–	–
Total interest received	172 042	158 999	136 093	136 380
Dividends received				
Financial assets at fair value through profit or loss				
Ordinary shares – dividends received				
– Quoted shares	29 872	30 383	29 503	27 692
– Unquoted shares	4 987	27 174	20 028	40 192
Preference shares – dividends received				
– Quoted shares	9 834	8 288	9 834	8 288
– Unquoted shares	51 866	60 454	51 866	60 454
Unit trusts – dividends received				
– Unquoted	24 540	14 596	1 624	12
Dividend income fund – dividends received				
– Unquoted funds	–	4 582	–	4 582
Debentures – dividends received				
– Unquoted debentures	–	5 441	–	5 441
Dividends from subsidiaries	–	–	66 614	77 887
Financial assets at fair value through other comprehensive income				
Ordinary shares – dividends received				
– Unquoted shares	–	–	–	–
Total dividends received	121 099	150 918	179 469	224 548
Total interest and dividend income	293 141	309 917	315 562	360 928
Interest paid				
Interest paid – collateral deposit	1 838	1 851	1 838	1 851
Interest paid – treaty reserves	14 123	3 008	14 123	2 965
Interest paid – general	119	1 329	64	39
Interest paid – SARS	14	84	14	84
Total interest paid	16 094	6 272	16 039	4 939
28. Realised profits/(losses) on disposal of investments and other financial assets				
Listed investments	36 111	(33 776)	6 228	(33 776)
Unlisted investments, subsidiaries and associates	17 194	114 507	17 194	(408)
Non-current asset held for sale	–	–	–	–
	53 305	80 731	23 422	(34 184)
Net realised profit on fair value through profit or loss financial assets	53 305	80 731	23 422	(34 184)

	GROUP		COMPANY	
	2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
29. Unrealised profits/(losses) on revaluation of investments and other financial assets				
Listed investments	**(90 467)**	285 426	**(70 291)**	260 144
Unlisted investments, subsidiaries and associates	**782 424**	198 853	**699 028**	183 515
	691 957	484 279	**628 737**	443 659
Net unrealised (loss)/profit on fair value through other comprehensive income assets	**(1 781)**	84	**–**	–
Net unrealised profit on fair value through profit or loss assets	**693 738**	484 195	**628 737**	443 659
	691 957	484 279	**628 737**	443 659

	2015			2014		
	Company R'000	**Rest of Group R'000**	**Total R'000**	Company R'000	Rest of Group R'000	Total R'000
30. Profit before taxation						
Profit before taxation is determined after charging:						
Directors' and prescribed officers' emoluments						
Executive Directors						
Director A						
Basic salary	**1 445**	**1 445**	**2 890**	1 480	1 480	2 960
Bonus and performance related payments	**10 403**	**10 403**	**20 806**	9 033	9 033	18 066
Estimated monetary value of other benefits	**55**	**55**	**110**	51	51	102
Pension/provident fund contributions	**222**	**222**	**444**	209	209	418
	12 125	**12 125**	**24 250**	10 773	10 773	21 546
Director B						
Basic salary	**1 157**	**1 157**	**2 314**	1 091	1 091	2 182
Bonus and performance related payments	**7 369**	**7 369**	**14 738**	6 926	6 926	13 852
Estimated monetary value of other benefits	**166**	**166**	**332**	157	157	314
Pension/provident fund contributions	**185**	**185**	**370**	174	174	348
	8 877	**8 877**	**17 754**	8 348	8 348	16 696
Director C						
Basic salary	**1 005**	**1 005**	**2 010**	951	951	1 902
Bonus and performance related payments	**4 335**	**4 335**	**8 670**	4 380	4 380	8 760
Estimated monetary value of other benefits	**175**	**175**	**350**	167	167	334
Pension/provident fund contributions	**154**	**154**	**308**	145	145	290
	5 669	**5 669**	**11 338**	5 643	5 643	11 286
Non-executive Directors						
Directors' fees						
Director A	**186**	**186**	**372**	150	150	300
Director B	**–**	**–**	**–**	131	131	262
Director C	**366**	**366**	**732**	533	131	664
Director D	**232**	**232**	**464**	206	206	412
Director E	**325**	**650**	**975**	324	429	753
Director F	**143**	**143**	**286**	–	–	–
Director G	**162**	**162**	**324**	–	–	–
	1 414	**1 739**	**3 153**	1 344	1 047	2 391

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

	2015			2014		
	Company R'000	Rest of Group R'000	Total R'000	Company R'000	Rest of Group R'000	Total R'000
30. Profit before taxation (continued)						
Prescribed officers						
Prescribed officer A						
Basic salary	–	–	–	632	70	702
Pension/provident fund contributions	–	–	–	137	15	152
	–	–	–	769	85	854
Prescribed officer B						
Basic salary	765	1 147	1 912	894	894	1 788
Bonus and performance related payments	3 707	5 560	9 267	4 684	4 684	9 368
Estimated monetary value of other benefits	182	274	456	162	162	324
Pension/provident fund contributions	132	198	330	217	217	434
	4 786	7 179	11 965	5 957	5 957	11 914
Prescribed officer C						
Basic salary	1 524	381	1 905	1 437	359	1 796
Bonus and performance related payments	6 935	1 734	8 669	7 009	1 752	8 761
Estimated monetary value of other benefits	79	20	99	78	19	97
Pension/provident fund contributions	336	85	421	314	80	394
	8 874	2 220	11 094	8 838	2 210	11 048
Prescribed officer D						
Basic salary	1 678	187	1 865	1 582	176	1 758
Bonus and performance related payments	6 658	740	7 398	6 732	748	7 480
Estimated monetary value of other benefits	92	10	102	92	10	102
Pension/provident fund contributions	384	42	426	358	40	398
	8 812	979	9 791	8 764	974	9 738
Prescribed officer E						
Basic salary	–	–	–	981	981	1 962
Bonus and performance related payments	–	–	–	6 896	6 896	13 792
Estimated monetary value of other benefits	–	–	–	–	–	–
Pension/provident fund contributions	–	–	–	150	150	300
	–	–	–	8 027	8 027	16 054
Prescribed officer F						
Basic salary	250	2 246	2 496	235	2 115	2 350
Bonus and performance related payments	586	5 274	5 860	545	4 908	5 453
Estimated monetary value of other benefits	–	–	–	–	–	–
Pension/provident fund contributions	32	294	326	31	282	313
	868	7 814	8 682	811	7 305	8 116
Prescribed officer G						
Basic salary	1 933	215	2 148	–	–	–
Bonus and performance related payments	1 954	218	2 172	–	–	–
Estimated monetary value of other benefits	108	12	120	–	–	–
Pension/provident fund contributions	357	38	395	–	–	–
	4 352	483	4 835	–	–	–
Prescribed officer H						
Basic salary	1 640	703	2 343	–	–	–
Bonus and performance related payments	36	15	51	–	–	–
Estimated monetary value of other benefits	250	107	357	–	–	–
	1 926	825	2 751	–	–	–
Total directors' and prescribed officers' emoluments	57 703	47 910	105 613	59 274	50 369	109 643

	GROUP		COMPANY	
	2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
Auditor's remuneration				
Audit fees	**8 889**	9 030	**5 825**	6 133
Prior year under provision	**1 610**	1 406	**1 468**	1 295
Other services	**140**	1 155	**112**	314
	10 639	11 591	**7 405**	7 742
Depreciation				
Office equipment	**14 085**	11 151	**10 130**	8 378
Motor vehicles	**2 251**	2 057	**1 780**	1 369
Leasehold improvements	**3 302**	2 615	**2 823**	2 036
	19 638	15 823	**14 733**	11 783
Expenses for the acquisition of insurance contracts				
Commission, admin and binder fees	**1 073 311**	743 439	**904 863**	642 702
Impairment losses on financial assets				
– Impairment (write-back)/loss on loans to associates, subsidiaries and other	**–**	4 434	**(9 591)**	5 003
– Impairment loss on insurance receivables and reinsurance assets	**6 894**	25 138	**–**	24 952
– Impairment (write-back)/loss on unlisted investment	**(27 165)**	46 885	**(27 165)**	46 885
Other expenditure				
Amortisation of intangible assets	**27 906**	6 459	**2 384**	4 702
Write-off of intangible asset	**53**	–	**–**	–
Write-off of reinsurance debtors	**–**	4 299	**–**	4 299
Write-off of premium debtors	**–**	–	**–**	–
Write-off of property and equipment	**105**		**105**	
Profit on disposal of property and equipment	**(169)**	(443)	**–**	–
Administration fees paid	**864 228**	859 792	**825 970**	824 283
Movement in net provision for claims reported and loss adjustment expenses	**93 574**	39 576	**53 794**	36 849
Professional fees	**57 225**	32 916	**56 355**	29 568
Operating lease rentals – building	**42 126**	34 048	**30 627**	23 557
Operating lease rentals – computer	**10 169**	6 601	**10 169**	6 601
Research and development	**26**	647	**26**	647

31. Taxation

South African normal taxation:				
– Current year	**133 511**	71 303	**92 738**	29 014
– Prior year	**2 094**	1 965	**1 400**	1 922
Deferred taxation:				
– Current year	**138 218**	104 094	**62 024**	96 612
– Prior year	**(1 547)**	–	**–**	–
Withholding tax and foreign tax	**223**	96	**223**	96
	272 499	177 458	**156 385**	127 644
All taxation is payable in respect of continuing operations				
Tax rate reconciliation:	**%**	%	**%**	%
Tax calculated at standard rate of South African tax on earnings	**28.0**	28.0	**28.0**	28.0
Normal taxation – prior year	**–**	–	**–**	0.2
Deferred taxation – prior year	**–**	(0.7)	**–**	(1.0)
Permanent differences				
– Exempt income dividends not taxable	**(3.4)**	(7.3)	**(4.9)**	(7.9)
– Unrealised gains not taxable	**(6.6)**	(3.4)	**(7.0)**	(4.2)
– Other non-taxable income/non-deductible expenses	**(1.8)**	(1.6)	**(0.5)**	0.9
Foreign tax rate differential	**0.7**	1.2	**–**	–
Assessed loss	**0.1**	(0.2)	**–**	–
Secondary tax on companies	**–**	–	**–**	–
Effective rate	**17.0**	16.0	**15.6**	16.0

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

	GROUP		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
32. Reconciliation of profit before taxation to cash generated from operations				
Profit before taxation	**1 380 778**	1 113 241	**1 007 269**	797 081
Adjustments for:				
Depreciation	**19 638**	15 823	**14 733**	11 783
Write-off of loans and other receivables	**41 207**	–	**41 207**	–
Write-off of reinsurance debtors	**–**	4 299	**–**	4 299
Write-off of property and equipment	**454**	–	**105**	–
Impairment loss/(write-back) on loans to associates, subsidiaries and other	**(3 322)**	6 330	**(9 591)**	(4 112)
Impairment loss on insurance receivables and reinsurance assets	**2 291**	25 138	**–**	26 588
Impairment (write-back)/loss on unlisted investment	**(27 165)**	46 885	**(27 165)**	46 885
Intangible asset amortisation	**27 906**	6 459	**2 384**	4 702
Write-off of intangible asset	**53**	–	**–**	–
Non-cash other income	**669**	(24 805)	**–**	–
(Profit)/loss on disposal of investments	**(53 710)**	34 206	**(23 826)**	33 776
Loss on disposal of property and equipment	**(169)**	(443)	**–**	–
Profit on disposal of non-current asset held for sale	**–**	(105 477)	**–**	–
(Profit)/loss on foreign currency translation difference	**(10 449)**	(44 099)	**8 789**	(50 916)
(Profit)/loss on disposal of subsidiaries	**(534)**	(2 686)	**140**	(3 131)
Profit on disposal of associates	**–**	(10 402)	**–**	(10 855)
Net interest and dividend income	**(277 047)**	(303 645)	**(299 523)**	(355 989)
Unrealised loss/(gain) on revaluation of listed investments	**94 421**	(285 426)	**70 291**	(260 144)
Unrealised gain on revaluation of unlisted investments	**(759 247)**	(206 301)	**(375 467)**	(171 799)
Unrealised loss on revaluation of associates	**–**	–	**38 739**	85 119
Unrealised gain on revaluation of subsidiaries	**–**	–	**(362 301)**	(96 824)
Unrealised loss on revaluation of investment property	**8 122**	–	**–**	–
Unrealised profit on other financial assets	**(29 158)**	–	**–**	–
Share of profits in associates	**(85 430)**	18 014	**–**	–
Operating cash flows before working capital changes	**329 308**	287 111	**85 784**	56 463
Working capital changes	**929 575**	(105 679)	**862 227**	(175 165)
(Increase)/decrease in insurance receivables, loans and other receivables	**543 018**	(193 169)	**488 920**	(108 682)
Increase in insurance liabilities	**786 076**	48 269	**622 854**	(29 365)
(Increase)/decrease in reinsurance assets	**(605 689)**	16 563	**(486 023)**	(37 671)
Decrease in deferred acquisition costs	**13 643**	57 460	**14 508**	58 855
Increase/(decrease) in reinsurance liabilities	**135 568**	(48 050)	**97 611**	97 381
Increase/(decrease) in trade and other accounts payables and employee benefits	**56 959**	13 248	**124 357**	(155 683)
Cash generated from operations	**1 258 883**	181 432	**948 011**	(118 702)
33. Dividends paid				
Amounts due at beginning of year	**(48 582)**	(50 865)	**–**	–
Amounts declared for the year	**(554 958)**	(521 643)	**(554 958)**	(521 643)
Amounts declared to non-controlling interest	**(681)**	(649)	**–**	–
Amounts due at end of year	**18 053**	48 582	**3 492**	–
Cash amounts paid	**(586 168)**	(524 575)	**(551 466)**	(521 643)

	GROUP		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
34. Dividends received				
Amounts due at beginning of year	**126 245**	179 508	**126 245**	179 508
Dividends received per profit and loss statement	**121 099**	150 918	**179 469**	224 548
Impairment of accrued dividends per profit and loss statement	**8 374**	(31 505)	**8 374**	(31 505)
Amounts due at end of year	**(144 787)**	(126 245)	**(144 787)**	(126 245)
Cash amounts received	**110 931**	172 676	**169 301**	246 306
35. Taxation paid				
Amounts due at beginning of year	**(333 030)**	(285 283)	**(279 262)**	(244 082)
Amounts charged to profit and loss statement	**(272 499)**	(177 458)	**(156 385)**	(127 644)
Etana transaction	**–**	58 559	**–**	58 559
Foreign currency translation difference	**(536)**	100	**–**	–
Transfer to other financial assets	**108 759**	–	**–**	–
Amounts due at end of year	**288 015**	333 030	**268 232**	279 262
Cash amounts paid	**(209 291)**	(71 052)	**(167 415)**	(33 905)
Amounts due at end of year comprised as follows:				
Deferred income tax asset	**(81 816)**	(48 759)	**(80 040)**	(44 319)
Deferred income tax liability	**424 403**	364 508	**409 493**	311 747
Current taxation asset	**(66 709)**	(4 438)	**(61 221)**	–
Current taxation liability	**12 137**	21 719	**–**	11 834
	288 015	333 030	**268 232**	279 262

36. Business combinations

36.1 Summary of business combinations – 30 June 2015

Disposal of investment in subsidiary

	Haven Development Company R'000	Total R'000
Investment Property	**2 900**	**2 900**
Cash and cash equivalents disposed of	**98**	**98**
Trade and other payables	**(3 532)**	**(3 532)**
Profit generated on disposal of subsidiary	**534**	**534**
Proceeds on disposal of subsidiary	**–**	**–**
Net cash outflow arising on disposal:		
– Cash and cash equivalents	**(98)**	**(98)**
Cash and cash equivalents disposed of	**(98)**	**(98)**

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

36. Business combinations (continued)

36.1 Summary of business combinations – 30 June 2015 (continued)

Disposal of investment in subsidiary (continued)

36.1.1 Disposal of 100% shareholding in Haven Development Company

On 30 April 2015, the Group disposed of 100% of its investments in Haven Development Company. At the date of disposal, the fair value of the investment in the Company was Rnil and the net liability value was R533 839. The Company generated a loss on disposal of R139 900 whereas the Group generated a profit on disposal of R533 939.

	Disposal of investments in subsidiary R'000
The Group's share of the net liabilities at the date of disposal was as follows:	100%
Investment Property	2 900
Cash and cash equivalents	98
Trade and other payables	(3 532)
Profit generated on disposal of subsidiary	534
Proceeds on disposal of subsidiary	–

Acquisition of investment in subsidiary

	Execuline Underwriting Managers (Pty) Ltd R'000	Total R'000
Net assets acquired in the transaction were as follows:		
Fair value at date of acquisition	2 630	2 630
Goodwill	1 589	1 589
Total consideration	4 219	4 219
Net cash outflow arising on acquisition:		
– Cash consideration paid	(4 219)	(4 219)
– Cash and cash equivalents acquired	4 176	4 176
Net Cash and cash equivalents acquired	(43)	(43)

36.1.2 Acquisition of 51% shareholding in Execuline Underwriting Managers (Pty) Ltd

	Acquisition of investment in subsidiary R'000
On 1 July 2014, the Company acquired 51% of the shareholding in Execuline Underwriting Managers (Pty) Ltd for a cash consideration of R4 219 366.	
Net assets acquired in the transaction were as follows:	
Fair value at date of acquisition	2 630
Goodwill	1 589
Total consideration	4 219
Net cash outflow arising on acquisition:	
– Cash consideration paid	(4 219)
– Cash and cash equivalents acquired	4 176
Net Cash and cash equivalents acquired	(43)

36.2 Summary of business combinations – 30 June 2014

Disposal of investments in subsidiaries

	Firebush Investments (Pty) Ltd R'000	Artinsure Underwriting Managers (Pty) Ltd R'000	Total R'000
Property, plant and equipment	–	20	20
Deferred tax	–	11	11
Current tax receivable	–	37	37
Trade and other receivables	–	468	468
Cash and cash equivalents	–	971	971
Trade and other receivables	–	(767)	(767)
Minority interest	–	(296)	(296)
Profit generated on disposal of subsidiary	–	2 686	2 686
Proceeds on disposal of subsidiary	–	3 130	3 130
Net cash outflow arising on disposal:			
– Cash and cash equivalents	–	(971)	(971)
Cash and cash equivalents disposed of	–	2 159	2 159

36.2.1 Disposal of 100% shareholding in Firebush Investments (Pty) Ltd

On 15 February 2014, the Group disposed of 100% of its investments in Firebush Investments (Pty) Ltd. At the date of disposal, the fair value of the investment in the Company was Rnil and the net asset value was Rnil. The Company generated a profit on disposal of Rnil whereas the Group generated a profit on disposal of R1.

	Disposal of investments in subsidiary R'000
The Group's share of the net assets at the date of disposal was as follows:	100%
No assets or liabilities remained at date of disposal	–
Profit generated on disposal of subsidiary	–
Proceeds on disposal of subsidiary	–

36.2.2 Disposal of 60% shareholding in Artinsure Underwriting Managers (Pty) Ltd

On 27 June 2014, the Group disposed of 100% of its investments in Artinsure Underwriting Managers (Pty) Ltd. At the date of disposal, the fair value of the investment in the Company was R3 130 634 and the net asset value was R741 201. The Company generated a profit on disposal of R3 130 574 whereas the Group generated a profit on disposal of R2 685 913.

	Disposal of investments in subsidiary R'000
The Group's share of the net assets at the date of disposal was as follows:	60%
Property, plant and equipment	20
Deferred tax	11
Current tax receivable	37
Trade and other receivables	468
Cash and cash equivalents	971
Trade and other receivables	(767)
Minority interest	(296)
Profit generated on disposal of subsidiary	2 686
Proceeds on disposal of subsidiary	3 130

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

36. Business combinations (continued)

36.2 Summary of business combinations – 30 June 2014 (continued)

Acquisitions of investments in subsidiaries

	Leungo Investments (Pty) Ltd R'000	Accredited Investments (Pty) Ltd R'000	Quisisana (Pty) Ltd R'000	Total R'000
Net assets acquired in the transaction were as follows:				
Fair value at date of acquisition	(21 357)	2 018	(238)	(19 577)
Goodwill	23 728	(2 018)	238	21 948
Total consideration	2 371	–	–	2 371
Net cash outflow arising on acquisition:				
– Cash consideration paid	(2 371)	–	–	(2 371)
– Cash and cash equivalents acquired	379	–	16	395
Net cash and cash equivalents acquired	(1 992)	–	16	(1 976)

36.2.3 Acquisition of further 51% shareholding in Leungo Investments (Pty) Ltd

	Acquisition of investment in subsidiary R'000
On 12 December 2013, the Company acquired the remaining 51% (resulting in 100%) of the shareholding in Leungo Investments (Pty) Ltd for a cash consideration of R2 371 371. Leungo Investments (Pty) Ltd thus changed from an associate to a subsidiary during the current financial year.	
Net assets acquired in the transaction were as follows:	
Fair value at date of acquisition	(21 357)
Goodwill	23 728
Total consideration	2 371
Net cash outflow arising on acquisition:	
– Cash consideration paid	(2 371)
– Cash and cash equivalents acquired	379
Net cash and cash equivalents acquired	(1 992)

36.2.4 Acquisition of 100% shareholding in Accredited Investments (Pty) Ltd

	Acquisition of investment in subsidiary R'000
On 1 January 2014, the Company acquired 100% of the shareholding in Accredited Investments (Pty) Ltd as part of the Etana business acquisition.	
Net assets acquired in the transaction were as follows:	
Fair value at date of acquisition	2 018
Gain on bargain purchase	(2 018)
Total consideration	–
Net cash outflow arising on acquisition:	
– Cash consideration paid	–
– Cash and cash equivalents acquired	–
Net cash and cash equivalents acquired	–

36.2.5 Acquisition of 100% shareholding in Quisisana (Pty) Ltd

	Acquisition of investment in subsidiary R'000
On 1 January 2014, the Company acquired 100% of the shareholding in Quisisana (Pty) Ltd as part of the Etana business acquisition.	
Net assets acquired in the transaction were as follows:	
Fair value at date of acquisition	(238)
Goodwill	238
Total consideration	–
Net cash outflow arising on acquisition:	
– Cash consideration paid	–
– Cash and cash equivalents acquired	16
Net cash and cash equivalents acquired	16

37. Investments in associates

37.1 Summary of the movement in the fair value of the Group's investments in associates – 30 June 2015

There were no acquisitions or disposals of associates during the year ended 30 June 2015.

