

# Hollard.

## Hollard Holdings Proprietary Limited and consolidated annual financial statements



The annual financial statements have been prepared by the Technical Specialist and Group Accountant, Shanty Khosa (CA(SA)), under the supervision of the Head: Group Reporting, Deon Naidoo (CA(SA)).

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# DIRECTORS' RESPONSIBILITY STATEMENT AND APPROVAL OF ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2023

In terms of the Companies Act of South Africa, the directors are required to maintain adequate accounting records and to prepare annual financial statements that fairly present the financial position at year-end and the results and cash flows for the year of Hollard Holdings (Pty) Limited (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 and Company's annual financial statements.

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

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

These annual financial statements, set out on pages 5 to 70, have been approved by the Board of the Company and are signed on its behalf by



**W Lategan**  
Director

6 February 2024



**D Viljoen**  
Director

6 February 2024

## Certification by Company Secretary

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



**A Allardyce**  
Company Secretary

6 February 2024

# INDEPENDENT AUDITOR'S REPORT

for the year ended 30 June 2023

## To the Shareholders of Hollard Holdings Proprietary Limited Report on the Audit of the Consolidated and Separate Financial Statements

### Opinion

We have audited the consolidated and separate financial statements of Hollard Holdings Proprietary Limited and its subsidiaries ("the Group") set out on pages 9 to 71, which comprise the consolidated and separate statements of financial position as at 30 June 2023, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the 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 2023, and their consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act of South Africa.

### Basis for Opinion

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

### Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Hollard Holdings Proprietary Limited and consolidated annual financial statements '23" which includes the Directors' report, the Hollard Group Audit and Compliance Committee report, the Certification by Company Secretary as required by the Companies Act of South Africa, Directors' Responsibility Statement and Approval of Annual Financial Statements, and the Directorate and Administration disclosures. 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.

### 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 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 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 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:

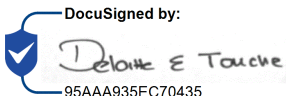
- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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 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 and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the 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 IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte and Touché has been the auditor of Hollard Holdings Proprietary Limited for 13 years.

DocuSigned by:



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**Deloitte & Touche**

Registered Auditor

Per: Gerdus Dixon

Partner

6 February 2024

5 Magwa Crescent

Waterfall City

Midrand

2090

# AUDIT COMMITTEE REPORT

for the year ended 30 June 2023

## HOLLARD GROUP AUDIT AND COMPLIANCE COMMITTEE REPORT

The Hollard Group Audit and Compliance Committee ("the Committee") is pleased to present its annual report, for the financial year ended 30 June 2023. This report outlines how the Committee discharged both its statutory and Board-delegated duties during the year.

The 2023 financial year reflects a steady growth in gross written premium and a decline in net earnings before tax. Economic, infrastructure and environmental challenges continue to impact the business and the insurance industry at large, with the recent adverse weather events encompassing flooding in the Western Cape and heavy rains coupled with tornado activity in KwaZulu-Natal. The Group remains cautious about the pace of recovery of the national economy. The year saw consumer price inflation steadily increase, followed closely by commensurate and significant interest rate hikes resulting in substantial pressure on the disposable income of consumers. The Committee continuously monitors the businesses' performance and the initiatives taken by the business to manage the interests of its policyholders and all its stakeholders.

### 1. THE COMMITTEE'S COMPOSITION AND TERMS OF REFERENCE

#### 1.1. Composition and meeting attendance

During the financial year, the Committee was composed of three independent non-executive directors, namely, Mr M Bower (Chairman), Ms N Simamane and Ms B Ngonyama<sup>1</sup>. In accordance with the requirements of the Companies Act, individual members of the Committee are appointed annually by the shareholders at the Annual General Meeting for the ensuing financial year. The Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Group Head of Finance, Heads of Control Functions, External and Internal Auditors attended the scheduled Committee meetings. In addition, the Committee holds closed sessions of members regularly, to deliberate on any matters that may require confidential assessment. This includes closed sessions with the Internal and External Auditors to determine whether there were any significant issues identified during each audit process. The Committee also conducts annual reviews to consider the effectiveness and performance of the assurance areas of the business, and to ensure interactive collaboration between finance, compliance, internal audit and external audit.

#### 1.2. Terms of Reference

The Committee operates within the framework provided by its Board-approved Terms of Reference (ToR) and carries out its mandate in compliance with this governing document. The Committee is satisfied that it has fulfilled its responsibilities in accordance with its ToR.

The Committee's key roles and responsibilities are focused on driving an integrated approach to assurance for effective risk mitigation. The Group has adopted the three lines of defence governance model to strengthen the Board's governance. The capability of the first line of defence and the system of internal controls are continually enhanced, in alignment to the Groups' Combined Assurance Framework. The Committee monitors the relationship between assurance providers, including approval of the Group Compliance, Group Internal Audit and External Audit coverage plans for each financial year.

The Committee monitors all material compliance risks and ensures that management performs formal compliance risk assessments. The Compliance Function is focused on monitoring compliance with the relevant legislation and regulations that are applicable to the Group. Following a review of the Compliance Function's performance and effectiveness, the Committee found the Compliance Function's performance to be satisfactory.

### 2. INTERNAL AUDIT

The Committee maintained oversight of the Internal Audit Function for the reporting period and monitored the progress of completion of the approved Internal Audit plan. Upon review of the Internal Auditor's report in assessing the effectiveness of internal financial controls and the implementation of risk management processes, both the internal financial controls and risk management processes were found to be effective. The Committee reviewed and approved the internal audit charter and evaluated the independence, effectiveness, and performance of the function in line with its charter. The Committee has found the Internal Audit Function to be independent and adequately resourced and competent to perform its duties. The Internal Audit function has direct access to the Committee Chairman and all the Committee members, without limitation. Progress has been made in digitising and automating internal audit activities. All internal audit reporting is now automated.

### 3. EXTERNAL AUDIT

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

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

### 4. STATUTORY DUTIES

#### 4.1. Financial statements and accounting policies

The Committee has reviewed the Accounting Policies and Financial Statements for the financial year ended 30 June 2023 and is satisfied that same complies with International Financial Reporting Standards.

#### 4.2. 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 Company and Group is a going concern, as reflected in the annual financial statements.

<sup>1</sup> Ms B Ngonyama resigned as a member of the Committee on 21 July 2023.

## 4. STATUTORY DUTIES (continued)

### 4.3. External auditor appointment and independence

The Committee has supported the reappointment of Deloitte South Africa as External Auditor for the 2023 financial year and agreed to the engagement letter, terms, audit plan and budgeted external audit fees.

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

Following a successful process to identify a suitable External Auditor following the Deloitte rotation end FY2023, collaboration between Deloitte and PricewaterhouseCoopers (as incoming auditor for 2024) has been positive, and an efficient audit rotation process is expected. At the Annual General Meeting of the Shareholders, it will be recommended that PricewaterhouseCoopers be appointed as External Auditor for the 2024 financial year.

## 5. CHIEF FINANCIAL OFFICER AND THE FINANCE FUNCTION

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

The Committee has assessed the annual financial statements for the financial year ended 30 June 2023, including the quality of the earnings and has recommended the annual financial statements to the Board for approval.

During 2023 there was ongoing focus on and preparation for the implementation of International Financial Reporting Standards 17 (IFRS 17) within the finance function through the IFRS 17 Project, to ensure timeous compliance with the Standard. An Internal Financial Controls project has also been effective in assessing the adequacy of the internal financial controls across the Hollard Group to identify areas for improvement. The overall progress of each project was assessed by the Committee at each meeting. The Committee is of the view that the Group is sufficiently prepared to deliver financial reporting in compliance with IFRS 17 as required in 2024.

## 6. STATEMENT ON INTERNAL FINANCIAL CONTROLS

The Committee is able to assess the effectiveness of financial and non-financial controls by reviewing the assurance reports presented at every meeting. A review of the financial reporting risks, internal audit report and the external audit report was conducted by the Committee in the assessment of the internal financial controls. In the year under review, these internal financial controls were assessed by internal audit as part of the internal controls programme to determine the adequacy of controls. There were deficient controls and matters raised that resulted in material adjustments to the prior year. The Committee reviewed the progress on remediation plans and were satisfied that any material impact on the Group's annual financial statements had been appropriately mitigated by management through manual controls and increased oversight where necessary. The Committee will continue to monitor and evaluate remediation plans in 2024.

Fraud prevention and detection remains a key priority for the business, initiatives to automate and digitise fraud prevention and detection activities are explored and implemented on an ongoing basis. Any material fraud matters are reported to the Committee. During the year under review no significant fraud matters were identified for escalation to the Committee.

The Committee was able to advise the Board that it has analysed, reviewed and discussed information provided by management, other Board committees, Internal Audit and the External Auditor that the controls of the Group, together with management's additional procedures performed to mitigate identified control weaknesses.

## 7. STATEMENT ON INTERNAL CONTROL AND RISK MANAGEMENT

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

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

The Committee confirms that to the best of its knowledge it has fulfilled its responsibilities for the 2023 financial year in terms of its ToR, as well as its legal and regulatory responsibilities, and nothing to indicate the contrary has been brought to the Committee's attention.



**MR Bower**  
Chairman of the Audit and Compliance Committee

6 February 2024

# DIRECTORS' REPORT

for the year ended 30 June 2023

The Directors submit their report for the year ended 30 June 2023 for Hollard Holdings (Pty) Ltd and its subsidiaries (the "Group").

## 1. Incorporation

The Company was incorporated on 30 March 1972 and obtained its certificate to commence business on the same day.

## 2. Review of activities

### Main business and operations

The Company is an investment holding company and operates in South Africa.

The operating results and state of affairs of the Group and Company are fully set out in the attached Group annual financial statements and do not in our opinion require any further comment.

Net profit of the Group was R959 323 000 (2022:R1 197 511 000), after taxation of R488 575 000 (2022: R370 779 000).

## 3. Events after the reporting period

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

## 4. Authorised and issued share capital

There was no change to the issued and authorised share capital during the year. Refer to note 16.

## 5. Dividends

The dividends already declared and paid to shareholders during the year are as reflected in the attached statement of changes in equity.

## 6. Going concern

The directors have assessed the Group and Company's ability to continue as a going concern. As at 30 June 2023 the Group and Company had a strong net asset value and liquidity position.

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

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

## 7. Directors

The directors of the Company during the year and to date of this report are as follows:

ADH Enthoven – Non-executive director (Chairman)

DJ Viljoen – Chief Financial Officer

WT Lategan – Chief Executive Officer (appointed 1 July 2022)

MR Bower – Independent non-executive director

R Fihrer – Independent non-executive director

NG Kohler – Non-executive director

B Ngonyama - Non-executive director (lead independent director) (resigned 21 July 2023)

KL Shuenyane - Non-executive director (lead independent director) (appointed 30 November 2023)

S Patel – Independent non-executive director

NV Simamane – Independent non-executive director

MS Claassen – Independent non-executive director

MM Kabi- Independent non-executive director (appointed 30 November 2023)

CAS Franks – Non-executive director

T Kittaka – Non-executive director (appointed 1 April 2023)

AS Nkosi – Independent non-executive director (resigned 1 July 2023)

K Yamamoto – Non-executive director (resigned 1 April 2023)



## 8. Secretary

A Allardyce

### Business address

Hollard Villa Arcadia  
22 Oxford Road  
Parktown  
Gauteng  
2193

### Postal address

P0 Box 87419  
Houghton  
Gauteng  
2041

## 9. Interest in subsidiaries and associates

During the current financial year, the following transactions related to subsidiaries and associates took place:

- Disposal of 50,1% shareholding in Hollard Moçambique Companhia de Seguros, S.A.R.L
- Disposal of 20% shareholding in Urban Brokers Holdings (Pty) Ltd
- Disposal of 41,6% shareholding in Multi Risk Investment Holdings (Pty) Ltd

## 10. Auditors

Deloitte and Touche were appointed auditors for the financial period ended 30 June 2023 in accordance with section 90 of the Companies Act No 71 of 2008. PricewaterhouseCoopers were appointed auditors from 01 July 2023 in accordance with section 90 of the Companies Act No 71 of 2008.

## 11. Holding company

The percentage shareholding at 30 June 2023 is reflected below:

Pickent Holdings Proprietary Limited	57,13%
Bushwillow Investment Company Proprietary Limited	20,37%
Tokio Marine Asia Pte. Ltd	22,50%

# STATEMENTS OF FINANCIAL POSITION

for the year ended 30 June 2023

	Notes	GROUP			COMPANY	
		2023 R'000	Restated 2022* R'000	Restated 2021* R'000	2023 R'000	Restated 2022* R'000
<b>Assets</b>						
Property and equipment	4	224 046	222 617	232 783	-	-
Right-of-use assets	5	164 947	257 829	345 013	-	-
Investment property	6	45 490	54 490	55 300	-	-
Intangible assets	7	310 435	262 070	344 399	-	-
Goodwill	8	7 693	7 693	19 188	-	-
Interest in subsidiaries	9	-	-	-	7 657 921	7 356 712
Interest in associates	10	1 208 363	1 220 206	1 130 865	-	-
Financial assets*	11	39 251 343	33 737 107	32 668 133	76 134	83 666
Insurance assets		95 621	72 267	-	-	-
Reinsurance assets	18	6 638 176	7 855 785	5 227 430	-	-
Insurance, loans and other receivables*	12	3 021 357	2 334 359	2 192 099	55 511	56 075
Deferred acquisition costs	19	174 462	157 387	116 118	-	-
Deferred income tax assets	13	1 917 385	2 390 435	2 109 589	222	222
Current taxation assets		95 924	10 532	38 810	-	-
Cash and cash equivalents*	14	3 140 768	4 340 862	4 419 012	106 474	68 442
Non-current assets held for sale	15	9 000	1 798 496	1 657 868	-	-
<b>Total assets</b>		<b>56 305 010</b>	<b>54 722 135</b>	<b>50 556 607</b>	<b>7 896 262</b>	<b>7 565 117</b>
<b>Equity and liabilities</b>						
Share capital and premium	16	8 907 798	8 907 798	8 907 798	8 907 798	8 907 798
Contingency reserve		-	10 479	10 479	-	-
Share option reserve		4 012	4 012	4 012	-	-
Foreign currency translation reserve/(deficit)		28 242	72 762	(1 646)	-	-
Non-distributable reserves	17	11 616	12 809	12 809	-	-
Credit protection reserve		-	3	3	-	-
Accumulated deficit*		(3 364 496)	(2 971 914)	(3 191 039)	(1 195 632)	(1 419 045)
Equity attributable to equity holders of the parent*		5 587 172	6 035 949	5 742 416	7 712 166	7 488 753
Non-controlling interest*		30 254	201 557	179 248	-	-
<b>Total equity</b>		<b>5 617 426</b>	<b>6 237 506</b>	<b>5 921 664</b>	<b>7 712 166</b>	<b>7 488 753</b>
Investment contract liabilities	18	29 347 589	27 334 168	25 956 811	-	-
Insurance contract liabilities*	18	12 940 376	12 409 778	10 163 665	-	-
Reinsurance liabilities	18	1 731 314	1 370 596	1 088 973	-	-
Cell captive shareholder liabilities*	24	181 103	225 107	242 891	-	-
Borrowings	20	1 000 000	1 000 167	1 000 513	-	-
Other financial liabilities	21	50 000	50 000	50 000	50 000	50 000
Deferred income tax liabilities*	13	1 376 986	1 659 437	1 394 743	-	-
Employee benefits	22	228 299	243 297	113 474	-	-
Trade and other payables*	23	3 685 010	2 905 432	3 327 116	28 518	25 493
Shareholders for dividend		103 854	-	-	103 854	-
Current taxation liabilities*		43 053	57 835	68 612	1 724	871
Non-current liabilities held for sale	15	-	1 228 812	1 228 145	-	-
<b>Total liabilities</b>		<b>50 687 584</b>	<b>48 484 629</b>	<b>44 634 943</b>	<b>184 096</b>	<b>76 364</b>
<b>Total equity and liabilities</b>		<b>56 305 010</b>	<b>54 722 135</b>	<b>50 556 607</b>	<b>7 896 262</b>	<b>7 565 117</b>

\* Refer to note 42 for details of the restatement. The comparative information has been restated as a result of a prior year error.

\* A third balance sheet (at 30 June 2021) has not been presented for the Company as the restatements effect few lines items. Nonetheless, the effect of the restatements for the Company at 30 June 2021 are detailed in note 42.

# STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 30 June 2023

	Notes	GROUP		COMPANY	
		2023 R'000	Restated 2022* R'000	2023 R'000	Restated 2022* R'000
<b>Revenue</b>					
Gross premium income		24 572 673	22 038 626	-	-
Reinsurance premiums outwards		(6 656 450)	(6 155 207)	-	-
<b>Net written premium income</b>	29	17 916 223	15 883 419	-	-
<b>Less: change in unearned premium provision</b>		(1 792 154)	(325 266)	-	-
Gross amount		(2 300 489)	(468 831)	-	-
Reinsurers' share		508 335	143 565	-	-
<b>Net premium income</b>		16 124 069	15 558 153	-	-
<b>Investment income</b>		833 307	1 024 396	1 580 573	1 208 712
Interest income	30	695 750	564 999	8 027	5 262
Dividend income	27	146 058	141 923	1 271 337	1 111 455
Realised (loss)/profit on disposal of investments	31	(207 870)	83 991	-	-
Unrealised profit on revaluation of investments	32	129 967	182 139	301 209	91 995
Profit on translation of foreign currencies		77 066	51 344	-	-
Investment management fees		(7 664)	-	-	-
<b>Other income</b>	34	661 605	399 441	-	-
<b>Total revenue</b>		17 618 981	16 981 990	1 580 573	1 208 712
<b>Expenses</b>					
<b>Net benefits, claims and loss adjustment expense</b>		9 138 971	8 696 459	-	-
Gross claims and loss adjustment expense*		7 586 253	9 167 951	-	-
Reinsurers' share		(1 192 687)	(3 740 554)	-	-
Policyholder benefits (life)		2 454 483	3 089 354	-	-
Transfer to policyholder liabilities (life)		290 922	179 708	-	-
Commission and other acquisition costs		1 631 462	1 531 084	-	-
Finance costs	33	160 861	129 332	4 532	3 524
Marketing and administration expenses*		5 255 259	4 919 277	-	-
Other expenses		9 357	48 721	8 993	9 953
<b>Total expenses</b>		16 195 910	15 324 873	13 525	13 477
<b>Results of operating activities</b>		1 423 071	1 657 117	1 567 048	1 195 235
Share of profit of associates		140 178	166 078	-	-
Impairment of associates		(115 351)	(254 905)	-	-
<b>Profit before taxation*</b>	36	1 447 898	1 568 290	1 567 048	1 195 235
Income tax expense*	35	488 575	370 779	1 726	1 230
<b>Profit for the year*</b>		959 323	1 197 511	1 565 322	1 194 005
<b>Profit for the year attributable to:</b>					
Equity holders of the parent*		937 652	1 155 167	-	-
Non-controlling interest*		21 671	42 344	-	-
		959 323	1 197 511	-	-
<b>Other comprehensive income</b>					
Exchange differences on translation of foreign operations*		71 838	74 408	-	-
Foreign currency translation reserve recycled		(116 358)	-	-	-
<b>Other comprehensive income for the year</b>		(44 520)	74 408	-	-
<b>Total comprehensive income for the year*</b>		914 803	1 271 919	1 565 322	1 194 005
<b>Total comprehensive income attributable to:</b>					
- Equity holders of the parent*		893 132	1 229 575	-	-
- Non-controlling interest		21 671	42 344	-	-
		914 803	1 271 919	-	-

\*These will be reclassified to profit or loss.

