

Hollard.

2017

# THE HOLLARD INSURANCE COMPANY LIMITED

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

These annual financial statements have been prepared by the Financial Manager, Sheetal Nagar, (CA(SA)), under the supervision of the Group Financial Manager, Rika Hopley, (CA(SA)).

*(Registration number 1952/003004/06)  
Audited consolidated annual financial statements  
for the year ended 30 June 2017*

# CONTENTS

Group salient features	3
Directors' responsibility statement and approval of the annual financial statements	4
Independent Auditor's report	5
Directors' report	7
Statements of financial position	9
Statements of profit or loss	10
Statements of comprehensive income	11
Statements of changes in equity	12
Statements of cash flows	13
Notes to the annual financial statements	14
Directorate and administration	70

## Group salient features

for the year ended 30 June 2017

	2017 R'000	2016 R'000	2015 R'000	2014 R'000	2013 R'000
<b>Statement of profit and loss information</b>					
Gross premium income <sup>(1)</sup>	12 356 647	12 513 741	11 376 501	9 003 297	7 103 163
Net written premium income <sup>(2)</sup>	9 557 362	9 592 782	8 857 186	6 930 218	5 774 314
Investment income <sup>(3)</sup>	693 567	1 259 554	1 051 336	905 618	1 585 847
Net insurance claims	5 241 672	5 428 655	4 877 829	3 932 344	3 093 707
Profit attributable to equity holders of the parent	764 598	1 487 325	746 719	720 976	1 688 697
<b>Statement of financial position information</b>					
Insurance liabilities	5 172 590	5 115 347	5 402 403	4 598 553	3 238 350
Equity attributable to equity holders of the parent	2 880 729	3 150 169	3 694 967	3 510 974	3 274 243
Total assets	12 564 368	12 459 682	11 998 170	10 826 046	8 705 723
Financial assets (i.e. listed investments and unlisted investments)	2 784 533	2 675 367	3 425 392	3 644 615	2 727 482
Cash and cash equivalents	2 079 388	2 179 384	2 962 959	2 195 306	1 855 578
<b>Trading ratios</b>					
	%	%	%	%	%
Written premium: Net to gross	77.3	76.7	77.9	77.0	81.3
Combined operating ratio <sup>(4)</sup>	99.4	100.6	100.9	101.7	99.7
Solvency ratio <sup>(5)</sup>	39.2	46.0	57.6	69.1	77.7
<b>Actuarial information</b>					
Capital adequacy requirement (CAR)	2 304 177	2 229 304	2 086 775	1 724 114	1 332 040
Capital adequacy requirement (CAR) cover	1.26	1.21	1.51	1.72	2.58

(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 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 2017

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

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

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

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

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

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

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

These annual financial statements, set out on pages 3 to 70, have been approved by the Board of the Group and Company and are signed on its behalf by:



**ADH Enthoven**  
Chairman

31 October 2017



**NG Kohler**  
Chief Executive Officer

31 October 2017

## 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.



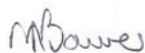
**NL Shirilele**  
Company Secretary

31 October 2017

## 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 Group's and Company's financial statements, and assessed that these fairly represent the financial position of the Group and Company. The Committee further reviewed the Group's and Company's accounting policies, and the reports of the internal and external audit functions, and of the compliance officer. The Committee met three times during the year, and the chairman of the Committee reported on the work of the Committee to the Board.

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



**MR Bower**  
Chairman: Audit Committee

31 October 2017

## Independent Auditor's report

### TO THE SHAREHOLDER OF THE HOLLARD INSURANCE COMPANY LIMITED

#### Report on the Audit of the Consolidated and Separate Financial Statements

We have audited the consolidated and separate financial statements of The Hollard Insurance Company Limited (the Group) set out on pages 9 to 69, which comprise the statements of financial position as at 30 June 2017, and the statements of profit or loss and comprehensive income, 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.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group as at 30 June 2017, 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 (IFRSs) and the requirements of the Companies Act of South Africa.

#### Basis for opinion

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

#### Other information

The directors are responsible for the other information. The other information comprises the Group Salient Features, the Directors' Responsibility Statement and Approval of the Annual Financial Statements, the Directors' Report, the Audit Committees' Report, the Certification by Company Secretary, and the Directorate and Administration as required by the Companies Act of South Africa. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

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

#### Responsibilities of the Directors for the consolidated and separate financial statements

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

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

#### Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

## Independent Auditor's report (continued)

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

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

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

### Report on Other Legal and Regulatory Requirements

In terms of the Independent Regulatory Board for Auditors (IRBA) Rule published in Government Gazette Number 39475 dated 04 December 2015, we report that Deloitte & Touche has been the auditor of The Hollard Insurance Company Limited for 9 years.



**Deloitte & Touche**  
**Registered Auditor**

Per: Diana Jorge  
Partner

31 October 2017

National Executive: \*LL Barn Chief Executive Officer \*TMM Jordan Deputy Chief Executive Officer \*MJ Jarvis Chief Operating Officer \*GM Pinnock Audit \*N Sing Risk Advisory \*NB Kader Tax \*TP Pillay Consulting S Gwala BPaaS \*K Black Clients & Industries \*JK Mazzocco Talent & Transformation \*MJ Comber Reputation & Risk \*TJ Brown Chairman of the Board

A full list of partners and directors is available on request

\*Partner and Registered Auditor

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

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

## Directors' report

for the year ended 30 June 2017

The Directors have pleasure in presenting the Directors' report which forms part of the Group's and Company's annual financial statements for the year ended 30 June 2017.

### 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 46 on pages 64 to 66 and 68 to 69 of the annual financial statements.

### General review

In the year under review the Group achieved net profit attributable to equity holders of the parent of R764 598 000 (2016: R1 487 325 000), which arose from the Group's operations as follows:

	2017 R'000	2016 R'000
Net premium income	9 447 889	9 506 096
Investment income	693 567	1 259 554
Other income	244 663	360 496
<b>Total revenue</b>	<b>10 386 119</b>	11 126 146
Net insurance claims	5 241 672	5 428 655
Other operating expenses	3 934 866	4 051 641
<b>Total expenses</b>	<b>9 176 538</b>	9 480 296
<b>Results of operating activities</b>	<b>1 209 581</b>	1 645 850
Share of profit in associates	33 205	32 477
<b>Profit before taxation</b>	<b>1 242 786</b>	1 678 327
Taxation	(234 907)	104 654
<b>Profit for the year</b>	<b>1 007 879</b>	1 782 981
Non-controlling interest	(243 281)	(295 656)
<b>Net profit attributable to equity holders of the parents</b>	<b>764 598</b>	1 487 325

### Share capital

During the year the shareholding in the Company changed from Hollard Holdings (Pty) Ltd to Hollard Fundco (RF) (Pty) Ltd. There was no change in the authorised and issued ordinary share capital of the Company during the year.

### Dividends

Dividends on ordinary shares of Rnil (2016: Rnil) and dividends on preference shares of R1 158 580 000 (2016: R1 989 240 000) were declared by the Company during the year.

### Subsidiaries and associates

The Company disposed of its 100% shareholding in the following subsidiary:

- Quisisana (Pty) Ltd

The company acquired 30% shareholding in the following associate:

- IT00 Special Risk (Pty) Ltd

The Company's aggregate share of the profits of subsidiaries and associates for the year amounted to R397 728 180 and R33 204 653 respectively (2016: R396 212 179 and R32 476 932 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 has adopted the going-concern basis in preparing the annual financial statements.

## Directors' report (continued)

for the year ended 30 June 2017

### Subsequent events

It has been announced that effective from 1 October 2017 Saks Ntombela will take over the role as CEO from Nic Kohler. Apart from this, 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 25 November 2016:

- NG Kohler, R Fihrer and B Ngonyama.

### Executive Directors

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

### Non-Executive Directors

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

### Auditors

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

### Company Secretary

NL Shirilele

### Business address

Hollard at Arcadia  
22 Oxford Road  
Parktown  
Johannesburg  
2193

Postal address  
P O Box 87419  
Houghton  
2041

### Holding company

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



# Statements of financial position

as at 30 June 2017

	Notes	GROUP		COMPANY	
		2017 R'000	2016 R'000	2017 R'000	2016 R'000
<b>Assets</b>					
Property and equipment	5	72 974	64 338	72 838	64 203
Investment property	6	28 000	58 587	–	–
Intangible assets	7	137 537	113 894	137 128	113 248
Interest in subsidiaries	8	–	–	67 933	99 599
Interest in associates	9	261 827	169 006	217 905	188 323
Financial assets	10	2 784 533	2 675 367	2 743 399	2 637 044
Reinsurance assets	21	2 993 449	2 606 898	2 993 449	2 606 898
Insurance, loans and other receivables	13	2 013 949	2 060 859	2 007 820	2 054 805
Deferred acquisition costs	22	143 311	144 297	143 311	144 297
Deferred taxation	14	79 690	78 170	79 690	77 889
Current income taxation	35	33 244	74 993	33 235	74 879
Cash and cash equivalents	15	2 079 388	2 179 384	2 080 702	2 173 264
Non-current assets held for sale	16	1 936 466	2 233 887	585 360	746 405
<b>Total assets</b>		<b>12 564 368</b>	<b>12 459 682</b>	<b>11 162 770</b>	<b>10 980 855</b>
<b>Equity and liabilities</b>					
Share capital and premium	17	1 642 601	1 642 601	1 642 601	1 642 601
Contingency reserve		39 439	103 321	–	–
Share option reserve		4 012	4 012	4 012	4 012
Foreign currency translation reserve	19	(43 360)	(24 222)	–	–
Non-distributable reserves	18	1 230	9 421	–	–
Credit protection reserves		3	3	–	–
Retained earnings		1 236 804	1 415 033	1 581 361	2 094 497
Equity attributable to equity holders of the parent		2 880 729	3 150 169	3 227 974	3 741 110
Non-controlling interest		286 250	460 547	–	–
<b>Total equity</b>		<b>3 166 979</b>	<b>3 610 716</b>	<b>3 227 974</b>	<b>3 741 110</b>
Insurance liabilities	21	5 172 590	5 115 347	5 172 590	5 115 347
Reinsurance liabilities		890 105	950 614	890 105	950 612
Non-current liabilities held for sale	16	1 448 621	1 586 179	–	–
Long term borrowings	24	600 509	3 254	600 156	–
Employee benefits	25	235 098	241 679	235 098	241 679
Trade and other payables	26	876 187	801 142	870 266	788 422
Shareholders for dividend	33	–	14 317	–	14 317
Deferred taxation	14	174 250	136 408	166 581	129 368
Current income taxation	35	29	28	–	–
<b>Total liabilities</b>		<b>9 397 389</b>	<b>8 848 966</b>	<b>7 934 796</b>	<b>7 239 745</b>
<b>Total equity and liabilities</b>		<b>12 564 368</b>	<b>12 459 682</b>	<b>11 162 770</b>	<b>10 980 855</b>

## Statement of profit or loss

for the year ended 30 June 2017

	Notes	GROUP		COMPANY	
		2017 R'000	2016 R'000	2017 R'000	2016 R'000
<b>Revenue</b>					
Gross premium income		12 356 647	12 513 741	10 475 094	10 386 327
Reinsurance premiums outwards		(2 799 285)	(2 920 959)	(2 229 998)	(2 247 412)
<b>Net written premium income</b>		<b>9 557 362</b>	<b>9 592 782</b>	<b>8 245 096</b>	<b>8 138 915</b>
(Less)/add: Change in unearned premium reserve		(109 473)	(86 686)	(56 062)	8 935
Gross amount		(107 070)	(229 779)	(36 643)	(133 050)
Reinsurer's share		(2 403)	143 093	(19 419)	141 985
<b>Net premium income</b>		<b>9 447 889</b>	<b>9 506 096</b>	<b>8 189 034</b>	<b>8 147 850</b>
Interest	27	285 080	211 114	211 836	159 274
Dividends	27	165 602	145 239	272 340	201 441
Rental income		2 367	2 919	-	-
Realised (loss)/profit on disposal of investments	28	(72 263)	1 126 325	167 861	1 074 485
Unrealised profit/(loss) on revaluation of investments	29	357 798	(840 849)	36 865	(883 202)
(Loss)/profit on translation of foreign currencies		(38 477)	162 003	(35 701)	44 867
(Loss)/profit on disposal of associates and subsidiaries		(6 540)	452 803	-	452 803
<b>Investment income</b>		<b>693 567</b>	<b>1 259 554</b>	<b>653 201</b>	<b>1 049 668</b>
<b>Other income</b>		<b>244 663</b>	<b>360 496</b>	<b>157 762</b>	<b>190 258</b>
<b>Total revenue</b>		<b>10 386 119</b>	<b>11 126 146</b>	<b>8 999 997</b>	<b>9 387 776</b>
<b>Expenses</b>					
Gross claims and loss adjustment expense		7 386 583	7 415 517	6 678 907	6 568 162
Reinsurer's share		(2 144 911)	(1 986 862)	(1 985 077)	(1 769 621)
<b>Net insurance claims</b>		<b>5 241 672</b>	<b>5 428 655</b>	<b>4 693 830</b>	<b>4 798 541</b>
Commission and other acquisition costs		1 007 145	1 138 345	876 289	903 800
Interest paid	27	81 310	24 639	72 997	24 639
Marketing and administration expenses		2 846 411	2 888 657	2 571 451	2 490 531
<b>Total expenses</b>		<b>9 176 538</b>	<b>9 480 296</b>	<b>8 214 567</b>	<b>8 217 511</b>
<b>Results of operating activities</b>		<b>1 209 581</b>	<b>1 645 850</b>	<b>785 430</b>	<b>1 170 265</b>
Share of profit of associates		33 205	32 477	-	-
<b>Profit before taxation</b>	30	<b>1 242 786</b>	<b>1 678 327</b>	<b>785 430</b>	<b>1 170 265</b>
Taxation	31	(234 907)	104 654	(139 986)	184 027
<b>Profit for the year</b>		<b>1 007 879</b>	<b>1 782 981</b>	<b>645 444</b>	<b>1 354 292</b>
<b>Profit for the year attributable to:</b>					
Equity holders of the parent		764 598	1 487 325		
Non-controlling interest		243 281	295 656		
		<b>1 007 879</b>	<b>1 782 981</b>		

## Statements of comprehensive income

for the year ended 30 June 2017

	Notes	GROUP		COMPANY	
		2017 R'000	2016 R'000	2017 R'000	2016 R'000
Profit for the year		1 007 879	1 782 981	645 444	1 354 292
<b>Other comprehensive income</b>					
Exchange differences on translating foreign operations		(75 940)	(63 969)	-	-
Transfer from reserve		(399)	2 164	-	-
Raising of credit protection reserve		-	(17)	-	-
Unrealised gain on financial assets at fair value through other comprehensive income	29	(157 554)	1 045	-	-
<b>Other comprehensive loss for the year</b>	20	<b>(233 893)</b>	<b>(60 777)</b>	<b>-</b>	<b>-</b>
<b>Total other comprehensive income for the year</b>		<b>773 986</b>	<b>1 722 204</b>	<b>645 444</b>	<b>1 354 292</b>
<b>Total other comprehensive income attributable to:</b>					
Equity holders of the parent		685 136	1 456 203		
Non-controlling interest		88 849	266 001		
		<b>773 986</b>	<b>1 722 204</b>		

## Statements of changes in equity

for the year ended 30 June 2017

GROUP	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-distributable reserves R'000	Retained earnings R'000	Total ordinary shareholders' equity R'000	Non-controlling interest R'000	Total equity R'000
<b>Balance at 1 July 2015</b>	537 200	69 650	93 209	4 012	7 006	20	9 205	2 974 665	3 694 967	352 551	4 047 518
Profit for the year	-	-	-	-	-	-	-	1 487 325	1 487 325	295 655	1 782 980
Other comprehensive (loss)/income	-	-	-	-	(31 228)	(17)	216	(94)	(31 123)	(29 654)	(60 777)
<b>Total other comprehensive income</b>	-	-	-	-	(31 228)	(17)	216	1 487 231	1 456 202	266 001	1 722 203
Issue of ordinary shares	1 262 401	-	-	-	-	-	-	-	1 262 401	-	1 262 401
Share buy-back	(212 914)	(13 736)	-	-	-	-	-	(1 035 750)	(1 262 400)	-	(1 262 400)
Transfer to contingency reserve	-	-	10 112	-	-	-	-	(27 029)	(16 917)	2 917	(14 000)
Dividends paid on ordinary shares	-	-	-	-	-	-	-	-	-	(157 615)	(157 615)
Dividends paid on A-ordinary shares in Hollard Insurance Company of Namibia Limited	-	-	-	-	-	-	-	-	-	(780)	(780)
Dividends paid on preference shares	-	-	-	-	-	-	-	(1 989 240)	(1 989 240)	-	(1 989 240)
Acquisition of shares in a subsidiary	-	-	-	-	-	-	-	5 156	5 156	(2 527)	2 629
<b>Balance at 30 June 2016</b>	1 586 687	55 914	103 321	4 012	(24 222)	3	9 421	1 415 033	3 150 169	460 547	3 610 716
Profit for the year	-	-	-	-	-	-	-	764 598	764 598	243 280	1 007 878
Other comprehensive loss	-	-	-	-	(75 941)	-	(399)	(3 121)	(79 461)	(154 432)	(233 893)
<b>Total other comprehensive income</b>	-	-	-	-	(75 941)	-	(399)	761 477	685 137	88 848	773 985
Transfer to contingency reserve	-	-	(572)	-	-	-	-	(9 863)	(10 435)	(3 527)	(13 962)
Transfer to non-controlling interest	-	-	-	-	10 935	-	-	102 251	113 186	(113 186)	-
Dividends paid on ordinary shares	-	-	-	-	-	-	-	-	-	(30 084)	(30 084)
Dividends paid on A-ordinary shares in Hollard Insurance Company of Namibia Limited	-	-	-	-	-	-	-	-	-	(70 597)	(70 597)
Dividends paid on preference shares	-	-	-	-	-	-	-	(1 158 580)	(1 158 580)	-	(1 158 580)
Disposal of non-current assets held for sale	-	-	(63 310)	-	45 868	-	(7 792)	126 486	101 252	(45 751)	55 501
<b>Balance at 30 June 2017</b>	1 586 687	55 914	39 439	4 012	(43 360)	3	1 230	1 236 804	2 880 729	286 250	3 166 979
<b>COMPANY</b>											
<b>Balance at 1 July 2015</b>	537 200	69 650	-	4 012	-	-	-	3 765 195	4 376 057	-	-
Profit for the year	-	-	-	-	-	-	-	1 354 292	1 354 292	-	-
<b>Total other comprehensive income</b>	-	-	-	-	-	-	-	1 354 292	1 354 292	-	-
Dividends paid on preference shares	-	-	-	-	-	-	-	(1 989 240)	(1 989 240)	-	-
Issue of ordinary shares	1 262 401	-	-	-	-	-	-	-	1 262 401	-	-
Share buy-back	(212 914)	(13 736)	-	-	-	-	-	(1 035 750)	(1 262 400)	-	-
<b>Balance at 30 June 2016</b>	1 586 687	55 914	-	4 012	-	-	-	2 094 497	3 741 110	-	-
Profit for the year	-	-	-	-	-	-	-	645 444	645 444	-	-
<b>Total other comprehensive income</b>	-	-	-	-	-	-	-	645 444	645 444	-	-
Dividends paid on preference shares	-	-	-	-	-	-	-	(1 158 580)	(1 158 580)	-	-
<b>Balance at 30 June 2017</b>	1 586 687	55 914	-	4 012	-	-	-	1 581 361	3 227 974	-	-

