

HOLLARD'S
FINANCIAL YEAR
JULY 2014 –
JUNE 2015

**FULL
STEAM
AHEAD**

Hollard.



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

**THE HOLLARD
INSURANCE
COMPANY
LIMITED**

Hollard.

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Group salient features

for the year ended 30 June 2015

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

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

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

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

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

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

Directors' responsibility statement and approval of the annual financial statements

for the year ended 30 June 2015

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

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

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

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

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

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

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

These annual financial statements, set out on page 3 to 78, have been approved by the Board of the Group and Company and are signed on its behalf by:



ADH Enthoven
Chairman

27 October 2015



NG Kohler
Chief Executive Officer

27 October 2015

Certification by Company Secretary

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



NL Shirilele
Company Secretary

27 October 2015

Audit Committee Report

The Committee is composed of three independent non-executive directors. The work of the Committee is specified by its charter, and the provisions of the Short Term Insurance Act, 1998. The Committee reviewed the Company's financial statements, and assessed that these accurately represented the financial position of the Company. The Committee further reviewed the Company's accounting policies, and the reports of the internal and external audit functions, and of the compliance officer. The Committee met three times during the year, and the chairman of the Committee reported on the work of the Committee to the Board. The Committee is satisfied that it has discharged all its responsibilities.

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



PK Ward
Chairman: Audit Committee

27 October 2015

Independent Auditor's Report

To the shareholders of The Hollard Insurance Company Limited

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

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

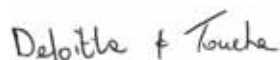
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

Other reports required by the Companies Act

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



Deloitte & Touche

Registered Auditors

Per: D Munu

Partner

30 October 2015

National Executive

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

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

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

Member of Deloitte Touche Tohmatsu Limited

Directors' report

for the year ended 30 June 2015

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

Nature of business

The Company is a registered insurer and underwrites all classes of short-term insurance business throughout the Republic of South Africa. The activities and details of the interest in subsidiaries, associates and joint venture are listed in notes 36, 37 and 48 on pages 68 to 71 and 75 to 77 of the annual financial statements.

General review

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

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

Share capital

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

Dividends

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

Subsidiaries and associates

The Company acquired a shareholding in the following subsidiary:

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

The Company sold all its interest in the following subsidiary:

- Haven Development Company (100%).

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

Going concern

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

Subsequent events

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

Directorate

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

R Fihrer, PK Ward.

Executive Directors

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

Non-Executive Directors

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

Preparation of annual financial statements

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

Auditors

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

Company Secretary

NL Shirilele

Business address

Hollard at Arcadia
22 Oxford Road
Parktown
Johannesburg

Postal address

P0 Box 87419
Houghton
2041

Holding company

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

Statements of financial position

as at 30 June 2015

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

Income statements

for the year ended 30 June 2015

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

Statements of comprehensive income

for the year ended 30 June 2015

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

Statements of changes in equity

for the year ended 30 June 2015

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

Statements of cash flows

for the year ended 30 June 2015

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

Notes to the annual financial statements

for the year ended 30 June 2015

1. Accounting policies

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

1.1 Basis of presentation

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

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

Use of estimates and judgements

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

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

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

Adoption of new and revised standards

The Group and Company's accounting policies are consistent with those of the previous financial year except for those instances where new or revised standards and/or interpretations had to be adopted. The Group and Company adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the IFRIC of the IASB relevant to its operations that are effective for annual reporting periods beginning on or after 1 January 2014. The adoption of these revised standards and interpretations did not have any effect on the Group and Company's financial performance or position, although they did give rise to additional disclosures including, in some cases, changes to existing accounting policies.

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

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

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

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

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

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

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

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

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

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

1. Accounting policies (continued)

1.2 Basis of consolidation

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

Investments in subsidiaries

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

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

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

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

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

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

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

Investment in associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the investee but has no control or joint control over those policies.