\* Refer to note 42 for details of the restatement. The comparative information has been restated as a result of a prior year error.

# STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2023

## GROUP

R'000	Attributable to equity holders of the parent										
	Issued share capital	Share premium	Contingency reserve	Foreign currency translation reserve	Non-distributable reserve	Share option reserve	Credit protection reserve	Accumulated loss	Total ordinary shareholders' equity	Non-controlling interest	Total equity
<b>Balance at 30 June 2021</b>	10	8 907 788	10 479	(1 646)	12 809	4 012	3	(3 210 951)	5 722 504	422 139	6 144 643
Restatement*	-	-	-	-	-	-	-	19 912	19 912	(242 891)	(222 979)
<b>Restated balance at 30 June 2021*</b>	10	8 907 788	10 479	(1 646)	12 809	4 012	3	(3 191 039)	5 742 416	179 248	5 921 664
Profit for the year	-	-	-	-	-	-	-	1 155 167	1 155 167	42 344	1 197 511
Other comprehensive income	-	-	-	74 408	-	-	-	-	74 408	-	74 408
<b>Total comprehensive income</b>	-	-	-	74 408	-	-	-	1 155 167	1 229 575	42 344	1 271 919
Movement in subsidiary shareholding	-	-	-	-	-	-	-	17 873	17 873	(16 635)	1 238
Dividends paid on ordinary shares	-	-	-	-	-	-	-	(121 720)	(121 720)	(3 400)	(125 120)
Dividends paid on preference shares	-	-	-	-	-	-	-	(832 195)	(832 195)	-	(832 195)
<b>Restated balance at 30 June 2022*</b>	10	8 907 788	10 479	72 762	12 809	4 012	3	(2 971 914)	6 035 949	201 557	6 237 506
Profit for the year	-	-	-	-	-	-	-	937 652	937 652	21 671	959 323
Other comprehensive income	-	-	-	(44 520)	-	-	-	-	(44 520)	-	(44 520)
<b>Total comprehensive income</b>	-	-	-	(44 520)	-	-	-	937 652	893 132	21 671	914 803
Disposal of non-current assets held for sale	-	-	-	-	-	-	-	-	-	(191 374)	(191 374)
Transfer from reserves	-	-	(10 479)	-	(1 193)	-	(3)	11 675	-	-	-
Dividends paid on ordinary shares	-	-	-	-	-	-	-	(470 906)	(470 906)	(1 600)	(472 506)
Dividends paid on preference shares	-	-	-	-	-	-	-	(871 003)	(871 003)	-	(871 003)
<b>Balance at 30 June 2023</b>	10	8 907 788	-	28 242	11 616	4 012	-	(3 364 496)	5 587 172	30 254	5 617 426

## COMPANY

R'000	Share capital	Share premium	Accumulated loss	Total ordinary shareholders' equity
<b>Balance at 30 June 2021</b>	10	8 907 788	(2 763 305)	6 144 493
Restatement*	-	-	1 104 170	1 104 170
<b>Restated balance at 30 June 2021*</b>	10	8 907 788	(1 659 135)	7 248 663
<b>Total comprehensive income</b>	-	-	1 194 005	1 194 005
Dividends paid on ordinary shares	-	-	(121 720)	(121 720)
Dividends paid on preference shares	-	-	(832 195)	(832 195)
<b>Restated balance at 30 June 2022*</b>	10	8 907 788	(1 419 045)	7 488 753
<b>Total comprehensive income</b>	-	-	1 565 322	1 565 322
Dividends paid on ordinary shares	-	-	(470 906)	(470 906)
Dividends paid on preference shares	-	-	(871 003)	(871 003)
<b>Balance at 30 June 2023</b>	10	8 907 788	(1 195 632)	7 712 166

\* Refer to note 42 for details of the restatement. The comparative information has been restated as a result of a prior year error.

# STATEMENTS OF CASH FLOWS

for the year ended 30 June 2023

	Notes	GROUP		COMPANY	
		2023 R'000	Restated 2022* R'000	2023 R'000	Restated 2022* R'000
<b>Cash flows generated from operating activities</b>					
Cash generated/(utilised) in operations	25	1 790 347	2 586 432	(5 404)	(11 479)
Interest paid	33	(160 861)	(129 332)	(4 532)	(3 524)
Dividends paid	26	(1 428 373)	(1 118 877)	(1 238 055)	(953 915)
Interest received	30	695 750	564 999	8 027	5 262
Dividends received	27	146 058	141 923	1 271 337	1 111 455
Taxation paid	28	(398 150)	(356 855)	(873)	(12 712)
<b>Net cash inflow from operating activities</b>		<b>644 771</b>	<b>1 688 290</b>	<b>30 500</b>	<b>135 087</b>
<b>Cash flows utilised in investing activities</b>					
Capitalisation of subsidiaries		-	-	-	(90 000)
Acquisition of associates		(26 541)	(256 525)	-	-
Acquisition of bonds		(11 104 949)	(1 503 631)	-	-
Acquisition of intangible assets and goodwill	7	(91 849)	(65 686)	-	-
Acquisition of property and equipment		(98 729)	(59 197)	-	-
Acquisition of investments		(4 424 330)	(4 707 093)	-	-
Asset transfers		(57 444)	-	-	-
Acquisition of other financial assets*		(416 900)	(4 421 518)	-	-
Proceeds on disposal of property and equipment	4	43 742	5 128	-	-
Proceeds on disposal of investments		4 566 232	3 158 654	-	-
Proceeds on disposal of other financial assets*		9 543 335	6 029 024	7 532	6 055
Proceeds on disposal of associate		36 200	-	-	-
Proceeds from maturity of bonds		1 186	5 165	-	-
Proceeds on disposal of intangible assets		3 748	1 695	-	-
Proceeds on disposal of non-current assets and liabilities held for sale		152 433	-	-	-
Dividends received from associates		41 811	47 890	-	-
<b>Net cash outflow from investing activities</b>		<b>(1 832 055)</b>	<b>(1 766 094)</b>	<b>7 532</b>	<b>(83 945)</b>
<b>Cash flows from financing activities</b>					
Repayment of lease liability		(21 456)	(346)	-	-
Decrease in long term borrowings		(242)	-	-	-
Capital contribution		8 888	-	-	-
<b>Net cash outflow from financing activities</b>		<b>(12 810)</b>	<b>(346)</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents</b>					
Net increase in cash and cash equivalents		(1 200 094)	(78 150)	38 032	51 142
Cash and cash equivalents at beginning of the year		4 340 862	4 419 012	68 442	17 300
<b>Cash and cash equivalents at end of the year*</b>		<b>3 140 768</b>	<b>4 340 862</b>	<b>106 474</b>	<b>68 442</b>

\* Refer to note 42 for details of the restatement. The comparative information has been restated as a result of a prior year error.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2023

## 1. Accounting policies

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

### 1.1 Basis of presentation

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

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

#### Use of estimates and judgements

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

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

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

#### Adoption of new and revised standards

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

#### Standards, interpretations and amendments to published standards that are not yet effective as at June 2023

The following new standards and amendments to IFRS will have an impact on the Group and Company's future financial statements:

- Amendments to IAS 1 – Classification of liabilities as current or non-current – 1 January 2023
- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of accounting policies – 1 January 2023
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction – 1 January 2023
- Amendments to IAS 8 – Definition of accounting estimates – 1 January 2023
- Amendments to IFRS 17 – Insurance contracts – 1 January 2023

Except for IFRS 17, none of these are expected to have a material impact on the Group financial statements. The impact of IFRS 17 is disclosed below.

#### Summary of IFRS 17 impact

##### IFRS 17 is an accounting change that does not impact the fundamentals of our insurance business

<ul style="list-style-type: none"><li>• No impact on our solvency position</li><li>• No impact on our cash position</li><li>• No impact on our ability to declare and pay dividends</li></ul>	<ul style="list-style-type: none"><li>• There is an impact on the timing in which we recognise insurance profits. This results in an increase to shareholder equity on transition by between R70 million and R850 million.</li></ul>
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#### IFRS 17 Insurance Contracts

IFRS 17 replaces IFRS 4 for financial year periods commencing on or after 1 January 2023. IFRS 17 becomes effective for the Group on 1 July 2023 which will require a restatement of the financial year 2023 comparatives when reporting on the 2024 financial period.

IFRS 17 provides a comprehensive guidance on accounting for insurance, reinsurance and investment contracts with discretionary participation features and has a significant impact on accounting for insurance and reinsurance contracts, including changes to the presentation of insurance revenue and insurance service result.

The Group applies IFRS 17 to the below contracts holding significant insurance risk:

- Insurance contracts, including reinsurance contracts it issues;
- Reinsurance contracts it holds; and
- Investment contracts with discretionary participation features it issues, provided the entity also issues insurance contracts.

Further, the Group does not apply IFRS 17 to the following:

- Pure savings business measured under IFRS 9;
- Those components defined as distinct in terms of IFRS 17.B31 and IFRS 17.B32 such as those distinct investment components that are modelled under IFRS 9 and other distinct goods and services measured under IFRS 15;
- Its mass lapse stop-loss reinsurance treaty as the underlying risks as they relate to Hollard Life falls outside the scope of insurance risk transfer;
- employers' assets and liabilities from employee benefit plans and retirement benefit obligations reported by defined benefit retirement plans;

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 1. Accounting policies (continued)

### 1.1 Basis of presentation (continued)

#### IFRS 17 Insurance Contracts (continued)

- contractual rights or contractual obligations contingent on the future use of, or the right to use, a non-financial item (for example, some license fees, royalties, variable and other contingent lease payments and similar items);
- financial guarantee contracts, unless the issuer has previously asserted explicitly that it regards such contracts as insurance contracts and has used accounting applicable to insurance contracts;
- contingent consideration payable or receivable in a business combination; and
- insurance contracts in which the Group is the policyholder, unless those contracts are reinsurance contracts held.

#### Project Governance and progress update

The IFRS 17 implementation program was instituted in 2019 under the sponsorship of the Group Chief Financial Officer. It has been governed by the IFRS 17 Steering Committee consisting of executive and senior management of the impacted financial, actuarial and information technology areas across the Group, as well as including representation from both Group Internal Audit and External Audit.

The Group has progressed well with the activities required for implementation of IFRS 17. The Group policy and methodology decisions which have formed the basis of the transition work have been finalised and reviewed by PricewaterhouseCoopers. The work to determine the transition to the IFRS 17 balance sheet has been completed and is also under review by the PricewaterhouseCoopers.

A new target operating model for the financial reporting process has been developed and the relevant new systems, components and IFRS 17 CSM engine have undergone full end to end testing before being fully deployed into production. The financial year 2023 comparative year reporting is in progress.

Ongoing training to the relevant stakeholders to embed IFRS 17 understanding continues.

#### Classification of insurance contracts

Insurance contracts are contracts under which the entity accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis.

The definition of an insurance contract has remained largely the same under IFRS 17 as it was under IFRS 4, thus the adoption of IFRS 17 does not significantly change the classification of the entity's insurance contracts. The entity issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. As a general guideline, the entity determines whether it has significant insurance risk, by comparing the present value of benefits payable when an insured event occurs with the present value of the benefits payable if an insured event did not occur. Insurance contracts can also transfer financial risk.

#### Separating components from an insurance contract:

At inception, the Group separates the following components from an insurance or reinsurance contract held and accounts for them as if they were stand-alone financial instruments:

- Distinct investment components: investment components that are not highly inter-related with the insurance components and for which contracts with equivalent terms are sold, or could be sold, separately in the same market or the same jurisdiction. These are in the scope of IFRS 9.

After separating any financial instrument components, the Group separates any promises to transfer distinct goods or non-insurance services to policyholders and accounts for them as separate contracts with customers. A good or service is distinct if the policyholder can benefit from it either on its own or with other resources that are readily available to the policyholder. A good or service is not distinct and is accounted for together with the insurance component if the cash flows and risks associated with the good or service are highly inter-related with the cash flows and risks associated with the insurance component, and the Group provides a significant service of integrating the good or service with the insurance component.

#### Aggregation of Insurance contracts

Insurance contracts within each broad product line are allocated to portfolios of insurance contracts that are managed together and subject to similar risks.

Portfolios of insurance contracts issued will be divided into groups of insurance contracts at initial recognition into the minimum of:

- a group of insurance contracts that are onerous at initial recognition, if any;
- a group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently, if any; and
- a group of remaining contracts in the portfolio, if any.

Groups of insurance contracts are onerous if the fulfilment cash flows allocated to each contract at initial recognition in total are a net outflow. For reinsurance contracts the references to onerous contracts are replaced with references to contracts on which there is a net cost at initial recognition.

Each group of contracts does not include contracts issued more than one year apart in the same group.

These groups represent the level of aggregation at which insurance revenue is measured. Such groups are not subsequently reconsidered.

#### Recognition of Insurance contracts

The Group recognises insurance contracts issued from the beginning of the coverage period; or if earlier, the date when the first payment from the policyholder is due or for a group of onerous contracts, when the group becomes onerous.

The Group recognises reinsurance contracts held from the earlier of the beginning of the coverage period of the group of reinsurance contracts held; and the date the entity recognises an onerous group of underlying insurance contracts applying paragraph 25(c) of the standard, if the entity entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date. Notwithstanding the above recognition criteria, group delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date that any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 1. Accounting policies (continued)

### 1.1 Basis of presentation (continued)

#### Measurement models

IFRS 17 introduces different measurement models in calculating insurance and reinsurance contract liabilities reflecting the different extents of policyholder participation in investment of insurance entity performance: non-participating or indirect participation (General measurement model (GMM)) and direct participating (Variable Fee Approach (VFA)). For short duration contracts, IFRS 17 permits a simplified approach (Premium Allocation Approach (PAA)). An entity may simplify the measurement of a group of insurance contracts using the premium allocation approach if, and only if, at the inception of the group; the entity reasonably expects that such simplification would produce a measurement of the liability for remaining coverage for the group that would not differ materially from the liability calculated as per the GMM or the coverage period of each contract in the group is one year or less. The simplification allows the LRC to be primarily based on premium received, less earned premium and unamortized acquisition cash flows, rather than to be disaggregated into the present value of future cashflows (PVFCF), risk adjustment and CSM. The liability for incurred claims is measured consistently with the GMM, whereby all the incurred claims are subject to discounting and risk adjustment.

#### Measurement on Initial recognition (excluding PAA)

On initial recognition, the LRC of a group of contracts (regardless of the measurement model applicable to the LRC) is measured as the sum of the following components.

#### Components to be dealt with will be measured as follows:

- Liability components  
A group of insurance contracts is measured as the sum of the Liability for Remaining Coverage (LRC) and the Liability for Incurred Claims (LIC). These components relate to the provision of future service and past service respectively.
- Fulfilment cash flows related to future service, which comprise of:
  - Estimate of future cash flows;
  - an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows
  - Risk adjustment for non-financial risk; and
- Contractual Service Margin.

The LIC is structured similarly to the LRC, except for the CSM. The LIC consists of the following:

- Fulfilment cash flows related to past service, which comprise:
  - Estimate of future cash flows; and
  - Risk adjustment for non-financial risk.

#### Fulfilment cash flows

The fulfilment cash flows comprise unbiased and probability-weighted estimates of future cash flows within the contract boundary (the contract boundary for an insurance contract under IFRS 17 determines which cash flows should be included within the fulfilment cash flows, and hence the value of the CSM). Fulfilment cash flows are determined separately for insurance contracts (including reinsurance contracts) issued and reinsurance contracts held. Fulfilment cash flows are allocated to groups of insurance contracts for measurement purposes. Fulfilment cash flows exclude cash flows not directly attributable to the fulfilment of the insurance contracts. An explicit risk adjustment for non-financial risk is estimated separately from the other estimates. This risk adjustment represents the compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk. For reinsurance contracts held, the risk adjustment reflects that some of this uncertainty will be ceded to the reinsurer. The risk adjustment forms part of the fulfilment cash flows for a group of insurance contracts.

#### Best estimate of future cashflows

IFRS 17, indicates that estimates of future cashflows should:

- include all cash flows that are within the contract boundary;
- incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows;
- reflect the perspective of the entity, if estimates of any relevant market variables are consistent with observable market prices for those variables;
- be current; and
- be explicit.

The estimate of future cashflows should include all cash flows that are within the contract boundary. For the entity, the following cash flows are in scope under IFRS 17:

- Liability for Remaining Coverage (LRC):
  - Insurance premiums (includes premiums overdue, due and not yet due)
  - Expected future incurred claims (including claims-related expenses)
  - Claims handling costs
  - Insurance acquisition cash flows that are directly attributable to the portfolio
  - Policy administration and maintenance costs
  - An allocation of fixed and variable overheads directly attributable to insurance contracts.



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 1. Accounting policies (continued)

### 1.1 Basis of presentation (continued)

#### Best estimate of future cashflows (continued)

- Liability for Incurred Claims (LIC):  
The following claims-related cashflows need to be included:
  - Reported claims not yet paid (including claims-related expenses)
  - Incurred claims not yet reported which includes estimates of expected movements in reported claims not yet paid (including claims-related expenses)
  - Claims payable (i.e. amounts where a credit note has been issued but physical payment has not yet been processed/made)
  - Claims-handling costs.

The following cash flows shall not be included when estimating the cash flows that will arise as the entity fulfils an existing insurance contract:

- Investment returns
- Reinsurance cash flows (within the insurance cash flows)

#### Premium allocation approach

The premium allocation approach is intended to produce an accounting outcome like that which resulted from the unearned premium approach used by many short-duration insurers under IFRS 4. The results from this approach are therefore likely to be more readily understood within the context of many short-duration contracts. However, there are some important differences:

- The liability for remaining coverage is measured using premiums received (minus any insurance acquisition cash flows at the measurement date if applicable). The word 'received' is interpreted literally, rather than interpreted to mean amounts due. Under IFRS 4, the unearned premium provision would have often been set up based on premiums receivable, with a separate asset recorded for the premium receivable.
- No separate asset is recognised for deferred acquisition costs, except for those assets in respect of insurance acquisition cash flows paid before the related group of insurance contracts is recognised. Instead, any acquisition cash flows are expensed when incurred.
- The Company did not discount its insurance liabilities under IFRS 4.
- The fulfilment cash flows model required for incurred claims, which is the same as the general model except for one simplification, is different to the incurred claim model used under IFRS 4.
- The liability for remaining coverage under the premium allocation approach will be the same as under the general model for groups of contracts that are onerous.

Components to be measured will be dealt with as follows:

#### Liability components

A group of insurance contracts is measured as the sum of the Liability for Remaining Coverage (LRC) and the Liability for Incurred Claims (LIC). These components relate to the provision of future service and past service respectively.

The LRC is defined as the sum of the following components:

- Fulfilment cash flows related to **future** service, which comprise:
  - Best estimate of future cash flows;
  - Risk adjustment for non-financial risk; and
  - CSM.

The LIC is structured similarly to the LRC, except for the CSM. The LIC consists of the following:

- Fulfilment cash flows related to **past** service, which comprise:
  - Best estimate of future cash flows; and
  - Risk adjustment for non-financial risk.

Under the PAA, the calculation of fulfilment cash flows for the measurement of the liability for remaining coverage is only required if facts and circumstances indicate that the group of contracts is onerous. This creates a practical problem since modelled fulfilment cash flows are not available for contracts measured under the PAA. The Company will therefore use a combined ratio as a proxy for fulfilment cashflows, determined on the following basis (to ensure consistency with fulfilment cash flows):

- Based on expected claims and expenses rather than incurred amounts
- Includes an allowance for the risk adjustment
- Includes an allowance for directly attributable expenses (which includes a portion of overheads) as required by IFRS 17.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 1. Accounting policies (continued)

### 1.1 Basis of presentation (continued)

#### Cash flows within the boundary of insurance contracts

The Group includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the company can compel the policyholder to pay the premiums, or in which the company has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation to provide insurance contract services ends when:

- The Company has the practical ability to reassess the risks of the policyholder and, as a result, can set a price or level of benefits that fully reflects those risks, or
- Both of the following criteria are satisfied:
  - The Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio
  - The pricing of the premiums up to the date when the risks are reassessed does not consider the risks that relate to periods after the reassessment date.

