Company number 11707219

BHL (SA) Holdings Limited

Annual Report and Financial Statements

Year ended 30 June 2020

BHL (SA) Holdings Limited
Year ended 30 June 2020
Annual report and financial statements for the year ended 30 June 2020

Index

Directors	S Klinkert I Leech S James
Company secretary	L Sinfield
Registered office	Bath House 16 Bath Row Stamford Lincolnshire PE9 2QU
Auditors	KPMG LLP 15 Canada Square London E14 5GL

BHL (SA) Holdings Limited
Year ended 30 June 2020
Annual report and financial statements for the year ended 30 June 2020

Strategic report

The directors present the strategic report for the year ended 30 June 2020.

BHL (SA) Holdings Limited (the "Company" or the "Group") was incorporated in England and Wales on 3 December 2018.

On 28 December 2018, its parent company, BHL Holdings Limited, transferred to it the ordinary shares held by it in Telesure Investment Holdings Proprietary Limited. In return for the transfer, the Company allotted and issued 707,999,999 ordinary shares (of £1 each) in the capital of the Company to BHL Holdings Limited, credited as fully paid.

Results and dividends

The annual results for BHL (SA) Holdings Limited, company number 11707219, (the "Company" or the "Group") in relation to the Company and its active subsidiaries, are set out on page 11 and show a consolidated loss for the year after taxation of R2,357,684 (2019: R571,195k). This loss for the year is after two one off expenses; a R2,500,000k fair value adjustment of Steyn City Properties preference shares and a R270,000k charitable donation for Covid-19 relief funding. The underlying result for the year after excluding these two one off expenses is R412,316k. The directors are pleased with the underlying trading performance for the year and are confident of future prospects.

No dividends were declared or paid to the shareholder during the current year.

Trading review and future developments

The Group's principal activities comprise its insurance and financial services interests.

Telesure Investment Holdings (Pty) Ltd ("TIH") group owns and operates several of South Africa's leading insurance brands and stands out with its multiple-channel, multiple-brand approach through direct sales, broker sales, aggregator sales and affinity partnerships. All of the companies in the TIH group target different segments of the insuring public and are geared to assess the needs of the market they service and provide products and distribution channels to best suit those needs.

Following the announcement of the lockdown on 22 March 2020, we implemented full lockdown remote working for the vast majority of our employees within four days – ready for lockdown commencement from 27 March 2020 through a variety of means including relocating staff desktops to their homes. As regulations ease, we have continued our phased approach to bring back sections of our operations remote workforce whilst adhering to the strict requirements of social distancing and various workplace safety regulations.

This response is reflected in the results for the year ended 30 June 2020, with a 3% increase in net premium income earned despite the impact of Covid-19.

On 8 April 2020, the TIH Board approved the establishment of a COVID-19 relief fund to support the people and small businesses of South Africa, through the devastating effects of the COVID-19 pandemic. A total of R270 million (2019: Rnil) was approved as contributions by the non-life insurance subsidiaries to support the Solidarity Fund, food and other relief in communities and to support small businesses that may not be able to sustain during an extended period of lockdown.

Key performance indicators

	2020	2019
Net premium income earned	R2,715,828k	R2,624,605k
(Loss)/ profit before tax	R(2,132,922)k	R831,788k
Add back one off items:		
Fair value adjustment of Steyn City Properties preference shares	R2,500,000k	-
Covid-19 relief funding	R270,000k	-
Underlying profit before taxation	**R637,078k**	R831,788k
Minimum solvency capital requirement	1.35	1.35

This loss for the year is after two one-off expenses; a R2,500,000k fair value adjustment of Steyn City Properties preference shares and a R270,000k charitable donation for Covid-19 relief funding. For further details see notes 27 and 26 respectively.

Strategic report (continued)

Principal risks and uncertainties

Effective risk management is fundamental to the business activities of the group and seeks to achieve an appropriate balance between risk and reward, and assists in delivering on its strategy and growth plans in a controlled environment.

Risk is inherent in the business and the identification and management of risk is central to delivering on the strategic objectives set by the TIH Board of Directors ("TIH Board"). By understanding and managing risk, the group provides greater certainty and confidence to the shareholders, employees, customers and suppliers, and to the communities in which it operates.

The group's risk appetite and capital management strategy are reviewed on a continuous basis. The risk appetite references financial and non-financial risk categories and indicates how much risk the group is willing to take in the pursuit of achieving its strategic and operational goals. Risks that have the potential to impact the reputation, regulatory, solvency, environment, community, operational and financial performance of the group and, thereby, the achievement of the strategic objectives are managed. As such, strategic business decisions are taken in accordance with a board approved risk appetite statement with the executive and risk committees closely monitoring risk profiles against this appetite.

Internal control systems are designed to manage risks within the business and inevitably, they can provide only reasonable and not absolute assurance against material misstatement or loss. The TIH Board is conscious of the importance of the group's risk management process and system of internal controls and attaches a high priority to monitoring the effectiveness and continued developing of it in line with good practice.

The TIH Board has delegated the oversight of the various control functions and processes to the various committees (Risk, Audit and Actuarial, Social and Ethics, Remuneration).

The TIH Board's oversight of the risk management process and the systems of internal general control are delegated to the Risk Committee.

The principal risks are set out below.

Financial risk

Financial risk is generally defined as the risk of financial loss to the group as a result of either a negative change in the value of assets or the deviation of financial results from that expected. The approach of the group towards financial risk management is to limit risk exposures within acceptable parameters while optimising returns through specifying allowable asset classes. The group's Financial Risk Policy defines its practices and procedures for managing financial risk. These activities provide reasonable, but not absolute, assurance that these risks are adequately managed.

The group is exposed to the following financial risks: liquidity risk, market risk, interest rate risk and credit risk.

Insurance risk

The group issues contracts that transfer significant insurance risk. The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. As such the group is exposed to uncertainty surrounding the timing and severity of claims under insurance contracts. By the very nature of an insurance contract, the risk is random and therefore unpredictable.

Short-term risks include perils around fire, motor accident and weather related damage that may give rise to an insurable event.

Long-term risks include mortality and the most significant factors that could increase the overall frequency of claims are epidemics (such as AIDS and COVID-19), economic conditions or wide spread changes in lifestyle, such as eating, smoking and exercise habits, resulting in higher morbidity risk and earlier or more claims than expected. All claims received are assessed. Large claims are investigated further before being paid.

For the year ended 30 June 2020, management has ensured continual review of the systems of internal control, risk identification and mitigation. The ongoing review covered all material controls, including financial and operational controls. The principal risks are described in note 33, risk management.

Covid-19 risk

The Covid-19 outbreak, and the resulting measures taken by government to contain the virus, have created a number of new operational, financial and risk challenges for the Group. A dedicated COVID STEERCO and response team was formed to navigate the pandemic across the group.

Strategic report (continued)

Principal risks and uncertainties (continued)

Brexit

The Group has performed a review of its operations in the light of the planned exit of the United Kingdom from the European Union and does not foresee any significant direct impact on the Group's businesses.

On behalf of the board

I Leech
Director
Date: 23 December 2020

Directors' report

The directors present their report together with the audited financial statements for the year ended 30 June 2020.

Results, dividends and future developments

Details of the Group results, dividends and future developments are set out in the strategic report.

Going concern

The financial statements have been prepared on the going concern basis.

At 30 June 2020, the Group has net current assets of R2,494,285k. The directors have reviewed the budget and cash flow forecasts of the Group for a period of not less than 12 months from the date of approving these financial statements and are confident that they show the Group will have sufficient resources to meet its liabilities as they fall due.

The Group is in a strong position to support the liquidity requirements of the business for the foreseeable future. Accordingly, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Notwithstanding net current liabilities of R33,694k as at 30 June 2020 the financial statements of the company have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared company cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through funding from its intermediate parent company to meet its liabilities as they fall due for that period.

Those forecasts are dependent on BHL Holdings Limited and its subsidiaries not seeking repayment of the amounts currently due to the group, which at 30 June 2020 amounted to R32,749k, and providing additional financial support during that period. BHL Holdings Limited has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Directors

The directors who held office during the year were as follows:

S Klinkert (resigned on 24 September 2020 and reappointed as alternate director for Ian Leech on the same date)
I Leech
S James

In the case of each of the persons who are directors of the company at the time when this report is approved:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Company's auditor in connection with preparing their report and to establish that the Company's auditor is aware of that information.

Directors' report (continued)

Auditor
In accordance with section 487 of the Companies Act 2006, the auditor will be deemed reappointed, and KPMG LLP will therefore continue in office.

Directors' indemnity provision

In accordance with the Company's Articles of Association, the Company has indemnified the directors of the Company and all its subsidiaries against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision was in force during the period and is still in place as at the date of this report.