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

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

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

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

Interest in joint arrangements

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

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

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

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

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

Accounting for entities under common control

IFRS does not 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 or associate at the acquisition date. Goodwill arising on the acquisition of the subsidiary or associate is initially recognised at cost as a separate asset. Goodwill is tested annually for impairment and is carried at cost less any accumulated impairment losses. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

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

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

1.3 Foreign currencies

General

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

Functional and presentation currency

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

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

1. Accounting policies (continued)

1.3 Foreign currencies (continued)

Transactions and balances

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

Group companies

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

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing exchange rate at the statement of financial position date. None of the Group entities has the currency of a hyperinflationary economy.

1.4 Property and equipment

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

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

Motor vehicles	20%
Office equipment	10%
Computer equipment	33%
Leasehold improvements	33%
Owner-occupied properties	4%

Land is not depreciated.

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

Property

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

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

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

Equipment

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

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

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

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

1.5 Investment property

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

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

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

1.6 Intangible assets

Distribution rights

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

Computer software

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

Acquired rights over books of business

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

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

1.7 Non-derivative financial instruments

Financial assets

Investments

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

i) Financial assets at fair value through profit or loss

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

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

ii) Held-to-maturity investments

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

iii) Financial assets at fair value through other comprehensive income

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

iv) Loans and receivables

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

v) Other

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

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

1. Accounting policies (continued)

1.7 Non-derivative financial instruments (continued)

Recognition and measurement

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

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

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

Gains or losses

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

Fair value

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

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

Offsetting

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

Financial liabilities

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

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

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

- Borrowings;
- Reinsurance liabilities;
- Trade and other payables;
- Insurance liabilities; and
- Provision for liabilities arising from a contractual relationship with existing Group and Company staff.

1.8 Derivative financial instruments

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

1.9 Impairment of tangible and intangible assets excluding goodwill

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

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

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

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

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

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and recognised in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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

1.10 Cash and cash equivalents

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

1.11 Non-current assets held for sale

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

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

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

1.12 Share capital

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

1.13 Insurance contracts

Classification of insurance contracts

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

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

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

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

Management of insurance and financial risk

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

Premiums

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

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

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

1. Accounting policies (continued)

1.13 Insurance contracts (continued)

Management of insurance and financial risk (continued)

Unearned premium provision

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

Deferred acquisition costs

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

Claims incurred

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

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

The majority of the Group and Company's IBNR is calculated as a percentage of net earned premium as prescribed by Board Notice 169 of 2011. This percentage is a best estimate reserve, which represents the expected value of the unreported claims liabilities. Different percentages are applicable for different classes of business and appropriateness is assessed against the Group and Company's past claims experience.

The Company's internal actuaries review the adequacy of the Company's claims provisions. The chain ladder method which involves the analysis of historical claims development factors and the selection of the estimated development factors based on the historical pattern is used to assess the adequacy of the reserves calculated according to Interim Measure principles. Where the Interim Measure reserves prove to be too low an additional reserve is raised.

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

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

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

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

Reinsurance

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

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

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

Salvage and subrogation reimbursements

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

1.14 Revenue

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

Interest income and finance cost

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

Dividend income

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

Rental income

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

1.15 Employee benefits

Pension and provident scheme arrangements

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

Profit-sharing and bonus plans

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

Leave pay

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

Termination benefits

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

Equity compensation plan

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

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

Other post-employment obligations

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

1.16 Taxation

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

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

Current taxation

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

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

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

1. Accounting policies (continued)

1.16 Taxation (continued)

Deferred taxation

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

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

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

1.17 Provisions

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

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

1.18 Borrowings

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

1.19 Operating leases

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

1.20 Dividend distribution

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

2. Critical accounting estimates and judgements

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

2.1 Claims incurred

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

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

2.2 Valuation of unlisted investments

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

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

In using discounted cash flow analyses, the discount rate used is based on the build-up method which incorporates a risk-free rate of 5.96%, an equity risk premium and an unsystematic risk premium.

In using the price earnings valuation technique, the valuation is based on a PE multiple of the current year's normalised earnings. The potential future earnings of the company, current interest rate cycle, current business environment and management of the company are considered in determining the earnings factor.