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognised. Such amounts relate to future insurance contracts.

IFRS 17 has defined acquisition costs as the costs incurred in selling, underwriting, and starting a group of insurance contracts that are directly attributable to the portfolio of insurance contract. The insurance acquisition cashflows also include the allocation of insurance cash flows directly attributable to the portfolio to which the insurance contract belongs.

The Group is permitted to elect whether to recognise insurance acquisition cash flows as an expense when it incurs those costs or to include those cash flows within the liability for remaining coverage (and hence amortise those cash flows over the coverage period). The ability of the Group to recognise insurance acquisition cash flows as an expense when it incurs those costs is available provided that the coverage period of each contract in the group on initial recognition is no more than one year. Otherwise, acquisition cash flows must be included within the liability for remaining coverage. The Group has elected, where permitted, to expense insurance acquisition cash flows when incurred.

#### Discount rates

The entity will apply bottom-up discount rates for all groups of insurance and reinsurance contracts. Bottom-up discount rates are constructed using risk-free rates, plus an illiquidity premium, where applicable. Risk-free rates are determined by reference to the risk-free yield curve published by the prudential authority.

#### Risk Adjustment (RA)

The entity will disaggregate the change in the risk adjustment for non-financial risk between the insurance service result and (re-) insurance finance income or expenses. For contracts measured under the GMM, the entity will use a Value at Risk (VaR) methods to determine the risk adjustment for both the LRC and LIC and use a variation of Margins on Assumptions approach to allocate the RA to a lower contract level. The confidence level will be set in line with Hollard's internal risk appetite.

Non-financial risks included in the RA calibration for the life subsidiaries include Mortality risk, Longevity risk, Disability risk, Lapse risk, Expense risk and Retrenchment risk. Operational risk, Expense inflation risk, Life Underwriting Catastrophe risk and Mass Lapse risk have been excluded from the calibration.

The RA for reinsurance contracts will follow the same approach. The RA calibration for reinsurance contracts will be calculated as the difference between the RA for the underlying insurance contracts on a net and gross of reinsurance basis.

#### Contractual Service Margin

The CSM is a component of the carrying amount of the asset or liability for a group of insurance contracts issued which represents the unearned profit that the entity expects to recognise as it provides insurance contract services.

- If a group of insurance contracts is not onerous at initial recognition, the CSM will be measured as the equal and opposite amount of the net inflow resulting from the total of the fulfilment cash flows. This results in no income or expenses arising on initial recognition.
- If a group of insurance contracts is onerous at initial recognition, the Group will immediately recognise this net outflow in profit or loss. Following this, a loss component will be created to represent these losses recognised in profit or loss. Subsequently an increase or reversal of losses on onerous groups of insurance contracts will be presented in profit or loss.

For groups of reinsurance contracts held, any net gain or loss at initial recognition is recognised as the CSM unless the net cost of purchasing reinsurance relates to past events, in which case the entity recognises the net cost immediately in profit or loss.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 1. Accounting policies (continued)

### 1.1 Basis of presentation (continued)

#### Subsequent measurement (excluding PAA)

The carrying amount of a group of insurance contracts at each reporting date will be the sum of:

- the liability for remaining coverage, comprising:
  - the fulfilment cash flows related to service to be provided under the contract in future periods; and
  - the remaining CSM of the group at that date.
- the liability for incurred claims, comprising the fulfilment cash flows for past incurred claims and expenses not paid, including claims that have been incurred but not reported.

#### Fulfilment cash flows

The fulfilment cash flows of groups of insurance contracts are measured at the reporting date using current estimates of fulfilment cash flows, discount rates appropriate to the measurement model being used and current estimates of the risk adjustment for non-financial risk.

Fulfilment cash flows for past incurred claims include the discounted value of the estimates of future payments arising from these claims, for example the estimated future benefit payments on income protection contracts and riders such as premium waivers.

#### Contractual service margin

The contractual service margin at the end of the reporting period represents the profit in the group of insurance contracts that has not yet been recognised in profit or loss because it relates to the future service to be provided under the contracts in the group.

For insurance contracts without direct participation features, the carrying amount of the contractual service margin of a group of contracts at the end of the reporting period equals the carrying amount at the start of the reporting period adjusted for:

- the effect of any new contracts added to the group;
- interest accreted on the carrying amount of the contractual service margin during the reporting period, measured at the discount rates;
- the changes in fulfilment cash flows relating to future service, except to the extent that:
  - i. such increases in the fulfilment cash flows exceed the carrying amount of the contractual service margin, giving rise to a loss; or
  - ii. such decreases in the fulfilment cash flows are allocated to the loss component of the liability for remaining coverage.
- the effect of any currency exchange differences on the contractual service margin; and
- the amount recognised as insurance revenue because of the transfer of insurance contract services in the period, determined by the allocation of the contractual service margin remaining at the end of the reporting period (before any allocation) over the current and remaining coverage period.

The entity will allocate the CSM at the end of the reporting period based on the underlying coverage units. The coverage units represent the quantity of (re-) insurance contract services provided by the contracts in the group, determined by considering for each contract the quantity of the benefits provided under a contract and its expected coverage period. The sum assured (or annuity) in force is considered as the main driver for determining coverage units for insurance service under GMM. Whenever the entity provides both insurance service and investment-related or investment-return service to the policyholders, the coverage units are appropriately weighted to reflect both services to allocate the CSM over the current and remaining coverage period, whereby the unit fund value plus (investment component) plus any guaranteed benefit over and above the underlying fund value (insurance component) are considered as the main driver for determining coverage units for investment-related or investment-return service.

The entity will discount the coverage units using the same discount rate for each reporting period that is used to accrete the contractual service margin. The CSM allocated to coverage units provided in the period will be recognised in profit or loss.

Adjustments to the CSM are made for any changes in fulfilment cash flows that relate to future service.

For reinsurance contracts held, the CSM represents a deferred gain or loss that the entity will recognise as a reinsurance expense as it receives insurance contract services from the reinsurer in the future and is calculated as the sum of:

- i. the initial recognition of the FCF;
- ii. cash flows arising from the contracts in the group at that date;
- iii. the amount de-recognised at the date of initial recognition of any asset or liability previously recognised for cash flows related to the group of reinsurance contracts held (other pre-recognition cash flows); and
- iv. any income recognised in profit or loss when the entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 1. Accounting policies (continued)

### 1.1 Basis of presentation (continued)

#### Contracts measured under the PAA

The PAA will be applied to all contracts with a contract boundary of one year or less. In some scenarios, the PAA will also be applied where the Group expects that the measurement under the PAA model would produce a measurement of the liabilities that would not differ materially from the one that would be produced by applying the GMM.

The liability of remaining coverage under the PAA represents the portion of the premiums related to future service. IFRS 17 is not expected to have a significant impact on the insurance liabilities for contracts measured under PAA.

A risk adjustment is determined for the liabilities for incurred claims where there is uncertainty in the size of the estimate and/or the timing of the future cash flows.

#### Transition approaches

The IFRS 17 standard for Hollard is applicable to annual periods beginning on or after 1 July 2023. However, the requirement for 2023 comparative information means that the IFRS 17 transition statement of financial position is required as at 1 July 2022.

When determining the insurance liabilities at transition, the IFRS 17 Standard should be applied retrospectively as if it had always applied unless it is "impracticable" to do so based on the requirements in IAS 8: Accounting policies, Changes in Accounting Estimates and Errors. This retrospective approach is referred to as the full retrospective approach (FRA). Where it is impracticable to apply IFRS 17 retrospectively, various simplifications are permitted when adopting the modified retrospective approach (MRA) or fair value approach (FVA) provided that certain criteria have been met.

As IFRS 17 is applied retrospectively, the entity determined the transition approach at a group of insurance contracts level, depending on availability of reasonable and supportable historic information. The selected transition approach will affect the measurement of the CSM on initial adoption of IFRS 17 as follows:

- Fully retrospective approach – the CSM is based on initial assumptions when groups of contracts were inception and rolled forward to the date of transition as if IFRS 17 had always been applied.
- Modified retrospective approach – the CSM is calculated using modifications allowed by IFRS 17 considering the actual pre-transition fulfilment cash flows; and
- Fair value approach – the CSM at transition is calculated as the difference between the fair value of a group of contracts, without the consideration of the demand deposit floor requirement, and the respective fulfilment cash flows measured at the transition date.

For the majority of the underlying insurance groups, the fully retrospective approach has been adopted. For a minor portion of the Hollard business where it has been demonstrated to be impracticable to apply the fully retrospective approach, a combination of the modified retrospective and fair value approach have been used.

#### Presentation and disclosure

IFRS17 will also affect the presentation of the revenue from the insurance contracts, which will no longer include gross written premium or investment components. Furthermore, the insurance revenue and insurance service expenses will be presented gross of reinsurance, with the reinsurance result included in the net expenses from reinsurance contracts held. The insurance and reinsurance contract liabilities are subject to discounting; the unwind of the discount will be part of the insurance finance expense or reinsurance finance income, rather than insurance service result. The amounts on the face of the profit or loss statement and statement of financial position will be supplemented by disclosures to explain the recognised amounts. Explanation of insurance amount recognised in profit or loss are as below:

#### Insurance revenue

Insurance revenue represents the changes in the liability for remaining coverage over the period for a group of insurance contracts excluding changes in the liability that do not relate to services expected to be covered by the consideration received. The consideration received refers to the amount of premiums paid to the entity, adjusted for the discounting effect and excluding any investment components. Investment components are amounts payable to the policyholder in all circumstances. The amount of insurance revenue recognised in the reporting period depicts the delivery of promised services at an amount that reflects the portion of premiums the entity expects to be entitled to in exchange for those services.

#### Insurance service expenses

The main components of insurance profits recognised in insurance service expenses are:

- the actual incurred claims and administration expense cash flows (excluding amounts allocated to the loss component and excluding investment components payable in the period);
- actual incurred acquisition expense cash flows on insurance contracts measured under the PAA (where it has not been elected to include these cash flows in the liability for remaining coverage);
- expected future losses on onerous groups of contracts;
- the changes in liability for incurred claims relating to past service; and
- the amortisation of insurance acquisition cash flows for contracts not measured under the PAA.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 1. Accounting policies (continued)

### 1.1 Basis of presentation (continued)

#### Insurance service expenses (continued)

The expense cash flows refer only to expenses which are directly attributable to fulfilling the insurance contracts. Non-attributable expenses will be recognised separately in profit or loss.

The combined impact of insurance revenue and insurance service expenses will be presented as the insurance service result in profit or loss.

#### Income or expenses from reinsurance contracts

The entity will present income or expenses from a group of reinsurance contracts held, other than insurance finance income or expenses, as a single amount.

#### Insurance finance income and expense

The entity recognises all insurance finance income or expenses for the reporting period in profit or loss. The entity has therefore elected not to disaggregate insurance finance income or expenses between profit or loss and other comprehensive income.

Under the GMM and PAA, the effect of and changes in financial risk form part of the insurance finance income and expenses. For groups of insurance contracts measured under the VFA, the fair value returns on the underlying items are recognised in insurance finance income and expenses.

The changes in the risk adjustment for non-financial risk have been disaggregated between the insurance service result and insurance finance income and expenses.

#### Preliminary effects of the transition to IFRS 17

To adopt IFRS 17 in the consolidated financial statements, an IFRS 17 Implementation Programme has been operating since 2019. The programme made significant progress in 2022 to ensure operational readiness and financial analysis for the opening balance sheet reporting as of the transition date of July 1, 2022, which is the starting point for the comparative period information required by IFRS 17.

At the transition date, the entity classified, recognized and measured its in-force business as if IFRS 17 had always been applied. The entity recognized and measured assets for insurance acquisition cash flows as if IFRS 17 had always been applied, except that the recoverability assessment was not applied before the transition date.

The entity also derecognised previously reported balances (e.g., deferred acquisition costs, present value of future profits, deferred front-end fees) that would not have existed if IFRS 17 had always been applied and recognized any resulting net difference in equity.

Furthermore, the entity reclassified all rights and obligations arising from portfolios of (re-)insurance contracts, such as

- (re-)insurance contract liabilities and liabilities for investment contracts with discretionary participation features,
- policyholder loans that are highly interrelated with the insurance contracts, (3) (re-) insurance-related receivables or payables and (4) insurance acquisition cash flows, to be presented as (re-)insurance contract assets/liabilities. Portfolios of insurance contracts issued are presented separately from portfolios of reinsurance contracts held.

The Group assessed the impact that the initial application of IFRS 17 will have on its financial statements. The result of this exercise estimates an increase by between R70 million and R850 million in the Group's equity attributable to the parent (capital and reserves) at 30 June 2022.

The transition calculations as reflected above are preliminary only, and is subject to change as:

- Certain accounting policy decisions and assumptions are still being concluded upon; and
- Not all systems and controls are operational.

#### Impact of changes in Tax Legislations

National Treasury (NT) promulgated the 2022 Taxation Laws Amendment Act (2022 TLA) in January 2023, effective from 22 December 2022, and which contained changes to section 28 and section 29A of the Income Tax Act to cater to the implementation of IFRS 17. The changes ensure that section 28 and section 29A is aligned to terminology and principles of IFRS 17.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 1. Accounting policies (continued)

### 1.2 Basis of consolidation

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

#### Investments in subsidiaries

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

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

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 profit or loss.

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 as 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.

#### Investment in associates

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

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.

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

The results and assets and liabilities of associates are incorporated in these annual financial statements using the equity method of accounting, except when the investments is classified as held for sale, in which case it is accounted for in accordance with IFRS 5: Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the consolidated statement of financial position's reserves at cost and adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any impairment in the value of individual investments. Post-acquisition losses of an associate in excess of the Group's interest in that associate, which includes any long-term interest that, in substance, 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 profit or loss.

The Company classifies its investments in associates as 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.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 1. Accounting policies (continued)

### 1.2 Basis of consolidation (continued)

#### Interest in joint arrangements

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

The results and assets and liabilities of joint ventures are incorporated in these annual financial statements using the equity method of accounting, except when the 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 joint ventures are carried in the consolidated statement of financial position's reserves at cost and adjusted for post-acquisition changes in the Group's share of the net assets of the joint ventures, less any impairment in the value of individual investments. Post-acquisition losses of a joint venture in excess of the Group's interest in that joint venture, which includes any long-term interest that, in substance, form part of the Group's net investments in joint ventures, are not recognised unless the Group has incurred obligations or made payments on behalf of the joint venture. Post-acquisition profits are recognised in profit or loss.

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

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 as 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.

#### Accounting for entities under common control

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

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

#### Goodwill

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

Goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination for the purpose of impairment testing.

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

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

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 1. Accounting policies (continued)

### 1.3 Foreign currencies

#### General

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

#### 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 profit or loss. 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 profit or loss in the period in which the foreign operation is disposed of.

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

### 1.4 Property and equipment

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

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
Owner-occupied properties	4%

Land is not depreciated.

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

#### Property

Owner-occupied properties are carried at fair value less accumulated 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.

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



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 1. Accounting policies (continued)

### 1.4 Property and equipment (continued)

#### Equipment

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

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

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

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

### 1.5 Investment property

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

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

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

#### Computer software

Acquired computer software packages and licenses 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 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.

#### 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 and any impairment losses.

### 1.7 Non-derivative financial instruments

#### Financial assets

##### Investments

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

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

##### *i) Financial assets at fair value through profit or loss*

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

##### *ii) Financial assets at fair value through other comprehensive income*

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

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

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

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 1. Accounting policies (continued)

### 1.7 Non-derivative financial instruments (continued)

#### Financial assets (continued)

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

#### iii) Financial assets at amortised cost

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

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

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

#### iv) Other

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

Financial instrument purchases and disposals are initially measured at cost and are recognised using trade date accounting. The trade date is the date on which the Group and Company 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 instruments measured at fair value through profit or loss.

The ECL impairment loss allowance is an unbiased, probability-weighted amount determined by evaluating a range of possible outcomes that reflect 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 assets are derecognised when the rights to receive cash flows from the investments have expired or where they have been transferred and the Group and/or the Company has also transferred substantially all the risks and rewards of ownership.

#### Gains or losses

Realised and unrealised gains or losses arising from changes in the fair value of investments classified as at fair value through profit or loss are included in profit or loss 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 not recycled in profit or loss as net realised gains or losses.

#### 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 profit or loss.

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

#### Offsetting

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

Financial liabilities, 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; and
- Trade and other payables.

### 1.8 Derivative financial instruments

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

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 1. Accounting policies (continued)

### 1.9 Impairment of assets excluding goodwill

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

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

All impairment losses are recognised in profit or loss as soon as they are identified.

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

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 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 profit or loss.

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

#### Calculation of ECL

The ECL impairment loss allowance is an unbiased, probability-weighted amount determined by evaluating a range of possible outcomes that reflects reasonable and supportable information that is available without undue cost or effort of past events, current conditions and forecasts of forward-looking economic conditions. The ECL model is dependent on the availability of relevant and accurate data to determine whether a significant increase in credit risk occurred since initial recognition, the probability of default (PD), the loss given default (LGD) and the possible exposure at default (EAD). Of equal importance is sound correlation between these parameters and forward-looking economic conditions.

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

The Group writes off a financial instrument at amortised cost when the entity has no reasonable expectation of recovery of the outstanding balance of the instrument. Cut-off periods have been defined given historic information and at the point that the instruments reach these cut-off points they will be considered to be fully written off.

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 PD and 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 LGD, 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%.

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

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 1. Accounting policies (continued)

### 1.10 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held on call with banks.

### 1.11 Non-current assets held for sale

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

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

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

### 1.12 Share capital

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

### 1.13 Insurance contracts

#### Classification of insurance contracts

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

Insurance contracts are those contracts under which the Group (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 defines 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 profit or loss in accordance with the requirements of IFRS 4: Insurance Contracts.

The Group classifies financial guarantee business as insurance contracts.

#### Measurement of insurance contracts

As is stated above, the Group 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 measures insurance contracts.

#### Premiums

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

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

#### Unearned premium provision

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

#### Deferred acquisition costs

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

#### Claims incurred

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

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

The majority of the Group's claims incurred but not yet reported (IBNR) are 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 past claims experience.

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

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 1. Accounting policies (continued)

### 1.13 Insurance contracts (continued)

#### Measurement of insurance contracts (continued)

##### Claims incurred (continued)

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.

##### Insurance contract liabilities – Life

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

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

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

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

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

##### Reinsurance

The Group cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential. Reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders. Premiums ceded and claims reimbursed are reflected in profit or loss and the 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. 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 may not recover all amounts due and that there is a reliably measurable impact on the amounts that the Group will receive from the reinsurer. Impairment losses are recognised in profit or loss.

##### Salvage and subrogation reimbursements

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

### 1.14 Revenue

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

##### Interest income and finance cost

Interest income and expenditure for all interest-bearing financial instruments, including financial instruments measured at fair value through profit or loss, is recognised within investment income and finance costs in profit or loss 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 profit or loss on a straight-line basis over the term of each lease.

##### 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. Revenue is recognised in other income in profit or loss.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 1. Accounting policies (continued)

### 1.15 Employee benefits

#### Pension and provident scheme arrangements

The Group and Company operate defined contribution pension and provident funds. Contributions to the funds in respect of present service are charged against profit or loss. 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 profit or loss 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.