Corporate governance

The Group is committed to high standards of corporate governance appropriate to the size and nature of the business.

Telesure Investment Holdings Proprietary Limited ("TIH" or the South African holding company) is the intermediate parent company of all the BHL (SA) Holdings Limited group subsidiaries. The TIH board of directors is the governing body of TIH and its subsidiaries (the "TIH Group") and is responsible for the strategic management of the business and all operational matters.

The TIH Group maintains a comprehensive level of monitoring, compliance, assurance and risk assessment in relation to all of its entities, as specified in the strategic report and note 33.

The TIH Audit and Actuarial Committee is the Group Audit and Actuarial Committee of Telesure Investment Holdings Proprietary Limited and its subsidiaries and is a committee of the TIH Board of Directors ("TIH Board"). In addition to having specific statutory responsibilities in terms of the South Africa Companies Act, it assists the TIH Board through advising and making recommendations on financial reporting, oversight of internal financial controls, external and internal audit functions and statutory and regulatory compliance of the company and the group including tax compliance and congruence with corporate citizenship and stakeholder considerations.

The objectives and functions of the Group Audit and Actuarial Committee are set out in its charter which include inter alia:
- assessment of the capability and effectiveness of Internal Audit;
- agreement of the planned program for internal and external assurance activity and reporting;
- selection, assessment and analysis of assurance provided by external auditors, to include an assessment of the independence thereof; and
- consideration and recommendation to the Board of the company and group's annual financial statements.

The effectiveness of the Audit and Actuarial Committee and its individual members are assessed by the shareholder or its representative on an annual basis.

The South Africa Prudential Authority has given dispensation to the subsidiaries not to have an audit committee as the TIH Group Audit and Actuarial Committee will be accountable to fulfil the statutory audit committee functions, duties and oversights for the TIH Group.

Financial instruments

Details of the Group's financial risk objectives and policies, and of the Group's exposure to liquidity risk, market risk, equity risk, interest rate risk, credit risk, currency risk, insurance risk and capital risk are included in note 33 to the consolidated financial statements.

Directors' report (continued)

Section 172 (1) statement

The Directors have complied with their duties to promote the success of the Group for the benefit of its members whilst having regard to the matters set out in section 172(1) (a) to (f) of the Companies Act 2006.

The Board of BHL (SA) Holdings Limited (the "BHL SA Board") is clear that good governance and robust decision making is essential to ensure the continued long-term success of the company.

The BHL SA Board delegates the responsibility for implementing mechanisms by which the interests of the stakeholders are promoted to the board of TIH Investment Holdings Proprietary Limited ("TIH"), the intermediate parent company of all the BHL (SA) Holdings Limited group subsidiaries. The BHL SA Board engages with its subsidiaries on key issues relating to the interests of stakeholders through having a representative on the TIH Board. The TIH Board achieves good governance and robust decision making by giving due regard to the interests of a broad range of stakeholders, including employees, suppliers, customers and others as described below.

One example of how TIH has had regard to the matters set out in section 172(1) (a) to (f) of the Companies Act 2006 is in respect of the Covid-19 pandemic. A dedicated COVID STEERCO and response team was formed to navigate the pandemic across the group. In considering this issue, the TIH Board has given regard to the impact of the TIH Group's operations on the community, employee engagement, responsible business practices and the likely consequences of decisions in the long term.

Following the announcement of the lockdown on 22 March 2020, we implemented full lockdown remote working for the vast majority of our employees within four days – ready for lockdown commencement from 27 March 2020 through a variety of means including relocating staff desktops to their homes. As regulations ease, we have continued our phased approach to bring back sections of our operations remote workforce whilst adhering to the strict requirements of social distancing and various workplace safety regulations.

This has only been possible through effective communication through multiple channels to our people, educating them of the regulations, precautions and transitions to the "new normal".

An end to end best practice case management protocol and model has been developed (from case inception, case risk stratification, track and trace interpretation, test referral, medical and counselling support, data analytics and reporting). Management of return to work strategies as well as onboarding for previously diagnosed staff and high-risk profile staff into the workplace continue, with the assistance of the Group's Chief Medical Officer.

On 8 April 2020, the TIH Board approved the establishment of a COVID-19 relief fund to support the people and small businesses of South Africa, through the devastating effects of the COVID-19 pandemic. A total of R270 million was approved as contributions by the non-life insurance subsidiaries to support the Solidarity Fund, food and other relief in communities and to support small businesses that may not be able to sustain during an extended period of lockdown.

The Solidarity Fund is a public benefit organisation with a mandate to support the national health response, contribute to humanitarian relief efforts and mobilise South Africans in the fight against COVID-19.

A relief fund of R70 million has been established to assist small businesses in TIH's supply chain which are not able to earn an income during the lockdown period and over 2100 SMEs have been identified to receive assistance.

Other examples of the general approach to how the Board takes into account its duties under section 172 when making decisions are set out in the remainder of this report.

The Group holds regular meetings for its employees with the aim of disseminating financial and non-financial information on matters of concern and of interest to them as employees. These meetings also give the employees the opportunity to make their views known so that they can be taken into account in making decisions which are likely to affect their interests.

The Group endeavours to provide equality of opportunity in recruiting, training, promoting and career development to all, irrespective of race, ethnicity, religion, sexual orientation, gender or age. The Group gives full consideration to applications for employment from a person with a disability, where a person with a disability can adequately fulfil the requirements of the role and workplace adjustments can be made to facilitate this appointment.

Directors' report (continued)

Where existing employees become disabled it is the Group's policy, wherever practicable, to provide workplace adjustments to ensure continuing employment under normal terms and conditions, and to provide training and career development and promotion opportunities, wherever appropriate. Where the employee cannot be accommodated, sufficient insurance cover is available to employees to assist financially.

TIH's Employee Volunteer Programme (EVP) is called TIH for Good. This is an online platform that connects TIH employees that want to make a difference to causes that need their help. Employees can volunteer their time and skills, donate goods or give back on their own terms by creating an Offer to Causes that are aligned to our Corporate Social Investment strategy.

When TIH moved into Auto & General Park it was decided that most of TIH's CSI donations would be combined to focus on the local Diepsloot community. The aim of TIH's CSI strategy is to enhance the livelihoods of individuals in Diepsloot through skills development and job placement to reduce poverty.

TIH offers consumer education programmes and resources. The 1Life Truth About Money Programme is fully digitised and available free of charge online to the general public. The programme has seen over 4,000 individuals being trained on financial literacy across the country.

The South African Insurance Association (SAIA), through its members such as TIH, have pooled resources to establish a Consumer Education Fund. The main objective of the fund is to contribute towards the improvement of financial literacy skills and insurance product awareness.

Charitable donations

R270m (2019: Rnil) of Covid relief funding as described above. Donations to related parties of R36m (2019: R32m), refer to note 32 and other donations of R6m (2019: R3m).

Streamlined energy and carbon reporting

The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 require reporting on the energy use and greenhouse gas emissions of UK based companies. The only UK based company in the BHL (SA) Holdings Limited Group is the parent company itself and that does not have any employees or offices and therefore its energy use and greenhouse gas emissions are nil.

Events since the reporting date

The potential impact of COVID-19 on the Group is still unknown and dependent on a number of variables that have the potential to continue to disrupt our business. While the scale and duration of the Covid-19 pandemic remains uncertain, the directors believe that the Group is able to withstand the operational and economic disruption of reasonable downside scenarios that may result from the impact of the pandemic.

The board of directors are not aware of any other events after the reporting date requiring disclosure in these financial statements.

On behalf of the board:

I Leech
Director

Date: 23 December 2020

Statement of directors' responsibilities in respect of the strategic report directors' report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of BHL (SA) Holdings Limited

Opinion

We have audited the financial statements of BHL (SA) Holdings Limited ("the company") for the year ended 30 June 2020 which comprise the consolidated statement of profit and loss and comprehensive income, consolidated statement of financial position, company statement of changes in equity, consolidated statement of cash flows, company statement of financial position, company statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2020 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

Strategic report and Directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Independent auditor's report to the members of BHL (SA) Holdings Limited (continued)

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent 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 they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Jacky Chan

Jacky Chan (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, London, E14 5GL

Date: 23 December 2020

BHL (SA) Holdings Limited
Year ended 30 June 2020

Consolidated statement of profit or loss and other comprehensive income

	Notes	2020 R'000	2019 R'000
Insurance income			
Gross premium written		8,191,344	7,982,077
Insurance premium ceded to reinsurers		(5,483,120)	(5,347,247)
Movement in unearned premium provision		7,604	(10,225)
Total net premium income earned		**2,715,828**	**2,624,605**
Finance income	28	316,230	316,542
Other income	25	2,875,913	2,991,912
Total revenue net of reinsurance		**5,907,971**	**5,933,059**
Gross insurance claims incurred		(3,193,923)	(3,322,057)
Reinsurers' share of claims incurred		2,171,712	2,263,618
Total net claims incurred	24	**(1,022,211)**	**(1,058,439)**
Net operating expenses	13 27	(6,936,785)	(4,027,926)
Finance expense	28	(81,897)	(14,906)
Total charges, net of reinsurance		**(8,040,893)**	**(5,101,271)**
(Loss)/ profit before tax	26	**(2,132,922)**	**831,788**
Taxation	29	(224,762)	(260,593)
Profit after tax for the year		**(2,357,684)**	**571,195**
Other comprehensive income		-	-
Total comprehensive income for the year		**(2,357,684)**	**571,195**
Attributable to:			
Owners of the Company		(2,357,684)	586,459
Non-controlling interests		-	(15,264)
		(2,357,684)	**571,195**

The notes on pages 16 to 74 form part of these consolidated financial statements.