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

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

3. Financial risk management

Introduction

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

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

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

3.1 Exposure to risk arising from financial instruments

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

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

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

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

Credit risk

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

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

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

3. Financial risk management (continued)

3.1 Exposure to risk arising from financial instruments (continued)

Credit risk (continued)

Insurance debtors, loans and other receivables

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

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

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

Investments

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

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

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

Reinsurance

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

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

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

Liquidity risk

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

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

Based on actuarial modelling of historical and future expected trends, the Group and Company have estimated the probable cash outflows associated with general insurance liabilities. The maturity analysis of the gross insurance liabilities is set out in note 4.2.3 on page 31. The maturity profile of the related insurance and investment assets is expected to be similar to the profile of the liabilities. The Group and Company have taken into account that the unearned premium provision, which will be recognised as earned premium in the future, will not lead to claim cash outflows equal to this provision. This has been taken into account in estimating future cash outflows associated with insurance liabilities.

Market risk

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

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

a) Currency risk

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

The Group is exposed to foreign currency risk for transactions that are denominated in a currency other than Rand. This exposure is limited to the operations of the Mozambique and Botswana foreign subsidiaries, transactions with foreign reinsurers, debt securities and equity investments in foreign companies. These foreign investments were made for the purposes of obtaining favourable international exposure to foreign currency and are monitored by the Investment Committee. The Group and Company uses limited derivative instruments to manage this risk which is assessed on an ongoing basis by the Investment Committee. The table in note 4.3.1 on page 32 of the annual financial statements illustrates the split of assets and liabilities of the Group per major currency.

b) Interest rate risk

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

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

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

c) Other market price (or equity) risk

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

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

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

Capital management

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

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

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

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

- comply with the insurance capital requirements required by the regulators of the insurance markets where the Group and Company operate;
- prepare for the new solvency regime in South Africa in 2016;
- safeguard the Group and Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and other stakeholders;
- provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk;
- ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholder value; and
- manage its capital structure and make adjustments to it, in light of changes in economic conditions.

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

4. Risk management

4.1 Credit risk

a) Exposure to credit risk

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

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

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

i) Listed investments^(*)

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

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

ii) Bonds

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

There are no bonds held at Company level.

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

4. Risk management (continued)

4.1 Credit risk (continued)

c) Credit rating

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

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

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

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

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

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

	GROUP					COMPANY				
	Less than 30 days R'000	31 to 60 days R'000	61 to 90 days R'000	More than 90 days R'000	Total past due but not impaired R'000	Less than 30 days R'000	31 to 60 days R'000	61 to 90 days R'000	More than 90 days R'000	Total past due but not impaired R'000
2015										
Other loans and receivables	-	272	2 380	31 378	34 030	-	272	26	31 378	31 676
Insurance receivables	-	-	20 077	34 060	54 137	-	-	-	-	-
	-	272	22 457	65 438	88 167	-	272	26	31 378	31 676
2014										
Other loans and receivables	70 791	-	-	22 109	92 900	1 857	3 866	3 825	61 243	70 791
Insurance receivables	-	-	13 389	31 809	45 198	-	-	-	-	-
	70 791	-	13 389	53 918	138 098	1 857	3 866	3 825	61 243	70 791