### 1.16 Taxation

Income taxation on the profit or loss for the period comprises current and deferred taxation. Taxable profit differs from profits as reported in profit or loss 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 other comprehensive income except to the extent that it relates to items recognised directly in equity, in which case the related income tax is also recognised in equity.

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

#### Current taxation

Current taxation is the expected taxation payable using taxation rates substantively 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.

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

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 1. Accounting policies (continued)

### 1.17 Provisions

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

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

### 1.18 Borrowings

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

### 1.19 Leases

#### The Hollard Holdings Group as lessor

##### Operating leases

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

#### The Hollard Holdings Group as 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. These assets are amortised over the term of the lease while the liability is reduced as lease payments are made. Finance costs are charged to profit or loss over the term of the lease.

Lease costs for low-value assets and short-term leases are recognised in profit or loss 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 a penalty is recognised as an expense in the period in which termination takes place.

### 1.20 Dividend distributions

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

### 1.21 Cell captive shareholder liabilities

The Group operates third party cell captives on behalf of entities that wish to participate in the insurance result of a particular category of insured risk. Preference shares are issued to those participants giving them the right to share in profits on an agreed basis. These arrangements provide the option for customers of the preference shareholder to purchase insurance products underwritten by the Group.

Shareholder agreements govern the terms and conditions of these cell captive arrangements. Preference shareholders are responsible for maintaining the financial soundness requirement ratio of their respective cell captive arrangements. As a result, accumulated profits not yet distributed through this arrangement are recognised as a liability.

The preference shareholder does not have the right to require the Group to acquire the preference shares. As a result, the preference shares issued are recognised as equity. The share price of the preference shares is not material and as a result, it has not been disclosed separately in equity.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 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 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 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 processes for determining significant assumptions in determining insurance contract assets and liabilities are outlined in note 18.

### 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 ratios and net asset value methodologies. Where the underlying investments of an investment holding company are property or listed investments, the company is valued on the net asset value basis which reflects the fair value of the underlying investments.

Insurance companies are valued on a discounted cash flow basis. In instances where reliable future cash flows cannot be estimated, the valuation is based on a price earnings valuation technique. In the event that no cash flow and earnings 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 years' normalised earnings. The potential future earnings of the investment, current interest rate cycle, current business environment and management of the investment are considered in determining the earnings factor.

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

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

### 2.3 Recognition and measurement of deferred tax asset

The recognition and measurement of deferred tax assets require the Group to consider what future taxable income is likely. For further information, refer to note 13.



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 3 Financial risk management

### Introduction

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

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

The Group's Risk and IT 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's Risk and IT 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's Risk and IT Committee.

### 3.1 Exposure to risk arising from financial instruments

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

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

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

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

#### Insurance debtors, loans and other receivables

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

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

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

#### Investments

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

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

The analysis of credit quality of the Group and Company's assets is disclosed in note 38 of the financial statements.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 3 Financial risk management (continued)

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

#### 3.1.1 Credit risk (continued)

##### Reinsurance

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

The Group has 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 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 will arise.

The Group monitors the financial condition of reinsurers on an ongoing basis and reviews reinsurance arrangements periodically. The Group has 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 considers 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 and Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group and/or Company's reputation.

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

Based on actuarial modelling of historical and future expected trends, the Group have estimated the probable cash outflows associated with insurance and investment contract liabilities. The maturity analysis of the gross insurance liabilities is set out in note 38.1. The maturity profile of the related insurance and investment assets is expected to be similar to the profile of the liabilities. The Group has 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 and Company's income or the value of its holdings of insurance and financial assets. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the Group and Company's return on investment.

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

##### a) Currency risk

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

The Group is exposed to foreign currency risk for transactions that are denominated in a currency other than Rand. This exposure is limited to the operations of the Mozambique foreign subsidiary (the subsidiary was disposed of in the current year), transactions with foreign reinsurers, debt securities and equity investments in foreign companies. These foreign investments were made for the purposes of obtaining favourable international exposure to foreign currency and are monitored by the Investment Committee. The Group and Company uses limited derivative instruments to manage this risk which is assessed on an ongoing basis by the Investment Committee. The table in note 38.3 of the annual financial statements illustrates the split of assets and liabilities of the Group per major currency.

##### b) Interest rate risk

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

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

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.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 3 Financial risk management (continued)

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

#### 3.1.3 Market risk (continued)

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

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

Equity price risk arises from listed, fair value through profit or loss, equity securities held on behalf of the policyholders and the shareholder. The equity selection and investment analysis process is supported by a well developed research function utilising professional advisors. 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 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.

The Group currently only operates in South Africa (the Group previously held interest in an entity based in Mozambique, the interest was disposed of during the current reporting period), 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 South African insurers submit quarterly and annual returns to the Prudential Authority (PA) in terms of the Insurance Act, and is required at all times to maintain a statutory capital ratio as defined in that Act. The returns submitted during the year showed that the relevant subsidiaries met the minimum capital requirements throughout the year.

In addition, the insurance group also submits to the PA bi-annual and annual returns in terms of the Insurance Act, and is required at all times to maintain a group statutory capital ratio as defined in the Act. The returns submitted during the year showed that the Group met the minimum capital requirements throughout the year.

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

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

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 4. Property and equipment

	GROUP	
	2023 R'000	2022 R'000
<b>Cost</b>		
Office equipment	356 029	342 716
Motor vehicles	9 523	9 523
Leasehold improvements	113 652	144 422
	<b>479 204</b>	<b>496 661</b>
<b>Accumulated depreciation</b>		
Office equipment	(208 434)	(204 757)
Motor vehicles	(9 404)	(7 720)
Leasehold improvements	(37 320)	(61 567)
	<b>(255 158)</b>	<b>(274 044)</b>
<b>Net carrying value</b>		
Office equipment	147 595	137 959
Motor vehicles	119	1 803
Leasehold improvements	76 332	82 855
	<b>224 046</b>	<b>222 617</b>
<b>Reconciliation of movement on net carrying amount</b>		
<b>Balance at the beginning of the year</b>	<b>222 617</b>	<b>232 783</b>
<b>Additions</b>	<b>98 729</b>	<b>59 197</b>
Office equipment	62 525	41 863
Leasehold improvements	36 204	17 334
<b>Write-off</b>	<b>-</b>	<b>(3 757)</b>
Office equipment	-	(1 895)
Leasehold improvements	-	(1 862)
<b>Disposals</b>	<b>(43 742)</b>	<b>(5 157)</b>
Office equipment	(14 354)	(228)
Leasehold improvements	(29 388)	(4 929)
<b>Depreciation for the year</b>	<b>(53 558)</b>	<b>(60 449)</b>
Office equipment	(38 534)	(47 155)
Motor vehicles	(1 684)	(133)
Leasehold improvements	(13 340)	(13 161)
<b>Balance at the end of the year</b>	<b>224 046</b>	<b>222 617</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 5. Right-of-use assets

	GROUP	
	2023 R'000	2022 R'000
<b>Cost</b>		
Property	425 259	463 656
Motor vehicles	19 359	15 809
Office equipment	9 213	9 213
	<b>453 831</b>	<b>488 678</b>
<b>Accumulated depreciation</b>		
Property	(264 866)	(211 541)
Motor vehicles	(14 805)	(10 095)
Office equipment	(9 213)	(9 213)
	<b>(288 884)</b>	<b>(230 849)</b>
<b>Net carrying amount</b>		
Property	160 393	252 115
Motor vehicles	4 554	5 714
	<b>164 947</b>	<b>257 829</b>
<b>Reconciliation of movement on net carrying amount</b>		
<b>Balance at the beginning of the year</b>	257 829	345 013
<b>Additions</b>	12 148	2 746
Property	8 598	1 223
Motor vehicles	3 550	1 523
<b>Depreciation for the year</b>	(58 036)	(68 294)
Property	(53 326)	(64 319)
Motor vehicles	(4 710)	(3 968)
Office equipment	-	(7)
<b>Termination of lease agreements</b>	-	(21 636)
Property	-	(21 636)
<b>Write-off</b>	(46 994)	-
Property	(46 994)	-
<b>Balance at the end of the year</b>	<b>164 947</b>	<b>257 829</b>

## 6. Investment property

Fair value at the beginning of the year	54 490	55 300
Revaluation	-	(810)
Transfer to assets reclassified as non-current assets held for sale	(9 000)	-
Fair value at the end of the year	<b>45 490</b>	<b>54 490</b>

Investment properties consist of:

- sectional title located at stand 306 Ferreiras Dorp Township, Province of Gauteng, measuring 1 162m<sup>2</sup>;
- sectional title located at stand 317 Ferreiras Dorp Township, Province of Gauteng, measuring 1 012m<sup>2</sup>; and
- property situated in Irene Extension 3, Pretoria.

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.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 7. Intangible assets

	GROUP	
	2023 R'000	2022 R'000
<b>Cost</b>		
Acquired rights over books of business	97 909	14 033
Computer software	461 717	373 618
Intellectual property	-	83 876
	<b>559 626</b>	<b>471 527</b>
<b>Accumulated amortisation and impairment</b>		
Acquired rights over books of business	(27 601)	(10 312)
Computer software	(221 590)	(182 445)
Intellectual property	-	(16 700)
	<b>(249 191)</b>	<b>(209 457)</b>
<b>Net carrying value</b>		
Acquired rights over books of business	70 308	3 721
Computer software	240 127	191 173
Intellectual property	-	67 176
	<b>310 435</b>	<b>262 070</b>
<b>Reconciliation of movement on net carrying amount</b>		
Net carrying value at beginning of the year	262 070	344 399
<b>Additions</b>	<b>91 849</b>	<b>65 686</b>
Acquired rights over books of business	-	1 447
Computer software	91 849	64 239
<b>Impairment and amortisation charge</b>	<b>(42 130)</b>	<b>(45 709)</b>
Acquired rights over books of business	(588)	(540)
Computer software	(41 542)	(45 169)
<b>Disposals</b>	<b>(1 353)</b>	<b>(1 762)</b>
Transfer to acquired rights over books of business – cost*	83 876	-
Transfer to acquired rights over books of business – accumulated amortisation and impairment*	(16 700)	-
Transfer from intellectual property – cost*	(83 876)	-
Transfer from intellectual property – accumulated amortisation and impairment*	16 700	-
Movement on disposal of subsidiary*	-	(100 543)
<b>Net carrying value at end of the year</b>	<b>310 435</b>	<b>262 070</b>

\* During the current financial year, books of business previously reported as Intellectual property were reallocated to Acquired rights over books of business as the latter represents the correct classification.

## 8. Goodwill

<b>Cost</b>	<b>463 565</b>	<b>463 565</b>
<b>Accumulated impairment</b>	<b>(455 872)</b>	<b>(455 872)</b>
<b>Net carrying value</b>	<b>7 693</b>	<b>7 693</b>
<b>Reconciliation of movement on net carrying value</b>		
Net carrying value at beginning of the year	7 693	19 188
Impairment of goodwill	-	(11 495)
<b>Net carrying value at end of the year</b>	<b>7 693</b>	<b>7 693</b>

The Group tests goodwill annually for impairment, or more frequently if there are indicators that goodwill might be impaired. Goodwill is allocated to the cash-generating unit (CGU) that is expected to benefit from the acquisition. An impairment loss is recognised when the recoverable amount of the CGU is less than the net carrying value and is included in the profit or loss. Impairment losses of CGUs are first used to reduce the net carrying value of the goodwill and then to reduce the carrying value of other assets.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 9. Interest in subsidiaries

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Interest in subsidiaries comprise				
Shares at fair value through profit or loss	-	-	7 657 921	7 356 712
	-	-	7 657 921	7 356 712

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000

## 10. Interest in associates

Interest in associates comprise				
Equity accounted investment value	1 208 363	1 220 206	-	-
Carrying value of associates	1 208 363	1 220 206	-	-
<b>Analysis of associates</b>				
<b>Financial position of associates</b>				
Total assets	5 560 939	5 224 155	-	-
Total liabilities	(1 561 895)	(1 554 708)	-	-
<b>Net assets (100%)</b>	<b>3 999 044</b>	<b>3 669 447</b>	-	-
<b>Financial performance of associates</b>				
<b>Revenue</b>	<b>3 103 171</b>	<b>2 943 899</b>	-	-
Net profit before taxation	379 460	671 913	-	-
Taxation	(87 875)	(146 132)	-	-
<b>Net profit after taxation (100%)</b>	<b>291 585</b>	<b>525 781</b>	-	-
<b>Opening balance</b>	<b>1 220 206</b>	<b>1 130 865</b>	-	-
Group's share of total comprehensive income	140 178	166 078	-	-
Impairment of associates	(115 351)	(254 905)	-	-
Dividends received from associates	(41 811)	(47 890)	-	-
Acquisition, disposals and other movements	5 141	226 058	-	-
<b>Closing balance</b>	<b>1 208 363</b>	<b>1 220 206</b>	-	-

Details of subsidiaries and associates are provided in note 37 of these financial statements.

	GROUP		COMPANY	
	2023 R'000	Restated 2022* R'000	2023 R'000	Restated 2022* R'000
<b>11. Financial assets</b>				
Financial assets at amortised cost*	4 914 499	2 800 134	76 134	83 666
Financial assets at fair value through profit or loss	34 336 844	30 936 973	-	-
	39 251 343	33 737 107	76 134	83 666
<b>Financial assets at amortised cost</b>				
Debt securities	4 914 499	2 800 134	76 134	83 666
	4 914 499	2 800 134	76 134	83 666
<b>Financial assets at fair value through profit or loss</b>				
Listed investments at fair value	3 113 214	3 031 149	-	-
Unlisted investments at fair value	21 424 646	17 600 098	-	-
Bonds – listed	9 539 911	10 079 544	-	-
Bonds – government	259 073	226 182	-	-
	34 336 844	30 936 973	-	-

\* Refer to note 42 for details of the restatement. The comparative information has been restated as a result of a prior year error.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 12. Insurance, loans and other receivables

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Insurance receivables	2 319 821	2 129 798	-	-
Other receivables	526 214	91 427	-	-
<b>Total insurance and other receivables</b>	<b>2 846 035</b>	<b>2 221 225</b>	<b>-</b>	<b>-</b>
Loans bearing interest				
– Unsecured	159 929	95 704	-	-
Interest-free loans				
– Secured interest-free loans	6 035	8 622	-	-
– Unsecured interest-free loans	9 358	8 808	-	-
<b>Total loans</b>	<b>175 322</b>	<b>113 134</b>	<b>-</b>	<b>-</b>
Receivables from Group companies	-	-	55 511	56 075
<b>Total loans receivables from Group companies</b>	<b>-</b>	<b>-</b>	<b>55 511</b>	<b>56 075</b>
<b>Total insurance, loans and other receivables</b>	<b>3 021 357</b>	<b>2 334 359</b>	<b>55 511</b>	<b>56 075</b>
The interest rates charged on the secured and unsecured loans comprise:				
Prime less 1%	-	143	-	-
Prime	109 975	60 509	-	-
Prime plus 1,36%	-	4 885	-	-
Prime less 1,8%	9 511	-	-	-
Prime plus 5%	19 996	19 999	-	-
South African Revenue Service (SARS) rate	-	1 305	-	-
JIBAR + 7%	-	5 543	-	-
Hollard Investments Money Market Fund rate	5 461	3 320	-	-
Nedbank call rate	14 986	-	-	-
Interest-free loans	15 393	17 430	-	-
	<b>175 322</b>	<b>113 134</b>	<b>-</b>	<b>-</b>

Loans are carried at amortised cost using the effective interest method and are reviewed for impairment at the end of the financial year. Insurance, trade and other receivables are widespread and are carried net of impairment.



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 13. Deferred income tax

Deferred income taxes are calculated on all temporary differences at the tax rate applicable to the jurisdiction in which the temporary differences arise. Deferred tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable, where on the basis of all available evidence, it is considered more likely than not that there will be suitable taxable profits against which the reversal of the deferred tax asset can be deducted.

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	Restated 2022* R'000
<b>13.1 Deferred income tax assets</b>				
Deferred income tax to be recovered within 12 months	100 375	164 155	-	-
Deferred income tax to be recovered after 12 months	1 817 010	2 226 280	222	222
<b>Deferred income tax assets</b>	<b>1 917 385</b>	<b>2 390 435</b>	<b>222</b>	<b>222</b>
<b>Balance at beginning of the year</b>	<b>2 390 435</b>	<b>2 109 589</b>	<b>222</b>	<b>230</b>
<b>Movements during the year attributable to:</b>				
Unrealised gain or losses on assets at fair value through profit/loss	-	-	-	(8)
Assessed tax losses in tax funds <sup>1</sup>	(157 967)	217 982	-	-
Return transfers from the corporate fund to tax funds	(251 063)	66 901	-	-
Provisions	(67 046)	45 199	-	-
Unrealised CGT	(484)	(2 318)	-	-
Prior year adjustment	3 510	(46 918)	-	-
<b>Balance at end of the year</b>	<b>1 917 385</b>	<b>2 390 435</b>	<b>222</b>	<b>222</b>
<b>Balance comprises:</b>				
Provisions	100 375	164 155	-	-
Unrealised CGT	(1 524)	(1 041)	-	-
Assessed tax losses in tax funds <sup>1</sup>	1 645 298	1 803 265	-	-
Return transfers from the corporate fund to tax funds	173 236	424 056	-	-
<b>Deferred income tax assets</b>	<b>1 917 385</b>	<b>2 390 435</b>	<b>-</b>	<b>-</b>
<b>13.2 Deferred income tax liabilities</b>				
Deferred income tax to be recovered within 12 months	-	-	-	-
Deferred income tax to be recovered after 12 months	1 376 986	1 659 437	-	-
<b>Deferred income tax liabilities</b>	<b>1 376 986</b>	<b>1 659 437</b>	<b>-</b>	<b>-</b>
<b>Balance at beginning of the year</b>	<b>1 659 437</b>	<b>1 394 743</b>	<b>-</b>	<b>-</b>
<b>Movements during the year attributable to:</b>				
Unrealised gains on assets at fair value through profit or loss	(97 651)	193 778	-	-
Release of "phase in" tax for zeroised negative liabilities <sup>2</sup>	(80 878)	(52 684)	-	-
Disregarded assets for transfer tax <sup>2</sup>	(38 960)	49 519	-	-
Negative reserves not taxed <sup>2</sup>	(64 447)	40 703	-	-
Prior year adjustments	(515)	33 378	-	-
<b>Balance at end of the year</b>	<b>1 376 986</b>	<b>1 659 437</b>	<b>-</b>	<b>-</b>
<b>Balance comprises:</b>				
Unrealised gain or losses on assets at fair value through profit or loss	566 814	664 981	-	-
Release of "phase in" tax for zeroised negative liabilities <sup>2</sup>	80 878	161 756	-	-
Disregarded assets for transfer tax <sup>2</sup>	454 336	493 296	-	-
Negative reserves not taxed <sup>2</sup>	274 958	339 404	-	-
<b>Deferred income tax liabilities</b>	<b>1 376 986</b>	<b>1 659 437</b>	<b>-</b>	<b>-</b>

\* Refer to note 42 for details of the restatement. The comparative information has been restated as a result of a prior year error.

1. A deferred tax asset (DTA) has been recognised in terms of IAS 12: Income Taxes in respect of investment policies recognised in terms of IFRS 9: Financial Instruments and insurance policies recognised in terms of IFRS 4: Insurance Contracts, allocated to the Individual Policyholder Fund (IPF) and Company Policyholder Fund (CPF) respectively, which give rise to future taxable profits. A further DTA is held in respect of unrealised capital gains expected to utilise the assessed tax loss in the IPF and CPF respectively (reducing the available assessed tax loss in future financial years).