BHL (SA) Holdings Limited
Year ended 30 June 2020

Consolidated statement of financial position

Company registration number: 11707219

	Notes	2020 R'000	2019 R'000
Assets			
Computer software	9	231,345	239,145
Goodwill	6	152,965	153,357
Investments in participating interests	16	113,817	96,124
Loans to related parties	17	951	1,999,995
Other financial investments	16	2,472,013	2,931,860
Policyholders assets arising from long-term insurance contracts	11	1,485,217	1,523,615
Reinsurers' share of policyholder asset arising from long-term insurance	11	72,832	-
Financial assets backing investment contract liabilities	12	2,108,502	1,158,542
Reinsurers' share of long-term business provision	14	97,501	123,724
Reinsurers' share of provision for claims incurred but not reported	14	122,014	159,849
Insurance receivables	19	194,178	210,286
Expected insurance salvages and recoveries	15	189,897	198,660
Current tax receivable		11,166	54,116
Other receivables	19	138,799	140,847
Plant and equipment	8	165,923	147,569
Right of use assets	10	338,358	-
Inventory	18	8,166	-
Cash and cash equivalents	20	1,765,651	1,156,913
Deferred tax	7	207,231	182,330
Deferred acquisition costs	13	13,719	14,825
Prepayments	19	60,162	68,916
Total assets		**9,950,407**	**10,560,673**
Liabilities			
Provision for unearned premiums	14	350,830	358,434
Long-term business provision	14	285,442	222,778
Claims outstanding	14	711,764	810,646
Reinsurers' share of policyholder asset arising from long-term insurance	11	-	19,757
Investment contract liabilities	12	2,102,508	1,157,160
Deferred tax	7	354,930	369,620
Provisions	22	463,154	446,077
Insurance payables	23	1,040,172	616,334
Reinsurers' share of expected insurance salvages and recoveries	15	131,791	145,044
Loans from related parties	17	34,746	39,300
Current tax payable	29	27,186	55,651
Other payables	23	414,290	316,205
Lease liabilities	10	414,044	-
Accruals	23	92,745	86,130
Total liabilities		**6,423,602**	**4,643,136**

Consolidated statement of financial position (continued)

Company registration number: 11707219

	Notes	2020 R'000	2019 R'000
Equity			
Equity attributable to equity holders of parent			
Share capital		12,744,000	12,744,000
Retained earnings		(2,144,644)	283,938
Merger reserve		(7,072,551)	(7,072,551)
Equity attributable to equity holders of parent		**3,526,805**	**5,955,387**
Non-controlling interests		-	(37,850)
Total equity		**3,526,805**	**5,917,537**
Total equity and liabilities		**9,950,407**	**10,560,673**

The financial statements were approved by the board of directors on 23 December 2020 and signed on its behalf by:

I Leech
Director

The notes on pages 16 to 74 form part of these consolidated financial statements.

Consolidated statement of changes in equity

	Number of shares authorised & issued	Share capital	Merger reserve	Retained earnings	Non-controlling interest	Total
		R'000	R'000	R'000	R'000	R'000
Balance at 1 July 2018	**708,000,000**	**12,744,000**	**(7,072,551)**	**(299,085)**	**(22,586)**	**5,349,778**
Total comprehensive income for the year				586,459	(15,264)	571,195
Change in accounting policies relating to prior periods (refer to note 2)				(3,436)		(3,436)
Balance at 30 June 2019	**708,000,000**	**12,744,000**	**(7,072,551)**	**283,938**	**(37,850)**	**5,917,537**
Total comprehensive income for the year				(2,357,684)		(2,357,684)
NCI adjustment on the acquisition of shares in subsidiary					6,220	6,220
Additional NCIs obtained				(31,630)	31,630	
Change in accounting policies relating to prior periods (refer to note 2)				(39,268)		(39,268)
Balance at 30 June 2020	**708,000,000**	**12,744,000**	**(7,072,551)**	**(2,144,644)**	**-**	**3,526,805**

The notes on pages 16 to 74 form part of these consolidated financial statements.

Consolidated statement of cash flows

	Notes	2020	2019
		R'000	R'000
Cash flows generated from operating activities			
Cash generated from operations	30	853,672	555,199
Interest income	28	91,746	123,732
Dividends received		-	-
Interest expense	28	(321)	(14,906)
Tax paid	31	(231,711)	(288,915)
Net cash generated from operating activities		**713,386**	**375,110**
Cash flows used in investing activities			
Purchase of property, plant and equipment		(50,074)	(82,475)
Sale of property, plant and equipment		1,858	2,324
Purchase of other intangible assets		(75,196)	(73,046)
Sale of other intangible assets		764	
Increase in loans with related parties		(500,956)	(362,978)
Interest received on investments	28	179,520	192,810
Decrease in investments		442,154	139,572
Net movement in endowment policy		-	-
Net cash inflow on acquisition of subsidiary		-	(16,451)
Net cash used in investing activities		**(1,930)**	**(200,244)**
Cash flows used in financing activities			
Payment of lease liabilities		(98,165)	
Movement in loans due to related parties		(4,553)	17,832
Net cash generated from financing activities		**(102,718)**	**17,832**
Total cash movement for the year		**608,738**	**192,698**
Cash and cash equivalents at the beginning of the year		1,156,913	964,215
Cash and cash equivalents at the end of the year	20	**1,765,651**	**1,156,913**

The notes on pages 16 to 74 form part of these consolidated financial statements.

1. Significant accounting policies

A summary of the significant accounting policies are set out below. Detailed information of the elections and applications under these policies are set out under Appendix A - Significant accounting policies.

Corporate information

Reporting entity

BHL (SA) Holdings Limited is a private company limited by shares incorporated and domiciled in England and Wales.

Reporting period end

Financial year ended 30 June.

Basis of preparation

The financial statements have been prepared on the historical cost basis except where assets and liabilities have been presented at fair value or amortised cost.

On 28 December 2018, its parent company, BHL Holdings Limited, transferred to it the ordinary shares held by it in Telesure Investment Holdings Proprietary Limited ("TIH"). In return for the transfer, the Company allotted and issued 707,999,999 ordinary shares (of £1 each) in the capital of the Company to BHL Holdings Limited, credited as fully paid.

Since this was a common control transaction, accounted using book value accounting, these financial statements have been prepared on the basis that TIH was already owned by BHL (SA) Holdings at the start of the period.

Materiality

International Financial Reporting Standards ("IFRS") is only applicable to material items. Management applies judgement and considers both qualitative and quantitative factors in determining materiality applied in preparing these financial statements.

Prepared in accordance with

- IFRS as adopted by the EU ("Adopted IFRSs") and
- The requirements of the Companies Act 2006.

Functional and presentation currency

BHL (SA) Holdings Limited does not trade, and all of its activities are undertaken through its principal subsidiaries. These subsidiaries operate mainly in South Africa and their functional currency is South African Rand. In due course, BHL (SA) Holdings Limited will generate cash in Rand, through dividends receivable. For these reasons, the functional and presentational currency is the South African Rand.

Rounding policy

- All amounts are presented in Rand thousands (R '000); and
- The group and company has a policy of rounding in increments of R1,000. Amounts less than R500 will therefore be round down to R Nil and are presented as a dash.

Consolidation

- Group and company financial statements incorporate the financial statements of the company and all investees which are controlled by the company;
- All intra-group transactions, balances, income and expenses are eliminated in full, on consolidation;
- Non-controlling interest in the net assets of consolidated subsidiaries are identified and recognised separately from the group's interest therein, and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised; and
- The company has control of an investee when it has power over the investee; it is exposed to or has rights to variable returns from involvement with the investee; and it has the ability to use its power over the investee to affect the amount of the investor's return.

