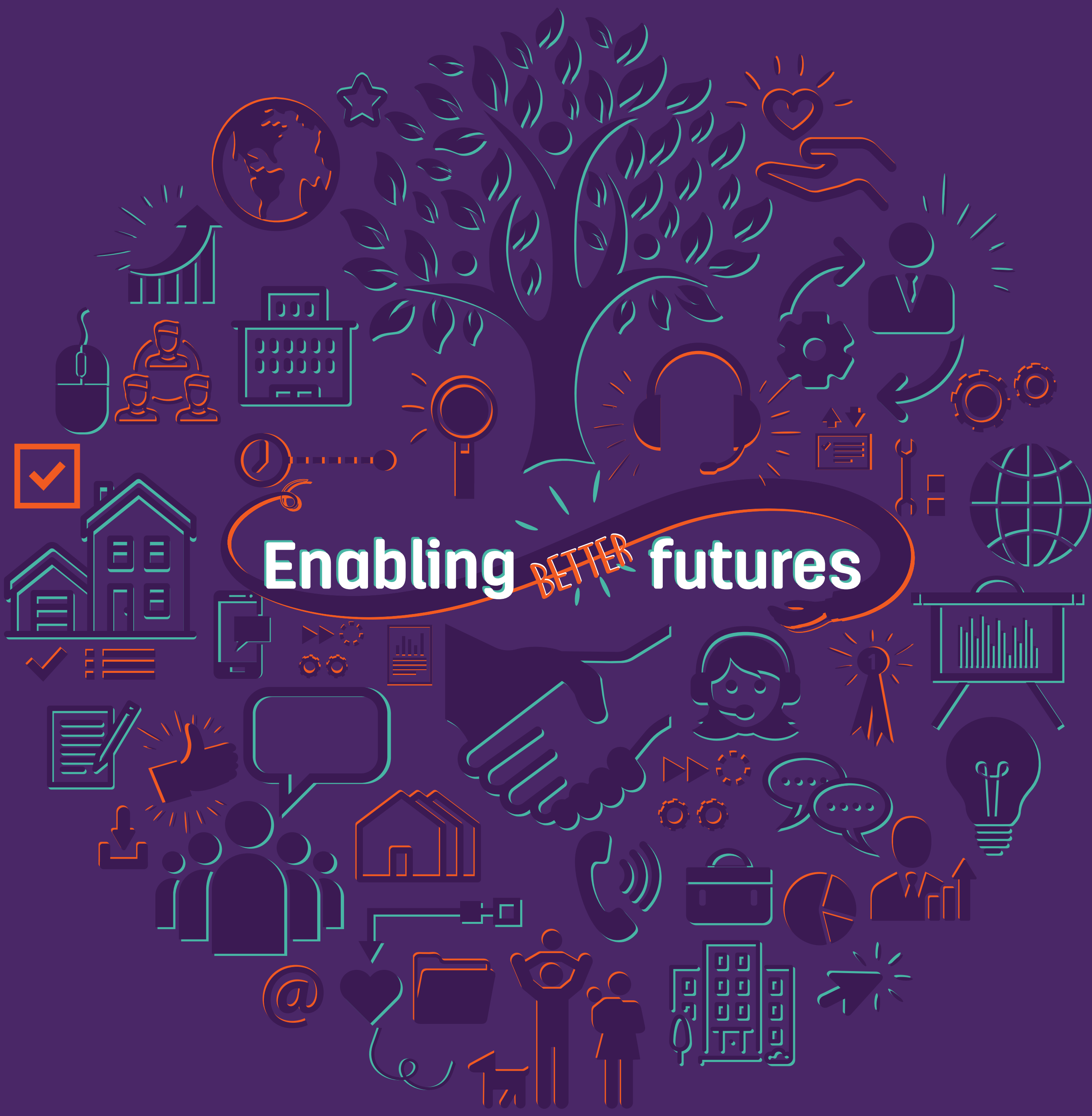

Hollard's financial year July 2019 – June 2020

THE HOLLARD INSURANCE COMPANY LIMITED 2020

These annual financial statements have been prepared by the Financial Manager: Short Term Reporting, Sabeha Gani (CA(SA)), under the supervision of the Head: Short Term Reporting, Deon Naidoo, (CA(SA)).

(Registration number: 1952/003004/06)
Audited consolidated annual financial statements for the year ended 30 June 2020

CONTENTS

GROUP SALIENT FEATURES

for the year ended 30 June 2020

	2020 R'000	2019 R'000	2018 R'000	2017 R'000	2016 R'000	2015 R'000
Statement of profit and loss information						
Gross premium income[1]	**11 711 472**	11 325 711	10 259 310	12 356 647	12 513 741	11 376 501
Net written premium income[2]	**8 860 170**	8 816 276	7 928 871	9 557 362	9 592 782	8 857 186
Investment income[3]	**402 081**	406 072	392 096	693 567	1 259 554	1 051 336
Net insurance claims	**4 618 497**	4 488 532	4 384 080	5 241 672	5 428 655	4 877 829
Profit attributable to equity holders of the parent	**346 808**	575 326	219 102	764 598	1 487 325	746 719
Statement of financial position information						
Insurance liabilities	**4 904 967**	4 839 221	4 841 376	5 172 590	5 115 347	5 402 403
Equity attributable to equity holders of the parent	**2 930 456**	3 020 574	2 873 166	2 880 729	3 150 169	3 694 967
Total assets	**11 723 655**	11 288 564	11 612 742	12 564 368	12 459 682	11 998 170
Financial assets (i.e. listed investments and unlisted investments)	**2 944 421**	3 006 929	2 970 051	2 784 533	2 675 367	3 425 392
Cash and cash equivalents	**3 234 235**	2 575 793	2 222 504	2 079 388	2 179 384	2 962 959
Trading ratios	**%**	%	%	%	%	%
Written premium: Net to gross	**74.9**	77.8	76.2	77.3	76.7	77.9
Combined operating ratio[4]	**98.2**	96.4	101.0	99.4	100.6	100.9
Solvency ratio[5]	**32.8**	34.3	36.0	39.2	46.0	57.6
Actuarial information						
Solvency Capital Requirement[6]	**2 549 895**	2 552 495	2 214 333	2 304 177	2 229 304	2 086 775
Solvency Capital Requirement Cover[6]	**1.27**	1.33	1.33	1.26	1.21	1.51

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

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

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

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

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

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

DIRECTORS' RESPONSIBILITY STATEMENT AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2020

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

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

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

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

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

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

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

These annual financial statements, set out on pages 8 to 71, have been approved by the Board of the Group and Company and are signed on its behalf by:

ADH Enthoven
Chairman

6 November 2020

S Ntombela
Chief Executive Officer

6 November 2020

CERTIFICATION BY COMPANY SECRETARY

for the year ended 30 June 2020

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

Corpstat Governance Services (Pty) Ltd
Company Secretary

6 November 2020

AUDIT COMMITTEE REPORT

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

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

MR Bower
Chairman: Audit Committee

6 November 2020

INDEPENDENT AUDITOR'S REPORT

for the year ended 30 June 2020

To the Shareholder of The Hollard Insurance Company Limited

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of The Hollard Insurance Company Limited and its subsidiaries ("the Group") set out on pages 12 to 70, which comprise the consolidated and separate statements of financial position as at 30 June 2020, and statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group and Company as at 30 June 2020, and their consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act of South Africa.

Basis for opinion

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

Other information

The directors are responsible for the other information. The other information comprises of information included in the document titled "directors' report" which includes the salient features, the directors' responsibility statement and approval of the annual financial statements, the directors report, the Audit Committees report, the certification by Company Secretary and the directorate and administration as required by the Companies Act of South Africa. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

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

Key audit matters

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

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td colspan="2">The valuation of the incurred but not reported (IBNR) liability</td></tr>
<tr><td>This key audit matter is applicable to both the consolidated and separate financial statements.

The total value of the Group and Company Gross IBNR liability at 30 June 2020 was R838 726 000 as disclosed in note 18.

The calculation of this insurance liability is subject to inherent uncertainty and significant estimation is required. Therefore, we considered the valuation of the IBNR liability to be of one of the matters of most significance to the current year audit due to the following:
• The valuation of the policyholder liabilities is driven by data from reliable, complete and accurate data sources. This data is used to determine the estimates of policyholder liabilities.
• In the current financial year, a data discrepancy was identified between the underlying data for the OCR utilised in the actuarial projections and the OCR in the GL records. Management established a data reserve to allow for the discrepancy. As the IBNR estimate utilises the underlying OCR data, there is a risk that the IBNR estimate may have been derived from data that may not be accurate.
• COVID 19 has increased the risk of estimation uncertainty because the lockdown had the impact of creating a benign claims environment in the last quarter of the year (excluding business interruption). This has disrupted the data in the last quarter of the year, which is used the development analysis, used to estimate the IBNR.</td><td>In evaluating the valuation of the IBNR, we audited the calculations and performed various procedures including the following:
• We tested the design effectiveness and implementation of the controls relating to the preparation of the reserves calculation;
• We had extensive discussions and interactions among the underwriting, claims and legal functions to understand the exposure and claims experience to date, and to confirm legal position on cover;
• We tested the integrity of the information used in the calculation of the IBNR by performing substantive procedures, on a sample basis, on the completeness and accuracy of the claims data used in calculating the IBNR;
• Through involvement of our actuarial specialists, performed an independent recalculation of IBNR was performed, using historical claims data experience, trends, and compared the estimates to the numbers disclosed as well as challenged the assumptions used by management;
• We assessed the valuation of the data discrepancy reserve and involved our actuarial specialists to assist with the assessment of the impact on the data utilised to project the IBNR;
• With the assistance of our actuarial specialists, awe assessed management's response to the data impacts of COVID-19 on the estimation of the IBNR; and
• We evaluated the presentation and disclosure in respect of IBNR and considered whether the disclosures reflected the risks inherent in the accounting for IBNR.</td></tr>
<tr><td colspan="2">Uncertainty related to the valuation of business interruption claims</td></tr>
<tr><td>The current legal uncertainty and ongoing legal action on business interruption claims with "Contagious and infectious extensions" coverage wording in the industry as disclosed in Note 18, has required greater audit attention due to the estimations, judgements and legal uncertainty involved in this matter.</td><td>The following procedures were performed in order to address the risks associated with this matter:
• We have challenged management's estimation of the exposure to business interruption claims with contagious disease clauses. We have assessed the population of policies exposed to such claims and reviewed the legal analysis with our legal specialist;
• We performed an assessment in relation to presentation and disclosure in terms of IFRS 4 and IAS 37 in order to ensure the disclosure reflects the inherent risk and legal uncertainty; and
• We have performed an assessment on the disclosures contained in Note 18 of the financial statements, reflecting the uncertainty and sensitivities in relation to the legal proceedings.</td></tr>
</table>

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

In terms of the independent Regulatory Board of Auditors (IRBA) Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touché has been the auditor of The Hollard Insurance Company Limited for 12 years.

Deloitte & Touche

Deloitte & Touche
Registered Auditor
Per: Dinesh Munu
Partner

6 November 2020

AUDIT COMMITTEE REPORT

for the year ended 30 June 2020

The Hollard Group Audit and Compliance Committee is pleased to present its annual report, for the financial year ended 30 June 2020, which outlines how this independent, shareholder-appointed Committee discharged both its statutory and Board-delegated duties.

1. Committee

1.1 Terms of reference

The Committee operates within the framework provided by its Board-approved charter and carries out its mandate in compliance with these Terms of Reference. To ensure it is aligned with best practice, the Audit Committee charter is reviewed annually, by the Group Audit Committee and the Group Board, and both are satisfied that it complies with the Companies Act, No 71 of 2008, the Insurance Act, No 18 of 2017 and applies the principles enunciated in the King IV Report.

1.2 Composition, meetings and assessment

The Committee is composed of three independent non-executive directors, with the Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Group Finance Managers and External and Internal Auditors all invited to attend the scheduled Committee meetings. In addition, the Committee holds private meetings and closed sessions with relevant parties, to deliberate any arising issues that may require confidential assessment (such as the interaction between the finance function, Internal and External Auditors).

1.3 Roles and responsibilities

The Audit Committee's key roles and responsibilities are, inter alia:

- To drive a co-ordinated approach to assurance that ensures the significant risks facing the Group are effectively mitigated.
- To monitor the relationship between external assurance providers and the Group.
- To oversee the Internal Audit function and provide specific input on the appointment, performance assessment and/or dismissal of the Group Head of Internal Audit.
- To confirm the independence of the Internal Audit function and its capability (in terms of resources, budget and standing) to discharge its functions.
- To approve the Internal Audit plan and review any overlap with the External Auditor's plan.
- To ensure the Internal Audit function is subject to an independent quality review whenever the Committee deems it appropriate.
- To ensure the Internal Audit function performs its duties in accordance with its approved charter.
- To review financial reporting risks, internal financial controls (including IT) and fraud risk as they relate to financial reporting.
- To review Internal Audit's report on the effectiveness of internal financial controls, controls and risk management processes.
- To ensure Internal Audit has adequate capacity to perform a formal documented review of internal financial controls and to evaluate their design, implementation and effectiveness.
- To review the annual financial statements and annual report and recommend them for approval by the Board.
- To report on any material weaknesses in financial controls and the corrective action taken to address them.
- To oversee the External Audit process: nominate an External Auditor and approve the terms of engagement and remuneration; monitor independence of the function; and report on it in the annual financial statements.
- To define a policy for non-audit services provided by the External Auditor and pre-approve the contracts for any such services rendered
- To ensure a process is in place for the Committee to be informed of any irregularities (as described in the Auditing Profession Act, 2005) that may be identified and reported by the External Auditor.
- To review the quality and effectiveness of the External Audit process.
- To evaluate the adequacy of the Group's insurance cover.
- To review any material business irregularities and litigation matters that may have a significant impact on the Group's financial statements
- To review the quality of the Group's earnings.
- To review the expertise, resources and experience of the finance functions.
- To set the tone, on behalf of the Board, regarding compliance culture and compliance risk appetite.
- To assist the Board in identifying and monitoring all material compliance risks at insurance entity and Group levels.
- To ensure management performs formal compliance risk assessments, at least annually, across the Group and that remedial action is executed.
- To assess the compliance function to ensure it provides objective and independent assessment of adherence to legislation and delivers regulatory reporting.
- To review compliance reports and in particular, any reports made to any Regulators, noting any recommendations, breaches and confirming that appropriate remediation action has been taken.
- To confirm that the compliance function is independent and has the requisite authority, resources, budget and access to the Board, to be able to exercise its authority and perform its responsibilities.
- To in consultation with the Chief Risk Officer, determine the appointment, performance assessment, remuneration and/or dismissal of the Head of the Compliance Function.
- To approve the annual compliance coverage plan.
- To ensure that the Head of the Compliance Function reviews any proposed outsourcing of material business activity and regularly reviews and reports to the Committee, compliance with the Group's outsourcing policy.
- To ensure that the risks associated with the outsourcing of a material business activity are appropriately assessed, monitored, managed and regularly reviewed.

2. Statutory duties

2.1 Financial statements and accounting policies

The Committee has reviewed the Group's Accounting Policies and Financial Statements for the financial year ended 30 June 2020 and is satisfied that they:

- are appropriate for the business
- comply with International Financial Reporting Standards
- support the Board's strategy

2.2 Going concern

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

2.3 External auditor appointment and independence

In consultation with the Group's executive management, the Committee approved continuation of Deloitte South Africa as External Auditor for the 2020 financial year and agreed to the engagement letter, terms, audit plan and budgeted external audit fees.

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

At the AGM of Hollard Insurance, it was recommended that Deloitte South Africa be re-appointed as External Auditor for the ensuing financial year.

3. Statement on internal financial controls

Ultimately, the Group Board are responsible for providing reasonable assurance that the Group has effective financial and non-financial controls in place. In the year under review, these mechanisms were assessed by Internal Audit, in the execution of their annual audit plan, and it was confirmed that there were no material breakdowns in design or operational effectiveness and that matters to be addressed were either receiving attention or had already been resolved.

Using this assessment, together with the information provided by management, the Committee was able to advise the Board that it has no reason to believe that the Group's internal financial controls do not form an effective basis for preparation of the annual financial statements.

4. Statement on internal control and risk management

Effectiveness of the Group's internal control systems are monitored by the risk management and internal audit functions, on the basis of which, recommendations are made to management, the Audit and Compliance as well as the Risk and IT Committees.

Based on this information, together with discussions held with management and the Committees, the Board confirmed that nothing has been brought to their attention relating to material internal controls or risk management shortcomings during the year under review.

5. Board-delegated duties

5.1 Governance of risk

The Risk and IT Committee is responsible for the governance of risk management in the Group.

5.2 Internal Audit

The Committee is mandated to ensure that the internal audit function within the Group is independent, properly resourced and effective and that it functions within the parameters of the internal audit charter approved by the Committee. The Committee reviews the charter annually to ensure that it is aligned with best practice.

The Committee approves the Group's Internal Audit plan and assesses performance of the Internal Audit function, ensuring seamless co-operation between the external and internal audit functions, without any negative impact on the integrity of the Group's assurance processes.

The Group Head: Internal Audit has direct access to the Committee through the Chairman and is responsible for: developing risk-based audit planning methodologies in line with King IV recommendations; following up each internal audit with a detailed report to management and recommendations on aspects that require improvement; and reporting significant findings to the Committee.

MBower

Mark Bower
Chairperson of the Audit Committee

6 November 2020

DIRECTORS' REPORT

for the year ended 30 June 2020

The directors have pleasure in presenting the directors' report which forms part of the Group's and Company's annual financial statements for the year ended 30 June 2020.

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 9 and 10 on pages 43 to 45 of the annual financial statements.