2. A deferred tax liability (DTL) is held in respect of negative reserves that are untaxed as at the reporting period in terms of section 29A(1) of the Income Tax Act, while a DTL is held in respect of the phasing in tax due to the zeroisation of negative reserves prior to 1 July 2017 in terms of section 29A(15) of the Income Tax Act. Furthermore, a DTL is held in respect of disregarded assets for the IPF and CPF, which are taxable temporary differences arising from the determination of transfer taxes in terms of section 29A(16) read with section 29A(7) of the Income Tax Act.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 14. Cash and cash equivalents

	GROUP		COMPANY	
	2023 R'000	Restated 2022* R'000	2023 R'000	Restated 2022* R'000
Cash and cash equivalents consist of cash on hand, current accounts and short-term deposits.				
Cash on call	1 178 121	1 840 874	260	760
Cash at bank	1 765 013	2 096 013	106 214	67 682
Cash on deposit	197 634	403 975	-	-
	<b>3 140 768</b>	<b>4 340 862</b>	<b>106 474</b>	<b>68 442</b>

\* Refer to note 42 for details of the restatement. The comparative information has been restated as a result of a prior year error.

## 15. Non-current assets/ (liabilities) held for sale

Investment in Hollard Moçambique Companhia de Seguros	-	1 798 496	-	-
Investment property – land and buildings	9 000	-	-	-
	<b>9 000</b>	<b>1 798 496</b>	<b>-</b>	<b>-</b>
<b>Liabilities held for sale:</b>				
Investment in Hollard Moçambique Companhia de Seguros	-	(1 228 812)	-	-
	<b>-</b>	<b>(1 228 812)</b>	<b>-</b>	<b>-</b>

Non-current assets consist of the property situated on Erf 35325, 35326, and 35327 in Bellville, Cape Town which was reclassified as held for sale. The cost of the property is R8.9 million (2022: R8.9 million) and a market value of R9.0 million (2022: R9.0 million). The market value of R9.0 million represents both the carrying amount and fair value less cost to sell of the property held for sale.

The property above is classified as held for sale as the intention is to sell this asset. A buyer has been identified and the sale and purchase agreements have concluded. The sale was finalised in July 2023.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 15. Non-current assets/ (liabilities) held for sale (continued)

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Listed below are the assets and liabilities that are recognised as held for sale:				
<b>Assets</b>				
Property and equipment	-	4 029	-	-
Intangible assets	-	1 607	-	-
Investment property	9 000	-	-	-
Financial assets	-	792 838	-	-
Reinsurance assets	-	590 012	-	-
Insurance, loans and other receivables	-	174 181	-	-
Deferred acquisition cost	-	32 584	-	-
Deferred taxation	-	15 105	-	-
Current income taxation	-	23 743	-	-
Cash and cash equivalents	-	161 890	-	-
Non-current assets held for sale	-	2 507	-	-
	<b>9 000</b>	<b>1 798 496</b>	<b>-</b>	<b>-</b>
<b>Liabilities</b>				
Insurance liabilities	-	(872 060)	-	-
Reinsurance liabilities	-	(210 196)	-	-
Provisions	-	(22 287)	-	-
Trade and other payables	-	(121 863)	-	-
Deferred taxation	-	(2 406)	-	-
	<b>-</b>	<b>(1 228 812)</b>	<b>-</b>	<b>-</b>

During the current financial year, interest previously held in a subsidiary domiciled in Mozambique was disposed of. The sale was concluded during September 2022.

## 16. Share capital and premium

<b>Authorised</b>				
5 000 000 ordinary shares of no par value	-	-	-	-
1 "A" non-redeemable, non-cumulative preference share of R0,01 each	-	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Issued</b>				
907 164 ordinary shares of no par value	10	10	10	10
Share premium	8 907 788	8 907 788	8 907 788	8 907 788
1 "A" non-redeemable, non-cumulative preference share of R0,01 par value	-	-	-	-
	<b>8 907 798</b>	<b>8 907 798</b>	<b>8 907 798</b>	<b>8 907 798</b>

## 17. Non-distributable reserves

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Non-distributable reserves consist of:				
Revaluation reserve	11 616	12 809	-	-

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 18. Insurance and investment contract liabilities and reinsurance assets

	GROUP	
	2023 R'000	2022 R'000
<b>18 a) Investment contract liabilities</b>		
<b>Policyholder liabilities under investment contracts</b>		
Balance at the beginning of the year	27 334 168	25 852 351
Contributions received	4 224 115	3 804 727
Maturities	(2 303 876)	(1 107 326)
Withdrawals and surrenders	(2 053 766)	(2 054 226)
Fair value movements	1 072 460	(876 426)
Transfer from Policyholder Liabilities under Insurance Contracts	10 529	893 718
Balance sheet movements	1 063 959	821 350
	<b>29 347 589</b>	<b>27 334 168</b>

	GROUP	
	2023 R'000	Restated 2022* R'000
<b>18 b) Insurance contract liabilities</b>		
<b>Insurance contract liabilities and related reinsurance assets</b>		
<b>Gross liabilities</b>		
Claims reported and loss adjustment expenses <sup>^</sup>	5 208 519	7 183 013
Claims incurred but not yet reported	1 123 195	1 163 458
Unearned premium provision	5 090 639	3 021 675
Cash back reserve	40 094	48 505
Policyholder liabilities under insurance contracts <sup>*</sup>	1 477 929	993 127
	<b>12 940 376</b>	<b>12 409 778</b>
<b>Recoverable from reinsurers</b>		
Claims reported and loss adjustment expenses	2 892 231	4 863 239
Claims incurred but not yet reported	184 111	549 512
Unearned premium provision	1 105 791	663 348
Reinsurance paid loss recoveries	1 408 498	924 836
Policyholder liabilities under insurance contracts <sup>^</sup>	1 047 545	854 850
<b>Total reinsurers' share of insurance liabilities</b>	<b>6 638 176</b>	<b>7 855 785</b>
<b>Net liabilities</b>		
Claims reported and loss adjustment expenses	2 316 288	2 319 774
Claims incurred but not yet reported	939 084	613 946
Unearned premium provision	3 984 848	2 358 327
Cash back reserve	40 094	48 505
Policyholder liabilities under insurance contracts <sup>^</sup>	430 384	138 277
Reinsurance recoveries	(1 408 498)	(924 836)
<b>Total insurance liabilities – net</b>	<b>6 302 200</b>	<b>4 553 993</b>

\* Refer to note 42 for details of the restatement. The comparative information has been restated as a result of a prior year error.

<sup>^</sup> Represents policyholder liabilities raised by the life insurance subsidiaries in the Group for future payments that will become due in respect of insurance contract benefits to be incurred.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 18. Insurance and investment contract liabilities and reinsurance assets (continued)

	2023			Restated 2022*		
	Gross R'000	Reinsurance R'000	Net R'000	Gross R'000	Reinsurance R'000	Net R'000
<b>Reconciliation of insurance contract liabilities and related reinsurance assets</b>						
<b>a) Claims reported and loss adjustment expenses</b>						
Balance at the beginning of the year*	7 183 013	4 863 239	2 319 774	4 189 686	2 012 075	2 177 611
Claims paid	(8 676 327)	(3 116 277)	(5 560 050)	(6 839 228)	(2 453 740)	(4 385 488)
Claims raised	6 701 833	1 145 269	5 556 564	9 832 555	5 304 904	4 527 651
<b>Balance at the end of the year*</b>	<b>5 208 519</b>	<b>2 892 231</b>	<b>2 316 288</b>	<b>7 183 013</b>	<b>4 863 239</b>	<b>2 319 774</b>
<b>b) Claims incurred but not yet reported</b>						
Balance at the beginning of the year	1 163 458	549 512	613 946	2 034 231	1 219 385	814 846
Movements for the year	(40 263)	(365 401)	325 138	(870 773)	(669 873)	(200 900)
<b>Balance at the end of the year</b>	<b>1 123 195</b>	<b>184 111</b>	<b>939 084</b>	<b>1 163 458</b>	<b>549 512</b>	<b>613 946</b>
<b>c) Unearned premium provision</b>						
Balance at the beginning of the year	3 021 675	663 348	2 358 327	2 499 174	611 232	1 887 942
Movements for the year	2 068 964	442 443	1 626 521	522 501	52 116	470 385
<b>Balance at the end of the year</b>	<b>5 090 639</b>	<b>1 105 791</b>	<b>3 984 848</b>	<b>3 021 675</b>	<b>663 348</b>	<b>2 358 327</b>
<b>d) Cash back reserve</b>						
Balance at the beginning of the year	48 505	–	48 505	61 902	–	61 902
Movements for the year	(8 411)	–	(8 411)	(13 397)	–	(13 397)
<b>Balance at the end of the year</b>	<b>40 094</b>	<b>–</b>	<b>40 094</b>	<b>48 505</b>	<b>–</b>	<b>48 505</b>
<b>e) Policyholder liabilities under insurance contracts</b>						
Balance at the beginning of the year	993 127	854 850	138 277	735 880	798 241	(62 361)
Movements for the year	484 802	192 695	292 107	257 247	56 609	200 638
<b>Balance at the end of the year</b>	<b>1 477 929</b>	<b>1 047 545</b>	<b>430 384</b>	<b>993 127</b>	<b>854 850</b>	<b>138 277</b>
<b>f) Reinsurance paid loss recoveries</b>						
Balance at the beginning of the year	–	924 836	(924 836)	–	586 497	(586 497)
Movements for the year	–	483 662	(483 662)	–	338 339	(338 339)
<b>Balance at the end of the year</b>	<b>–</b>	<b>1 408 498</b>	<b>(1 408 498)</b>	<b>–</b>	<b>924 836</b>	<b>(924 836)</b>
<b>Total</b>						
Balance at the beginning of the year	12 409 778	7 855 785	4 553 993	9 520 873	5 227 430	4 293 443
Claims paid	(8 676 327)	(3 116 277)	(5 560 050)	(6 839 228)	(2 453 740)	(4 385 488)
Movements for the year	2 505 092	753 399	1 751 693	(104 422)	(222 809)	118 387
Claims raised	6 701 833	1 145 269	5 556 564	9 832 555	5 304 904	4 527 651
<b>Balance at the end of the year</b>	<b>12 940 376</b>	<b>6 638 176</b>	<b>6 302 200</b>	<b>12 409 778</b>	<b>7 855 785</b>	<b>4 553 993</b>

\* Refer to note 42 for details of the restatement. The comparative information has been restated as a result of a prior year error.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 18. Insurance and investment contract liabilities and reinsurance assets (continued)

### Insurance risk

#### Exposure to insurance risk

The Group underwrites 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 is 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 is 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 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 insurance portfolio. Consequently, while the Group may experience variations in its claims patterns from one year to the next, the Group'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 are described below:

#### Property

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

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 any other miscellaneous damages. 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

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 types of accidents.

#### Motor

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

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

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.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 18. Insurance and investment contract liabilities and reinsurance assets (continued)

### Insurance risk (continued)

#### Liability

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.

#### Mortality and morbidity business

Life writes mortality and morbidity business, which includes the following:

- Contracts where death is the insured risk;
- Contracts where survival is the insured risk; and
- Contracts with fixed and guaranteed benefits and fixed future premiums.

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

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

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
<b>Gross written premium per class of business</b>				
Property	7 303 072	5 504 516	-	-
Transportation (including Marine)	630 199	576 991	-	-
Motor	5 419 508	4 657 806	-	-
Accident/health	238 761	388 479	-	-
Guarantee	958 152	914 956	-	-
Liability	1 461 589	1 261 306	-	-
Contract/engineering	685 099	648 505	-	-
Agriculture	13 992	13 687	-	-
Life – mortality and morbidity	7 439 059	7 628 495	-	-
Disability	65 679	65 679	-	-
Miscellaneous	357 563	378 206	-	-
<b>Total</b>	<b>24 572 673</b>	<b>22 038 626</b>	<b>-</b>	<b>-</b>

The Group currently only underwrites insurance contracts across South Africa (the Mozambique subsidiary was disposed of in September 2023). Using gross written premium as an indicator, the table below illustrates the Group's geographical diversification.

The Group previously held interest in an entity based in Mozambique, the interest was disposed of during the current reporting period (September 2022). Included in the gross premium is R348 066 000 (2022: R1 300 389 000) which relates to the Mozambique operation.

South Africa	24 224 607	20 738 237	-	-
Foreign	348 066	1 300 389	-	-
<b>Total</b>	<b>24 572 673</b>	<b>22 038 626</b>	<b>-</b>	<b>-</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 18. Insurance and investment contract liabilities and reinsurance assets (continued)

### Limiting exposure to insurance risk

The Group limits 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 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 risk profiles shows that the Group underwrite a well diversified portfolio of risks and that the Group'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 above illustrates the Group's distribution of risks underwritten across classes of business.

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

### Reinsurance governance

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

The main objective of the ACTCOMM is to provide oversight of relevant actuarial, financial and business risks, including the capital position and asset-liability matching position of the insurance companies within the Group. The ACTCOMM provides oversight of the Group'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 heads of the actuarial function express an independent opinion on the adequacy of reinsurance arrangements and notifies the Board if there is any reason for concern.

### Reinsurance strategy

The Group 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, and aggregate structures.

The Group 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 Group undertakes the insuring of risks appropriate to the risk/reward balance and the Group's absolute capacity in terms of shareholder funds and free reserves. The Group 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 Group 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 Group'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 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.



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 18. Insurance and investment contract liabilities and reinsurance assets (continued)

### Claim provisions

The Group'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 employ staff experienced in claims handling and rigorously apply standardised policies and procedures around claims assessment. In addition the Group 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

The majority of the Group'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 past claims experience. The Group's internal actuaries review the adequacy of the Group'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 analysis below relates to the Hollard Insurance Company subsidiary.

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

- the choice of percentile;
- sensitivities for IBNR and IBNER; and
- the discount rate used.

The methodology applied by the licence, 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 2022 and 30 June 2023. The analysis was carried out where data was available.

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; and
- discount rate.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 18. Insurance and investment contract liabilities and reinsurance assets (continued)

	2023		2022	
	Amount R'000	Difference R'000	Amount R'000	Difference R'000
<b>Differing percentiles</b>				
Whole book Net IBNRs are held at the 75th percentile				
If the IBNRs were held at best estimate	457 259	(160 262)	374 638	(144 464)
If the IBNRs were held at the 75th percentile	617 521	–	519 101	–
If the IBNRs were held at the 90th percentile	763 781	146 260	661 192	142 091
<b>Looking at the 3 largest reserves:</b>				
<b>The Specialist Liability Net IBNRs are held at the 75th percentile:</b>				
If the IBNRs were held at best estimate	147 303	(50 978)	135 375	(34 705)
If the IBNRs were held at the 75th percentile	198 282	–	170 080	–
If the IBNRs were held at the 90th percentile	256 429	58 147	205 328	35 247
<b>The Commercial Property Net IBNRs are held at the 75th percentile</b>				
If the IBNRs were held at best estimate	43 322	(13 287)	31 347	(12 620)
If the IBNRs were held at the 75th percentile	56 609	–	43 968	–
If the IBNRs were held at the 90th percentile	68 739	12 129	57 456	13 488
<b>The Commercial Motor Net IBNRs are held at the 75th percentile:</b>				
If the IBNRs were held at best estimate	28 046	(7 267)	24 819	(6 124)
If the IBNRs were held at the 75th percentile	35 314	–	30 944	–
If the IBNRs were held at the 90th percentile	41 908	6 595	34 639	3 695
<b>Differing frequency/severity assumptions</b>				
Whole book discounted (base: 75th percentile)				
Unchanged:	617 521	–	519 101	–
If the attritional and large loss frequency or severity assumptions were increased by 5%	637 438	19 917	545 056	25 955
If the attritional and large loss frequency or severity assumptions were increased by 10%	668 021	50 500	571 011	51 910
<b>Differing discount rates</b>				
Whole book discounted (base: 75th percentile)				
If the interest rate curve was adjusted down by 2% across all durations	625 073	7 552	525 303	6 201
If the interest rate curve was adjusted down by 1% across all durations	621 244	3 723	522 162	3 061
Unchanged	617 521	–	519 101	–
If the interest rate curve was adjusted up by 1% across all durations	613 899	(3 622)	516 116	(2 985)
If the interest rate curve was adjusted up by 2% across all durations	610 373	(7 148)	513 203	(5 898)

### Sensitivity analysis – policyholder liabilities from life insurance

The analysis below relates to the Hollard Life Assurance Company subsidiary:

	GROUP 2023		GROUP 2022	
	Insurance contracts	Linked and RA	Insurance contracts	Linked and RA
Base value	1 332 939	29 347 589	765 227	27 438 284
Renewal expenses decrease by 10%	1 173 983	29 349 928	623 823	27 437 513
Withdrawal rates decrease by 10%	1 292 477	29 377 860	648 892	27 438 493
Mortality rates decrease by 5%	1 039 005	29 337 803	494 917	27 438 292
Investment returns decrease by 1%	1 332 661	29 258 141	759 910	27 438 307
Equity risk premium increases by 1%	1 259 653	29 379 274	725 238	27 438 055
Shock asset values by 10%*	1 322 838	26 441 896	750 497	24 729 095

\* Asset value shock: Shock equity and property by 10% and alternate investments by 10%.

- Sensitivities were derived in line with the sensitivities compiled for the subsidiary's embedded value reporting (unaudited).
- Liability sensitivities on linked business are offset by commensurate asset movements resulting in a Rnil balance sheet impact.
- The Prudential Authority Risk-free Curve is used as the discount rate.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 18. Insurance and investment contract liabilities and reinsurance assets (continued)

### Unearned premium provisions

The Group raise provisions for unearned premiums on a basis which reflects the underlying risk profile of the insurance contracts. The majority of the Group'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.

### 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.

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000

## 19. Deferred acquisition costs

Deferred commission and acquisition costs net of reinsurance	174 462	157 387	-	-
<b>Reconciliation of changes in acquisition costs</b>				
Balance at beginning of the year	157 387	116 118	-	-
Acquisition costs deferred during the year	162 094	155 759	-	-
Acquisition costs expensed during the year	(145 019)	(114 490)	-	-
<b>Balance at the end of the year</b>	<b>174 462</b>	<b>157 387</b>	<b>-</b>	<b>-</b>

## 20. Borrowings

### Held at amortised cost

Interest-bearing loan	1 000 000	1 000 167	-	-
<b>Balance at the end of the year</b>	<b>1 000 000</b>	<b>1 000 167</b>	<b>-</b>	<b>-</b>

The loans bear interest at JIBAR plus a margin of 2,15% which is repayable in quarterly instalments. All interest payable on these loans was paid as at 30 June 2023.

The loan is repayable in tranches from June 2024, however the repayment terms are in the process of being restructured and no repayment is expected in June 2024.

These loans have three financial covenants, namely Solvency Cover Ratio, Debt Service Ratio and Share Cover Ratio. The covenants are measured and reported to the Lender on a quarterly basis. All covenants have been met at the date of these financial statements.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 21. Other financial liabilities

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
<b>Non – current liabilities</b>				
Preference share capital	1	1	1	1
Share premium	49 999	49 999	49 999	49 999
	<b>50 000</b>	<b>50 000</b>	<b>50 000</b>	<b>50 000</b>

These are redeemable, non-cumulative and non-convertible preference shares with the preference dividends set at 75% of the prime Interest rate. The final redemption date is 5 May 2026.