## Statements of cash flows

for the year ended 30 June 2017

	Notes	GROUP		COMPANY	
		2017 R'000	2016 R'000	2017 R'000	2016 R'000
<b>Cash flows from operating activities</b>					
Cash receipts from policyholders and other customers		9 494 798	9 250 463	8 236 019	7 649 300
Cash paid to policyholders, suppliers and employees		(9 290 980)	(9 534 273)	(8 268 545)	(7 623 619)
<b>Cash generated from/(utilised by)operations</b>					
Interest paid	32	203 818	(283 810)	(32 526)	25 681
Dividends paid	27	(81 310)	(24 639)	(72 997)	(24 639)
Dividends received	33	(1 243 494)	(1 993 757)	(1 172 897)	(1 971 432)
Interest received	27	285 080	211 114	211 836	159 274
Dividends received	34	282 475	194 454	389 213	250 656
Taxation paid	35	(159 716)	(202 567)	(62 929)	(107 606)
<b>Net cash outflow from operating activities</b>					
		(713 147)	(2 099 205)	(740 300)	(1 668 066)
<b>Cash flows from investing activities</b>					
Acquisition of property and equipment		(25 423)	(34 476)	(25 423)	(30 540)
Acquisition of listed and unlisted investments		(344 258)	(184 760)	(344 258)	(110 272)
Acquisition of associate		(1 000)	–	(1 000)	–
Acquisition of subsidiaries		–	–	–	(3 781)
Acquisition of intangible assets		(53 202)	(94 965)	(53 202)	(77 389)
Acquisition of bonds		(35 888)	(138 544)	(35 888)	(50 060)
Proceeds on disposal of subsidiaries	36	–	8 000	–	8 000
Proceeds on disposal of listed and unlisted investments	38	393 918	1 275 955	393 918	1 275 955
Proceeds on disposal of other financial assets	36	–	311 985	–	311 985
Proceeds on disposal of non-current asset held for sale	39	11 807	48 114	11 807	2 899
Proceeds on maturity of bonds		34 304	–	34 304	–
Decrease in loans to subsidiaries		–	–	31 686	(137)
Increase in loans		35 794	–	35 794	–
Decrease in foreign currency translation reserve		–	(30 995)	–	–
<b>Net cash inflow from investing activities</b>					
		16 052	1 315 630	47 738	1 481 976
<b>Cash flows from financing activities</b>					
Share buy-back		–	(1 262 400)	–	(1 262 400)
Increase in long-term borrowings		597 099	–	600 000	–
Rights issue of shares		–	1 262 400	–	1 262 400
<b>Net cash inflow from financing activities</b>					
		597 099	–	600 000	–
<b>Cash and cash equivalents</b>					
Net decrease in cash and cash equivalents		(99 996)	(783 575)	(92 562)	(186 090)
Cash and cash equivalents at beginning of year		2 179 384	2 962 959	2 173 264	2 359 354
<b>Cash and cash equivalents at end of year</b>					
	15	2 079 388	2 179 384	2 080 702	2 173 264

# Notes to the annual financial statements

for the year ended 30 June 2017

## 1. Accounting policies

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

### 1.1 Basis of presentation

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

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

#### Use of estimates and judgements

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

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

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

#### Adoption of new and revised standards

The Group's and Company's accounting policies are consistent with those of the previous financial year except for those instances where new or revised standards and/or interpretations had to be adopted. 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 2016. 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 2017 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 cash flow. 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:

#### International Financial Reporting Standards and Amendments issued but not yet effective for the financial year ended 30 June 2017

- IFRS 9: *Financial Instruments* – Reissue of a complete standard with all the chapters incorporated (effective from annual periods beginning on or after 1 January 2018) This standard is expected to have an impact on the financial statements.
- IFRS 10: *Consolidated Financial Statements* – Amendments on sale or contribution of assets between an investor and its associate or joint venture (deferred indefinitely) This standard is expected to have an impact on the financial statements.
- IFRS 15: *Revenue from contracts with customers* – Original issue (effective from annual periods beginning on or after 1 January 2017) This standard is expected to have an impact on the financial statements.
- IFRS 15: *Revenue from contracts with customers* – Clarifications to IFRS 15 (effective from annual periods beginning on or after 1 January 2018) This standard is expected to have an impact on the financial statements.
- IFRS 16: *Leases* – Original issue (effective from annual periods beginning on or after 1 January 2019) This standard is expected to have an impact on the financial statements.
- IAS 7: *Cash Flow Statement* – Amendments as result of the Disclosure initiative (effective from annual periods beginning on or after 1 January 2017) This standard is expected to have an impact on the financial statements.
- IAS 12: *Income Taxes* – Amendments regarding the recognition of deferred tax assets for unrealised losses (effective from annual periods beginning on or after 1 January 2017) This standard is expected to have an impact on the financial statements.
- IAS 28: *Investments in Associates and Joint Ventures* – Amendments on Sale or Contribution of Assets between an investor and its associate or joint venture (deferred indefinitely) This standard is expected to have an impact on the financial statements.
- IFRS 17: *Insurance Contracts* – Original issue that replaces IFRS 4 Insurance Contracts (effective from annual periods beginning on or after 1 January 2021) This standard is expected to have a material impact on the financial statements.

There are no interpretations of International Financial Reporting Standards issued but not yet effective for the financial year ended 30 June 2017.

## 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 comprehensive income.

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

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

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 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.

### Investments in associates

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

The results and assets and liabilities of associates are incorporated in these annual financial statements using the equity method of accounting, except when the investments is classified as held for sale, in which case it is accounted for in accordance with IFRS 5: *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates are carried in the consolidated statement of financial position'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, form part of the Group's net investments in associates, are not recognised unless the Group has incurred obligations or made payments on behalf of the associate. Post-acquisition profits are recognised in the comprehensive income.

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 comprehensive income.

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

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

## Notes to the annual financial statements (continued)

for the year ended 30 June 2017

### 1. Accounting policies (continued)

#### 1.2 Basis of consolidation (continued)

##### 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 an joint venture in excess of the Group's interest in that joint venture, which includes any long-term interest that, in substance, form part of the Group's net investments in joint ventures, are not recognised unless the Group has incurred obligations or made payments on behalf of the joint venture. Post-acquisition profits are recognised in the comprehensive income.

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 comprehensive income.

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

The Company classifies its investments in joint ventures at fair value through profit or loss financial instruments in accordance with 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 provide specific guidance on accounting for business combinations under common control. Therefore, an accounting policy would be elected using the principles outlined in IAS 8: *Accounting policies, Changes in Accounting Estimates and Errors*. This approach requires the entity first to consider the requirements in IFRSs dealing with similar and related issues. After this assessment, the entity evaluates the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the Framework.

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

##### Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, joint venture or associate at the acquisition date. Goodwill arising on the acquisition of the subsidiary, joint venture 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 comprehensive income.

##### Functional and presentation currency

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



### Transactions and balances

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

### Group companies

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

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

- Motor vehicles 20%
- Office equipment 10%
- Computer equipment 33%
- Furniture and fittings 10%
- Leasehold improvements shorter of useful life and lease term

Land is not depreciated.

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

### Property

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

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

## 1.5 Investment property

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

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

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

## Notes to the annual financial statements (continued)

for the year ended 30 June 2017

### 1. Accounting policies (continued)

#### 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.

##### 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 seven 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's and Company's long-term investment strategy.

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 consolidated annual financial statements, short term is defined as any period of less than 12 months and 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 at 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 equities.

##### *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 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.

##### Recognition and measurement

Financial instrument purchases are initially measured at fair value 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 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 the Company have also transferred substantially all the risks and rewards of ownership.

#### **Gains or losses**

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

#### **Fair value**

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

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

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

### **1.8 Impairment of 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; or
- Economic conditions that correlate with defaults on assets in the Group and/or the Company.

All impairment losses are recognised in the comprehensive income 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, 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 comprehensive income.

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

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

## Notes to the annual financial statements (continued)

for the year ended 30 June 2017

### 1. Accounting policies (continued)

#### 1.8 Impairment of tangible and intangible assets excluding goodwill (continued)

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

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.

#### 1.9 Cash and cash equivalents

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

#### 1.10 Non-current assets held for sale

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

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

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

#### 1.11 Share capital

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

#### 1.12 Insurance contracts

##### Classification of insurance contracts

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

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

Receipts and payments under insurance contracts are accounted for in the comprehensive income in accordance with the requirements of IFRS 4: *Insurance Contracts*.

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

##### Management of insurance and financial risk

As is stated above, the Group and/or Company issues contracts that transfer insurance risk or financial risk, or in some instances both. This section summarises these risks and the way in which the Group and/or Company manages them.

##### Premiums

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

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

##### Unearned premium provision

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

##### Deferred acquisition costs

Deferred acquisition costs consist of commissions and other variable costs directly connected with acquisition or renewal of insurance contracts. The deferred acquisition costs are amortised on a straight-line basis over the average term of the policies, from one to five

years. Deferred acquisition costs are regularly tested for impairment using the liability adequacy test as per IFRS 4. The deferred acquisition cost is not reinstated once written off.

#### **Claims incurred**

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

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

The majority of the Group's and Company's IBNR (Claims Incurred But Not Reported), 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's and Company's past claims experience.

The Company's internal actuaries review the adequacy of the Company's claims provisions. The chain ladder method, which involves the analysis of historical claims development factors and the selection of the estimated development factors based on the historical pattern, is used to assess the adequacy of the reserves 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 comprehensive income and statement of financial position separately from the gross amounts.

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

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

#### **Salvage and subrogation reimbursements**

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

### **1.13 Revenue**

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

#### **Interest income and finance cost**

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

#### **Dividend income**

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

#### **Rental income**

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

#### **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.

## Notes to the annual financial statements (continued)

for the year ended 30 June 2017

### 1. Accounting policies (continued)

#### 1.13 Revenue (continued)

##### 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.

##### Commission

Commission payments and receipts are shown gross of reinsurance commissions.

##### Marketing and administration expenses

Marketing and administration expenses include all the Group's and Company's operating expenditure, including indirect taxes and 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/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 comprehensive income when it is demonstrably committed to either terminating the employment of current employees according to a detailed, formal plan without possibility of withdrawal or where it is committed to providing termination benefits as a result of an offer made to encourage voluntary redundancy.

##### 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 comprehensive income 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.

#### 1.15 Taxation

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

Income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

##### Current taxation

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

##### Deferred taxation

Deferred taxation is provided at current tax rates, on the comprehensive basis, using the statement of financial position liability method in respect of all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are recognised for all taxable temporary timing differences and deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

#### **Dividend Withholding Tax**

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

### **1.16 Provisions**

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

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

### **1.17 Borrowings**

Borrowings are recognised initially at cost, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds and the redemption value is recognised in the comprehensive income 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 comprehensive income 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/or Company's shareholders are recognised as a liability in the Group's and/or Company's annual financial statements in the period in which the Board of Directors approves the dividend after performing solvency and liquidity tests.

## **2. Critical accounting estimates and judgements**

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

### **2.1 Claims incurred**

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

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

## Notes to the annual financial statements (continued)

for the year ended 30 June 2017

### 3. Financial risk management

#### Introduction

The Group's and/or Company's principal objectives are to ensure that it will be able to continue as a going concern and to provide value to its shareholders and policyholders through a long-term, sustainable real return on capital as a result of managing its business risks within an appropriate risk framework. The Board of Directors has overall responsibility for establishing, monitoring and communicating the Group's and Company's risk management framework, including defining what constitute "appropriate" risk and control policies, and for ensuring that sufficient capital is held to support the taking of risk. In order to discharge some of its responsibility, the Board has established the 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's and Company's risk management policies were established to identify and analyse the risks it faces, to set appropriate risk limits and controls and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in both market conditions and the Group's and Company's activities. The Group and Company, through its training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees, brokers and partners understand their roles and obligations.

The Group's 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 Audit Committee, 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 Audit Committee, 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 Group's and Company's management of capital. Further quantitative disclosures are included throughout these consolidated annual financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's and Company's risk management framework. The Board has established the Group 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.

##### 3.1.1 Credit risk

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

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

##### Insurance, loans and other receivables

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

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

##### 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 earning for each CGU.



### Investments

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

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

The analysis of credit quality of the Group's and Company's assets is disclosed in note 4 on pages 27 to 35 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 to the insurer in the event that a gross claim is paid. However, the Group and Company remain liable to its policyholders regardless of whether the reinsurer meets the obligations it has assumed. Consequently, the Group and Company are exposed to credit risk.

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

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

#### 3.1.2 Liquidity risk

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

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

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

#### 3.1.3 Market risk

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

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

##### a) Currency risk

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

The Group and Company are exposed to foreign currency risk for transactions that are denominated in a currency other than Rand. This exposure is limited to the operations of the Mozambique 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.

## Notes to the annual financial statements (continued)

for the year ended 30 June 2017

### 3. Financial risk management (continued)

#### 3.1 Exposure to risk arising from financial instruments (continued)

##### 3.1.3 Market risk (continued)

###### b) Interest rate risk

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 investments in the Group's and Company's investment portfolios. The Group's and Company's fixed interest rate investments do not give rise to significant interest rate risk. Furthermore, the majority of interest sensitive investments are short term, therefore the impact is minimal. The Group and Company do not use derivative instruments to manage this risk other than an ongoing assessment by the Investment Committee of market expectations within the South African market to determine an optimal asset allocation in interest-sensitive investments.

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

###### c) Other market price (or equity) risk

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

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

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

##### 3.1.4 Capital management

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

In each country in which the Group operates, the local insurance regulator specifies the minimum amount and type of capital that must be held by each of the subsidiaries in addition to their insurance liabilities. The minimum required capital must be maintained at all times. The Company submits quarterly and annual returns to the 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 2017 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's and Company's objectives when managing capital are to:

- comply with the insurance capital requirements required by the regulators of the insurance markets where the Group and Company operate;
- prepare for the new solvency regime in South Africa in 2017;
- safeguard the Group's and Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and other stakeholders;
- provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk;
- ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholder value; and
- effectively manage its capital structure and make adjustments to the structure, in light of changes in economic conditions.

## 4. Risk management

### 4.1 Credit risk

#### 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	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
<b>GROUP</b>				
<b>Financial assets</b>				
Investments in associates	251 686	158 864	–	–
Loans to associates	10 141	10 141	10 141	10 141
Listed investments (Financial assets at fair value through profit and loss)	747 931	712 451	–	175 355
Unlisted investments (Financial assets at fair value through profit and loss)	1 984 285	1 912 246	807 531	716 119
Financial assets held-to-maturity	52 317	50 670	52 317	50 670
Financial assets at fair value through other comprehensive income	–	–	–	–
Loans – interest-bearing	28 776	39 146	28 776	39 146
Loans – non-interest-bearing	112 278	4 109	112 278	4 109
Other loans and receivables	324 604	295 010	324 604	295 010
Cash and cash equivalents	2 079 388	2 179 384	2 079 388	2 179 384
Non-current assets held for sale	1 936 466	2 233 887	–	–
<b>Insurance assets</b>				
Insurance receivables	1 548 291	1 722 596	1 548 291	1 722 596
Deferred acquisition costs	143 311	144 297	–	–
Reinsurance assets	2 993 449	2 606 898	2 993 449	2 606 898
<b>Total</b>	<b>12 212 923</b>	<b>12 069 699</b>	<b>7 956 775</b>	<b>7 799 428</b>
<b>COMPANY</b>				
<b>Financial assets</b>				
Investments in subsidiaries	41 241	41 220	–	–
Loans to subsidiaries	26 692	58 379	26 692	58 379
Investments in associates	207 764	178 182	–	–
Loans to associates	10 141	10 141	10 141	10 141
Listed investments (Financial assets at fair value through profit and loss)	706 797	674 128	–	137 032
Unlisted investments (Financial assets at fair value through profit and loss)	1 984 285	1 912 246	807 531	716 119
Financial Assets – held-to-maturity	52 317	50 670	52 317	50 670
Loans – interest-bearing	28 776	39 146	28 776	39 146
Loans – non-interest-bearing	112 278	4 109	112 278	4 109
Other loans and receivables	318 475	288 955	318 475	288 955
Cash and cash equivalents	2 080 702	2 173 264	2 080 702	2 173 264
Non-current assets held for sale	–	746 405	–	–
<b>Insurance assets</b>				
Insurance receivables	1 548 291	1 722 596	1 548 291	1 722 596
Deferred acquisition costs	143 311	144 297	–	–
Reinsurance assets	2 993 449	2 606 898	2 993 449	2 606 898
<b>Total</b>	<b>10 254 519</b>	<b>10 650 636</b>	<b>7 978 652</b>	<b>7 807 309</b>