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

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

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

4. Risk management (continued)

4.2 Liquidity risk

4.2.1 Maturity profile on financial and insurance assets

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

	Carrying amount R'000	Total contractual cash flows R'000	0 – 12 months R'000	1 – 2 years R'000	2 – 5 years R'000	More than 5 years R'000
GROUP						
2015						
Loans to associates	10 141	12 854	12 854	–	–	–
Financial assets at fair value through profit or loss	3 336 493	2 712 273	2 463 873	248 400	–	–
Financial assets at fair value through other comprehensive income	1 388	1 388	1 388	–	–	–
Held-to-maturity assets	87 511	87 511	27 029	43 246	17 236	–
Reinsurance assets	2 525 610	2 525 610	2 248 405	277 205	–	–
Insurance, loans and other receivables	1 805 228	1 468 617	1 451 731	5 630	11 256	–
Deferred acquisition costs	163 468	163 468	128 497	23 570	11 401	–
Cash and cash equivalents	2 962 959	2 962 959	2 962 959	–	–	–
	10 892 798	9 934 680	9 296 736	598 051	39 893	–
2014						
Loans to associates	10 141	12 854	12 854	–	–	–
Loans to joint venture	–	–	–	–	–	–
Financial assets at fair value through profit or loss	3 537 025	3 537 025	3 218 364	318 661	–	–
Financial assets at fair value through other comprehensive income	3 770	3 770	3 770	–	–	–
Held-to-maturity assets	103 820	103 820	39 872	25 875	38 073	–
Reinsurance assets	1 930 136	1 930 136	1 756 829	173 307	–	–
Insurance, loans and other receivables	2 423 613	2 504 132	2 477 534	6 703	13 234	6 661
Deferred acquisition costs	177 467	177 467	143 038	23 958	10 471	–
Cash and cash equivalents	2 195 306	2 195 306	2 195 306	–	–	–
	10 381 278	10 464 510	9 847 567	548 504	61 778	6 661
COMPANY						
2015						
Loans to subsidiaries	58 379	70 841	70 841	–	–	–
Loans to associates	10 141	12 854	12 854	–	–	–
Financial assets at fair value through profit or loss	2 869 935	2 288 109	2 035 757	248 400	3 952	–
Reinsurance assets	2 046 119	2 046 119	1 768 914	277 205	–	–
Insurance, loans and other receivables	1 552 157	1 625 930	1 609 044	5 630	11 256	–
Deferred acquisition costs	155 022	155 022	121 856	22 353	10 813	–
Cash and cash equivalents	2 359 354	2 359 354	2 359 354	–	–	–
	9 051 107	8 558 229	7 978 620	553 588	26 021	–
2014						
Loans to subsidiaries	87 154	99 745	99 745	–	–	–
Loans to associates	10 141	12 854	12 854	–	–	–
Financial assets at fair value through profit or loss	2 916 468	2 233 955	1 915 294	318 661	–	–
Reinsurance assets	1 560 104	1 560 104	1 386 797	173 307	–	–
Insurance, loans and other receivables	2 110 712	2 193 946	2 167 348	6 703	13 234	6 661
Deferred acquisition costs	169 530	169 530	136 640	22 887	10 003	–
Cash and cash equivalents	1 673 466	1 673 466	1 673 466	–	–	–
	8 527 575	7 943 600	7 392 144	521 558	23 237	6 661

4.2.2 Maturity profile of financial liabilities

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

	Carrying amount R'000	Total contractual cash flows R'000	0 – 12 months R'000	1 – 2 years R'000	2 – 5 years R'000	More than 5 years R'000
GROUP						
2015						
Non-derivative financial liabilities						
Borrowings	354	380	380	–	–	–
Trade and other payables and employee benefits	1 252 531	1 252 531	1 246 548	–	–	5 983
	1 252 885	1 252 911	1 246 928	–	–	5 983
2014						
Non-derivative financial liabilities						
Borrowings	354	380	380	–	–	–
Trade and other payables and employee benefits	1 190 592	1 190 592	1 188 114	1 652	827	–
	1 190 946	1 190 972	1 188 494	1 652	827	–
COMPANY						
2015						
Non-derivative financial liabilities						
Trade and other payables and employee benefits	950 154	950 154	950 154	–	–	–
	950 154	950 154	950 154	–	–	–
2014						
Non-derivative financial liabilities						
Trade and other payables and employee benefits	825 797	825 797	825 797	–	–	–
	825 797	825 797	825 797	–	–	–