1. Significant accounting policies (continued)

Included below is a list of the significant accounting policies applicable to the company and group financial statements. These accounting policies are the material accounting policies which may include the areas in IFRS where elections have been made or policy choices exercised (including the choice or election made) as well as measurement criteria applied. The accounting policies also include information where it will assist users in understanding how transactions, other events and conditions are reflected in reported financial performance and position, and was included based on the materiality as determined by management.

For detail on the below accounting policies please refer to Appendix A.

Summary of significant accounting policies		
Insurance contracts		
Premiums	Claims	Salvages and third party recoveries
		Incurred but not reported claims and
Unearned premium provision	Reinsurance	outstanding claims
Net policyholder asset	Insurance receivables	Insurance payables
	Commission incurred	

Financial instruments		
Investments	Financial assets	Financial liabilities
Cash and cash equivalents	Investment contracts	Impairment

Intellectual property		
Goodwill	Intangible assets	

Fixed assets
Plant and equipment

Capital and reserves
Stated capital and equity

Other income, expenses and provisions		
Interest income and expense	Other income	Taxation
Leases	Employee benefits	Provisions
Long-term incentive bonus		

2. Adoption of new accounting standards

Except for the changes below, the group and company have consistently applied the accounting policies as set out in Appendix A - Significant accounting policies to all periods presented in these consolidated and separate financial statements.

The group adopted new standards and any amendments to other standards, with a date of initial application of 1 July 2019 unless otherwise stated, as follows:

• IFRS 16 Leases

The group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented in 2019 is not restated. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

2.1 IFRS 16 leases

Definition of a lease

Previously, the group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4. The group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Appendix A - Significant accounting policies.

On transition to IFRS 16, the group elected to apply the practical expedient to grandfather the assessment of which contracts contain leases. The group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16.

2.1 IFRS 16 leases (continued)

Lessee

Previously, the group classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the group's incremental borrowing rate as at 1 July 2019.

For leases of property the group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the group's incremental borrowing rate at the date of initial application: the group applied this approach to its largest property leases; or
- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the interest rate offered on the motor vehicle rentals at the date of initial application.

The group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The group used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (for example computer equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

Impact on transition

Using the modified retrospective approach, the cumulative effect of initial recognition, and therefore assumed opening balances as at 1 July 2019, is summarised below:

	2020	2019
	R'000	R'000
Opening balance Right-of-use asset - Premises	379 735	-
Opening balance Right-of-use asset - Motor vehicles	3 876	-
Deferred tax on transition	18 157	-
Opening balance Lease liability	(448 605)	-
Reversal of lease liabilities previously classified under trade payables	7 569	-
Net impact of initial application recognised in retained earnings, in the Statement of Changes in Equity	(39 268)	-

When measuring lease liabilities for leases that were classified as operating leases, the group discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted-average rate applied is 8.75%.

3. Change in estimate

3.1 *Change in useful lives*

During the year the estimate of the useful life of intangible assets changed from 3 - 5 years to 3 - 10 years. This results in a decrease in the current, and future amortisation charge for the purchased software and the internally generated assets, resulting in additional profit.

	Group 2020
	R'000
Statement of comprehensive income	
Amortisation of intangible asset	8,002
Increase in profit	8,002

4. New standards and interpretations

4.1 Amendments effective for the current year

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 July 2019, and have been applied in preparing these financial statements. Those which may be relevant to the group are set out below.

Standard/Interpretation	Effective date: Years beginning on or after	Impact on financial results
IFRS 16 Leases	1 January 2019	Refer to note 2 for additional information
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019	There was no material impact

4.1.1 IFRIC 23 Uncertainty over Income Tax Treatment

The interpretation is to be applied to the determination of taxable profit/(tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

An entity is required to use judgement to determine whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision should be based on which approach provides better predictions of the resolution of the uncertainty.

An entity is to assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so.

An entity has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing.

- If the entity concludes that it is probable that a particular tax treatment is accepted, the entity has to determine taxable profit/(tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings.
- If the entity concludes that it is not probable that a particular tax treatment is accepted, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profit/(tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better predictions of the resolution of the uncertainty.

The entity has to reassess its judgements and estimates if facts and circumstances change.

IFRIC 23 is effective for annual period beginning on or after 1 January 2019. The standard did not have a material impact on the company or group.

4.2 Amendments in issue but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 July 2020, and have not been applied in preparing these financial statements. Those which may be relevant to the group are set out below. The group does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated:

Standard/Interpretation	Effective date: Years beginning on or after	Expected impact
Amendments to References to Conceptual Framework in IFRS	1 January 2020	Unlikely that there will be a material impact
Definition of Material (Amendments to IAS 1 and IAS 8)	1 January 2020	Unlikely that there will be a material impact
IFRS 17 Insurance contracts	1 January 2023	Impact assessment as disclosed in detail below

4. New standards and interpretations
4.2.1 Amendments to References to Conceptual Framework in IFRS Standards

The Conceptual Framework for Financial Reporting is the foundation on which the IASB develops new accounting standards. The revised Framework has been released, which is effective immediately and contains the following changes:

New 'bundles of rights' approach to assets

Determining to what extent an asset can be split into different rights and the impact on recognition and derecognition.

New 'practical ability' approach for recognising liabilities

A liability will be recognised if a group has no practical ability to avoid it. This may result in some liabilities being disclosed on the statement of financial position earlier than at present. However, if there is uncertainty over existence and measurement or a low probability of outflows, then this will result in no or delayed recognition in some cases.

New control-based approach to derecognition

The group will take an asset off the statement of financial position when it loses control over all or part of it, therefore the focus is no longer on the transfer of risks and rewards.

4.2.2 Definition of Material (Amendments to IAS 1 and IAS 8)

The IASB has refined its definition of 'material', issued practical guidance on applying the concept of materiality and issued proposals focused on the application of materiality to disclosure of accounting policies. The amendments are effective from 1 January 2020 but may be applied earlier. The group does not expect significant change as the refinements are not intended to alter the concept of materiality.

Definition of material

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The definition of material omissions or misstatements from IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* has been removed.

Proposals on accounting policy disclosures

The IASB has proposed amendments to IAS 1 *Presentation of Financial Statements* and an update to IFRS Practice Statement 2 *Making Materiality Judgements.*

The key proposals include:

- replacing the existing requirements in IAS1 to disclose significant accounting policies with a requirement to disclose material accounting policies to clarify the threshold for disclosing information;
- clarifying that accounting policies related to immaterial transactions, other events or transactions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to an entity's financial statements.

4.2.3 IFRS 17 Insurance contracts

The standard supersedes IFRS 4 Insurance contracts.

IFRS 17 addresses the recognition, measurement, presentation and disclosure of insurance contracts issued, reinsurance contracts held and investment contracts with discretionary participation features. The standard contains guidance on when to separate components in an insurance contract and account for them in terms of another standard. The components that have to be separated (subject to certain criteria) are embedded derivatives, distinct investment components and distinct goods and non-insurance services.

The standard requires an entity to identify portfolios of insurance contracts and to group them into the following groups at initial recognition:

- contracts that are onerous;
- contracts that have no significant possibility of becoming onerous subsequently; and
- the remaining contracts in the portfolio.

4. New standards and interpretations
4.2.3 IFRS 17 Insurance contracts (continued)

At initial recognition groups of insurance contracts should be measured at the total of the following:

- the fulfilment cash flows which comprise estimates of future cash flows;
- an adjustment to reflect the time value of money and the financial risks and a risk adjustment for non-financial risk; and
- the contractual service margin which represents the profit in the group of insurance contracts that will be recognised in future periods.

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of:

- the liability for remaining coverage (fulfilment cash flows related to future service and the contractual service margin); and
- the liability for incurred claims (fulfilment cash flows related to past service).

An entity may simplify the measurement of a group of insurance contracts using the premium allocation approach if certain criteria are met.

The new standard will have a significant impact on the financial statements when it is initially applied which will include changes to the measurement of insurance contracts issued and the presentation and disclosure.

The effective date of the standard is for financial years beginning on or after 1 January 2023 and has to be applied retrospectively. Early adoption is permitted.

The group expects to adopt the standard for the first time in the 2024 financial statements.

The standard is expected to result in various additional disclosures required by IFRS 17 not required previously by IFRS 4. Additional disclosures include reconciliations of:

- estimates of the present value of future cash flows
- risk adjustment for non-financial risk
- contractual service margin
- insurance contract liability.

The group commenced a business impact assessment to understand the current capabilities and to perform a gap analysis. Although the full impact of the standard will only be known after the completion of the gap analysis. It is anticipated that the profit or loss recognition pattern for some of the group's insurance contracts underwritten will change with the release of the contractual service margin, as benefits are provided over the coverage period.