## Notes to the annual financial statements (continued)

for the year ended 30 June 2017

### 4. Risk management (continued)

#### 4.1 Credit risk (continued)

##### b) Credit rating

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

	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	Not rated R'000	Total R'000
<b>GROUP</b>												
<b>2017</b>												
Loans to associates	-	-	-	-	-	-	-	-	-	-	10 141	10 141
Financial assets held-to-maturity	-	-	-	-	-	-	2 025	-	-	-	50 292	52 317
Unlisted investments	-	-	-	-	-	-	-	-	-	-	807 531	807 531
Other loans and receivables	-	-	-	-	-	-	-	-	-	-	465 658	465 658
Cash and cash equivalents	-	-	-	20 363	-	-	376 249	-	1 477 762	-	205 014	2 079 388
<b>Insurance assets</b>												
Insurance receivables	-	-	-	-	-	-	-	-	-	-	1 548 291	1 548 291
Reinsurance assets	7 053	936 358	84 981	14 828	21 517	940 424	-	-	807	-	987 481	2 993 449
<b>Total</b>	<b>7 053</b>	<b>936 358</b>	<b>84 981</b>	<b>35 191</b>	<b>21 517</b>	<b>940 424</b>	<b>378 274</b>	<b>-</b>	<b>1 478 569</b>	<b>-</b>	<b>4 074 408</b>	<b>7 956 775</b>
<b>2016</b>												
Loans to associates	-	-	-	-	-	-	-	-	-	-	10 141	10 141
Financial assets held-to-maturity	-	-	-	-	-	-	30 463	-	-	-	20 207	50 670
Listed investments	-	-	-	-	-	-	132 552	4 480	-	-	38 323	175 355
Unlisted investments	-	-	-	-	-	-	-	-	-	-	716 119	716 119
Other loans and receivables	-	-	-	-	-	-	-	-	-	-	338 265	338 265
Cash and cash equivalents	-	-	-	20 346	-	-	2 112 913	-	-	39 957	6 168	2 179 384
<b>Insurance assets</b>												
Insurance receivables	-	-	-	-	-	-	-	-	-	-	1 722 596	1 722 596
Reinsurance assets	453 654	214 428	283 222	25 558	450 694	25 854	6 578	257 692	14 304	9 778	865 136	2 606 898
<b>Total</b>	<b>453 654</b>	<b>214 428</b>	<b>283 222</b>	<b>45 904</b>	<b>450 694</b>	<b>25 854</b>	<b>2 282 506</b>	<b>262 172</b>	<b>14 304</b>	<b>49 735</b>	<b>3 716 955</b>	<b>7 799 428</b>
<b>COMPANY</b>												
<b>2017</b>												
Loans to subsidiaries	-	-	-	-	-	-	-	-	-	-	26 691	26 691
Loans to associates	-	-	-	-	-	-	-	-	-	-	10 141	10 141
Financial assets held-to-maturity	-	-	-	-	-	-	2 025	-	-	-	50 292	52 317
Unlisted investments	-	-	-	-	-	-	-	-	-	-	807 531	807 531
Other loans and receivables	-	-	-	-	-	-	-	-	-	-	459 531	459 531
Cash and cash equivalents	-	-	-	20 363	-	-	376 249	-	1 477 762	-	206 328	2 080 702
<b>Insurance assets</b>												
Insurance receivables	-	-	-	-	-	-	-	-	-	-	1 548 291	1 548 291
Reinsurance assets	7 053	936 358	84 981	14 828	21 517	940 424	-	-	807	-	987 481	2 993 449
<b>Total</b>	<b>7 053</b>	<b>936 358</b>	<b>84 981</b>	<b>35 191</b>	<b>21 517</b>	<b>940 424</b>	<b>378 274</b>	<b>-</b>	<b>1 478 569</b>	<b>-</b>	<b>4 096 286</b>	<b>7 978 653</b>
<b>2016</b>												
Loans to subsidiaries	-	-	-	-	-	-	-	-	-	-	58 379	58 379
Loans to associates	-	-	-	-	-	-	-	-	-	-	10 141	10 141
Financial assets held-to-maturity	-	-	-	-	-	-	30 463	-	-	-	20 207	50 670
Listed investments	-	-	-	-	-	-	132 552	4 480	-	-	-	137 032
Unlisted investments	-	-	-	-	-	-	-	-	-	-	716 119	716 119
Other loans and receivables	-	-	-	-	-	-	-	-	-	-	332 210	332 210
Cash and cash equivalents	-	-	-	20 346	-	-	2 112 913	-	-	39 957	47	2 173 264
<b>Insurance assets</b>												
Insurance receivables	-	-	-	-	-	-	-	-	-	-	1 722 596	1 722 596
Reinsurance assets	453 654	214 428	283 222	25 558	450 694	25 854	6 578	257 692	14 304	9 778	865 136	2 606 898
<b>Total</b>	<b>453 654</b>	<b>214 428</b>	<b>283 222</b>	<b>45 904</b>	<b>450 694</b>	<b>25 854</b>	<b>2 282 506</b>	<b>262 173</b>	<b>14 304</b>	<b>49 734</b>	<b>3 724 836</b>	<b>7 807 309</b>

**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	Past due but not impaired	Individually impaired	Gross carrying amount	Neither past due nor impaired	Past due but not impaired	Individually impaired	Gross carrying amount
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>2017</b>								
Loans to subsidiaries	-	-	-	-	-	-	26 691	26 691
Loans to associates	10 141	-	2 714	12 855	10 141	-	2 714	12 855
Financial assets held-to-maturity	52 317	-	-	52 317	52 317	-	-	52 317
Unlisted investments	1 984 285	-	-	1 984 285	1 984 286	-	-	1 984 286
Other loans and receivables	365 720	99 926	(33)	465 613	359 637	99 926	(33)	459 530
Cash and cash equivalents	2 079 388	-	-	2 079 388	2 080 702	-	-	2 080 702
<b>Financial assets</b>	<b>4 491 851</b>	<b>99 926</b>	<b>2 681</b>	<b>4 594 458</b>	<b>4 487 083</b>	<b>99 926</b>	<b>29 372</b>	<b>4 616 381</b>
Insurance receivables	1 516 428	17 410	14 453	1 548 291	1 516 428	17 410	14 453	1 548 291
Reinsurance assets	2 965 968	27 481	-	2 993 449	2 965 968	27 481	-	2 993 449
<b>Insurance assets</b>	<b>4 482 396</b>	<b>44 891</b>	<b>14 453</b>	<b>4 541 740</b>	<b>4 482 396</b>	<b>44 891</b>	<b>14 453</b>	<b>4 541 740</b>
<b>2016</b>								
Loans to subsidiaries	-	-	-	-	31 687	-	39 291	70 978
Loans to associates	10 141	-	2 713	12 854	10 141	-	2 713	12 854
Financial assets held-to-maturity	50 670	-	-	50 670	50 670	-	-	50 670
Unlisted investments	716 119	-	-	716 119	716 119	-	-	716 119
Other loans and receivables	549 329	39 433	(9 710)	579 052	549 329	39 433	(9 710)	579 052
Cash and cash equivalents	2 179 384	-	-	2 179 384	2 173 264	-	-	2 173 264
<b>Financial assets</b>	<b>3 505 643</b>	<b>39 433</b>	<b>(6 997)</b>	<b>3 538 079</b>	<b>3 531 210</b>	<b>39 433</b>	<b>32 294</b>	<b>3 602 937</b>
Insurance receivables	1 722 596	15 078	-	1 737 674	1 722 596	15 078	-	1 737 674
Reinsurance assets	2 606 898	111 209	-	2 718 107	2 606 898	111 209	-	2 718 107
<b>Insurance assets</b>	<b>4 329 494</b>	<b>126 287</b>	<b>-</b>	<b>4 455 781</b>	<b>4 329 494</b>	<b>126 287</b>	<b>-</b>	<b>4 455 781</b>

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

	GROUP					COMPANY				
	<30 days	31 to 60 days	61 to 90 days	More than 90 days	Total past due but not impaired	<30 days	31 to 60 days	61 to 90 days	More than 90 days	Total past due but not impaired
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>2017</b>										
Other loans and receivables	-	4 425	735	94 766	99 926	-	4 425	735	94 766	99 926
Insurance receivables	-	-	-	17 410	17 410	-	-	-	17 410	17 410
Reinsurance assets	-	-	-	27 481	27 481	-	-	-	27 481	27 481
	-	4 425	735	139 657	144 817	-	4 425	735	139 657	144 817
<b>2016</b>										
Other loans and receivables	927	563	1 211	36 732	39 433	927	563	1 211	36 732	39 433
Insurance receivables	-	-	-	15 078	15 078	-	-	-	15 078	15 078
Reinsurance assets	-	13 599	8 710	88 900	111 209	-	13 599	8 710	88 900	111 209
	927	14 162	9 921	140 710	165 720	927	14 162	9 921	140 710	165 720

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	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Balance at beginning of year	91 213	78 961	86 024	73 772
- Collective impairment loss recognised	(562)	26 860	(562)	26 860
- Collective impairment loss reversed	57 528	(14 608)	57 528	(14 608)
<b>Balance at end of year</b>	<b>148 179</b>	<b>91 213</b>	<b>142 990</b>	<b>86 024</b>

## Notes to the annual financial statements (continued)

for the year ended 30 June 2017

### 4. Risk management (continued)

#### 4.2 Liquidity risk

##### 4.2.1 Maturity profile on financial and insurance assets

The following tables detail the Group's 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
<b>GROUP</b>					
<b>2017</b>					
Loans to associates	10 141	12 854	12 854	–	–
Financial assets at fair value through profit or loss	2 732 216	3 317 855	3 317 855	–	–
Held-to-maturity assets	52 317	52 317	–	–	52 317
Reinsurance assets	2 993 449	3 039 457	3 039 457	–	–
Insurance, loans and other receivables	2 013 949	324 560	324 560	–	–
Deferred acquisition costs	143 311	143 311	143 311	–	–
Cash and cash equivalents	2 079 388	2 080 943	2 080 943	–	–
	<b>10 024 771</b>	<b>8 971 297</b>	<b>8 918 980</b>	<b>–</b>	<b>52 317</b>
<b>2016</b>					
Loans to associates	10 141	12 854	12 854	–	–
Financial assets at fair value through profit or loss	2 624 698	2 624 698	2 360 630	263 342	726
Held-to-maturity assets	50 670	50 670	–	10 106	40 564
Reinsurance assets	2 606 898	2 606 898	2 606 898	–	–
Insurance, loans and other receivables	2 060 861	2 060 861	2 060 861	–	–
Deferred acquisition costs	144 297	144 297	144 297	–	–
Cash and cash equivalents	2 179 384	2 179 384	2 179 384	–	–
	<b>9 676 949</b>	<b>9 679 662</b>	<b>9 364 924</b>	<b>273 448</b>	<b>41 290</b>
<b>COMPANY</b>					
<b>2017</b>					
Loans to subsidiaries	26 692	39 451	39 451	–	–
Loans to associates	10 141	12 855	12 855	–	–
Financial assets at fair value through profit or loss	2 691 082	2 690 571	2 690 571	–	–
Held-to-maturity assets	52 317	52 317	–	–	52 317
Reinsurance assets	2 993 449	3 039 457	3 039 457	–	–
Insurance, loans and other receivables	2 007 820	2 007 820	2 007 820	–	–
Deferred acquisition costs	143 311	143 311	143 311	–	–
Cash and cash equivalents	2 080 702	2 080 702	2 080 702	–	–
	<b>10 005 514</b>	<b>10 066 484</b>	<b>10 014 167</b>	<b>–</b>	<b>52 317</b>
<b>2016</b>					
Loans to subsidiaries	58 379	70 978	70 978	–	–
Loans to associates	10 141	12 855	12 855	–	–
Financial assets at fair value through profit or loss	2 586 374	2 586 312	2 322 244	263 342	726
Held-to-maturity assets	50 670	50 670	–	10 106	40 564
Reinsurance assets	2 606 898	2 606 898	2 606 898	–	–
Insurance, loans and other receivables	2 054 806	2 054 806	2 054 806	–	–
Deferred acquisition costs	144 297	144 297	144 297	–	–
Cash and cash equivalents	2 173 264	2 173 264	2 173 264	–	–
	<b>9 684 829</b>	<b>9 700 080</b>	<b>9 385 342</b>	<b>273 448</b>	<b>41 290</b>

#### 4.2.2 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 – 12 months R'000	1 – 2 years R'000
<b>GROUP</b>				
<b>2017</b>				
<b>Non-derivative financial liabilities</b>				
Trade and other payables and employee benefits	1 111 285	783 663	781 140	2 523
	1 111 285	783 663	781 140	2 523
<b>2016</b>				
<b>Non-derivative financial liabilities</b>				
Trade and other payables and employee benefits	1 042 821	1 042 821	1 042 821	–
	1 042 821	1 042 821	1 042 821	–
<b>COMPANY</b>				
<b>2017</b>				
<b>Non-derivative financial liabilities</b>				
Trade and other payables and employee benefits	1 105 364	796 270	793 747	2 523
	1 105 364	796 270	793 747	2 523
<b>2016</b>				
<b>Non-derivative financial liabilities</b>				
Trade and other payables and employee benefits	1 030 101	1 030 101	1 030 101	–
	1 030 101	1 030 101	1 030 101	–

#### 4.2.3 Maturity profile of insurance liabilities

The following table details the Group's 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
<b>2017</b>								
Claims reported and loss adjustment expenses	2 629 385	2 131 388	484 183	13 814	2 629 385	2 131 388	484 183	13 814
Claims incurred but not yet reported	719 527	583 250	132 496	3 780	719 527	583 250	132 496	3 780
Unearned premium provision	1 783 781	1 451 477	332 304	–	1 783 781	1 451 477	332 304	–
Cash back reserve	39 897	16 216	23 682	–	39 897	16 216	23 682	–
Reinsurance liabilities	890 105	890 105	–	–	890 105	890 105	–	–
	6 062 695	5 072 436	972 665	17 594	6 062 695	5 072 436	972 665	17 594
<b>2016</b>								
Claims reported and loss adjustment expenses	2 596 916	2 219 907	369 926	7 083	2 596 916	2 219 907	369 926	7 083
Claims incurred but not yet reported	704 742	602 430	100 389	1 923	704 742	602 430	100 389	1 923
Unearned premium provision	1 781 121	1 441 044	340 077	–	1 781 121	1 441 044	340 077	–
Cash back reserve	32 568	13 236	19 332	–	32 568	13 236	19 332	–
Reinsurance liabilities	950 612	950 612	–	–	950 612	950 612	–	–
	6 065 959	5 227 229	829 724	9 006	6 065 959	5 227 229	829 724	9 006

## Notes to the annual financial statements (continued)

for the year ended 30 June 2017

### 4. Risk management (continued)

#### 4.3 Market risk

##### 4.3.1 Sensitivity analysis

The Group's 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:

	2017		2016	
	Average rate	Reporting date spot rate	Average rate	Reporting date spot rate
<b>GROUP</b>				
Botswana Pula	1.2721	1.2596	1.3211	1.3273
Namibian Dollar	1.0000	1.0000	1.0000	1.0000
Mozambique Metical	0.1912	0.2140	0.3105	0.2303
<b>COMPANY</b>				
British Pound	17.2425	16.9913	21.4477	19.4940
US Dollar	13.5936	13.0517	14.4993	14.6573

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
<b>GROUP</b>				
<b>2017</b>				
British Pound	16 013	(16 013)	16 013	(16 013)
US Dollar	3 465	(3 465)	3 465	(3 465)
	19 478	(19 478)	19 478	(19 478)
<b>2016</b>				
British Pound	3 985	(3 985)	3 985	(3 985)
US Dollar	17 570	(17 570)	17 570	(17 570)
	21 555	(21 555)	21 555	(21 555)
<b>COMPANY</b>				
<b>2017</b>				
British Pound	16 013	(16 013)	16 013	(16 013)
US Dollar	3 465	(3 465)	3 465	(3 465)
	19 478	(19 478)	19 478	(19 478)
<b>2016</b>				
British Pound	3 985	(3 985)	3 985	(3 985)
US Dollar	17 570	(17 570)	17 570	(17 570)
	21 555	(21 555)	21 555	(21 555)

There is no currency fluctuation effect on the Namibian Dollar.



**Interest rate risk**

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

	Carrying amount	
	2017 R'000	2016 R'000
<b>GROUP</b>		
<b>Variable rate instruments</b>		
<i>Financial assets</i>		
Cash and cash equivalents	2 079 388	2 179 384
Unlisted debentures	-	175 127
	<b>2 079 388</b>	<b>2 354 511</b>
<b>COMPANY</b>		
<b>Variable rate instruments</b>		
<i>Financial assets</i>		
Cash and cash equivalents	2 080 702	2 173 264
Unlisted debentures	-	175 127
	<b>2 080 702</b>	<b>2 348 391</b>

The Group's 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.

	Profit/(loss)		Equity	
	2% increase R'000	2% decrease R'000	2% increase R'000	2% decrease R'000
<b>GROUP</b>				
<b>2017</b>				
Cash and cash equivalents	41 588	(41 588)	41 588	(41 588)
<b>Net cash flow sensitivity</b>	<b>41 588</b>	<b>(41 588)</b>	<b>41 588</b>	<b>(41 588)</b>
<b>2016</b>				
Cash and cash equivalents	43 588	(43 588)	43 588	(43 588)
Unlisted debentures	3 463	(3 463)	3 463	(3 463)
<b>Net cash flow sensitivity</b>	<b>47 051</b>	<b>(47 051)</b>	<b>47 051</b>	<b>(47 051)</b>
<b>COMPANY</b>				
<b>2017</b>				
Cash and cash equivalents	41 614	(41 614)	41 614	(41 614)
<b>Net cash flow sensitivity</b>	<b>41 614</b>	<b>(41 614)</b>	<b>41 614</b>	<b>(41 614)</b>
<b>2016</b>				
Cash and cash equivalents	35 212	(35 212)	35 212	(35 212)
Unlisted debentures	3 463	(3 463)	3 463	(3 463)
<b>Net cash flow sensitivity</b>	<b>38 675</b>	<b>(38 675)</b>	<b>38 675</b>	<b>(38 675)</b>

## Notes to the annual financial statements (continued)

for the year ended 30 June 2017

### 4. Risk management (continued)

#### 4.3 Market risk (continued)

##### 4.3.1 Sensitivity analysis (continued)

##### Equity price risk

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

GROUP	2017			2016		
	Carrying amount R'000	Listed/not listed	Relevant stock exchange	Carrying amount R'000	Listed/not listed	Relevant stock exchange
Description of equity investments						
Ordinary shares	616 872	Listed	JSE	575 419	Listed	JSE
Preference shares	131 058	Listed	JSE	133 112	Listed	JSE
Preference shares	–	Listed	LSE	3 920	Listed	LSE
	<b>747 930</b>			<b>712 451</b>		

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 the prior year.