General review

In the year under review the Group achieved net profit attributable to equity holders of the parent of R346 808 000 (2019: 575 326 000), which arose from the Group's operations as follows:

	GROUP	
	2020 R'000	2019 R'000
Net premium income	**8 776 291**	8 462 273
Investment income	**288 059**	463 986
Other income	**104 608**	107 656
Total revenue	**9 168 958**	9 033 916
Net insurance claims	**4 618 497**	4 488 532
Other operating expenses	**4 084 872**	3 802 511
Total expenses	**8 703 369**	8 291 043
Results of operating activities	**465 589**	742 873
Share of profit in associates	**42 635**	50 544
Profit before taxation	**508 224**	793 417
Taxation	**(126 466)**	(190 794)
Profit for the year	**381 757**	602 623
Non-controlling interest	**(34 950)**	(27 297)
Net profit attributable to equity holders of the parents	**346 808**	575 326

Share capital

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

Dividends

Dividends on ordinary shares of R451 710 280 (2019: R155 205 774) and dividends on preference shares of RNIL (2019: R258 883 703) were declared by the Company during the year.

Subsidiaries and associates

The Company's aggregate share of the profits of subsidiaries and associates for the year amounted to R44 367 895 and R42 635 000 respectively (2019: R24 670 655 and R50 544 040 respectively).

Going concern

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

Also refer to note 41 of these financial statements for further information.

COVID-19

Early in 2020, the COVID-19 pandemic started to impact South Africa. The start of the lockdown in March 2020 and expected direct and indirect impact of COVID-19 led to uncertainty for all South Africans and businesses alike and continues to do so. Like any other business, the Group and Company has been impacted, with a significant amount of uncertainty regarding the full potential impact. This will probably only be unpacked in the coming years.

The Group and Company, having taken into consideration the impact of the pandemic on the country, put into place measures to assist policyholders by offering premium discounts and premium holidays where necessary. Furthermore, voluntary donations to the Solidarity fund, BI relief payments to SME's and the rendering of financial assistance to brokers and partners, also provided additional relief during this period.

The pandemic has raised certain risk levels as well as potentially increasing the number of certain types of claims, some of these are listed below:

- Higher risk of bad debts relating to premiums
- Higher number claims for credit insurance and business interruption
- Higher risk of fraudulent and business interruption claims.

As at June 2020, the Group and Company raised COVID-19 related provisions as deemed necessary. These provisions were based on existing information at balance sheet date.

The Company has also reviewed current expense practices (including remuneration) and dividend declarations to ensure that both solvency and liquidity levels remain stable.

Subsequent events

On 24 July 2020, the Company announced the decision to provide financial relief to small and medium businesses policyholders who enjoyed contagious disease cover on their business interruption policies. These relief payments were intended to assist the cashflow of such policyholders until such time as legal clarity is obtained from the Supreme Court of Appeal. These payments do not constitute an indemnity payment under a contract of insurance. The applicable criteria for such applications were communicated to the policyholders at the time and payments commenced during the first week of August.

The relief payments will not be recovered from policyholders should the courts agree with the Company's view that no claim is payable in terms of the policy. Should the courts decide that losses associated with the national lockdown are legally claimable in terms of the Company's contagious disease extension, the relief payments will be regarded as the first payment towards the Company extinguishing its final liability as may be determined.

An amount of R250 million was included in the results as the best estimate.

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

Directorate

In terms of the requirements of the Memorandum of Incorporation, the following directors retired by rotation, made themselves available for re-election and were re-elected at the Annual General Meeting held on 13 November 2019:

- NG Kohler
- BF Mohale
- B Ngonyama
- AS Nkosi

Directors' interest in contracts

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

Executive directors

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

Non-executive directors

NG Kohler, ADH Enthoven, B Ngonyama, MR Bower, R Fihrer, BF Mohale (resigned 31 July 2019), S Patel, AS Nkosi, SC Gilbert (resigned 31 August 2019), MS Claasen (appointed 30 June 2020) and NV Simamane were in office during the year as non-executive directors.

Auditors

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

Company Secretary

Corpstat Governance Services (Pty) Ltd

Business address

Hollard at Arcadia
22 Oxford Road
Parktown
Johannesburg
2193

Postal address

PO Box 87419
Houghton
2041

Holding company

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

STATEMENTS OF FINANCIAL POSITION

for the year ended 30 June 2020

	Notes	GROUP 2020 R'000	GROUP 2019 R'000	COMPANY 2020 R'000	COMPANY 2019 R'000
Assets					
Property and equipment	5	169 260	110 480	169 125	110 346
Right-of-use assets	6	194 494	8 802	194 494	8 802
Investment properties	7	32 400	28 001	–	–
Intangible assets	8	151 640	182 595	151 231	182 186
Investment in subsidiaries	9	–	–	35 602	47 096
Investment in associates	10	258 983	245 962	214 404	229 788
Financial assets	11	2 944 421	3 006 929	2 910 484	2 961 503
Reinsurance assets	18	1 681 159	2 011 054	1 681 159	2 011 054
Insurance, loans and other receivables	13	1 648 236	1 873 942	1 668 327	1 868 149
Deferred acquisition cost	26	113 681	109 765	113 681	109 765
Deferred taxation	14	106 811	103 609	106 811	103 609
Current income taxation		8	8	–	–
Cash and cash equivalents	15	3 234 235	2 575 793	3 233 633	2 575 926
Non-current assets held-for-sale	16	1 188 328	1 031 624	152 433	162 448
Total assets		11 723 656	11 288 564	10 631 384	10 370 673
Attributable to equity holders of the parent		2 930 456	3 020 574	2 804 906	2 939 615
Share capital and premium	17	1 642 601	1 642 601	1 642 601	1 642 601
Contingency reserves		9 774	20 499	–	–
Foreign currency translation reserve	20	28 184	2 674	–	–
Credit protection reserves		3	3	–	–
Share option reserve		4 012	4 012	4 012	4 012
Non-distributable reserve	19	1 193	1 193	–	–
Retained earnings		1 244 690	1 349 592	1 158 293	1 293 002
Non-controlling interest		82 733	33 059	–	–
Total equity		3 013 189	3 053 633	2 804 906	2 939 615
Insurance liabilities	18	4 904 967	4 839 221	4 904 967	4 839 221
Reinsurance liabilities		656 401	755 478	656 401	755 478
Non-current liabilities held-for-sale	16	842 286	754 378	–	–
Borrowings	21	600 923	601 039	600 569	600 452
Provisions	22	172 794	274 398	172 181	274 398
Trade and other payables	24	1 378 155	772 856	1 347 657	733 043
Deferred taxation	14	131 630	208 401	121 393	199 333
Current income taxation		23 310	29 160	23 310	29 134
Total liabilities		8 710 465	8 234 931	7 826 478	7 431 058
Equity and liabilities		11 723 656	11 288 564	10 631 384	10 370 673

STATEMENTS OF PROFIT OR LOSS

for the year ended 30 June 2020

	Notes	GROUP 2020 R'000	GROUP 2019 R'000	COMPANY 2020 R'000	COMPANY 2019 R'000
Revenue					
Gross written premiums		11 711 472	11 325 711	11 051 009	10 856 041
Reinsurance outwards		(2 851 302)	(2 509 436)	(2 505 489)	(2 282 852)
Net written premiums		8 860 170	8 816 276	8 545 521	8 573 189
Less: Change in unearned premium reserve		(83 879)	(354 002)	(58 390)	(337 972)
Gross amount		(190 464)	(400 058)	(121 288)	(395 476)
Reinsurer's share		106 585	46 056	62 898	57 504
Net premium income		8 776 291	8 462 273	8 487 131	8 235 217
Investment income		402 081	406 072	364 109	397 197
Interest received	25	257 007	254 266	209 836	202 551
Dividends received	25	142 180	148 702	154 273	194 646
Rental income		2 894	3 104	–	–
Investment gains/(losses)		(114 022)	57 914	(79 043)	59 091
Realised gains/(losses) on disposal of investments	28	402	(4 242)	402	(4 242)
Unrealised gains/(losses) on revaluation of investments	29	(224 870)	48 701	(192 054)	48 699
Profit/(loss) on translation of foreign currency		110 446	13 455	112 608	14 634
Other operating income		104 608	107 656	101 759	61 902
Total revenue		9 168 958	9 033 916	8 873 956	8 753 408
Expenses					
Gross policyholder benefits and claims Incurred		5 277 032	5 353 685	5 119 983	5 040 814
Reinsurance recoveries		(658 535)	(865 153)	(618 631)	(650 269)
Net Insurance claims		4 618 497	4 488 532	4 501 352	4 390 545
Commissions and other acquisition expenses		970 604	955 966	943 146	901 306
Interest paid	25	82 284	80 475	77 977	75 891
Marketing and administration expenses		3 031 984	2 766 070	2 933 300	2 665 809
Total expenses		8 703 369	8 291 043	8 455 776	8 033 551
Result of operating activities		465 589	742 873	418 180	719 857
Share of income/(loss) in associates		42 635	50 544	–	–
Profit before taxation	30	508 224	793 417	418 180	719 857
Taxation	31	126 466	190 794	101 179	175 005
Profit for the year		381 757	602 623	317 001	544 852
Profit for the year attributable to:					
Equity holders of the parent		346 808	575 326	317 001	544 852
Non-controlling interests		34 950	27 297	–	–
		381 757	602 623	317 001	544 852

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 30 June 2020

	GROUP		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Profit for the year	381 757	602 623	317 001	544 852
Other comprehensive income	40 234	(10 893)	–	–
Exchange differences on translation of foreign operations	40 234	(8 658)	–	–
Transfer to/(from) reserves	–	(163)	–	–
Unrealised gains/(loss) on financial assets at fair value through OCI	–	(2 072)	–	–
	421 991	591 730	317 001	544 852
Total comprehensive income				
Equity holders of the parent	372 318	565 691	317 001	544 852
Non-controlling interest	49 674	26 039	–	–
	421 991	591 730	317 001	544 852

STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2020

	Issued share capital	Share premium	Contingency reserve	Share option reserve	Foreign currency translation reserve	Credit protection reserve	Non-distributable reserve	Retained earnings	Total ordinary shareholders equity	Non-controlling interest	Total equity
GROUP											
Balance at 1 July 2018	1 586 687	55 914	20 499	4 012	10 074	3	1 356	1 190 427	2 868 972	7 020	2 875 992
Net profit/(loss)	–	–	–	–	–	–	–	575 326	575 326	27 297	602 623
Other comprehensive income	–	–	–	–	(7 400)	–	(163)	(2 072)	(9 634)	(1 258)	(10 892)
Exchange differences on transactions of foreign operations	–	–	–	–	(3 692)	–	–	–	(3 692)	(3 677)	(7 370)
Movement OCI	–	–	–	–	(3 707)	–	(163)	(2 072)	(5 942)	2 420	(3 522)
Total comprehensive income	–	–	–	–	(7 400)	–	(163)	573 254	565 692	26 039	591 731
Dividends paid	–	–	–	–	–	–	–	(414 089)	(414 089)	–	(414 089)
Balance at 30 June 2019	1 586 687	55 914	20 499	4 012	2 674	3	1 193	1 349 592	3 020 574	33 059	3 053 633
Net profit/(loss)	–	–	–	–	–	–	–	346 808	346 808	34 950	381 757
Other comprehensive income	–	–	–	–	25 510	–	–	–	25 510	14 724	40 234
Exchange differences on transactions of foreign operations	–	–	–	–	25 510	–	–	–	25 510	14 724	40 234
Total comprehensive income	–	–	–	–	25 510	-	-	346 808	372 318	49 674	421 991
Dividends paid	–	–	–	–	–	–	–	(451 710)	(451 710)	–	(451 710)
Movement in contingency reserve	–	–	(10 725)	–	–	–	–	–	(10 725)	–	(10 725)
Balance at 30 June 2020	1 586 687	55 914	9 774	4 012	28 184	3	1 193	1 244 690	2 930 456	82 733	3 013 189
COMPANY											
Balance at 1 July 2018	1 586 687	55 914	–	4 012	–	–	–	1 162 240	2 808 852	–	2 808 852
Net profit/(loss)	–	–	–	–	–	–	–	544 852	544 852	–	544 852
Total comprehensive income	–	–	–	–	–	–	–	544 852	544 852	–	544 852
Dividends paid	–	–	–	–	–	–	–	(414 089)	(414 089)	–	(414 089)
Balance at 30 June 2019	1 586 687	55 914	–	4 012	–	–	–	1 293 002	2 939 615	–	2 939 615
Net profit/(loss)	–	–	–	–	–	–	–	317 001	317 001	–	317 001
Total comprehensive income	–	–	–	–	–	–	–	317 001	317 001	–	317 001
Dividends paid	–	–	–	–	–	–	–	(451 710)	(451 710)	–	(451 710)
Balance at 30 June 2020	1 586 687	55 914	–	4 012	–	–	–	1 158 293	2 804 906	–	2 804 906

STATEMENTS OF CASH FLOWS

for the year ended 30 June 2020

		GROUP		COMPANY	
	Notes	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Cash flows from operating activities					
Cash receipts from policyholders and other customers		8 550 585	8 483 825	8 287 309	8 297 460
Cash paid to policyholders, suppliers and employees		(7 306 475)	(7 452 911)	(7 023 078)	(7 237 695)
Cash generated from/(utilised by) operations	32	1 244 110	1 030 914	1 264 231	1 059 765
Interest paid	25	(82 284)	(80 475)	(77 977)	(75 891)
Dividends paid	33	(451 710)	(414 089)	(451 710)	(414 089)
Interest received	25	257 007	254 266	209 836	202 551
Dividends received	34	142 180	148 702	154 273	194 646
Taxation paid	35	(212 290)	(520 903)	(188 145)	(503 424)
Repayment of lease liability		(19 844)	–	(19 844)	–
Net cash inflow from operating activities		877 169	418 415	890 664	463 558
Cash flows from Investing activities					
Acquisition of listed and unlisted investments		(115 753)	(129 102)	(115 753)	(129 102)
Acquisition of property and equipment		(121 784)	(38 201)	(121 784)	(38 201)
Acquisition of subsidiaries		–	(6 658)	–	(6 658)
Acquisition of intangible assets		(30 116)	(120 767)	(30 116)	(120 767)
Acquisition of bonds		(50 647)	(88 769)	(50 647)	(88 769)
Proceeds on disposal of listed and unlisted investments		15 400	249 815	15 400	249 815
Proceeds on disposal of listed investments		7 375	216 938	7 375	216 938
Proceeds on disposal of unlisted investments		8 025	32 877	8 025	32 877
Proceeds on disposal of other financial assets		56 122	–	56 122	–
Dividends received from associates		14 230	46 136	–	–
Decrease in loans		13 706	24 856	13 706	24 856
Net cash (outflow)/inflow from investing activities		(218 842)	(62 691)	(233 072)	(108 826)
Cash flows from financing activities					
Increase in accrual for long term borrowings		116	153	116	153
Net cash (outflow)/inflow from financing activities		116	153	116	153
Cash and cash equivalents					
Net increase/(decrease) in cash and cash equivalents		658 442	355 877	657 707	354 885
Cash, deposits and similar securities at beginning of year		2 575 793	2 219 916	2 575 926	2 221 041
Cash and cash equivalents at end of year	15	3 234 235	2 575 793	3 233 633	2 575 926

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2020

1. Accounting policies

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

1.1 Basis of presentation

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

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

Use of estimates and judgements

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

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

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

Adoption of new and revised standards

The Group's and Company's accounting policies are consistent with those of the previous financial year except for those instances where new or revised standards and/or interpretations had to be adopted. The Group and Company adopted IFRS 16: *Leases* and IFRIC 23: *Uncertainty Over Income Tax Treatments* as issued by the International Accounting Standards Board (IASB). The Group implemented IFRS 16 using the modified retrospective approach, under this approach, there were no changes to comparative period primary financial statements or note disclosures. There was no impact to opening retained earnings on adoption.

IFRS 16: *Leases* replaces IAS 17: *Leases* and relates interpretations for annual periods beginning on or after 1 July 2019. IFRS 16: *Leases* sets out the requirements for identification, measurement and presentation of leases for a lessor and lessee.

IFRS 16: *Leases* requires all leases that meet the recognitions criteria to be accounted for as right-of-use asset with a related lease liability. The impact to the Group was a right-of-use asset of R219 million that was recognised on adoption with a corresponding lease liability. The net impact on earnings as a result of the adoption of IFRS 16 compared to IAS 17 was R18 million.

Reconciliation	R'000
Operating lease obligations as at 1 July 2019	44 631
Reasonable certain extension and termination options	12 913
Relief option for short-term leases	(2 082)
Lease type obligations – initial application of IFRS 16	189
Changes in cash flows – discounting	(9 681)
Sub-leasing accounting – IFRS 16 application	176 881
Other	(3 695)
Additional lease liability at 1 July 2019	219 156
Liabilities from finance lease as of 30 June 2019	1 937
Lease liability as at 1 July 2019	221 093

Under the modified retrospective approach, lease payments were discounted using an incremental borrowing rate representing the interest rate that the entity within Hollard Insurance Group would have to pay to borrow over similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The incremental borrowing rate applied to each lease was determined using the risk free rate adjusted for factors such as credit rating of the contracting entity and the terms and conditions of the lease.

The weighted average incremental borrowing rate is 10.45% for The Hollard Insurance Group.

1. Accounting policies (continued)

1.1 Basis of presentation (continued)

Adoption of new and revised standards (continued)

The standard allows certain practical expedients on adoption of the standards, the Group and Company adopted the following the practical expedients.

- Initial direct costs were excluded from measurement of the right-of-use asset;
- Operating leases with a lease term of less than 12 months as at 1 July 2020 were treated as short term leases;
- A single discount rate was used for a portfolio of leases with similar characteristics;
- Not to apply this standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4;
- Use of hindsight in determining some lease terms; and
- The exemption for short term leases and leases of low value items, lease payments for these will be recognised on a systematic basis over the lease term.

Standards, interpretations and amendments to published standards that are not yet effective as at June 2020

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

The following are some amendments to IFRS that could have an impact on the Company's future financial statements:

- IFRS 17: **Insurance Contracts** – original issue that replaces IFRS 4 Insurance Contracts (effective from annual periods beginning on or after 1 January 2023). This standard is expected to have a material impact on the financial statements. A group-wide implementation project is currently in progress.