37.2 Summary of the movement in the fair value of the Group's investments in associates – 30 June 2014

37.2.1 Disposal of investments in associates as at 30 June 2014

The Group disposed of its investment in the following associates:

	Date of disposal	% of share-holding disposed	Proceeds on disposal R'000	Carrying value R'000	(Loss)/ gain on sale of invest-ments R'000
Advantage Motor Plan (Pty) Ltd	27 June 2014	42.4	8 984	28 854	(19 870)
Cast Arena Trade and Invest 87 (Pty) Ltd	31 October 2013	25.1	30 273	–	30 273
South African Underwriting Managers (Pty) Ltd	13 May 2014	30.0	–	–	–
Shaheen Insurance Company Ltd	1 July 2013	31.7	–	–	–
			39 257	28 854	10 403

37.2.2 Partial disposal of investments in associates as at 30 June 2014

The Group partially disposed of its investment in the following associates:

	Date of disposal	% of shareholding disposed
Eikos Holdings SA (Pty) Ltd	01 July 13	9.2
LomHold (Pty) Ltd	30 June 14	26.1

37.2.3 Partial purchase of further investment in associate as at 30 June 2014

The Group obtained a further partial investment in the following associate through the Etana business acquisition:

	Date of further purchase	% further shareholding purchased
Louwfut Beleggings 1077 (Pty) Ltd	01 January 14	7.7

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

	GROUP		COMPANY	
	2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
38. Proceeds on disposal of property and equipment				
Book value of assets sold	**1 380**	493	**391**	–
Profit on disposal	**169**	443	**–**	–
Disposal of subsidiary	**–**	4 439	**–**	–
	1 549	5 375	**391**	–
39. Proceeds on disposal of intangible assets				
Book value of assets sold	**–**	23 042	**–**	–
Disposal of subsidiary	**–**	(23 042)	**–**	–
	–	–	**–**	–
40. Proceeds on disposal of investments				
Proceeds on disposal of listed investments	**161 541**	123 824	**114 553**	123 824
Proceeds on disposal of unlisted investments	**134 951**	322 200	**134 951**	322 200
	296 492	446 024	**249 504**	446 024
41. Proceeds on disposal of non-current assets and liabilities held for sale				
Fair value of assets sold	**–**	274 523	**–**	380 000
Profit on disposal	**–**	105 477	**–**	–
Fair value adjustment through equity	**–**	(368 000)	**–**	(368 000)
	–	12 000	**–**	12 000
42. Capital expenditure				
The following capital expenditure budget has been approved by the Board for the financial year ending 30 June 2016				
Furniture, office equipment and computer hardware and software			**34 680**	25 453
			34 680	25 453

None of this expenditure has been contracted for and will be funded from internal sources.

43. Commitments and contingencies

Operating lease commitment

The Hollard Life Assurance Company Limited entered into a ten-year lease agreement with Hollard Life Properties (Pty) Ltd, to sub-lease the Arcadia premises with effect from 1 July 2005. The lease runs to 30 June 2015. With effect from 1 July 2009 the lease agreement between The Hollard Life Assurance Company Limited and Hollard Life Properties (Pty) Ltd to sub-lease the Arcadia (Phase 1) premises was restructured. Part of the restructuring resulted in a sublease agreement between The Hollard Life Assurance Company Limited and The Hollard Insurance Company Limited for the same period.

The payments recognised as an expense for the year amount to			**30 627**	23 557
			30 627	23 557

44. Contingent liability

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

There were no contingent liabilities at the statement of financial position date.

45. Staff pension and provident fund

The Company has a defined contribution pension fund, the Hollard Employees Pension Fund, with 316 (2014: 236) employees of the Company being members of the fund. The Company and employees' contributions to the fund charged against income for the year were R12 107 016 (2014: R4 582 886).

The Company has a defined contribution provident fund, the Hollard Employees Provident Fund, with 812 (2014: 730) employees of the Company being members of the fund. The Company and employees' contribution to the fund charged against income for the year were R33 591 801 (2014: R17 164 377).

Both of these funds are controlled by a Board of Trustees and are governed by the Pension Funds Act of 1965.

	COMPANY Executive	
	2015 R'000	2014 R'000
46. Loans to Directors		
Balance at beginning of year	**12 080**	12 347
Loans advanced and interest charged during the year	**838**	733
Loan repayments received during the year	**–**	(1 000)
	12 918	12 080

Details of individual loans to directors:

- No new advance were made during the year (2014: Rnil)
- No repayments were made during the year (2014: R1 000 000)
- The loans are given on commercial terms and conditions. The related interest income in 2015 was R838 413 (2014: R733 376)
- Interest on loans to NG Kohler and TBT Mparutsa is charged at the SARS rate and as at 30 June 2015 the rate was 6%

47. Related party transactions

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

The immediate holding company is Hollard Holdings (Pty) Ltd and the ultimate holding company is Pickent Investments Limited (formerly R Enthoven and Sons (Pty) Ltd). Both of these Companies are incorporated in the Republic of South Africa.

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

47. Related party transactions (continued)

The following transactions were carried out with related parties during the year:

	COMPANY			
	Sum insured		UPR	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
Guarantee policies issued				
Affiliated companies:				
Advantage Motor Plan (Pty) Ltd	**10 000**	10 000	**13**	13
Biz Africa	**3 373**	3 373	**2**	2
BSG Short Term (Pty) Ltd	**1 500**	750	**2**	1
Compendium Insurance Group	**52 201**	52 201	**69**	69
Eikos Risk Applications (Pty) Ltd	**5 000**	5 000	**4**	4
First Rand Bank Ltd	**20 000**	20 000	**200**	200
Hirch & Trust (Pty) Ltd	**–**	3 926	**–**	35
Hollard Insurance Company of Namibia Limited (incorporated and operational in Namibia)	**10 000**	10 000	**–**	–
Hollard Mozambique Companhia de Seguros (incorporated and operational in Mozambique)	**–**	39 195	**–**	–
NER Estates-Zanray Investments	**6 141**	6 141	**7**	7
Paramount Risk Consultants (Pty) Ltd	**–**	1 061	**–**	2
Reid Raetzer (Pty) Ltd	**–**	3 007	**–**	2
PWV Insurance Brokers	**26 482**	–	**30**	–
Risk Benefit Solutions (Pty) Ltd	**500**	500	**7**	7
Sapcor (Pty) Ltd	**14 500**	14 000	**22**	18
SCI Capital (Pty) Ltd	**17 920**	17 920	**–**	–

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

	2015 R'000	2014 R'000
Management fees		
– Paid to Hollard Life Assurance Company Limited	**241 680**	234 926
Administration fees		
– Paid to underwriting managers in which the Group holds an investment	**–**	86 859
– Received from underwriting managers in which the Group holds an investment	**–**	41 687
Dividends		
– Dividends received from related parties	**96 147**	106 757
Interest		
– Interest received from related parties	**3 051**	39 396
Commission paid		
– Commission paid to related parties	**2 958**	481
Investment policy with		
– The Hollard Life Assurance Company Limited	**810 039**	743 100
Key management compensation		
– Salaries, bonuses and other short-term employee benefits (Key management refers to Executive Committee members excluding Executive Directors)	**23 644**	11 145
Other transactions		
– Rent paid to Hollard Life Properties (Pty) Ltd	**30 627**	23 557
– Rent and parking income received from related parties	**–**	4 633
– Telephone, printing and other IT charges received from related parties	**–**	2 887
– Other income received for services rendered to related parties	**–**	–
– Transfer of subsidiary to related party	**246 458**	–

Refer to notes 8 and 9 on page 39, as well as note 48 on pages 75 to 77 of these annual financial statements for details of loans with Group companies and other related parties.

48. Subsidiaries, associates and joint venture

				Carrying value of interest in subsidiaries					
	Nature of business	Place of business	Issued share capital R	2015 Proportion held %	2014 Proportion held %	2015 Shares R'000	2015 Indebted-ness R'000	2014 Shares R'000	2014 Indebted-ness R'000
Directly held subsidiaries									
Apex Underwriting Managers (Pty) Ltd	B	RSA	100	**100.00**	100.00	**–**	**1 476**	–	1 360
Casa Luigi Properties (Pty) Ltd	A	RSA	100	**100.00**	100.00	**–**	**–**	3 954	5 592
Comingo Trading (Pty) Ltd	G	RSA	100	**100.00**	100.00	**–**	**–**	–	–
Electronic Risk Underwriting Managers (Pty) Ltd	B	RSA	100	**100.00**	100.00	**–**	**–**	–	–
EquiMed Underwriting Managers (Pty) Ltd	B	RSA	100	**100.00**	100.00	**–**	**–**	–	–
Ground Lily Investments (Pty) Ltd	C	RSA	1	**100.00**	100.00	**–**	**–**	–	–
Haven Development Company (Pty) Ltd	A	RSA	100	**0.00**	100.00	**–**	**–**	–	3 227
Hollard Asset Management (Pty) Ltd	C	RSA	1 999	**50.03**	50.03	**–**	**–**	97 918	(5)
The Hollard Insurance Company of Botswana Limited (incorporated and operational in Botswana)	F	Botswana	13 630 999	**70.00**	70.00	**176 473**	**–**	115 541	–
Hollard Botswana (Pty) Ltd (trading as Hollard Life Botswana and incorporated and operational in Botswana)	F	Botswana	3 433 890	**70.00**	70.00	**2 143**	**–**	3 107	–
Hollard Insurance Company of Namibia Limited (incorporated and operational in Namibia)	F	Namibia	7 700 000	**64.94**	64.94	**339 989**	**–**	221 365	–
Hollard Mocambique Companhia de Seguros (incorporated and operational in Mozambique)	F	Mozambique	30 148 500	**50.10**	50.10	**169 783**	**–**	122 783	–
Hollard Portfolio Management (Pty) Ltd	C	RSA	1	**100.00**	100.00	**41 796**	**–**	41 366	–
JJK Marketing Consultants (Pty) Ltd	B	RSA	100	**100.00**	100.00	**–**	**–**	–	–
Newshelf 33 (Pty) Ltd	C	RSA	1	**100.00**	100.00	**149**	**–**	8 604	21 539
Precept Supply Chain Management (Pty) Ltd	D	RSA	3 001 010	**100.00**	100.00	**–**	**–**	–	–
Quisisana (Pty) Ltd	A	RSA	1	**100.00**	100.00	**–**	**31 687**	–	30 355
Accredited Investments (Pty) Ltd	C	RSA	1	**100.00**	100.00	**–**	**–**	–	–
Leungo Investments (Pty) Ltd	A	RSA	100	**100.00**	100.00	**–**	**37 678**	–	37 677
Execuline Underwriting Managers (Pty) Ltd	B	RSA	100	**51.00**	0.00	**4 219**	**–**	–	–
						734 552	**70 841**	614 638	99 745
Write-back of impairment on loan						**–**	**(12 462)**	–	(12 591)
						734 552	**58 379**	614 638	87 154

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

48. Subsidiaries, associates and joint venture (continued)

Subsidiaries with material Non-Controlling Interest

	Hollard Mocambique Companhia de Seguros		Hollard Insurance Company of Namibia Limited	
	2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
Summarised Balance Sheet				
Total Assets	**742 161**	736 920	**809 396**	693 885
Total Liabilities	**579 439**	570 733	**568 000**	502 406
Net Assets	**162 722**	166 187	**241 396**	191 479
Summarised Income Statement				
Revenue	**297 230**	390 758	**922 261**	665 154
Profit before income tax	**56 380**	56 329	**220 223**	182 619
Income tax	**(16 067)**	(16 240)	**(27 233)**	(19 774)
Profit after income tax	**40 313**	40 089	**192 991**	162 845
Other comprehensive income	**(1 592)**	171	**303**	–
Total comprehensive income	**38 721**	40 260	**193 294**	162 845
Profit/(loss) allocated to NCI	**20 116**	20 866	**172 692**	167 528
Dividends paid to NCI	**–**	–	**(102 688)**	(110 638)
Summarised Cash Flows				
Net cash inflow from operating activities	**154 091**	113 094	**57 319**	264 686
Net cash outflow from investing activities	**(24 890)**	(18 268)	**(112 704)**	(35 935)
Net decrease in cash and cash equivalents	**129 201**	94 826	**(55 385)**	228 751
FCTR	**–**	–	**(1 539)**	–
Cash and cash equivalents at beginning of year	**258 396**	163 570	**125 476**	73 771
Cash and cash equivalents at end of year	**387 597**	258 396	**68 552**	302 552

	Carrying value of interest in associates							
	Nature of business	Issued share capital R	2015 Proportion held %	2014 Proportion held %	2015 Shares R'000	2015 Indebted-ness R'000	2014 Shares R'000	2014 Indebted-ness R'000
Directly held associates								
Eikos Holdings SA (Pty) Ltd	C	260	**40.00**	40.00	**26 624**	**–**	12 295	–
Legal Expenses Group Africa Limited	F	17 000	**39.90**	39.90	**258 684**	**–**	282 235	–
Louwfut Beleggings 1077 (Pty) Ltd	A	1 000	**46.20**	46.20	**–**	**12 855**	–	12 855
Lomhold (Pty) Ltd	F	227 598	**21.80**	21.80	**–**	**–**	176 553	–
					285 308	**12 855**	471 083	12 855
Impairment on loans					**–**	**(2 714)**	–	(2 714)
					285 308	**10 141**	471 083	10 141

	Carrying value of interest in joint ventures							
	Nature of business	Issued share capital R	2015 Proportion held %	2014 Proportion held %	2015 Shares R'000	2015 Indebted-ness R'000	2014 Shares R'000	2014 Indebted-ness R'000
Directly held joint ventures								
Exiliti Services (Pty) Ltd	E	400	**50.00**	50.00	**–**	**10 943**	–	10 943
Impairment on loans					**–**	**(10 943)**	–	(10 943)
					–	**–**	–	–

Nature of business
A Property holding
B Underwriting managers
C Investment holding
D Venture Capital
E Business process outsourcing services
F General insurance
G Administration

Directorate and administration

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

Non-Executive Chairman	ADH Enthoven
Group Chief Executive Officer	NG Kohler
Group Chief Financial Officer	TBT Mparutsa
Executive Director	IH Ross
Independent Non-Executive Director	BF Mohale
Non-Executive Director	R Fihrer
Independent Non-Executive Director	B Ngonyama
Independent Non-Executive Director	PK Ward
Independent Non-Executive Director	S Patel
Independent Non-Executive Director	NV Simamane

Administration

Company Secretary
NL Shirilele

Public Officer
NL Shirilele

Compliance Officer
M Naidoo

Registered office and business address
Hollard at Arcadia
22 Oxford Road
Parktown
Johannesburg
2193

Postal address
PO Box 87419
Houghton
2041

Website
www.hollard.co.za

Nature of business
The Company transacts short-term insurance business.

Auditors
Deloitte & Touche
Building 8
Deloitte Place
The Woodlands
Woodlands Drive
Woodmead
Sandton

Registration number
1952/003004/06

(Registration number 1993/001405/06)
Audited consolidated annual financial statements for the year ended 30 June 2015

HOLLARD LIFE ASSURANCE COMPANY LIMITED

Hollard.

CONTENTS

Hollard.

Group salient features

for the year ended 30 June 2015

	2015 R'000	2014 R'000	2013 R'000	2012 R'000	2011 R'000
Income statement information					
Gross premium income[1]	**5 175 795**	6 134 144	5 414 026	5 744 055	4 430 638
Net written premium income[2]	**4 411 143**	5 407 534	4 816 872	5 185 910	3 945 510
Investment income[3]	**613 551**	783 741	763 955	927 626	722 633
Net insurance claims	**1 612 730**	2 117 493	2 353 907	1 331 930	1 056 814
Profit attributable to equity holders of the parent	**1 073 560**	1 148 826	1 121 112	821 099	658 197
Statement of financial position information					
Insurance liabilities	**10 177 737**	13 097 931	11 781 892	11 391 244	9 212 828
Equity attributable to equity holders of the parent	**2 321 795**	2 084 966	1 804 223	1 559 968	1 291 060
Total assets	**14 173 461**	16 600 998	14 919 605	14 345 314	11 720 371
Financial assets (i.e. listed investments and unlisted investments)	**11 154 706**	13 789 566	12 393 561	12 029 487	9 623 996
Cash and cash equivalents	**1 970 839**	1 966 963	1 774 949	1 449 527	1 331 624
Actuarial information					
Statutory excess of assets over liabilities (Company)	**1 192 283**	992 591	855 066	783 389	742 263
Capital adequacy requirement (CAR)[4]	**320 350**	324 197	304 944	260 091	253 641
Value of in-force business[5]	**4 906 397**	4 569 511	3 993 958	3 124 274	2 360 064
Total embedded value[5]	**7 280 584**	6 713 255	5 866 819	4 824 530	3 862 829
	%	%	%	%	%
Statutory excess of assets over liabilities as a multiple of CAR	**3.7**	3.1	2.8	3.0	2.9

(1) "Gross premium income" represents the total income arising from insurance contracts only. In accordance with IAS 39: Financial Instruments: Recognition and Measurement (IAS 39), all items of income and expenditure in respect of investment contracts are excluded from the income statement and accounted for directly against the liability under these contracts in the statement of financial position.

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

(3) "Investment income" includes net investment income plus unrealised profits and losses on the investment and trading portfolio.

(4) "Capital adequacy requirement" represents a margin against adverse experience in the assumptions underlying the actuarial valuation of both the policyholders' assets and liabilities.

(5) The "value of in-force business" and "total embedded value" information reported above includes profits attributable to Hollard Life's holding company joint venture partners.

Directors responsibility statement and approval of annual financial statements

for the year ended 30 June 2015

In terms of the Companies Act of South Africa, the Directors are required to maintain adequate accounting records and to prepare annual financial statements that fairly present the financial position at year-end and the results and cash flows for the year of Hollard Life Assurance Company Limited ("Hollard Life" 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 controls, 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 reporting on the Group and Company annual financial statements.

The Group and Company annual financial statements are prepared in accordance with International Financial Reporting Standards and incorporate responsible disclosures in line with the accounting policies of the Group. The Group and Company 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 a going concern in the year ahead. For this reason they continue to adopt the going-concern basis in preparing the annual financial statements.

These annual financial statements, set out on pages 81 to 151 have been approved by the Board of The Hollard Life Assurance Company and are signed on their behalf by:

ADH Enthoven
Chairman

27 October 2015

NG Kohler
Chief Executive Officer

27 October 2015

Certification by Company Secretary

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.

NL Shirilele
Company Secretary

27 October 2015

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 Long Term Insurance Act, 1998. The Committee reviewed the Company's financial statements, and assessed that these accurately represented the financial position of the Company. The Committee further reviewed the 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 is satisfied that it has discharged all its responsibilities.

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.

PK Ward
Chairman: Audit Committee

27 October 2015

Statement of actuarial values of assets and liabilities

as at 30 June 2015

	Notes	2015 R'000	2014 R'000
Published reporting basis			
Total assets as per Company financial position	2	14 220 571	16 640 073
Less: Liabilities		11 846 383	14 496 329
Actuarial value of policy liabilities	3, 4	10 177 737	13 097 931
Deferred income tax		549 106	524 269
Current liabilities as per Company financial position		1 119 541	874 129
Excess of assets over liabilities		2 374 188	2 143 744
Represented by:			
Share capital and share premium		20 000	20 000
Retained earnings as per Company financial position		2 354 187	2 123 744
		2 374 187	2 143 744
Statutory basis			
Total assets on the statutory basis		14 189 724	16 624 136
Less: Liabilities		12 997 441	15 631 545
Actuarial value of policy liabilities		11 776 427	14 674 620
Deferred income tax		101 473	82 796
Current liabilities as per Company financial position		1 119 541	874 129
Excess of assets over liabilities		1 192 283	992 591
Capital adequacy requirement	5	320 350	324 197
Capital adequacy: times covered		3.7	3.1
Reconciliation of excess assets between published reporting basis and statutory basis			
Excess assets on published reporting basis		2 374 187	2 143 744
Excess assets on statutory basis		1 192 283	992 591
Difference		1 181 904	1 151 153
The difference between the excess assets on the published reporting basis and statutory basis is due to:			
Elimination of negative reserves		1 589 047	1 547 827
Inadmissible assets		30 847	15 937
Unapproved reinsurance		9 643	28 861
Deferred income tax		(447 633)	(441 473)
Total		1 181 904	1 151 153
Analysis of change in excess assets			
The excess of the value of assets over the value of liabilities has changed as follows over the reporting year:			
Excess of assets at beginning of year		2 143 744	1 872 861
Excess of assets at end of year		2 374 187	2 143 744
Change in excess assets over the reporting year		230 443	270 883
This change in the excess assets is due to the following factors:			
Investment return on excess assets		369 939	425 580
Investment income		237 685	314 456
Capital appreciation		132 254	111 124
Operating profit		1 096 968	1 047 276
Increase in liabilities due to change in valuation methods or assumptions		1 626	107 823
Taxation		(392 630)	(424 449)
Total earnings after taxation		1 075 903	1 156 230
Dividends declared		(855 254)	(885 350)
Section 37 Transfer of Covision long-term business		9 612	–
Total change in excess assets		230 261	270 880

Statement of actuarial values of assets and liabilities (continued)

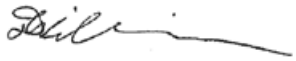
as at 30 June 2015

Certification of the financial position

I hereby certify that:

The valuation of Hollard Life Assurance Company Limited as at 30 June 2015, the results of which are summarised above, has been conducted in accordance with applicable Actuarial Society of South Africa Standard Actuarial Practice and Practice Notes.

Hollard Life Assurance Company Limited was financially sound on the Statutory Valuation Method as at 30 June 2015 and will continue to be so in the foreseeable future.



DJ Viljoen MSc, FFA, FASSA[1]
Statutory Actuary

30 October 2015

1 Actuarial Society of South Africa is the primary actuarial body.

Notes to the statement of actuarial values of assets and liabilities

as at 30 June 2015

1. Published reporting valuation methods and assumptions

The valuation was performed using the financial soundness valuation method for insurance contracts and for investment contracts participating in profits on a discretionary basis. Investment contracts without discretionary participation features have been valued in terms of IAS 39, which is generally at fair value.

The result of the valuation methods and assumptions is that profits for insurance contracts and for investment contracts with participation in profits on a discretionary basis are released appropriately over the term of each policy, to avoid premature recognition of profits that may give rise to losses in later years.

2. Valuation basis – assets

Assets have been taken at the value at which they appear in the annual financial statements. The valuation methods are in line with International Financial Reporting Standards (IFRS), which is at fair value.