	Profit/(loss)		Equity	
	5% increase R'000	5% decrease R'000	5% increase R'000	5% decrease R'000
<b>2017</b>				
Ordinary shares – Listed	29 109	(29 109)	29 109	(29 109)
Preference shares – Listed	6 553	(6 553)	6 553	(6 553)
	<b>35 662</b>	<b>(35 662)</b>	<b>35 662</b>	<b>(35 662)</b>
<b>2016</b>				
Ordinary shares – Listed	28 851	(28 851)	28 851	(28 851)
Preference shares – Listed	6 852	(6 852)	6 852	(6 852)
	<b>35 703</b>	<b>(35 703)</b>	<b>35 703</b>	<b>(35 703)</b>

COMPANY	2017			2016		
	Carrying amount R'000	Listed/not listed	Relevant stock exchange	Carrying amount R'000	Listed/not listed	Relevant stock exchange
Description of equity investments						
Ordinary shares	575 738	Listed	JSE	537 096	Listed	JSE
Preference shares	131 058	Listed	JSE	133 112	Listed	JSE
Preference shares	–	Listed	LSE	3 920	Listed	LSE
	<b>706 796</b>			<b>674 128</b>		

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
<b>2017</b>				
Ordinary shares – Listed	29 067	(29 067)	29 067	(29 067)
Preference shares – Listed	6 533	(6 533)	6 533	(6 533)
	<b>35 600</b>	<b>(35 600)</b>	<b>35 600</b>	<b>(35 600)</b>
<b>2016</b>				
Ordinary shares – Listed	28 809	(28 809)	28 809	(28 809)
Preference shares – Listed	6 411	(6 411)	6 411	(6 411)
	<b>35 220</b>	<b>(35 220)</b>	<b>35 220</b>	<b>(35 220)</b>

#### 4.4 Comprehensive income 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	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Interest income on financial assets measured at amortised cost	180 061	113 352	174 708	116 620
Interest income on held-to-maturity assets	9 295	7 305	–	–
Net income on financial assets designated at fair value through profit or loss	95 724	90 457	37 128	42 654
<b>Financial income</b>	<b>285 080</b>	<b>211 114</b>	<b>211 836</b>	<b>159 274</b>
Interest expense on financial liabilities measured at amortised cost	81 310	24 639	72 997	24 639
<b>Financial expense</b>	<b>81 310</b>	<b>24 639</b>	<b>72 997</b>	<b>24 639</b>
<b>Net financial income</b>	<b>203 770</b>	<b>186 475</b>	<b>138 839</b>	<b>134 635</b>
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	189 356	120 657	174 708	116 618
Total interest expense	(81 310)	(24 639)	(72 997)	(24 639)
	108 046	96 018	101 711	91 979
<b>b) Impairment losses</b>				
The amount of the impairment loss for each class of financial asset during the reporting period was as follows:				
<b>Impairment of other loans and receivables</b>				
– Impairment recognised	(508)	(12 251)	(508)	(12 251)
<b>Impairment of loans to subsidiaries</b>				
– Impairment write-back	–	–	–	137
<b>Impairment of premium debtors</b>				
– Impairment write-back	57 528	–	57 528	–
<b>Total</b>	<b>57 020</b>	<b>(12 251)</b>	<b>57 020</b>	<b>(12 114)</b>

## Notes to the annual financial statements (continued)

for the year ended 30 June 2017

	GROUP		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
<b>5. Property and equipment</b>				
<b>Cost</b>				
Office equipment	190 177	168 702	189 794	168 321
Motor vehicles	8 787	11 692	8 768	11 673
Leasehold improvements	16 677	12 731	16 677	12 731
<b>Total property and equipment cost</b>	<b>215 641</b>	<b>193 125</b>	<b>215 239</b>	<b>192 725</b>
<b>Accumulated depreciation</b>				
Office equipment	123 589	111 684	123 332	111 427
Motor vehicles	6 098	6 317	6 089	6 309
Leasehold improvements	12 980	10 786	12 980	10 786
<b>Total Accumulated depreciation</b>	<b>142 667</b>	<b>128 787</b>	<b>142 401</b>	<b>128 522</b>
<b>Net carrying amount</b>				
Office equipment	66 588	57 018	66 462	56 894
Motor vehicles	2 689	5 375	2 679	5 364
Leasehold improvements	3 697	1 945	3 697	1 945
	<b>72 974</b>	<b>64 338</b>	<b>72 838</b>	<b>64 203</b>
<b>Reconciliation of movement on net carrying amount:</b>				
<b>Net carrying amount at beginning of year</b>	<b>64 338</b>	<b>63 714</b>	<b>64 203</b>	<b>46 235</b>
<b>Additions</b>	<b>25 418</b>	<b>30 540</b>	<b>25 418</b>	<b>30 540</b>
Office equipment	21 472	27 161	21 472	27 161
Motor vehicles	–	179	–	179
Leasehold improvements	3 946	3 200	3 946	3 200
<b>Additions from non-current assets held for sale</b>	<b>–</b>	<b>3 943</b>	<b>–</b>	<b>–</b>
Office equipment	–	2 449	–	–
Motor vehicles	–	193	–	–
Leasehold improvements	–	1 301	–	–
<b>Write-off</b>	<b>(1 326)</b>	<b>(237)</b>	<b>(1 326)</b>	<b>–</b>
<b>Transfer to non-current assets held for sale</b>	<b>–</b>	<b>(14 017)</b>	<b>–</b>	<b>–</b>
<b>Depreciation for the year</b>	<b>(15 456)</b>	<b>(12 571)</b>	<b>(15 457)</b>	<b>(12 571)</b>
Office equipment	(11 904)	(9 336)	(11 905)	(9 336)
Motor vehicles	(1 358)	(1 732)	(1 358)	(1 732)
Leasehold improvements	(2 194)	(1 503)	(2 194)	(1 503)
<b>Depreciation from non-current assets held for sale</b>	<b>–</b>	<b>(6 826)</b>	<b>–</b>	<b>–</b>
Office equipment	–	(4 799)	–	–
Motor vehicles	–	(378)	–	–
Leasehold improvements	–	(1 649)	–	–
<b>Net foreign currency translation differences</b>	<b>–</b>	<b>(208)</b>	<b>–</b>	<b>–</b>
<b>Net carrying amount at end of year</b>	<b>72 974</b>	<b>64 338</b>	<b>72 838</b>	<b>64 203</b>
<b>6. Investment property</b>				
Fair value at beginning of year	58 587	53 639	–	–
Revaluation reserves	14 801	4 948	–	–
Reclassification	72	–	–	–
Disposal of subsidiary	(45 460)	–	–	–
<b>Fair value at end of year</b>	<b>28 000</b>	<b>58 587</b>	<b>–</b>	<b>–</b>

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 R4 053 047 (2016: R2 672 610), repairs and maintenance incurred amounts to Rnil (2016: R320 259).

	GROUP		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
<b>7. Intangible assets</b>				
<b>Intangible assets at fair value</b>				
<b>Cost</b>				
Goodwill	8 257	8 631	7 848	7 986
Acquired rights over books of business	17 317	17 317	17 317	17 317
Computer software	199 199	145 997	199 199	145 997
	<b>224 773</b>	<b>171 945</b>	<b>224 364</b>	<b>171 299</b>
<b>Accumulated amortisation, impairment and fair value adjustments</b>				
Acquired rights over books of business	15 432	12 473	15 432	12 473
Computer software	71 804	45 578	71 804	45 578
	<b>87 236</b>	<b>58 051</b>	<b>87 236</b>	<b>58 051</b>
<b>Net carrying amount</b>				
Goodwill	8 257	8 631	7 848	7 986
Acquired rights over books of business	1 885	4 844	1 885	4 844
Computer software	127 395	100 418	127 395	100 418
	<b>137 537</b>	<b>113 894</b>	<b>137 128</b>	<b>113 248</b>
<b>Reconciliation of movement on net carrying amount:</b>				
<b>Net carrying amount at beginning of year</b>	<b>113 894</b>	<b>85 488</b>	<b>113 248</b>	<b>60 003</b>
<b>Additions</b>	<b>53 202</b>	<b>77 389</b>	<b>53 202</b>	<b>77 389</b>
Goodwill	–	12 817	–	12 817
Computer software	53 202	64 572	53 202	64 572
<b>Additions from non-current assets held for sale</b>	<b>–</b>	<b>17 576</b>	<b>–</b>	<b>–</b>
Computer software	–	17 576	–	–
<b>Transfer to non-current assets held for sale</b>	<b>–</b>	<b>(38 602)</b>	<b>–</b>	<b>–</b>
<b>Write-off</b>	<b>(138)</b>	<b>(6 451)</b>	<b>(138)</b>	<b>(4 831)</b>
<b>Impairment, amortisation charge</b>	<b>(29 184)</b>	<b>(21 241)</b>	<b>(29 184)</b>	<b>(19 313)</b>
Acquired rights over books of business	(2 959)	(2 863)	(2 959)	(2 863)
Computer software	(26 225)	(18 378)	(26 225)	(16 450)
<b>Disposals</b>	<b>(237)</b>	<b>(265)</b>	<b>–</b>	<b>–</b>
<b>Net carrying value at end of year</b>	<b>137 537</b>	<b>113 894</b>	<b>137 128</b>	<b>113 248</b>

The Group tests goodwill annually for impairment, or more frequently if there are indicators that goodwill might be impaired. As at 30 June 2017, an impairment of Rnil (2016: R4 831 000) 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 cost.

## Notes to the annual financial statements (continued)

for the year ended 30 June 2017

		COMPANY	
		2017 R'000	2016 R'000
<b>8. Interest in subsidiaries</b>			
<b>Interest in subsidiaries comprises:</b>			
Shares at fair value through profit or loss		41 241	41 220
Loans to subsidiaries		39 451	70 978
		80 692	112 198
Impairment on loans		(12 759)	(12 599)
<b>Non-current</b>		<b>67 933</b>	99 599
Loans bear interest at the following rates:			
Interest free		–	31 688
JIBAR		26 692	26 691
		26 692	58 379
The loans have the following terms of repayment:			
No fixed repayment terms		26 692	58 379
		26 692	58 379

Certain loans are secured by assets of the subsidiary to the extent of Rnil (2016: R30 354 837) and the balance of the loans are unsecured. Details of subsidiaries are provided in note 46 on page 68 of these annual financial statements.

		GROUP		COMPANY	
		2017 R'000	2016 R'000	2017 R'000	2016 R'000
<b>9. Interest in associates</b>					
<b>Interest in associates comprises:</b>					
Shares at fair value through profit or loss		–	–	207 764	178 182
Shares at equity accounted carrying value		92 630	4 298	–	–
Group share of post-acquisition profits		159 056	154 567	–	–
<b>Carrying value of associates</b>		<b>251 686</b>	158 865	<b>207 764</b>	178 182
Loans to associates		10 141	10 141	10 141	10 141
		261 827	169 006	217 905	188 323
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 associate to the extent of R10 141 000.

The loans have no fixed terms of repayment.

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

	Underwriting managers	Property holdings	Total R'000
	R'000	R'000	
<b>Analysis of associates for 30 June 2017</b>			
Total assets	803 015	24 969	827 984
Total liabilities	90 261	176	90 437
<b>Net assets</b>	<b>712 754</b>	<b>24 793</b>	<b>737 547</b>
Net profit before taxation	106 154	(19)	106 135
Taxation	(24 053)	–	(24 053)
<b>Net profit after taxation</b>	<b>82 101</b>	<b>(19)</b>	<b>82 082</b>
Group share of post acquisition profits	32 758	(8)	32 750
Carrying amount of interest in associates	191 622	–	191 622
Loans to associates	–	10 141	10 141
Fair valuation of associates (at Company level)	207 764	–	207 764

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 194 738 (2016: R2 194 719).

	Underwriting managers R'000	Property holdings R'000	Total
<b>Analysis of associates for 30 June 2016</b>			
Total assets	778 547	25 025	803 572
Total liabilities	326 379	36 147	362 526
<b>Net assets</b>	452 168	(11 122)	441 046
Net profit before taxation	67 181	(51)	67 130
Taxation	(13 809)	–	(13 809)
<b>Net profit after taxation</b>	53 372	(51)	53 321
Group share of post-acquisition profits	158 230	(3 025)	155 205
Carrying amount of interest in associates	158 864	–	158 864
Loans to associates	–	10 141	10 141
Fair valuation of associates (at Company level)	178 181	–	178 181

Details of associates are provided in note 46 on page 68 and 69 of these annual financial statements.

	GROUP		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
<b>10. Financial assets</b>				
Financial assets held-to-maturity	52 317	50 670	52 317	50 670
Financial assets at fair value through profit or loss	2 732 216	2 624 697	2 691 082	2 586 374
	<b>2 784 533</b>	2 675 367	<b>2 743 399</b>	2 637 044
<b>Current</b>	<b>2 732 216</b>	2 360 630	<b>2 691 082</b>	2 322 307
<b>Non-current</b>	<b>52 317</b>	314 737	<b>52 317</b>	314 737
	<b>2 784 533</b>	2 675 367	<b>2 743 399</b>	2 637 044
Financial assets at fair value through profit or loss				
Listed investments	747 931	712 451	706 797	674 128
Unlisted investments	1 984 285	1 912 246	1 984 285	1 912 246
Held-to-maturity	52 317	50 670	52 317	50 670
	<b>2 784 533</b>	2 675 367	<b>2 743 399</b>	2 637 044

## Notes to the annual financial statements (continued)

for the year ended 30 June 2017

### 10. Financial assets (continued)

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

#### 10.1 Listed investments

	GROUP		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
<b>At market value</b>	<b>747 931</b>	712 451	<b>706 797</b>	674 128
<b>Analysis of spread of listed investments by market sector</b>	<b>%</b>	%	<b>%</b>	%
Automobiles and parts	0.06	0.04	0.06	0.04
Banks	14.09	15.62	14.91	16.51
Basic resources	0.25	0.14	0.27	0.15
Chemicals	0.11	0.12	0.11	0.13
Food and beverage	3.63	3.80	3.85	4.01
Financial services	0.37	0.34	0.39	0.36
Healthcare	0.09	0.30	0.10	0.32
Industrial goods and services	0.19	0.16	0.21	0.16
Insurance	79.83	78.08	78.65	76.83
Media	0.34	0.31	0.36	0.33
Personal and household goods	0.29	0.30	0.31	0.32
Real estate	0.20	0.28	0.20	0.29
Technology	0.07	0.08	0.08	0.08
Retail	0.28	0.22	0.30	0.23
Travel and leisure	0.20	0.21	0.20	0.24
	<b>100.00</b>	100.00	<b>100.00</b>	100.00

#### 10.2 Unlisted investments

	GROUP		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
<b>At fair value</b>	<b>1 984 285</b>	1 912 246	<b>1 984 285</b>	1 912 246
	<b>%</b>	%	<b>%</b>	%
Linked policies	47	47	47	47
Private equity investments	41	37	41	37
Debentures	–	9	–	9
Unit trusts	12	7	12	7
	<b>100</b>	100	<b>100</b>	100
<b>Total listed and unlisted investments at fair value</b>	<b>2 732 216</b>	2 624 697	<b>2 691 082</b>	2 586 374

#### 10.3 Debt securities (Bonds)

	GROUP		COMPANY	
	R'000	% maturity spread	R'000	% maturity spread
<b>Analysis of debt securities by maturity spread for 2017</b>				
2 - 5 years	52 317	100	52 317	100
	<b>52 317</b>	<b>100</b>	<b>52 317</b>	<b>100</b>
<b>Analysis of debt securities by maturity spread for 2016</b>				
2 - 5 years	10 106	20	10 106	20
More than 5 years	40 564	80	40 564	80
	<b>50 670</b>	<b>100</b>	<b>50 670</b>	<b>100</b>

All bonds reported above are listed on the Johannesburg Stock Exchange.