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

International Financial Reporting Standards ("IFRS")		
Amendments to References to the Conceptual Framework in IFRS Standards	Amendments to references to the conceptual framework in IFRS Standards	Annual period beginning on or after 1 January 2020
Amendments to IFRS 3 (October 2018)	Definition of business	Annual period beginning on or after 1 January 2020
Amendments to IAS 1 and IAS 8 (October 2018)	Definition of material	Annual period beginning on or after 1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 (September 2019)	Interest rate benchmark reform	Annual period beginning on or after 1 January 2020
Amendments to IFRS 16	COVID-19-related rent concessions	Annual period beginning on or after 1 January 2020
Amendments to IAS 1	Classification of liabilities as current or non-current	Annual period beginning on or after 1 January 2020
Annual improvements to IFRS Standards 2018 – 2020 (May 2020)	Annual improvements to IFRS Standards 2018 – 2020 (May 2020)	Annual period beginning on or after 1 January 2020
Amendments to IFRS 3 (May 2020)	Reference to the conceptual framework	Annual period beginning on or after 1 January 2020
Amendments to IAS 37 (May 2020)	Onerous contracts-cost of fulfilling a contract	Annual period beginning on or after 1 January 2020

Reclassification of comparatives

During the current financial year, a classification exercise was performed in order to make presentation more fair and accurate. The impact on comparatives is tabled below:

	GROUP			COMPANY		
	Current year R'000	Prior year R'000	Variance R'000	Current year R'000	Prior year R'000	Variance R'000
2019						
Assets						
Insurance, loans and other receivables	1 873 942	1 930 318	(56 376)	1 868 149	1 924 519	(56 370)
Liabilities						
Borrowings	601 039	600 806	233	600 452	600 452	–
Trade and other payables	772 856	829 461	(56 605)	733 043	789 406	(56 363)

1.2 Basis of consolidation

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

Investments in subsidiaries

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

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

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

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

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

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

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

Investments in associates

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

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

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

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

Interest in joint arrangements

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

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

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 in accordance with IFRS 9 due to the fact that it continually manages and evaluates these investments on a fair value basis.

1. Accounting policies (continued)

1.2 Basis of consolidation (continued)

Accounting for entities under common control

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

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

Goodwill

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

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

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

1.3 Foreign currencies

General

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

Functional and presentation currency

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

Transactions and balances

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

Group companies

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

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

1.4 Property and equipment

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

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

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

Land is not depreciated.

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

Property

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

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

1.5 Investment property

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

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

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

1.6 Intangible assets

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

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

Computer software

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

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

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. Accounting policies (continued)

1.6 Intangible assets (continued)

Intellectual property

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

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

1.7 Non-derivative financial instruments

Financial assets

Investments

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

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

i) Financial assets at fair value through profit or loss

Under IFRS 9 a debt instrument is classified as a financial asset at fair value through profit or loss if so designated, as well as if the debt instrument financial assets were not classified as measured at amortised cost or fair value through other comprehensive income.

ii) Financial assets at fair value through other comprehensive income

Under IFRS 9 a debt instrument is measured at fair value through other comprehensive income if it meets both of the following conditions (and is not designated as fair value through profit or loss):

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

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

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

iii) Financial assets at amortised cost

Under IFRS 9 a debt instrument is classified as a financial asset at amortised cost if it meets both of the following conditions (and is not designated as fair value through profit or loss):

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

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

Recognition and measurement

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

The expected credit loss (ECL) model applies to financial assets measured at amortised cost (for example loans and receivables and intercompany loans) and debt investments measured at fair value through other comprehensive income.

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

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

Gains or losses

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

Fair value

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

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

Financial liabilities

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

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

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

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

1.8 Impairment of assets excluding goodwill

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

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

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

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

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

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

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

1. Accounting policies (continued)

1.8 Impairment of assets excluding goodwill (continued)

Calculation of ECL

The ECL impairment loss allowance is an unbiased, probability-weighted amount determined by evaluating a range of possible outcomes that reflects reasonable and supportable information that is available without undue cost or effort of past events, current conditions and forecasts of forward-looking economic conditions. The ECL model is dependent on the availability of relevant and accurate data to determine whether a significant increase in credit risk occurred since initial recognition, the probability of default (PD), the loss given default (LGD) and the possible exposure at default (EAD). Of equal importance is sound correlation between these parameters and forward-looking economic conditions. A counterparty is considered to be in default when it is considered that they are unlikely to settle their obligation to the Company. Due to the low number of instruments subject to the ECL model, this definition is considered appropriate as each instrument is assessed individually. Write-offs are further assessed on a case by case basis.

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

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

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

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

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

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

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

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

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

1.9 Cash and cash equivalents

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

1.10 Non-current assets held-for-sale

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

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

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

1.11 Share capital

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

1.12 Insurance contracts

Classification of insurance contracts

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

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

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

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

Management of insurance risk

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

Premiums

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

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

Unearned premium provision

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

Deferred acquisition costs

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

Claims incurred

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

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

IBNR

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

The Company's internal actuaries review the adequacy of the Company's claims provisions. The chain ladder method which involves the analysis of historical claims development factors and the selection of the estimated development factors based on the historical pattern is used to assess the adequacy of the reserves.

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

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

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

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

1. Accounting policies (continued)

1.12 Insurance contracts (continued)

Reinsurance

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

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

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

Salvage and subrogation reimbursements

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

1.13 Revenue

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

Interest income and finance cost

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

Dividend income

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

Rental income

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

Premium income

Premiums relating to the insurance business are stated gross and net of outward reinsurance premium and value-added tax and are accounted for by applying the accrual basis when collectability is reasonably assured.

Commission

Commission payments and receipts are shown gross of reinsurance commissions.

Revenue from contracts with customers

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

1.14 Employee benefits

Pension and provident scheme arrangements

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

Profit-sharing and bonus plans

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

Leave pay

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

Termination benefits

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

Other post-employment obligations

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

1.15 Taxation

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

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

Current taxation

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

Deferred taxation

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

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

Dividend withholding tax

Government notice number 1073, issued by National Treasury on 20 December 2011 introduced a withholding tax on dividends into South Africa with effect from 1 April 2012 in lieu of STC. The Company is exempt from paying withholding tax on ordinary share dividends received as they are a company resident in the Republic of South Africa. Accordingly, no withholding tax should be deducted from dividends payable by the issuer to the Company.

1.16 Provisions

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

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

1.17 Borrowings

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

1.18 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lessor

Operating leases

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

1. Accounting policies (continued)

1.18 Leases (continued)

Lessee

Right-of-use assets

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

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

1.19 Dividend distribution

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

2. Critical accounting estimates and judgements

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

2.1 Claims incurred

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

The Group's and/or Company's processes for determining significant reserving assumptions are outlined in note 18.

COVID-19

Several business were forced to shut down during the lockdown imposed as a result of the COVID-19 pandemic. This resulted in businesses experiencing losses resulting from these shutdowns. There is uncertainty around the cover, business interruption policies offer to policyholders, and in particular cover for business interruption due to infectious diseases.

There is a legal process underway, that will ultimately provide guidance as to the liability, if any, that insurers may carry, resulting from business interruptions as a result of the impact of COVID-19 and the associated lockdown.

On 24 July 2020, the Company announced the decision to provide financial relief to small and medium businesses policyholders who enjoyed contagious disease cover on their business interruption policies. These relief payments were intended to assist the cashflow of such policyholders until such time as legal clarity is obtained from the Supreme Court of Appeal. These payments do not constitute an indemnity payment under a contract of insurance. The applicable criteria for such applications were communicated to the policyholders at the time and payments commenced during the first week of August.

The relief payments will not be recovered from policyholders should the courts agree with the Company's view that no claim is payable in terms of the policy. Should the courts decide that losses associated with the national lockdown are legally claimable in terms of the Company's contagious disease extension, the relief payments will be regarded as the first payment towards the Company extinguishing its final liability as may be determined.

2.2 Valuation of unlisted investments

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

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

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

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

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

3. Financial risk management

Introduction

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

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

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

3.1 Exposure to risk arising from financial instruments

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

- Credit risk
- Liquidity risk
- Market risk

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

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

3.1.1 Credit risk

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

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

Insurance, loans and other receivables

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

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

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

3. Financial risk management (continued)

3.1 Exposure to risk arising from financial instruments (continued)

3.1.1 Credit risk (continued)

Investments

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

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

The analysis of credit quality of the Group's and Company's assets is disclosed in note 4 on pages 32 to 40 of the financial statements.

Reinsurance

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

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

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

3.1.2 Liquidity risk

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

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

Based on actuarial modelling of historical and future expected trends, the Group and Company have estimated the probable cash outflows associated with general insurance liabilities. The maturity analysis of the gross insurance liabilities is set out in note 18 on page 56. The maturity profile of the related insurance and investment assets is expected to be similar to the profile of the liabilities. The Group and Company have taken into account that the unearned premium provision, which will be recognised as earned premium in the future, will not lead to claim cash outflows equal to this provision. This has been taken into account in estimating future cash outflows associated with insurance liabilities.

3.1.3 Market risk

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

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

a) Currency risk

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

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

b) Interest rate risk

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

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

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

c) Other market price (or equity) risk

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

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

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

3.1.4 Capital management

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

In each country in which the Group operates, the local insurance regulator specifies the minimum amount and type of capital that must be held by each of the subsidiaries in addition to their insurance liabilities. The minimum required capital must be maintained at all times. The Company submits quarterly and annual returns to the Financial Sector Conduct Authority (FSCA) in terms of the Insurance Act, and is required at all times to maintain a statutory surplus asset ratio as defined in the Act. Interim measures was replaced in 1 July 2018 by new solvency requirements being developed in the FSCA's Solvency Assessment and Management (SAM) initiative. The returns submitted during the year showed that the Company met the minimum capital requirements throughout the year. The operating subsidiaries also met their respective solvency requirements.

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

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

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

4. Risk management

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	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
GROUP				
Other assets				
Financial assets at fair value through profit or loss – bonds	188 350	196 009	188 350	196 009
Financial assets at amortised cost	737 757	713 723	737 757	713 723
Loans and other receivables	182 247	319 500	182 247	319 500
Cash and cash equivalents	3 234 235	2 575 793	3 234 235	2 575 793
Non-current assets held for sale	1 196 860	1 031 624	–	–
Insurance assets				
Insurance receivables – premium debtors	1 465 989	1 540 417	1 465 989	1 540 417
Deferred acquisition costs	113 681	109 765	–	–
Reinsurance assets	1 681 159	2 011 054	1 681 159	2 011 054
Total	8 800 278	8 497 885	7 489 737	7 356 495
COMPANY				
Other assets				
Loans to subsidiaries	1 664	1 664	1 664	1 664
Financial assets at fair value through profit or loss – bonds	188 350	196 009	188 350	196 009
Financial assets at amortised cost	737 757	713 723	737 757	713 723
Loans and other receivables	202 338	327 732	202 339	296 390
Cash and cash equivalents	3 233 633	2 575 926	3 233 633	2 575 926
Non-current assets held for sale	152 433	162 448	–	–
Insurance assets				
Insurance receivables – premium debtors	1 465 989	1 540 417	1 465 989	1 540 417
Deferred acquisition costs	113 681	109 765	–	–
Reinsurance assets	1 681 159	2 011 054	1 681 159	2 011 054
Total	7 777 004	7 638 738	7 510 891	7 335 182

b) Credit rating

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

	AA+ R'000	AA R'000	AA- R'000	A+ R'000	A R'000	A- R'000	BBB+ R'000	BBB- R'000	BB+ R'000	BB R'000	B- R'000	Not rated R'000	Total R'000
GROUP													
2020													
Other assets													
Financial assets at fair value through profit or loss – bonds	–	–	–	–	20 190	–	–	2 035	40 526	50 172	–	75 428	188 350
Financial assets at amortised cost	–	–	–	–	–	–	–	–	–	–	–	737 757	737 757
Loans and other receivables	–	–	–	–	–	–	–	36	–	5 247	–	176 964	182 247
Cash and cash equivalents	–	–	–	76 528	32 480	–	12 349	2 948	1 190 884	1 672 922	1 019	245 104	3 234 235
Insurance assets													
Insurance receivables – premium debtors	–	–	–	–	–	–	–	–	52 267	57 223	–	1 356 499	1 465 989
Reinsurance assets	(8)	1 989	48 875	85 399	10 669	393 838	3 020	5	8 042	2 301	–	1 127 029	1 681 159
Total	(8)	1 989	48 875	161 927	63 339	393 838	15 369	5 024	1 291 719	1 787 865	1 019	3 718 781	7 489 737

	AA+ R'000	AA R'000	AA- R'000	A+ R'000	A R'000	A- R'000	BBB+ R'000	BBB- R'000	BB+ R'000	BB R'000	B- R'000	Not rated R'000	Total R'000
GROUP													
2019													
Other assets													
Financial assets at fair value through profit or loss – bonds	–	–	–	20 689	–	–	43 777	–	51 242	–	–	80 301	196 009
Financial assets at amortised cost	–	–	–	–	–	–	–	–	–	–	–	713 723	713 723
Loans and other receivables	–	–	–	–	–	–	–	–	–	–	–	333 525	333 525
Cash and cash equivalents	–	–	24 753	–	–	–	–	721 766	1 509 883	–	–	319 391	2 575 793
Insurance assets													
Insurance receivables – premium debtors	–	–	–	–	–	–	–	22 233	47 634	–	–	1 470 550	1 540 417
Reinsurance assets	–	7 783	184 760	337 612	39 071	1 173 284	22 931	16 453	629	(60)	–	228 590	2 011 054
Total	–	7 783	209 513	358 301	39 071	1 173 284	66 708	760 452	1 609 388	(60)	–	3 146 079	7 370 520
COMPANY													
2020													
Other assets													
Loans to subsidiaries	–	–	–	–	–	–	–	–	–	–	–	1 664	1 664
Financial assets at fair value through profit or loss – bonds	–	–	–	–	20 190	–	–	2 035	40 526	50 172	–	75 428	188 350
Financial assets at amortised cost	–	–	–	–	–	–	–	–	–	–	–	737 757	737 757
Loans and other receivables	–	–	–	–	–	–	–	–	–	5 247	–	197 092	202 339
Cash and cash equivalents	–	–	–	76 528	32 480	–	12 349	–	1 190 884	1 675 870	1 019	244 503	3 233 634
Insurance assets													
Insurance receivables – premium debtors	–	–	–	–	–	–	–	–	52 267	57 223	–	1 356 499	1 465 989
Reinsurance assets	(8)	1 989	48 875	85 399	10 669	393 838	3 020	5	8 042	2 301	–	1 127 029	1 681 159
Total	(8)	1 989	48 875	161 927	63 339	393 838	15 369	2 039	1 291 719	1 790 813	1 019	3 739 972	7 510 891
2019													
Other assets													
Loans to subsidiaries	–	–	–	–	–	–	–	–	–	–	–	1 664	1 664
Financial assets at fair value through profit or loss – bonds	–	–	–	20 689	–	–	43 777	–	51 242	–	–	80 301	196 009
Financial assets at amortised cost	–	–	–	–	–	–	–	–	–	–	–	713 723	713 723
Loans and other receivables	–	–	–	–	–	–	–	–	–	–	–	296 390	296 390
Cash and cash equivalents	–	–	24 753	–	–	–	–	721 766	1 509 883	–	–	319 524	2 575 926
Insurance assets													
Insurance receivables – premium debtors	–	–	–	–	–	–	–	22 233	47 634	–	–	1 470 550	1 540 417
Reinsurance assets	–	7 783	184 760	337 612	39 071	1 173 284	22 931	16 453	629	(60)	–	228 590	2 011 054
Total	–	7 783	209 513	358 301	39 071	1 173 284	66 708	760 452	1 609 388	(60)	–	3 110 741	7 335 182

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

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

	GROUP				COMPANY			
	Neither past due nor impaired R'000	Past due not impaired R'000	Individually impaired R'000	Gross carrying value R'000	Neither past due nor impaired R'000	Past due not impaired R'000	Individually impaired R'000	Gross carrying value R'000
2020								
Loans to subsidiaries	–	–	–	–	1 664	–	38 047	39 711
Financial assets at fair value through profit or loss – Listed investments	670 860	–	–	670 860	636 923	–	–	636 923
Financial assets at fair value through profit or loss – Unlisted investments	1 347 454	–	–	1 347 454	1 347 454	–	–	1 347 454
Financial assets at fair value through profit or loss – Bonds	188 350	–	–	188 350	188 350	–	–	188 350
Financial assets at amortised cost	737 757	–	–	737 757	737 757	–	–	737 757
Loans and other receivables	156 206	9 979	6 427	172 613	161 081	5 104	6 427	172 612
Cash and cash equivalents	3 234 235	–	–	3 234 235	3 233 633	–	–	3 233 633
Total	6 334 863	9 979	6 427	6 351 269	6 306 862	5 104	44 474	6 356 440
Insurance receivables – premium debtors	1 360 104	105 885	–	1 465 989	1 360 104	105 885	–	1 465 989
Reinsurance assets	1 677 771	3 387	–	1 681 158	1 677 771	3 387	–	1 681 158
Total	3 037 875	109 272	–	3 147 147	3 037 875	109 272	–	3 147 147

4. Risk management (continued)

Credit risk (continued)

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

	GROUP				COMPANY			
	Neither past due nor impaired R'000	Past due not impaired R'000	Individually impaired R'000	Gross carrying value R'000	Neither past due nor impaired R'000	Past due not impaired R'000	Individually impaired R'000	Gross carrying value R'000
2019								
Loans to subsidiaries	–	–	–	–	1 664	–	38 047	39 711
Financial assets at fair value through profit or loss – Listed investments	767 243	–	–	767 243	767 243	–	–	767 243
Financial assets at fair value through profit or loss – Unlisted investments	1 284 529	–	–	1 284 529	1 284 529	–	–	1 284 529
Financial assets at fair value through profit or loss – Bonds	196 009	–	–	196 009	196 009	–	–	196 009
Financial assets at amortised cost	713 723	–	–	713 723	713 723	–	–	713 723
Loans and other receivables	141 603	184 991	1 138	327 732	141 603	184 991	1 138	327 732
Cash and cash equivalents	2 575 926	–	–	2 575 926	2 575 926	–	–	2 575 926
Total	5 679 032	184 991	1 138	5 865 161	5 680 696	184 991	39 185	5 904 872
Insurance receivables – premium debtors	1 529 168	11 249	–	1 540 417	1 529 168	11 249	–	1 540 417
Reinsurance assets	1 985 561	25 493	–	2 011 054	1 985 561	25 493	–	2 011 054
Total	3 514 729	36 742	–	3 551 471	3 514 729	36 742	–	3 551 471

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

	GROUP					COMPANY				
	< 30 days R'000	31 to 60 days R'000	61 to 90 days R'000	More than 90 days R'000	Total past due but not impaired R'000	< 30 days R'000	31 to 60 days R'000	61 to 90 days R'000	More than 90 days R'000	Total past due but not impaired R'000
2020										
Loans and other receivables	36	–	–	9 943	9 979	–	–	–	5 104	5 104
Insurance receivables – Premium debtors	–	65 094	15 143	25 647	105 884	–	65 094	15 143	25 647	105 885
Reinsurance assets	–	–	–	3 387	3 387	–	–	–	3 387	3 387
	36	65 094	15 143	38 977	119 250	–	65 094	15 143	34 138	114 376
2019										
Loans and other receivables	10 429	1 312	3 195	170 055	184 991	10 429	1 312	3 195	170 055	184 991
Insurance receivables – Premium debtors	–	–	–	11 249	11 249	–	–	–	11 249	11 249
Reinsurance assets	–	–	–	25 493	25 493	–	–	–	25 493	25 493
	10 429	1 312	3 195	206 797	221 733	10 429	1 312	3 195	206 797	221 733

Movement in the allowance for impairment in receivables and premium debtors.