4.2.3 Maturity profile of insurance liabilities

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

	GROUP				COMPANY			
	Probable cash outflows R'000	Maturity within a year R'000	Maturity between 2 and 5 years R'000	Maturity more than 5 years R'000	Probable cash outflows R'000	Maturity within a year R'000	Maturity between 2 and 5 years R'000	Maturity more than 5 years R'000
2015								
Claims reported and loss adjustment expenses	2 433 092	2 159 845	273 247	–	2 020 935	1 743 149	277 786	–
Claims incurred but not yet reported	798 689	696 269	102 420	–	734 676	633 692	100 984	–
Unearned premium provision	2 077 127	1 774 002	303 125	–	1 686 778	1 383 014	303 764	–
Cash back reserve	36 778	18 713	18 065	–	34 171	13 888	20 283	–
Unexpired risk reserve	2 214	2 214	–	–	–	–	–	–
Life fund reserves	4 730	4 730	–	–	–	–	–	–
Policyholder liabilities	42 812	40 296	2 516	–	–	–	–	–
Provision for claims fluctuations	6 961	6 961	–	–	–	–	–	–
Reinsurance liabilities	840 771	840 771	–	–	739 442	739 442	–	–
	6 243 174	5 543 801	699 373	–	5 216 002	4 513 185	702 817	–
2014								
Claims reported and loss adjustment expenses	1 926 471	1 764 133	162 338	–	1 577 186	1 414 848	162 338	–
Claims incurred but not yet reported	690 992	626 067	64 925	–	630 776	565 851	64 925	–
Unearned premium provision	1 889 073	1 627 943	261 130	–	1 612 587	1 351 456	261 131	–
Cash back reserve	34 762	19 103	15 659	–	33 157	17 498	15 659	–
Unexpired risk reserve	1 001	1 001	–	–	–	–	–	–
Life fund reserves	5 034	5 034	–	–	–	–	–	–
Policyholder liabilities	45 575	45 575	–	–	–	–	–	–
Provision for claims fluctuations	5 645	5 645	–	–	–	–	–	–
Reinsurance liabilities	702 775	702 775	–	–	641 831	641 831	–	–
	5 301 328	4 797 276	504 052	–	4 495 537	3 991 484	504 053	–

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

4. Risk management (continued)

4.3 Market risk

4.3.1 Sensitivity analysis

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

Currency risk

The following exchange rates applied during the year:

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

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

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

There is no currency fluctuation effect on the Namibian Dollar.

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

Interest rate risk

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

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

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

Sensitivity analysis for variable rate instruments of the Group and Company

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

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

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

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

4. Risk management (continued)

4.3 Market risk (continued)

4.3.1 Sensitivity analysis (continued)

Interest rate risk (continued)

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

Equity price risk

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

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

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

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

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

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

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

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

4. Risk management (continued)

4.4 Income statement note

a) Financial income and expenditure

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

	GROUP		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
Interest income on financial assets measured at amortised cost	116 581	119 264	104 658	111 677
Interest income on held-to-maturity assets	12 393	8 127	–	–
Net income on financial assets designated at fair value through profit or loss	43 068	31 608	31 435	24 703
Financial income	172 042	158 999	136 093	136 380
Interest expense on financial liabilities measured at amortised cost	16 094	6 272	16 039	4 939
Financial expense	16 094	6 272	16 039	4 939
Net financial income	155 948	152 727	120 054	131 441
The above financial income and expense items include the following in respect of financial assets/liabilities not at fair value through profit or loss:				
Total interest income	128 974	127 391	104 658	111 677
Total interest expense	(16 094)	(6 272)	(16 039)	(4 939)
	112 880	121 119	88 619	106 738
b) Impairment losses				
The amount of the impairment loss for each class of financial asset during the reporting period was as follows:				
Impairment of other loans and receivables				
– (Impairment write-back)/impairment recognised	(3 322)	7 244	(9 462)	7 478
Impairment of loans to subsidiaries				
– (Impairment write-back)/impairment recognised	–	–	(129)	335
Impairment of loans to associates				
– (Impairment write-back)/impairment recognised	–	(2 810)	–	(2 810)
Impairment of premium debtors				
– Impairment recognised	2 291	25 138	–	24 952
	(1 031)	29 572	(9 591)	29 955

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

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for the year ended 30 June 2015

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

Investment properties consist of:

- freehold property;
- sectional title located at stand 306 Ferreiras Dorp Township, Province of Gauteng, measuring 1 162 square metres; and
- sectional title located at stand 317 Ferreiras Dorp Township, Province of Gauteng, measuring 1 012 square metres.