## 22. Employee benefits

	2023 R'000	2022 R'000
<b>Leave pay</b>		
<b>At beginning of the year</b>	<b>85 284</b>	85 193
– additional provisions	25 955	29 361
– used during the year	(27 217)	(26 196)
– disposal of subsidiary	–	(3 074)
<b>Balance at end of the year</b>	<b>84 022</b>	85 284
<b>Incentive provision</b>		
<b>At beginning of the year</b>	<b>158 013</b>	28 281
– additional provisions	291 597	158 994
– used during the year	(305 333)	(29 262)
<b>Balance at end of the year</b>	<b>144 277</b>	158 013
<b>Analysis of employee benefits</b>		
Current	228 299	243 297
<b>Total</b>	<b>228 299</b>	243 297

### Leave pay

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

### Incentive scheme

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

## 23. Trade and other payables

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Trade and other creditors	3 674 286	2 895 067	3 513	489
Group companies payables	–	–	25 005	25 004
Other liabilities	10 724	10 365	–	–
	<b>3 685 010</b>	<b>2 905 432</b>	<b>28 518</b>	<b>25 493</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 24. Cell captive shareholder liabilities

	GROUP		COMPANY	
	2023 R'000	Restated 2022* R'000	2023 R'000	2022 R'000
<b>Reconciliation of cell captive shareholders liabilities</b>				
Balance at beginning of the year	225 107	242 891	-	-
Profits attributable to cells	135 826	97 082	-	-
Dividends paid	(188 718)	(161 562)	-	-
Capital movement	8 888	46 696	-	-
<b>Balance at the end of the year*</b>	<b>181 103</b>	<b>225 107</b>	<b>-</b>	<b>-</b>

\* Refer to note 42 for details of the restatement. The comparative information has been restated as a result of a prior year error.

The Group operates third party cell captives on behalf of entities that wish to participate in the insurance result of a particular category of insured risk. Preference shares are issued to those participants giving them the right to share in profits on an agreed basis.

## 25. Reconciliation of net profit attributable to shareholders to cash generated/(utilised) in operations:

	Notes	GROUP		COMPANY	
		2023 R'000	Restated 2022* R'000	2023 R'000	2022 R'000
<b>Profit before tax</b>		<b>1 447 898</b>	1 568 290	<b>1 567 048</b>	1 195 235
<b>Adjustments for:</b>					
Depreciation	4,5	111 594	128 743	-	-
Write-off of property and equipment	4	-	3 757	-	-
Write off of right of use asset	5	46 994	-	-	-
Impairment of goodwill	8	-	11 495	-	-
Intangible asset amortisation and impairment	7	42 130	45 709	-	-
Write-off of loans		-	3 297	-	-
Realised (loss)/profit on disposal of investments		207 870	(83 991)	-	-
Net interest and dividend income		(680 947)	(577 590)	(1 274 832)	(1 113 193)
Unrealised profit on revaluation of listed and unlisted investments		(129 967)	(182 139)	(301 209)	(91 995)
Unrealised profit on investment property		-	810	-	-
Share of profits in associates		(140 178)	(166 078)	-	-
Impairment of associates		115 351	254 905	-	-
Movement on non-current asset held for sale		(39 104)	(77 611)	-	-
<b>Operating cash flows before working capital changes</b>		<b>981 641</b>	929 597	<b>(8 993)</b>	(9 953)
<b>Working capital changes</b>					
(Increase)/decrease in insurance receivables, loans and other receivables		(686 998)	(149 091)	564	262
(Decrease)/increase in insurance and investment assets and liabilities		(965 705)	4 381 873	-	-
Decrease in cell captive liabilities		135 577	103 912	-	-
Decrease/(increase) in reinsurance assets		1 217 609	(2 628 355)	-	-
(Increase) in deferred acquisition costs		(17 075)	(41 269)	-	-
Increase in reinsurance liabilities		360 718	281 623	-	-
Increase/(decrease) in trade and other accounts payables and employee benefit		764 580	(291 858)	3 025	(1 788)
<b>Cash generated/(utilised) in operations</b>		<b>1 790 347</b>	2 586 432	<b>(5 404)</b>	(11 479)

\* Refer to note 42 for details of the restatement. The comparative information has been restated as a result of a prior year error.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 26. Dividends paid

Notes	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Amount declared in statement of changes in equity	(1 341 909)	(953 915)	(1 341 909)	(953 915)
Amounts paid non-controlling interest*	(1 600)	(3 400)	-	-
Amounts paid to cell captive shareholders*	(188 718)	(161 562)	-	-
Amounts due at end of year	103 854	-	103 854	-
<b>Cash amounts paid</b>	<b>(1 428 373)</b>	<b>(1 118 877)</b>	<b>(1 238 055)</b>	<b>(953 915)</b>

\* Refer to note 42 for details of the restatement. The comparative information has been restated as a result of a prior year error.

## 27. Dividends received

Dividends received per statement of comprehensive income	146 058	141 923	1 271 337	1 111 455
<b>Total dividends received</b>	<b>146 058</b>	<b>141 923</b>	<b>1 271 337</b>	<b>1 111 455</b>

## 28. Taxation paid

Amounts due at the beginning of the year	683 695	697 619	(649)	(14 591)
Amounts charged to statement of comprehensive income	(488 575)	(370 779)	(1 726)	1 230
Amounts due at the end of the year	(593 270)	(683 695)	1 502	649
<b>Cash amounts paid</b>	<b>(398 150)</b>	<b>(356 855)</b>	<b>(873)</b>	<b>(12 712)</b>
<b>Amounts due at the end of the year comprised as follows:</b>				
Deferred income tax asset	(1 917 385)	(2 390 435)	(222)	(222)
Deferred income tax liability	1 376 986	1 659 437	-	-
Current taxation asset	(95 924)	(10 532)	-	-
Current taxation liability*	43 053	57 835	1 724	871
	<b>(593 270)</b>	<b>(683 695)</b>	<b>1 502</b>	<b>649</b>

\* Refer to note 42 for details of the restatement. The comparative information has been restated as a result of a prior year error.

## 29. Net written premium income

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Life recurring premiums	7 490 348	7 469 470	-	-
Life reinsurance premiums inwards	14 390	224 704	-	-
Non-life premiums	17 067 935	14 344 452	-	-
Gross premium income	24 572 673	22 038 626	-	-
Life reinsurance premiums outwards	(1 843 058)	(1 721 117)	-	-
Non-life reinsurance premiums outwards	(4 813 392)	(4 434 090)	-	-
<b>Net premiums</b>	<b>17 916 223</b>	<b>15 883 419</b>	<b>-</b>	<b>-</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 30. Interest and dividend income

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
<b>Interest income</b>				
<i>Financial assets measured at amortised cost</i>				
Interest on call and term deposits	250 146	142 529	70	134
Interest on secured loans	9 801	7 725	-	-
Sundry interest income	25 911	25 109	-	-
<i>Financial assets at fair value through profit or loss</i>				
Interest received on investments	171 011	113 525	2 237	1 184
Sundry interest income	238 881	276 111	5 720	3 944
<b>Total interest received</b>	<b>695 750</b>	<b>564 999</b>	<b>8 027</b>	<b>5 262</b>
<b>Dividend income</b>				
Financial assets at fair value through profit or loss	146 058	141 923	1 271 337	1 111 455
<b>Total dividends received</b>	<b>146 058</b>	<b>141 923</b>	<b>1 271 337</b>	<b>1 111 455</b>

## 31. Realised (loss)/profit on disposal of investments and other financial assets

Listed investments	32 542	14 403	-	-
Unlisted investments, subsidiaries and associates*	(240 412)	69 588	-	-
<b>Total realised (loss)/profit on disposal of investments</b>	<b>(207 870)</b>	<b>83 991</b>	<b>-</b>	<b>-</b>

\* Included in the current year's realised loss, is the loss on disposal of the Mozambique subsidiary. Refer to note 15 for the details of the disposal.

## 32. Unrealised profit on revaluation of investments and other financial assets

Listed investments	47 299	83 546	-	-
Unlisted investments	82 668	98 593	301 209	91 995
<b>Total unrealised profit on revaluation of investments</b>	<b>129 967</b>	<b>182 139</b>	<b>301 209</b>	<b>91 995</b>

## 33. Finance costs

Interest paid – collateral deposit	-	3 044	-	-
Interest paid – treaty reserves	19 134	9 164	-	-
Interest paid – general	99 662	67 796	1 625	899
Interest paid – SARS	-	26	-	-
Interest paid – lease liabilities	39 158	46 677	-	-
Preference shares – dividends paid	2 907	2 625	2 907	2 625
	<b>160 861</b>	<b>129 332</b>	<b>4 532</b>	<b>3 524</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 34. Other income

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Administration fees received	18 744	34 256	-	-
Management fees received	79 743	67 956	-	-
Sundry fees received	38 961	18 506	-	-
Investment business related income	112 194	103 785	-	-
Sundry income received*	411 963	174 938	-	-
	<b>661 605</b>	<b>399 441</b>	<b>-</b>	<b>-</b>

\* Sundry income received includes rebate fees as well as SASRIA income.

## 35. Income tax expense

The major components of income tax expense are:

<b>Income tax</b>				
- Current tax	300 339	346 347	1 726	1 222
- Prior year adjustment	(9 327)	8 901	-	-
<b>Deferred tax</b>				
- Current year	183 275	(6 788)	-	8
- Prior year adjustment	8 043	16 213	-	-
- Change in tax rate	-	(22 904)	-	-
<b>Taxation – dividend tax</b>	<b>3 317</b>	<b>27 285</b>	<b>-</b>	<b>-</b>
<b>Taxation – withholding tax</b>	<b>2 928</b>	<b>1 725</b>	<b>-</b>	<b>-</b>
	<b>488 575</b>	<b>370 779</b>	<b>1 726</b>	<b>1 230</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>

All taxation is payable in respect of continuing operations

### Tax rate reconciliation:

Tax calculated at standard rate of South African tax on earnings	27,0	28,0	27,0	28,00
Adjusted for:				
- Exempt income on dividends not taxable	(2,49)	(8,54)	(21,86)	(26,04)
- Realised (loss)/gains not taxable	1,20	(1,01)	-	-
- Unrealised gains not taxable	(2,25)	(0,88)	(5,18)	(0,42)
- Withholding taxation and dividend taxation	0,16	1,74	-	-
- Other non-taxable income/non-deductible expenses	12,39	15,36	0,15	(0,52)
- Deferred tax asset (assessed tax losses in tax funds) <sup>1</sup>	(3,18)	(13,11)	-	-
- Deferred tax liabilities arising from disregarded assets in tax funds <sup>2</sup>	0,91	2,98	-	-
- Change in tax rate <sup>3</sup>	-	(1,38)	-	(0,92)
- Prior year (over)/under provision	-	0,48	-	-
	<b>33,74</b>	<b>23,64</b>	<b>0,11</b>	<b>0,10</b>

<sup>1</sup> The utilisation of the assessed tax loss in the Individual Policy Fund (IPF) and Corporate Policy Fund (CPF) results in an I-E (i.e. income, including CGT less expenses) profit for the financial year 2023. Management has projected taxable profit in terms of IAS 12: Income Taxes that will arise in the IPF and CPF in future years, ultimately reducing the assessed tax loss carried forward to zero.

<sup>2</sup> A deferred tax liability (DTL) is held in respect of disregarded assets in terms of section 29A(15) of the Income Tax Act (i.e. assets that are excluded from determining transfer tax in the IPF and CPF). As disregarded assets reduce, the IPF and CPF assets are expected to match liabilities in terms of section 29A(7) of the Income Tax Act.

<sup>3</sup> As of 1 July 2022 (FY2023), the corporate tax rate as promulgated has reduced from 28% to 27%. Coinciding with this change, the assessed tax losses utilisation has been limited whereby, during the financial year commencing on 1 July 2022, any taxable income arising from the IPF and CPF, the assessed tax loss usage will be limited to 80% of such an amount, resulting in a 20% I-E tax due to SARS. This has impacted the deferred tax recognised in the Statement of Financial Position and Statement of Comprehensive Income for the comparative year.



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 36. Profit before taxation

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
<b>Profit before taxation is determined after charging:</b>				
<b>Auditor's remuneration</b>				
Audit fees	28 330	31 421	2 575	3 858
	<b>28 330</b>	<b>31 421</b>	<b>2 575</b>	<b>3 858</b>
<b>Depreciation – property and equipment</b>				
Office equipment	38 534	47 155	–	–
Motor vehicles	1 684	133	–	–
Leasehold improvements	13 340	13 161	–	–
	<b>53 558</b>	<b>60 449</b>	<b>–</b>	<b>–</b>
<b>Depreciation – right-of-use assets</b>				
Property	53 326	64 319	–	–
Motor vehicles	4 710	3 968	–	–
Office equipment	–	7	–	–
	<b>58 036</b>	<b>68 294</b>	<b>–</b>	<b>–</b>
<b>Expenses for the acquisition of insurance contracts</b>				
Commission and other acquisition costs	1 631 462	1 531 084	–	–
<b>Other expenditure</b>				
Impairment/(reversal of impairment) of premium debtors	44 147	(21 267)	–	–
Impairment and amortisation charge of intangible assets	46 225	45 709	–	–
Administration fees paid	1 348 115	1 483 191	–	–
Professional fees	312 865	250 627	–	–
Operating lease rentals – buildings	2 383	2 570	–	–
Operating lease rentals – information technology	29 915	23 325	–	–
Research and development	1 727	5 334	–	–
Employee costs	1 884 970	1 744 677	–	–

	2023			2022		
	Company	Rest of Group	Total	Company	Rest of Group	Total
<b>Directors' emoluments</b>						
<b>Executive directors</b>						
Director A						
Basic salary	–	1 584	1 584	–	6 292	6 292
Bonus and performance-related payments	–	10 280	10 280	–	1 816	1 816
Estimated monetary value of other benefits	–	32	32	–	128	128
Pension/provident fund contributions	–	180	180	–	712	712
	–	<b>12 076</b>	<b>12 076</b>	–	<b>8 948</b>	<b>8 948</b>
Director B						
Basic salary	–	4 260	4 260	–	3 880	3 880
Bonus and performance-related payments	–	6 424	6 424	–	1 088	1 088
Estimated monetary value of other benefits	–	188	188	–	176	176
Pension/provident fund contributions	–	496	496	–	452	452
	–	<b>11 368</b>	<b>11 368</b>	–	<b>5 596</b>	<b>5 596</b>
Director C						
Basic salary	–	6 564	6 564	–	4 616	4 616
Bonus and performance-related payments	–	8 567	8 567	–	2 276	2 276
Estimated monetary value of other benefits	–	204	204	–	188	188
Pension/provident fund contributions	–	752	752	–	536	536
	–	<b>16 087</b>	<b>16 087</b>	–	<b>7 616</b>	<b>7 616</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 36. Profit before taxation (continued)

	2023			2022		
	Company	Rest of Group	Total	Company	Rest of Group	Total
<b>Directors' emoluments (continued)</b>						
<b>Non-executive directors</b>						
Director A	-	1 484	1 484	-	1 352	1 352
Director B	-	768	768	-	912	912
Director C	-	656	656	-	612	612
Director D	-	936	936	-	836	836
Director E	-	1 192	1 192	-	1 132	1 132
Director F	-	604	604	-	568	568
Director G	-	740	740	-	676	676
	-	6 380	6 380	-	6 088	6 088

## 37. Investments in subsidiaries and associates

	2023				2022	
	Place of business	Proportion held %	Carrying value R'000	Indebtedness R'000	Carrying value R'000	Indebtedness R'000
<b>COMPANY</b>						
<b>Carrying value of interest in subsidiaries</b>						
<b>Directly held subsidiaries</b>						
Hollard Fundco (RF) Proprietary Limited	RSA	100	7 203 839	25 025	6 980 034	25 003
Syringa Tree Investments Proprietary Limited	RSA	100	644	-	17 623	-
Syndicate Investments Proprietary Limited	RSA	100	38 159	2 931	27 818	2 931
Sandalive Investments Proprietary Limited	RSA	100	415 275	27 555	330 442	27 555
Velvet Raisin Proprietary Limited	RSA	100	3	-	780	-
Mountain Cypress Investment Proprietary Limited	RSA	100	-	-	14	-
Pico Ruivo Investments Proprietary Limited	RSA	100	1	-	1	-
			7 657 921	55 511	7 356 712	55 489
<b>GROUP</b>						
<b>Interest in associates</b>						
Amserve Consultants Private Limited	India	49,99	-	-	-	-
Amsure Insurance Agency Public Limited	India	49,99	-	-	-	-
Legal Expense Group Africa Limited	RSA	39,90	243 224	-	239 457	-
Ooba Proprietary Limited	RSA	25,00	126 720	-	88 361	-
IFANet Independent Distribution Services Proprietary Limited	RSA	25,62	-	-	-	-
Multi Risk Investment Holdings (Pty) Ltd	RSA	-	-	-	35 000	-
Badger Holdings South Africa (Pty) Ltd	RSA	45,00	452 804	-	413 904	-
Clarendon Transport Underwriting Managers (Pty) Ltd	RSA	37,30	63 478	-	59 724	-
Itoo Special Risks (Pty) Ltd	RSA	30,00	-	-	-	-
MotorVantage Holdings (Pty) Ltd	RSA	18,60	254 784	-	327 099	-
Naked Financial Technology (Pty) Ltd	RSA	23,10	63 503	-	36 962	-
Other associates	RSA	Various	3 850	-	19 699	-
			1 208 363	-	1 220 206	-

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 38. Risk management (continued)

### 38.1 Liquidity risk (continued)

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

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

	Carrying amount R'000	Total contractual cash flows R'000	On Demand R'000	0 – 12 months R'000	1 – 5 years R'000	More than 5 years R'000
<b>GROUP</b>						
<b>2023</b>						
Financial assets at fair value through profit or loss	34 336 844	34 336 844	23 224 411	3 975 970	6 387 113	749 350
Financial assets at amortised cost	4 914 499	4 914 499	3 567 373	796 183	337 169	213 774
Reinsurance assets	6 638 176	6 638 176	474	6 536 483	101 219	–
Insurance, loans and other receivables	3 021 357	3 021 357	281 973	2 614 421	93 653	31 310
Deferred acquisition costs	174 462	174 462	–	174 462	–	–
Cash and cash equivalents	3 140 768	3 140 768	1 375 474	1 765 294	–	–
	<b>52 226 106</b>	<b>52 226 106</b>	<b>28 449 705</b>	<b>15 862 813</b>	<b>6 919 154</b>	<b>994 434</b>
<b>2022</b>						
Financial assets at fair value through profit or loss	30 936 973	30 936 973	20 478 632	1 925 288	8 066 017	467 036
Financial assets at amortised cost*	2 800 134	2 800 134	982 446	1 736 336	17 653	63 699
Reinsurance assets	7 855 785	7 855 785	–	7 727 783	128 002	–
Insurance, loans and other receivables*	2 334 359	2 334 359	88 958	1 775 687	313 914	155 800
Deferred acquisition costs	157 387	157 387	–	157 387	–	–
Cash and cash equivalents*	4 340 862	4 340 862	2 338 664	2 002 198	–	–
	<b>48 425 500</b>	<b>48 425 500</b>	<b>23 888 700</b>	<b>15 324 679</b>	<b>8 525 586</b>	<b>686 535</b>
<b>COMPANY</b>						
<b>2023</b>						
Financial assets at amortised cost	76 134	76 134	76 134	–	–	–
Insurance, loans and other receivables	55 511	55 511	–	55 511	–	–
Cash and cash equivalents	106 474	106 474	106 474	–	–	–
	<b>238 119</b>	<b>238 119</b>	<b>182 608</b>	<b>55 511</b>	<b>–</b>	<b>–</b>
<b>2022</b>						
Financial assets at amortised cost*	83 666	83 666	83 666	–	–	–
Insurance, loans and other receivables	56 075	56 075	–	56 075	–	–
Cash and cash equivalents*	68 442	68 442	68 442	–	–	–
	<b>208 183</b>	<b>208 183</b>	<b>152 108</b>	<b>56 075</b>	<b>–</b>	<b>–</b>