	GROUP		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Balance at the beginning of the year	149 182	163 886	148 680	158 697
– Collective impairment loss reversed	(17 988)	(99 965)	(16 984)	(95 278)
– Collective impairment loss recognised	111 200	85 261	111 200	85 261
Balance at the end of the year	242 394	149 182	242 896	148 680

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

	GROUP				COMPANY			
			Subject to lifetime ECL				Subject to lifetime ECL	
		12-month ECL	Not credit impaired	Credit Impaired		12-month ECL	Not credit impaired	Credit Impaired
	Total allowance for ECL R'000	Allowance for ECL R'000	Allowance for ECL R'000	Allowance for ECL R'000	Total allowance for ECL R'000	Allowance for ECL R'000	Allowance for ECL R'000	Allowance for ECL R'000
2020								
Balance at the beginning of the year	**67 325**	**–**	**498**	**66 827**	**67 325**	**–**	**498**	**66 827**
Originations, purchases and interest accruals	**10 501**	**–**	**7**	**10 494**	**10 501**	**–**	**7**	**10 494**
Repayments and other derecognitions (excluding write-offs)	**(41)**	**–**	**(41)**	**–**	**(41)**	**–**	**(41)**	**–**
Model changes, interest accrued and write-offs	**(5 506)**	**–**	**–**	**(5 506)**	**(5 506)**	**–**	**–**	**(5 506)**
Balance at the end of the year	**72 280**	**–**	**464**	**71 815**	**72 280**	**–**	**464**	**71 815**
2019								
Balance at the beginning of the year	58 466	–	970	57 496	58 466	–	970	57 496
Model changes, interest accrued and write offs	8 859	–	(472)	9 331	8 859	–	(472)	9 331
Balance at the end of the year	67 325	–	498	66 827	67 325	–	498	66 827

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

Further, judgement was applied in the current period due to uncertainty arising as a result of Covid-19 due to less liquidity and greater volatility in financial markets. This has increased the criticality of estimates, assumptions and judgements in the assessment of the valuation of the ECL allowance. The critical inputs in these valuations relate to the projection of future cash flows and discount rates.

Liquidity risk

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

	Carrying value in statement of financial position R'000	Total contractual cash flows R'000	0 – 12 months R'000	1 – 2 years R'000	2 – 5 years R'000	More than 5 years R'000
GROUP						
2020						
Financial assets at fair value through profit or loss	**2 206 664**	**2 206 664**	**109 365**	**87 236**	**20 190**	**1 989 874**
Financial assets at amortised cost	**737 757**	**737 757**	**–**	**–**	**–**	**737 757**
Reinsurance Assets	**1 681 159**	**1 681 159**	**1 680 492**	**–**	**–**	**667**
Insurance, loans and other receivables	**1 648 236**	**1 648 236**	**1 559 279**	**5 028**	**6 944**	**76 985**
Deferred acquisition costs	**113 681**	**113 681**	**113 681**	**–**	**–**	**–**
Cash and cash equivalents	**3 234 235**	**3 234 235**	**3 234 235**	**–**	**–**	**–**
Total	**9 621 732**	**9 621 732**	**6 697 052**	**92 264**	**27 134**	**2 805 283**
2019						
Financial assets at fair value through profit or loss	2 293 206	2 293 206	959 741	69 734	–	1 263 731
Financial assets at amortised cost	713 723	713 723	55 248	25 052	53 332	580 090
Reinsurance Assets	2 011 054	2 011 054	2 011 054	–	–	–
Insurance, loans and other receivables	1 873 942	1 873 942	1 873 942	–	–	–
Deferred acquisition costs	109 765	109 765	109 765	–	–	–
Cash and cash equivalents	2 575 793	2 575 793	2 575 793	–	–	–
Total	9 577 483	9 577 483	7 585 543	94 786	53 332	1 843 821

4. Risk management (continued)

Liquidity risk (continued)

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

	Carrying value in statement of financial position R'000	Total contractual cash flows R'000	0 – 12 months R'000	1 – 2 years R'000	2 – 5 years R'000	More than 5 years R'000
COMPANY						
2020						
Loans to subsidiaries	1 664	1 664	1 664	–	–	1 664
Financial assets at fair value through profit or loss	2 172 727	2 172 727	75 428	87 236	20 190	1 989 874
Financial assets at amortised cost	737 757	737 757	–	–	–	737 757
Reinsurance Assets	1 681 159	1 681 159	1 680 492	–	–	667
Insurance, loans and other receivables	1 668 327	1 668 327	1 584 248	5 028	2 066	76 985
Deferred acquisition costs	113 681	113 681	113 681	–	–	–
Cash and cash equivalents	3 233 633	3 233 633	3 233 633	–	–	–
Total	9 608 948	9 608 948	6 689 147	92 264	22 256	2 806 947
2019						
Loans to subsidiaries	1 664	1 664	1 664	–	–	–
Financial assets at fair value through profit or loss	2 247 781	2 247 781	914 316	69 734	–	1 263 731
Financial assets at amortised cost	713 723	713 723	55 248	25 052	53 332	580 090
Reinsurance Assets	2 011 054	2 011 054	2 011 054	–	–	–
Insurance, loans and other receivables	1 868 149	1 868 149	1 868 149	–	–	–
Deferred acquisition costs	109 765	109 765	109 765	–	–	–
Cash and cash equivalents	2 575 926	2 575 926	2 575 926	–	–	–
Total	9 528 062	9 526 397	7 534 458	94 786	53 332	1 843 821

Maturity profile on financial liabilities – contractual cash flows liabilities

	Carrying value in statement of financial position	Total contractual cash flows	0 – 12 months	1 – 2 years	2 – 5 years	More than 5 years
GROUP						
2020						
Non-derivative financial liabilities						
Trade and other payables and employee benefits	1 550 950	1 550 950	1 399 174	33 733	93 282	24 761
Trade and other payables	1 168 660	1 168 660	1 168 660	–	–	–
Employee benefits	172 794	172 794	172 794	–	–	–
Lease liability	209 496	209 496	57 720	33 733	93 282	24 761
Total	1 550 950	1 550 950	1 399 174	33 733	93 282	24 761
2019						
Non-derivative financial liabilities						
Trade and other payables and employee benefits	1 047 254	1 047 254	1 047 254	–	–	–
Trade and other payables	772 856	772 856	772 856	–	–	–
Employee benefits	274 398	274 398	274 398	–	–	–
Total	1 047 254	1 047 254	1 047 254	–	–	–

	Carrying value in statement of financial position	Total contractual cash flows	0 – 12 months	1 – 2 years	2 – 5 years	More than 5 years
COMPANY						
2020						
Non-derivative financial liabilities						
Trade and other payables and employee benefits	1 519 838	1 519 838	1 368 062	33 733	93 282	24 761
Trade and other payables	1 138 161	1 138 161	1 138 161	–	–	–
Employee benefits	172 181	172 181	172 181	–	–	–
Lease liability	209 496	209 496	57 720	33 733	93 282	24 761
Total	1 519 838	1 519 838	1 368 062	33 733	93 282	24 761
2019						
Non-derivative financial liabilities						
Trade and other payables and employee benefits	1 007 441	1 007 441	1 007 441	–	–	–
Trade and other payables	733 043	733 043	733 043	–	–	–
Employee benefits	274 398	274 398	274 398	–	–	–
Total	1 007 441	1 007 441	1 007 441	–	–	–

Maturity profile on financial liabilities – probable contractual cash outflows

	Probable cash outflows R'000	Maturity within a year R'000	Maturity between 2 and 5 years R'000	Maturity more than 5 years R'000
GROUP AND COMPANY				
2020				
Claims reported and loss adjustment expenses	1 840 262	1 441 828	394 041	4 393
Claims incurred but not yet reported	838 726	648 881	187 752	2 093
Unearned premium provision	2 156 327	2 136 425	19 902	–
Cash back reserve	69 652	33 488	34 857	1 307
Reinsurance liabilities	656 401	656 401	–	–
	5 561 368	4 917 023	636 552	7 793
2019				
Claims reported and loss adjustment expenses	2 122 986	1 711 784	392 753	18 449
Claims incurred but not yet reported	584 610	471 377	108 153	5 080
Unearned premium provision	2 054 250	2 012 580	41 666	4
Cash back reserve	77 375	28 722	48 653	–
Reinsurance liabilities	755 478	755 478	–	–
	5 594 699	4 979 941	591 225	23 533

4. Risk management (continued)

Market risk

Sensitivity analysis – currency risk

The following exchange rates applied during the year.

	2020 Average rate	2020 Reporting date spot rate	2019 Average rate	2019 Reporting date spot rate
GROUP				
Mozambique Metical	**0.24**	**0.25**	0.23	0.23
COMPANY				
British Pound	**19.79**	**21.52**	18.36	17.88
US Dollar	**15.72**	**17.35**	14.19	14.09

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

Sensitivity analysis – foreign currency exposure

	Profit/(loss)		Equity	
	10% increase R'000	10% decrease R'000	10% increase R'000	10% decrease R'000
GROUP				
2020				
US Dollar	**4 209**	**(4 209)**	**4 209**	**(4 209)**
	4 209	**(4 209)**	**4 209**	**(4 209)**
2019				
US Dollar	656	(656)	656	(656)
	656	(656)	656	(656)
COMPANY				
2020				
US Dollar	**4 209**	**(4 209)**	**4 209**	**(4 209)**
	4 209	**(4 209)**	**4 209**	**(4 209)**
2019				
US Dollar	656	(656)	656	(656)
	656	(656)	656	(656)

There was no exposure against the British Pound at the current reporting date.

Sensitivity analysis – interest rate risk

	2020 Carrying amount R'000	2019 Carrying amount R'000
Profile – GROUP		
Variable rate instruments		
Financial assets		
Loans – interest-bearing	**12 395**	32 447
Cash and cash equivalents	**3 234 235**	2 575 793
	3 246 630	2 608 240
Profile – COMPANY		
Variable rate instruments		
Financial assets		
Loans – interest-bearing	**12 395**	32 447
Cash and cash equivalents	**3 233 633**	2 575 926
	3 246 028	2 608 373

The Group and Company's investment 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 the prior year.

Sensitivity analysis – variable rate exposure

	Profit/(loss)		Equity	
	2% increase R'000	2% decrease R'000	2% increase R'000	2% decrease R'000
GROUP				
2020				
Loans – interest-bearing	**248**	**(248)**	**248**	**(248)**
Cash and cash equivalents	**64 685**	**(64 685)**	**64 685**	**(64 685)**
	64 933	**(64 933)**	**64 933**	**(64 933)**
2019				
Loans – interest-bearing	649	(649)	649	(649)
Cash and cash equivalents	51 516	(51 516)	51 516	(51 516)
	52 165	(52 165)	52 165	(52 165)
COMPANY				
2020				
Loans – interest-bearing	**248**	**(248)**	**248**	**(248)**
Cash and cash equivalents	**64 673**	**(64 673)**	**64 673**	**(64 673)**
	64 921	**(64 921)**	**64 921**	**(64 921)**
2019				
Loans – interest-bearing	649	(649)	649	(649)
Cash and cash equivalents	51 519	(51 519)	51 519	(51 519)
	52 168	(52 168)	52 168	(52 168)

Sensitivity analysis – exposure to equity price risk

	2020			2019		
	Carrying amount R'000	Listed/ not listed	Relevant stock exchange	Carrying amount	Listed/ not listed	Relevant stock exchange
GROUP						
Ordinary shares	**515 813**	**Listed**	**JSE**	637 109	Listed	JSE
Preference shares	**102 487**	**Listed**	**JSE**	130 134	Not listed	JSE
	618 300			767 243		
COMPANY						
Ordinary shares	**481 876**	**Listed**	**JSE**	637 109	Listed	JSE
Preference shares	**102 487**	**Listed**	**JSE**	130 134	Not listed	JSE
	584 363			767 243		

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

4. Risk management (continued)

Market risk (continued)

Sensitivity analysis – Index exposure

	Profit/(loss) 5% increase R'000	Profit/(loss) 5% decrease R'000	Equity 5% increase R'000	Equity 5% decrease R'000
GROUP				
2020				
Ordinary shares – listed – JSE	25 791	(25 791)	25 791	(25 791)
Preference shares – listed – JSE	5 124	(5 124)	5 124	(5 124)
	30 915	(30 915)	30 915	(30 915)
2019				
Ordinary shares – listed – JSE	34 127	(34 127)	34 127	(34 127)
Preference shares – listed – JSE	6 507	(6 507)	6 507	(6 507)
	40 634	(40 634)	40 634	(40 634)
COMPANY				
2020				
Ordinary shares – listed – JSE	24 094	(24 094)	24 094	(24 094)
Preference shares – listed – JSE	5 124	(5 124)	5 124	(5 124)
	29 218	(29 218)	29 218	(29 218)
2019				
Ordinary shares – listed – JSE	31 855	(31 855)	31 855	(31 855)
Preference shares – listed – JSE	6 507	(6 507)	6 507	(6 507)
	38 362	(38 362)	38 362	(38 362)

	GROUP 2020 R'000	GROUP 2019 R'000	COMPANY 2020 R'000	COMPANY 2019 R'000
Comprehensive income				
Financial income and expenditure				
Financial assets at fair value through profit or loss	109 833	107 883	62 662	56 168
Financial assets at amortised cost	147 174	146 383	147 174	146 383
Financial income	257 007	254 266	209 836	202 551
Interest expense on financial liabilities measured at amortised cost	(82 284)	(80 475)	(77 977)	(75 891)
Financial expense	(82 284)	(80 475)	(77 977)	(75 891)
Net financial income	174 723	173 791	131 859	126 660
The above financial income and expense items include the following in respect of financial assets/liabilities not at fair value through profit and loss:				
Total interest income	–	–	–	–
Total interest expense	(82 284)	(80 475)	(77 977)	(75 891)
Net interest income	(82 284)	(80 475)	(77 977)	(75 891)
Impairment losses				
The amount of the impairment loss for each class of financial asset during the reporting period was as follows:				
Impairment of other loans and receivables				
– Impairment reversed/(recognised)	(4 328)	(5 332)	(4 328)	(5 332)
Impairment of premium debtors				
– Impairment reversed/(recognised)	(111 200)	(85 261)	(111 200)	(85 261)
Impairment losses	(115 528)	(90 593)	(115 528)	(90 593)

	GROUP		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000

5. Property and equipment

Cost				
Leasehold improvements	49 791	36 609	49 791	36 609
Motor vehicles	1 414	8 392	1 396	8 373
Office equipment	303 511	234 898	303 130	234 517
Office equipment	13 440	11 041	13 060	10 660
Computer hardware	218 159	154 473	218 159	154 473
Furniture and fittings	71 911	69 384	71 911	69 384
Accumulated depreciation – cost	354 717	279 899	354 317	279 500
Accumulated depreciation				
Leasehold improvements	(17 658)	(14 411)	(17 658)	(14 411)
Motor vehicles	(888)	(8 136)	(880)	(8 128)
Office equipment	(166 912)	(146 872)	(166 655)	(146 615)
Office equipment	(6 825)	(5 857)	(6 568)	(5 600)
Computer hardware	(114 018)	(99 745)	(114 018)	(99 745)
Furniture and fittings	(46 069)	(41 270)	(46 069)	(41 270)
Property and equipment – accumulated depreciation and impairment	(185 457)	(169 419)	(185 193)	(169 154)
Net carrying amount				
Leasehold improvements	32 133	22 198	32 133	22 198
Motor vehicles	527	256	516	245
Office equipment	136 600	88 026	136 476	87 902
Office equipment	6 616	5 184	6 492	5 061
Computer hardware	104 142	54 728	104 142	54 728
Furniture and fittings	25 842	28 114	25 842	28 114
Property and equipment – carrying value	169 260	110 480	169 125	110 346
Reconciliation of movement on net carrying amount:				
Balance at the beginning of the year	110 480	93 443	110 346	93 308
Prior year adjustments	–	5 915	–	5 915
Leasehold improvements	–	2 900	–	2 900
Motor vehicles	–	(134)	–	(134)
Office equipment	–	3 149	–	3 149
Additions	121 784	36 358	121 784	36 358
Leasehold improvements	16 434	14 210	16 434	14 210
Motor vehicles	417	170	417	170
Office equipment	2 400	21 978	2 400	21 978
Computer hardware	100 006	–	100 006	–
Furniture and fittings	2 527	–	2 527	–
Depreciation for the year	(32 423)	(25 235)	(32 423)	(25 235)
Leasehold improvements	(3 247)	(2 289)	(3 247)	(2 289)
Motor vehicles	(147)	(1 542)	(147)	(1 542)
Office equipment	(968)	(589)	(968)	(589)
Computer hardware	(23 262)	(16 451)	(23 262)	(16 451)
Furniture and fittings	(4 799)	(4 364)	(4 799)	(4 364)
Disposals	(30 583)	–	(30 583)	–
Leasehold improvements	(3 253)	–	(3 253)	–
Computer hardware	(27 330)	–	(27 330)	–
Balance at the end of the year	169 260	110 480	169 125	110 346

	GROUP		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
6. Right-of-use				
Cost				
Property	223 755	–	223 755	–
Motor vehicles	2 488	–	2 488	–
Office equipment	19 982	19 793	19 982	19 793
Right-of-use asset – cost	246 225	19 793	246 225	19 793
Accumulated depreciation				
Property	(35 472)	–	(35 472)	–
Motor vehicles	(1 219)	–	(1 219)	–
Office equipment	(15 040)	(10 990)	(15 040)	(10 990)
Right-of-use asset – accumulated depreciation and impairment	(51 731)	(10 990)	(51 731)	(10 990)
Net carrying amount				
Property	188 282	–	188 282	–
Motor vehicles	1 269	–	1 269	–
Office equipment	4 942	8 802	4 942	8 802
Right-of-use assets – carrying value	194 494	8 802	194 494	8 802
Reconciliation of movement on net carrying amount:				
Balance at the beginning of the year	8 802	10 918	8 802	10 918
Recognised on 1 July 2019 on adoption of IFRS 16	218 260	–	218 260	–
Property	216 323	–	216 323	–
Motor vehicles	1 937	–	1 937	–
Additions	8 173	–	8 173	–
Property	7 622	–	7 622	–
Motor vehicles	551	–	551	–
Depreciation for the year	(40 741)	(2 116)	(40 741)	(2 116)
Property	(35 472)	–	(35 472)	–
Motor vehicles	(1 219)	–	(1 219)	–
Office equipment	(4 050)	(2 116)	(4 050)	(2 116)
Balance at the end of the year	194 494	8 802	194 494	8 802
7. Investment property				
Investment property – land and buildings – cost	28 001	28 001	–	–
Investment property – land and buildings – revaluation	4 399	–	–	–
Fair value on investment properties	32 400	28 001	–	–
Reconciliation of movement on fair value amount:				
Balance at the beginning of the year	28 001	28 001	–	–
Revaluation for the year	4 399	–	–	–
Balance at the end of the year	32 400	28 001	–	–

Investment property consists of:
- freehold property
- sectional title located at stand 306 Ferreiras Dorp Township,Gauteng, measuring 1162 square metres
- sectional title located at stand 317 Ferreiras Dorp Township,Gauteng, measuring 1012 square metres

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

Investment properties are not mortgaged as security for any liabilities.