3. Valuation basis – insurance contracts and investment contracts with discretionary participating features

The following business lines were valued on a gross premium cash flow basis:

- Individual life policies;
- Credit life policies administered internally;
- Funeral policies;
- Personal accident policies; and
- Endowment policies with risk benefits.

The balance of the liabilities have been determined on an unexpired premium reserve basis with allowance for a reserve for "Incurred But Not Reported" (IBNR) claims. The latter methodology is appropriate due to the nature of the policies concerned.

In calculating the gross premium liabilities mentioned above, best estimate assumptions were used plus compulsory margins as defined in SAP 104. The best estimate assumptions were derived from experience analyses conducted at the end of March 2015. The primary assumptions used in the gross premium valuation (excluding compulsory margins) are as follows (2014 assumptions shown in parentheses):

- Expenses were allowed for based on an expense analysis carried out during the year (unchanged);
- Expenses inflation of 6.70% per annum (2014: 6.80%);
- Future bonuses under reversionary bonus policies remained unchanged;
- Mortality assumptions were set based on the results of a mortality experience analysis carried out during the year with explicit allowance for HIV/Aids (unchanged);
- Withdrawals were set at levels consistent with an experience analysis carried out during the financial year (unchanged);
- Future investment returns were based on the asset mix backing the liabilities with the following assumed future yields: cash 7.00% (2014: 6.80%), gilts 8.00% (2014: 7.80%), property 9.00% (2014: 8.80%) and equities 11.50% (2014: 11.30%). Income tax was allowed for explicitly at the appropriate rates and capital gains tax was allowed for implicitly in the discount rate (unchanged).
- The liabilities under the whole life portfolios (Altrisk and Funeral) have been valued assuming an asset mix of 100% bonds. The yields reflect the swap curve plus a margin for liquidity.
- A discretionary margin of R117 million (2014: R77 million) was held as partial elimination of negative reserves;
- A contingency reserve to cover possible data problems of R50 million (2014: R42 million) was held as a discretionary reserve; and
- Negative reserves were allowed for on the published reporting basis (unchanged).

In addition to the above, compulsory margins were allowed for as outlined in SAP 104.

4. Valuation basis – investment contracts without discretionary participating features

The liabilities were calculated at fair value. For unit-linked business without a significant risk element, the value of the liability was set equal to the value of the investment account. No deferred acquisition cost asset or deferred revenue liability was held.

5. Capital adequacy requirement (CAR)

The capital adequacy is the additional amount required, over and above the actuarial liabilities, to enable the Company to meet material deviations in the main parameters affecting its business. The CAR has been calculated on the Statutory Basis in accordance with the Actuarial Society of South Africa's guidelines and Financial Services Board directives.

In calculating the investment resilience CAR, it was assumed that equity values would decline by 30%, property values by 15% and fixed interest asset values by the effect of a 25% increase in fixed interest yields.

With the elimination of negative reserves on the statutory basis, the termination capital adequacy requirement (TCAR) does not apply. The CAR quoted above is the ordinary capital adequacy requirement (OCAR). For the purpose of grossing up the intermediate ordinary capital adequacy requirements (IOCAR), it has been assumed that assets backing the capital adequacy requirements are all invested in equities. No management action has been assumed.

6. Material changes in the liability valuation basis compared to last year

The methodology used has remained broadly the same as that used for the 2014 valuation. Changes in the main assumptions have been outlined in note 3 above and had an overall impact of increasing the value of actuarial liabilities by R1.6 million (2014: R108 million) during the financial year.

Embedded value statement

as at 30 June 2015

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

The embedded value has been calculated on a best estimate basis, where the assumptions have been arrived at by removing both compulsory and discretionary margins from the financial soundness basis. The risk discount rate used in the calculation was 12.00% (2014: 11.80%).

	2015 R'000	2014 R'000
Value of in-force business	4 906 397	4 569 511
Excess of assets over liabilities	2 374 187	2 143 744
Total embedded value	7 280 584	6 713 255

The embedded value includes profits attributable to Hollard Life's holding company joint venture partners and gross of tax.

Independent Auditor's report

for the year ended 30 June 2015

To the shareholder of Hollard Life Assurance Company Limited

We have audited the consolidated and separate financial statements of Hollard Life Assurance Company Limited set out on pages 90 to 150, which comprise the statements of financial position as at 30 June 2015, and the income statements, the statements of comprehensive income, the statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated and separate financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and separate financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of The Hollard Life Assurance Company Limited as at 30 June 2015, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 30 June 2015, we have read the Directors' report, the Audit Committee's report and the Company Secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Deloitte & Touche

Deloitte & Touche
Registered Auditors
Per: Diana Jorge
Partner

30 October 2015

National Executive

LL Barn (*Chief Executive*)*; AE Swiegers (*Chief Operating Officer*)*; GM Pinnock (*Audit*); DL Kennedy (*Risk Advisory*)*; NB Kader* (*Tax*); TP Pillay (*Consulting*); K Black (*Clients and industries*)*; JK Mazzocco* (*Talent and transformation*); MJ Jarvis (*Finance*)*; M Jordan* (*Strategy*); S Gwala (*Managed services*); TJ Brown (Chairman of the Board)*; MJ Comber* (Deputy Chairman of the Board)

** Partner and Registered Auditor*

A full list of partners and directors is available on request.

B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code

Member of Deloitte Touche Tohmatsu Limited

Directors' report

for the year ended 30 June 2015

The Directors have pleasure in presenting the Directors' report which forms part of the annual financial statements of the Company and Group for the year ended 30 June 2015.

Nature of business

The Company is a registered life assurer and transacts all classes of life assurance business throughout the Republic of South Africa. The activities and details of the interests in subsidiaries, associates and joint ventures are listed in note 37 on page 149 of the financial statements.

General review

In the year under review the Group achieved net profit attributable to the equity holder of the parent of R1 073 561 000 (2014: R1 148 826 000), which arose from the Group's operations as follows:

	GROUP	
	2015 R'000	2014 R'000
Net premium income	**4 411 143**	5 407 533
Investment income	**613 551**	783 741
Other income	**32 375**	52 315
Total revenue	**5 057 069**	6 243 589
Net insurance benefits and claims	**1 612 730**	2 550 347
Other operating expenses	**2 173 268**	2 174 654
Total expenses	**3 785 998**	4 725 001
Results of operating activities	**1 271 071**	1 518 588
Share of profit/(loss) of associates	**195 299**	57 140
Profit before taxation	**1 466 370**	1 575 728
Taxation	**(392 857)**	(426 534)
Profit for the year	**1 073 513**	1 149 194
Non-controlling interest	**48**	(368)
Net profit attributable to the equity holder of the parent	**1 073 561**	1 148 826

Share capital

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

Dividends

Dividends of R885 254 000 were declared during the year (2014: R885 347 000).

Subsidiaries, associates and joint ventures

The Company acquired the following associates during the year:

- Ducome Brokers (Pty) Ltd
- Ooba (Pty) Ltd

The Company's aggregate share of the profits and (losses) of subsidiaries for the year amounted to R2 246 000 and (R27 674 000) respectively (2014: R4 823 000 and (R2 242 000) respectively).

Going concern

The Board believes that the Company and Group will continue to be a going concern in the foreseeable future. For this reason, the directors have adopted the going-concern basis in preparing the financial statements.

Subsequent events

On 1 July 2015, Hollard Life Assurance Company entered into a treaty agreement with Swiss Re Life and Health Africa Limited and Hannover Life Reassurance Africa Ltd for the amount of R570 000 000. The reinsurance commission of R570 000 000 will be equally funded by both reinsurers. These funds will be used to invest in Hollard Life Assurance Company's partner with certain benefits accruing to Hollard. The Board is not aware of any other event since the end of the financial year not otherwise dealt with in the financial statements that would affect the operations of the Company and Group or the results of those 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 21 November 2014:

R Fihrer and B Ngonyama

Executive directors

NG Kohler (Group CEO) and TBT Mparutsa (Group CFO) were the only Executive Directors who held office during the year.

Non-executive directors

ADH Enthoven, B Ngonyama, SC Gilbert, NV Simamane, S Patel, R Fihrer and BF Mohale were in office during the year as Non-Executive Directors.

Preparer of annual financial statements

These annual financial statements were prepared by Navashnie Pillay, BCom (Acc) Hons, under the supervision of the Financial Manager: Prevashini Kalimuthu, CA(SA).

Auditors

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

Company secretary

NL Shirilele

Business address

Hollard at Arcadia
22 Oxford Road
Parktown
Johannesburg
2193

Postal address

PO Box 87428
Houghton
2041

Holding company

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

Statements of financial position

as at 30 June 2015

	Notes	GROUP 2015 R'000	GROUP 2014 R'000	COMPANY 2015 R'000	COMPANY 2014 R'000
ASSETS					
Property and equipment	4	2 639	2 197	1 833	–
Goodwill	5	–	27 277	–	–
Intangible assets	6	9 546	4 300	9 546	4 300
Interest in subsidiaries	7	–	–	13 531	15 268
Investments in associates	8	58 272	154 795	57 733	243 912
Financial assets	9	11 154 706	13 789 566	11 153 580	13 789 565
Reinsurance assets		127 095	131 585	127 095	131 585
Insurance, loans and other receivables	11	597 032	521 953	596 178	497 493
Deferred income tax	12	821	1 100	–	–
Current tax assets		176	1 261	–	1 045
Cash and cash equivalents	13	1 970 839	1 966 963	1 950 900	1 956 905
Non-current assets held for sale	14	252 334	–	310 175	–
Total assets		14 173 460	16 600 997	14 220 571	16 640 073
EQUITY AND LIABILITIES					
Share capital and premium	15	20 000	20 000	20 000	20 000
Foreign currency translation reserve		21 351	12 438	–	–
Retained earnings		2 280 444	2 052 531	2 354 187	2 123 744
Equity attributable to equity holders of the parent		2 321 795	2 084 969	2 374 187	2 143 744
Non-controlling interest		906	953	–	–
Total equity		2 322 701	2 085 922	2 374 187	2 143 744
Policyholder liabilities	16	10 177 737	13 097 931	10 177 737	13 097 931
Outstanding claims		353 139	289 420	353 139	289 420
Short-term borrowings	17	–	15 865	–	–
Reinsurance liabilities		144 767	149 189	144 767	149 189
Employee benefits	18	154 610	124 846	154 610	124 846
Trade and other payables	19	383 552	303 724	379 244	300 843
Deferred income tax	12	549 106	524 269	549 106	524 269
Shareholder dividends		–	9 831	–	9 831
Current income tax		87 848	–	87 781	–
Total liabilities		11 850 759	14 515 075	11 846 384	14 496 329
Total equity and liabilities		14 173 460	16 600 997	14 220 571	16 640 073

Income statements

for the year ended 30 June 2015

	Notes	GROUP 2015 R'000	GROUP 2014 R'000	COMPANY 2015 R'000	COMPANY 2014 R'000
Revenue					
Gross premium income	20	5 175 795	6 134 144	5 175 795	6 134 144
Reinsurance premiums outwards	20	(764 652)	(726 611)	(764 652)	(726 611)
Net premium income		4 411 143	5 407 533	4 411 143	5 407 533
Interest		595 944	647 804	596 007	648 894
Dividends		59 270	51 522	64 259	98 457
Realised profit on disposal of investments	21	9 860	78 882	9 860	79 682
Unrealised profit/(loss) on revaluation of investments	22	(71 200)	(22 444)	100 503	(5 944)
Rental Income		19 678	27 977	–	–
Investment income		613 552	783 741	770 629	821 090
Other income		32 375	52 315	31 919	49 302
Total revenue		5 057 070	6 243 589	5 213 691	6 277 925
Expenses					
Policyholder benefits	25	3 251 090	2 117 493	3 251 090	2 117 493
Transfer to Policyholder liabilities	16	(1 638 360)	432 854	(1 638 360)	432 854
Net insurance claims		1 612 730	2 550 347	1 612 730	2 550 347
Commission and other acquisition costs		430 028	516 539	430 028	516 539
Interest paid		7 972	5 528	6 718	2 871
Marketing and administration expenses		1 735 268	1 652 587	1 695 500	1 627 489
Total expenses		3 785 998	4 725 001	3 744 976	4 697 246
Results of operating activities		1 271 072	1 518 588	1 468 715	1 580 679
Share of profit of associates		195 299	57 140	–	–
Profit before taxation	23	1 466 370	1 575 728	1 468 715	1 580 679
Taxation	24	392 857	426 534	392 630	424 449
Profit for the year		1 073 513	1 149 194	1 076 085	1 156 230
Profit for the year attributable to:					
Equity holders of the parent		1 073 561	1 148 826		
Non-controlling interest		(48)	368		
		1 073 513	1 149 194		

Statements of comprehensive income

for the year ended 30 June 2015

	GROUP		COMPANY	
	2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
Profit for the year	**1 073 513**	1 149 194	**1 076 085**	1 156 230
Other comprehensive income				
Exchange differences on translating foreign operations	**8 913**	7 038	**–**	–
Other comprehensive income for the year	**8 913**	7 038	**–**	–
Total comprehensive income for the year	**1 082 426**	1 156 232	**1 076 085**	1 156 230
Total comprehensive income attributable to:				
Equity holders of the parent	**1 082 474**	1 155 864		
Non-controlling interests	**(48)**	368		
	1 082 426	1 156 232		

Statements of changes in equity

for the year ended 30 June 2015

	Attributable to equity holders of the parent							
	Issued share capital R'000	Share premium R'000	Foreign currency translation reserves R'000	Share option 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 2013	20	19 980	–	9 303	1 784 223	1 813 526	2 325	1 815 851
Other comprehensive income	–	–	7 038	–	–	7 038	–	7 038
Net profit for the year	–	–	–	–	1 148 826	1 148 826	368	1 149 194
Total comprehensive income	–	–	7 038	–	1 148 826	1 155 864	368	1 156 232
Dividends declared	–	–	–	–	(886 986)	(886 986)	–	(886 986)
Transfer from Retained earnings to FCTR	–	–	5 400	–	(5 400)	–	–	–
Transfer from Non-distributable reserves	–	–	–	(9 303)	9 303	–	–	–
Disposal of subsidiary – Cannon Asset Managers (Pty) Ltd	–	–	–	–	2 344	2 344	(1 740)	604
Acquisition of subsidiary – Finningley (Pty) Ltd	–	–	–	–	221	221	–	221
Balance at 30 June 2014	20	19 980	12 438	–	2 052 531	2 084 969	953	2 085 922
Other comprehensive income	–	–	8 913	–	–	8 913	–	8 913
Net profit for the year	–	–	–	–	1 073 561	1 073 561	(48)	1 073 513
Total comprehensive income	–	–	8 913	–	1 073 561	1 082 475	(48)	1 082 426
Dividends declared	–	–	–	–	(855 259)	(855 259)	–	(855 259)
NAV acquired through Covision portfolio transfer	–	–	–	–	9 612	9 612	–	9 612
Balance at 30 June 2015	20	19 980	21 351	–	2 280 445	2 321 796	905	2 322 701
COMPANY								
Balance at 1 July 2013	20	19 980	–	9 303	1 843 558	1 872 861		
Dividends declared	–	–	–	–	(885 347)	(885 347)		
Other comprehensive income	–	–	–	–	–	–		
Net profit for the year	–	–	–	–	1 156 230	1 156 230		
Total comprehensive income	–	–	–	–	1 156 230	1 156 230		
Transfer from non-distributable reserves	–	–	–	(9 303)	9 303	–		
Balance at 30 June 2014	20	19 980	–	–	2 123 744	2 143 744		
Dividends declared	–	–	–	–	(855 254)	(855 254)		
Other comprehensive income	–	–	–	–	–	–		
Net profit for the year	–	–	–	–	1 076 085	1 076 085		
Total comprehensive income	–	–	–	–	1 076 085	1 076 085		
NAV acquired through Covision portfolio transfer	–	–	–	–	9 612	9 612		
Balance at 30 June 2015	20	19 980	–	–	2 354 187	2 374 187		

Statements of cash flows

for the year ended 30 June 2015

		GROUP		COMPANY	
	Notes	2015 R'000	2014 R'000	2015 R'000	2014 R'000
Cash flows from operating activities					
Cash receipts from policyholders and other customers		4 407 920	5 369 558	4 401 386	5 351 772
Cash paid to policyholders, suppliers and employees (net of transfers to reserves)		(5 019 846)	(4 170 663)	(5 029 831)	(4 195 759)
Cash (utilised by)/generated from operations	26	(611 926)	1 198 895	(628 445)	1 156 013
Interest paid		(7 972)	(5 528)	(6 718)	(2 871)
Dividends paid	27	(865 090)	(877 155)	(865 085)	(875 516)
Interest received		595 943	648 874	596 007	649 964
Dividends received	28	40 316	52 763	45 305	99 698
Rental received		19 678	27 977	–	–
Other Income		32 375	52 315	31 919	49 301
Taxation paid	29	(278 807)	(388 114)	(278 967)	(388 106)
Net cash outflow from operating activities		(1 075 483)	710 027	(1 105 988)	688 483
Cash flows from investing activities					
Acquisition of property and equipment	4	(2 264)	(3 185)	(2 170)	–
Acquisition of intangible assets		(5 924)	(232)	(5 924)	–
Acquisition of listed and unlisted investments		(256 375)	(2 154 090)	(255 248)	(2 154 090)
Acquisition of bonds		(768 176)	(1 519 254)	(768 176)	(1 519 254)
Proceeds on disposal of property and equipment	4	124	4 366	–	–
Proceeds on disposal of subsidiaries		–	5 312	–	9 500
Proceeds on disposal of listed and unlisted investments		105 930	2 136 840	105 930	2 136 840
Proceeds on disposal of bonds		2 173 345	1 051 704	2 173 345	1 051 704
Acquisition of subsidiaries		–	(5 000)	–	(5 000)
Acquisition of associate		(67 001)	(3 016)	(67 001)	(3 016)
Decrease in loans to subsidiaries		–	–	3 615	10 072
Decrease in loans to associated companies		–	–	26 667	–
Increase in loans due to Group companies		(40 754)	(4 058)	(40 754)	(4 058)
Increase in other loans		(43 681)	(14 529)	(70 300)	(14 529)
Net cash inflow/(outflow) from investing activities		1 095 224	(505 144)	1 099 984	(491 831)
Cash flows from financing activities					
Decrease in long-term borrowings		–	(15 865)	–	–
(Decrease)/increase in short-term borrowings		(15 865)	2 995	–	–
Net cash outflow from financing activities		(15 865)	(12 870)	–	–
Cash and cash equivalents					
Net (increase)/decrease in cash and cash equivalents		3 877	192 014	(6 005)	196 650
Cash and cash equivalents at beginning of financial year		1 966 963	1 774 949	1 956 905	1 760 255
Cash and cash equivalents at end of financial year	13	1 970 839	1 966 963	1 950 900	1 956 905

Notes to the annual financial statements

for the year ended 30 June 2015

1. Accounting policies

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

1.1 Basis of presentation

The consolidated 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 financial statements.

The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of investment properties and certain financial instruments, both of which are carried at fair value. Policyholder liabilities under insurance contracts are valued in terms of the Financial Soundness Valuation (FSV) basis contained in the Standards of Actuarial Practice (SAP) 104, issued by the Actuarial Society of South Africa.

Use of estimates and judgements

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

The 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 income statement 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 is disclosed in note 1.20 on page 30 of 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. The Group and Company adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the IFRIC of the IASB relevant to its operations that are effective for annual reporting periods beginning on or after 1 January 2011. The adoption of these revised standards and interpretations did not have any effect on the Group's and Company's financial performance or position, although they did give rise to additional disclosures including, in some cases, changes to existing accounting policies.

The Group and Company will comply with standards issued but not yet effective for the 2015 financial year, from the respective effective dates. It is expected that the application of these standards will have an impact on the Group's reported results, financial position and cashflow. The adoption of these standards will give rise to additional disclosures including, in some cases, changes to existing accounting policies for the Goup and Company. The new and amended IFRS and IFRIC interpretations together with the dates on or after which they became effective, are as follows:

International Financial reporting Standards and Amendments issued but not yet effective for the financial year ended 30 June 2015

- IFRS 3 (effective for annual periods beginning on or after 1 July 2014): Amended by Annual Improvements to IFRSs 2011 – 2013 Cycle (scope exception for joint ventures)
- IFRS 3 (Applicable for business combinations for which the acquisition date is on or after 1 July 2014): Amended by Annual Improvements to IFRSs 2010 – 2012 Cycle (contingent consideration)
- IFRS 5 (Effective for annual periods beginning on or after 1 January 2016): Amended by Improvements to IFRSs 2014 (changes in methods of disposal)
- IFRS 7 (effective for annual periods beginning on or after 1 January 2015 (or otherwise when IFRS 9 is first applied): Mandatory Effective Date and Transition Disclosures (Amendments to IFRS 9 and IFRS 7) issued
- IFRS 7 (Applies when IFRS 9 is applied): IFRS 9 Financial Instruments (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39) issued, implementing additional disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9
- IFRS 7 (Effective for annual periods beginning on or after 1 January 2016): Amended by Improvements to IFRSs 2014 (servicing contracts and applicability of the amendments to IFRS 7 to condensed interim financial statements)
- IFRS 9 *Financial Instruments* (effective for annual periods beginning on or after 1 January 2015): (Reissue of a complete standard with all the chapters incorporated (Annual periods beginning on or after 1 January 2018)
- IFRS 10 (effective for annual periods beginning on or after 1 January 2014): Amended by Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
- IFRS 10 (Effective for annual periods beginning on or after 1 January 2016): Amended by Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
- IFRS 10 (Effective for annual periods beginning on or after 1 January 2016): Amendments related to the application of the investment entities exceptions

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

1. Accounting policies (continued)

1.1 Basis of presentation (continued)

Adoption of new and revised standards (continued)

International Financial reporting Standards and Amendments issued but not yet effective for the financial year ended 30 June 2015 (continued)

- IFRS 11 (effective for annual periods beginning on or after 1 January 2016): Amended by Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)
- IFRS 13 (effective for annual periods beginning on or after 1 July 2014): Amended by Annual Improvements to IFRSs 2011–2013 Cycle (scope of portfolio exception in paragraph 52)
- IFRS 15 (effective for annual periods beinning on or after 1 January 2018): New standard
- IAS 16 (effective for annual periods beginning on or after 1 January 2016): Amended by Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
- IAS 19 (effective for annual periods beginning on or after 1 January 2016): Amended by Improvements to IFRSs 2014 (discount rate: regional market issue)
- IAS 24 (effective for annual periods beginning on or after 1 July 2014): Amended by Annual Improvements to IFRSs 2010–2012 Cycle (entities providing key management personnel services)
- IAS 27 (effective for annual periods beginning on or after 1 January 2016): Amended by Equity Method in Separate Financial Statements (Amendments to IAS 27) (project history)
- IAS 28 (effective on a prospective basis to transactions occurring in annual periods beginning on or after 1 January 2016): Amended by Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
- IAS 28 (effective on a prospective basis to transactions occurring in annual periods beginning on or after 1 January 2016): Amendments related to the application of the investment entities exceptions
- IAS 38 (effective for annual periods beginning on or after 1 July 2014): Amended by Annual Improvements to IFRSs 2010–2012 Cycle (proportionate restatement of accumulated depreciation under the revaluation method)
- IAS 38 (effective for annual periods beginning on or after 1 January 2016): Amended by Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
- IAS 39 (applies when IFRS 9 is applied): IFRS 9 *Financial Instruments* (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39) issued, permitting an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception

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 has the power to govern the financial and operating policies so as to obtain benefits from their activities. Control generally accompanies a shareholding of more than 50% of a subsidiary's voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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 income statement.