\* Refer to note 42 for details of the restatement. The comparative information has been restated as a result of a prior year error.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 38. Risk management (continued)

### 38.1 Liquidity risk (continued)

#### 38.1.2 Maturity profile of financial and insurance liabilities

The following tables detail the Group and Company's contractual maturities of financial and insurance liabilities:

	Carrying amount R'000	Total contractual cash flows R'000	On Demand R'000	0 – 12 months R'000	1 – 5 years R'000	More than 5 years R'000
<b>GROUP</b>						
<b>2023</b>						
Investment and insurance contract liabilities	30 825 518	30 825 518	–	5 404 840	24 662 698	757 980
Claims reported and loss adjustment expenses	5 208 519	5 208 519	–	4 365 896	854 047	(11 424)
Claims incurred but not yet reported	1 123 195	1 123 195	–	973 171	152 529	(2 505)
Unearned premium provision	5 087 040	5 087 040	–	5 033 467	52 641	932
Cash back reserve	40 094	40 094	–	19 372	19 973	749
Unexpired risk reserve	3 599	3 599	–	3 564	35	–
Reinsurance liabilities	1 731 314	1 731 314	–	1 731 314	–	–
Cell captive shareholder liabilities	181 103	181 103	–	181 103	–	–
Other financial liabilities	50 000	50 000	–	50 000	–	–
Borrowings	1 000 000	1 000 000	–	300 000	500 000	200 000
Trade and other payables*	3 304 256	3 304 256	82 100	3 215 749	6 407	–
Lease liabilities	302 154	302 154	–	91 545	181 482	29 127
Shareholders for dividend	103 854	103 854	103 854	–	–	–
	<b>48 960 646</b>	<b>48 960 646</b>	<b>185 954</b>	<b>21 670 021</b>	<b>26 329 812</b>	<b>774 859</b>
<b>2022</b>						
Investment and insurance contract liabilities	28 327 295	28 327 295	–	4 480 041	23 352 847	494 407
Claims reported and loss adjustment expenses*	7 183 010	7 183 010	–	6 435 713	743 591	3 706
Claims incurred but not yet reported	1 163 458	1 163 458	–	972 348	190 573	537
Unearned premium provision	3 019 879	3 019 879	–	2 967 014	29 937	22 928
Cash back reserve	48 505	48 505	–	23 518	24 084	903
Unexpired risk reserve	1 799	1 799	–	1 771	28	–
Reinsurance liabilities	1 370 596	1 370 596	–	1 370 596	–	–
Cell captive shareholder liabilities *	225 107	225 107	–	225 107	–	–
Other financial liabilities	50 000	50 000	–	50 000	–	–
Borrowings	1 000 167	1 000 167	–	167	800 000	200 000
Trade and other payables**	2 433 219	2 433 219	332 155	1 955 164	46 258	99 642
Lease liabilities	458 008	458 008	–	89 070	361 365	7 573
	<b>45 281 043</b>	<b>45 281 043</b>	<b>332 155</b>	<b>18 570 509</b>	<b>25 548 683</b>	<b>829 696</b>

\* VAT is not included in trade and other payables, and lease liabilities has been separately disclosed.

^ Refer to note 42 for details of the restatement. The comparative information has been restated as a result of a prior year error.

	Carrying amount	Total contractual cash flows	On demand	0 – 12 months	1 – 5 years	More than 5 years
<b>COMPANY</b>						
<b>2023</b>						
Accounts payable	3 513	3 513	–	3 513	–	–
Other financial liabilities	50 000	50 000	–	50 000	–	–
Loans from Group companies	25 005	25 005	–	25 005	–	–
Shareholders for dividend	103 854	103 854	103 854	–	–	–
	<b>182 372</b>	<b>182 372</b>	<b>103 854</b>	<b>78 518</b>	<b>–</b>	<b>–</b>
<b>2022</b>						
Accounts payable	490	490	–	490	–	–
Other financial liabilities	50 000	50 000	–	50 000	–	–
Loans from Group companies	25 003	25 003	–	25 003	–	–
	<b>75 493</b>	<b>75 493</b>	<b>–</b>	<b>75 493</b>	<b>–</b>	<b>–</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 38. Risk management (continued)

### 38.2 Credit risk

#### a) Credit rating

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

	AA+ (R'000)	AA (R'000)	AA- (R'000)	A+ (R'000)	A (R'000)	A- (R'000)
<b>GROUP</b>						
<b>2023</b>						
Unlisted investments	225	-	-	-	-	-
Bonds – held at fair value through profit or loss	-	-	-	93 502	-	50 261
Financial assets at amortised cost	1 347	-	-	-	-	-
Loans – interest-bearing	-	-	-	-	-	-
Loans – non-interest-bearing	-	-	-	-	-	-
Other loans and receivables	-	-	-	-	-	-
Cash and cash equivalents	-	-	-	-	-	-
<b>Insurance assets</b>						
Insurance receivables	-	-	-	-	-	-
Reinsurance assets	16 386	1 496	1 477 661	925 739	42 004	744 230
	<b>17 958</b>	<b>1 496</b>	<b>1 477 661</b>	<b>1 019 241</b>	<b>42 004</b>	<b>794 491</b>
<b>2022</b>						
Unlisted investments	-	-	-	48 948	-	-
Bonds – held at fair value through profit or loss	-	-	-	-	20 190	-
Financial assets at amortised cost*	-	-	-	-	-	-
Loans – interest-bearing	-	-	-	-	-	-
Loans – non-interest-bearing	-	-	-	-	-	-
Other loans and receivables*	-	-	-	-	-	-
Cash and cash equivalents*	-	-	-	-	-	-
<b>Insurance assets</b>						
Insurance receivables	-	-	-	73	-	7 079
Reinsurance assets	107 325	1 698	1 557 035	1 897 620	89 575	557 249
	<b>107 325</b>	<b>1 698</b>	<b>1 557 035</b>	<b>1 946 641</b>	<b>109 765</b>	<b>564 328</b>
<b>COMPANY</b>						
<b>2023</b>						
Financial assets at amortised cost	-	-	-	-	-	-
Loan to Group companies	-	-	-	-	-	-
Cash and cash equivalents	-	-	-	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2022</b>						
Financial assets at amortised cost*	-	-	-	-	-	-
Loan to Group companies	-	-	-	-	-	-
Cash and cash equivalents*	-	-	-	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

\* Refer to note 42 for details of the restatement. The comparative information has been restated as a result of a prior year error.

Credit ratings are sourced from Bloomberg for S&P, Fitch and Moody's.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 38. Risk management (continued)

### 38.2 Credit risk

#### a) Credit rating

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

	BBB+ (R'000)	BBB (R'000)	BB+ (R'000)	BB (R'000)	BB- (R'000)	Not rated	Total
<b>GROUP</b>							
<b>2023</b>							
Unlisted investments	-	-	664 045	771 206	-	19 989 170	21 424 646
Bonds – held at fair value through profit or loss	-	-	9 081 369	552 397	-	21 456	9 798 984
Financial assets at amortised cost	-	-	10 487	2 114 853	-	2 787 812	4 914 499
Loans – interest-bearing	-	-	-	32 979	-	126 950	159 929
Loans – non-interest-bearing	-	-	-	7 955	-	7 438	15 393
Other loans and receivables	-	-	-	-	-	526 214	526 214
Cash and cash equivalents	-	13 984	693 312	1 883 033	-	550 439	3 140 768
<b>Insurance assets</b>							
Insurance receivables	-	-	63 165	59 014	-	2 197 642	2 319 821
Reinsurance assets	463 117	1 251	198 568	948	-	2 766 776	6 638 176
	463 117	15 235	10 710 946	5 422 385	-	28 973 897	48 938 430
<b>2022</b>							
Unlisted investments	-	-	721 726	733 888	-	16 095 536	17 600 098
Bonds – held at fair value through profit or loss	-	10 512	9 673 716	551 158	-	50 150	10 305 726
Financial assets at amortised cost*	-	-	-	83 666	-	2 716 468	2 800 134
Loans – interest-bearing	-	-	-	-	-	95 704	95 704
Loans – non-interest-bearing	-	-	-	-	-	17 430	17 430
Other loans and receivables*	-	-	-	1 989	-	89 438	91 427
Cash and cash equivalents*	-	6 661	1 148 151	2 883 881	14 965	287 204	4 340 862
<b>Insurance assets</b>							
Insurance receivables	122 570	-	71 720	94 602	-	1 833 754	2 129 798
Reinsurance assets	561 726	-	20 177	270 242	6 459	2 786 679	7 855 785
	684 296	17 173	11 635 490	4 619 426	21 424	23 972 363	45 236 964
<b>COMPANY</b>							
<b>2023</b>							
Financial assets at amortised cost	-	-	-	76 134	-	-	76 134
Loan to Group companies	-	-	-	-	-	55 511	55 511
Cash and cash equivalents	-	-	-	106 474	-	-	106 474
	-	-	-	182 608	-	55 511	238 119
<b>2022</b>							
Financial assets at amortised cost*	-	-	-	83 666	-	-	83 666
Loan to Group companies	-	-	-	-	-	56 075	56 075
Cash and cash equivalents*	-	-	-	68 442	-	-	68 442
	-	-	-	152 108	-	56 075	208 183

\* Refer to note 42 for details of the restatement. The comparative information has been restated as a result of a prior year error.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 38. Risk management (continued)

### 38.2 Credit risk (continued)

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

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

	GROUP				COMPANY			
	Neither past due nor impaired R'000	Past due but not impaired R'000	Individually impaired R'000	Net carrying amount R'000	Neither past due nor impaired R'000	Past due but not impaired R'000	Individually impaired R'000	Net carrying amount R'000
<b>2023</b>								
Unlisted investments	21 424 646	-	-	21 424 646	-	-	-	-
Bonds at fair value	9 798 984	-	-	9 798 984	-	-	-	-
Financial assets at amortised cost	4 914 499	-	-	4 914 499	76 134	-	-	76 134
Other loans and receivables	757 526	43 707	(99 697)	701 536	56 538	-	(1 027)	55 511
Cash and cash equivalents	3 140 768	-	-	3 140 768	106 474	-	-	106 474
<b>Financial assets</b>	<b>40 036 423</b>	<b>43 707</b>	<b>(99 697)</b>	<b>39 980 433</b>	<b>239 146</b>	<b>-</b>	<b>(1 027)</b>	<b>238 119</b>
Insurance receivables	2 159 194	181 694	(21 067)	2 319 821	-	-	-	-
Reinsurance assets	6 166 699	471 477	-	6 638 176	-	-	-	-
<b>Insurance assets</b>	<b>8 325 893</b>	<b>653 171</b>	<b>(21 067)</b>	<b>8 957 997</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2022</b>								
Unlisted investments	17 600 098	-	-	17 600 098	-	-	-	-
Bonds at fair value	10 305 726	-	-	10 305 726	-	-	-	-
Financial assets at amortised cost*	2 800 134	-	-	2 800 134	83 666	-	-	83 666
Other loans and receivables*	256 638	52 138	(104 215)	204 561	57 104	-	(1 029)	56 075
Cash and cash equivalents*	4 340 862	-	-	4 340 862	68 442	-	-	68 442
<b>Financial assets</b>	<b>35 303 458</b>	<b>52 138</b>	<b>(104 215)</b>	<b>35 251 381</b>	<b>209 212</b>	<b>-</b>	<b>(1 029)</b>	<b>208 183</b>
Insurance receivables	2 049 213	96 822	(16 237)	2 129 798	-	-	-	-
Reinsurance assets	7 736 689	119 096	-	7 855 785	-	-	-	-
<b>Insurance assets</b>	<b>9 785 902</b>	<b>215 918</b>	<b>(16 237)</b>	<b>9 985 583</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

\* Refer to note 42 for details of the restatement. The comparative information has been restated as a result of a prior year error.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 38. Risk management (continued)

### 38.2 Credit risk (continued)

c) Reconciliation of loss allowance relating to loans and receivables subsequently measured at amortised cost

	GROUP				COMPANY			
	Subject to lifetime ECL				Subject to lifetime ECL			
	Total allowance for ECL R'000	12-months ECL Allowance for ECL R'000	Not credit impaired Allowance for ECL R'000	Credit Impaired Allowance for ECL R'000	Total allowance for ECL R'000	12-months ECL Allowance for ECL R'000	Not credit impaired Allowance for ECL R'000	Credit Impaired Allowance for ECL R'000
<b>2023</b>								
<b>Balance at the beginning of the year</b>	104 216	-	16 599	87 616	1 029	-	1 029	-
Originations, purchases and interest accruals	5 461	-	1 644	3 817	-	-	-	-
Repayments and other derecognitions excluding write-offs	(9 980)	-	-	(9 980)	(2)	-	(2)	-
<b>Balance at the end of the year</b>	<b>99 697</b>	<b>-</b>	<b>18 243</b>	<b>81 454</b>	<b>1 027</b>	<b>-</b>	<b>1 027</b>	<b>-</b>
<b>2022</b>								
<b>Balance at the beginning of the year</b>	119 448	-	17 697	101 751	1 029	-	1 029	-
Originations, purchases and interest accruals	3 041	-	15	3 025	-	-	-	-
Repayments and other derecognitions excluding write-offs	(18 273)	-	(1 113)	(17 160)	-	-	-	-
<b>Balance at the end of the year</b>	<b>104 216</b>	<b>-</b>	<b>16 599</b>	<b>87 616</b>	<b>1 029</b>	<b>-</b>	<b>1 029</b>	<b>-</b>

### 38.3 Market risk

#### Sensitivity analysis

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

#### Currency risk

The following exchange rates applied during the year:

	2023		2022	
	Average rate	Reporting date spot rate	Average rate	Reporting date spot rate
<b>GROUP</b>				
Mozambique Metical	0,27	0,27	0,24	0,25
US Dollar	17,90	18,85	15,36	16,28
Euro	18,80	20,59	17,24	17,06

A 10 percent strengthening/devaluation in the relevant foreign currencies against the ZAR at the reporting date would have increased/ (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit/(loss)		Equity	
	10% increase R'000	10% decrease R'000	10% increase R'000	10% decrease R'000
<b>2023</b>				
US Dollar	22 712	(22 712)	22 712	(22 712)
Euro	1 065	(1 065)	1 065	(1 065)
	<b>23 777</b>	<b>(23 777)</b>	<b>23 777</b>	<b>(23 777)</b>
<b>2022</b>				
US Dollar	45 683	(45 683)	45 683	(45 683)
Euro	1 355	(1 355)	1 355	(1 355)
Mozambique Metical	7 792	(7 792)	56 968	(56 968)
	<b>54 830</b>	<b>(54 830)</b>	<b>104 006</b>	<b>(104 006)</b>



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 38. Risk management (continued)

### 38.3 Market risk (continued)

#### Interest rate risk

A change of 200 basis points in interest rates as it relates to cash and cash equivalents 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 and does not extend to fixed interest instruments held to fund policyholder liabilities where the policyholder bears the interest rate risk.

	Profit/(loss)		Equity	
	2% increase R'000	2% decrease R'000	2% increase R'000	2% decrease R'000
<b>GROUP</b>				
<b>2023</b>				
Cash and cash equivalents	62 815	(62 815)	62 815	(62 815)
<b>Net cash flow sensitivity</b>	<b>62 815</b>	<b>(62 815)</b>	<b>62 815</b>	<b>(62 815)</b>
<b>2022</b>				
Cash and cash equivalents	86 817	(86 817)	86 817	(86 817)
<b>Net cash flow sensitivity</b>	<b>86 817</b>	<b>(86 817)</b>	<b>86 817</b>	<b>(86 817)</b>

#### Determination of fair value and fair value hierarchy

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

	Level 1	Level 2	Level 3	Total
<b>GROUP</b>				
<b>2023</b>				
<b>Financial assets carried at fair value through profit or loss</b>				
Listed ordinary shares <sup>#</sup>	1 793 363	–	1 159 733	2 953 096
Listed debentures	65 262	–	–	65 262
Listed preference shares	94 857	–	–	94 857
Unlisted ordinary shares	–	–	8 114	8 114
Unit trusts	–	19 723 676	–	19 723 676
Bonds	–	9 798 985	–	9 798 985
Linked policies	–	1 392 698	–	1 392 698
Hedge fund investments	–	44 930	–	44 930
Pooled funds	–	46 857	–	46 857
Annuities	–	208 369	–	208 369
	<b>1 953 482</b>	<b>31 215 515</b>	<b>1 167 847</b>	<b>34 336 844</b>
<b>GROUP</b>				
<b>2022</b>				
<b>Financial assets carried at fair value through profit or loss</b>				
Listed ordinary shares <sup>#</sup>	1 716 467	–	1 124 967	2 841 434
Listed debentures	60 250	–	–	60 250
Listed preference shares	129 465	–	–	129 465
Unlisted ordinary shares	–	–	7 871	7 871
Unit trusts	–	15 982 817	–	15 982 817
Bonds	–	10 305 726	–	10 305 726
Linked policies	–	1 291 579	–	1 291 579
Hedge fund investments	–	59 115	–	59 115
Annuities	–	258 716	–	258 716
	<b>1 906 182</b>	<b>27 897 953</b>	<b>1 132 838</b>	<b>30 936 973</b>

<sup>#</sup> Clientele is thinly traded on the JSE and as a result, we believe the listed price is not a true reflection of the value of the investment. We have thus used our judgement and applied the appraisal method to determine a more reasonable value, as shown above.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 38. Risk management (continued)

### 38.3 Market risk (continued)

#### Determination of fair value and fair value hierarchy (continued)

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

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

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

The Group determines 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.