Direct operating expenses incurred on the investment property amount to R1 911 278 (2019: R2 399 772), repairs and maintenance incurred amounts to R148 575.25 (2019: R145 731).

	GROUP		COMPANY	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000

8. Intangible assets

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Cost				
Computer software	**269 901**	290 447	**269 901**	290 447
Goodwill	**408**	409	**–**	–
Acquired rights over books of business	**27 214**	27 213	**27 214**	27 213
Intellectual property	**83 876**	83 876	**83 876**	83 876
Intangible assets – cost	**381 399**	401 945	**380 991**	401 536
Accumulated amortisation and impairment				
Computer software	**(187 123)**	(177 596)	**(187 123)**	(177 596)
Acquired rights over books of business	**(25 937)**	(25 054)	**(25 937)**	(25 054)
Intellectual property	**(16 700)**	(16 700)	**(16 700)**	(16 700)
Intangible assets – accumulated amortisation and impairment	**(229 760)**	(219 350)	**(229 760)**	(219 350)
Net carrying amount				
Computer software	**82 778**	112 851	**82 779**	112 851
Goodwill	**408**	409	**–**	–
Acquired rights over books of business	**1 277**	2 159	**1 276**	2 159
Intellectual property	**67 176**	67 176	**67 176**	67 176
Intangible assets	**151 640**	182 595	**151 231**	182 186
Reconciliation of movement on net carrying amount:				
Balance at the beginning of the year	**182 595**	154 952	**182 186**	154 544
Prior year adjustments	**13 374**	(1 734)	**13 374**	(1 734)
Computer software	**13 374**	(1 734)	**13 374**	(1 734)
Additions	**30 116**	120 767	**30 116**	120 767
Computer software	**30 116**	35 055	**30 116**	35 055
Acquired rights over books of business	**–**	1 836	**–**	1 836
Intellectual property	**–**	83 876	**–**	83 876
Amortisation for the year	**(51 772)**	(66 843)	**(51 772)**	(66 843)
Computer software	**(50 889)**	(65 685)	**(50 889)**	(65 685)
Acquired rights over books of business	**(883)**	(1 158)	**(883)**	(1 158)
Impairment for the year	**(9 995)**	(24 548)	**(9 995)**	(24 548)
Computer software	**(9 995)**	–	**(9 995)**	–
Goodwill	**–**	(7 848)	**–**	(7 848)
Intellectual property	**–**	(16 700)	**–**	(16 700)
Disposals	**(12 678)**	–	**(12 678)**	–
Computer software	**(12 678)**	–	**(12 678)**	–
Balance at the end of the year	**151 640**	182 595	**151 231**	182 186

The Group tests goodwill annually for impairment, or more frequently if there are indicators that goodwill might be impaired. As at 30 June 2020, no impairment was raised relating to the investment in a subsidiary (2019: Rnil).

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

	COMPANY	
	2020 R'000	2019 R'000

9. Investment in subsidiaries

	Company 2020 R'000	Company 2019 R'000
Interest in subsidiaries comprises:		
Shares at fair value through profit or loss	**33 938**	45 432
Loans to subsidiaries	**39 711**	39 712
	73 649	85 144
Impairment on loans	**(38 046)**	(38 047)
Investments in subsidiaries	**35 602**	47 096

9. Investment in subsidiaries (continued)

Carrying value of interest in subsidiary

	Nature of business	Place of business	Issued share capital R	Proportion held 2020 %	Proportion held 2019 %	Shares R'000 2020	Indebtedness R'000 2020	Shares R'000 2019	Indebtedness R'000 2019
Interest in subsidiaries comprises:									
Casa Luigi Properties	A	RSA	100	100	100	–	–	–	–
Ground Lily Investments	C	RSA	1	100	100	–	–	–	–
Precept Supply Chain Management Consolidated	D	RSA	3 001 010	100	100	–	–	–	–
Newshelf 33	C	RSA	1	100	100	–	–	–	–
JJK Marketing Consultants (Pty) Ltd	C	RSA	1	100	100	–	–	–	–
EquiMed Underwriting Managers (Pty) Ltd	B	RSA	100	100	100	–	–	–	–
Apex Underwriting Managers (Pty) Ltd	B	RSA	100	100	100	–	2 034	–	2 034
Accredited Investments (Pty) Ltd	B	RSA	100	100	100	–	–	–	–
Leungo Investments (Pty) Ltd	C	RSA	1	100	100	–	37 677	–	37 677
Execuline Underwriting Managers (Pty) Ltd	A	RSA	100	100	100	–	–	–	–
Primus Risk Services Investments (Pty) Ltd	B	RSA	100	100	100	–	–	–	–
Bidcap Investments (Pty) Ltd	C	RSA	100	100	100	–	–	–	–
Buckingham Risk Solutions (Pty) Ltd	C	RSA	100	100	100	–	–	–	–
Electronic Risk Underwriting Managers (Pty) Ltd	B	RSA	100	100	100	–	–	–	–
Hollard Mocambique Companhia de Seguros	B	RSA	100	50	50	–	–	–	–
Hollard Portfolio Management	B	RSA	100	100	100	33 938			
						33 938	39 711	45 432	39 712
Impairment on loans						–	(38 047)	–	(38 047)
						33 938	1 664	45 432	1 664

The loan is unsecured and there are no fixed repayment terms.

The investment in Hollard Mocambique Companhia de Seguros, S.A.R.L (incorporated and operational in Mozambique) is held for sale and details are disclosed in note 16 on page 55 of these financial statements.

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

10. Investment in associates

	GROUP 2020 R'000	GROUP 2019 R'000	COMPANY 2020 R'000	COMPANY 2019 R'000
Interest in associates comprises:				
Shares at fair value through profit or loss	–	–	214 404	229 788
Shares at equity accounted carrying value	36 264	67 630	–	–
Group share of post acquisition profits, losses and reserves	222 718	178 332	–	–
Carrying value of associates	258 983	245 962	214 404	229 788
Investment in associates	258 983	245 962	214 404	229 788

Carrying value of interest in associates

	Nature of business	Place of business	Issued share capital R	Proportion held 2020 %	Proportion held 2019 %	Shares R'000 2020	Indebtedness R'000 2020	Shares R'000 2019	Indebtedness R'000 2019
Interest in associates comprises:									
Legal Expenses Group Africa Ltd	A	RSA	1 700	39	39	214 404	–	229 788	–
Louwfut Beleggings 1077 (Pty) Ltd	B	RSA	1 000	46	46	–	–	–	–
ITOO Special Risks (Pty) Ltd	C	RSA	1 300	30	30	–	–	–	–
						214 404	–	229 788	–

Nature of business
A General insurance
B Property holding
C Underwriting managers

	GROUP 2020 R'000	GROUP 2019 R'000	COMPANY 2020 R'000	COMPANY 2019 R'000
11. Financial assets				
Financial assets at fair value through profit or loss	2 206 664	2 293 206	2 172 727	2 247 781
Financial assets at amortised cost	737 757	713 723	737 757	713 723
	2 944 421	3 006 929	2 910 484	2 961 503
Current	2 756 071	1 014 989	2 722 134	969 564
Non-current	188 350	1 991 939	188 350	1 991 939
	2 944 421	3 006 928	2 910 484	2 961 503
Financial assets at fair value through profit or loss				
Listed investments	670 860	812 668	636 923	767 243
Unlisted investments	1 347 454	1 284 529	1 347 454	1 284 529
Bonds	188 350	196 009	188 350	196 009
	2 206 664	2 293 206	2 172 727	2 247 781
An analysis of the Group and company's financial assets by market sector and maturity spread is provided below:				
Listed investments				
At market value	670 860	812 668	636 923	767 243
Analysis of spread of listed investments by market sector	%	%	%	%
Automobiles and parts	0.04	0.05	0.04	0.06
Banks	13.25	13.69	13.95	14.50
Basic resources	0.85	0.72	0.89	0.77
Financial services	10.47	0.19	11.03	0.20
Food and beverage	0.22	2.87	0.24	3.04
Industrial goods and services	0.34	0.23	0.36	0.25
Insurance	73.63	81.28	72.23	80.17
Media	0.50	0.29	0.52	0.31
Personal and household goods	0.13	0.10	0.14	0.11
Real estate	0.15	0.17	0.16	0.18
Retail	0.31	0.31	0.33	0.33
Travel and leisure	0.10	0.10	0.10	0.09
	100.00	100.00	100.00	100.00

	GROUP		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000

11. Financial assets (continued)

Unlisted Investments				
at fair value	2 085 211	1 998 252	2 085 211	1 998 252
	%	%	%	%
Linked policies	56.17	55.00	56.17	55.00
Private equity investments	38.01	39.00	38.01	39.00
Unit trusts	5.58	6.00	5.58	6.00
Ordinary shares	0.24	–	0.24	–
	100.00	100.00	100.00	100.00
Total listed and unlisted investments at fair value	2 756 071	2 810 920	2 722 134	2 765 495

	Maturity spread R'000	Maturity spread %
GROUP AND COMPANY		
Bonds		
An analysis of debt securities by maturity spread for 2020		
0 – 1 year	75 428	40.05
1 – 2 years	32 438	17.22
2 – 5 years	20 190	10.72
More than 5 years	60 294	32.01
	188 350	100.00
An analysis of debt securities by maturity spread for 2019		
0 – 1 year	55 248	28.03
1 – 2 years	25 052	13.01
2 – 5 years	115 709	59.06
	196 009	100.00

	Fair value through profit or loss R'000	Loans and receivables	At amortised cost invest-ments	Financial assets at fair value through other compre-hensive income	Total financial instru-ments	Insurance contract assets and liabilities	Other assets and liabilities	Total per statement of financial position	Fair value of financial instru-ments
GROUP									
2020									
Assets									
Investment in associates	258 983	–	–	–	258 983			258 983	258 983
Financial assets	2 206 664	–	737 757	–	2 944 421	–	–	2 944 421	2 944 421
Preference shares and debt instruments	514 554	–	737 757	–	1 252 311	–	–	1 252 311	1 252 311
Equities	520 826	–	–	–	520 826	–	–	520 826	520 826
Linked policies	1 171 284	–	–	–	1 171 284	–	–	1 171 284	1 171 284
Reinsurance assets	–	–	–	–	–	1 681 159	–	1 681 159	1 681 159
Insurance, loans and other receivables	–	181 012	–	–	181 012	1 465 989	1 236	1 648 237	1 648 237
Deferred acquisition costs	–	–	–	–	–	113 681	–	113 681	113 681
Cash and cash equivalents	–	–	3 234 235	–	3 234 235	–	–	3 234 235	3 234 235
Non-current assets held-for-sale	1 188 328	–	–	–	1 188 328	–	–	1 188 328	1 188 328
Total	3 653 976	181 012	3 971 992	–	7 806 979	3 260 829	1 236	11 069 045	11 069 045

	Fair value through profit or loss R'000	Loans and receivables	At amortised cost invest-ments	Financial assets at fair value through other compre-hensive income	Total financial instru-ments	Insurance contract assets and liabilities	Other assets and liabilities	Total per statement of financial position	Fair value of financial instru-ments
Liabilities									
Borrowings	–	–	–	–	–	–	600 923	600 923	600 923
Insurance liabilities	–	–	–	–	–	4 904 967	–	4 904 967	4 904 967
Reinsurance liabilities	–	–	–	–	–	656 401	–	656 401	656 401
Employee benefits	–	–	–	–	–	–	172 181	172 181	172 181
Trade and other payables	–	–	–	–	–	–	1 378 156	1 378 156	1 378 156
Non-current liability held-for-sale	842 286				842 286			842 286	842 286
Total	842 286	–	–	–	842 286	5 561 368	2 151 260	8 554 914	8 554 914
2019									
Assets									
Investment in associates	245 962	–	–	–	245 962	–	–	245 962	245 962
Financial assets	2 223 471	–	783 457	–	3 006 928	–	–	3 006 928	3 006 928
Preference shares and debt instruments	448 072	–	783 457	–	1 231 529	–	–	1 231 529	1 231 529
Equities	684 546	–	–	–	684 546	–	–	684 546	684 546
Linked policies	1 090 854	–	–	–	1 090 854	–	–	1 090 854	1 090 854
Reinsurance assets	–	–	–	–	–	2 011 054	–	2 011 054	2 011 054
Insurance, loans and other receivables	–	–	209 530	–	209 530	1 540 417	123 994	1 873 942	1 873 942
Deferred acquisition costs	–	–	–	–	–	109 765	–	109 765	109 765
Cash and cash equivalents	–	–	2 575 793	–	2 575 793	–	–	2 575 793	2 575 793
Non-current assets held for sale	1 031 624	–	–	–	1 031 624	–	–	1 031 624	1 031 624
Total	3 501 057	–	3 568 780	–	7 069 837	3 661 236	123 994	10 855 069	10 855 068
Liabilities									
Borrowings	–	–	601 039	–	601 039	–	–	601 039	601 039
Insurance liabilities	–	–	–	–	–	4 839 221	–	4 839 221	4 839 221
Reinsurance liabilities	–	–	–	–	–	755 478	–	755 478	755 478
Employee benefits	–	–	–	–	–	–	274 398	274 398	274 398
Trade and other payables	–	–	–	–	–	–	773 083	772 856	772 856
Non-current liability held-for-sale	754 378				754 378			754 378	754 378
Total	754 378	–	601 039	–	1 355 417	5 594 699	1 047 254	7 997 370	7 997 370
COMPANY									
2020									
Assets									
Investment in subsidiaries	33 937	–	–	–	33 937	–	–	33 937	33 937
Loans to subsidiaries	–	1 664	–	–	1 664	–	–	1 664	1 664
Investment in associates	214 404	–	–	–	214 404	–	–	214 404	214 404
Financial assets	2 172 727	–	737 757	–	2 910 484	–	–	2 910 484	2 910 484
Preference shares and debt instruments	514 554	–	737 757	–	1 252 311	–	–	1 252 671	1 252 671
Equities	486 888	–	–	–	486 888	–	–	486 528	486 528
Linked policies	1 171 284	–	–	–	1 171 284	–	–	1 171 284	1 171 284
Reinsurance assets	–	–	–	–	–	1 681 159	–	1 681 159	1 681 159
Insurance, loans and other receivables	–	181 012	–	–	181 012	1 465 988	21 327	1 668 327	1 668 327
Deferred acquisition costs	–	–	–	–	–	113 681	–	113 681	113 681
Cash and cash equivalents	–	–	3 233 633	–	3 233 633	–	–	3 233 633	3 233 633
Non-current assets held-for-sale	152 433	–	–	–	152 433	–	–	152 433	152 433
Total	2 573 501	182 676	3 971 391	–	6 727 568	3 260 828	21 327	10 009 723	10 009 723