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

	Fair value through profit or loss	At amortised cost investments	Loans and receivables	Financial assets at fair value through other comprehensive income	Total financial instruments	Insurance contract assets and liabilities	Other assets and liabilities	Total per statement of financial position	Fair value of financial instruments
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>GROUP</b>									
<b>2017</b>									
<b>Assets</b>									
Investments in associates	-	-	-	-	-	-	251 686	251 686	251 686
Loans to associates	-	-	10 141	-	10 141	-	-	10 141	10 141
Financial assets	2 784 532	-	-	-	2 784 532	-	-	2 784 532	2 784 532
Preference shares and debt instruments	1 239 913	-	-	-	1 239 913	-	-	1 239 913	1 239 913
Equities	617 383	-	-	-	617 383	-	-	617 383	617 383
Linked policies	927 236	-	-	-	927 236	-	-	927 236	927 236
Reinsurance assets	-	-	-	-	-	2 993 449	-	2 993 449	2 993 449
Insurance, loans and other receivables	-	-	216 771	-	216 771	1 548 291	248 887	2 013 949	2 013 949
Deferred acquisition costs	-	-	-	-	-	143 311	-	143 311	143 311
Cash and cash equivalents	-	-	2 079 388	-	2 079 388	-	-	2 079 388	2 079 388
Non-current assets held for sale	1 936 466	-	-	-	1 936 466	-	-	1 936 466	1 936 466
	4 720 998	-	2 306 300	-	7 027 298	4 685 051	500 573	12 212 922	12 212 922
<b>Liabilities</b>									
Borrowings	-	-	600 509	-	600 509	-	-	600 509	600 509
Insurance liabilities	-	-	-	-	-	5 172 590	-	5 172 590	5 172 590
Reinsurance liabilities	-	-	-	-	-	890 105	-	890 105	890 105
Employee benefits	-	-	-	-	-	-	235 098	235 098	235 098
Trade and other payables	-	-	-	-	-	-	876 187	876 187	876 187
	-	-	600 509	-	600 509	6 062 695	1 111 285	7 774 489	7 774 489
<b>2016</b>									
<b>Assets</b>									
Investments in associates	-	-	-	-	-	-	158 864	158 864	158 864
Loans to associates	-	-	10 141	-	10 141	-	-	10 141	10 141
Financial assets	3 201 354	95 806	-	2 487	3 299 647	-	-	3 299 647	3 299 647
Preference shares and debt instruments	1 205 124	95 806	-	-	1 300 930	-	-	1 300 930	1 300 930
Equities	576 310	-	-	2 487	578 797	-	-	578 797	578 797
Unit trusts and pooled funds	525 159	-	-	-	525 159	-	-	525 159	525 159
Linked policies	894 761	-	-	-	894 761	-	-	894 761	894 761
Reinsurance assets	-	-	-	-	-	2 606 898	-	2 606 898	2 606 898
Insurance, loans and other receivables	-	-	142 014	-	142 014	1 722 596	196 250	2 060 860	2 060 860
Deferred acquisition costs	-	-	-	-	-	144 297	-	144 297	144 297
Cash and cash equivalents	-	-	2 179 384	-	2 179 384	-	-	2 179 384	2 179 384
Non-current assets held for sale	2 233 887	-	-	-	2 233 887	-	-	2 233 887	2 233 887
	5 435 241	95 806	2 331 539	2 487	7 865 073	4 473 791	355 114	12 693 978	12 693 979
<b>Liabilities</b>									
Borrowings	-	-	3 254	-	3 254	-	-	3 254	3 254
Insurance liabilities	-	-	-	-	-	5 115 347	-	5 115 347	5 115 347
Reinsurance liabilities	-	-	-	-	-	950 612	-	950 612	950 612
Employee benefits	-	-	-	-	-	-	241 679	241 679	241 679
Trade and other payables	-	-	-	-	-	-	801 142	801 142	801 142
Non current liabilities held for sale	1 586 179	-	-	-	1 586 179	-	-	1 586 179	1 586 179
	1 586 179	-	3 254	-	1 589 433	6 065 959	1 042 821	8 698 213	8 698 213

## Notes to the annual financial statements (continued)

for the year ended 30 June 2017

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

	Fair value through profit or loss 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
<b>COMPANY</b>							
<b>2017</b>							
<b>Assets</b>							
Investments in subsidiaries	41 241	–	41 241	–	–	41 241	41 241
Loans to subsidiaries	–	26 692	26 692	–	–	26 692	26 692
Investments in associates	207 764	–	207 764	–	–	207 764	207 764
Loans to associates	–	10 141	10 141	–	–	10 141	10 141
Financial assets	2 743 398	–	2 743 398	–	–	2 743 398	2 743 398
Preference shares and debt instruments	1 239 913	–	1 239 913	–	–	1 239 913	1 239 913
Equities	576 249	–	576 249	–	–	576 249	576 249
Linked policies	927 236	–	927 236	–	–	927 236	927 236
Reinsurance assets	–	–	–	2 993 449	–	2 993 449	2 993 449
Insurance, loans and other receivables	–	216 772	216 772	1 548 291	242 758	2 007 819	2 007 819
Deferred acquisition costs	–	–	–	143 311	–	143 311	143 311
Cash and cash equivalents	–	2 080 702	2 080 702	–	–	2 080 702	2 080 702
Non-current assets held for sale	585 360	–	585 360	–	–	585 360	585 360
	3 577 763	2 334 307	5 912 070	4 685 051	242 758	10 839 877	10 839 877
<b>Liabilities</b>							
Borrowings	–	600 156	600 156	–	–	600 156	600 156
Insurance liabilities	–	–	–	5 172 590	–	5 172 590	5 172 590
Reinsurance liabilities	–	–	–	890 105	–	890 105	890 105
Employee benefits	–	–	–	–	235 098	235 098	235 098
Trade and other payables	–	–	–	–	870 266	870 266	870 266
	–	600 156	600 156	6 062 695	1 105 364	7 768 215	7 768 215
<b>2016</b>							
<b>Assets</b>							
Investments in subsidiaries	41 220	–	41 220	–	–	41 220	41 220
Loans to subsidiaries	–	58 379	58 379	–	–	58 379	58 379
Investments in associates	178 182	–	178 182	–	–	178 182	178 182
Loans to associates	–	10 141	10 141	–	–	10 141	10 141
Financial assets	2 637 044	–	2 637 044	–	–	2 637 044	2 637 044
Preference shares and debt instruments	1 205 123	–	1 205 123	–	–	1 205 123	1 205 123
Equities	537 159	–	537 159	–	–	537 159	537 159
Linked policies	894 762	–	894 762	–	–	894 762	894 762
Reinsurance assets	–	–	–	2 606 898	–	2 606 898	2 606 898
Insurance, loans and other receivables	–	142 014	142 014	1 722 596	190 195	2 054 805	2 054 805
Deferred acquisition costs	–	–	–	144 297	–	144 297	144 297
Cash and cash equivalents	–	2 173 264	2 173 264	–	–	2 173 264	2 173 264
Non-current assets held for sale	746 405	–	746 405	–	–	746 405	746 405
	3 602 851	2 383 798	5 986 649	4 473 791	190 195	10 650 635	10 650 635
<b>Liabilities</b>							
Insurance liabilities	–	–	–	5 115 347	–	5 115 347	5 115 347
Reinsurance liabilities	–	–	–	950 612	–	950 612	950 612
Employee benefits	–	–	–	–	241 679	241 679	241 679
Trade and other payables	–	–	–	–	788 422	788 422	788 422
	–	–	–	6 065 959	1 030 101	7 096 060	7 096 060

## 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
<b>GROUP</b>				
<b>2017</b>				
<b>Financial assets carried at fair value through profit or loss</b>				
Listed ordinary shares	616 872	–	–	616 872
Listed preference shares	131 058	–	–	131 058
Unlisted ordinary shares*	–	–	511	511
Unlisted preference shares*	–	–	807 531	807 531
Linked policies	–	927 236	–	927 236
Unit trusts	–	249 008	–	249 008
Bonds	–	52 317	–	52 317
	<b>747 930</b>	<b>1 228 561</b>	<b>808 042</b>	<b>2 784 533</b>
<b>2016</b>				
<b>Financial assets carried at fair value through profit or loss</b>				
Listed ordinary shares	537 096	–	–	537 096
Listed preference shares	137 032	–	–	137 032
Unlisted ordinary shares*	–	–	63	63
Unlisted preference shares*	–	–	716 119	716 119
Linked policies	–	894 761	–	894 761
Unit trusts	–	126 176	–	126 176
Unlisted debentures	–	175 127	–	175 127
Bonds	–	50 670	–	50 670
	<b>674 128</b>	<b>1 246 734</b>	<b>716 182</b>	<b>2 637 044</b>
<b>COMPANY</b>				
<b>2017</b>				
<b>Financial assets carried at fair value through profit or loss</b>				
Interest in associates	–	–	207 764	207 764
Interest in subsidiaries	–	–	41 241	41 241
Listed ordinary shares	575 738	–	–	575 738
Listed preference shares	131 058	–	–	131 058
Unlisted ordinary shares*	–	–	511	511
Unlisted preference shares*	–	–	807 531	807 531
Unit trusts	–	249 007	–	249 007
Linked policies	–	927 236	–	927 236
Bonds	–	52 317	–	52 317
	<b>706 796</b>	<b>1 228 560</b>	<b>1 057 047</b>	<b>2 992 403</b>
<b>2016</b>				
<b>Financial assets carried at fair value through profit or loss</b>				
Interest in associates	–	–	178 182	178 182
Interest in subsidiaries	–	–	41 220	41 220
Listed ordinary shares	537 096	–	–	537 096
Listed preference shares	137 032	–	–	137 032
Unlisted ordinary shares*	–	–	63	63
Unlisted preference shares*	–	–	716 119	716 119
Unit trusts	–	126 176	–	126 176
Unlisted debentures	–	175 127	–	175 127
Linked policies	–	894 761	–	894 761
Bonds	–	50 670	–	50 670
	<b>674 128</b>	<b>1 246 734</b>	<b>935 584</b>	<b>2 856 446</b>

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

## Notes to the annual financial statements (continued)

for the year ended 30 June 2017

### 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.

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

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

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

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

	At 1 July 2016 R'000	Total gains/ (losses) in profit or loss statement R'000	Total gains/ (losses) recorded in other comprehensive 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 2017 R'000	Total gains/ (losses) for the period included in profit or loss for assets held at 30 June 2017 R'000
<b>GROUP</b>										
<b>2017</b>										
<b>Financial assets at fair value through profit or loss</b>										
Unlisted ordinary shares	63	(52)	-	500	10 500	(10 500)	-	-	511	(52)
Unlisted preference shares	716 119	94 043	-	171 207	105 306	(279 144)	-	-	807 531	94 043
	716 182	93 991	-	171 707	115 806	(289 644)	-	-	808 042	93 991
<b>Financial assets at fair value through other comprehensive income</b>										
Unlisted ordinary shares	2 487	-	1 986	-	-	-	(887)	-	3 586	-
	2 487	-	1 986	-	-	-	(887)	-	3 586	-
<b>Total financial instruments</b>	<b>718 669</b>	<b>93 991</b>	<b>1 986</b>	<b>171 707</b>	<b>115 806</b>	<b>(289 644)</b>	<b>(887)</b>	<b>-</b>	<b>811 628</b>	<b>93 991</b>
<b>COMPANY</b>										
<b>2017</b>										
<b>Financial assets at fair value through profit or loss</b>										
Investment in associates	178 182	53 582	-	1 000	-	-	-	(25 000)	207 764	53 582
Investment in subsidiaries	41 220	21	-	-	-	-	-	-	41 241	21
Unlisted ordinary shares	63	(52)	-	500	10 500	(10 500)	-	-	511	(52)
Unlisted preference shares	716 119	94 043	-	171 207	105 306	(279 144)	-	-	807 531	94 043
<b>Total financial instruments</b>	<b>935 584</b>	<b>147 594</b>	<b>-</b>	<b>172 707</b>	<b>115 806</b>	<b>(289 644)</b>	<b>-</b>	<b>(25 000)</b>	<b>1 057 047</b>	<b>147 594</b>

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 2015 R'000	Total gains/ (losses) in profit or loss statement R'000	Total gains/ (losses) recorded in other comprehensive 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 2016 R'000	Total gains/ (losses) for the period included in profit or loss for assets held at 30 June 2016 R'000
<b>GROUP</b>										
<b>2016</b>										
<b>Financial assets at fair value through profit or loss</b>										
Unlisted ordinary shares**	419 776	609 496	-	-	390 888	(1 420 097)	-	-	63	609 496
Unlisted preference shares	653 755	5 273	-	-	72 022	(109 931)	-	95 000	716 119	5 273
	1 073 531	614 769	-	-	462 910	(1 530 028)	-	95 000	716 182	614 770
<b>Financial assets at fair value through other comprehensive income</b>										
Unlisted ordinary shares	1 388	-	1 986	-	-	-	(887)	-	2 487	-
	1 388	-	1 986	-	-	-	(887)	-	2 487	-
<b>Total financial instruments</b>	<b>1 074 919</b>	<b>614 769</b>	<b>1 986</b>	<b>-</b>	<b>462 910</b>	<b>(1 530 028)</b>	<b>(887)</b>	<b>95 000</b>	<b>718 669</b>	<b>614 770</b>
<b>COMPANY</b>										
<b>2016</b>										
<b>Financial assets at fair value through profit or loss</b>										
Investment in associates**	432 343	(239 663)	-	-	-	(14 498)	-	-	178 182	(18 344)
Investment in subsidiaries**	734 552	-	57 292	3 781	-	(8 000)	-	(746 405)	41 220	-
Unlisted ordinary shares**	419 776	609 496	-	-	390 888	(1 420 097)	-	-	63	609 496
Unlisted preference shares	653 755	5 273	-	-	72 022	(109 931)	-	95 000	716 119	5 273
<b>Total financial instruments</b>	<b>2 240 426</b>	<b>375 106</b>	<b>57 292</b>	<b>3 781</b>	<b>462 910</b>	<b>(1 552 526)</b>	<b>-</b>	<b>(651 405)</b>	<b>935 584</b>	<b>596 425</b>

\*\*The prior year has been adjusted to enhance disclosure.

### 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
<b>2017</b>						
<b>Financial assets carried at fair value through profit or loss</b>						
Interest in associates	-	-	-	207 764	227 879	189 754
Interest in subsidiaries	-	-	-	41 241	41 241	41 241
Unlisted ordinary shares	511	-	-	511	-	-
Unlisted preference shares	807 531	812 879	802 519	807 531	812 879	802 519
	808 042	812 879	802 519	1 057 047	1 081 999	1 033 514
<b>Financial assets at fair value through other comprehensive income</b>						
Unlisted ordinary shares	3 586	3 658	3 514	-	-	-
	3 586	3 658	3 514	-	-	-
<b>Total financial instruments at fair value</b>	<b>811 628</b>	<b>816 537</b>	<b>806 033</b>	<b>1 057 047</b>	<b>1 081 999</b>	<b>1 033 514</b>

## Notes to the annual financial statements (continued)

for the year ended 30 June 2017

### 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 (continued)

	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
<b>2016</b>						
<b>Financial assets carried at fair value through profit or loss</b>						
Interest in associates	–	–	–	178 181	215 325	151 000
Interest in subsidiaries	–	–	–	787 627	872 361	721 644
Unlisted ordinary shares	60	61	59	63	63	63
Unlisted preference shares	716 119	731 579	725 709	716 119	718 094	714 214
	716 179	731 640	725 768	1 681 990	1 805 843	1 586 921
<b>Financial assets at fair value through other comprehensive income</b>						
Unlisted ordinary shares	2 487	2 537	2 437	–	–	–
	2 487	2 537	2 437	–	–	–
<b>Total financial instruments at fair value</b>	<b>718 666</b>	<b>734 177</b>	<b>728 205</b>	<b>1 681 990</b>	<b>1 805 843</b>	<b>1 586 921</b>

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 6.32% (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%.

	GROUP		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
<b>13. Insurance, loans and other receivables</b>				
Insurance receivables	1 548 291	1 722 596	1 548 291	1 722 596
Other receivables	248 887	196 250	242 758	190 195
<b>Total insurance and other receivables</b>	<b>1 797 178</b>	<b>1 918 846</b>	<b>1 791 049</b>	<b>1 912 791</b>
Originated at amortised cost				
<b>Loans bearing interest</b>				
– Loans to staff	14 689	14 786	14 689	14 786
– Loans to other	14 088	24 360	14 088	24 360
<b>Interest-free loans</b>				
– Loans to other	112 278	4 109	112 278	4 109
<b>Total loans</b>	<b>141 055</b>	<b>43 254</b>	<b>141 055</b>	<b>43 254</b>
Receivable from Group companies	89 785	112 427	89 785	112 427
Impairment provision	(14 069)	(13 667)	(14 069)	(13 667)
<b>Total loans receivable from Group companies</b>	<b>75 716</b>	<b>98 760</b>	<b>75 716</b>	<b>98 760</b>
<b>Total insurance, loans and other receivables</b>	<b>2 013 949</b>	<b>2 060 859</b>	<b>2 007 820</b>	<b>2 054 805</b>
The interest rates charged on the secured and unsecured loans comprise:				
Prime less 1.5%	882	1 013	882	1 013
Prime less 3%	–	4 399	–	4 399
80% of prime	7 972	7 332	7 972	7 332
86% of prime	–	5 831	–	5 831
Prime	–	971	–	971
Prime plus 1%	1 314	2 183	1 314	2 183
Prime plus 2%	2 394	2 179	2 394	2 179
Interest at 7%	1 527	1 424	1 527	1 424
Interest at 6.5%	3 524	–	3 524	–
South African Revenue Service (SARS) rate	11 164	13 813	11 164	13 813
Interest-free loans	112 278	4 109	112 278	4 109
	<b>141 055</b>	<b>43 254</b>	<b>141 055</b>	<b>43 254</b>
The loans have the following terms of repayment:				
No fixed repayment terms	2 825	8 383	2 825	8 383
On specified date	8 807	12 617	8 807	12 617
90 days notice period	129 423	22 200	129 423	22 200
After termination of employment with Company	–	54	–	54
	<b>141 055</b>	<b>43 254</b>	<b>141 055</b>	<b>43 254</b>

Certain loans are secured by assets of the counterparty to the extent of R4 590 054 (2016: R10 590 992) 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 38 of these annual financial statements.