With the further deferral of the IFRS17 effective implementation date to financial years on or after 01 January 2023, an updated road map plan was prepared and approved by the Audit and Actuarial Committee. The updated roadmap allows for the group to keep the momentum on the project as well as to allow the additional time for iterative testing. The programme has moved out of the planning phase of the project and now in the execution phase. The execution phase includes the implementation of the IFRS17 calculation software engine as well as completing all of the business process data flows and key business decisions. This is expected to be completed by the end of the FY21 financial year end to allow for iterative and parallel runs to commence in July 2021.

5. Significant judgements and estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts presented in the financial statements and related disclosures. Use of available information and the application of judgements are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Accounting estimates that change are recognised in the period in which they are revised and in any future periods affected.

Significant judgements include:

5.1 Fair value estimation of assets and liabilities

A number of the group's accounting policies and disclosures require the measurement of fair values, for financial assets and liabilities.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

5. Significant judgements and estimates
5.1 Fair value estimation of assets and liabilities (continued)

When measuring the fair value of an asset or a liability, the group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: Quoted market price in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as priced) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant impact on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any observable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value.

5.2 Taxation

A subsidiary, 1 Life Insurance (RF) Limited, is subject to taxes at different rates due to interest in individual and company policyholder funds. Significant estimation is required in determining the accrual for income taxes. There are many transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. The group recognises liabilities for anticipated uncertain income tax positions based on best informed estimates of whether additional income taxes will be due. Where the final income tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax asset and liabilities in the period in which such determination is made. Details of taxation can be found in note 29.

5.3 Impairment testing

The group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared on expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill, tangible and intangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including significant financial difficulty of the issuer or debtor; a breach of contract, such as default or delinquency in payment; adverse changes in the payment status of issuers or debtors in the group or national or local economic conditions that correlate with defaults on assets in the group.

5.4 Long-term and annual incentive

The Chairman and executive directors of the South African group participate in a long-term and annual incentivisation plan. The value of the incentives, which consist of an annual and exit amount, are a product of the value of the group, or components of the group as contractually determined. The calculation of the value does contain elements that are subject to judgement and estimation.

The executive incentive schemes consist of an annual and long-term component. The annual component pays a value annually, based on a share of group profit. The long-term component accrues based on value created in the group over and above the entry point of the incentive agreement, and is payable on notice from executive to exit employment.

5. Significant judgements and estimates

5.5 Valuation of insurance policy liabilities and assets

The determination of the liabilities and assets under insurance contracts is dependent on estimates and assumptions made by the group. The value of the insurance policy liabilities and assets, has been determined as set out below. Please refer to note 33.3.7 and 33.3.8 for further details.

In respect of the short-term insurers:

Claims incurred but not yet reported (IBNR) provision

The provision is estimated for claims incurred at year end but that have not yet been reported to the group, as well as the potential shortfall in the outstanding claims provisions in respect of claims reported by year end. The provision is estimated by making assumptions about future trends in reporting of claims. Development patterns are reviewed and improvements in efficiencies are considered.

Unearned premium provision

The provision represents a liability for premium already collected which is yet to be earned for risks to which the group is exposed in the future. The provision also includes an estimate of the current liability for the cashback bonus product where policyholders are entitled to have premiums refunded after four years of uninterrupted claims free cover. The provision is based on estimates of expected benefit payments, bonus duration and premium revenue amongst others. Also included in the unearned premium provision is the portion of premiums of multi-year warranty contracts that relate to unexpired coverage.

Expected salvages and recoveries

An asset is raised for expected salvages and recoveries from claims that occurred, at a 75% confidence level based on past experience. The ultimate amounts recovered will vary as a result of subsequent information and events and may result in significant adjustments to the amounts estimated. The method used to determine salvages and recoveries are reviewed regularly by management.

Outstanding claims

The outstanding claims provision indicates the outstanding value of claims reported and not yet settled. Until claims have been formally assessed, they are included in the provision at the best estimate of the value of the reported loss.

In respect of long-term insurers:

Policyholder assets arising from long-term insurance contracts

The determination of the liabilities and assets under insurance contracts is dependent on estimates and assumptions made by the company. In determining the value of the long term insurance policy assets and liabilities assumptions regarding mortality, persistency, non-collection rates, investment returns, expense level, inflation and taxation have been made. These liabilities are derived from estimates of the net present value of future claims and benefits under existing contracts offset by future premiums to be received. The key assumptions have been detailed in note 11 to the financial statements.

Claims incurred but not yet reported (IBNR)

The group adds incurred but not reported (IBNR) claims provision including compulsory margins to the total incurred claims experience. This is achieved by applying IBNR factors to paid and provided claims. The group's IBNR factors are based on the group's historical experience.

Outstanding claims

The outstanding claims provision indicates the value of claims reported and not yet settled. The calculation allows for the ultimate expected claims after allowing for repudiation factors and IBNR provisions. The repudiation factors are based on the group's historic actual experience.

6. Goodwill

	R'000
Cost	
At 1 July 2018	**158,235**
Additions through business combinations	392
Write off	(2,270)
At 30 June 2019 and 30 June 2020	**156,357**
Accumulated impairment	
At 1 July 2018 and 30 June 2019	**3,000**
Impairment through profit or loss	392
At -30 June 2020	**3,392**
Carrying amount	
At 30 June 2020	152,965
At 30 June 2019	**153,357**

Recognition and allocation to cash generating units

All of the goodwill held at 30 June 2020 related to Auto and General (2019: Auto and General R152,965,000 and One Call Brokers Proprietary Limited R392,000). When assessing the recoverabitily of goodwill the liquidity position of the company was considered.

One Call was newly acquired during the prior year. During the current year the acquisition value of R392 000 was fully impaired. The carrying value of the goodwill was compared to the fair value less cost of disposal for the entity. The basis used to determine fair value less cost of disposal was a cost approach basis, reflecting the amount that would be required currently to replace the asset (often referred to as current replacement cost). Although the fair value less cost of disposal was higher than the carrying amount other factors were considered in making the assessments. The entity has made a loss in the current year and it is also projected to make losses in the next financial year. The impact of COVID-19 has been taken into consideration as well. Once all these factors were considered management decided to be conservative and to impair the value in full.

The full R3,000,000 for Hippo Advisory Services was impaired a prior year as the company is currently showing a negative NAV.

7. Deferred tax

	2020	2019
	R'000	R'000
Deferred tax asset:		
Plant and equipment	(30,376)	(21,549)
Provisions	150,198	138,614
Straight lining of leases	-	2,038
Prepayments	(6,300)	(11,270)
Share in partnership	(14,000)	(14,000)
Income received in advance	1,496	88,256
Impairment of financial assets	1,329	241
Right of use asset	(94,561)	-
Lease liability	115,714	-
Retained earnings - IFRS 16 change in accounting policy	18,157	-
Assessed loss	409	-
Provision for COVID-19 relief funding	28,476	-
Donations S18A deduction carried forward	37,345	-
Allowance for bad debts	(656)	-
	207,231	**182,330**
Deferred tax liability:		
Net policyholder asset	(365,183)	(379,761)
Calculated loss - special transfer credits	10,253	10,141
	(354,930)	**(369,620)**
Total net deferred tax liability	**(147,699)**	**(187,290)**

There will be future profits to utilise the deferred tax asset.

	2020	2019
	R'000	R'000
Reconciliation of net deferred tax liability		
At the beginning of the year	**(187,290)**	**(256,653)**
Current year charge through profit or loss	108,305	69,363
Current year charge relating to prior periods	(86,871)	-
IFRS 16 adjustment to retained earnings	18,157	-
At the end of the year	**(147,699)**	**(187,290)**

BHL (SA) Holdings Limited
Year ended 30 June 2020
Notes forming part of the consolidated financial statements

8. Plant and equipment

	Furniture, fixtures & equipment	Motor vehicles	Computer equipment	Leasehold improve-ments	Total
	R'000	R'000	R'000	R'000	R'000
Cost					
Balance at 1 July 2018	77,739	3,659	239,392	37,917	358,707
Additions	12,480	2,227	60,674	6,918	82,299
Additions through business combinations	371	-	413	-	784
Disposals	-	-	(2,922)	-	(2,922)
Balance at 30 June 2019	**90,590**	**5,886**	**297,557**	**44,835**	**438,868**
Additions	16,877	1,411	7,534	24,251	50,073
Transfers	76	-	17,948	2,394	20,418
Disposals	(686)	(1,085)	(38)	(11)	(1,820)
Balance at 30 June 2020	**106,857**	**6,212**	**323,001**	**71,469**	**507,539**
Accumulated depreciation					
Balance at 1 July 2018	47,367	1,790	170,173	25,372	244,702
Charge for the year	9,623	855	31,392	4,833	46,703
Additions through business combinations	158	-	268	-	426
Disposals	-	-	(532)	-	(532)
Balance at 30 June 2019	**57,148**	**2,645**	**201,301**	**30,205**	**291,299**
Charge for the year	10,467	1,226	35,457	3,347	50,497
Transfers	6	-	342	1	349
Disposals	(10)	(515)	-	(4)	(529)
Balance at 30 June 2020	**67,611**	**3,356**	**237,100**	**33,549**	**341,616**
Net book value					
At 30 June 2020	**39,246**	**2,856**	**85,901**	**37,920**	**165,923**
At 30 June 2019	**33,442**	**3,241**	**96,256**	**14,630**	**147,569**