The Group uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured at 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 and 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 income statement.

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 is 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 additional investments 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 as at fair value through profit and loss financial instruments in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* due to the fact that it continually manages and evaluates these investments on a fair value basis.

Investments in associates

Associates are 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 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 associates 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 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 forms 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 the income statement.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is immediately recognised in the income statement.

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 as at fair value through profit and loss financial instruments in accordance with IAS 39 due to the fact that it continually manages and evaluates these investments on a fair value basis.

Interests in joint ventures

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 Group's interests in joint ventures are accounted for on the proportionate consolidation method, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5. Under the proportionate consolidation method, the Group's attributable share of assets, liabilities, reserves, income, expenses and cash flows of the joint ventures are combined on a line-by-line basis with similar items in the consolidated annual financial statements. The results of the joint ventures are included from the effective date of acquisition to the effective date of disposal.

Inter-group transactions are eliminated to reflect only the other joint venture partners' share of amounts due to or from the Group.

The Company classifies its investments in joint ventures as at fair value through profit or loss financial instruments in accordance with IAS 39, due to the fact that it continually manages and evaluates these investments on a fair value basis.

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 and joint ventures at the acquisition date. Goodwill arising on the acquisition of subsidiaries and joint ventures 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 and 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.

The Group's policy for goodwill arising on the acquisition of an associate is described under "Investments in associates" above.

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

1. Accounting policies (continued)

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 and losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in other 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 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 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 and losses are recognised in other 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 reserve. Such translation differences are recognised in other 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. None of the Group entities has the currency of a hyperinflationary economy.

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 bringing it to a working condition for its intended use, including import duties and non-refundable purchases 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 income statement.

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	33%
Furniture and fittings	10%
IT equipment	33%
Computer software	33%
Leasehold improvements	33%

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be reliably measured. All other repairs and maintenance expenditure is charged to the income statement during the financial period in which it is incurred.

The assets' useful lives are reviewed at each statement of financial position date and adjusted if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. These impairment losses are charged directly to the income statement during the financial period in which they are identified.

Gains and losses arising on disposal of property and equipment are determined by comparing the asset's proceeds to its carrying amount and are included in the income statement. When revalued assets are sold, the amounts included in the revaluation surplus are transferred 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 income statement in the year in which they are identified. On disposal of an investment property, the difference between the net disposal proceeds and the carrying value is recognised in the income statement.

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 every period. The intangible asset is under development and will be amortised on a straight line basis over five years.

1.7 Non-derivative financial instruments

Capital management

The Group recognises equity, reserves and non-controlling interest as capital. For internal management purposes, the Group refers to the international basis of solvency for life insurance companies as represented by the Capital Adequacy Requirements (CAR).

The Group manages its capital to ensure that entities within the Group will be able to continue as a going concern. At the same time, the Group aims to maximise the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes cash and cash equivalents, reserves and retained earnings.

The Actuarial Committee reviews the capital structure on an ongoing basis. As a part of this review, the committee considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the committee, the Group balances its overall capital structure through the payment of dividends.

Financial assets

Investments

The Group and Company classify its investments in debt and equity securities into the following categories: financial assets as at fair value through profit or loss, held-to-maturity, financial assets at fair value through other comprehensive income and loan and receivables. The classification is dependent on the purpose for which the investments were acquired. Management determines the classification of its investments at the time of purchase according to the following accounting policies:

i) Financial assets as at fair value through profit or loss

A financial asset is classified in this category at inception if acquired principally for the purpose of selling in the short term; if it forms part of a portfolio of financial assets in which there is evidence of short-term profit taking; or if so designated by management in terms of the Group's and Company's long-term investment strategy.

For the purpose of these financial instruments, short term is defined as any period less than 12 months. Investments which the Group has elected to designate as at fair value through profit or loss are investments held for long-term. For the purpose of these financial statements, long term is defined as any period in excess of 12 months.

ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group and Company has a positive intention and ability to hold to maturity are classified as held-to-maturity investments and are included in non-current assets, except for maturities within 12 months from the statement of financial position date, which are classified as current assets. This category also includes all assets that are not designated either at fair value through profit or loss or fair value through other comprehensive income.

iii) Financial assets at fair value through other comprehensive income

Financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as financial assets at fair value through other comprehensive income and are included in non-current assets unless management has the express intention of holding the investments for less than 12 months from the statement of financial position date or unless they will be sold to raise operating capital, in which case they are included in current assets. These investments include listed and unlisted shares, units in collective investment schemes, deposits and money market securities.

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

1. Accounting policies (continued)

1.7 Non-derivative financial instruments (continued)

Financial assets (continued)

Investments (continued)

iv) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market that are created by the Company or Group in exchange for providing money, goods or services directly to a debtor, other than those that are originated with the intention to sell immediately or in the short term or are designated at fair value through profit or loss. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the overall impairment review of loans and receivables.

v) Linked products

Linked products are investment-related products where the risk and reward of the underlying investment portfolio accrues directly to the policyholder. Linked products provide for returns based on the changes in the value of the underlying instruments and market indicators and are initially recorded at cost. These products are revalued at year-end, using discounted cash flow analysis, closing market values and indices values based on the observation dates stated in the underlying investment agreements. Valuations are adjusted for the effects of changes in foreign exchange rates. Actuarial liabilities of these linked products are stated at the same value as the underlying supporting investments.

vi) Forward share purchase agreements

Forward share purchase agreements are recorded at the cost of the initial down payment and revalued at year-end using discounted cash flows, in the same manner used to calculate the actuarial liabilities which these investments support.

vii) Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Recognition and measurement

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

A provision for impairment of held-to-maturity investments and loans and receivables is established when there is objective evidence that the Group or Company will not be able to collect all amounts due according to their original terms.

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

Fair value

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, net asset value 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. The fair values of the Constant Proportion Debt Obligation(CPDO) is determined using a mark to model approach.

Offsetting

Where a legally enforceable right to offset exists for recognised financial assets and financial liabilities and there is an intention to settle the liability and realise the asset simultaneously or to settle on a net basis, all related financial effects are offset.

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 rate 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 estimated 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:

- Long-term liabilities, which commonly take the form of loan funding;
- Policyholder liabilities, or obligations to policyholders including outstanding claims, arising from a life assurance contract with a clearly defined counterparty;
- Borrowings;
- Reinsurance liabilities;
- Provision for liabilities arising from a contractual relationship with existing Group and Company staff; and
- Trade and other payables.

1.8 Impairment of tangible and intangible assets excluding goodwill

The Group and Company assess at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. 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 assets is impaired includes observable data that come to the attention of the Group and 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 Company.

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

If there is objective evidence that an impairment loss has been incurred on loans and receivables or held-to-maturity investments 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 income statement.

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

The Group and Company assess 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 income statement.

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 income statement, 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.

Non-financial assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

1.9 Cash and cash equivalents

For the purposes 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 by 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.

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

1. Accounting policies (continued)

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 Policyholder insurance and investment contracts – Classification

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

The Company is licensed as a long-term insurer in South Africa in accordance with the Long-term Insurance Act (the Act) of 1998, as amended. The Act requires the determination of assets, liabilities and capital adequacy requirements (CAR) for statutory purposes in accordance with APNs issued by ASSA.

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

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

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

Classification of insurance and investment contracts

The Group and Company issue contracts which transfer insurance risk or financial risk or, in some cases, both. The Group and Company demarcates these contracts in the following two broad categories:

i) Insurance contracts

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

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

ii) Investment contracts

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Receipts and payments under investment contracts are not classified as insurance transactions in the income statement but instead are accounted for in the statement of financial position in accordance with IAS 39. The liability recognised in the statement of financial position represents the expected amounts payable to the holders of the investment contracts inclusive of allocated investment income.

Management of insurance and financial risk

As is stated in sections i) and ii) above, the Group and Company issue 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 Company manages them.

i) Insurance risk

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

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

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

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

Policyholder behaviour risk

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

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

The Capital Adequacy Requirement (CAR) as part of the risk management framework

The Group and Company are required to demonstrate solvency to the Registrar of Long-Term Insurance in accordance with the Act. This requires the Group and Company to demonstrate that it has sufficient assets to meet its liabilities and CAR, in the event of substantial deviations from the main risk assumptions affecting the business. These capital adequacy requirements are determined according to the generally accepted actuarial principles in terms of the guidelines issued by the ASSA. Statutory returns are submitted to the Registrar quarterly and valuations are performed annually. In addition, the Long-Term Return (LT) is submitted to the Registrar annually.

The CAR is intended to approximate a risk based capital measure and gives guidance to the Board regarding the acceptable minimum Group and Company capital requirements. As is outlined in the notes to the Statement of actuarial values of assets and liabilities on page 5, the CAR is the additional amount required, over and above the actuarial liabilities, to enable Hollard Life to meet material deviations in the main parameters affecting its business. The CAR has been calculated in accordance with SAP 104 as the greater of the Termination Capital Adequacy Requirement (TCAR) and the Ordinary Capital Adequacy Requirement (OCAR). The TCAR examines a highly selective scenario in which all policies where the surrender value is greater than the policy liability terminate immediately. The OCAR is calculated based on a number of stress tests, which together with compulsory margins, are intended to provide approximately a 95% confidence level that the Group and Company will be able to meet all of its obligations.

It explicitly includes stress tests for the following risks:

- Financial risk arising from mismatches between assets and liabilities, including specific provision for mismatches between assets backing liabilities in respect of the liabilities themselves;
- Changes in lapse and withdrawal experience;
- Fluctuations in experience for mortality, morbidity and expenses; and
- The risk that assumptions for mortality and morbidity are not accurate estimates.

Hollard Life's statutory CAR was covered 3.7 times at 30 June 2015 (2014: 3.1 times).

Mortality and morbidity business

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

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

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

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

The statutory actuary reports annually on the actuarial soundness of the premium rates in use and the profitability of the Group's and Company's business taking into consideration the reasonable benefit expectations of policyholders. These rates are revised where appropriate in response to changes in mortality and/or morbidity experience.

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

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

1. Accounting policies (continued)

1.12 Policyholder insurance and investment contracts – Classification (continued)

The Capital Adequacy Requirement (CAR) as part of the risk management framework (continued)

i) Insurance risk (continued)

Mortality and morbidity business (continued)

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

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

Liability adequacy test

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

Claims development table

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

ii) Financial risk

Financial assets and liabilities are stated at fair value in the statement of financial position. Assets include listed equities, stated at fair value as determined by their market values as at 30 June 2015, and unlisted equities, stated at fair value as determined by either the contractual terms of the investment or by directors' valuation. Policyholder liabilities are valued in accordance with the long-term assumptions set out in the Company's Statement of actuarial values of assets and liabilities on pages 83 to 85 of these financial statements.

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

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

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

Interest rate risk

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

Equity risk

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

Currency risk

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

Credit risk

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

Key areas of credit risk exposure include:

- Cash and cash equivalents;
- Financial assets and liabilities;
- Reinsurers' share of insurance liabilities;
- Amounts due from reinsurers in respect of claims already paid; and
- Amounts due from insurance intermediaries and administrators.

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

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

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

Liquidity risk

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

1.13 Revenue recognition and insurance activity expenditure

Premium income

Premiums relating to the insurance business are stated gross and net of outward reinsurance premium and are accounted for by applying the accrual basis when collectability is reasonably assured. Premiums arising from investment contracts are excluded from the income statement in accordance with the requirements of IAS 39.

Interest income and expenditure

Interest income and expenditure for all interest-bearing financial instruments, including financial instruments measured as at fair value through profit or loss, are recognised within investment income and finance costs in the income statement using the effective interest rate method. When calculating the effective interest rate, the Group and Company estimates the relevant cash flows considering all contractual terms of the financial instruments under consideration.

When a receivable is impaired, the Group and Company reduce the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original interest rate of the instrument, and continue unwinding the discount as interest income. All interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established. Dividend income is recognised as at the last day to trade in respect of quoted shares and when declared in respect of unquoted shares. Preference share dividends are recognised using the effective interest rate method.

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

1 Accounting policies (continued)

1.13 Revenue recognition and insurance activity expenditure (continued)

Rental income

Rental income from investment properties is recognised in the income statement on a straight-line basis over the term of each lease for all arrangements legislated by lease agreement, or when the right to the income accrues to the Group and Company in those situations where no formal lease arrangement exists.

Policyholder benefits

Provision is made for the estimated cost of claims notified but not settled at the end of the financial year using the best information available at the statement of financial position date. Claims payable amounts include related internal and external claims handling costs. Claims incurred prior to the end of the financial year but not reported until after that date are brought to account in the valuation of actuarial liabilities. Claims are stated net of reinsurance recoveries.

Policyholder liabilities

The Group's and Company's liabilities under unmatured policies are computed annually at the statement of financial position date by its statutory actuary in accordance with the provisions of the Long-Term Insurance Act. The transfers to and from policyholder liabilities under insurance contracts reflected in the income statement are the result of changes in actuarial liabilities and net adjustments to contingency and other reserves.

Commission

Commission payments and receipts are shown gross of reinsurance commissions. Life insurance business commissions are expensed as incurred. Commission in respect of investment contracts is expensed over the life of the contract.

Marketing and administration expenses

Marketing and administration expenses include all the Group's and Company's operating expenditure, including indirect taxes and levies other than life insurance levies, as well as non-commission related expenditure and are expensed as incurred.

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 Company are 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-services 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 income statement 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.

Equity compensation plan

The Group and Company operate a cash-settled equity compensation plan for the benefit of black employees of the Group and Company. The fair value of options granted are measured at each statement of financial position date and any change in the fair value of the liability is recognised in the income statement. On termination any share liability in Hollard Life will be reclassified to equity.

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 profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in 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.

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. In general, deferred tax liabilities are recognised for all taxable temporary timing differences and deferred tax assets are recognised to the extent that it is probable 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Secondary tax on companies (STC) and dividend withholding tax

STC is charged to the income statement when the related dividend is declared. Unused STC credits are recognised as a deferred tax asset, when it is probable that they will be realised.

Government notice number 1073, issued by National Treasury on 20 December 2011 introduced a withholding tax on dividends into South Africa with effect from 1 April 2012 in lieu of STC. 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 Company have 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 fair value, 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 income statement over the period of the borrowing using the effective interest rate method.

1.18 Operating leases

Leases of assets under which the lessor effectively retains all the risks and benefits of ownership are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated, any payment required by the lessor by way of a 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 Company's shareholders are recognised as a liability in the Group and Company annual financial statements in the period in which the Board of Directors approves the dividend after performing solvency and liquidity tests.

1.20 Critical accounting estimates and judgements in applying accounting policies

The Group and Company make certain estimates and assumptions that affect the reported amounts of assets and liabilities in the annual financial statements. These estimates and assumptions are continually evaluated based upon past experience and a reasonable expectation of future events and are revised as appropriate. The key estimates and judgements that the Group and Company face in applying their accounting policies are as follows:

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

1. Accounting policies (continued)

1.20 Critical accounting estimates and judgements in applying accounting policies (continued)

Liability arising from claims under insurance contracts

The estimation of the ultimate liability arising from policyholder liabilities under insurance contracts is the Group's and Company's most important accounting estimate. There are several sources of uncertainty that are considered when calculating this liability.

Policyholder benefit payments are generally fixed or relatively easy to estimate, thereby limiting the uncertainty as to the expected liability of a particular policy. The reinsurance terms of each policy are also known in advance and the allowance for reinsurance recoveries is readily ascertainable, although the timing of benefit payments must be estimated. The estimate of this timing is based on the probability that a policy will be in force and the probability of a claim arising in the future from the valuation date until the expiry of the term of the policy, modified for past experience.

For each policy the present value of the expected benefit payment is estimated based on the age of policyholders and mortality tables, modified to reflect the recent claims experience of the Company. The assumptions used are generally best estimate assumptions with compulsory margins and, where appropriate, discretionary margins being provided to cater for uncertainty. The discount rate used to capitalise the policyholder benefit values is also based on current economic conditions but reflects the Group's and Company's asset mix with an allowance for mismatching risk.

The Group's and Company's procedures for determining significant reserving assumptions are outlined in note 1.12 on page 102 of these financial statements.

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

The determination of liabilities under long-term insurance contracts is dependent on estimates made by the Group and Company. Estimates are made as to the expected number of deaths for each of the years in which the Group and Company is exposed to risk and are based on standard industry and national mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Group's and Company's own experience. An appropriate provision for future policyholder benefit payments is made on the basis of these estimates.

Estimates are also made as to the future investment returns arising from assets backing long-term insurance contracts. These estimates are based on current market returns and expectations about future economic and financial developments.

Future premium payments due to the Group and Company are valued on the basis of the current premium being paid. Future premiums are projected over the life of each policy on a policy-by-policy basis. The value of the premiums takes into account the possibility that the policy may terminate due to early cancellation through lapsing or surrender. The interest rate used to discount the premiums reflects current economic conditions, the asset mix of the Company and allows for mismatching risk.

Valuation of unlisted investments

The Group and Company determine the fair value of their unlisted investments using well established valuation techniques. These techniques include discounted cash flow analysis, price earnings ratio and net asset value methodologies.

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 of 5.96%, 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.

Due to the number and the diversity of investments the disclosure of a sensitivity analysis has not been prepared as it does not provide the user of the financial statements with a meaningful comparison.

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

Goodwill

Goodwill is allocated by the Group and Company to the cash-generating units (CGU) that represent the business operation from which the goodwill was originally generated. When testing for impairment, the recoverable amount is determined by value in use calculations. These calculations apply discounted cash flow techniques to the projected earnings of each CGU.

2. Financial risk management

2.1 Introduction

The Group's and Company's principal objectives are to ensure that it will be able to continue as a going concern and to provide value to its shareholder 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 constitutes "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 Risk 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 and Company continually update the vision, strategy, values and business objectives and a robust risk management process is critical to ensuring the sustainability of its business model. The Group's and Company's main activities from a risk taking perspective can be summarised into the following two categories:

i) Providing risk cover to individuals. The Group's and Company's core competencies are to understand the life related risk needs of individuals and to design sustainable products that provide financial stability to policyholders and their dependants in times of death, disability and/or illness; and

ii) Providing asset management services to individuals. The Group and Company uses their financial skills to provide competitive investment products to an increasingly broad range of customers through a variety of carefully selected outsourced asset managers.

Key elements of risk management in a long-term insurer and asset management provider include:

- maintaining sufficient economic capital and liquidity to withstand the majority of reasonable foreseeable risk events or occurrences;
- understanding the significant risk, economic and non-economic variables in the design of each product;
- strong corporate governance policies and procedures, including relevant and reliable management information and internal control processes;
- ensuring only suitably qualified and trained distribution staff, business partners, intermediaries, brokers and agents are utilised to provide financial advice to customers;
- ensuring significant and relevant skills and services are constantly available to the Group and Company;
- influencing the business environment by being active participants in relevant regulatory and business forums;
- keeping abreast of consumer and technology trends and investing in capital and resources where required; and
- establishing an appropriate risk framework of authority for providing management with the risk parameters that are acceptable to the Board of Directors.

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 training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees, brokers and partners understand their roles and obligations.

The Group's Risk and Compliance Committee oversees how 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 Audit Committee and Risk and Compliance Committee are assisted in their 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 Audit Committee and Risk and Compliance Committee.

2.2 Exposure to risks 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 Group's and Company's objectives, policies and processes for measuring and managing risk, and the Group's and Company's management of capital. Further quantitative disclosures are provided throughout these consolidated 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 Risk 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.

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

2. Financial risk management

2.2 Exposure to risks arising from financial instruments (continued)

2.2.1 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 is exposed to credit risk include:

- amounts due from insurance policyholders;
- 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.

The Group's Audit Committee and Risk Committee oversees how management monitors compliance with the Group's and Company's 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 Audit Committee and Risk Committee are assisted in their 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 the Audit Committee and Risk and Compliance Committee.

Insurance, loans and other receivables

The Group and Company limit the levels of credit risk that it accept by placing limits on their exposure to a single counterparty or groups of counterparties, product, as well as to geographical and industry segments. The risk 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 CAR, and return on capital. Appropriate remedial action is taken wherever the need arises.

The Group and Company provide for impairment in respect of their 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 the investment mandates set by the Board. Through these mandates, the Group and Company limit exposure to credit risk through diversification and by mainly investing in liquid securities and with counterparties that have a minimum credit rating, or where such ratings are not available, by internal analysis according to strict criteria. Given these high credit ratings requirements, management does not expect any counterparty to fail to meet its obligations.

The Group seeks 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 according to an internal, actuarially calculated asset allocation framework. 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 are disclosed in note 3.1 (c) on page 115 of the annual financial statements.

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 their 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 new or renegotiated treaty. The Group's and Company's largest reinsurance counterparty is Hannover Re. This exposure is monitored on a regular basis for any shortfall in the claims history to verify that the contract is progressing as expected and that no further exposure for the Group and Company will arise.

2.2.2 Liquidity risk

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

The Group and Company are exposed to daily calls on their available cash resources as a result of claims arising from their life insurance and investment contracts. The Investment Committee sets limits on the minimum proportion of maturing funds that must be available to meet such calls in order 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 3.2 on pages 119 to 121. The maturity profile of the related insurance and investment assets is expected to be similar to the profile of the liabilities.

2.2.3 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 their 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 at the same time optimising the Group's and Company's return on investment.

In particular, the Group and Company are exposed to market risk in those instances where the proceeds from their financial assets are not sufficient to fund their obligations from their insurance and/or investment contracts. This risk is termed the policyholder asset-liability mismatched risk. The Group and Company manage these positions within an asset-liability management (ALM) framework that aims to match assets to the liabilities arising from insurance contracts by nature and term. In accordance with the ALM framework, a separate financial asset profile is maintained for each distinct category of liabilities. For most categories of business, the ALM framework determines an asset class allocation. In certain classes, the specific timing of cash flows is considered to determine the selection of assets within those classes.