## Notes to the annual financial statements (continued)

for the year ended 30 June 2017

	GROUP		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
<b>14. Deferred taxation</b>				
<b>Deferred income tax assets</b>				
Deferred income tax to be recovered after 12 months	-	281	-	-
Deferred income tax to be recovered within 12 months	79 690	77 889	79 690	77 889
<b>Balance at end of year</b>	<b>79 690</b>	<b>78 170</b>	<b>79 690</b>	<b>77 889</b>
Balance at beginning of year	78 170	81 816	77 889	80 040
Movements during the year attributable to:				
Unrealised loss on foreign exchange differences	-	15 476	-	-
Exchange differences	-	(4 233)	-	-
Unutilised tax losses	1 597	(39)	1 597	(39)
Provisions	2 804	(2 112)	204	(2 112)
Disposal of subsidiary	(2 881)	-	-	-
Transfer to Deferred Tax Assets	-	(212)	-	-
Transfer to non-current assets held for sale	-	(12 526)	-	-
<b>Balance at end of year</b>	<b>79 690</b>	<b>78 170</b>	<b>79 690</b>	<b>77 889</b>
Balance comprises:				
Unutilised tax losses	10 984	9 386	10 984	9 386
Provisions	68 706	68 784	68 706	68 503
	79 690	78 170	79 690	77 889
<b>Deferred income tax liabilities</b>				
Deferred income tax to be recovered after 12 months	174 250	136 408	166 581	129 368
<b>Balance at end of year</b>	<b>174 250</b>	<b>136 408</b>	<b>166 581</b>	<b>129 368</b>
Balance at beginning of year	136 408	424 403	129 368	409 493
Movements during the year attributable to:				
Unrealised gains on assets at fair value through profit or loss	37 842	(280 258)	37 213	(280 125)
Unrealised loss on foreign exchange differences	-	34 483	-	-
Exchange rate differences	-	(10 737)	-	-
Prepayment	-	(105)	-	-
Transfer to Deferred Tax Assets	-	2 036	-	-
Transfer to non-current liabilities held for sale	-	(33 414)	-	-
<b>Balance at end of year</b>	<b>174 250</b>	<b>136 408</b>	<b>166 581</b>	<b>129 368</b>
Balance comprises:				
Capital allowances	-	-	166 581	-
Unrealised gains on assets at fair value through profit or loss	174 250	136 408	-	129 368
	174 250	136 408	166 581	129 368



	GROUP		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
<b>15. Cash and cash equivalents</b>				
Cash on call	1 460 146	1 531 063	1 460 146	1 531 063
Cash at bank	446 724	517 016	448 195	511 053
Cash on deposit	172 447	131 257	172 290	131 100
Cash on hand	71	48	71	48
	<b>2 079 388</b>	2 179 384	<b>2 080 702</b>	2 173 264
<b>16. Non-current assets and liabilities held for sale</b>				
The Group and Company hold the following assets as held for sale:				
Investment in subsidiary: Hollard Insurance Company of Botswana (Pty) Ltd	–	361 515	–	180 716
Investment in subsidiary: Hollard Botswana (Pty) Ltd (t/a Hollard Life Botswana)	–	76 506	–	6 095
Investment in subsidiary: Hollard Insurance Company of Namibia Limited	1 213 707	1 061 398	442 921	428 997
Investment in subsidiary: Hollard Mocambique Companhia de Seguros, S.A.R.L.	722 759	733 716	117 439	130 597
Investment in subsidiary: IT00 Special Risk (Pty) Ltd	–	752	25 000	–
	<b>1 936 466</b>	2 233 887	<b>585 360</b>	746 405
The Group and Company hold the following liabilities as held for sale:				
Investment in subsidiary: Hollard Insurance Company of Botswana (Pty) Ltd	–	245 994	–	–
Investment in subsidiary: Hollard Botswana (Pty) Ltd (t/a Hollard Life Botswana)	–	70 702	–	–
Investment in subsidiary: Hollard Insurance Company of Namibia Limited	851 364	750 858	–	–
Investment in subsidiary: Hollard Mocambique Companhia de Seguros, S.A.R.L.	597 257	518 625	–	–
	<b>1 448 621</b>	1 586 179	–	–
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.				
During the year, the Company disposed of its 70% shareholding in Hollard Botswana (Pty) Ltd (t/a Hollard Life Botswana) and Hollard Insurance Company of Botswana (Pty) Ltd for a consideration of R2 403 000 and R9 403 000 respectively. The company generated a profit on disposal of R174 992 000 whereas the Group generated a profit on disposal of R65 133 012.				
<b>17. Share capital and premium</b>				
<b>Authorised</b>				
6 000 000 ordinary shares	12 000	12 000	12 000	12 000
3 000 000 class A redeemable convertible preference shares of R1 each	3 000	3 000	3 000	3 000
2 999 999 class B redeemable convertible preference shares of R1 each	3 000	3 000	3 000	3 000
	<b>18 000</b>	18 000	<b>18 000</b>	18 000
<b>Issued and fully paid</b>				
4 914 999 ordinary shares	1 580 687	1 580 687	1 580 687	1 580 687
3 000 000 class A redeemable convertible preference shares of R1 each	3 000	3 000	3 000	3 000
2 999 999 class B redeemable convertible preference shares of R1 each	3 000	3 000	3 000	3 000
	<b>1 586 687</b>	1 586 687	<b>1 586 687</b>	1 586 687
Share premium	55 914	55 914	55 914	55 914
Issued share capital	<b>1 642 601</b>	1 642 601	<b>1 642 601</b>	1 642 601

During the year the shareholding in the Company changed from Hollard Holdings (Pty) Ltd to Hollard Fundco (RF) (Pty) Ltd. Hollard Holdings (Pty) Ltd owns 100% of Hollard Fundco (RF) (Pty) Ltd.

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.

## Notes to the annual financial statements (continued)

for the year ended 30 June 2017

		GROUP	
		2017 R'000	2016 R'000
<b>18. Non-distributable reserves</b>			
Non-distributable reserves consist of :			
	Revaluation reserve	1 230	9 421
Movements for the year were as follows:			
	Balance at beginning of year	9 422	9 206
	Revaluation of amortised cost investments	-	833
	Revaluation of land and buildings	-	(119)
	Deferred tax on amortised cost investments	-	(499)
	Transfer to non-controlling interest	(400)	-
	Disposals	(7 792)	-
	<b>Balance at end of year</b>	<b>1 230</b>	<b>9 421</b>
<b>19. Foreign currency translation reserve</b>			
	Balance at beginning of year	(24 222)	7 006
	Exchange differences (net of non-controlling interest) on translation of foreign operations	(75 941)	(31 228)
	Disposal of non-current asset held for sale	45 868	-
	Transfer to non-controlling interest	10 935	-
	<b>Balance at end of year</b>	<b>(43 360)</b>	<b>(24 222)</b>

## 20. Components of other comprehensive income

	GROUP			
	2017			
	Gross amount R'000	Non-controlling interest R'000	Tax expense R'000	Net of tax R'000
Exchange differences on translating foreign operations	(75 941)	10 935	-	(65 006)
Transfer from reserve	(399)	-	-	(399)
Unrealised gain on financial assets at fair value through other comprehensive income	(157 554)	(154 432)	-	(311 986)
	<b>(233 894)</b>	<b>(143 497)</b>	<b>-</b>	<b>(377 391)</b>
	GROUP			
	2016			
	Gross amount R'000	Non-controlling interest R'000	Tax expense R'000	Net of tax R'000
Exchange differences on translating foreign operations	(63 969)	(32 742)	-	(96 711)
Raising of credit protection reserve	(17)	-	-	(17)
Transfer from reserve	2 164	-	-	2 164
Unrealised gain on financial assets at fair value through other comprehensive income	1 045	830	499	1 875
	<b>(60 777)</b>	<b>(31 912)</b>	<b>499</b>	<b>(93 689)</b>

	GROUP		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
<b>21. Insurance liabilities and reinsurance assets</b>				
<b>Gross</b>				
Claims reported and loss adjustment expenses	2 629 385	2 596 916	2 629 385	2 596 916
Claims incurred but not yet reported	719 527	704 742	719 527	704 742
Unearned premium provision	1 783 781	1 781 121	1 783 781	1 781 121
Cash back reserve	39 897	32 568	39 897	32 568
<b>Total gross insurance liabilities</b>	<b>5 172 590</b>	<b>5 115 347</b>	<b>5 172 590</b>	<b>5 115 347</b>
<b>Recoverable from reinsurers</b>				
Claims reported and loss adjustment expenses	1 511 577	1 467 774	1 511 577	1 467 774
Claims incurred but not yet reported	177 171	190 782	177 171	190 782
Unearned premium provision	518 297	559 899	518 297	559 899
Reinsurance recoveries	786 404	388 443	786 404	388 443
<b>Total reinsurers' share of insurance liabilities</b>	<b>2 993 449</b>	<b>2 606 898</b>	<b>2 993 449</b>	<b>2 606 898</b>
<b>Net</b>				
Claims reported and loss adjustment expenses	1 117 808	1 129 142	1 117 808	1 129 142
Claims incurred but not yet reported	542 356	513 960	542 356	513 960
Unearned premium provision	1 265 484	1 221 222	1 265 484	1 221 222
Cash back reserve	39 897	32 568	39 897	32 568
Reinsurance recoveries	(786 404)	(388 443)	(786 404)	(388 443)
<b>Total insurance liabilities – net</b>	<b>2 179 141</b>	<b>2 508 449</b>	<b>2 179 141</b>	<b>2 508 449</b>

#### Movement in insurance liabilities and reinsurance assets

	2017			2016		
	Gross R'000	Reinsurance asset R'000	Net R'000	Gross R'000	Reinsurance asset R'000	Net R'000
<b>a) Claims reported and loss adjustment expenses</b>						
<b>GROUP</b>						
Balance at beginning of year	2 596 916	1 467 774	1 129 142	2 433 091	1 224 355	1 208 736
Claims paid	(6 646 438)	(1 951 105)	(4 695 333)	(6 546 883)	(1 346 040)	(5 200 843)
Non-current asset held for sale	-	-	-	(490 049)	(275 496)	(214 553)
Exchange rate movement	-	-	-	48 524	15 640	32 884
Claims raised	6 678 907	1 994 908	4 683 999	7 152 233	1 849 315	5 302 918
<b>Balance at end of year</b>	<b>2 629 385</b>	<b>1 511 577</b>	<b>1 117 808</b>	<b>2 596 916</b>	<b>1 467 774</b>	<b>1 129 142</b>
<b>COMPANY</b>						
Balance at beginning of year	2 596 916	1 467 774	1 129 142	2 020 935	1 014 149	1 006 786
Claims paid	(6 646 438)	(1 951 105)	(4 695 333)	(6 009 423)	(1 383 556)	(4 625 867)
Claims raised	6 678 907	1 994 908	4 683 999	6 585 404	1 837 181	4 748 223
<b>Balance at end of year</b>	<b>2 629 385</b>	<b>1 511 577</b>	<b>1 117 808</b>	<b>2 596 916</b>	<b>1 467 774</b>	<b>1 129 142</b>

## Notes to the annual financial statements (continued)

for the year ended 30 June 2017

### 21. Insurance liabilities and reinsurance assets (continued)

Movement in insurance liabilities and reinsurance assets (continued)

	2017			2016		
	Gross R'000	Reinsurance asset R'000	Net R'000	Gross R'000	Reinsurance asset R'000	Net R'000
<b>b) Claims incurred but not yet reported</b>						
<b>GROUP</b>						
Balance at beginning of year	704 742	190 782	513 960	798 691	281 675	517 016
Exchange rate movement	-	-	-	(1 249)	(1 635)	386
Non-current assets held for sale	-	-	-	(79 000)	(21 223)	(57 777)
Movements for the year	14 785	(13 611)	28 396	(13 702)	(68 034)	54 332
<b>Balance at end of year</b>	<b>719 527</b>	<b>177 171</b>	<b>542 356</b>	<b>704 740</b>	<b>190 783</b>	<b>513 957</b>
<b>COMPANY</b>						
Balance at beginning of year	704 742	190 782	513 960	734 677	269 338	465 339
Movements for the year	14 785	(13 611)	28 396	(29 935)	(78 556)	48 621
<b>Balance at end of year</b>	<b>719 527</b>	<b>177 171</b>	<b>542 356</b>	<b>704 742</b>	<b>190 782</b>	<b>513 960</b>
<b>c) Unearned premium provision</b>						
<b>GROUP</b>						
Balance at beginning of year	1 781 121	559 899	1 221 222	2 077 126	709 034	1 368 092
Non-current assets held for sale	-	-	-	(416 748)	(203 387)	(213 361)
Exchange rate movement	-	-	-	(33 545)	(23 547)	(9 998)
Movements for the year	2 660	(41 602)	44 262	154 289	77 799	76 490
<b>Balance at end of year</b>	<b>1 783 781</b>	<b>518 297</b>	<b>1 265 484</b>	<b>1 781 122</b>	<b>559 899</b>	<b>1 221 223</b>
<b>COMPANY</b>						
Balance at beginning of year	1 781 121	559 899	1 221 222	1 686 778	471 094	1 215 684
Movements for the year	2 660	(41 602)	44 262	94 343	88 805	5 538
<b>Balance at end of year</b>	<b>1 783 781</b>	<b>518 297</b>	<b>1 265 484</b>	<b>1 781 121</b>	<b>559 899</b>	<b>1 221 222</b>
<b>d) Unexpired risk reserve</b>						
<b>GROUP</b>						
Balance at beginning of year	-	-	-	2 214	-	2 214
Non-current assets held for sale	-	-	-	(4 139)	-	(4 139)
Exchange rate movement	-	-	-	(1 475)	-	(1 475)
Movements for the year	-	-	-	3 400	-	3 400
<b>Balance at end of year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>e) Provision for claims fluctuations</b>						
<b>GROUP</b>						
Balance at beginning of year	-	-	-	6 961	-	6 961
Non-current assets held for sale	-	-	-	(9 487)	-	(9 487)
Exchange rate movement	-	-	-	(1 404)	-	(1 404)
Movements for the year	-	-	-	3 930	-	3 930
<b>Balance at end of year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>f) Cash back reserve</b>						
<b>GROUP</b>						
Balance at beginning of year	32 568	-	32 568	36 778	-	36 778
Non-current assets held for sale	-	-	-	(1 498)	-	(1 498)
Exchange rate movement	-	-	-	(368)	-	(368)
Movements for the year	7 329	-	7 329	(2 344)	-	(2 344)
<b>Balance at end of year</b>	<b>39 897</b>	<b>-</b>	<b>39 897</b>	<b>32 568</b>	<b>-</b>	<b>32 568</b>
<b>COMPANY</b>						
Balance at beginning of year	32 568	-	32 568	34 170	-	34 170
Movements for the year	7 329	-	7 329	(1 602)	-	(1 602)
<b>Balance at end of year</b>	<b>39 897</b>	<b>-</b>	<b>39 897</b>	<b>32 568</b>	<b>-</b>	<b>32 568</b>

	2017			2016		
	Gross R'000	Reinsurance asset R'000	Net R'000	Gross R'000	Reinsurance asset R'000	Net R'000
<b>g) Life fund reserves</b>						
<b>GROUP</b>						
Balance at beginning of year	-	-	-	4 730	-	4 730
Non-current assets held for sale	-	-	-	(2 303)	-	(2 303)
Exchange rate movement	-	-	-	(874)	-	(874)
Movements for the year	-	-	-	(1 553)	-	(1 553)
<b>Balance at end of year</b>	-	-	-	-	-	-
<b>h) Policyholder liabilities</b>						
<b>GROUP</b>						
Balance at beginning of year	-	-	-	42 812	-	42 812
Non-current assets held for sale	-	-	-	(35 184)	-	(35 184)
Exchange rate movement	-	-	-	40	-	40
Movements for the year	-	-	-	(7 668)	-	(7 668)
<b>Balance at end of year</b>	-	-	-	-	-	-
<b>i) Reinsurance recoveries</b>						
<b>GROUP</b>						
Balance at beginning of year	-	388 443	(388 443)	-	310 546	(310 546)
Non-current assets held for sale	-	-	-	-	(58 189)	58 189
Exchange rate movement	-	-	-	-	499	(499)
Movements for the year	-	397 961	(397 961)	-	135 587	(135 587)
<b>Balance at end of year</b>	-	786 404	(786 404)	-	388 443	(388 443)
<b>COMPANY</b>						
Balance at beginning of year	-	388 443	(388 443)	-	291 538	(291 538)
Movements for the year	-	397 961	(397 961)	-	96 905	(96 905)
<b>Balance at end of year</b>	-	786 404	(786 404)	-	388 443	(388 441)
<b>Total</b>						
<b>GROUP</b>						
Balance at beginning of year	5 115 347	2 606 898	2 508 448	5 402 403	2 525 610	2 876 793
Claims paid	(6 646 438)	(1 951 105)	(4 695 333)	(6 546 883)	(1 346 040)	(5 200 843)
Exchange rate movement	-	-	-	9 649	(9 044)	18 694
Movements for the year	24 774	(55 213)	79 987	136 350	9 765	126 585
Non-current assets held for sale	-	-	-	(1 038 407)	(558 295)	(480 112)
Claims raised	6 678 907	1 994 908	4 683 999	7 152 233	1 849 315	5 302 918
Reinsurance recoveries	-	397 961	(397 961)	-	135 587	(135 587)
<b>Balance at end of year</b>	<b>5 172 590</b>	<b>2 993 449</b>	<b>2 179 140</b>	<b>5 115 347</b>	<b>2 606 898</b>	<b>2 508 448</b>
<b>COMPANY</b>						
Balance at beginning of year	5 115 347	2 606 898	2 508 449	4 476 560	2 046 119	2 430 441
Claims paid	(6 646 438)	(1 951 105)	(4 695 333)	(6 009 423)	(1 383 556)	(4 625 867)
Movements for the year	24 774	(55 213)	79 987	62 806	10 249	52 555
Claims raised	6 678 907	1 994 908	4 683 999	6 585 404	1 837 181	4 748 223
Reinsurance recoveries	-	397 961	(397 961)	-	96 905	(96 905)
<b>Balance at end of year</b>	<b>5 172 590</b>	<b>2 993 449</b>	<b>2 179 140</b>	<b>5 115 347</b>	<b>2 606 898</b>	<b>2 508 449</b>

## Notes to the annual financial statements (continued)

for the year ended 30 June 2017

### 21. Insurance liabilities and reinsurance assets (continued)

#### 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's and Company's insurance portfolio. Consequently, whilst the Group and Company may experience variations in its claims patterns from one year to the next, the Group's and Company's exposure at any time to insurance contracts issued more than one year before is limited.

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

#### Property

Provide 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 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.

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

	GROUP		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
<b>Gross written premium per class of business</b>				
Property	4 038 271	3 641 682	3 725 859	3 488 686
Transportation	404 591	439 106	376 387	412 656
Motor	5 293 742	5 497 630	4 792 742	4 936 160
Accident/health	560 676	647 114	352 458	399 275
Guarantee	132 547	111 678	104 146	105 380
Liability	449 591	452 197	409 984	361 745
Contract/engineering	632 594	732 699	473 776	542 164
Fire	–	221 498	–	–
Life	416 647	626 983	–	–
Miscellaneous	427 988	143 154	239 742	140 261
<b>Total</b>	<b>12 356 647</b>	<b>12 513 741</b>	<b>10 475 094</b>	<b>10 386 327</b>

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.

	GROUP	
	2017 R'000	2016 R'000
South Africa	10 475 094	10 386 327
Foreign	1 881 553	2 127 414
<b>Total</b>	<b>12 356 647</b>	<b>12 513 741</b>

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's 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.

## Notes to the annual financial statements (continued)

for the year ended 30 June 2017

### 21. Insurance liabilities and reinsurance assets (continued)

#### Insurance risk (continued)

##### Risk retention parameters

Hollard Insurance is in the business of assuming that the level of risk, which is deemed prudent in relation to the risk/reward and the Group's 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's 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-tailed claim makes the estimation process more uncertain for these type of claims. The Group's 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's 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's and Company's past claims experience.