9. Intangible assets

	Computer software developed	Computer software purchased	Total
	R'000	R'000	R'000
Cost			
Balance at 1 July 2018	**305,540**	**39,530**	**345,070**
Additions	55,893	17,183	73,076
Transfer	-	2,036	2,036
Balance at 30 June 2019	**361,433**	**58,749**	**420,182**
Additions	56,366	18,830	75,196
Disposals	(527)	(237)	(764)
Reclassification**	(97,080)	97,080	-
Transfers*	(25,530)	5,461	(20,069)
Balance at 30 June 2020	**294,662**	**179,883**	**474,545**
Accumulated amortisation			
Balance at 1 July 2018	**58,437**	**30,952**	**89,389**
Charge for the year	32,235	10,784	43,019
Impairment	47,004	-	47,004
Transfer	-	1,625	1,625
Balance at 30 June 2019	**137,676**	**43,361**	**181,037**
Charge for the year	31,097	20,443	51,540
Impairment	10,623	-	10,623
Balance at 30 June 2020	**179,396**	**63,804**	**243,200**
Net book value			
At 30 June 2020	**115,266**	**116,079**	**231,345**
At 30 June 2019	**223,757**	**15,388**	**239,145**

* Assets to the value of R20 069 000 were reclassified from intangible assets to plant and equipment.
** A reclassification between developed computer software and purchased computer software has been applied prospectively and has no impact on any other accounts balances.

10. Leases

10.1 Leases as lessee (IFRS 16)

The group leases office spaces and yards. The leases typically run for periods between 1 and 10 years with an option to renew the lease after that date. Lease payments are re-negotiated with every renewal to reflect market rentals. For most of the leases, the group is restricted from entering into any sub-lease arrangements.

The group leases motor vehicles for business use. The leases typically run for a period of between 24 and 80 months.

The group leases computer equipment with contract terms of three years. These are leases of low-value items. The group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Information about leases for which the group is a lessee is presented below.

10. Leases (continued)

10.2 Right-of-use assets

The group has elected to disclose the right-of-use assets for leased properties as well as leased motor vehicles separately on the disclosure notes below.

	Premises	Motor vehicles	Total
	R'000	R'000	R'000
2020			
Opening balance at 1 July 2019	379,735	3,876	383,611
Additions through the year	22,796	-	22,796
Depreciation charge for the year	(67,836)	(213)	(68,049)
	334,695	**3,663**	**338,358**

10.3 Lease liabilities

	Premises	Motor vehicles	Total
	R'000	R'000	R'000
Analysis of movement in lease liabilities			
Opening balance at 1 July 2019	444,632	3,972	448,604
Additions through the year	22,814	-	22,814
Interest on lease liabilities during the year	40,752	39	40,791
Rental payments made during the year	(98,165)	-	(98,165)
	410,033	**4,011**	**414,044**

	Premises	Motor vehicles	Total
	R'000	R'000	R'000
Maturity analysis - contractual undiscounted cash flows			
One to five years	311,335	4,011	315,346
More than five years	98,698	-	98,698
	410,033	**4,011**	**414,044**

10.4 Amounts recognised in profit or loss

	Premises	Motor vehicles	Total
	R'000	R'000	R'000
2020 - IFRS 16			
Interest on lease liabilities	40,752	39	40,791
Depreciation on right-of-use assets	68,374	213	68,587
Expenses relating to low-value assets	5,939	-	5,939
Expenses relating to short-term leases	8,035	-	8,035
Total	**123,100**	**252**	**123,352**

	Total
	R'000
2019 - Operating lease charges	
Expenses relating to low-value assets	11,718
Lease expense	103,403
Total	**115,121**

10. Leases (continued)

10.5 Sensitivity analysis

Changes in the transition date incremental borrowing rate, used to discount the present value of future lease payment, would have the following impact on the group:

- An increase in 100 basis points in the incremental borrowing rate results in an increase in the retained earnings of R1 727 789 after-tax.
- A decrease in 100 basis points in the incremental borrowing rate results in a decrease in the retained earnings of R1 947 548 after-tax.

11. Policyholders assets arising from long-term insurance contracts

The value of insurance assets and liabilities is based on the prudent best estimate assumptions of future expectations plus/less compulsory margins as required by SAP104, plus/less additional values from assumptions made by the Head of the Actuarial Function as set out below:

11.1 Lapses

Lapse assumptions are based on the group's actual experience and has followed the agreed assumption setting methodology. 1Life Insurance (RF) Limited has elected to use all experience since the start of the business to increase the volume and confidence levels of the data on which the analysis is based. Lapse rates at shorter durations, however, are based on more recent experience only A compulsory margin of ±25% (relative) is held in addition to these assumptions, as prescribed in SAP104. Also refer to note 12.8 for additional information on the impact of COVID-19.

11.2 Mortality

Mortality assumptions reflect the group's long-term expected experience plus additional margins for conservatism and adverse deviation. These assumptions make an allowance for deteriorating AIDS mortality in line with the model produced by the Actuarial Society of South Africa. The assumptions used are 92.5% (2019: 92.5%) of the reinsurer's mortality table, except for Funeral business where the assumption used was 68% (2019: 68%). The group calibrates its own mortality experience against that of the reinsurer's tables supplied due to the volume of data available from the reinsurer's tables. The assumptions have been disaggregated in the current year between the net assumption of 92.5% and gross assumption of 94.6%. The disaggregation change was the major driver for the change in the reinsurance share of the policyholder asset seen in the current year. A compulsory margin of 7.5% (relative) is held in addition to these assumptions, as prescribed in SAP104. Also refer to note 12.8 for additional information on the impact of COVID-19.

11.3 Morbidity

Morbidity assumptions reflect the group's long-term expected experience plus additional margins for conservatism and adverse deviation. The assumptions used are 90% (2019: 90%) of the reinsurer's morbidity tables. The company calibrates its own morbidity experience against that of the reinsurer's tables supplied due to the volume of data available from the reinsurer's tables. A compulsory margin of 10% (relative) is held in addition to these assumptions, as prescribed in SAP104.

11.4 Investment return

The assumed future investment returns used as the discount rates, are based on the nominal bond yields supplied by the Prudential Authority for use in the Solvency Assessment and Management framework. A compulsory margin of ±0.25% (absolute) is held in addition to these assumptions, as prescribed in SAP104.

11.5 Expense inflation

Expense inflation rates are based on the differential between the nominal and real bond yields supplied by the Prudential Authority for use in the Solvency Assessment and Management framework. A compulsory margin of 10% (relative) is held in addition to these assumptions, as prescribed in SAP104.

11.6 Maintenance expenses

Maintenance expense assumptions reflect the group's long-term expected experience plus additional margins for conservatism and adverse deviation. The assumptions used for maintenance expenses per policy are R413.17 (2019: R366.15) for the life business, R400.34 (2019: R326.71) for the funeral business, and R150.90 (2019: R164.11) for the broker business. The increase in maintenance expenses were driven by the increase in general group costs and reduction in in-force book. A compulsory margin of 10% (relative) is held in addition to these assumptions, as prescribed in SAP104.

11. Policyholders assets arising from long-term insurance contracts (continued)

11.7 Premium collection rates

The premium collection rates reflect the group's long-term expectation of the level of premiums that will not be collected. The group has elected to use all experience since the start of the business to increase the volume and confidence levels of the data on which the analysis is based. Collection rates at shorter durations, however, are based on more recent experience only. In the current year allowance was also made for duration-based non-collection rates and improving collection rates. A compulsory margin of 13.5% (relative), based on the 75th percentile confidence interval of the best estimate assumption, is held in addition to these assumptions. Also refer to note 11.8 for the COVID-19 impact.

11.8 COVID-19

Following the onset of the COVID-19 pandemic at the start of 2020 in South Africa, the potential future impact on the group's operations and financial results were estimated. Provisions were made at the end of the reporting period to allow for these assumed impacts, being a worsening to the claims, lapse and non-collections rates.