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

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 currency.

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 Group's joint venture operations that were disposed of during the current year, 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. The Group and Company do not take cover on foreign currency transactions and balances as the net exposure is considered minimal.

The table in Note 3.3.1 on page 121 of these annual financial statements illustrates the Group's split of assets and liabilities by major currency.

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.

Changes in market interest rates have a direct effect on the contractually determined cash flows associated with floating rate financial assets and liabilities and on the fair value of fixed maturity investments in the Group's and Company's investment portfolios. The Group's and Company's fixed maturity investments are insignificant and therefore do not give rise to significant interest rate risk. Furthermore, the majority of interest sensitive investments are short-term in nature, which minimises any impact to changes in their fair value. 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 contractually non-interest-bearing. The sensitivity analysis for interest rate risk 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.

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

2. Financial risk management

2.2 Exposure to risks arising from financial instruments (continued)

2.2.3 Market risk (continued)

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. The acquisition of policyholder assets is based on the types of contracts entered into and the preferences expressed by the policyholders, where appropriate. Within these parameters, investments are managed with the objective 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 to manage their market price risk. In accordance with this strategy certain investments are designated at fair value through profit or loss financial instruments 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 shareholdings in the Group's and Company's strategic partners. Concentrations of specific equity holdings are also monitored.

2.2.4 Capital management

The Group and Company recognise equity, reserves excluding non-controlling interest. For internal management purposes, the Group and Company refer to its minimum capital levels as its Capital Adequacy Requirement (CAR), which is the international standard for measuring the solvency of a life insurance company. In addition to the international basis, management uses the statutory solvency requirements as prescribed by the legislation in the territories in which the Group and Company have operations, to monitor and manage the Group's and Company's capital resources.

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 in which it operates. The CAR is intended to approximate a risk-based capital measure and gives guidance to the Board regarding the acceptable minimum capital requirements at all times;
- safeguard the Group's and Company's ability to continue as a going concern so that it can continue to provide returns to both its shareholder and other stakeholders;
- provide an adequate return to the shareholder by pricing insurance contracts commensurately with the attendant level of risk;
- ensure that it maintains strong capital ratios in order to support its business and maximise shareholder value; and
- effectively manage its capital structure and make appropriate adjustments to the structure in light of changes to economic conditions.

In each country in which the Group and Company operate, the local insurance regulator specifies the minimum amount and type of capital that must be held by each of the subsidiaries to fund their insurance liabilities. The minimum required capital must be maintained at all times. The Group and Company are subject to minimum capital adequacy requirements in all of the territories in which they issue life insurance contracts and they always have, and will continue to, comply with these regulations. The Company submits quarterly and annual returns to the Financial Services Board in accordance with the terms of the Long-term Insurance Act, 1998 (the Act). Under the terms of this Act, the Company is required to, at all times, maintain a statutory surplus asset ratio. The returns submitted during the year showed that the Company exceeded its minimum requirements throughout the year.

3. Financial risk management

3.1 Credit risk

a) Exposure to credit risk

The carrying amount of financial and insurance assets represents the Group and Company's maximum exposure to credit risk. The Group and Company's maximum exposure to credit risk at the reporting date was as follows:

	Carrying value	
	2015 R'000	2014 R'000
GROUP		
Investments in associates	**58 254**	128 110
Loans to associates	**18**	26 685
Non-current assets held for sale	**252 334**	–
Listed investments	**1 131 383**	1 181 058
Unlisted investments	**4 697 420**	5 866 681
Bonds – held at fair value through profit or loss	**5 325 903**	6 741 826
Loans – interest-bearing	**100 146**	88 934
Other loans and receivables	**93 883**	69 027
Cash and cash equivalents	**1 970 839**	1 966 963
Financial assets	**13 630 180**	16 069 284
Premium debtors	**304 895**	270 180
Policy loans	**10 983**	10 475
Reinsurance assets	**127 095**	131 585
Other insurance assets	**87 125**	83 337
Insurance assets	**530 098**	495 577
Total exposure to credit risk	**14 160 278**	16 564 861
No collateral is held against any of the Group's financial instruments listed above.		
COMPANY		
Investments in subsidiaries	**5 697**	1 719
Loans to subsidiaries	**7 834**	13 549
Investments in associates	**57 715**	217 227
Loans to associates	**18**	26 685
Non-current assets held for sale	**310 175**	–
Listed investments	**1 131 383**	1 181 058
Unlisted investments	**4 696 293**	5 866 681
Bonds – held at fair value through profit or loss	**5 325 904**	6 741 825
Loans – interest-bearing	**100 146**	88 934
Other loans and receivables	**93 883**	44 569
Cash and cash equivalents	**1 950 900**	1 956 905
Financial assets	**13 679 949**	16 139 151
Premium debtors	**304 895**	270 180
Policy loans	**10 983**	10 475
Reinsurance assets	**127 095**	131 585
Other insurance assets	**86 270**	83 337
Insurance assets	**529 243**	495 577
Total exposure to credit risk	**14 209 192**	16 634 728

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

3. Financial risk management (continued)

3.1 Credit risk (continued)

b) The Group and Company's maximum exposure to credit risk by industry at the reporting date was as follows:

i) Listed investments

	Carrying value	
	2015 R'000	2014 R'000
Industry		
Automobiles and parts	–	709
Banks	50 556	83 443
Basic resources	20 153	26 920
Chemicals	3 143	1 361
Construction and materials	7 611	8 486
Financial services	78 540	31 141
Food and beverages	54 966	62 443
Healthcare	54 478	52 214
Industrial goods and services	54 926	50 570
Insurance	478 473	514 338
Investment instruments	17 846	48 548
Media	42 338	32 242
Personal and household goods	53 663	27 180
Retail	51 309	98 075
Technology	18 003	12 719
Oil and gas	19 239	30 842
Telecommunications	18 950	26 951
Mining	29 489	41 739
Real estate	59 296	21 942
Travel and leisure	18 403	9 195
	1 131 383	1 181 058

ii) Bonds – local portfolio

Government	49 793	122 647
Financial services	4 842 971	1 505 968
Telecommunications	2 611	2 847
Insurance	101 437	82 057
Industrial goods and services	17 322	–
Real estate	97 430	24 184
State-owned entities	75 156	–
Aviation	–	1 022
Construction and materials	20 021	21 280
Food and beverages	1 770	1 764
Basic resources	25 426	27 895
Bank	91 966	4 952 161
	5 325 903	6 741 825

c) 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.

	AAA R'000	AA+ R'000	AA R'000	AA- R'000	A+ R'000	A R'000	A- R'000	BBB+ R'000	BBB R'000	BBB- R'000	BB+ R'000	BB- R'000	CCC R'000	Not rated R'000	Total R'000
GROUP															
2015															
Investment in associates*	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Loans to associates	–	–	–	–	–	–	–	–	–	–	–	–	–	18	18
Non-current assets held for sale	–	–	–	–	–	–	–	–	–	–	–	–	–	26 622	26 622
Listed investments*	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Unlisted investments	–	–	–	–	–	–	–	58 469	143 238	–	–	–	–	4 298 595	4 500 302
Bonds – held at fair value through profit or loss	–	–	–	–	23 256	–	611 912	1 673 915	2 687 537	6 089	67 588	–	189 439	66 167	5 325 903
Loans – interest-bearing	–	–	–	–	–	–	–	–	–	–	–	–	–	100 146	100 146
Loans – non-interest-bearing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other loans and receivables	–	–	–	–	–	–	–	–	–	–	–	–	–	93 884	93 883
Cash and cash equivalents	–	–	–	156 383	–	–	–	805 030	978 448	–	11 032	–	–	19 945	1 970 839
Financial assets	–	–	–	156 383	23 256	–	611 912	2 537 414	3 809 223	6 089	78 620	–	189 439	4 605 377	12 017 713
Premium debtors	–	–	–	–	–	–	–	–	–	–	–	–	–	304 895	304 895
Policy loans	–	–	–	–	–	–	–	–	–	–	–	–	–	10 983	10 983
Reinsurance assets	–	–	–	–	–	–	–	–	–	–	–	–	–	127 095	127 095
Other insurance assets	–	–	–	–	–	–	–	–	–	–	–	–	–	87 125	87 125
Insurance assets	–	–	–	–	–	–	–	–	–	–	–	–	–	530 098	530 098

* *A decision was taken in the prior year to rate the listed investments and investments in associates as they are not deemed to have any credit risk.*

2014															
Investment in associates	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Loans to associates	–	–	–	–	–	–	–	–	–	–	–	–	–	26 685	26 685
Listed investments	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Unlisted investments	–	–	–	–	–	–	125 490	84 173	106 914	–	–	–	–	5 285 454	5 602 031
Bonds – held at fair value through profit or loss	–	–	–	–	25 068	524 755	1 588 482	2 978 369	1 340 776	43 447	53 158	186 929	–	842	6 741 826
Loans – interest-bearing	–	–	–	–	–	–	–	–	–	–	–	–	–	88 934	88 934
Loans – non-interest-bearing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other loans and receivables	–	–	–	–	–	–	–	–	–	–	–	–	–	69 028	69 028
Cash and cash equivalents	–	368 458	–	–	137 702	–	357 983	906 002	–	–	–	–	–	186 760	1 956 905
Financial assets	–	368 458	–	–	162 770	524 755	2 071 955	3 968 544	1 447 691	43 447	53 158	186 929	–	5 657 704	14 485 409
Premium debtors	–	–	–	–	–	–	–	–	–	–	–	–	–	270 180	270 180
Policy loans	–	–	–	–	–	–	–	–	–	–	–	–	–	10 475	10 475
Reinsurance assets	–	–	–	–	–	–	–	17 279	–	–	–	–	–	114 306	131 585
Other insurance assets	–	–	–	–	–	–	–	–	–	–	–	–	–	83 337	83 337
Insurance assets	–	–	–	–	–	–	–	17 279	–	–	–	–	–	478 298	495 577

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

3. Risk management (continued)

3.1 Credit risk (continued)

c) Credit rating (continued)

	AAA R'000	AA+ R'000	AA R'000	AA- R'000	A+ R'000	A R'000	A- R'000	BBB+ R'000	BBB R'000	BBB- R'000	BB+ R'000	BB- R'000	CCC R'000	Not rated R'000	Total R'000
COMPANY															
2015															
Investments in subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Loans to subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	7 834	7 834
Investment in associates	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Loans to associates	–	–	–	–	–	–	–	–	–	–	–	–	–	18	18
Non-current assets held for sale	–	–	–	–	–	–	–	–	–	–	–	–	–	26 622	26 622
Listed investments*	–	–	–	–	–	–	–	–	–	–	–	–	–	42 095	42 095
Unlisted investments	–	–	–	–	–	–	–	58 469	–	143 238	–	–	–	4 297 468	4 499 175
Bonds – held at fair value through profit or loss	–	–	–	–	23 256	–	611 912	1 673 915	6 089	2 687 537	67 588	–	189 439	66 167	5 325 904
Loans – interest-bearing	–	–	–	–	–	–	–	–	–	–	–	–	–	100 146	100 146
Loans – non-interest-bearing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other loans and receivables	–	–	–	–	–	–	–	–	–	–	–	–	–	93 883	93 883
Cash and cash equivalents	–	–	–	156 383	–	–	–	805 030	978 448	–	11 032	–	–	7	1 950 900
Financial assets	–	–	–	156 383	23 256	–	611 912	2 537 414	984 537	2 830 775	78 620	–	189 439	4 634 240	12 046 576
Premium debtors	–	–	–	–	–	–	–	–	–	–	–	–	–	304 895	304 895
Policy loans	–	–	–	–	–	–	–	–	–	–	–	–	–	10 983	10 983
Reinsurance assets	–	–	–	–	–	–	–	–	–	–	–	–	–	127 095	127 095
Other insurance assets	–	–	–	–	–	–	–	–	–	–	–	–	–	86 270	86 270
Insurance assets	–	–	–	–	–	–	–	–	–	–	–	–	–	529 243	529 243

** A decision was taken in the prior year to rate the listed investments and investments in associates as they are not deemed to have any credit risk.*

	AAA R'000	AA+ R'000	AA R'000	AA- R'000	A+ R'000	A R'000	A- R'000	BBB+ R'000	BBB R'000	BBB- R'000	BB+ R'000	BB- R'000	CCC R'000	Not rated R'000	Total R'000
2014															
Investments in subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Loans to subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	13 549	13 549
Investment in associates	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Loans to associates	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Listed investments	–	–	–	–	–	–	–	–	–	–	–	–	–	26 685	26 685
Unlisted investments	–	–	–	–	–	–	125 490	84 173	106 914	–	–	–	–	5 285 454	5 602 031
Bonds – held at fair value through profit or loss	–	–	–	–	25 068	524 755	1 588 482	2 978 369	1 340 776	43 447	53 158	186 929	–	842	6 741 826
Loans – interest-bearing	–	–	–	–	–	–	–	–	–	–	–	–	–	88 934	88 934
Loans – non-interest-bearing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other loans and receivables	–	–	–	–	–	–	–	–	–	–	–	–	–	44 569	44 569
Cash and cash equivalents	–	368 458	–	–	137 702	–	357 983	906 002	–	–	–	–	–	186 760	1 956 905
Financial assets	–	368 458	–	–	162 770	524 755	2 071 955	3 968 544	1 447 691	43 447	53 158	186 929	–	5 646 793	14 474 499
Premium debtors	–	–	–	–	–	–	–	–	–	–	–	–	–	270 180	270 180
Policy loans	–	–	–	–	–	–	–	–	–	–	–	–	–	10 475	10 475
Reinsurance assets	–	–	–	–	–	–	–	17 279	–	–	–	–	–	114 306	131 585
Other insurance assets	–	–	–	–	–	–	–	–	–	–	–	–	–	83 337	83 337
Insurance assets	–	–	–	–	–	–	–	17 279	–	–	–	–	–	478 298	495 577

d) 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 but not impaired R'000	Individually impaired R'000	Gross carrying amount R'000	Neither past due nor impaired R'000	Past due but not impaired R'000	Individually impaired R'000	Gross carrying amount R'000
2015								
Investment in subsidiaries	–	–	–	–	5 697	–	–	5 697
Loans to subsidiaries	–	–	–	–	7 834	–	–	7 834
Investment in associates	–	–	–	–	–	–	–	–
Loans to associates	18	–	3 064	3 082	18	–	3 064	3 082
Non-current assets held for sale	26 622	–	–	26 622	26 622	–	–	26 622
Unlisted investments	4 697 420	–	–	4 697 420	4 696 293	–	–	4 696 293
Bonds – at fair value through profit and loss	5 325 904	–	–	5 325 904	5 325 904	–	–	5 325 904
Loans – interest bearing	100 146	–	–	100 146	100 146	–	–	100 146
Other loans and receivables	93 881	–	23 393	117 274	93 881	–	23 393	117 274
Cash and cash equivalents	1 964 996	–	–	1 964 996	1 950 900	–	–	1 950 900
Financial assets	12 208 987	–	26 457	12 235 444	12 193 764	–	26 457	12 220 221
Premium debtors	304 895	–	4 280	309 175	304 895	–	4 280	309 175
Policy Loans	10 983	–	–	10 983	10 983	–	–	10 983
Reinsurance assets	127 095	–	–	127 095	127 095	–	–	127 095
Other insurance assets	87 125	–	–	87 125	86 270	–		86 270
Insurance assets	530 098	–	4 280	534 378	529 243	–	4 280	533 523
2014								
Loans to subsidiaries	–	–	–	–	13 549	–	316	13 865
Loans to associates	26 685	–	3 084	29 769	26 685	–	3 084	29 769
Unlisted investments	5 866 681	–	–	5 866 681	5 866 681	–	–	5 866 681
Bonds – at fair value through profit and loss	6 741 826	–	–	6 741 826	6 741 826	–	–	6 741 826
Loans – interest-bearing	88 934	–	–	88 934	88 934	–	–	88 934
Loans – non-interest-bearing	–	–	–	–	–	–	–	–
Other loans and receivables	69 027	–	–	69 027	44 567	–	–	44 567
Cash and cash equivalents	1 966 963	–	–	1 966 963	1 956 905	–	–	1 956 905
Financial assets	14 760 116	–	3 084	14 763 200	14 739 147	–	3 400	14 742 547
Premium debtors	270 180	–	4 193	274 373	270 180	–	4 193	274 373
Policy loans	10 475	–	–	10 475	10 475	–	–	10 475
Reinsurance assets	131 585	–	–	131 585	131 585	–	–	131 585
Other insurance assets	83 337	–	–	83 337	83 337	–	–	83 337
Insurance assets	495 577	–	4 193	499 770	495 577	–	4 193	499 770

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

3. Risk management (continued)

3.1 Credit risk (continued)

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

	GROUP					COMPANY				
	Not past due <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	Not past due <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
2015										
Other loans and receivables	93 883	–	–	–	–	93 883	–	–	–	–
Premium debtors	304 895	–	–	–	–	304 895	–	–	–	–
	398 778	–	–	–	–	398 778	–	–	–	–
2014										
Other loans and receivables	69 027	–	–	–	–	44 567	–	–	–	–
Premium debtors	270 180	–	–	–	–	270 180	–	–	–	–
	339 207	–	–	–	–	314 747	–	–	–	–

The Group records impairment allowances for loans and receivables in a separate impairment allowance account. A reconciliation of the allowance for impairment losses for loans and receivables is as follows:

	2015 R'000	2014 R'000
Balance at beginning of year	(4 193)	(3 595)
– Collective impairment loss recognised	(87)	(598)
Balance at end of year	(4 280)	(4 193)

f) Financial assets – Loans and receivables designated at fair value through profit or loss:

	Carrying amount R'000	Maximum exposure to credit risk R'000	Amount by which credit derivatives or similar instruments mitigate credit risk R'000
GROUP			
2015			
Loans to associates	18	18	–
Non-current assets held for sale	26 622	26 622	
	26 640	26 640	–
2014			
Loans to associates	26 685	26 685	–
	26 685	26 685	–
COMPANY			
2015			
Loans to subsidiaries	7 834	7 834	–
Loans to associates	18	18	–
Non-current assets held for sale	26 622	26 622	–
	34 474	34 474	–
2014			
Loans to subsidiaries	13 549	13 549	–
Loans to associates	26 685	26 685	–
	40 234	40 234	–

3.2 Liquidity risk

3.2.1 Maturity profile on financial assets

The following tables detail the Group and Company's contractual maturities of financial assets, including interest payments:

	Carrying amount R'000	Total contractual cash flows R'000	0 to 12 months R'000	1 to 2 years R'000	2 to 5 years R'000	More than 5 years R'000
GROUP						
2015						
Financial assets at fair value through profit or loss	11 154 707	9 736 102	5 320 232	2 166 481	2 113 896	135 492
Reinsurance assets	127 095	127 095	127 095	–	–	–
Insurance, loans and other receivables	597 032	597 032	597 032	–	–	–
Loans to associates	18	18	18	–	–	–
Non-current assets held for sale	26 622	26 622	26 622	–	–	–
Cash and cash equivalents	1 970 839	1 970 839	1 970 839	–	–	–
	13 876 313	12 457 708	8 041 838	2 166 481	2 113 896	135 492
2014						
Financial assets at fair value through profit or loss	13 789 565	11 977 929	6 816 599	1 164 003	3 970 235	27 092
Reinsurance assets	131 585	131 585	131 585	–	–	–
Insurance, loans and other receivables	521 953	521 953	521 953	–	–	–
Loans to associates	26 685	26 685	26 685	–	–	–
Cash and cash equivalents	1 966 963	1 966 963	1 966 963	–	–	–
	16 436 751	14 625 115	9 463 785	1 164 003	3 970 235	27 092
COMPANY						
2015						
Financial assets at fair value through profit or loss	11 153 580	9 734 975	5 319 106	2 166 481	2 113 896	135 492
Reinsurance assets	127 095	127 095	127 095	–	–	–
Loans to subsidiaries	7 834	7 834	7 834	–	–	–
Loans to associates	18	18	18	–	–	–
Non-current assets held for sale	26 622	26 622	26 622	–	–	–
Insurance, loans and other receivables	596 178	596 178	596 178	–	–	–
Cash and cash equivalents	1 950 900	1 950 900	1 950 900	–	–	–
	13 862 227	12 443 622	8 027 753	2 166 481	2 113 896	135 492
2014						
Financial assets at fair value through profit or loss	13 789 565	11 977 929	6 816 599	1 164 003	3 970 235	27 092
Reinsurance assets	131 585	131 585	131 585	–	–	–
Insurance, loans and other receivables	497 493	497 493	497 493	–	–	–
Loans to subsidiaries	13 549	13 549	13 549	–	–	–
Loans to associates	26 685	26 685	26 685	–	–	–
Cash and cash equivalents	1 956 905	1 956 905	1 956 905	–	–	–
	16 415 782	14 604 146	9 442 816	1 164 003	3 970 235	27 092

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

3. Risk management (continued)

3.2 Liquidity risk (continued)

3.2.2 Maturity profile of financial liabilities

The following tables detail the Group's and Company's contractual maturities of financial liabilities, including interest payments:

	Carrying amount R'000	Total contractual cash flows R'000	0 to 12 months R'000	1 to 2 years R'000	2 to 5 years R'000	More than 5 years R'000
GROUP						
2015						
Non-derivative financial liabilities						
Loans – interest bearing	–	–	–	–	–	–
Loans – non-interest-bearing	–	–	–	–	–	–
Borrowings – interest-bearing	–	–	–	–	–	–
Trade and other payables	383 551	383 551	383 551	–	–	–
Shareholder for dividends	–	–	–	–	–	–
	383 551	383 551	383 551	–	–	–
2014						
Non-derivative financial liabilities						
Loans – interest-bearing	–	–	–	–	–	–
Loans – non-interest-bearing	–	–	–	–	–	–
Borrowings – interest-bearing	15 865	15 865	15 865	–	–	–
Trade and other payables	303 725	303 725	303 725	–	–	–
Shareholder for dividends	9 831	9 831	9 831	–	–	–
	329 421	329 421	329 421	–	–	–
COMPANY						
2015						
Non-derivative financial liabilities						
Shareholder for dividends	–	–	–	–	–	–
Trade and other payables	379 244	379 244	379 244	–	–	–
	379 244	379 244	379 244	–	–	–
2014						
Non-derivative financial liabilities						
Shareholder for dividends	9 831	9 831	9 831	–	–	–
Trade and other payables	300 843	300 843	300 843	–	–	–
	310 674	310 674	310 674	–	–	–

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

	GROUP			COMPANY		
	Probable cash outflows R'000	Maturity within 1 year R'000	Maturity between 1 and 5 years R'000	Probable cash outflows R'000	Maturity within 1 year R'000	Maturity between 1 and 5 years R'000
2015						
Reinsurance liabilities	144 767	144 767	–	144 767	144 767	–
Outstanding claims	353 139	–	353 139	353 139	–	353 139
Policyholder liabilities	10 177 737	–	10 177 737	10 177 737	–	10 177 737
Other insurance liabilities	242 888	242 888	–	242 888	242 888	–
– Sundry creditors	238 878	238 878	–	238 878	238 878	–
– Unallocated deposits	4 079	4 079	–	4 079	4 079	–
– Unclaimed benefits control	(69)	(69)	–	(69)	(69)	–
	10 918 531	387 655	10 530 876	10 918 531	387 655	10 530 876
2014						
Reinsurance liabilities	149 189	–	149 189	149 189	–	149 189
Outstanding claims	289 420	–	289 420	289 420	–	289 420
Policyholder liabilities	13 097 931	–	13 097 931	13 097 931	–	13 097 931
Other insurance liabilities	205 860	205 860	–	205 860	205 860	–
– Sundry creditors	179 831	179 831	–	179 831	179 831	–
– Unallocated deposits	26 099	26 099	–	26 099	26 099	–
– Unclaimed benefits control	(70)	(70)	–	(70)	(70)	–
	13 742 400	205 860	13 536 540	13 742 400	205 860	13 536 540

3.3. Market risk

3.3.1 Currency risk

The Group's and Company's exposure to currency risk at the reporting date was as follows based on notional amounts:

	2015					2014			
Asset class	ZAR carrying amount R'000	USD $'000	Euro €'000	GBP £'000	AUD $'000	ZAR carrying amount R'000	USD $'000	Euro €'000	GBP £'000
Financial assets									
Listed equities	159 438	–	–	7 325	2 024				
Hedge fund investments	229 201	6 888	688	1 366	–	79 922	4 923	638	1 052
Unit trusts	54 756	4 500	–	–	–	48 514	4 557	–	–
Cash and cash equivalents	156 333	9 661	–	2 025	–	140 007	9 764	–	2 019
Pooled funds	–	–	–	–	–	3 921	334	(2)	22
Gross statement of financial position exposure	599 728	21 049	688	10 716	2 024	272 364	19 578	636	3 093

The following significant exchange rates applied during the year:

	2015		2014	
	Average rate	Reporting date spot rate	Average rate	Reporting date spot rate
USD	11.50	12.17	10.41	10.60
Euro	13.64	13.56	14.16	14.48
GBP	18.04	19.12	17.04	18.08
AUD	9.48	9.38	9.68	9.98

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

3. Risk management (continued)

3.3 Market risk (continued)

3.3.2 Sensitivity analysis – foreign exposure

A 5% strengthening/(devaluation) in the relevant foreign currencies against ZAR at the reporting date would have increased/(decreased) equity and profit/(loss) by the amounts shown below. This assumes that all other variables, in particular interest rates, remain constant.