The Company's internal actuaries review the adequacy of the Company's claims provisions. The chain ladder method which, involves the analysis of historical claims development factors and the selection of the estimated development factors based on the historical pattern, is used to assess the adequacy of the reserves 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 are 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's and Company's insurance contracts have an even risk profile and the unearned premium provisions, raised at the commencement of the contract are released evenly over the period of insurance using a time-proportionate basis 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 THIC has dispensation to use an alternative method to calculate reserves the main assumption is that the past experience will be indicative of future experience.



	GROUP		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
<b>22. Deferred acquisition costs (DAC)</b>				
Deferred commission and acquisition costs net of reinsurance	143 311	144 297	143 311	144 297
<b>Current</b>	<b>143 311</b>	<b>144 297</b>	<b>143 311</b>	<b>144 297</b>
<b>Reconciliation of changes in acquisition costs</b>				
Balance at beginning of year	144 297	163 468	144 297	155 022
Acquisition costs deferred during the year	124 804	172 604	124 804	163 560
Acquisition costs expensed during the year	(125 790)	(167 887)	(125 790)	(174 285)
Transfer to non-current asset held for sale	-	(22 271)	-	-
Exchange rate differences	-	(1 617)	-	-
<b>Balance at the end of financial year</b>	<b>143 311</b>	<b>144 297</b>	<b>143 311</b>	<b>144 297</b>

### 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.

Reporting year	Total R'000	Claims paid in respect of:							
		2017 R'000	2016 R'000	2015 R'000	2014 R'000	2013 R'000	2012 R'000	2011 R'000	2010 and earlier R'000
<b>GROUP</b>									
Gross									
Actual claims costs									
2017	6 649 542	4 791 745	1 673 813	100 593	26 144	54 483	(1 464)	4 228	-
2016	6 003 259	-	3 994 269	1 739 521	187 651	51 445	16 986	9 840	3 537
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	9 472
2013	3 208 605	-	-	-	-	2 620 643	518 605	33 435	35 922
2012	3 048 362	-	-	-	-	-	2 440 139	569 358	38 865
2011	3 036 839	-	-	-	-	-	-	2 318 443	718 396
2010	2 912 078	-	-	-	-	-	-	-	2 912 078
2009	2 585 923	-	-	-	-	-	-	-	2 585 923
<b>Cumulative payments to date</b>	<b>36 935 990</b>	<b>4 791 745</b>	<b>5 668 082</b>	<b>5 857 683</b>	<b>4 854 800</b>	<b>3 437 071</b>	<b>3 065 047</b>	<b>2 957 369</b>	<b>6 304 193</b>
Net									
Actual claims costs									
2017	4 704 484	3 504 387	1 084 856	69 899	23 567	17 845	1 583	2 347	-
2016	4 620 333	-	3 582 355	939 705	65 565	18 238	7 879	5 994	597
2015	4 282 181	-	-	3 423 731	811 316	26 658	10 810	4 218	5 448
2014	3 436 911	-	-	-	2 874 337	519 442	30 883	6 542	5 707
2013	2 753 103	-	-	-	-	2 130 371	383 075	119 214	120 443
2012	2 629 894	-	-	-	-	-	2 033 226	559 067	37 601
2011	2 619 606	-	-	-	-	-	-	2 119 577	500 029
2010	2 490 920	-	-	-	-	-	-	-	2 490 920
2009	2 198 161	-	-	-	-	-	-	-	2 198 161
<b>Cumulative payments to date</b>	<b>29 735 592</b>	<b>3 504 387</b>	<b>4 667 211</b>	<b>4 433 335</b>	<b>3 774 785</b>	<b>2 712 554</b>	<b>2 467 456</b>	<b>2 816 959</b>	<b>5 358 906</b>

## Notes to the annual financial statements (continued)

for the year ended 30 June 2017

	GROUP		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
<b>24. Borrowings</b>				
<b>Current borrowings</b>				
<b>Unsecured</b>				
Non-interest bearing borrowings These loans have no fixed terms of repayment.	232	2 900	-	-
<b>Total</b>	232	2 900	-	-
<b>Non-current borrowings</b>				
<b>Unsecured</b>				
Interest bearing loan The loan bears interest at 3month JIBAR + 215bps and is serviced quarterly. The loan is repayable on the tenth anniversary of the advance date (12 August 2016).	600 156	-	600 156	-
Interest-bearing loan The loan bears interest at prime less 1% and is repayable over 48 months.	353	354	-	-
<b>Total</b>	600 509	3 254	600 156	-

	GROUP		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
<b>25. Employee benefits</b>				
At beginning of year	241 679	254 106	241 679	211 025
Charged to profit and loss	(6 581)	(9 072)	(6 581)	30 654
- additional provisions raised during the year	176 204	249 143	176 204	216 135
- leave pay provision utilised during the year	(7 590)	(33 237)	(7 590)	(32 946)
- incentive provision utilised during the year	(175 195)	(190 764)	(175 195)	(152 534)
- transfer to non-current liabilities held for sale	-	(34 215)	-	-
Exchange rate differences	-	(3 355)	-	-
<b>Balance at end of year</b>	<b>235 098</b>	<b>241 679</b>	<b>235 098</b>	<b>241 679</b>

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

The Group's and Company's provision for leave pay amounted to R28 615 000 and R28 615 000 respectively at the statement of financial position date (2016: R17 443 000 and R17 443 000 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 R206 483 000 and R206 483 000 respectively at the statement of financial position date (2016: R224 246 000 and R224 246 000 respectively).

	GROUP		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
<b>26. Trade and other payables</b>				
Trade and other creditors	754 035	737 825	748 815	728 182
Group company payables	103 043	76 266	102 559	73 861
Other liabilities	19 109	(12 949)	18 892	(13 622)
	<b>876 187</b>	<b>801 142</b>	<b>870 266</b>	<b>788 421</b>
All balances are current.				
<b>27. Interest received and dividend income</b>				
<b>Interest received</b>				
<b>Financial assets measured at amortised cost</b>	<b>180 061</b>	113 352	<b>174 708</b>	116 620
Interest on call and term deposits	163 296	109 556	162 136	109 493
Interest on secured loans	–	–	–	3 573
Sundry interest income	16 765	3 796	12 572	3 554
<b>Financial assets at fair value through profit or loss</b>	<b>95 724</b>	90 457	<b>37 128</b>	42 654
Interest received on investments	74 095	35 522	17 402	22 550
Sundry interest income (on bank accounts, etc.)	21 629	53 117	19 726	18 286
Interest received SARS	–	1 818	–	1 818
<b>Financial assets held-to-maturity</b>	<b>9 295</b>	7 305	–	–
<b>Total interest received</b>	<b>285 080</b>	<b>211 114</b>	<b>211 836</b>	<b>159 274</b>
<b>Dividends received</b>				
<b>Financial assets at fair value through profit or loss</b>				
Ordinary shares – dividends received				
– Quoted shares	35 071	33 247	35 028	33 247
– Unquoted shares	–	9 672	28 419	40 526
Preference shares – dividends received				
– Quoted shares	12 439	11 108	12 439	11 108
– Unquoted shares	105 306	72 022	105 306	72 022
Unit trusts – dividends received				
– Quoted shares	–	14 502	–	–
– Unquoted shares	10 231	1 867	2 101	1 867
Dividend income fund – dividends received				
– Unquoted funds	2 555	–	–	–
Debentures – dividends received				
– Unquoted debentures	–	2 821	–	2 820
Dividends from subsidiaries	–	–	89 047	39 851
<b>Total dividends received</b>	<b>165 602</b>	<b>145 239</b>	<b>272 340</b>	<b>201 441</b>
<b>Total interest and dividend income</b>	<b>450 682</b>	<b>356 353</b>	<b>484 176</b>	<b>360 715</b>
<b>Interest paid</b>				
Interest paid – collateral deposit	–	629	–	629
Interest paid – treaty reserves	18 257	20 898	18 257	20 898
Interest paid – general	62 426	2 783	54 113	2 783
Interest paid – SARS	627	329	627	329
<b>Total interest paid</b>	<b>81 310</b>	<b>24 639</b>	<b>72 997</b>	<b>24 639</b>
<b>28. Realised profits/(losses) on disposal of investments and other financial assets</b>				
Listed investments	(491)	6 881	(491)	(20)
Unlisted investments, subsidiaries and associates	(6 639)	1 119 444	(6 641)	1 074 505
Non current assets held for sale*	(65 133)	(246 463)	174 993	(174 220)
	<b>(72 263)</b>	<b>879 862</b>	<b>167 861</b>	<b>900 265</b>
Net realised profit on fair value through profit or loss financial assets	<b>(72 263)</b>	<b>1 126 325</b>	<b>167 861</b>	<b>1 074 485</b>

\*This note has been enhanced for disclosure.

## Notes to the annual financial statements (continued)

for the year ended 30 June 2017

	GROUP		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
<b>29. Unrealised profits/(losses) on revaluation of investments and other financial assets</b>				
Listed investments	48 259	(42 543)	37 758	(42 543)
Unlisted investments, subsidiaries and associates	69 413	(797 261)	(893)	(840 659)
	117 672	(839 804)	36 865	(883 202)
Net unrealised profit on fair value through profit or loss assets	357 798	(840 849)	36 865	(883 202)
	357 798	(840 899)	36 865	(883 202)

### 30. Profit before taxation

	2017			2016		
	Company R'000	Rest of Group R'000	Total R'000	Company R'000	Rest of Group R'000	Total R'000
<b>Profit before taxation is determined after charging:</b>						
<b>Directors' and prescribed officers' emoluments</b>						
<b>Executive Directors</b>						
<i>Director A</i>						
Basic salary	1 740	1 740	3 480	1 635	1 635	3 270
Bonus and performance-related payments	6 472	6 472	12 944	10 151	10 151	20 302
Estimated monetary value of other benefits	137	137	274	171	171	342
Pension/provident fund contributions	252	252	504	236	236	472
	8 601	8 601	17 202	12 193	12 193	24 386
<i>Director B</i>						
Basic salary	–	2 451	2 451	579	1 737	2 316
Bonus and performance-related payments	–	14 867	14 867	3 595	10 785	14 380
Estimated monetary value of other benefits	–	504	504	121	363	484
Pension/provident fund contributions	–	408	408	96	290	386
	–	18 230	18 230	4 392	13 174	17 566
<i>Director C</i>						
Basic salary	1 660	–	1 660	1 080	1 080	2 160
Bonus and performance-related payments	5 393	–	5 393	4 229	4 229	8 458
Estimated monetary value of other benefits	212	–	212	95	95	190
Pension/provident fund contributions	261	–	261	164	164	328
	7 526	–	7 526	5 568	5 568	11 136
<i>Director D</i>						
Basic salary	1 662	1 662	3 324	742	742	1 484
Bonus and performance-related payments	4 663	4 663	9 326	–	–	–
Estimated monetary value of other benefits	79	79	158	37	37	74
Pension/provident fund contributions	189	189	378	96	96	192
	6 593	6 593	13 186	875	875	1 750
<b>Non-Executive Directors</b>						
Director A	217	217	435	260	260	520
Director B	182	182	365	404	404	807
Director C	212	212	425	261	261	522
Director D	241	241	482	284	568	852
Director E	273	546	819	185	185	370
Director F	217	217	434	232	232	464
Director G	217	217	435	–	–	–
Director H	62	62	124	–	–	–
	1 621	1 894	3 519	1 626	1 910	3 536

	2017			2016		
	Company R'000	Rest of Group R'000	Total R'000	Company R'000	Rest of Group R'000	Total R'000
<b>Prescribed officers</b>						
<i>Prescribed officer A</i>						
Basic salary	901	1 352	2 253	818	1 227	2 045
Bonus and performance-related payments	2 373	3 560	5 933	4 566	6 849	11 415
Estimated monetary value of other benefits	208	312	520	191	286	477
Pension/provident fund contributions	155	232	387	141	211	352
	<b>3 637</b>	<b>5 456</b>	<b>9 093</b>	<b>5 716</b>	<b>8 574</b>	<b>14 290</b>
<i>Prescribed officer B</i>						
Basic salary	1 708	427	2 135	1 608	402	2 010
Bonus and performance-related payments	4 315	1 079	5 394	6 767	1 692	8 459
Estimated monetary value of other benefits	216	54	270	200	50	250
Pension/provident fund contributions	269	67	336	252	63	315
	<b>6 508</b>	<b>1 627</b>	<b>8 135</b>	<b>8 827</b>	<b>2 207</b>	<b>11 034</b>
<i>Prescribed officer C</i>						
Basic salary	2 215	246	2 461	2 029	225	2 254
Bonus and performance-related payments	4 164	463	4 627	6 488	721	7 209
Estimated monetary value of other benefits	256	29	285	238	26	264
Pension/provident fund contributions	341	38	379	308	34	342
	<b>6 976</b>	<b>776</b>	<b>7 752</b>	<b>9 063</b>	<b>1 006</b>	<b>10 069</b>
<i>Prescribed officer D</i>						
Basic salary	284	2 553	2 837	266	2 397	2 663
Bonus and performance-related payments	540	4 855	5 395	565	5 084	5 649
Estimated monetary value of other benefits	7	60	67	6	57	63
Pension/provident fund contributions	31	282	313	29	265	294
	<b>862</b>	<b>7 750</b>	<b>8 612</b>	<b>866</b>	<b>7 803</b>	<b>8 668</b>
<i>Prescribed officer E</i>						
Basic salary	2 270	252	2 522	2 071	230	2 301
Bonus and performance-related payments	3 861	429	4 290	3 877	431	4 308
Estimated monetary value of other benefits	175	19	194	171	19	190
Pension/provident fund contributions	341	38	379	313	35	348
	<b>6 647</b>	<b>738</b>	<b>7 385</b>	<b>6 432</b>	<b>715</b>	<b>7 147</b>
<i>Prescribed officer F</i>						
Basic salary	1 862	798	2 660	1 747	749	2 496
Bonus and performance-related payments	2 395	1 026	3 421	2 651	1 136	3 787
Estimated monetary value of other benefits	91	39	130	15	6	21
Pension/provident fund contributions	210	90	300	252	108	360
	<b>4 558</b>	<b>1 953</b>	<b>6 511</b>	<b>4 665</b>	<b>1 999</b>	<b>6 664</b>
<b>Total directors and prescribed officers' emoluments</b>	<b>53 529</b>	<b>53 618</b>	<b>107 147</b>	<b>60 222</b>	<b>56 023</b>	<b>116 245</b>

## Notes to the annual financial statements (continued)

for the year ended 30 June 2017

	GROUP		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
<b>30. Profit before taxation (continued)</b>				
<b>Auditor's remuneration</b>				
Audit fees	10 112	8 453	7 310	5 518
Prior year under provision	82	1 365	–	1 263
Other services	80	974	–	190
	<b>10 274</b>	<b>10 792</b>	<b>7 310</b>	<b>6 971</b>
<b>Depreciation</b>				
Office equipment	11 905	14 135	11 905	9 336
Motor vehicles	1 358	2 110	1 358	1 732
Leasehold improvements	2 194	3 152	2 194	1 503
	<b>15 457</b>	<b>19 397</b>	<b>15 457</b>	<b>12 571</b>
<b>Expenses for the acquisition of insurance contracts</b>				
Commission	1 007 144	1 138 345	876 289	903 800
<b>Impairment losses on financial assets</b>				
– Impairment loss/(write-back) on loans to associates, subsidiaries and other	–	–	9 242	14 788
– Impairment (write-back)/loss on unlisted investment	(4 060)	(42 192)	(4 060)	(42 192)
<b>Other expenditure</b>				
Amortisation of intangible assets	29 184	21 241	29 185	19 313
Write-off of intangible asset	138	6 451	–	–
Write-off of premium debtors	(274)	2 223	–	–
Administration fees paid	918 529	853 472	913 175	816 977
Movement in net provision for claims reported and loss adjustment expenses	(11 334)	(79 593)	(11 334)	122 357
Professional fees	81 938	73 311	81 938	73 311
Operating lease rentals – building	40 647	39 045	34 490	25 016
Operating lease rentals – computer	17 291	17 419	17 291	16 525
Research and development	79	1	79	1
<b>31. Taxation</b>				
<b>South African normal taxation:</b>				
– Current year	202 411	147 537	95 062	89 797
– Prior year	9 746	(1 298)	9 495	(1 779)
<b>Deferred taxation:</b>				
– Current year	22 774	(251 085)	35 412	(277 974)
– Prior year	(41)	(5 735)	–	–
<b>Securities Transaction Tax</b>	–	5 364	–	5 364
<b>Withholding tax and foreign tax</b>	17	563	17	563
	<b>234 907</b>	<b>(104 654)</b>	<b>139 986</b>	<b>(184 027)</b>
All taxation is payable in respect of continuing operations.				
<b>Tax rate reconciliation:</b>	%	%	%	%
<b>Tax calculated at standard rate of South African tax on earnings</b>	<b>28.0</b>	28.0	<b>28.0</b>	28.0
Normal taxation – prior year	0.8	–	1.2	(0.2)
Capital gains tax	–	(15.8)	–	(22.6)
Deferred taxation – prior year	–	(0.3)	–	–
Permanent differences				
– Exempt income dividends not taxable	(6.1)	(5.3)	(9.6)	(4.8)
– Unrealised gains not taxable	1.1	11.8	3.4	18.8
– Other non-taxable income/non-deductible expenses	(4.9)	(25.0)	(5.2)	(35.5)
Foreign tax	–	1.0	–	–
Securities Transaction Tax	–	0.3	–	0.5
<b>Effective rate</b>	<b>18.9</b>	<b>(5.3)</b>	<b>17.8</b>	<b>(15.8)</b>