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

Investment properties are not mortgaged as security for any liabilities.

Direct operating expenses incurred on the investment property amount to R2 801 460 (2014: R2 539 801), repairs and maintenance incurred amount to R138 583 (2014: R185 953).

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

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

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

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

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

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

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

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

The loans have no fixed terms of repayment.

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

9. Interest in associates (continued)

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

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

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

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

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

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

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

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

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

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

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

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

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

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

Notes to the annual financial statements (continued)

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

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

12. Determination of fair value and fair value hierarchy

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

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

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

Notes to the annual financial statements (continued)

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

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

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

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

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

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

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

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

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

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

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

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

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

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

Companies are valued on a price earnings ratio method or on a discounted cash flow basis. A build-up method was used to construct the discount rate, incorporating all the appropriate risk components as well as a risk-free rate of 5.96% (after tax RSA R186 bond rate). The following appropriate risk components are incorporated in the discount rates and earnings factors used:

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

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

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

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

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

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

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

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

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

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

	GROUP		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
15. Cash and cash equivalents				
Cash and cash equivalents consist of cash on hand, current accounts and short-term deposits with maturity less than 12 months. At reporting date the effective rate on bank call accounts and deposits was 6.39% (2014: 5.65%) and the weighted average days duration was 18 days. The effective interest rate on current accounts at the statement of financial position date was 4.60% (2014: 3.85%)				
Cash on call	1 701 105	1 052 860	1 701 105	1 052 860
Cash at bank	757 673	633 624	452 811	360 769
Cash on deposit	504 103	508 757	205 390	259 790
Cash on hand	78	65	48	47
	2 962 959	2 195 306	2 359 354	1 673 466
16. Non-current assets held for sale				
The Group and Company hold the following assets as held for sale:				
Lomhold (Pty) Ltd	100 775	–	147 036	–
Unlisted investment – Direct Axis (SA) (Pty) Ltd	243 237	–	243 237	–
	344 012	–	390 273	–
The investments are expected to be sold within the next 12 months and are carried at the lower of carrying value or fair value less cost to sell.				
17. Share capital and premium				
Authorised				
6 000 000 ordinary shares	12 000	12 000	12 000	12 000
3 000 000 class A redeemable convertible preference shares	3 000	3 000	3 000	3 000
2 999 999 class B redeemable convertible preference shares	3 000	3 000	3 000	3 000
	18 000	18 000	18 000	18 000
Issued and fully paid				
5 100 001 ordinary shares	531 200	531 200	531 200	531 200
3 000 000 class A redeemable convertible preference shares	3 000	3 000	3 000	3 000
2 999 999 class B redeemable convertible preference shares	3 000	3 000	3 000	3 000
	537 200	537 200	537 200	537 200
Share premium	69 650	69 650	69 650	69 650
	606 850	606 850	606 850	606 850

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

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

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

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

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

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

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

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

21. Insurance liabilities and reinsurance assets (continued)

Movement in insurance liabilities and reinsurance assets

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

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

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

21. Insurance liabilities and reinsurance assets (continued)

Movement in insurance liabilities and reinsurance assets (continued)

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

Insurance risk

Exposure to insurance risk

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

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

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

Property

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

Accident

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

Personal accident

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

Motor

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

Engineering

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

Marine

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

Liability

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

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

Limiting exposure to insurance risk

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

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

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

21. Insurance liabilities and reinsurance assets (continued)

Insurance risk (continued)

Limiting exposure to insurance risk (continued)

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

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

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

Underwriting and reinsurance operating procedures

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

Reinsurance strategy

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

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

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

Risk retention parameters

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

Counterparty risk

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

Treaty placing process

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

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

Process used to determine significant assumptions

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

Claim provisions

The Group's and Company's outstanding claims provisions include notified claims as well as incurred but not yet reported claims and due to the short-tail nature of the business it is not considered necessary to discount any of the claims provisions.