Where a discounted cash flow basis is used a build-up method was followed to construct the discount rate, incorporating all the appropriate risk components as well as a pre-tax bond yield of 11,747% (R2 035). 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.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 38. Risk management (continued)

### 38.3 Market risk (continued)

	Fair value through profit or loss R'000	At amortised cost R'000	Total financial instruments R'000	Insurance contract assets and liabilities R'000	Other assets and liabilities R'000	Total per statement of financial position R'000	Fair value R'000
<b>GROUP</b>							
<b>2023</b>							
<b>Assets</b>							
Financial assets	34 336 844	4 914 499	39 251 343	-	-	39 251 343	39 251 343
Reinsurance assets	-	-	-	6 638 176	-	6 638 176	6 638 176
Insurance, loans and other receivables	-	2 412 030	2 412 030	609 327	-	3 021 357	3 021 357
Cash and cash equivalents	-	3 140 768	3 140 768	-	-	3 140 768	3 140 768
	<b>34 336 844</b>	<b>10 467 297</b>	<b>44 804 141</b>	<b>7 247 503</b>	<b>-</b>	<b>52 051 644</b>	<b>52 051 644</b>
<b>Liabilities</b>							
Borrowings	-	1 000 000	1 000 000	-	-	1 000 000	1 000 000
Insurance contracts liabilities	-	-	-	12 940 376	-	12 940 376	12 940 376
Investment contracts liabilities	29 347 589	-	29 347 589	-	-	29 347 589	29 347 589
Cell captive shareholder liabilities	-	181 103	181 103	-	-	181 103	181 103
Other financial liabilities	-	50 000	50 000	-	-	50 000	50 000
Reinsurance liabilities	-	-	-	1 731 314	-	1 731 314	1 731 314
Trade and other payables	-	3 665 258	3 665 258	19 752	-	3 685 010	3 685 010
Shareholders for dividend	-	103 854	103 854	-	-	103 854	103 854
	<b>29 347 589</b>	<b>5 000 215</b>	<b>34 347 804</b>	<b>14 691 442</b>	<b>-</b>	<b>49 039 246</b>	<b>49 039 246</b>
<b>GROUP</b>							
<b>2022</b>							
<b>Assets</b>							
Financial assets*	30 936 973	2 800 134	33 737 107	-	-	33 737 107	33 737 107
Reinsurance assets	-	-	-	7 855 785	-	7 855 785	7 855 785
Insurance, loans and other receivables*	-	384 233	384 233	1 787 047	163 080	2 334 359	2 334 359
Cash and cash equivalents*	-	4 340 862	4 340 862	-	-	4 340 862	4 340 862
	<b>30 936 973</b>	<b>7 525 229</b>	<b>38 462 202</b>	<b>9 642 832</b>	<b>163 080</b>	<b>48 268 113</b>	<b>48 268 113</b>
<b>Liabilities</b>							
Borrowings	-	1 000 167	1 000 167	-	-	1 000 167	1 000 167
Insurance contracts liabilities	-	-	-	12 409 778	-	12 409 778	12 409 778
Investment contracts liabilities	27 334 168	-	27 334 168	-	-	27 334 168	27 334 168
Cell captive shareholder liabilities *	-	225 107	225 107	-	-	225 107	225 107
Other financial liabilities	-	50 000	50 000	-	-	50 000	50 000
Reinsurance liabilities	-	-	-	1 370 596	-	1 370 596	1 370 596
Trade and other payables*	-	2 446 323	2 446 323	459 109	-	2 905 432	2 905 432
	<b>27 334 168</b>	<b>3 721 597</b>	<b>31 055 765</b>	<b>14 239 483</b>	<b>-</b>	<b>45 295 248</b>	<b>45 295 248</b>

\* Refer to note 42 for details of the restatement. The comparative information has been restated as a result of a prior year error.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 38. Risk management (continued)

### 38.3 Market risk (continued)

	Fair value through profit or loss R'000	At amortised cost R'000	Total financial instruments R'000	Insurance contract assets and liabilities R'000	Other assets and liabilities R'000	Total per statement of financial position R'000	Fair value R'000
<b>COMPANY</b>							
<b>2023</b>							
<b>Assets</b>							
Investments in subsidiaries	7 657 921	-	7 657 921	-	-	7 657 921	7 657 921
Financial assets	-	76 134	76 134	-	-	76 134	76 134
Loans to Group companies	-	55 511	55 511	-	-	55 511	55 511
Cash and cash equivalents	-	106 474	106 474	-	-	106 474	106 474
	<b>7 657 921</b>	<b>238 119</b>	<b>7 896 040</b>	<b>-</b>	<b>-</b>	<b>7 896 040</b>	<b>7 896 040</b>
<b>Liabilities</b>							
Other financial liabilities	-	50 000	50 000	-	-	50 000	50 000
Trade and other payables	-	28 518	28 518	-	-	28 518	28 518
Shareholders for dividend	-	103 854	103 854	-	-	103 854	103 854
	<b>-</b>	<b>182 372</b>	<b>182 372</b>	<b>-</b>	<b>-</b>	<b>182 372</b>	<b>182 372</b>
<b>2022</b>							
<b>Assets</b>							
Investments in subsidiaries	7 356 712	-	7 356 712	-	-	7 356 712	7 356 712
Financial assets*	-	83 666	83 666	-	-	83 666	83 666
Loans to Group companies	-	56 075	56 075	-	-	56 075	56 075
Cash and cash equivalents*	-	68 442	68 442	-	-	68 442	68 442
	<b>7 356 712</b>	<b>208 183</b>	<b>7 564 895</b>	<b>-</b>	<b>-</b>	<b>7 564 895</b>	<b>7 564 895</b>
<b>Liabilities</b>							
Other financial liabilities	-	50 000	50 000	-	-	50 000	50 000
Trade and other payables	-	25 493	25 493	-	-	25 493	25 493
	<b>-</b>	<b>75 493</b>	<b>75 493</b>	<b>-</b>	<b>-</b>	<b>75 493</b>	<b>75 493</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 39. Related-party transactions

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000

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

Listed below are details of certain related-party balances and transactions. Where applicable entries were passed on consolidation to eliminate intra-group transactions and balances as required by the Group's accounting policies for preparing consolidated financial information.

### Loans between related parties

Loan to Sandolive Investments (Pty) Ltd	-	-	27 555	27 555
Loan to Syndicate Investments (Pty) Ltd	-	-	2 931	2 931
Loan to Fundco (RF) (Pty) Ltd	-	-	25 025	25 003
Loan to AWCA Investment Holdings	-	-	-	1 595
Loan from Hollard Life Assurance Company	-	-	10 001	10 001
Loan from The Hollard Insurance Company	-	-	15 003	15 002
Loan from The Hollard Insurance Company to Hollard Specialist Insurance Limited	57 249	472	-	-
Loan from The Hollard Insurance Company to Hollard Specialist Life Limited	374	264	-	-
Loan from Hollard Life Assurance Company to Hollard Specialist Insurance Limited	202	2 012	-	-
Loan from Hollard Specialist Insurance Limited to Hollard Specialist Life Limited	23	14	-	-
Loan from Hollard Life Assurance Company to The Hollard Insurance Company to Hollard Specialist Life Limited	52 868	20 076	-	-
Loan from Hollard Fundco (RF) (Pty) Ltd to Hollard Life Assurance Company	400 000	399 925	-	-
Loan from Hollard Life Assurance Company to Hollard Specialist Life Limited	94 099	10 160	-	-
Loan to Leungo Investments (Pty) Ltd from The Hollard Insurance Company	1 039	1 664	-	-
Loans to Syndicate Investments (Pty) Ltd from The Hollard Insurance Company	101 652	61 474	-	-
Loans from Fundco (RF) (Pty) Ltd to The Hollard Insurance Company	600 000	600 112	-	-
Loan to Sandolive (Pty) Ltd from The Hollard Insurance Company	83 931	83 931	-	-

### Transactions

Management fees paid by Hollard Holdings (Pty) Ltd to Hollard Life Assurance Company	-	-	5 295	5 132
Secretarial fees paid by Hollard Holdings (Pty) Ltd to Hollard Life Assurance Company	-	-	822	733
Interest received by Hollard Fundco (RF) Proprietary Limited from The Hollard Insurance Company	51 588	35 409	-	-
Interest received by Hollard Fundco (RF) Proprietary Limited from Hollard Life Assurance Company	34 392	22 849	-	-
Management fees paid by The Hollard Insurance Company to Hollard Life Assurance Company	229 110	231 092	-	-
Management fees paid by Hollard Specialist Insurance Limited to Hollard Life Assurance Company	1 745	2 321	-	-
Management fees paid by Hollard Specialist Life Limited to Hollard Life Assurance Company	9 231	20 954	-	-
Rent paid by The Hollard Insurance Company to Hollard Life Assurance Company	20 027	30 283	-	-

### Investments in related parties

The Hollard Insurance Company in Yellowwoods Capital Holdings	141 200	141 200	-	-
The Hollard Insurance Company in Syndicate Investments (Pty) Ltd	-	72 000	-	-
The Hollard Insurance Company in Sandolive Investments (Pty) Ltd	124 000	124 000	-	-
The Hollard Insurance Company in Firebush Investments (Pty) Ltd	30 000	30 000	-	-
The Hollard Insurance Company in Velvet Raisin Investments (Pty) Ltd	-	95 000	-	-
The Hollard Insurance Company in Yellowwoods Trust	55 510	59 946	-	-
Hollard Specialist Life Limited in Yellowwoods Trust	64 809	63 334	-	-
Hollard Life Assurance Company in Yellowwoods Trust Investment	187 111	182 462	-	-
Hollard Life Assurance Company in Yellowwoods Capital Holdings	115 945	113 234	-	-
Hollard Specialist Insurance Limited in Yellowwoods Capital Holdings	15 344	17 508	-	-

### Other balances

Debtor balance – Hollard Holdings Proprietary Limited and Etana Insurance Proprietary Limited	-	-	20	20
Creditor balance – Hollard Holdings (Pty) Ltd and Hollard Life Assurance Company	-	-	1 841	489
Creditor balance – The Hollard Insurance Company and Hollard Moçambique Companhia de Seguros	-	14 718	-	-

### Policies

Endowment policy between The Hollard Insurance Company and Hollard Life Assurance Company	1 392 698	1 289 581	-	-
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### Dividend received

Dividend received by Hollard Holdings (Pty) Ltd from Hollard Fundco (RF) (Pty)	-	-	1 271 323	1 111 455
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### Dividend paid

Dividend paid by Hollard Specialist Insurance Limited to Hollard Fundco (RF) (Pty) Ltd	70 750	24 180	-	-
Dividend paid by Hollard Life Assurance Company to Hollard Fundco (RF) (Pty) Ltd	682 945	274 736	-	-
Dividend paid by The Hollard Insurance Company to Hollard Fundco (RF) (Pty) Ltd	455 377	861 767	-	-
Dividend paid by Hollard Specialist Life Limited to Hollard Fundco (RF) (Pty) Ltd	62 251	194 429	-	-

### Interest paid

Interest paid by Syndicate Investments (Pty) Ltd to The Hollard Insurance Company	10 741	7 438	-	-
Interest paid by Syringa Tree Investments (Pty) Ltd to The Hollard Insurance Company	3 378	3 082	-	-
Interest paid by Sandolive Investments (Pty) Ltd to The Hollard Insurance Company	18 081	22 169	-	-

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 40. Events after the reporting period

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

## 41. Going concern and solvency assessment

The directors have assessed the Group's ability to continue as a going concern. As at 30 June 2023 the Group had a strong net asset value and liquidity position.

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

As a result, the Board believes that the Group is well placed to meet its future capital and liquidity requirements and therefore believes that it is appropriate to adopt the going concern basis. The company met the minimum Group financial soundness requirements in the Insurance Act, 2017 for an insurance investment holding company throughout the financial year and at year end.

## 42. Restatement of comparative financial information

### Insurance liabilities

A detailed review of the outstanding claims reserve identified outstanding balances on closed files as well as long outstanding balances. A further investigation into the closed files identified an overstatement of these reserves in the current and prior financial periods. The investigation into long outstanding balances noted that the Group no longer had an obligation to settle these claims, thus resulting in the overstatement of these reserves in prior financial periods. These errors impacted the net claims and insurance liabilities accounts. Management have noted the error and have put in place controls which includes, but not limited to:

- A detailed monthly review of the outstanding claims reserve by the claims management team; and
- A review of long outstanding cases or files.

### Cell captive liabilities

The Group operates cell captives on behalf of entities that wish to participate in the insurance result of a particular category of insured risk. Preference shares are issued to those participants giving them the right to share in profits on an agreed basis. In prior years, the Group viewed the participants' share of profits, as non-controlling interests which were included in equity. After a review in the current year of the shareholder agreements underlying the preference shares, as well as considering how peer companies treat similar instruments, the Group presented the participants' accumulated share of profits as a financial liability and restated the comparative information. The Group concluded that the preference shares meet the definition of a financial liability as per IAS 32: Financial Instruments: Presentation. Whilst the Group can defer the payment of dividends to meet its prudential regulatory capital requirements it remains contractually obligated to pay the profits as dividends in the future.

The recognition of cell captive profits through the statement of comprehensive income was also restated and is now recognised as a cost in the marketing and administration expenses line item.

### Cash and cash equivalents

Treasury bills and money market instruments were previously classified as cash and cash equivalents. After a review by management in the current financial year, as well as considering how peer companies treat similar instruments, it was concluded that these instruments do not meet the accounting policy requirement to be recognised as cash and cash equivalents. It was therefore concluded that balances for these instruments would be restated to financial assets.

This restatement impacts the statement of financial position, statement of cash flows and related notes.

### Trade and other payables

Due to a journal processing error, certain journals were duplicated in one ledger account. This was identified by the finance team and corrected as necessary. These errors impacted the trade and other payables accounts.

Management have noted the error and have put in place controls which includes, but not limited to:

- Reconciliation of all material balance sheet accounts by management; and
- Review of all long outstanding items and resolution of these items.

### VAT receivable

A VAT receivable balance was identified as long outstanding in the current financial year, the balance was recognised as a VAT receivable in prior years. In the current year, the balance was compared to the VAT statement of accounts from the South African Revenue Services in order to determine if the balance is reflected as a receivable in the statement and to also confirm if the balance is recoverable. The recoverability of the balance could not be confirmed, therefore a provision for the balance should have been raised in prior years as such the annual financial statements are restated accordingly.

Management have noted the error and have put in place controls which include, but are not limited to:

- Reconciliation of all material balance sheet accounts by management; and
- Review of all long outstanding items and resolution of these items.

### Deferred tax liabilities

Deferred tax was previously recognised for temporary differences that relate to investments in subsidiaries held in the company. During the current financial year, after a review by management of the requirements of IAS 12: Income taxes, it was established that deferred tax balances should not be recognised as the company meets the exception recognition criteria stipulated in IAS 12: Income taxes. Therefore, the forementioned balances have been restated accordingly.

These restatements have impacted the statements of financial position, statements of comprehensive income, statements of changes in equity, statements of cash flows and related notes. The line items impacted are disclosed below:

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 42. Restatement of comparative financial information (continued)

### 42.1 Restated comparative information in the statement of comprehensive income

GROUP	2022		
	As previously reported R'000	Restatement R'000	Restated R'000
<b>Statements of comprehensive income</b>			
Gross policyholder benefits and claims Incurred	9 177 762	(9 811)	9 167 951
Marketing and administration expenses	4 815 365	103 912	4 919 277
Profit before taxation	1 662 391	(94 101)	1 568 290
Income tax expense	368 106	2 673	370 779
Profit after taxation	1 294 285	(96 774)	1 197 511

COMPANY	2022		
	As previously reported R'000	Restatement R'000	Restated R'000
<b>Statements of comprehensive income</b>			
Income tax expense	1 105	125	1 230
Profit after taxation	1 194 130	(125)	1 194 005

### 42.2 Restated comparative information in the statement of financial position

GROUP	2022			2021		
	As previously reported R'000	Restatement R'000	Restated R'000	As previously reported R'000	Restatement R'000	Restated R'000
<b>Statements of financial position</b>						
<b>Assets</b>						
Insurance, loans and other receivables	2 353 259	(18 900)	2 334 359	2 204 168	(12 069)	2 192 099
Financial assets	31 917 105	1 820 002	33 737 107	30 973 468	1 694 665	32 668 133
Cash and cash equivalents	6 160 864	(1 820 002)	4 340 862	6 113 677	(1 694 665)	4 419 012
Total assets	54 741 035	(18 900)	54 722 135	50 568 676	(12 069)	50 556 607
<b>Equity</b>						
Accumulated deficit	(2 992 139)	20 225	(2 971 914)	(3 210 951)	19 912	(3 191 039)
Non-controlling interest	426 664	(225 107)	201 557	422 139	(242 891)	179 248
Total equity	6 442 388	(204 882)	6 237 506	6 144 643	(222 979)	5 921 664
<b>Liabilities</b>						
Trade and other payables	2 911 222	(5 790)	2 905 432	3 332 903	(5 787)	3 327 116
Insurance contract liabilities	12 458 286	(48 508)	12 409 778	10 202 434	(38 769)	10 163 665
Cell captive shareholder liabilities	–	225 107	225 107	–	242 891	242 891
Current taxation liabilities	42 661	15 174	57 835	56 037	12 575	68 612
Total liabilities	48 298 646	185 983	48 484 629	44 424 033	210 910	44 634 943

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

## 42. Restatement of comparative financial information (continued)

### 42.2 Restated comparative information in the statement of financial position (continued)

#### COMPANY

	2022			2021		
	As previously reported R'000	Restatement R'000	Restated R'000	As previously reported R'000	Restatement R'000	Restated R'000
<b>Statements of financial position</b>						
<b>Assets</b>						
Financial assets	–	83 666	83 666	–	89 721	89 721
Cash and cash equivalents	152 108	(83 666)	68 442	107 021	(89 721)	17 300
Deferred tax asset reallocation	–	222	222	–	230	230
<b>Total assets</b>	<b>7 564 895</b>	<b>222</b>	<b>7 565 117</b>	<b>7 338 075</b>	<b>230</b>	<b>7 338 305</b>
<b>Equity</b>						
Accumulated loss	(2 523 090)	1 104 045	(1 419 045)	(2 763 305)	1 104 169	(1 659 136)
<b>Total equity</b>	<b>6 384 708</b>	<b>1 104 045</b>	<b>7 488 753</b>	<b>6 144 493</b>	<b>1 104 169</b>	<b>7 248 662</b>
<b>Liabilities</b>						
Deferred tax liabilities	1 103 823	(1 104 045)	(222)	1 103 939	(1 104 169)	(230)
Deferred tax asset reallocation	–	222	222	–	230	230
<b>Total liabilities</b>	<b>1 180 187</b>	<b>(1 103 823)</b>	<b>76 364</b>	<b>1 193 582</b>	<b>(1 103 939)</b>	<b>89 643</b>

### 42.3 Restated comparative information in the statement of cash flows

#### GROUP

	2022		
	As previously reported R'000	Restatement R'000	Restated R'000
<b>Statements of cash flows</b>			
<b>Cash flows from Investing activities</b>			
Acquisition of other financial assets	–	(4 421 518)	(4 421 518)
Proceeds on disposal of other financial assets	1 732 843	4 296 181	6 029 024
<b>Net cash inflow from investing activities</b>	<b>(1 640 757)</b>	<b>(125 337)</b>	<b>(1 766 094)</b>
<b>Cash and cash equivalents</b>			
Net increase/(decrease) in cash and cash equivalents	47 187	(125 337)	(78 150)
Cash and cash equivalents at beginning of year	6 113 677	(1 694 665)	4 419 012
<b>Cash and cash equivalents at end of year</b>	<b>6 160 864</b>	<b>(1 820 002)</b>	<b>4 340 862</b>

#### COMPANY

	2022		
	As previously reported R'000	Restatement R'000	Restated R'000
<b>Statements of cash flows</b>			
<b>Cash and cash equivalents</b>			
Net increase/(decrease) in cash and cash equivalents	45 087	6 055	51 142
Cash and cash equivalents at beginning of year	107 021	(89 721)	17 300
<b>Cash and cash equivalents at end of year</b>	<b>152 108</b>	<b>(83 666)</b>	<b>68 442</b>



# DIRECTORATE AND ADMINISTRATION

for the year ended 30 June 2023

## Directors

ADH Enthoven – Non-executive director (Chairman)  
DJ Viljoen – Chief Financial Officer  
WT Lategan – Chief Executive Officer (appointed 1 July 2022)  
MR Bower – Independent non-executive director  
R Fihrer – Independent non-executive director  
NG Kohler – Non-executive director  
B Ngonyama – Non-executive director (lead independent director) (resigned 21 July 2023)  
KL Shuenyane – Non-executive director (lead independent director) (appointed 30 November 2023)  
S Patel – Independent non-executive director  
NV Simamane – Independent non-executive director  
MS Claassen – Independent non-executive director  
MM Kabi – Independent non-executive director (appointed 30 November 2023)  
CAS Franks – Non-executive director  
T Kittaka – Non-executive director (appointed 1 April 2023)  
AS Nkosi – independent non-executive director (resigned 1 July 2023)  
K Yamamoto – non-executive director (resigned 1 April 2023)

## Company Secretary

A Allardyce

## Public officer

U Murphy (Resigned 1 April 2023)  
RN Nyoka (Appointed 1 April 2023)

## Compliance officer

M Patel

## Registered office and business address

Hollard at Arcadia  
22 Oxford Road  
Parktown  
Johannesburg  
2193

## Postal address

P O Box 87419  
Houghton  
2041

## Website

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

## Nature of business

The Company is an investment holding company and operates in South Africa.

## Auditors

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

## Registration number

1972/003540/07

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

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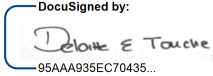
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