	GROUP		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
<b>32. Reconciliation of profit before taxation to cash generated from operations</b>				
Profit before taxation	1 242 786	1 678 327	785 430	1 170 268
Adjustments for:				
Depreciation	15 457	19 397	15 457	12 573
Write-off of property and equipment	1 326	237	1 326	-
Write-off of loans	-	11 341	-	11 341
Impairment loss/(write-back) on loans to associates, subsidiaries and other	-	(12 251)	-	(12 119)
Impairment/(write-back) on unlisted investment	(4 060)	(42 192)	(4 060)	(42 192)
Intangible asset amortisation	29 185	21 241	29 185	19 313
Write-off of intangible asset	138	6 451	138	4 831
Loss/(profit) on disposal of investments	7 130	(1 126 325)	7 130	(1 074 485)
Profit/(loss) on foreign currency translation difference	38 477	(162 003)	35 701	(44 867)
Loss/(profit) on disposal of subsidiaries	(6 538)	(452 803)	-	(452 803)
Net interest and dividend income	(369 372)	(331 714)	(411 179)	(336 077)
Unrealised (loss)/gain on revaluation of listed investments	134 425	42 543	(37 758)	42 543
Unrealised gain on revaluation of unlisted investments	(119 679)	798 306	(119 679)	411 824
Unrealised gain on revaluation of bonds	(63)	-	(63)	-
Unrealised gain on revaluation of associates	(140 617)	-	(53 582)	239 664
Unrealised gain on revaluation of subsidiaries	-	-	(18)	189 171
Profit on disposal of non-current assets held for sale	(65 133)	-	(174 993)	-
Unrealised loss on revaluation of non-current assets held for sale	-	-	349 231	-
Impairment allowances on loans and premium debtors	57 528	-	57 528	-
Revaluation of investment property	(14 801)	(4 948)	-	-
Share of profits in associates	(33 205)	(32 477)	-	-
Operating cash flows before working capital changes	772 983	413 130	479 793	138 984
Working capital changes	(569 166)	(696 939)	(512 320)	(113 302)
Increase in insurance receivables, loans and other receivables	(163 122)	(248 504)	(163 050)	(493 151)
Increase/(decrease) in insurance liabilities	57 244	(277 406)	57 243	638 787
Increase in reinsurance assets	(422 252)	(90 331)	(422 252)	(560 783)
Decrease in deferred acquisition costs	986	19 170	986	10 725
(Decrease)/increase in reinsurance liabilities	(60 509)	109 841	(60 509)	211 172
Decrease in non-current assets held for sale	(86 087)	-	-	-
Increase/(decrease) in trade and other accounts payable and employee benefits	104 575	(209 710)	75 263	79 948
Cash generated from operations	203 818	(283 810)	(32 526)	25 681
<b>33. Dividends paid</b>				
Amounts due at beginning of year	(14 317)	(18 053)	(14 317)	3 492
Amounts declared for the year	(1 158 580)	(1 989 240)	(1 158 580)	(1 989 240)
Amounts declared to non-controlling interest	(70 597)	(780)	-	-
Amounts due at end of year	-	14 317	-	14 317
<b>Cash amounts paid</b>	<b>(1 243 494)</b>	<b>(1 993 757)</b>	<b>(1 172 897)</b>	<b>(1 971 432)</b>
<b>34. Dividends received</b>				
Amounts due at beginning of year	114 082	144 787	114 082	144 787
Dividends received per profit and loss statement	165 602	145 239	272 340	201 441
Impairment of accrued dividends per profit and loss statement	32 715	18 510	32 715	18 510
Amounts due at end of year	(29 924)	(114 082)	(29 924)	(114 082)
<b>Cash amounts received</b>	<b>282 475</b>	<b>194 454</b>	<b>389 213</b>	<b>250 656</b>

## Notes to the annual financial statements (continued)

for the year ended 30 June 2017

	GROUP		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
<b>35. Taxation paid</b>				
Amounts due at beginning of year	16 727	(288 015)	23 401	(268 232)
Amounts charged to profit and loss statement	(234 907)	104 654	(139 986)	184 027
Foreign currency translation difference		(2 479)		
Disposal of subsidiary	(2 881)			
Amounts due at end of year	61 345	(16 727)	53 656	(23 401)
<b>Cash amounts paid</b>	<b>(159 716)</b>	<b>(202 567)</b>	<b>(62 929)</b>	<b>(107 606)</b>
Amounts due at end of year comprised as follows:				
Deferred income tax asset	(79 690)	(78 170)	(79 690)	(77 889)
Deferred income tax liability	174 250	136 408	166 581	129 368
Current taxation asset	(33 244)	(74 993)	(33 235)	(74 879)
Current taxation liability	29	28		
	61 345	(16 727)	53 656	(23 401)

### 36. Business combinations

#### 36.1 Summary of business combinations – 30 June 2017

##### Disposal of investments in subsidiary

	Quisisana (Pty) Ltd R'000	Total R'000
Investment property	45 460	45 460
Loans and other receivables	2	2
Cash and cash equivalents disposed of	70	70
Deferred taxation	(2 881)	(2 881)
Trade and other payables	(36 112)	(36 112)
Loss generated on disposal of subsidiary	(6 539)	(6 539)
<b>Proceeds on disposal of subsidiary</b>	<b>-</b>	<b>-</b>
Net cash outflow arising on disposal:		
– Cash and cash equivalents	70	70
<b>Cash and cash equivalents disposed of</b>	<b>70</b>	<b>70</b>

##### 36.1.1 Disposal of 100% shareholding in Quisisana (Pty) Ltd

On 30 June 2017, the Group disposed of 100% of its investments in Quisisana (Pty) Ltd. At the date of disposal, the fair value of the investment in the Company was Rnil and the net asset value was R6 539 000. The Company generated no gain or loss on disposal whereas the Group generated a loss on disposal of R6 539 000.

#### 36.2 Summary of business combinations – 30 June 2016

##### Disposal of investments in subsidiary

	Hollard Asset Management (Pty) Ltd R'000	Total R'000
Financial assets	599 746	599 746
Loans and other receivables	5	5
Deferred tax liability	(108 759)	(108 759)
Minority interest	(273 688)	(273 688)
Profit generated on disposal of subsidiary	94 681	94 681
<b>Proceeds on disposal of subsidiary</b>	<b>311 985</b>	<b>311 985</b>
Net cash outflow arising on disposal:		
– Cash and cash equivalents		
<b>Cash and cash equivalents disposed of</b>	<b>311 985</b>	<b>311 985</b>



### 36.2.1 Disposal of 50.3% shareholding in Hollard Asset Management (Pty) Ltd

On 17 February 2016, the Group disposed of 50.3% of its investments in Hollard Asset Management (Pty) Ltd. At the date of disposal, the fair value of the investment in the Company was R311 985 000 and the net asset value was R490 993 000. The Company generated a profit on disposal of R311 851 000 whereas the Group generated a profit on disposal of R94 681 000.

	Disposal of investments in subsidiary: R'000
The Group's share of the net liabilities at the date of disposal was as follows:	50.3%
Financial assets	599 746
Loans and other receivables	5
Deferred tax liability	(108 759)
Minority interest	(273 688)
Profit generated on disposal of subsidiary	94 681
<b>Proceeds on disposal of subsidiary</b>	<b>311 985</b>

### Acquisitions of investments 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	2 183	2 183
Goodwill	12 817	12 817
<b>Total consideration</b>	<b>15 000</b>	<b>15 000</b>
Net cash outflow arising on acquisition:		
– Cash consideration paid	(15 000)	(15 000)
– Cash and cash equivalents acquired	–	–
<b>Net Cash and cash equivalents acquired</b>	<b>(15 000)</b>	<b>(15 000)</b>

### 36.2.2 Acquisition of a further 49% shareholding in Execuline Underwriting Managers (Pty) Ltd

	Acquisition of investment in subsidiary: R'000
On 30 June 2016, the Company acquired a further 49% of the shareholding in Execuline Underwriting Managers (Pty) Ltd for a cash consideration of R15 000 000.	
Net assets acquired in the transaction were as follows:	
Fair value at date of acquisition	2 183
Goodwill	12 817
<b>Total consideration</b>	<b>15 000</b>
Net cash outflow arising on acquisition:	
– Cash consideration paid	(15 000)
– Cash and cash equivalents acquired	–
<b>Net cash and cash equivalents acquired</b>	<b>(15 000)</b>

## 37. Investments in associates

### 37.1 Summary of movement in the fair value of the Group's investments in associates – 30 June 2017

#### 37.1.1 Acquisition of investments in associates as at 30 June 2017

##### Acquisition of IT00 Special Risk Limited

On 28 February 2017, the Group acquired a 30% shareholding in IT00 Special Risk Limited for a consideration of R1 000 000. At the date of acquisition, the carrying value of the investment in the company was Rnil.

## Notes to the annual financial statements (continued)

for the year ended 30 June 2017

### 37. Investments in associates (continued)

#### 37.2 Summary of movement in the fair value of the Group's investments in associates – 30 June 2016

##### Disposal of investments in associates as at 30 June 2016

The Group disposed of its investment in the following associates:

	Date of disposal	% of shareholding disposed	GROUP		
			Proceeds on disposal	Carrying value	Profit/(loss) on sale of investments
		%	R'000	R'000	R'000
Lomhold (Pty) Ltd	Monday, 14 September 2015	21.88	147 036	100 776	46 260
Eikos Holdings SA (Pty) Ltd	Thursday, 31 March 2016	40.00	8 280	6 745	1 535
			155 316	107 521	47 795

	GROUP		COMPANY	
	2017	2016	2017	2016
	R'000	R'000	R'000	R'000
<b>38. Proceeds on disposal of investments</b>				
Proceeds on disposal of listed investments	54 206	5 868	54 206	5 868
Proceeds on disposal of unlisted investments	339 712	1 270 087	339 712	1 270 087
	393 918	1 275 955	393 918	1 275 955
<b>39. Proceeds on disposal of non-current assets and liabilities held for sale</b>				
Fair value of assets sold	76 940	344 012	186 800	390 273
Profit/(loss) on disposal	(65 133)	46 261	(174 993)	–
Fair value adjustments through equity	–	(390 273)	–	(390 273)
	11 807	–	11 807	–
<b>40. Capital expenditure</b>				
The following capital expenditure budget has been approved by the Board for the financial year ending 30 June 2018				
Furniture, office equipment and computer hardware and software			27 759	52 754
			27 759	52 754

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

### 41. 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 2016. The lease runs to 30 June 2026. 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 sub lease agreement between The Hollard Life Assurance Company Limited and The Hollard Insurance Company Limited for the same period.

	COMPANY	
	2017	2016
	R'000	R'000
The payments recognised as an expense for the year amount to	34 490	25 016
	34 490	25 016

### 42. 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*.

#### 43. Staff pension and provident fund

The Company has a defined contribution pension fund, the Hollard Employees Pension Fund, with 217 (2016: 399) employees of the Company being members of the fund. The Company and employees' contributions to the fund charged against income for the year were R11 890 251 (2016: R16 734 553).

The Company also has a defined contribution provident fund, the Hollard Employees Provident Fund, with 818 (2016: 954) employees of the Company being members of the fund. The Company and employees' contribution to the fund charged against income for the year were R45 954 023 (2016: R39 528 056).

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

#### 44. Loans to Directors

	COMPANY	
	Executive	
	2017 R'000	2016 R'000
Balance at beginning of year	4 007	12 918
Loans advanced and interest charged during the year	115	487
Loan repayments received during the year	(4 122)	(9 398)
	-	4 007

##### Details of individual loans to directors

No new advance were made during the year (2016: Rnil).

The following repayments were made during the year:

- NG Kohler Rnil (2016: R4 399 201)
- TBT Mparutsa R4 121 805 (2016: R5 000 000)

The loans are given on commercial terms and conditions. The related interest income in 2017 was R114 954 (2016: R487 089).

Interest on loans to NG Kohler and TBT Mparutsa is charged at SARS rate and as at 30 June 2017 the rate was 8%.

#### 45. 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.

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

	COMPANY			
	Sum insured		UPR	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
<b>Guarantee policies issued</b>				
<b>Affiliated companies:</b>				
- Advantage Motor Plan (Pty) Ltd	10 000	10 000	13	13
- Biz Afrika 1932 (Pty) Ltd	3 373	3 373	2	2
- Eikos Risk Applications (Pty) Ltd	-	-	4	4
- FirstRand Bank Ltd	-	-	200	-
- Hirsch & Trust (Pty) Ltd	-	-	17 264	-
- Hollard Insurance Company of Namibia Limited (incorporated and operational in Namibia)	10 000	10 000	25 225	25 225
- Hollard Life Properties (Pty) Ltd	-	-	579	-
- NER Estates- Zanray Investments	6 141	-	7	-
- Ooba (Pty) Ltd	-	-	12 393	-
- Brokoop Insurance Brokers (Pty) Ltd	2 039	-	3	-
- UTZ Consulting (Pty) Ltd	300	-	-	-
- PWV Insurance Brokers	35 061	26 481	30	30
- Risk Benefit Solutions (Pty) Ltd	-	-	8	8
- RNB Administrators (Pty) Ltd	-	-	172 042	-
- Sapcor (Pty) Ltd	14 800	14 500	25	25
- Insurance Zone Insurance Brokers (Pty) Ltd	14 236	-	24	-

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

## Notes to the annual financial statements (continued)

for the year ended 30 June 2017

	2017 R'000	2016 R'000
<b>45. Related party transactions (continued)</b>		
<b>Loans to/(from) related parties</b>	<b>64 761</b>	177 313
Loans to subsidiaries	26 692	58 379
Loans to associates	10 141	10 141
Loans to Friedshel 1571 (Pty) Ltd	-	5 831
Loans to SMART (Pty) Ltd	5 247	5 499
Loans to Taropark Properties (Pty) Ltd	-	20 287
Loans to Hollard Holdings(Pty) Ltd	15 003	72 201
Loan (from) Fundco (RF) (Pty) Ltd	(600 156)	-
Loans to SkyTIV (Pty) Ltd	2 081	2 119
Loans to Qdos Underwriting Managers (Pty) Ltd	51	308
Loan to C Shorter	5 546	-
Loan to G Venter	-	2 179
Loan to B Carlin	-	370
<b>Loans to prescribed officers</b>	<b>9 143</b>	81
The following advances were made:		
M.Shezi	3 612	81
B.Wyborn	5 531	-
<b>Management fees</b>		
- Paid to Hollard Life Assurance Company Limited	262 603	255 219
<b>Dividends</b>		
- Dividends received from related parties	117 466	75 625
<b>Interest</b>		
- Interest received from related parties	4 157	3 573
<b>Investment policy with</b>		
- The Hollard Life Assurance Company Limited	927 236	894 761
<b>Key management compensation</b>		
- Salaries, bonuses and other short-term employee benefits	19 516	19 875
(Key management refers to Executive Committee members excluding Executive Directors)		
<b>Other transactions</b>		
- Rent paid to Hollard Life Properties (Pty) Ltd	34 490	25 016

Refer to notes 8 and 9 on page 38, as well as note 46 on pages 68 to 69 of these annual financial statements for details of loans with Group companies and other related parties.

## 46. Subsidiaries, associates and joint venture

	Nature of business	Place of business	Issued share capital R	Carrying value of interest in subsidiaries		2017 Shares R'000	2017 Indebtedness R'000	2016 Shares R'000	2016 Indebtedness R'000
				Proportion held 2017 %	Proportion held 2016 %				
<b>Directly held subsidiaries</b>									
Apex Underwriting Managers (Pty) Ltd	B	RSA	100	100.00	100,00	-	1 774	-	1 613
Casa Luigi Properties (Pty) Ltd	A	RSA	100	100.00	100,00	-	-	-	-
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	-	-	-	-
Hollard Portfolio Management (Pty) Ltd	C	RSA	1	100.00	100,00	41 241	-	41 220	-
JJK Marketing Consultants (Pty) Ltd	B	RSA	100	100.00	100,00	-	-	-	-
Newshelf 33 (Pty) Ltd	C	RSA	1	100.00	100,00	-	-	-	-
Precept Supply Chain Management (Pty) Ltd	D	RSA	3 001 010	100.00	100,00	-	-	-	-
Quisisana (Pty) Ltd	A	RSA	1	-	100,00	-	-	-	31 687
Accredited Investments (Pty) Ltd	C	RSA	1	100.00	100,00	-	-	-	-
Leungo Investments (Pty) Ltd	A	RSA	100	100.00	100,00	-	37 677	-	37 678
Execuline Underwriting Managers (Pty) Ltd	B	RSA	100	100.00	100,00	-	-	-	-
						41 241	39 451	41 220	70 978
Impairment on loan						-	(12 759)	-	(12 599)
						41 241	26 692	41 220	58 379

The investments in Hollard Insurance Company of Namibia Limited (incorporated and operational in Namibia) and Hollard Mocambique Companhia de Seguros, S.A.R.L (incorporated and operational in Mozambique) are held for sale and details are disclosed in note 16 on page 49 of these financial statements.

#### Carrying value of interest in associates

	Nature of business	Issued share capital R	Proportion held 2017 %	Proportion held 2016 %	2017 Shares R'000	2017 Indebtedness R'000	2016 Shares R'000	2016 Indebtedness R'000
<b>Directly held associates</b>								
Legal Expenses Group Africa Limited	F	1 700	39.90	39,90	207 764	–	178 181	–
Louwfut Beleggings 1077 (Pty) Ltd	A	1 000	46.20	46,20	–	12 855	–	12 855
					207 764	12 855	178 181	12 855
Impairment on loans					–	(2 714)	–	(2 714)
					207 764	10 141	178 181	10 141

The investment in IT00 Special Risk (Pty) Ltd is classified as held for sale and details are disclosed in note 16 page 49 of these financial statements.

#### Carrying value of interest in joint venture

	Nature of business	Issued share capital R	Proportion held 2017 %	Proportion held 2016 %	2017 Shares R'000	2017 Indebtedness R'000	2016 Shares R'000	2016 Indebtedness R'000
<b>Directly held joint ventures</b>								
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

#### 47. 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.

## 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	WT Lategan
Executive Director	IH Ross (resigned March 2017)
Non-Executive Director	R Fihrer
Non-Executive Director	MR Bower
Independent Non-Executive Director	BF Mohale
Independent Non-Executive Director	AS Nkosi (appointed March 2017)
Independent Non-Executive Director	B Ngonyama
Independent Non-Executive Director	S Patel
Independent Non-Executive Director	NV Simamane

### 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](http://www.hollard.co.za)

### Nature of business

The Company transacts short-term insurance business

### Auditors

Deloitte & Touche  
Building 8  
The Woodlands  
Woodlands Drive  
Woodmead  
Sandton

### Registration number

1952/003004/06