11. Financial assets (continued)

	Fair value through profit or loss R'000	Loans and receivables	At amortised cost invest-ments	Financial assets at fair value through other compre-hensive income	Total financial instru-ments	Insurance contract assets and liabilities	Other assets and liabilities	Total per statement of financial position	Fair value of financial instru-ments
Liabilities									
Borrowings	–	–	–	–	–	–	600 569	600 569	600 569
Insurance liabilities	–	–	–	–	–	4 904 967	–	4 904 967	4 904 967
Reinsurance liabilities	–	–	–	–	–	656 401	–	656 401	656 401
Employee benefits	–	–	–	–	–	–	172 181	172 181	172 181
Trade and other payables	–	–	–	–	–	–	1 347 657	1 347 657	1 347 657
Total	–	–	–	–	–	5 561 368	2 120 407	7 681 775	7 681 775
2019									
Assets									
Investment in subsidiaries	45 432	–	–	–	45 432	–	–	45 432	45 432
Loans to subsidiaries	–	–	1 664	–	1 664	–	–	1 664	1 664
Investment in associates	229 788	–	–	–	229 788	–	–	229 788	229 788
Financial assets	2 178 046	–	783 457	–	2 961 503	–	–	2 961 503	2 961 503
Preference shares and debt instruments	448 072	–	783 457	–	1 231 529	–	–	1 231 529	1 231 529
Equities	639 121	–	–	–	639 121	–	–	639 121	639 121
Linked policies	1 090 854	–	–	–	1 090 854	–	–	1 090 854	1 090 854
Reinsurance assets	–	–	–	–	–	2 011 054	–	2 011 054	2 011 054
Insurance, loans and other receivables	–	–	209 530	–	209 530	1 540 417	118 202	1 868 149	1 868 149
Deferred acquisition costs	–	–	–	–	–	109 765	–	109 765	109 765
Cash and cash equivalents	–	–	2 575 926	–	2 575 926	–	–	2 575 926	2 575 926
Non-current assets held-for-sale	162 448	–	–	–	162 448	–	–	162 448	162 448
Total	2 615 714	–	3 570 577	–	6 186 292	3 661 236	118 202	9 965 729	9 965 729
Liabilities									
Borrowings	–	–	600 452	–	600 452	–	–	600 452	600 452
Insurance liabilities	–	–	–	–	–	4 839 221	–	4 839 221	4 839 221
Reinsurance liabilities	–	–	–	–	–	755 478	–	755 478	755 478
Employee benefits	–	–	–	–	–	–	274 398	274 398	274 398
Trade and other payables	–	–	–	–	–	–	733 043	733 043	733 043
Total	–	–	600 452	–	600 452	5 594 698	1 007 441	7 202 591	7 202 591

12. Determination of fair value and fair value hierarchy

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total fair value R'000
GROUP				
2020				
Financial assets carried at fair value through profit or loss				
Listed investments	179 306	–	491 554	670 860
Listed ordinary shares	24 260	–	491 554	515 814
Listed foreign shares	–	–	–	–
Listed preference shares	102 487	–	–	102 487
Listed debentures	52 560	–	–	52 560
Unlisted investments	1 171 284	116 361	59 809	1 347 454
Unlisted ordinary shares	–	–	5 011	5 011
Unlisted preference shares	–	–	54 798	54 798
Units trusts	–	116 361	–	116 361
Linked policies	1 171 284	–	–	1 171 284
Bonds	–	188 350	–	188 350
	1 350 590	304 711	551 363	2 206 664
2019				
Financial assets carried at fair value through profit or loss				
Listed investments	154 634	–	612 609	767 243
Listed ordinary shares	24 500	–	612 609	637 109
Listed preference shares	130 134	–	–	130 134
Unlisted investments	1 090 854	121 930	71 745	1 284 529
Unlisted ordinary shares	–	–	2 011	2 011
Unlisted preference shares	–	–	69 734	69 734
Units trusts	–	121 930	–	121 930
Linked policies	1 090 854	–	–	1 090 854
Bonds	–	196 009	–	196 009
	1 245 488	317 938	684 355	2 247 781
COMPANY				
2020				
Financial assets carried at fair value through profit or loss				
Interest in subsidiaries	–	–	33 937	33 937
Interest in associates	–	–	214 404	214 404
Listed investments	179 306	–	457 616	636 923
Listed ordinary shares	24 260	–	457 616	481 876
Listed preference shares	102 487	–	–	102 487
Listed debentures	52 560	–	–	52 560
Unlisted investments	1 171 284	116 361	59 809	1 347 454
Unlisted ordinary shares	–	–	5 011	5 011
Unlisted preference shares	–	–	54 798	54 798
Units trusts	–	116 361	–	116 361
Linked policies	1 171 284	–	–	1 171 284
Bonds	–	188 350	–	188 350
	1 350 590	304 711	765 767	2 421 068

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

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total fair value R'000
COMPANY				
2019				
Financial assets carried at fair value through profit or loss				
Interest in subsidiaries	–	–	45 432	45 432
Interest in associates	–	–	229 788	229 788
Listed investments	154 634	–	612 609	767 243
Listed ordinary shares	24 500	–	612 609	637 109
Listed preference shares	130 134	–	–	130 134
Listed debentures	–	–	–	–
Unlisted investments	1 090 854	121 930	71 745	1 284 529
Unlisted ordinary shares	–	–	2 011	2 011
Unlisted preference shares	–	–	69 734	69 734
Units trusts	–	121 930	–	121 930
Linked policies	1 090 854	–	–	1 090 854
Bonds	–	196 009	–	196 009
Total	1 245 488	317 938	959 575	2 523 001

Quantitative information about fair value measurement

Level 3 listed investments consists of shares held in Clientele as well as listed investment portfolio through Melville Douglas.

These investments are valued at their listed price as at 30 June 2020.

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

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

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

The assumption used to value level 3 investments are based largely on unobservable inputs. Further, judgement was applied in the current period due to uncertainty arising as a result of COVID-19 due to less liquidity and greater volatility in financial markets.

This has increased the criticality of estimates, assumptions and judgements in the assessment of the valuation of level 3 investments. The critical inputs in these valuations relating to projection of future cash flows and discount rates.

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

Companies are valued on a price earnings ratio method or on a discounted cash flow basis. A build-up method was used to construct the discount rate, incorporating all the appropriate risk components as well as a pre-tax bond yield of 9.25% (R2030). The following appropriate risk components are incorporated in the discount rates and earnings factors used:
- Risk class exposure of the entity;
- Established history;
- Dependency on management; and
- Impact of owner managed business.

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

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

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

	Balance at the beginning of the year R'000	Total gains/ (losses) in profit or loss statement R'000	Purchases R'000	Fair value adjust-ments R'000	Sales R'000	Impair-ment R'000	Transfer from/(to) other category R'000	Balance at the end of the year R'000	Total gains/ (losses) in profit or loss statement R'000
GROUP									
2020									
Financial assets at fair value through profit or loss									
Listed investments	612 609	–	45 425	(166 481)	–	–	–	491 553	(166 481)
Listed ordinary shares	612 609	–	45 425	(166 481)	–	–	–	491 553	(166 481)
Unlisted investments	71 745	–	3 000	(14 936)	–	–	–	59 809	(14 936)
Unlisted ordinary shares	2 011	–	3 000	–	–	–	–	5 011	–
Unlisted preference shares	69 734	–	–	(14 936)	–	–	–	54 798	(14 936)
Total	684 355	–	48 425	(181 417)	–	–	–	551 362	(181 417)
2019									
Financial assets at fair value through profit or loss									
Listed investments	–	–	–	–	–	–	612 609	612 609	–
Listed ordinary shares	–	–	–	–	–	–	612 609	612 609	–
Unlisted investments	763 673	4 511	1 500	–	–	15 783	(783 456)	2 011	4 511
Unlisted ordinary shares	511	–	1 500	–	–	–	–	2 011	–
Unlisted preference shares	763 162	4 511	–	–	–	15 783	(783 456)	–	4 511
	763 673	4 511	1 500	–	–	15 783	(170 847)	614 621	4 511

	Balance at the beginning of the year R'000	Total gains/ (losses) in profit or loss statement R'000	Purchases R'000	Fair value adjust-ments R'000	Sales R'000	Impair-ment R'000	Transfer from/(to) other category R'000	Balance at the end of the year R'000	Total gains/ (losses) in profit or loss statement R'000
COMPANY									
2020									
Financial assets at fair value through profit or loss									
Interest in subsidiaries	45 432	–	–	(11 495)	–	–	–	33 937	(11 495)
Interest in associates	229 788	–	–	(15 384)	–	–	–	214 404	(15 384)
Listed investments	612 609	–	–	(154 993)	–	–	–	457 616	(154 993)
Listed ordinary shares	612 609	–	–	(154 993)	–	–	–	457 616	(154 993)
Unlisted investments	71 745	–	3 000	(14 936)	–	–	–	59 809	(14 936)
Unlisted ordinary shares	2 011	–	3 000	–	–	–	–	5 011	–
Unlisted preference shares	69 734	–	–	(14 936)	–	–	–	54 798	(14 936)
Total	959 575	–	3 000	(196 809)	–	–	–	765 766	(196 809)

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

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

	Balance at the beginning of the year R'000	Total gains/ (losses) in profit or loss statement R'000	Purchases R'000	Fair value adjust-ments R'000	Sales R'000	Impair-ment R'000	Transfer from/(to) other category R'000	Balance at the end of the year R'000	Total gains/ (losses) in profit or loss statement R'000
COMPANY									
2019									
Financial assets at fair value through profit or loss									
Interest in subsidiaries	49 867	(4 435)	6 658	–	–	(6 658)	–	45 432	(4 435)
Interest in associates	239 768	36 158	–	–	(46 138)	–	–	229 788	36 158
Listed Investments	–	–	–	–	–	–	612 609	612 609	–
Listed Ordinary Shares	–	–	–	–	–	–	612 609	612 609	–
Unlisted Investments	763 673	4 511	1 500	–	–	15 783	(783 456)	71 745	4 511
Unlisted Ordinary shares	511	–	1 500	–	–	–	–	2 011	–
Unlisted Preference shares	763 162	4 511	–	–	–	15 783	(783 456)	69 734	4 511
	1 053 308	36 234	8 158	–	(46 138)	9 125	(170 847)	959 574	36 234

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

	Carrying amount R'000	2% effect of reasonably possible alternative assumptions (+) R'000	2% effect of reasonably possible alternative assumptions (-) R'000
GROUP			
2020			
Financial assets at fair value through profit or loss			
Listed investments	**491 554**	**501 385**	**481 723**
Listed ordinary shares	**491 554**	**501 385**	**481 723**
Unlisted investments	**59 809**	**61 005**	**58 613**
Unlisted ordinary shares	**5 011**	**5 112**	**4 911**
Unlisted preference shares	**54 798**	**55 893**	**53 702**
	551 363	**562 390**	**540 336**
2019			
Financial assets at fair value through profit or loss			
Listed investments	612 609	624 861	600 357
Listed ordinary shares	612 609	624 861	600 357
Unlisted investments	71 745	73 180	70 311
Unlisted ordinary shares	2 011	2 052	1 971
Unlisted preference shares	69 734	71 129	68 339
	684 355	698 042	670 668

	Carrying amount R'000	2% effect of reasonably possible alternative assumptions (+) R'000	2% effect of reasonably possible alternative assumptions (-) R'000
COMPANY			
2020			
Financial assets at fair value through profit or loss			
Interest in subsidiaries	33 937	34 616	33 258
Interest in associates	214 404	218 692	210 116
Listed investments	457 616	466 769	448 464
Listed ordinary shares	457 616	466 769	448 464
Unlisted investments	59 809	61 005	58 613
Unlisted ordinary shares	5 011	5 112	4 911
Unlisted preference shares	54 798	55 893	53 702
Total	765 766	781 081	750 451
2019			
Financial assets at fair value through profit or loss			
Interest in subsidiaries	45 432	46 341	44 523
Interest in associates	229 788	234 384	225 192
Listed investments	612 609	624 861	600 357
Listed ordinary shares	612 609	624 861	600 357
Unlisted investments	71 745	73 180	70 311
Unlisted ordinary shares	2 011	2 052	1 971
Unlisted preference shares	69 734	71 129	68 339
Total	959 575	978 766	940 383

13. Insurance, loans and other receivables

	GROUP		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Insurance receivables – premium debtors	1 465 989	1 540 417	1 465 989	1 540 417
Other receivables	1 235	123 994	21 327	118 202
Total insurance and other receivables	1 467 224	1 664 412	1 487 316	1 658 619
Loans				
Interest-bearing loans	12 396	18 422	12 396	18 422
Interest-bearing loans to staff	2 264	11 025	2 264	11 025
Interest-bearing loans to other	10 132	7 397	10 132	7 397
Interest free loans	63 487	74 778	63 487	74 778
Interest-free loans to other	10 957	1 109	10 957	1 109
Interest-free loans to ESD	106 142	129 600	106 142	129 600
Interest-free impairment provisions	(53 612)	(55 931)	(53 612)	(55 931)
Total loans	75 883	93 200	75 883	93 200
Receivable from group companies	149 566	142 414	149 566	142 414
Impairment provision	(44 437)	(26 084)	(44 437)	(26 084)
Loans receivable from group companies	105 129	116 330	105 129	116 330
Insurance, loans and other receivables	1 648 236	1 873 942	1 668 327	1 868 149

	GROUP		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
13. Insurance, loans and other receivables (continued)				
The interest rates charged on the secured and unsecured loans comprise:				
80% Of prime	–	274	–	274
Prime plus 2%	3 212	72	3 212	72
Prime plus 5%	1 892	1 641	1 892	1 641
Prime plus 6%	5 028	6 950	5 028	6 950
Interest at 6.5%	–	2 016	–	2 016
Interest at 7%	–	7 469	–	7 469
South African Revenue Service (SARS) rate	2 264	–	2 264	–
Interest-free loans	63 487	74 779	63 487	74 779
Loans receivable	**75 883**	**93 200**	**75 883**	**93 200**
The repayments terms of secured and unsecured loans comprise:				
90 days after notice	10 957	1 302	10 957	1 302
Repaid quarterly	5 028	–	5 028	–
Specific date	7 367	10 169	7 367	10 169
No fixed terms of repayment	52 531	81 729	52 531	81 729
Loans receivable	**75 883**	**93 200**	**75 883**	**93 200**
14. Deferred taxation				
Deferred income tax assets				
Deferred income tax to be recovered within 12 months	106 811	103 609	106 811	103 609
Deferred income tax assets	**106 811**	**103 609**	**106 811**	**103 609**
Balance at the beginning of the year	**103 609**	**85 196**	**103 609**	**85 196**
Movement during the year attributed to:				
Prior year provisions	129	–	129	–
Provisions	3 073	18 413	3 073	18 413
Balance at the end of the year	**106 811**	**103 609**	**106 811**	**103 609**
Balance comprises:				
Provisions	106 811	103 609	106 811	103 609
Balance	**106 811**	**103 609**	**106 811**	**103 609**
Deferred income tax liabilities				
Deferred income tax to be recovered after 12 months	131 630	208 402	121 393	199 333
Deferred income tax liabilities	**131 630**	**208 402**	**121 393**	**199 333**
Balance at the beginning of the year	**208 401**	**234 071**	**199 333**	**223 311**
Movement during the year attributed to:				
Prior year over provision	(7 586)	–	(7 586)	–
Unrealised gain or losses on assets at fair value through profit/loss	(69 185)	(25 669)	(70 354)	(23 978)
Balance at the end of the year	**131 630**	**208 402**	**121 393**	**199 333**
Balance comprises:				
Unrealised gain or losses on assets at fair value through profit/loss	131 630	208 402	121 393	199 333
Deferred income tax liability – balance	**131 630**	**208 402**	**121 393**	**199 333**
15. Cash and cash equivalents				
Cash on call	2 289 989	1 940 938	2 289 989	1 940 938
Cash at bank	933 930	614 406	933 485	614 695
Cash on deposit	10 258	20 397	10 102	20 241
Cash on hand	58	52	57	52
Cash and cash equivalents	**3 234 235**	**2 575 793**	**3 233 633**	**2 575 926**

Included in cash and cash equivalents is collateral of R274 million (2019: Nil) held by Hollard in a Hollard named account with Investec, on behalf of Hollard's clients . The collateral will be utilised to offset in the event of a claim and Hollard holds a legal right by way of an indemnity from their client. The funds cannot be released without Hollard's consent. The funds can without consent in the event of a claim be released directly back to Hollard.

	GROUP		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000

16. Non-current assets and liabilities held-for-sale

	GROUP 2020 R'000	GROUP 2019 R'000	COMPANY 2020 R'000	COMPANY 2019 R'000
The Group and Company hold the following assets as held-for-sale:				
Investment in Hollard Mocambique Companhia de Seguros	1 188 328	1 031 624	152 433	162 448
	1 188 328	1 031 624	152 433	162 448
The Group and Company hold the following liability as held-for-sale:				
Subsidiaries held-for-sale	842 286	754 378	–	–
	842 286	754 378	–	–

This investment is expected to be sold within the next 12 months is carried at the lower of carrying value or fair value less cost to sell.