The methodology adopted for the profit or loss and the equity impact, was the application of the net exposure to the relevant foreign currencies at the average rate and reporting date spot rate respectively.

	Profit/(loss)		Equity	
	5% increase R'000	5% decrease R'000	5% increase R'000	5% decrease R'000
2015				
USD	12 099	(12 099)	12 807	(12 807)
Euro	469	(469)	466	(466)
GBP	9 667	(9 667)	10 244	(10 244)
AUD	959	(959)	949	(949)
	23 194	(23 194)	24 466	(24 466)
2014				
USD	10 194	(10 194)	10 377	(10 377)
Euro	451	(451)	461	(461)
GBP	2 635	(2 635)	2 795	(2 795)
	13 280	(13 280)	13 633	(13 633)

3.3.3 Interest rate risk

GROUP

At the reporting date, the interest rate profile of the Group interest-bearing financial instruments was as follows:

	2015			2014		
	Carrying amount R'000	Nominal interest rate %	Effective interest rate %	Carrying amount R'000	Nominal interest rate %	Effective interest rate %
Fixed rate instruments						
Financial assets						
Bonds						
– Due in two years or less	3 398 075	7.29	8.81	2 957 192	6.99	9.57
– Due between two years and five years	1 871 510	7.91	8.60	3 469 326	7.44	7.45
– Due after five years	56 318	10.70	10.52	14 435	8.09	8.09
	5 325 903			6 440 953		
Financial liabilities						
Borrowings	–	–	–	15 865	10.43	10.43

	2015	2014
	Carrying amount R'000	
Variable rate instruments		
Financial assets		
Loans – interest-bearing	100 146	88 934
Cash and cash equivalents	1 967 507	1 966 963
	2 067 653	2 055 897

COMPANY

At reporting date the interest rate profile of the Company's interest-bearing financial instruments was as follows:

	2015			2014		
	Carrying amount R'000	Nominal interest rate %	Effective interest rate %	Carrying amount R'000	Nominal interest rate %	Effective interest rate %
Fixed rate instruments						
Financial assets						
Bonds						
– Due in two years or less	3 398 075	7.29	8.81	2 957 192	6.99	9.57
– Due between two and five years	1 871 510	7.91	8.60	3 469 326	7.44	7.45
– Due after five years	56 318	10.70	10.52	14 435	8.09	8.09
	5 325 903			6 440 953		
Variable rate instruments						
Financial assets						
Loans – interest-bearing	100 146			88 934		
Cash and cash equivalents	1 950 900			1 956 905		
	2 051 046			2 045 839		

3.4 Equity price risk

3.4.1 Sensitivity analysis – interest rates

The Group and Company's fixed rate instruments are not exposed to interest rate risk. Therefore no sensitivity analysis is necessary.

Sensitivity analysis for variable rate instruments of the Group and Company

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit/(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 for 2014.

	Profit/(loss)		Equity	
	1% increase R'000	1% decrease R'000	1% increase R'000	1% decrease R'000
2015				
Loans – interest-bearing	107	(107)	107	(107)
Cash and cash equivalents	44 991	(44 991)	44 991	(44 991)
Interest rate swaps	–	–	–	–
Net cash flow sensitivity	45 098	(45 098)	45 098	(45 098)
2014				
Loans – interest-bearing	48	(48)	48	(48)
Cash and cash equivalents	48 092	(48 092)	48 092	(48 092)
Interest rate swaps	–	–	–	–
Net cash flow sensitivity	48 140	(48 140)	48 140	(48 140)

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

3. Risk management (continued)

3.4 Equity price risk (continued)

3.4.1 Sensitivity analysis (continued)

Exposure to equity price risk

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

	2015			2014		
Description of equity investment	**Carrying amount R'000**	**Listed/ not listed**	**Relevant stock exchange**	Carrying amount R'000	Listed/ not listed	Relevant stock exchange
Ordinary shares	**971 945**	**Listed**	**JSE**	1 181 058	Listed	JSE
Ordinary shares	**159 438**	**Listed**	**Foreign**	–	Listed	Foreign
Ordinary shares	**398 826**	**Not listed**	**N/A**	397 382	Not listed	N/A
Preference shares	**242 725**	**Not listed**	**N/A**	183 847	Not listed	N/A
	1 772 934			1 762 287		

Sensitivity analysis

All other variables constant, for listed equity investments, a 200 basis point increase/(decrease) in the relevant stock exchange index over the year would have increased/(decreased) equity and profit/(loss) by the amounts shown below. The analysis is performed on the same basis for 2014.

	Profit/(loss)		Equity	
	2% increase R'000	**2% decrease R'000**	**2% increase R'000**	**2% decrease R'000**
2015				
Description of equity investment				
Ordinary shares – JSE	**19 439**	**(19 439)**	**19 439**	**(19 439)**
Ordinary shares – Foreign	**3 189**	**(3 189)**	**3 189**	**(3 189)**
	22 628	**(22 628)**	**22 628**	**(22 628)**
2014				
Description of equity investment				
Ordinary shares – JSE	23 621	(23 621)	23 621	(23 621)
Ordinary shares – Foreign	–	–	–	–
	23 621	(23 621)	23 621	(23 621)

For unlisted equity investments, a 200 basis point increase/(decrease) in the relevant industry average over the year would have increased/(decreased) equity and profit/(loss) by the amounts shown below. The analysis is performed on the same basis for 2014.

	Profit/(loss)		Equity	
	2% increase R'000	**2% decrease R'000**	**2% increase R'000**	**2% decrease R'000**
2015				
Description of equity investment				
Ordinary shares	**7 027**	**(7 027)**	**7 027**	**(7 027)**
Preference shares	**3 885**	**(3 885)**	**3 885**	**(3 885)**
	10 912	**(10 912)**	**10 912**	**(10 912)**
2014				
Description of equity investment				
Ordinary shares	8 087	(8 087)	8 087	(8 087)
Preference shares	3 789	(3 789)	3 789	(3 789)
	11 876	(11 876)	11 876	(11 876)

3.5 Income statement note

a) Financial income and expenditure

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

	GROUP		COMPANY	
	2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
Interest income on unimpaired loans and receivables	**(7 250)**	(4 358)	**(7 250)**	(4 358)
Interest income on financial assets measured at amortised cost	**69 512**	62 407	**69 512**	62 407
Interest income on financial assets designated as at fair value through profit and loss	**543 775**	609 892	**543 775**	609 892
Net gain on financial assets as at fair value through profit and loss	**107 969**	76 301	**107 969**	76 301
Financial income	**714 006**	744 242	**714 006**	744 242
Interest expense on financial liabilities measured at amortised cost	**6 522**	2 843	**6 522**	2 843
Net fee costs from third parties in respect of holding financial assets on their behalf	**9 827**	4 703	**9 827**	4 703
Financial expense	**16 349**	7 546	**16 349**	7 546
Net financial income	**697 657**	736 696	**697 657**	736 696
The above financial income and expense items include the following in respect of financial assets/liabilities not at fair value through profit or loss:				
– Total interest income	**62 262**	58 049	**62 262**	58 049
– Total interest expense	**6 522**	2 843	**6 522**	2 843
	55 740	55 206	**55 740**	55 206

b) Impairment losses

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

Impairment of loans				
Impairment recognised	**–**	–	**336**	3 249
Impairment of premium debtors				
Impairment recognised	**4 280**	4 193	**4 280**	4 193
Total	**4 280**	4 193	**4 616**	7 442

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

	GROUP		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
4. Property and equipment				
Cost				
Office equipment	2 544	502	2 117	–
Motor vehicles	53	290	53	–
Furniture and fittings	954	991	–	–
IT equipment	1 866	1 874	–	–
Computer software equipment	5 771	5 771	–	–
Leasehold improvements	8 000	8 000	–	–
Total property and equipment cost	19 188	17 428	2 170	–
Accumulated depreciation				
Office equipment	674	382	326	–
Motor vehicles	11	251	11	–
Leasehold improvements	8 000	7 172	–	–
Furniture and fittings	619	631	–	–
Computer software equipment	5 771	6 762	–	–
IT equipment	1 474	33	–	–
Total accumulated depreciation	16 549	15 231	337	–
Net carrying amount				
Office equipment	1 870	120	1 791	–
Motor vehicles	42	39	42	–
Leasehold improvements	–	828	–	–
Furniture and fittings	335	360	–	–
Computer software equipment	–	(991)	–	–
IT equipment	392	1 841	–	–
	2 639	2 197	1 833	–
Reconciliation of movement on net carrying amount:				
Net carrying amount at beginning of year	2 197	5 069	–	–
New subsidiary opening balance – Finningley	–	964		
Office equipment	–	48	–	–
Motor vehicles	–	757	–	–
Leasehold improvements	–	–	–	–
Furniture and fittings	–	124	–	–
IT equipment	–	35	–	–
Additions	2 264	3 185	2 170	–
Office equipment	2 116	646	2 116	–
Motor vehicles	54	–	54	–
Leasehold improvements	–	–	–	–
Furniture and fittings	19	5	–	–
IT equipment	75	2 534	–	–
Disposals	(124)	(4 365)	–	–
Office equipment	(25)	(868)	–	–
Motor vehicles	(39)	(633)	–	–
Leasehold improvements	–	–	–	–
Furniture and fittings	(33)	(180)	–	–
IT equipment	(27)	(1 270)	–	–
Computer equipment	–	(1 414)	–	–
Depreciation for the year	(1 698)	(2 656)	(337)	–
Office equipment	(342)	(172)	(326)	–
Motor vehicles	(10)	(263)	(11)	–
Leasehold improvements	(828)	(828)	–	–
Furniture and fittings	(13)	(220)	–	–
Computer software equipment	(423)	(423)	–	–
IT equipment	(82)	(750)	–	–
Net carrying amount at end of year	2 639	2 197	1 833	–

	GROUP		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
5. Goodwill				
Fair value				
Balance at beginning of year	27 277	32 681		
Derecognition of joint ventures and associates				
– Cannon Asset Managers (Pty) Limited	–	(10 573)		
Acquisition of subsidiary – Finningley (Pty) Ltd	–	5 169		
Impairment of goodwill	(27 277)	–		
At end of year	–	27 277		
Carrying amount				
At beginning of year	27 277	32 681		
At end of year	–	27 277		
The Group and Company tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. As at 30 June 2015, there was a full impairment of the goodwill. As at 30 June 2014, the goodwill of Cannon Asset Managers (Pty) Ltd was impaired upon disposal of the subsidiary.				
6. Intangible assets				
Intangible assets at fair value				
Cost				
Re-acquired rights	3 300	3 300	3 300	3 300
Computer software	6 924	1 000	6 924	1 000
	10 224	4 300	10 224	4 300
Accumulated amortisation, impairment and fair value adjustments				
Re-acquired rights	–	–	–	–
Computer software	(678)	–	(678)	–
	(678)	–	(678)	–
Net carrying amount				
Re-acquired rights	3 300	3 300	3 300	3 300
Computer software	6 246	1 000	6 246	1 000
	9 546	4 300	9 546	4 300
Intangible assets at fair value				
Reconciliation of movement on net carrying amount:				
Net carrying amount at beginning of year	4 300	2 735	4 300	1 000
Additions	5 924	3 532	5 924	3 300
Re-acquired rights – Altrisk	–	3 300	–	3 300
Computer software	5 924	232	5 924	–
Disposals	–	(1 046)	–	–
Re-acquired rights	–	–	–	–
Computer software	–	(1 046)	–	–
Impairment, amortisation charge	(678)	(921)	(678)	–
Re-acquired rights	–	–	–	–
Computer software	(678)	(921)	(678)	–
Net carrying value at end of year	9 546	4 300	9 546	4 300

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

	COMPANY	
	2015 R'000	2014 R'000
7. Interest in subsidiaries		
Interest in subsidiaries comprise:		
Shares at fair value through profit or loss	5 697	1 719
Loans to subsidiaries	11 399	13 865
	17 096	15 584
Impairment on loans	(3 565)	(316)
	13 531	15 268
The terms of the loans that the Company has provided to its subsidiaries are as follows:		
a) Hollard Life Properties (Pty) Ltd:	346	6 095
Unsecured loan bearing interest at 8.5% per annum that is repayable quarterly over 10 years. The final payment is due on 15 June 2015.	346	11 656
Unsecured, interest-free loan with no specified date of repayment.	–	15 715
Unsecured, interest-free loan with no specified date of repayment.	–	(20 960)
Provision for impairment	–	(316)
b) Hollard Wealth Management Services (Pty) Ltd:	2 404	2 573
Unsecured, interest-free loan with no specified date of repayment.	2 404	2 573
Unsecured loan bearing interest at a variable rate, with no specified date of repayment.	–	–
c) The Best Funeral Society Propriety Limited:	5 084	4 881
Secured interest loan repayable on or before 31 July 2016	5 084	4 881
Loans – 30 June	7 834	13 549

Details of subsidiaries are provided in note 37 on page 149 of these financial statements.

8. Investments in associates

	GROUP		COMPANY	
	2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
Investments in associates comprise:				
Shares at fair value through profit or loss	**57 715**	217 227	**57 715**	217 227
Group share of post-acquisition profits	**539**	(89 117)	**–**	–
Loans to associates	**3 082**	29 769	**3 082**	29 769
Carrying value of associates	**61 336**	157 879	**60 797**	246 996
Impairment	**(3 064)**	(3 084)	**(3 064)**	(3 084)
	58 272	154 795	**57 733**	243 912
The terms of the loans that the Company has provided to its associates are as follows:				
a) Briteblue (Pty) Ltd:			**–**	–
Unsecured, interest at the prime lending rate and has no fixed term of repayment.			**–**	15 470
Provision for impairment			**–**	(15 470)
b) Capricorn Capital Partners (Pty) Ltd:			**–**	26 622
Unsecured, interest-free loan with no specified date of repayment			**–**	26 622
Security has been provided for the full amount of the loan.				
c) Prorisk Pooling Scheme Administrators (Pty) Ltd			**18**	63
Unsecured, interest-free loan with no specified date of repayment			**18**	887
Provision for impairment			**–**	(824)
Loans – 30 June			**18**	26 685
The Group's share of post-acquisition profits and reserves of its associates from the date of acquisition to the reporting date as reflected in the statement of financial position is comprised as follows:				
Share of post-acquisition profits	**169 944**	179 630		
Revaluation adjustments	**(169 405)**	(268 747)		
	539	(89 117)		

The loans have no fixed terms of repayment.

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

8. Investments in associates (continued)

The financial position and performance of the Groups' significant associates are categorised by nature of business as follows:

	Investment R'000	Life assurance R'000	Employee benefits R'000	Total R'000
Analysis of associates for 30 June 2015				
Total assets	334 079	–	–	334 079
Total liabilities	258 617	–	–	258 617
Net assets	75 462	–	–	75 462
Net profit before taxation	133 681		–	133 681
Taxation	46 135		–	46 135
Net profit after taxation	87 546	–	–	87 546
Group share of post-acquisition profits	169 944	–	–	169 944
Carrying amount of interest in associates	57 715	–	–	57 715
Loans to associates	18	–	–	18
Fair valuation of associates (at Company level)	57 733	–	–	57 733
Analysis of associates for 30 June 2014				
Total assets	984 216	–	–	984 216
Total liabilities	485 524	–	–	485 524
Net assets	498 692	–	–	498 692
Net profit before taxation	145 782	–	–	145 782
Taxation	99 166	–	–	99 166
Net profit after taxation	46 616	–	–	46 616
Group share of post-acquisition profits	179 630	–	–	179 630
Carrying amount of interest in associates	216 892	–	–	216 892
Loans to associates	26 685	–	–	26 685
Fair valuation of associates (at Company level)	243 577	–	–	243 577

9. Financial assets

	GROUP		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
Designated as fair value through profit and loss	11 154 706	13 789 566	11 153 580	13 789 565
Total value of financial assets	11 154 706	13 789 566	11 153 580	13 789 565
Group and Company's financial assets are demarcated into the following three broad categories for management reporting purposes:				
• Listed investments (financial assets designated as at fair value through profit and loss)	1 131 383	1 181 058	1 131 383	1 181 058
• Unlisted investments (financial assets designated as at fair value through profit and loss)	4 697 419	5 866 681	4 696 293	5 866 682
• Bonds (financial assets designated as at fair value through profit and loss)	5 325 904	6 741 827	5 325 904	6 741 825
Total value of financial assets	11 154 706	13 789 566	11 153 580	13 789 565

	Investment R'000	Life assurance R'000	Employee benefits R'000	Total R'000
9.1 Listed investments:				
Shares at fair value	1 131 383	1 181 058	1 131 383	1 181 058
Analysis of spread of listed investments by market sector	%	%	%	%
Automobiles and parts	–	–	–	–
Banks	4	7	4	7
Basic resources	2	2	2	2
Chemicals	–	–	–	–
Construction and materials	1	1	1	1
Financial services	7	3	7	3
Food and beverages	5	5	5	5
Healthcare	5	4	5	4
Industrial goods and services	5	4	5	4
Insurance	42	44	42	44
Investment instruments	2	4	2	4
Media	4	3	4	3
Oil and gas	2	3	2	3
Personal and household goods	5	2	5	2
Retail	5	8	5	8
Technology	2	1	2	1
Telecommunications	2	2	2	2
Mining	3	4	3	4
Real estate	5	2	5	2
Travel and leisure	2	1	2	1
	100	100	100	100
9.2 Unlisted investments				
Shares at fair value	395 132	245 915	395 132	245 915
Linked products at fair value	4 302 287	5 620 766	4 301 161	5 620 766
At fair value	4 697 419	5 866 681	4 696 293	5 866 681
Total listed and unlisted investments at fair value	5828 802	7 047 739	5 827 676	7 047 739

	R'000	Maturity spread %	Nominal interest rate %	Effective interest rate %
9.3 Debt securities (Bonds)				
Bonds (Financial assets carried at fair value through profit or loss):				
GROUP AND COMPANY				
Analysis of bonds by maturity spread for 30 June 2015				
0 to 2 years	3 398 075	63.80	7.29	8.81
2 to 5 years	1 871 510	35.10	7.91	8.60
Later than 5 years	56 318	1.10	10.70	10.52
	5 325 903	100		
Analysis of bonds by maturity spread for 30 June 2014				
0 to 2 years	2 957 192	45,90	6,99	9,57
2 to 5 years	3 469 326	53,90	7,44	7,45
Later than 5 years	14 435	0,20	8,09	8,09
	6 440 953	100		

All bonds reported above are South African in origin.