Notified claims

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

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

Claims incurred but not yet reported (IBNR)

The majority of the Group and Company's IBNR is calculated as a percentage of net earned premium as prescribed by Board Notice 169 of 2011. This percentage is a best estimate reserve, which represents the expected value of the unreported claims liabilities. Different percentages are applicable for different classes of business and appropriateness is assessed against the Group and Company's past claims experience.

The Company's internal actuaries review the adequacy of the Company's claims provisions. The chain ladder method which involves the analysis of historical claims development factors and the selection of the estimated development factors based on the historical pattern is used to assess the adequacy of the reserves calculated according to Interim Measure principles. Where the Interim Measure reserves prove to be too low an additional reserve is raised which is agreed with the FSB (dispensation).

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

Unearned premium provisions

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

Assumptions

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

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

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

23. Claims development tables

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

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

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

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

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

Leave pay

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

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

Incentive scheme

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

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

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

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

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

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

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

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

	GROUP		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
Auditor's remuneration				
Audit fees	8 889	9 030	5 825	6 133
Prior year under provision	1 610	1 406	1 468	1 295
Other services	140	1 155	112	314
	10 639	11 591	7 405	7 742
Depreciation				
Office equipment	14 085	11 151	10 130	8 378
Motor vehicles	2 251	2 057	1 780	1 369
Leasehold improvements	3 302	2 615	2 823	2 036
	19 638	15 823	14 733	11 783
Expenses for the acquisition of insurance contracts				
Commission, admin and binder fees	1 073 311	743 439	904 863	642 702
Impairment losses on financial assets				
– Impairment (write-back)/loss on loans to associates, subsidiaries and other	–	4 434	(9 591)	5 003
– Impairment loss on insurance receivables and reinsurance assets	6 894	25 138	–	24 952
– Impairment (write-back)/loss on unlisted investment	(27 165)	46 885	(27 165)	46 885
Other expenditure				
Amortisation of intangible assets	27 906	6 459	2 384	4 702
Write-off of intangible asset	53	–	–	–
Write-off of reinsurance debtors	–	4 299	–	4 299
Write-off of premium debtors	–	–	–	–
Write-off of property and equipment	105	–	105	–
Profit on disposal of property and equipment	(169)	(443)	–	–
Administration fees paid	864 228	859 792	825 970	824 283
Movement in net provision for claims reported and loss adjustment expenses	93 574	39 576	53 794	36 849
Professional fees	57 225	32 916	56 355	29 568
Operating lease rentals – building	42 126	34 048	30 627	23 557
Operating lease rentals – computer	10 169	6 601	10 169	6 601
Research and development	26	647	26	647
	272 499	177 458	156 385	127 644
31. Taxation				
South African normal taxation:				
– Current year	133 511	71 303	92 738	29 014
– Prior year	2 094	1 965	1 400	1 922
Deferred taxation:				
– Current year	138 218	104 094	62 024	96 612
– Prior year	(1 547)	–	–	–
Withholding tax and foreign tax	223	96	223	96
	272 499	177 458	156 385	127 644
All taxation is payable in respect of continuing operations				
Tax rate reconciliation:	%	%	%	%
Tax calculated at standard rate of South African tax on earnings	28.0	28.0	28.0	28.0
Normal taxation – prior year	–	–	–	0.2
Deferred taxation – prior year	–	(0.7)	–	(1.0)
Permanent differences				
– Exempt income dividends not taxable	(3.4)	(7.3)	(4.9)	(7.9)
– Unrealised gains not taxable	(6.6)	(3.4)	(7.0)	(4.2)
– Other non-taxable income/non-deductible expenses	(1.8)	(1.6)	(0.5)	0.9
Foreign tax rate differential	0.7	1.2	–	–
Assessed loss	0.1	(0.2)	–	–
Secondary tax on companies	–	–	–	–
Effective rate	17.0	16.0	15.6	16.0

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

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

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

36. Business combinations

36.1 Summary of business combinations – 30 June 2015

Disposal of investment in subsidiary

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

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

36. Business combinations (continued)

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

Disposal of investment in subsidiary (continued)