The long-term impact of the pandemic is uncertain however, research and expert opinion informed the assumption that the additional claims impact would be for a short period and would not persist beyond the next financial year.

The provision for additional claims due to COVID-19 was assessed with reference to a number of reputable models, notably the models released by the Actuarial Society of South Africa and the South African COVID-19 Modelling Consortium. The death projections in the models from ASSA and the COVID-19 Modelling Consortium were closely aligned for most scenarios. The group has chosen the average of the COVID-19 Modelling Consortium "Optimistic" and "Pessimistic" scenarios as the best estimate for additional claims due to the COVID-19 pandemic. The implication is an estimate of 42,300 additional deaths due to COVID-19 in South Africa, all occurring in 2020.

In applying this estimate to the group's exposure, the age pattern of mortality rates in the UK were used to determine the relative likelihood of death for the age profile of group's policyholders. This resulted in an additional COVID-19-related claims provision of R41.6m (net of reinsurance).

The group's lapse and premium collection rates are also expected to be impacted by the ability of policyholders to continue paying premiums.

The group has historically observed a strong relationship between cancellations and GDP growth. Various sources for GDP growth estimates were sourced to determine the expected GDP levels over the next few years. The group used the Reserve Bank projections over the next three years as the most appropriate source for this purpose. These GDP growth projections (2020: (7%); 2021: 3.8% and 2022: 2.9%) were then backward engineered to determine the relative lapse rate worsening expected due to deteriorating economic conditions as a result of the COVID-19 pandemic. The assumptions derived for this purpose was a 19.6% (relative) worsening to lapse and non-collection assumptions over the next 12 months and a 6.7% (relative) worsening to lapse rates for the 12 months following that.

The Reserve Bank projections indicate a GDP growth recovery for the following two years. A similar recovery period was also observed in long-term insurer lapse trends (as supplied by Hannover Re) following the 2008 market crash. The economic recovery period was therefore assumed to be 2 years. This resulted in an additional COVID-19-related lapse and non-collection provision of R146.8m (net of reinsurance).

11. Policyholders assets arising from long-term insurance contracts (continued)

11.8 COVID-19 (continued)

	2020 R'000	2019 R'000
Net assets at the beginning of the year	**1,503,858**	**1,264,126**
Movement for the year:		
Expected movement in policy assets	(243,424)	(240,589)
Unwinding of discount rate	99,475	100,361
New business written	427,562	220,863
	283,613	**80,635**
Experience variance	(100,801)	46,711
	(100,801)	**46,711**
Changes in assumptions		
- Persistency	(30,423)	(35,323)
- Mortality	-	99,162
- Economic	51,488	174,651
- Expenses	(80,914)	23,850
- Non-collections rates	8,949	(79,140)
- Margin reset	(184)	(26,706)
- COVID-19 - Lapse	(120,403)	-
- COVID-19 - Non collections	(26,366)	-
- COVID-19 - Mortality	(41,568)	-
	(239,421)	**156,494**
Changes in modelling and method	110,800	(44,108)
Total change	**54,191**	**239,732**
Net assets at the end of the year	**1,558,049**	**1,503,858**

	2020 R'000	2019 R'000
Assets arising from long-term insurance contracts - gross	1,485,217	1 523 615
Portion attributable to reinsurers	72,832	(19 757)
	1,558,049	**1,503,858**

12. Investment contracts

	2020 R'000	2019 R'000
Financial assets backing investment contract liabilities	2,108,502	1,158,542
Investment contract liabilities	(2,102,508)	(1,157,160)
	5,994	**1,382**

1Life Insurance (RF) Limited ("1Life") offers a linked endowment policy with a fixed period to maturity of 5 years. The product contains two product offerings referred to as product 1 and product 2 below. Investment contracts also include a living annuity referred to below.

12. Investment contracts (continued)

12.1 Investment contracts - product 1

	2020	2019
	R'000	R'000
Policy assets	596,768	289,849
Policy liabilities	(590,774)	(288,467)
	5,994	**1,382**

The return that the policyholder will earn is linked to an underlying investment that 1Life holds with a third party. Product 1 is measured at amortised cost and is a reasonable approximation of fair value.

12.2 Investment contracts - product 2

	2020	2019
	R'000	R'000
Policy assets	1,117,027	657,125
Policy liabilities	(1,117,027)	(657,125)
	-	-

This product comprises 50% fixed income returns and 50% equity based returns from the underlying investment that 1Life holds with a third party.

The fair value calculation at reporting date is performed by a third party. The third party provides the group with the bid price of the underlying assets at reporting date. The fair value of the notes is calculated by taking the number of units multiplied by the unit price less transaction fees relating to redeeming and unwinding the notes. The unit price is determined with reference to bid prices for equity linked components, yield curves for fixed interest components as well as the fair value using various valuation methods of call options that were placed by the third party.

Level 3
The endowment products in product 2 are categorised as a level 3 instrument, as there are valuation techniques using significant unobservable inputs when valuing the call options.

Sensitivity analysis:

The fair value of these investments is determined using the latest available bid prices at reporting date. The most significant assumption used in these valuations are the market approach of obtaining bid prices. Should the bid price be affected by changes in interest rates, the cumulative change in the valuation would be R8,093,000.

12.3 Investment contracts - living annuity

	2020	2019
	R'000	R'000
Policy assets	394,707	211,568
Policy liabilities	(394,707)	(211,568)
	-	-

The fair value calculation at reporting date is performed by a third party. The third party provides the group with the bid price of the underlying assets at the date of the statement of financial position. The fair value of the notes is calculated by taking the number of units multiplied by the unit price less transaction fees relating to redeeming and unwinding the notes. The unit price is determined with reference to bid prices for equity linked components.

Level 2

Valuation techniques based on observable inputs, either directly (i.e. priced) or indirectly (i.e. derived from prices).

12. Investment contracts (continued)

12.4 Reconciliation of assets and liabilities

	2020	2019
	R'000	R'000
Reconciliation of financial assets backing investment contract liabilities		
Balance at the beginning of the year	1,158,542	455,238
Additions during the year	816,046	642,476
Investment returns during the year	44,981	20,198
Surrenders and annuity payments during the year	(66,599)	(15,019)
Fair value adjustment during the year	155,598	55,649
Expected credit loss movement during the year	(66)	-
	2,108,502	**1,158,542**

	2020	2019
	R'000	R'000
Reconciliation of investment contract liabilities		
Balance at the beginning of the year	(1,157,160)	(455,103)
Additions during the year	(815,546)	(642,477)
Investment returns during the year	(40,803)	(18,950)
Surrenders and annuity payments during the year	66,599	15,019
Fair value adjustment during the year	(155,598)	(55,649)
	(2,102,508)	**(1,157,160)**

13. Deferred acquisition costs and commission incurred

	2020	2019
	R'000	R'000
Analysis of movement in deferred acquisition costs		
Balance at the beginning of the year	14,825	14,538
New business written recognised in profit or loss	95,749	90,051
Deferred acquisition cost recognised in profit or loss	(96,855)	(89,764)
Balance at the end of the year	**13,719**	**14,825**
Commission incurred		
Commission incurred deferred acquisition costs	1,105	(287)
Commission paid - other	538,409	503,362
	539,514	**503,075**

14. Liabilities for insurance contracts

Short-term insurance contracts:

	Gross	Reinsurance	Net
June 2020	R'000	R'000	R'000
Claims outstanding	556,165	-	556,165
Claims incurred but not reported	155,599	(122,014)	33,585
Unearned premiums	350,830	-	350,830
	1,062,594	**(122,014)**	**940,580**

14. Liabilities for insurance contracts (continued)

Short-term insurance contracts: (continued)

	Gross	Reinsurance	Net
June 2019	**R'000**	**R'000**	**R'000**
Claims outstanding	602,936	-	602,936
Claims incurred but not reported	207,710	(159,849)	47,861
Unearned premiums	358,434	-	358,434
	1,169,080	**(159,849)**	**1,009,231**

No reinsurance recovery applies to the unearned premiums as the reinsurers do not accept responsibility for settling any portion of the cash-back liability. The unearned premium relating to non-monthly business is not reinsured as the reinsurance is ceded on an earned premium basis.

Recoveries on claims are settled by the reinsurer when the gross claims are reports (and as a result the asset on notified claims is set off against any payable to the reinsurer). At year end the reinsurance recovery of the outstanding claims provision is netted off the reinsurance payable disclosed in note 23. The R122,014,000 (2019:R159,849,000) reinsurance asset is in respect of claims incurred but not yet reported only (see note 15 for the expected insurance salvages and recoveries on outstanding claims).