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

10. (a) Categories and classes of financial and insurance assets and liabilities

	Designated as at fair value through profit or loss R'000	Held-to-maturity investments R'000	Loans and receivables 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								
2015								
Assets								
Investments in associates	–	–	–	–	–	58 272	58 272	–
Non-current asset held for sale	–	–	–	252 334	–		252 334	252 334
Financial assets	11 154 706	–	–	11 154 706	–	–	11 154 706	11 154 706
Reinsurance assets	–	–	–	–	127 095	–	127 095	–
Insurance, loans and other receivables	–	–	228 406	228 406	294 525	74 102	597 033	228 406
Cash and cash equivalents	–	–	1 970 839	1 970 839	–	–	1 970 839	1 970 839
Total assets	11 154 706	–	2 199 245	13 606 285	421 620	132 374	14 160 279	13 606 285
Liabilities								
Long-term liabilities	–	–	–	–	–	–	–	–
Policyholder liabilities	–	–	–	–	10 177 737	–	10 177 737	–
Outstanding claims	–	–	–	–	353 139	–	353 139	–
Borrowings	–	–	–	–	–	–	–	–
Reinsurance liabilities	–	–	–	–	144 767	–	144 767	–
Provisions for other liabilities and charges	–	–	–	–	–	154 610	154 610	–
Trade and other payables	–	–	4 308	4 308	242 887	136 357	383 552	4 308
Total liabilities	–	–	4 308	4 308	10 918 530	290 967	11 213 805	4 308
GROUP								
2014								
Assets								
Investments in associates	–	–	–	–	–	154 795	154 795	–
Non-current asset held for sale	–	–	–	–	–	–	–	–
Financial assets	13 789 566	–	–	13 789 566	–	–	13 789 566	13 789 566
Reinsurance assets	–	–	–	–	131 585	–	131 585	–
Insurance, loans and other receivables	–	–	168 437	168 437	293 866	59 650	521 953	168 437
Cash and cash equivalents	–	–	1 966 963	1 966 963	–	–	1 966 963	1 966 963
Total assets	13 789 566	–	2 135 400	15 924 966	425 451	214 445	16 564 862	15 924 966
Liabilities								
Long-term liabilities	–	–	–	–	–	–	–	–
Policyholder liabilities	–	–	–	–	13 097 931	–	13 097 931	–
Outstanding claims	–	–	–	–	289 420	–	289 420	–
Borrowings	–	–	15 865	15 865	–	–	15 865	15 865
Reinsurance liabilities	–	–	–	–	149 189	–	149 189	–
Provisions for other liabilities and charges	–	–	–	–	–	124 846	124 846	–
Trade and other payables	–	–	2 882	2 882	205 860	94 983	303 725	2 882
Total liabilities	–	–	18 747	18 747	13 742 400	219 829	13 980 976	18 747

	Designated as at fair value through profit or loss R'000	Held-to-maturity investments R'000	Loans and receivables 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								
2015								
Assets								
Interest in subsidiaries	13 531	–	–	13 531	–	–	13 531	13 531
Investments in associates	57 733	–	–	57 733	–	–	57 733	57 733
Non-current asset held for sale	310 175	–	–	310 175	–	–	310 175	310 175
Financial assets	11 153 580	–	–	11 153 580	–	–	11 153 580	11 153 580
Reinsurance assets	–	–	–	–	127 095	–	127 095	–
Insurance, loans and other receivables	–	–	228 406	228 406	294 525	73 247	596 178	228 406
Cash and cash equivalents	–	–	1 950 900	1 950 900	–	–	1 950 900	1 950 900
Total assets	11 535 019	–	2 179 306	13 714 325	421 620	73 247	14 209 192	13 714 325
Liabilities								
Policyholder liabilities	–	–	–	–	10 177 737	–	10 177 737	–
Outstanding claims	–	–	–	–	353 139	–	353 139	–
Reinsurance liabilities	–	–	–	–	144 767	–	144 767	–
Provisions for other liabilities and charges	–	–	–	–	–	154 610	154 610	–
Trade and other payables	–	–	–	–	242 887	136 357	379 244	–
Total liabilities	–	–	–	–	10 918 530	290 967	11 209 497	–
COMPANY								
2014								
Assets								
Interest in subsidiaries	15 268	–	–	15 268	–	–	15 268	15 268
Investments in associates	243 912	–	–	243 912	–	–	243 912	243 912
Non-current asset held for sale	–	–	–	–	–	–	–	–
Financial assets	13 789 565	–	–	13 789 565	–	–	13 789 565	13 789 565
Reinsurance assets	–	–	–	–	131 585	–	131 585	–
Insurance, loans and other receivables	–	–	143 978	143 978	293 866	59 649	497 493	143 978
Cash and cash equivalents	–	–	1 956 905	1 956 905	–	–	1 956 905	1 956 905
Total assets	14 048 745	–	2 100 883	16 149 628	425 451	59 649	16 634 728	16 149 628
Liabilities								
Policyholder liabilities	–	–	–	–	13 097 931	–	13 097 931	–
Outstanding claims	–	–	–	–	289 420	–	289 420	–
Reinsurance liabilities	–	–	–	–	149 189	–	149 189	–
Provisions for other liabilities and charges	–	–	–	–	–	134 036	134 036	–
Trade and other payables	–	–	–	–	205 860	94 983	300 843	–
Shareholder for dividends	–	–	–	–	–	9 831	9 831	–
Total liabilities	–	–	–	–	13 742 400	238 850	13 981 250	–

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

10. (b) Determination of fair value and fair values hierarchy

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

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total fair value R'000
GROUP				
2015				
Financial assets carried at fair value through profit or loss				
Listed – ordinary	1 089 287	–	–	1 089 287
Unlisted ordinary shares*	44 712	–	152 407	197 119
Unlisted preference shares*	–	–	242 725	242 725
Unit trusts	–	1 199 609	–	1 199 609
Unlisted debentures	–	–	–	–
Bonds	475 761	4 850 142	–	5 325 903
Hedge fund investments	–	2 828 773	–	2 828 773
Annuities	–	201 707	–	201 707
Pooled funds	–	–	–	–
	1 609 760	9 080 231	395 132	11 085 124
2014				
Financial assets carried at fair value through profit or loss				
Listed – ordinary	1 181 058	–	–	1 181 058
Unlisted ordinary shares*	–	18 736	62 068	18 736
Unlisted preference shares*	–	–	183 847	–
Unit trusts	–	992 686	–	992 686
Unlisted debentures	–	–	–	–
Bonds	380 761	6 361 064	–	6 741 825
Hedge fund investments	–	2 162 423	–	2 162 423
Annuities	–	316 577	–	316 577
Pooled funds	–	2 130 345	–	2 130 345
	1 561 819	11 981 831	245 915	13 543 650
COMPANY				
2015				
Financial assets carried at fair value through profit or loss				
Listed – ordinary	1 089 287	–	–	1 089 287
Unlisted ordinary shares*	44 712	–	152 407	197 119
Unlisted preference shares*	–	–	242 725	242 725
Unit trusts	–	1 199 609	–	1 199 609
Unlisted debentures	–	–	–	–
Bonds	475 761	4 850 142	–	5 325 903
Hedge fund investments	–	2 828 773	–	2 828 773
Annuities	–	201 707	–	201 707
Pooled funds	–	–	–	–
Investment in associate	–	–	57 733	57 733
Investment in subsidiary	–	–	13 531	13 531
	1 609 760	9 080 231	466 397	11 156 388
2014				
Financial assets carried at fair value through profit or loss				
Listed – ordinary	1 181 058	–	–	1 181 058
Unlisted ordinary shares*	–	18 736	62 068	80 804
Unlisted preference shares*	–	–	183 847	183 847
Unit trusts	–	992 686	–	992 686
Unlisted debentures	–	–	–	–
Bonds	380 761	6 361 064	–	6 741 825
Hedge fund investments	–	2 162 423	–	2 162 423
Annuities	–	316 577	–	316 577
Pooled funds	–	2 130 345	–	2 130 345
Investment in associate	–	–	243 912	243 912
Investment in subsidiary	–	–	15 268	15 268
	1 561 819	11 981 831	505 095	14 048 745

* *These investments do not meet the definition of related parties.*

Included in Level 1 category are financial assets and liabilities 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 Level 2 category are financial assets and liabilities measured using a valuation technique based on assumptions that are supported by prices for observable current market transactions of assets and liabilities 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.

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 are based on available market data.

Reconciliation of movements in financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing recorded amounts of financial assets and liabilities which are recorded at fair value:

	At 1 July 2014 R'000	Total gains/(loss) in income statement R'000	Total gains/(loss) recorded in other comprehensive income R'000	Purchases R'000	Interest, dividends and management fee R'000	Sales/ transfers R'000	At 30 June 2015 R'000	Total gains or losses for the period included in profit or loss for assets held at 30 June 2015 R'000
GROUP								
Financial assets carried at fair value through profit or loss								
Listed – ordinary	–	–	–	–	–	–	–	–
Unlisted ordinary shares	62 068	90 339	–	–	–	–	152 407	90 339
Unlisted preference shares	138 127	(4 479)	–	44 404	64 673	–	242 725	(4 479)
Investment in associate	243 912	(307)	–	67 001	–	(252 334)	58 272	(307)
Pooled funds	15 268	1 878	–	(3 615)	–	–	13 531	1 878
Total financial instruments	459 375	87 431	–	107 790	64 673	(252 334)	466 936	87 431
COMPANY								
Financial assets carried at fair value through profit or loss								
Unlisted ordinary shares	62 068	90 339	–	–	–	–	152 407	90 339
Unlisted preference shares	138 127	(4 479)	–	44 404	64 673	–	242 725	(4 479)
Investment in associate	243 912	56 585	–	67 001	–	(310 175)	57 323	56 585
Investment in subsidiary	15 268	1 878	–	3 615	–	–	13 531	1 878
Total financial instruments	459 375	144 323	–	115 020	64 673	(310 175)	465 986	144 323

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

10. (b) Determination of fair value and fair values hierarchy (continued)

Determination of fair value and fair value hierarchy

Gains or losses (realised and unrealised) included in profit or loss for the year are presented in the income statement as follows:

	2015		
	Realised gains R'000	Fair value gains and losses R'000	Total R'000
GROUP			
Total gains or losses included in profit or loss for the year	9 860	(71 200)	(61 340)
	9 860	(71 200)	(61 340)
COMPANY			
Total gains or losses included in profit or loss for the year	9 860	100 503	110 363
	9 860	100 503	110 363

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

The following table shows the sensitivity of the fair value of Level 3 instruments to changes in key assumptions, by class of instrument:

	2015			
	GROUP		COMPANY	
	Carrying amount R'000	Effect of reasonably possible alternative assumptions (+/-) R'000	Carrying amount R'000	Effect of reasonably possible alternative assumptions (+/-) R'000
Financial assets carried at fair value through profit or loss				
Unlisted ordinary shares	152 407	3 048	152 407	3 048
Unlisted preference shares	242 725	4 855	242 725	4 855
Unlisted debentures	–	–	–	–
Investment in associate	–	–	57 733	24 391
Investment in subsidiary	–	–	13 531	1 527
Total financial instrument	395 132	7 903	466 397	33 821

For equities, the Group adjusted the following:

1) Average price earnings ratio – the adjustment made was to increase and decrease the assumed price earnings ratio by two, which is considered by the Group and Company to be within a range of reasonably possible alternatives based on price earnings ratios of companies with similar industry and risk profiles.

2) Net asset value – the adjustment made was to increase and decrease the net asset value by 10%.

11. Insurance, loans and other receivables

	GROUP		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
Premium debtors	304 895	270 180	304 895	270 180
Sundry debtors	56 625	103 472	55 770	79 012
Prepaid expenses	7 956	4 417	7 956	4 417
Total insurance and other receivables	369 476	378 069	368 621	353 609
Loans bearing interest				
Secured interest and interest-free loans	111 129	99 409	111 129	99 409
Unsecured interest-free loans	–	–	–	–
Total loans[1]	111 129	99 409	111 129	99 409
Receivable from Group companies				
Receivable from Group companies	116 428	44 475	116 428	44 475
– Impairment provision	–	–	–	–
Total due from Group companies[2]	116 428	44 475	116 428	44 475
Total Insurance, loans and other receivables	597 032	521 953	596 178	497 493
[1] The interest rates charged on the secured and unsecured loans comprise:				
Prime rate of interest	8 303	8 698	8 303	8 698
Prime plus 1.36%	6 732	6 223	6 732	6 223
Variable rate of interest	3 352	3 148	3 352	3 148
Prime minus 2%	2 094	–	2 094	–
Prime plus 5%	69 993	64 993	69 993	64 993
80% of prime	–	367	–	367
SARS Rate	10 842	6 169	10 842	6 169
Johannesburg Inter-Bank Rate ("JIBAR")	5 561	5 559	5 561	5 559
Interest-free loans	4 252	4 252	4 252	4 252
	111 129	99 409	111 129	99 409
[2] The interest rates charged on the loans to Group companies comprise:				
Prime rate of interest	16 855	15 676	16 855	15 676
Prime minus 2%	–	13 616	–	13 616
80% of prime	16 020	14 883	16 020	14 883
Interest-free loans	83 553	300	83 553	300
	116 428	44 475	116 428	44 475

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

	GROUP		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
12. Deferred income tax				
Deferred income tax assets				
Balance at beginning of year	1 100	3 823	–	–
Movements during the year attributable to:				
Released to income statement	(279)	(2 245)	–	–
Disposal of subsidairy	–	(478)	–	–
Balance at end of year	821	1 100	–	–
The deferred income tax movement in the income statement for the year is attributable to the following items:				
Derecognition of deferred tax	–	(1 800)	–	–
Temporary difference	(279)	(445)	–	–
	(279)	(2 245)	–	–
Deferred income tax liabilities				
Balance at beginning of year	524 269	436 408	524 269	436 408
Movements during the year attributable to:			–	–
Charged to income statement	24 837	87 862	24 837	87 862
Balance at end of year	549 106	524 269	549 106	524 269
The deferred income tax movement for the year is attributable to the following items:				
Policyholder liabilities change in valuation basis	3 460	87 862	3 460	87 862
Unrealised gains/(losses)	21 377	–	21 377	–
	24 837	87 862	24 837	87 862
The deferred tax provision of R24 837 000 (2014: R87 861 000) in respect of the change in valuation basis of policyholder liabilities relates to an adjustment made to eliminate negative actuarial reserves. The elimination of negative reserves is outlined in further detail in the statement of actuarial values of assets and liabilities on page 83 of these annual financial statements.				
The total movement in the income statement for the year was as follows:				
Deferred income tax assets – Amounts released to the income statement	(279)	(2 245)	–	–
Deferred income tax liabilities – Amounts charged to the income statement	24 837	87 862	24 837	87 862
	24 558	85 617	24 837	87 862
Details of the income statement, deferred income tax movement are provided in note 24 on page 144 of these annual financial statements.				
13. Cash and cash equivalents				
"Cash and cash equivalents consist of cash on hand, current accounts and short-term deposits with maturity of less than twelve months. At reporting date the effective rate on bank call deposits was 6.31% (2014: 5.53%).The effective interest rate on current accounts at the statement of financial position date was 4.60% (2014: 3.85%).				
Cash on call	1 043 005	759 291	1 042 609	758 885
Cash at bank	390 405	389 496	370 883	379 844
Cash on deposit	537 415	818 174	537 402	818 174
Cash on hand	14	2	6	2
	1 970 839	1 966 963	1 950 900	1 956 905
14. Non-current assets held for sale				
The Group and Company hold the following assets as held-for-sale:				
Investment in associate: Capricorn Capital Partners (Pty) Ltd	37 842	–	63 958	–
Investment in associate: Hollard Asset Management (Pty) Ltd	214 492	–	246 217	–
	252 334	–	310 175	–

Investment in associate: Capricorn Capital Partners (Pty) Ltd

The Company intends to dispose of its 39.99% shareholding in Capricorn Capital Partners (Pty) Ltd in the 2016 financial year. No impairment loss was recognised on reclassification of the investment in associate as held for sale. A revaluation was conducted on 30 June 2015 based on Capricorn Capital Partners' offer to repurchase the company's shareholding for R37 336 000 as well as the shareholder loan for R26 622 000.

Investment in associate: Hollard Asset Management (Pty) Ltd

The Company intends to dispose of its 49.98% shareholding in Hollard Asset Management (Pty) Ltd in the 2016 financial year. No impairment loss was recognised on reclassification of the investment in associate as held for sale. A revaluation was conducted on 30 June 2015 based on Hollard Asset Management's offer to repurchase the company's shareholding for R246 217 000.

	GROUP		COMPANY	
	2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
15. Share capital and premium				
Authorised				
100 000 000 ordinary shares of 1 cent each	**1 000**	1 000	**1 000**	1 000
Issued and fully paid				
2 000 000 ordinary shares of 1 cent each	**20**	20	**20**	20
Share premium	**19 980**	19 980	**19 980**	19 980
Issued share capital	**20 000**	20 000	**20 000**	20 000
Dividends per share (cents)	**428**	443	**428**	443
The directors are authorised until the forthcoming annual general meeting to issue the unissued shares for any purpose and upon such terms and conditions as they deem fit.				
16. Policyholder liabilities				
Policyholder liabilities under investment contracts:				
Balance at beginning of year	**6 242 485**	5 311 542	**6 242 485**	5 311 542
IAS 39 adjustment	**(390 966)**	(2 073)	**(390 966)**	(2 073)
Movement for the year	**(1 249 973)**	933 016	**(1 249 973)**	933 016
Balance at end of year	**4 601 546**	6 242 485	**4 601 546**	6 242 485
Policyholder liabilities under insurance contracts:				
Balance at beginning of year	**6 855 446**	6 470 350	**6 855 446**	6 470 350
IAS 39 adjustment	**390 966**	2 073	**390 966**	2 073
Amounts expensed elsewhere in the income statement	**(31 861)**	(49 831)	**(31 861)**	(49 831)
Amount transferred from the income statement	**(1 638 360)**	432 854	**(1 638 360)**	432 854
Balance at end of year	**5 576 191**	6 855 446	**5 576 191**	6 855 446
	10 177 737	13 097 931	**10 177 737**	13 097 931
The movement in the policyholder liabilities balance for the purposes of the statement of cash flows is reported as follows:				
(Decrease)/increase in policyholder liabilities under investment contracts	**(1 640 939)**	930 943	**(1 640 939)**	930 943
(Decrease)/increase in policyholder liabilities under insurance contracts	**(1 279 255)**	385 096	**(1 279 255)**	385 096
Total increase in policyholder liabilities under investment and insurance contracts	**(2 920 194)**	1 316 039	**(2 920 194)**	1 316 039
Gross insurance liabilities	**10 190 989**	13 139 346	**10 190 989**	13 139 346
Total reinsurers shares of insurance liabilities	**13 252**	(41 415)	**13 252**	(41 415)
Net insurance liabilities	**10 177 737**	13 097 931	**10 177 737**	13 097 931
17. Short-term borrowings				
Current portion of long-term borrowings	**–**	15 865	**–**	–
The Group's borrowings emanate from Hollard Life Properties (Pty) Ltd and comprises the following component:				
Current portion of long-term mortgage loan	**–**	15 865	**–**	–
The fixed interest rate on the Group's mortgage loan at the statement of financial position date was nil (2014: 10.43%).				

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

	GROUP		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
18. Employee benefits				
Balance at beginning of year	124 846	151 989	124 846	149 734
Charged to the income statement				
– additional provisions	29 764	115 941	29 764	115 137
Sale of shareholding	–	(3 059)	–	–
Transfer	–	–	–	–
Used during the year	–	(140 025)	–	(140 025)
At end of year	154 610	124 846	154 610	124 846
Analysis of total provisions				
– current	154 610	124 846	154 610	124 846

Leave pay

In terms of the Group'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 Company, all accumulated and accrued leave is paid to them at the current total cost to company rate as part of their final salary, limited to a maximum of 25 days.

The Group's and Company's provision for leave pay amounted to R19 713 000 and R19 713 000 respectively at the statement of financial position date (2014: R23 870 000 and R23 870 000 respectively).

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 R134 898 000 and R134 898 000 respectively at the statement of financial position date (2014: R100 976 000 and R100 976 000 respectively).

	GROUP		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
19. Trade and other payables				
Trade creditors	36 875	6 225	36 875	6 225
Sundry creditors	346 677	275 906	342 369	273 025
Payable to Group Companies	–	21 593	–	21 593
	383 552	303 724	379 244	300 843

Sundry creditors

Included in sundry creditors are life assurance premiums amounting to R4 079 000 in respect of policies that incepted after the statement of financial position date (2014: R26 099 000).

20. Net premium income				
Individual and group				
Single premiums	21 635	1 181 912	21 635	1 181 912
Recurring premiums	5 059 648	4 857 289	5 059 648	4 857 289
Reinsurance premiums inwards	94 512	94 943	94 512	94 943
Gross premium income	5 175 795	6 134 144	5 175 795	6 134 144
Reinsurance premiums outwards	(764 652)	(726 611)	(764 652)	(726 611)
	4 411 143	5 407 533	4 411 143	5 407 533

Net premium income represents income from insurance contracts only. Items of income and expense in respect of investment contracts are excluded from the income statement and are accounted for directly against the liability under these contracts in the statement of financial position. See note 16 on page 139 for details of the movement in policyholder liabilities under investment contracts.