36.1.1 Disposal of 100% shareholding in Haven Development Company

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

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

Acquisition of investment in subsidiary

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

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

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

36.2 Summary of business combinations – 30 June 2014

Disposal of investments in subsidiaries

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

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

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

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

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

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

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

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

36. Business combinations (continued)

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

Acquisitions of investments in subsidiaries

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

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

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

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

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

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

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

37. Investments in associates

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

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

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

37.2.1 Disposal of investments in associates as at 30 June 2014

The Group disposed of its investment in the following associates:

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

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

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

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

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

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

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

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

	GROUP		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
38. Proceeds on disposal of property and equipment				
Book value of assets sold	1 380	493	391	-
Profit on disposal	169	443	-	-
Disposal of subsidiary	-	4 439	-	-
	1 549	5 375	391	-
39. Proceeds on disposal of intangible assets				
Book value of assets sold	-	23 042	-	-
Disposal of subsidiary	-	(23 042)	-	-
	-	-	-	-
40. Proceeds on disposal of investments				
Proceeds on disposal of listed investments	161 541	123 824	114 553	123 824
Proceeds on disposal of unlisted investments	134 951	322 200	134 951	322 200
	296 492	446 024	249 504	446 024
41. Proceeds on disposal of non-current assets and liabilities held for sale				
Fair value of assets sold	-	274 523	-	380 000
Profit on disposal	-	105 477	-	-
Fair value adjustment through equity	-	(368 000)	-	(368 000)
	-	12 000	-	12 000
42. Capital expenditure				
The following capital expenditure budget has been approved by the Board for the financial year ending 30 June 2016 Furniture, office equipment and computer hardware and software			34 680	25 453
			34 680	25 453
None of this expenditure has been contracted for and will be funded from internal sources.				
43. Commitments and contingencies				
Operating lease commitment				
The Hollard Life Assurance Company Limited entered into a ten-year lease agreement with Hollard Life Properties (Pty) Ltd, to sub-lease the Arcadia premises with effect from 1 July 2005. The lease runs to 30 June 2015. With effect from 1 July 2009 the lease agreement between The Hollard Life Assurance Company Limited and Hollard Life Properties (Pty) Ltd to sub-lease the Arcadia (Phase 1) premises was restructured. Part of the restructuring resulted in a sublease agreement between The Hollard Life Assurance Company Limited and The Hollard Insurance Company Limited for the same period. The payments recognised as an expense for the year amount to			30 627	23 557
			30 627	23 557

44. Contingent liability

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

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

45. Staff pension and provident fund

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

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

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

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

Details of individual loans to directors:

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

47. Related party transactions

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

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

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

47. Related party transactions (continued)

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

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

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

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

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

48. Subsidiaries, associates and joint venture

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

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

48. Subsidiaries, associates and joint venture (continued)

Subsidiaries with material Non-Controlling Interest

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

Carrying value of interest in associates

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

Carrying value of interest in joint ventures

	Nature of business	Issued share capital R	2015 Proportion held %	2014 Proportion held %	2015 Shares R'000	2015 Indebtedness R'000	2014 Shares R'000	2014 Indebtedness R'000
Directly held joint ventures								
Exiliti Services (Pty) Ltd	E	400	50.00	50.00	–	10 943	–	10 943
Impairment on loans					–	(10 943)	–	(10 943)
					–	–	–	–

Nature of business

A Property holding

B Underwriting managers

C Investment holding

D Venture Capital

E Business process outsourcing services

F General insurance

G Administration

Directorate and administration

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

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

Administration

Company Secretary

NL Shirilele

Public Officer

NL Shirilele

Compliance Officer

M Naidoo

Registered office and business address

Hollard at Arcadia
22 Oxford Road
Parktown
Johannesburg
2193

Postal address

PO Box 87419
Houghton
2041

Website

www.hollard.co.za

Nature of business

The Company transacts short-term insurance business.

Auditors

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

Registration number

1952/003004/06