Listed below are the assets and liabilities that are recognised in the subsidiary held-for-sale:

	GROUP	
	2020 R'000	2019 R'000
Assets		
Property and equipment	2 433	1 043
Intangible assets	2 595	5 081
Investment in associates	14 846	–
Financial assets	557 723	221 992
Reinsurance assets	336 753	411 044
Insurance, loans and other receivables	137 302	66 306
Deferred acquisition cost	30 982	21 495
Deferred taxation	17 312	11 430
Current income taxation	18 926	19 448
Cash and cash equivalents	68 390	272 633
Non-current assets held-for-sale	1 066	1 152
	1 188 328	1 031 624
Liabilities		
Insurance liabilities	594 075	567 602
Reinsurance liabilities	144 391	92 304
Provisions	12 583	9 692
Trade and other payables	69 609	69 239
Deferred taxation	12 446	8 739
Current income taxation	9 182	6 802
	842 286	754 378

17. Share capital and premium

	GROUP 2020 R'000	GROUP 2019 R'000	COMPANY 2020 R'000	COMPANY 2019 R'000
Authorised				
6 000 000 ordinary shares	12 000	12 000	12 000	12 000
3 000 000 preference shares – Class A	3 000	3 000	3 000	3 000
2 999 999 preference shares – Class B	3 000	3 000	3 000	3 000
	18 000	18 000	18 000	18 000
Issued and fully paid				
4 914 999 ordinary shares	1 580 687	1 580 687	1 580 687	1 580 687
3 000 000 preference shares – Class A	3 000	3 000	3 000	3 000
2 999 999 preference shares – Class B	3 000	3 000	3 000	3 000
	1 586 687	1 586 687	1 586 687	1 586 687
Share premium	55 914	55 914	55 914	55 914
Issued shared capital	1 642 601	1 642 601	1 642 601	1 642 601

18. Insurance liabilities and reinsurance assets

	GROUP 2020 R'000	GROUP 2019 R'000	COMPANY 2020 R'000	COMPANY 2019 R'000
Gross				
Claims reported and loss adjustment expenses	1 840 262	2 122 986	1 840 262	2 122 986
Claims incurred but not yet reported	838 726	584 610	838 726	584 610
Unearned premium provision	2 156 327	2 054 250	2 156 327	2 054 250
Cash back reserve	69 652	77 375	69 652	77 375
Total gross insurance liabilities	4 904 967	4 839 221	4 904 967	4 839 221
Recoverable from reinsurers				
Claims reported and loss adjustment expenses	486 076	867 525	486 076	867 525
Claims incurred but not yet reported	125 671	118 228	125 671	118 228
Unearned premium provision	523 011	460 122	523 011	460 122
Reinsurance paid loss recoveries	546 401	565 178	546 401	565 178
Total reinsurers' share of insurance liabilities	1 681 159	2 011 054	1 681 159	2 011 054
Net				
Claims reported and loss adjustment expenses	1 354 186	1 255 462	1 354 186	1 255 462
Claims incurred but not yet reported	713 055	466 381	713 055	466 381
Unearned premium provision	1 633 316	1 594 127	1 633 316	1 594 127
Cash back reserve	69 652	77 375	69 652	77 375
Reinsurance paid loss recoveries	(546 401)	(565 178)	(546 401)	(565 178)
Total insurance liabilities – net	3 223 808	2 828 167	3 223 808	2 828 167

Movement in insurance liabilities and reinsurance assets

	2020 Gross R'000	2020 Recoverable from reinsurers R'000	2020 Net R'000	2019 Gross R'000	2019 Recoverable from reinsurers R'000	2019 Net R'000
Claims reported and loss adjustment expenses						
GROUP AND COMPANY						
Balance at the beginning of the year	2 122 986	867 525	1 255 462	2 383 751	1 382 791	1 000 960
Claims paid	(5 140 869)	(990 472)	(4 150 397)	(5 253 562)	(1 213 166)	(4 040 396)
Claims incurred	4 858 145	609 024	4 249 121	4 992 796	697 936	4 294 861
Balance at the end of the year	1 840 262	486 077	1 354 186	2 122 985	867 561	1 255 425
Claims incurred but not yet reported						
GROUP AND COMPANY						
Balance at the beginning of the year	584 610	118 228	466 381	701 675	165 858	535 817
Movement for the year	254 116	7 443	246 673	(117 066)	(47 630)	(69 435)
Balance at the end of the year	838 726	125 671	713 054	584 609	118 228	466 382
Unearned premium provision						
GROUP AND COMPANY						
Balance at the beginning of the year	2 054 250	460 122	1 594 127	1 684 031	402 618	1 281 412
Movement for the year	102 077	62 888	39 189	370 219	57 504	312 715
Balance at the end of the year	2 156 327	523 011	1 633 316	2 054 250	460 122	1 594 127
Cash back reserve						
GROUP AND COMPANY						
Balance at the beginning of the year	77 375	–	77 375	71 918	–	71 918
Movement for the year	(7 723)	–	(7 723)	5 457	–	5 457
Balance at the end of the year	69 652	–	69 652	77 375	–	77 375

	2020 Gross R'000	2020 Recoverable from reinsurers R'000	2020 Net R'000	2019 Gross R'000	2019 Recoverable from reinsurers R'000	2019 Net R'000
Reinsurance paid loss recoveries						
GROUP AND COMPANY						
Balance at the beginning of the year	–	565 178	(565 178)	–	801 193	(801 193)
Movement for the year	–	(18 777)	18 777	–	(236 015)	236 015
Balance at the end of the year	–	546 401	(546 401)	–	565 178	(565 178)
Total						
GROUP AND COMPANY						
Balance at the beginning of the year	4 839 221	2 011 054	2 828 167	4 841 376	2 752 461	2 088 915
Claims paid	(5 140 869)	(990 472)	(4 150 397)	(5 253 562)	(1 213 166)	(4 040 396)
Claims incurred	4 858 145	609 024	4 249 121	4 992 796	697 936	4 294 860
Movement for the year	348 470	51 553	296 917	258 611	(226 177)	484 788
Balance at the end of the year	4 904 967	1 681 159	3 223 808	4 839 221	2 011 054	2 828 167

Exposure to insurance risk

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

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

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

Property

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

Accident

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

Personal accident

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

Motor

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

Engineering

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

Marine

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

18. Insurance liabilities and reinsurance assets (continued)

Movement in insurance liabilities and reinsurance assets (continued)

Liability

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

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

Gross written premiums per class of business

	GROUP		COMPANY	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Property	**3 995 442**	3 852 132	**3 983 283**	3 852 132
Transportation	**426 745**	402 698	**412 731**	402 698
Motor	**4 303 649**	4 607 410	**4 014 306**	4 109 769
Accident and health	**319 537**	179 684	**144 965**	179 684
Guarantee	**794 307**	826 209	**791 442**	826 209
Liability	**901 186**	676 489	**854 410**	676 489
Engineering	**726 445**	557 990	**605 880**	557 990
Agriculture	**12 235**	9 709	**12 208**	9 709
Miscellaneous	**231 928**	213 390	**231 785**	241 361
Total	**11 711 472**	11 325 711	**11 051 010**	10 856 041

Premium by country

	GROUP	
	2020 R'000	2019 R'000
South Africa	**11 051 009**	10 856 041
Foreign	**660 463**	469 670
Total	**11 711 472**	11 325 711

Limiting exposure to insurance risk

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

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

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

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

Reinsurance governance

The Group and Company have implemented an integrated risk management framework to manage risk in accordance with the Group's and Company's risk appetite. The Group Reinsurance Committee was integrated into the Group Actuarial Committee (ACTCOMM) in March 2018, with this Board subcommittee providing oversight of reinsurance activities.

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

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

Reinsurance strategy

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

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

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

Risk retention parameters

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

Counterparty risk and SAM Equivalence

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

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

Process used to determine significant assumptions

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

Claim provisions

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

Notified claims

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

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

Claims incurred but not yet reported (IBNR)

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

The Company's internal actuaries review the adequacy of the Company's claims provisions. The chain ladder method which involves the analysis of historical claims development factors and the selection of the estimated development factors based on the historical pattern is used to assess the adequacy of the reserves.

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

Sensitivity for IBNR

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

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

18. Insurance liabilities and reinsurance assets (continued)

Movement in insurance liabilities and reinsurance assets (continued)

Sensitivity for IBNR (continued)

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

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

The analysis was concluded for the whole account, where data was available, as well as just the commercial property book in the branches business.

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

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

	2020 Amount R'000	2020 Difference R'000	2019 Amount R'000	2019 Difference R'000
Differing percentiles				
Whole book Net IBNRs are held at the 75th percentile				
If the IBNRs were held at best estimate	300 266	(162 789)	317 694	(148 688)
If the IBNRs were held at the 75th percentile	463 055	–	466 381	–
If the IBNRs were held at the 90th percentile	570 942	107 887	602 602	136 221
The Commercial Property Net IBNRs are held at the 75th percentile				
If the IBNRs were held at best estimate	16 141	(8 852)	19 374	(10 568)
If the IBNRs were held at the 75th percentile	24 993	–	29 941	–
If the IBNRs were held at the 90th percentile	33 137	8 145	40 763	10 822
Sensitivities for IBNR due to COVID-19				
Whole book frequency/severity assumptions (base: 75th percentile)				
Unchanged	463 055	–	466 381	–
If the attritional and large loss frequency or severity assumptions were increased by 5%	480 458	17 403	485 569	19 188
If the attritional and large loss frequency or severity assumptions were increased by 10%	494 984	31 929	504 758	38 376
Differing discount rates				
Whole book discounted (base: 75th percentile)				
If the interest rate curve was adjusted down by 2% across all durations	470 048	6 993	473 690	7 309
If the interest rate curve was adjusted down by 1% across all durations	468 320	5 265	471 279	4 897
Unchanged	463 055	–	466 381	–

Unearned premium provisions

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

Business interruption claims

The Company has raised net claims provisions of R267 million at 30 June 2020 as its best estimate of exposure relating to policies with business interruption extensions. A high level of uncertainty however remains regarding the potential outcome of legal proceedings and the ensuing valuation of these claims.

The Company's view (supported by external legal opinion) is that the national lockdown is not an insurable cause for business interruption, nor a basis to quantify claims, and that there must be the presence of the disease on the premises or within a specified radius, resulting in a temporary closure of business which directly causes the business interruption. This view is aligned to the position assumed by most insurers globally. Due to this, urgent legal actions were brought by policyholders against insurers requesting a declaratory order from the courts to interpret the policy wording and determine whether the lockdown is a covered cause in terms of the policy. In the first court case heard in the South African Market, the ruling was in favour of the policyholder. The ruling is however not binding throughout South Africa but only in the Western Cape where the matter was heard and the appeal is to be heard in the Supreme Court of Appeal (SCA) on 23 November 2020. Another South African Insurer's case was heard in the Western Cape High Court on 1 September 2020, the outcome which is still outstanding as at the date of issuing the annual financial statements of The Hollard Insurance Company. There have also been other subsequent cases in the Gauteng High Court in Johannesburg and Pretoria where no decisions have yet been handed down. To date, the courts have primarily reviewed the lockdown as a potential claim event, with all cases being silent on the event duration and quantum. None of the actions brought against The Hollard Insurance Company have been heard in court yet.

Should the courts rule to cover lockdown, claims under such policies containing the contagious disease extension will become payable. The rulings will also need to address some key uncertainties to enable appropriate valuation and treatment of such claims, namely:

- The definition of a claim event and what would constitute a disease incidence on the policyholder's insured premises;
- The period of the claim event given the different levels of lock-down imposed by government and their varying conditions;
- The quantum of the claim which requires determination of loss of profits directly attributable to the event;
- Reinsurance programme responding to claims events which are dependent on the underlying gross claim definitions determined by the Courts.

Quantification of the exposure based on the above uncertainties result in a range of outcomes, varying from low exposures to material impact. Management have assessed legal advice obtained and have modelled scenarios net of reinsurance in assessing the potential impact.

The Hollard Insurance Company has assessed the potential impact on its capital position and the regulatory solvency position remains at an acceptable level under the various scenarios modelled.

The Company has engaged with the Prudential Authority, shareholders and relevant stakeholders on the scenario planning amidst the range of uncertainties and possible actions.

Cash back provisions

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

19. Non-distributable reserve

	GROUP	
	2020 R'000	2019 R'000
Non-distributable reserves consist of:		
Revaluation reserve	**1 193**	1 193
Movements for the year were as follows:		
Balance at the beginning of the year	**1 193**	1 356
Impact of transition adjustment, net of taxation	**–**	–
Restated balance at the beginning of the year	**1 193**	1 356
Transfer to/from other reserve	**–**	(163)
Balance at end of year	**1 193**	1 193

20. Foreign currency translation reserve

	GROUP	
	2020 R'000	2019 R'000
Balance at the beginning of the year	**2 674**	10 074
Exchange differences on transactions of foreign operations	**25 510**	(7 400)
Balance at end of year	**28 184**	2 674

21. Borrowings

	GROUP		COMPANY	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Current borrowings				
Current unsecured borrowings – non-interest-bearing	**–**	232	**–**	–
Total	**–**	232	**–**	–
Long term borrowings				
Long term funding	**600 354**	600 354	**600 000**	600 000
Long term interest	**569**	452	**569**	452
Total	**600 923**	600 806	**600 569**	600 452

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

	Leave pay R'000	Bonus R'000	Other R'000	Provisions R'000
22. Provisions				
GROUP				
2020				
Balance at the beginning of the year	31 845	242 553	–	274 398
Additional provisions raised during the year	17 419	8 335	612	26 366
Utilised during the year	(11 552)	(116 418)	–	(127 970)
Balance at the end of the year	37 712	134 470	612	172 794
2019				
Balance at the beginning of the year	30 433	206 483	–	236 916
Additional provisions raised during the year	161 209	–	161 209	322 418
Utilised during the year	(5 509)	(118 218)	–	(123 727)
Balance at the end of the year	186 133	88 265	161 209	435 607
COMPANY				
2020				
Balance at the beginning of the year	31 845	242 553	–	274 398
Additional provisions raised during the year	17 419	8 335	–	25 754
Utilised during the year	(11 552)	(116 418)	–	(127 970)
Balance at the end of the year	37 712	134 470	–	172 182
2019				
Balance at the beginning of the year	30 433	206 483	–	236 916
Additional provisions raised during the year	161 209	161 209	161 209	483 627
Utilised during the year	(11 018)	(236 436)	–	(371 181)
Balance at the end of the year	180 624	131 256	161 209	349 362

	GROUP 2020 R'000	GROUP 2019 R'000	COMPANY 2020 R'000	COMPANY 2019 R'000
23. Employee benefits				
Balance at the beginning of the year	274 398	236 916	274 398	236 916
Movement	(101 714)	37 482	(102 216)	37 482
Additional provisions raised during the year	26 256	161 209	25 754	161 209
Utilised during the year	(127 970)	(123 727)	(127 970)	(123 727)
Balance at the end of the year	172 684	274 398	172 182	274 398
24. Trade and other payables				
Trade payables	52 637	77 711	53 054	82 848
VAT payable	48 811	51 736	48 811	51 736
Sundry creditors	1 151 103	662 934	1 107 054	610 511
Lease liability	209 496	2 099	209 496	2 099
Due to group company	(83 892)	(21 622)	(70 758)	(12 051)
Trade and other payables	1 378 155	772 858	1 347 657	733 044
25. Dividends and interest				
Interest received				
Interest received – financial assets at amortised cost	147 175	146 383	147 175	146 383
Interest received on call deposits	133 352	130 986	133 352	130 986
Sundry interest received	13 823	15 397	13 823	15 397
Interest received – financial assets at fair value through profit or loss	109 832	107 883	62 662	56 168
Interest received on investments	70 112	80 120	23 681	28 405
Interest received from bank	40 245	27 600	40 245	27 600
Sundry interest received	(1 460)	163	(1 461)	163
Interest received on call deposits	738	–	–	–
Other interest received	197	–	197	–
Total interest received	257 007	254 266	209 836	202 551

	GROUP		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Dividends received				
Dividends received – listed	58 082	56 072	58 082	56 072
– Listed ordinary shares	46 088	44 082	46 088	44 082
– Listed preference shares	11 994	11 990	11 994	11 990
Dividends received – unlisted	81 962	92 437	96 192	138 575
– Unlisted ordinary shares	3 323	3 000	17 552	49 138
– Unlisted preference shares	75 528	86 287	75 528	86 287
– Unlisted unit trust	3 112	3 150	3 112	3 150
Dividends received – associates and subsidiaries	5 436	3 194	–	–
Total dividends received	142 180	148 702	154 273	194 646
Total interest received and dividend income	399 187	402 968	364 109	397 197
Interest paid				
Interest paid – collateral deposit	4 306	4 584	–	–
Interest paid – general	75 063	56 618	75 063	56 618
Interest paid – SARS	–	1 646	–	1 646
Interest paid from Treasury reserves	2 915	17 627	2 915	17 627
Total interest paid	82 284	80 475	77 977	75 891

26. Deferred acquisition cost

	GROUP 2020 R'000	GROUP 2019 R'000	COMPANY 2020 R'000	COMPANY 2019 R'000
Deferred commission and acquisition costs net of reinsurance	113 681	109 765	113 681	109 765
Current	113 681	109 765	113 681	109 765
Reconciliation of changes in acquisition costs				
Balance at the beginning of the year	109 765	116 443	109 765	116 443
Acquisition costs deferred during the year	100 258	101 872	100 258	101 872
Acquisition costs expensed during the year	(96 342)	(108 550)	(96 342)	(108 550)
Balance at the end of the year	113 681	109 765	113 681	109 765

27. Claims development triangle

	Claims paid in respect of:								
Reporting year	Total R'000	2020 R'000	2019 R'000	2018 R'000	2017 R'000	2016 R'000	2015 R'000	2014 R'000	2013 and earlier R'000
Claims development tables									
Gross Actual claims costs									
2020	5 140 869	3 977 239	720 646	215 846	157 542	56 768	12 541	288	–
2019	5 291 293	–	4 275 208	585 575	233 585	116 368	45 378	23 736	11 442
2018	6 326 831	–	–	4 466 794	1 676 791	138 797	28 185	5 155	11 108
2017	6 646 778	–	–	–	4 791 745	1 673 813	100 593	26 144	54 483
2016	5 972 887	–	–	–	–	3 994 269	1 739 521	187 651	51 445
2015	5 209 087	–	–	–	–	–	4 017 569	1 127 986	63 532
2014	4 159 987	–	–	–	–	–	–	3 513 019	646 968
2013	2 620 643	–	–	–	–	–	–	–	2 620 643
Claims development tables – reporting year	41 368 374	3 977 239	4 995 854	5 268 215	6 859 664	5 980 015	5 943 787	4 883 979	3 459 621
Net actual claims costs									
2020	4 150 396	3 240 503	553 592	154 288	142 253	48 898	10 547	313	–
2019	4 089 322	–	3 318 872	444 489	177 738	86 900	34 207	18 174	8 941
2018	4 560 986	–	–	3 422 536	1 050 394	71 579	11 136	151	5 191
2017	4 700 554	–	–	–	3 504 387	1 084 856	69 899	23 567	17 845
2016	4 605 863	–	–	–	–	3 582 355	939 705	65 565	18 238
2015	4 261 705	–	–	–	–	–	3 423 731	811 316	26 658
2014	3 393 779	–	–	–	–	–	–	2 874 337	519 442
2013	2 130 371	–	–	–	–	–	–	–	2 130 371
Claims development tables – reporting year	31 892 976	3 240 503	3 872 464	4 021 313	4 874 772	4 874 588	4 489 225	3 793 424	2 726 685

	GROUP		COMPANY	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
28. Realised profits/(losses) on disposal of investments and other financial assets				
Unlisted investments	**–**	5 132	**–**	5 132
Listed investments	**402**	(9 374)	**402**	(9 374)
	402	(4 242)	**402**	(4 242)
Net realised (losses)/profits on fair value through profit or loss	**402**	(4 242)	**402**	(4 242)
29. Unrealised profits/(losses) on revaluation of investments and other financial assets				
Unlisted investments	**(38 362)**	86 105	**(5 545)**	86 103
Listed investments	**(186 509)**	(37 404)	**(186 509)**	(37 404)
	(224 870)	48 701	**(192 054)**	48 699
Net unrealised profits/(losses) on fair value through profit or loss assets	**(224 870)**	48 701	**(192 054)**	48 699