	GROUP		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
21. Realised profit/(loss) on disposal of investments				
Listed investments	12 105	74 600	12 105	74 600
Unlisted investments	(2 245)	4 282	(2 245)	5 083
	9 860	78 882	9 860	79 683
22. Unrealised profit/(loss) on revaluation of investments				
Listed investments	(40 968)	153 029	(40 968)	153 029
Unlisted investments	(30 232)	(175 473)	141 471	(158 973)
	(71 200)	(22 444)	100 503	(5 944)
The unrealised profit arising on revaluation of the Group's unlisted investments for the year is attributable to the following items:				
Profit/(loss) on revaluation of unlisted investments – Company	141 470	(158 973)		
Reversal of revaluation gains and losses in group companies on consolidation	(171 702)	(16 500)		
(Loss) on revaluation of unlisted investments – Group	(30 232)	(175 473)		

	GROUP			COMPANY		
	2015			2014		
	Company R'000	Rest of Group R'000	Total R'000	Company R'000	Rest of Group R'000	Total R'000
23. Profit before taxation						
Profit before taxation is determined after charging:						
Directors' and prescribed officers' emoluments						
Executive directors						
Director A						
Basic salary	1 445	1 445	2 890	1 480	1 480	2 960
Bonus and performance related payments	10 403	10 403	20 806	9 033	9 033	18 066
Estimated monetary value of other benefits	55	55	110	51	51	102
Pension/provident fund contributions	222	222	444	209	209	418
Share based payments	–	–	–	–	–	–
	12 125	12 125	24 250	10 773	10 773	21 546
Director B						
Basic salary	1 157	1 157	2 314	1 091	1 091	2 182
Bonus and performance related payments	7 369	7 369	14 738	6 926	6 926	13 852
Estimated monetary value of other benefits	166	166	332	157	157	314
Pension/provident fund contributions	185	185	370	174	174	348
Share based payments	–	–	–	–	–	–
	8 877	8 877	17 754	8 348	8 348	16 696
Non-executive directors						
Directors' fees						
Director A	186	186	372	150	150	300
Director B	–	–	–	131	131	262
Director C	143	143	286	–	–	–
Director D	232	232	464	206	206	412
Director E	325	650	975	324	428	752
Director F	200	200	400	220	131	351
Director G	162	162	324	–	–	–
	1 248	1 573	2 821	1 031	1 046	2 077

Notes to the annual financial statements (continued)

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	GROUP			COMPANY		
	2015			2014		
	Company R'000	Rest of Group R'000	Total R'000	Company R'000	Rest of Group R'000	Total R'000
23. Profit before taxation (continued)						
Prescribed officers						
Prescribed officer A						
Basic salary	–	–	–	70	632	702
Bonus and performance related payments	–	–	–	–	–	–
Estimated monetary value of other benefits	–	–	–	–	–	–
Pension/provident fund contributions	–	–	–	15	137	152
Share payments	–	–	–	–	–	–
	–	–	–	85	769	854
Prescribed officer B						
Basic salary	215	1 933	2 148	–	–	–
Bonus and performance related payments	218	1 954	2 172	–	–	–
Estimated monetary value of other benefits	12	108	120	–	–	–
Pension/provident fund contributions	38	357	395	–	–	–
Share payments	–	–	–	–	–	–
	483	4 352	4 835	–	–	–
Prescribed officer C						
Basic salary	1 147	765	1 912	894	894	1 788
Bonus and performance related payments	5 560	3 707	9 267	4 684	4 684	9 368
Estimated monetary value of other benefits	274	182	456	162	162	324
Pension/provident fund contributions	198	132	330	217	217	434
Share payments	–	–	–	–	–	–
	7 179	4 786	11 965	5 957	5 957	11 914
Prescribed officer D						
Basic salary	381	1 524	1 905	359	1 437	1 796
Bonus and performance related payments	1 734	6 935	8 669	1 752	7 009	8 761
Estimated monetary value of other benefits	20	79	99	19	78	97
Pension/provident fund contributions	85	336	421	78	314	392
Share payments	–	–	–	–	–	–
	2 220	8 874	11 094	2 208	8 838	11 046
Prescribed officer E						
Basic salary	187	1 678	1 865	176	1 582	1 758
Bonus and performance related payments	740	6 658	7 398	748	6 732	7 480
Estimated monetary value of other benefits	10	92	102	10	92	102
Pension/provident fund contributions	42	384	426	40	358	398
Share payments	–	–	–	–	–	–
	979	8 812	9 791	974	8 764	9 738

	GROUP			COMPANY		
	2015			2014		
	Company R'000	Rest of Group R'000	Total R'000	Company R'000	Rest of Group R'000	Total R'000
Prescribed officer F						
Basic salary	–	–	–	981	981	1 962
Bonus and performance related payments	–	–	–	6 896	6 896	13 792
Estimated monetary value of other benefits	–	–	–	–	–	–
Pension/provident fund contributions	–	–	–	150	150	300
Share payments	–	–	–	–	–	–
	–	–	–	8 027	8 027	16 054
Prescribed officer G						
Basic salary	2 246	250	2 496	2 115	235	2 350
Bonus and performance related payments	5 274	586	5 860	4 908	545	5 453
Estimated monetary value of other benefits	–	–	–	–	–	–
Pension/provident fund contributions	294	32	326	282	31	313
Share payments	–	–	–	–	–	–
	7 814	868	8 682	7 305	811	8 116
Prescribed officer H						
Basic salary	703	1 640	2 343	–	–	–
Bonus and performance related payments	–	–	–	–	–	–
Estimated monetary value of other benefits	15	36	51	–	–	–
Pension/provident fund contributions	107	250	357	–	–	–
Share payments	–	–	–	–	–	–
	825	1 926	2 751	–	–	–
Total directors' and prescribed officers' emoluments	41 750	52 193	93 943	44 708	53 333	98 041

	GROUP		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
Auditors' remuneration				
– Audit fees	4 303	4 830	4 138	4 357
– Prior year underprovision	500	350	500	350
– Other services	3 348	2 851	3 348	2 851
	8 150	8 031	7 986	7 558
Depreciation				
– Office and computer equipment	342	172	327	–
– Motor vehicles	11	263	11	–
– Furniture and fittings	13	220	–	–
– Computer software	423	423	–	–
– IT equipment	82	750	–	–
– Leasehold improvements	828	828	–	–
	1 699	2 656	338	–
Other expenditure				
Loss on disposal of property and equipment	–	2	–	–
Administration fees paid	108 574	102 120	108 574	102 120
Movement in provision for outstanding claims	(90 259)	147 523	(90 259)	147 523
Operating leases	14 429	9 214	44 511	40 248
Professional fees	94 701	77 239	94 605	77 231
Research and development	4 596	2 420	4 596	2 420

Notes to the annual financial statements (continued)

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	GROUP		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
24. Taxation				
South African normal taxation – current year	370 084	336 490	367 612	332 160
Deferred income tax	22 591	85 617	24 836	87 862
Dividend tax	182	4 427	182	4 427
	392 857	426 534	392 630	424 449
All taxation is payable in respect of continuing operations.				
Tax rate reconciliation				
Tax calculated at standard rate of South African tax on earnings – current year	28.0	28.0	28.0	28.0
Unrealised gains not taxable	(0.7)	(0.1)	(0.7)	(0.6)
Non-taxable items and losses	(1.0)	(1.2)	(0.6)	(0.9)
Effective rate	26.3	26.7	26.7	26.5
25. Policyholder benefits				
Individual and group				
– Death and disability	1 648 793	1 670 951	1 648 793	1 670 951
– Maturity	1 748 127	680 976	1 748 127	680 976
– Policy surrenders	204 535	202 782	204 535	202 782
– Annuities	144 445	166 783	144 445	166 783
– Other	58 210	81 578	58 210	81 578
Gross policyholder benefits	3 804 110	2 803 070	3 804 110	2 803 070
Less: Reinsurance recoveries	(553 020)	(685 577)	(553 020)	(685 577)
– Death and disability	(553 020)	(685 577)	(553 020)	(685 577)
Net policyholder benefits	3 251 090	2 117 493	3 251 090	2 117 493

Policyholder benefits represent payments under insurance contracts only. Items of income and expense in respect of investment contracts are excluded from the income statement and accounted for directly against the liability under these contracts in the statement of financial position. See note 16 on page 139 of these financial statements for the movement in policyholder liabilities under investment contracts.

	Notes	GROUP 2015 R'000	GROUP 2014 R'000	COMPANY 2015 R'000	COMPANY 2014 R'000
26. Reconciliation of profit before taxation to cash generated from operations					
Profit before tax attributable to equity holder of parent		1 466 370	1 575 728	1 468 715	1 580 679
Adjustments for:					
Depreciation of property and equipment	4	1 699	2 658	337	–
Amortisation of intangible assets		678	921	678	–
Impairment of goodwill		27 277	–	–	–
Derecognition of financial asset		2 105 468		2 105 468	
Transfer to policyholder liabilities under insurance contracts	16	(1 279 255)	385 096	(1 279 255)	385 096
Transfer to policyholder liabilities under investment contracts	16	(1 640 939)	930 943	(1 640 939)	930 943
Investment income		(665 073)	(806 185)	(670 126)	(827 033)
Realised profit on assets underlying investment contracts		(357 774)	(401 765)	(357 774)	(401 765)
Other income		(32 375)	(52 315)	(31 919)	(49 302)
Share of (profit)/loss in associates		(195 299)	(57 140)	–	–
Unrealised profit/(loss) on revaluation of investments	22	71 200	22 444	(100 503)	5 943
Unrealised income on investment contracts		(306 499)	(450 079)	(306 499)	(450 079)
Interest paid		7 972	5 528	6 718	2 871
Increase in employee benefits		29 764	(27 143)	29 764	(24 888)
Net increase in accrued interest and dividends		18 954	(2 311)	18 954	(2 311)
Operating cash flows before working capital changes		(747 834)	1 126 381	(756 379)	1 150 154
Working capital changes		135 908	72 514	127 934	5 858
Increase in insurance, loans and other receivables and reinsurance assets		(3 217)	(35 991)	(9 764)	(83 336)
Increase in outstanding claims		63 719	34 833	63 719	34 833
Increase/(decrease) in reinsurance liabilities and trade and other payables		75 406	73 672	73 979	54 361
Cash (utilised by)/generated from operations		(611 926)	1 198 895	(628 445)	1 156 012
27. Dividends paid					
Amounts due at beginning of year		(9 831)	–	(9 831)	–
Amounts charged to statement of changes in equity		(855 259)	(886 986)	(855 254)	(885 347)
Amounts due at end of year		–	9 831	–	9 831
Cash amounts paid		(865 090)	(877 155)	(865 085)	(875 516)
28. Dividends received					
Amounts due at beginning of year		45 719	46 960	45 719	46 960
Dividends received per income statement		59 270	51 522	64 259	98 457
Amounts due at end of year		(64 673)	(45 719)	(64 673)	(45 719)
Cash amounts received		40 316	52 763	45 305	99 698

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

	GROUP		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
29. Taxation paid				
Amounts due at beginning of year	(521 907)	(483 487)	(523 224)	(486 881)
Amounts charged to income statement	(392 857)	(426 534)	(392 630)	(424 449)
Amounts due at end of year	635 957	521 907	636 887	523 224
Cash amounts paid	(278 807)	(388 114)	(278 967)	(388 106)
Amounts due at end of year comprised as follows:				
Deferred income tax asset	821	1 100	–	–
Deferred income tax liability	549 106	524 269	549 106	524 269
Taxation	87 672	(1 261)	87 781	(1 045)
	637 599	524 108	636 887	523 224

30. Business combinations

Summary of business combinations – 30 June 2015

The Group did not aquire or dispose of any investments in subsidiaries in the 2015 financial year.

Summary of business combinations – 30 June 2014

30.1.1 Disposal of 55% shareholding in Cannon Asset Management:

On 30 November 2013, the Group disposed of its 55% shareholding in Cannon Asset Managers. At the date of disposal, the fair value of the investment in the company was R7 815 737 and the net asset value was R3 545 376. The Company generated a loss on disposal of R3 295 813 whereas the Group generated a loss on disposal of R4 096 052.

	Disposal of investment in subsidiary R'000
The Group's share of the net assets at the date of disposal was as follows:	
Interest in subsidiary	7 815
Net assets	3 545
Loss generated on disposal of subsidiary	4 096
Proceeds on disposal of subsidiary	9 500

30.1.2 Acquisition of 100% shareholding in Finningley Financial Services (Pty) Ltd:

On 28 February 2014, the Company acquired a 100% shareholding in Finningley Financial Services (Pty) Ltd for a consideration payable of R5 000 000 for the year under review. This transaction was accounted for using the purchase method of accounting.

The net assets acquired in the transaction, and the change in ownership arising on acquisition, were as follows:

	Acquisition of investment in subsidiary R'000
Net asset value of Altrisk – 28 February 2014	(170)
Percentage of shares bought	100%
Net asset value Purchased	(170)
Goodwill	5 170
Total consideration, to be satisfied in cash	5 000
Preference share redemption	–
Loan waiver	–
Non-controlling Interest at date of acquisition	–

31. Investments in associates

The Group acquired associates during the year.

Summary of acquisition and disposal of associates – 2015

31.1 Acquisition of further 10.28% shareholding in Capricorn Capital Partners (Pty) Ltd:

On 1 September 2014, the Group acquired an additional 10.28% shareholding in Capricorn Capital Partners (Pty) Ltd for a consideration payable of R12 302 505.00 to increase its total shareholding to 39.99% for the year under review. At the date of acquisition, the carrying value of the investment in the company was R56 523 000.

31.2 Acquisition of Ducome Brokers (Pty) Ltd:

On 17 September 2014, the Group acquired a 25% shareholding in Ducome Brokers (Pty) Ltd for a consideration payable of R3 800 000. At the date of acquisition, the carrying value of the investment in the company was R0.

31.3 Acquisition of Ooba (Pty) Ltd:

On 30 June 2015, the Group acquired a 25% shareholding in Ooba (Pty) Ltd for a consideration payable of R50 898 609.24. At the date of acquisition, the carrying value of the investment in the company was R0.

Summary of acquisition and disposal of associate – 2014

31.4 Acquisition of Fiscal Tree Investments (Pty) Ltd:

On 28 February 2014, the Group acquired a 25% shareholding in Fiscal Tree Investments (Pty) Ltd for a consideration payable of R3 016 000. At the date of acquisition, the carrying value of the investment in the company was R0.

32. Staff pension and provident fund

The Company has a defined contribution pension fund, the Hollard Employees Pension Fund, with 285 (2014: 231) employees of the Company being members of the fund. The Company's contributions to the fund charged against income for the year amounted to R11 856 185 (2014: R9 371 936).

The Company also has a defined contribution provident fund, the Hollard Employees Provident Fund, with 1 185 (2014: 1 068) employees of the Company being members of the fund. The Company's contributions to the fund charged against income for the year amounted to R44 389 527 (2014: R42 552 661).

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

33. Operating lease arrangements

The Company entered into a ten-year lease agreement with Hollard Life Properties (Pty) Ltd, a 100% subsidiary, to sub-lease the Arcadia premises with effect from 1 July 2005. The lease ended on 30 June 2015. With effect from 1 July 2009 the lease agreement between the Company and Hollard Life Properties (Pty) Ltd to sub-lease the Arcadia (Phase 1) premises was restructured. The restructured agreement is a single sub-lease between the Company and Hollard Life Properties (Pty) Ltd for the lease term to 30 June 2015 and a further sub-lease between the Company and The Hollard Insurance Company Limited for the same period.

A second lease agreement was entered into with Hollard Life Properties (Pty) Ltd to sub-lease the Arcadia (Phase 2) premises with effect from 1 July 2009. The lease runs to 31 March 2018.

A third lease agreement was entered into with Vividend Income Fund Limited on 1 May 2014 in which dedicated facilities are provided to the HAD Division in Owl Street. The lease runs to 30 April 2017.

The total amount of the lease payments over the remaining period of the lease will be R69 149 000 (2014: R111 012 000).

The Group companies that have operating lease commitments are The Best Funeral Society (Pty) Ltd and Hollard Life Properties (Pty) Ltd. The total amount of lease payments payable over the remaining period of its lease commitments is R70 740 000 (2014: R 132 050 000).

	GROUP		COMPANY	
	2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
The future minimum lease payments under operating lease agreements are as follows:				
Not later than one year	**26 939**	81 076	**25 348**	52 815
Later than one year and not later than five years	**43 801**	109 247	**43 801**	58 197
Later than five years	**–**	–	**–**	–
	70 740	190 323	**69 149**	111 012
Payments recognised as an expense:				
Minimum lease payments	**14 429**	9 214	**44 511**	40 248
Sub-lease payments received	**(32 568)**	(28 895)	**(32 568)**	(28 895)
	(18 139)	(19 681)	**11 943**	11 353

The lease payments are recognised as an expense on a straight-line basis over the term of the lease in accordance with International Accounting Standard IAS 17: *Leases*.

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

34. Related party transactions

Transactions between Group companies

The immediate holding company is Hollard Holdings (Pty) Limited (100%) and the ultimate holding company is R Enthoven and Sons (Pty) Limited. Both of these companies are incorporated in the Republic of South Africa.

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

Details of subsidiary, associate and joint venture companies are provided in note 37 on page 149 of the financial statements.

	COMPANY	
	2015 R'000	2014 R'000
Loans to related parties	92 214	84 708
Loans to subsidiaries	7 834	13 550
Loans to associates	18	26 684
Loans to Brotrade 1 (Pty) Ltd	–	13 616
Loans to Hollard Holdings	48 710	–
Loans to Wealth Associates	356	628
Loans to Newshelf 76	16 020	14 882
Loans to Syringa Tree	16 499	15 048
Loans to Pico Ruivo	2 777	300
Loans to directors and prescribed officers	17 575	12 759
The following advances were made:		
M Shezi	2 950	3 451
NG Kohler	6 732	6 223
B Wyborn	7 893	2 718
I Ross	–	367
The loans are given on commercial terms and conditions. The related interest income in 2015 was R1 135 735 (2014: R434 585).		
Interest on loans to M Shezi and B Wyborn is charged at the SARS rate and as at 30 June 2015, the rate was 6.75%.		
Interest on loans to N Kohler is charged at prime less 1.36% and at 30 June 2015, the prime rate was 9.25%.		
Loan to employee		
F Patrizi	2 094	–
Interest on loans to F Patrizi is charged at prime less 2% and at 30 June 2015, the prime rate was 9.25%.		
Endowment policies		
Endowment policies have been taken up by directors and key management. All policies are issued in the names of the individuals concerned on standard commercial terms. The value of policies in-force at the reporting date is as follows:		
– Directors and their family members	13 785	11 244
Key management compensation		
– Salaries, bonuses and other short term employee benefits	19 671	15 158
(Key management refers to executive committee members excluding directors)		
The remuneration of key management is determined by the Remuneration Committee having regard to both the performance of the individuals concerned and their related market compensation benchmarks.		
Management fees		
– Paid by The Hollard Insurance Company Limited	241 680	234 926
Administration fees		
Administration fees are paid to a number of companies in which the Group holds an interest. All fees are paid on standard commercial terms.		
Rent paid	44 511	57 860
– Hollard Life Properties (Pty) Limited	40 248	40 248
– Vividend Income Fund Limited	4 263	–
– Merchants SA (Pty) Limited	–	17 612
Refer to notes 7, 8, 11 and 17 of these annual financial statements for details of loans with Group companies and other related parties.		
Investment policy with		
– The Hollard Insurance Company Limited	817 033	743 100

35. Commitments for expenditure

The Group's and Company's principal expenditure commitment is to its policyholders, the nature and quantum of which is governed by the terms of the specific insurance contracts that are issued to them. The Group and Company do not expect to incur significant non-insurance related expenditure during the financial year ended 30 June 2015 and hence have not provided for a capital expenditure budget for this period (2014: Rnil). Any unanticipated capital or operating expenditure will be funded from internal sources.

36. Contingent liabilities

The Group and Company, in the ordinary course of business, enters into transactions that expose it to tax, legal and business risks. Provisions are made for known liabilities that are expected to materialise and which can be quantified with reasonable accuracy. Possible obligations and known liabilities where no reliable estimate can be made, or where it is considered improbable that an outflow will result, are not provided for but instead are noted as a contingent liability, in accordance with International Accounting Standard IAS 37 *Provisions, contingent liabilities and contingent assets*.

There are a number of 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.

37. Subsidiaries, associates and joint ventures

							Carrying value of interest in subsidiaries, associates and joint ventures			
	Nature of business	Issued share capital (Rands)	**2015 Proportion held %**	2014 Proportion held %	**2015 voting rights %**	2014 voting rights %	**2015 shares at Fair value R'000**	**2015 Loans R'000**	2014 shares at Fair value R'000	2014 Loans R'000
Directly held subsidiaries										
Hollard Life Properties (Pty) Limited	B	2	**100.00**	100.00	**100.00**	100.00	**4 233**	**346**	–	6 095
The Best Funeral Society (Pty) Limited	C	8 000	**55.00**	55.00	**55.00**	55.00	**1 129**	**5 084**	1 187	4 881
Hollard Wealth Management Services (Pty) Limited	D	1	**100.00**	100.00	**100.00**	100.00	**44**	**2 404**	38	2 573
Hollard Management Company (Pty) Limited	E	1	**100.00**	100.00	**100.00**	100.00	**–**	**–**	–	–
Altrisk (Pty) Ltd	F	1 075	**100.00**	100.00	**100.00**	100.00	**–**	**–**	–	–
Hollard Investment Managers (Pty) Ltd	E	2	**100.00**	100.00	**100.00**	100.00	**292**	**–**	494	–
Finningley (Pty) Ltd	F	–	**100.00**	–	**100.00**	–	**–**	**–**	–	–
							5 698	**7 834**	1 719	13 549
Directly held associates										
Hollard Asset Management (Pty) Limited	E	1 999	**49.97**	49.97	**49.97**	49.97	**–**	**–**	97 821	–
Capricorn Capital Partners (Pty) Limited	D	175	**39.99**	29.71	**39.99**	29.71	**–**	**–**	29 589	26 622
Amsure Insurance Agency Limited	F	150 000	**49.99**	49.99	**49.99**	49.99	**–**	**–**	46 182	–
Amserve Consultants Private Limited	I	50 000	**49.99**	49.99	**49.99**	49.99	**–**	**–**	40 619	–
Prorisk Pooling Administrators (Pty) Ltd	F	120	**40.00**	40.00	**40.00**	40.00	**–**	**18**	–	63
Fiscal Tree Investments (Pty) Ltd	F	100	**25.00**	25.00	**25.00**	25.00	**3 016**		3 016	
Ooba (Pty) Ltd	F	160	**40.00**	–	**40.00**	–	**3 800**	**–**	–	–
Ducome Brokers (Pty) Ltd	D	100	**25.00**	–	**25.00**	–	**50 899**		–	
							57 715	**18**	217 227	26 685

Nature of business

A – Asset management, B – Property holding, C – Funeral administrator, D – Investment consulting, E – Investment holding, F – Life assurance, G – Employee benefits, H – Healthcare, I – Business process outsourcing, training and education.

With the exception of Amserve Consultants Private Limited and Amsure Insurance Agency Limited, which are incorporated and operational in India, all companies recorded above are incorporated and operational in South Africa.

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

38. Subsequent events

On the 1 July 2015, Hollard Life Assurance Company entered into a treaty agreement with Swiss Re Life and Health Africa Limited and Hannover Life Reassurance Africa Ltd for the amount of R570 000 000. The reinsurance commission of R570 000 000 will be equally funded by both reinsurers. These funds will be used to invest in Hollard Life Assurance Company's partner with certain benefits accruing to Hollard. The Board is not aware of any other event since the end of the financial year not otherwise dealt with in the financial statements that would affect the operations of the Company and Group or the results of those operations.

Directorate and administration

Directorate

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

Non-Executive Chairman	ADH Enthoven*
Group Chief Executive Officer	NG Kohler
Group Chief Financial Officer	TBT Mparutsa
Independent Non-Executive Director	NV Simamane
Independent Non-Executive Director	BF Mohale
Independent Non-Executive Director	SC Gilbert
Non-Executive Director	R Fihrer
Independent Non-Executive Director	B Ngonyama
Independent Non-Executive Director	S Patel

** British*

Administration

Company Secretary

NL Shirilele

Public Officer

NL Shirilele

Compliance Officer

BR Curnow

Registered office and business address

Hollard at Arcadia
22 Oxford Road
Parktown
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2193

Postal address

PO Box 87428
Houghton
2041

Website

www.hollard.co.za

Nature of business

The Company transacts long-term assurance business.

Auditors

Deloitte & Touche
Building 8
The Woodlands
Woodlands Drive
Woodmead
Sandton

Registration number

1993/001405/06

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