	2020			2019		
	Company R'000	**Rest of Group R'000**	**Total R'000**	Company R'000	Rest of Group R'000	Total R'000
30. Profit before taxation						
Profit before taxation is determined after charging:						
Directors and prescribed officers emoluments						
Executive directors						
Director A						
Basic salary	**1 512**	**4 536**	**6 048**	1 463	4 389	5 852
Bonus and performance related payments	**2 385**	**7 155**	**9 540**	1 853	5 559	7 412
Estimated monetary value of other benefits	**30**	**90**	**120**	20	60	80
Pension/provident fund contributions	**171**	**513**	**684**	164	492	656
	4 098	**12 294**	**16 392**	3 500	10 500	14 000
Director B						
Basic salary	**904**	**2 712**	**3 616**	646	1 938	2 584
Bonus and performance related payments	**1 358**	**4 074**	**5 432**	168	504	672
Estimated monetary value of other benefits	**38**	**114**	**152**	27	81	108
Pension/provident fund contributions	**105**	**315**	**420**	75	225	300
	2 405	**7 215**	**9 620**	916	2 748	3 664
Director C						
Basic salary	**–**	**–**	**–**	263	789	1 052
Bonus and performance related payments	**–**	**–**	**–**	1 321	3 963	5 284
Estimated monetary value of other benefits	**–**	**–**	**–**	11	33	44
Pension/provident fund contributions	**–**	**–**	**–**	30	90	120
	–	**–**	**–**	1 625	4 875	6 500
Non-executive directors						
Director A	**38**	**116**	**154**	178	534	712
Director B	**37**	**113**	**150**	157	472	629
Director C	**325**	**975**	**1 300**	221	665	886
Director D	**271**	**815**	**1 086**	226	680	906
Director E	**147**	**441**	**588**	153	460	613
Director F	**201**	**604**	**805**	194	582	776
Director G	**277**	**831**	**1 108**	304	912	1 216
Director H	**137**	**410**	**547**	130	391	521
Director I	**168**	**503**	**671**	–	–	–
	1 601	**4 808**	**6 409**	1 563	4 696	6 259

	2020 Company R'000	2020 Rest of Group R'000	2020 Total R'000	2019 Company R'000	2019 Rest of Group R'000	2019 Total R'000
Prescribed officer A						
Basic salary	2 362	787	3 149	2 285	761	3 046
Bonus and performance related payments	3 710	1 237	4 947	2 999	1 000	3 999
Estimated monetary value of other benefits	199	66	265	155	51	206
Pension/provident fund contributions	284	95	379	271	90	361
	6 555	2 185	8 740	5 709	1 902	7 611
Prescribed officer B						
Basic salary	–	–	–	322	965	1 287
Bonus and performance related payments	–	–	–	791	2 375	3 166
Estimated monetary value of other benefits	–	–	–	8	23	31
Pension/provident fund contributions	–	–	–	36	108	144
	–	–	–	1 157	3 471	4 628
Prescribed officer C						
Basic salary	2 336	779	3 115	2 227	742	2 969
Bonus and performance related payments	3 533	1 178	4 711	3 205	1 068	4 273
Estimated monetary value of other benefits	247	82	329	235	78	313
Pension/provident fund contributions	284	95	379	271	90	361
	6 400	2 134	8 534	5 937	1 978	7 915
Prescribed officer D						
Basic salary	–	–	–	727	2 180	2 907
Bonus and performance related payments	–	–	–	1 272	3 818	5 090
Estimated monetary value of other benefits	–	–	–	31	94	125
Pension/provident fund contributions	–	–	–	83	250	333
	–	–	–	2 113	6 342	8 455
Prescribed officer E						
Basic salary	722	2 166	2 888	645	1 937	2 582
Bonus and performance related payments	899	2 697	3 596	822	2 468	3 290
Estimated monetary value of other benefits	13	39	52	12	37	49
Pension/provident fund contributions	81	243	324	72	217	289
	1 715	5 145	6 860	1 551	4 659	6 210
Prescribed officer F						
Basic salary	577	1 731	2 308	553	1 658	2 211
Bonus and performance related payments	642	1 926	2 568	587	1 763	2 350
Estimated monetary value of other benefits	76	228	304	70	209	279
Pension/provident fund contributions	72	216	288	68	206	274
	1 367	4 101	5 468	1 278	3 836	5 114
Prescribed officer G						
Basic salary	2 349	783	3 132	2 240	746	2 986
Bonus and performance related payments	3 129	1 043	4 172	3 008	1 002	4 010
Estimated monetary value of other benefits	122	41	163	115	38	153
Pension/provident fund contributions	272	91	363	260	86	346
	5 872	1 958	7 830	5 623	1 872	7 495

	2020 Company R'000	2020 Rest of Group R'000	2020 Total R'000	2019 Company R'000	2019 Rest of Group R'000	2019 Total R'000

30. Profit before taxation (continued)

	2020 Company R'000	2020 Rest of Group R'000	2020 Total R'000	2019 Company R'000	2019 Rest of Group R'000	2019 Total R'000
Prescribed officer H						
Basic salary	3 325	1 108	4 433	2 366	788	3 154
Bonus and performance related payments	6 745	2 249	8 994	1 192	398	1 590
Estimated monetary value of other benefits	131	44	175	104	34	138
Pension/provident fund contributions	384	128	512	275	91	366
	10 585	3 529	14 114	3 936	1 311	5 247
Prescribed officer I						
Basic salary	874	2 622	3 496	757	2 269	3 026
Bonus and performance related payments	837	2 511	3 348	928	2 782	3 710
Estimated monetary value of other benefits	6	18	24	6	18	24
Pension/provident fund contributions	95	285	380	85	254	339
	1 812	5 436	7 248	1 776	5 324	7 100
Directors and prescribed officers emoluments	42 410	48 805	91 215	36 684	53 513	90 197

	GROUP 2020 R'000	GROUP 2019 R'000	COMPANY 2020 R'000	COMPANY 2019 R'000
Auditors remuneration				
Audit fees	10 852	8 989	9 190	7 163
	10 852	8 989	9 190	7 163
Depreciation – property and equipment				
Leasehold improvements	3 247	2 289	3 247	2 289
Motor vehicles	(6)	1 663	147	1 542
Office equipment	28 886	23 440	29 029	21 404
	32 127	27 392	32 422	25 235
Depreciation – right-of-use assets				
Property	35 472	–	35 472	–
Motor vehicles	1 219	–	1 219	–
Office equipment	91	–	91	–
	36 782	–	36 782	–
Expenses for the acquisition of insurance contracts				
Commission	970 604	955 966	943 146	901 306
Impairment losses on financial assets				
Impairment loss on loans to associates, subsidiaries and other	82 381	(571)	82 381	(571)
Impairment write-back on unlisted investment			–	–
Other expenditure				
Amortisation of intangible assets	53 739	68 369	50 889	65 685
Write-off of premium debtors	68 331	18 948	68 331	18 948
Administration fees paid	813 407	890 098	813 407	890 098
Professional fees	87 203	78 882	68 991	78 882
Operating lease rentals – building	(390)	41 329	(390)	41 329
Operating lease rentals – computer	3 685	9 740	3 685	9 740
Research and development	426	(2)	426	(2)

	GROUP		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000

31. Taxation

South African normal taxation				
Current year	202 180	235 309	181 265	217 392
Deferred tax expense				
Current year	(69 185)	(44 519)	(73 556)	(42 391)
Prior year	(7 586)	–	(7 457)	–
Taxation – withholding tax	1 057	4	1 057	4
Taxation	126 466	190 794	101 179	175 005

All taxation is payable in respect of continuing operations.

	GROUP		COMPANY	
	2020 %	2019 %	2020 %	2019 %
Tax rate reconciliation:				
Tax calculated at standard rate of South African tax on earnings	28	28	28	28
Adjusted for:				
– Normal taxation – prior year	–	1.30	(1.43)	1.30
– Exempt income on dividends not taxable	(6.81)	(11.35)	(15.58)	(11.35)
– Capital gains tax	(0.02)	3.10	0.03	3.10
– Unrealised gains not taxable	0.81	0.51	3.37	0.51
– Withholding taxation and STC	–	–	0.25	–
– Other non-taxable income/non-deductable expenses	0.77	2.35	9.62	2.65
Tax rate reconciliation	22.75	23.92	24.26	24.22

	GROUP		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000

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

Profit before tax	508 224	793 417	418 180	719 857
Adjustments for:				
Depreciation	73 164	27 351	73 164	27 351
Write-off of loans	–	9 042	–	9 042
Intangible asset amortisation	51 772	66 843	51 772	66 843
Intangible asset impairment	9 995	24 548	9 995	24 548
Investment income	(399 186)	(402 968)	(364 109)	(397 197)
(Profit)/loss on disposal of investments	(402)	4 242	(402)	4 242
Fair value adjustments	–	25 135	–	25 135
Unrealised loss on revaluation of listed investments	186 509	37 404	186 509	37 404
Unrealised loss/(gain) on revaluation of unlisted investments	22 977	(86 105)	(31 350)	(97 158)
Unrealised loss on revaluation of associate	15 384	–	15 384	9 980
Unrealised loss on revaluation of subsidiary	–	–	11 495	11 093
Unrealised loss on revaluation of non-current assets held-for-sale	–	–	10 016	(10 017)
Impairment allowances on premium debtors	95 329	110 461	95 329	110 461
Interest expense	82 284	80 475	77 977	75 891
Share of profits in associates	(42 635)	(50 544)	–	–
Operating cash flows before working capital changes	603 415	639 301	553 961	617 475

	GROUP		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
32. Reconciliation of profit before taxation to cash generated from operation (continued)				
Working capital changes	640 695	391 613	710 271	442 290
Decrease/(increase) in insurance receivables, loans and other receivables	130 378	(157 924)	104 494	(153 739)
(Decrease)/increase in cash back reserve	(7 723)	5 457	(7 723)	5 457
(Decrease)/increase in other provisions	(101 604)	37 482	(102 216)	37 482
Net movement on non-asset held for sale	(70 039)	(54 703)	–	–
Decrease in reinsurance assets	329 895	741 407	329 895	741 407
(Increase)/decrease in deferred acquisition costs	(3 916)	6 677	(3 916)	6 677
Decrease in reinsurance liabilities	(99 077)	(147 577)	(99 077)	(147 577)
(Decrease) in net outstanding claims and IBNR	(28 608)	(377 830)	(28 608)	(377 830)
Increase in unearned premiums	102 077	370 219	102 077	370 219
Increase/(decrease) in trade and other accounts payable	389 313	(31 594)	415 346	(39 805)
Cash generated from operations	**1 244 110**	**1 030 914**	**1 264 232**	**1 059 765**
33. Dividends paid				
Amount declared in statement of changes in equity	(451 710)	(414 089)	(451 710)	(414 089)
Cash amounts paid	**(451 710)**	**(414 089)**	**(451 710)**	**(414 089)**
34. Dividends received				
Amount received per income statement	142 180	148 702	154 273	194 646
Cash amounts received	**142 180**	**148 702**	**154 273**	**194 646**
35. Taxation paid				
Amount due at beginning of year	(133 945)	(464 053)	(124 858)	(453 276)
Amount charged to income statement	(126 466)	(190 794)	(101 179)	(175 005)
Amount due at end of year	48 121	133 945	37 892	124 858
Cash amounts paid	**(212 290)**	**(520 903)**	**(188 145)**	**(503 424)**
Amounts due at end of year comprised as follows:				
Deferred taxation asset	(106 811)	(103 609)	(106 811)	(103 609)
Deferred taxation liability	131 630	208 401	121 393	199 333
Current income taxation asset	(8)	(8)	–	–
Current income taxation liability	23 310	29 160	23 310	29 134
	48 121	133 944	37 892	124 858
36. Capital expenditure				
The following capital expenditure budget has been approved by the Board for the financial year ending 30 June 2021				
Furniture, office equipment and computer hardware and software	134 993	160 612	134 993	160 612
37. Lease – low value items				
During the current financial year, the Group incurred lease payments for the following low value leased assets				
Computers	3 685	9 740	3 685	9 740
Printers	473	(262)	473	(262)

38. Contingent liabilities

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

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

39. Staff pension and provident fund

The Company has both a defined contribution pension fund (Hollard Employees Pension Fund) and a defined contribution provident fund (Hollard Employees Provident fund). The contribution to these funds by the Company and employees against income for the year was R11 156 796 (2019: R10 635 491) and R22 005 338 (2019: R20 812 855) respectively.

The number of employees that are members of these funds are 1 160 (2019: 1 208).

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

40. Related party transactions

Related party relationships exist between the Group, fellow subsidiaries, associated companies and the holding company.

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

Listed below are details of related party balances and transactions:

	COMPANY			
	Sum insured		UPR	
Guarantee policies issued	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Affiliated companies:				
Advantage Motor Plan (Pty) Ltd	–	10 000	10 000	10 000
NER Estates – Zanray Investments	6 141	6 141	–	–
Brokoop Insurance Brokers (Pty) Ltd	2 746	2 746	–	–
UTZ Consulting (Pty) Ltd	–	300	–	–
PWV Insurance Brokers	37 930	37 930	–	–
Sapcor (Pty) Ltd	–	14 800	–	–
Insurance Zone Insurance Brokers (Pty) Ltd	13 469	13 469	–	–
RBS	30 000	35 500	–	–
NMG and C&A Holdings	25 000	25 000	–	–
Harambee Youth Employment Accelerator	959	959	–	–
Cluff Mining	175	175	–	–
Frame Textile – Seardel Group	50	50	–	–

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

	2020 R'000	2019 R'000
Loans (from)/to related parties	(482 343)	(445 312)
Loans to subsidiaries	1 664	1 664
Loans to Hollard Specialist Insurance	443	34 898
Loans (from)/to Hollard Specialist Life Assurance	–	410
Loans to Syndicate Investments (Pty) Ltd	66 026	61 225
Loans to Syringa Tree (Pty) Ltd	27 193	24 768
Loans (from)/to ITOO	(561)	13 418
Loans from Sandolive Investments (Pty) Ltd	–	(6 999)
Loans to SMART (Pty) Ltd	5 247	5 247
Loans to Hollard Holdings(Pty) Ltd	15 001	15 008
Loans from Fundco (RF) (Pty) Ltd*	(600 569)	(600 299)
Loan to C Shorter	–	2 480
Loan to G Venter	3 212	2 868

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

	COMPANY	
	UPR	
	2020 R'000	2019 R'000
40. Related party transactions (continued)		
Management fees		
– Paid to Hollard Life Assurance Company Limited	217 656	208 965
Dividends		
– Dividends received from related parties	3 300	49 138
Interest		
– Interest received from related parties	4 306	4 584
Investment policy with		
– The Hollard Life Assurance Company Limited	1 171 284	1 090 854
Key management compensation		
– Salaries, bonuses and other short-term employee benefits	58 794	59 774
(Key management refers to prescribed officers excluding executive directors)		
Other transactions		
– Rent paid to Hollard Life Assurance Company Limited	29 627	27 433

Refer to notes 9 and 10 of these annual financial statements for details of loans with group companies.

41. Going concern

The directors have assessed the Group's ability to continue as a going concern. As at the 30 June 2020, the Group had a strong net asset value and liquidity position. The COVID-19 pandemic and the resultant uncertain economic environment and financial market volatility caused by it, has created uncertainty in the operating environment of the Group and the requirement to closely monitor the position going forward.

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

Further to this, the Group has evaluated numerous downside scenarios and stress tests, considering the impact of relief measures provided, higher mortality and lapse risk; adverse outcomes of legal cases relating to business interruption claims, adverse catastrophe experience; market volatility and the enduring impact of COVID-19 on the business. Under these scenarios, we have identified mitigating recovery actions that can be taken to restore the capital and liquidity to the Group's target range.

The Group has responded to the pandemic through initiatives including but not limited to:

- The formation of a dedicated task force to implement a coordinated response across the business to ensure the health, safety and wellbeing of all stakeholders;
- The implementation of business continuity plans to minimise the spread of the virus
- On-going close monitoring of the Group's liquidity position;
- The deferment of dividend declarations;
- Addressing regulatory challenges posed by the pandemic with regards to tax and solvency requirements with the appropriate authorities and regulators; and
- Engaged with debt funding providers regarding financial and liquidity covenants.

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

42. Subsequent events

On 24 July 2020, the Company announced the decision to provide financial relief to small and medium businesses policyholders who enjoyed contagious disease cover on their business interruption policies. These relief payments were intended to assist the cashflow of such policyholders until such time as legal clarity is obtained from the Supreme Court of Appeal. These payments do not constitute an indemnity payment under a contract of insurance. The applicable criteria for such applications were communicated to the policyholders at the time and payments commenced during the first week of August.

The relief payments will not be recovered from policyholders should the courts agree with the Company's view that no claim is payable in terms of the policy. Should the courts decide that losses associated with the national lockdown are legally claimable in terms of the Company's contagious disease extension, the relief payments will be regarded as the first payment towards the Company extinguishing its final liability as may be determined.

An amount of R250 million was included in the results as the best estimate.

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

DIRECTORATE AND ADMINISTRATION

Directorate

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

Non-executive Chairman	ADH Enthoven
Group Chief Executive Officer	S Ntombela
Group Chief Financial Officer	DJ Viljoen
Non-executive director	NG Kohler
Independent non-executive director	R Fihrer
Independent non-executive director	MR Bower
Independent non-executive director	BF Mohale (resigned 30 July 2019)
Independent non-executive director	AS Nkosi
Independent non-executive director	B Ngonyama
Independent non-executive director	S Patel
Independent non-executive director	NV Simamane
Independent non-executive director	SC Gilbert (resigned 31 August 2019)
Independent non-executive director	MS Classen (appointed 30 June 2020)

Administration

Company Secretary

Corpstat Governance Services (Pty) Ltd

Public Officer

U Murphy

Compliance Officer

W Luus

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
5 Magwa Crescent
Waterfall City
Waterfall
Docex 10 Johannesburg

Registration number

1952/003004/06

www.hollard.co.za