Long-term insurance contracts

	Gross	Reinsurance	Net
June 2020	**R'000**	**R'000**	**R'000**
Outstanding claims	197,632	(71,932)	125,700
Claims incurred but not reported	87,810	(25,569)	62,241
	285,442	**(97,501)**	**187,941**

	Gross	Reinsurance	Net
June 2019	**R'000**	**R'000**	**R'000**
Outstanding claims	149,148	(105,875)	43,273
Claims incurred but not reported	73,630	(17,849)	55,781
	222,778	**(123,724)**	**99,054**

Liabilities for insurance contracts represent an undiscounted value for claims reported to the group as well as incurred but not reported (IBNR) claims, reduced by a factor for expected repudiations.

The calculation of the incurred claims is based on assumptions made. Actual experience will differ from these estimates and will impact profit or loss in the post calculation period.

A sensitivity analysis on the repudiation factor used in calculating outstanding claims shows that a reduction in the repudiation factor of 20% will result in an increase in the gross outstanding claims reserve of R16,686,448 (2019: R17,393,871). The net outstanding claims reserve will increase by R9,418,184 (2019: R9,888,663). See note 33.3.8 for further detail on the sensitivity analysis.

14. Liabilities for insurance contracts (continued)

Analysis of movement for short-term insurance contracts:

	2020	2019
	R'000	R'000
Analysis of movement in gross outstanding claims and claims incurred but not reported		
Balance at the beginning of the year	810,646	859,097
Current year claims incurred	3,270,510	3,538,116
Change in previous year claims estimated	162,833	181,471
Current year claims paid	(2,987,771)	(3,170,082)
Previous year claims paid	(544,454)	(597,956)
Balance at the end of the year	**711,764**	**810,646**
Analysis of movement in reinsurers' share of claims incurred but not reported		
Balance at the beginning of the year	(159,849)	(117,271)
Claims incurred but not yet reported provision utilised	137,090	96,137
Claims incurred but not yet reported provision created	(99,255)	(138,715)
	(122,014)	**(159,849)**

	2020	2019
	R'000	R'000
Analysis of movement in gross unearned premium liability		
Balance at the beginning of the year	358,434	348,209
Additional provision raised during the year	185,262	178,593
Paid against provision	(189,562)	(167,066)
Premium recognised in profit or loss	(3,304)	(1,302)
Balance at the end of the year	**350,830**	**358,434**

Maturity analysis of short-term insurance liabilities

Based on actuarial modelling of historical and future expected trends, the group has estimated the probable cash outflows associated with short-term insurance liabilities. The maturity analyses of the gross insurance liabilities is set out below. The maturity profile of the related reinsurance asset is expected to be similar to the profile of the liabilities.

	Maturity in less than 3 months	Maturity between 3 months and 1 year	Maturity between 1 year and 5 years	Total
2020	**R'000**	**R'000**	**R'000**	**R'000**
Claims incurred but not yet reported	104,505	28,838	22,256	155,599
Outstanding claims	388,754	130,224	37,187	556,165
Unearned premiums	40,125	91,218	219,487	350,830
	533,384	**250,280**	**278,930**	**1,062,594**

	Maturity in less than 3 months	Maturity between 3 months and 1 year	Maturity between 1 year and 5 years	Total
2019	**R'000**	**R'000**	**R'000**	**R'000**
Claims incurred but not yet reported	127,055	48,387	32,268	207,710
Outstanding claims	455,552	122,561	24,823	602,936
Unearned premiums	80,187	145,490	132,757	358,434
	662,794	**316,438**	**189,848**	**1,169,080**

14. Liabilities for insurance contracts (continued)

Claims development tables:

The presentation of the claims development tables is based on the actual date of the event that caused the claim (accident year basis) and incorporated both claims paid as well as the movement in outstanding claims.

Gross claims incurred:

	Development period						
	2020	2019	2018	2017	2016	2015 and prior years	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Financial period							
2020	3,270,510	143,509	13,430	3,643	1,745	506	3,433,343
2019	-	3,538,113	142,578	12,801	6,315	3,028	3,702,835
2018	-	-	3,848,365	129,916	14,725	5,135	3,998,141
2017	-	-	-	3,782,580	94,053	9,832	3,886,465
2016	-	-	-	-	3,335,504	86,072	3,421,576
2015	-	-	-	-	-	3,350,688	3,350,688
	3,270,510	**3,681,622**	**4,004,373**	**3,928,940**	**3,452,342**	**3,455,261**	**21,793,048**

Gross claims paid:

	Development period						
	2020	2019	2018	2017	2016	2015 and prior years	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Financial period							
2020	2,987,771	499,238	23,759	10,620	6,193	4,644	3,532,225
2019	-	3,170,082	540,302	28,830	17,051	11,772	3,768,037
2018	-	-	3,338,348	605,023	27,349	19,426	3,990,146
2017	-	-	-	3,276,719	501,319	50,690	3,828,728
2016	-	-	-	-	2,963,956	513,177	3,477,133
2015	-	-	-	-	-	3,365,190	3,365,190
	2,987,771	**3,669,320**	**3,902,409**	**3,921,192**	**3,515,868**	**3,964,899**	**21,961,459**

Analysis of movement for long-term insurance contracts:

	Gross	Reinsurance	Net
2020	**R'000**	**R'000**	**R'000**
Analysis of outstanding claims incurred but not reported			
Balance at the beginning of the year	222,778	(123,725)	99,053
Incurred during the year	536,292	(128,691)	407,601
Paid/(recovered) during the year	(473,628)	154,915	(318,713)
Total	**285,442**	**(97,501)**	**187,941**

	Gross	Reinsurance	Net
2019	**R'000**	**R'000**	**R'000**
Analysis of outstanding claims incurred but not reported			
Balance at the beginning of the year	237,723	(144,974)	92,749
Incurred during the year	526,634	(110,661)	415,973
Paid/(recovered) during the year	(541,579)	131,910	(409,669)
	222,778	**(123,725)**	**99,053**

15. Expected insurance salvages and recoveries

	Gross	Reinsurance	Net
2020	**R'000**	**R'000**	**R'000**
Expected salvage on insurance contracts	115,734	(75,523)	40,211
Expected third party recoveries on insurance contracts	74,163	(56,268)	17,895
	189,897	**(131,791)**	**58,106**

	Gross	Reinsurance	Net
2019	**R'000**	**R'000**	**R'000**
Expected salvage on insurance contracts	102,971	(71,639)	31,332
Expected third party recoveries on insurance contracts	95,689	(73,405)	22,284
	198,660	**(145,044)**	**53,616**

15.1 Analysis of movement in expected insurance salvages

	Gross	Reinsurance	Net
2020	**R'000**	**R'000**	**R'000**
Balance at the beginning of the year	102,971	(71,639)	31,332
Recognised in profit or loss	298,336	(180,977)	117,359
Cash receipts	(285,573)	177,093	(108,480)
	115,734	**(75,523)**	**40,211**

	Gross	Reinsurance	Net
2019	**R'000**	**R'000**	**R'000**
Balance at the beginning of the year	101,889	(48,485)	53,404
Recognised in profit or loss	330,909	(262,071)	68,838
Cash receipts	(329,827)	238,917	(90,910)
	102,971	**(71,639)**	**31,332**

15.2 Analysis of movement in expected insurance recoveries

	Gross	Reinsurance	Net
2020	**R'000**	**R'000**	**R'000**
Balance at the beginning of the year	95,689	(73,405)	22,284
Recognised in profit or loss	73,926	(62,865)	11,061
Cash receipts	(95,452)	80,002	(15,450)
	74,163	**(56,268)**	**17,895**

	Gross	Reinsurance	Net
2019	**R'000**	**R'000**	**R'000**
Balance at the beginning of the year	101,933	(55,232)	46,701
Recognised in profit or loss	116,035	(102,759)	13,276
Cash receipts	(122,279)	84,586	(37,693)
	95,689	**(73,405)**	**22,284**

	2020	2019
	R'000	**R'000**
Investments at fair value through profit or loss	153,676	122,601
Investments at amortised cost	2,432,154	2,905,383
Total investments	**2,585,830**	**3,027,984**

16.1 Investments at fair value through profit or loss

	2020	2019
	R'000	R'000
En commandite partnership	113,817	96,124
Investment in shares	39,859	26,477
Steyn City Properties preference shares	2,500,000	
Fair value adjustment of Steyn City Properties preference shares	(2,500,000)	
Total investments	**153,676**	122,601

16.1.1 Treasury bills

	2020	2019
	R'000	R'000
Reconciliation of treasury bills		
Balance at the beginning of the year	-	98,302
Invested during the year	-	139,590
Matured during the year	-	(241,880)
Interest received during the year	-	3,988
	-	-

The average and effective interest rates earned on the treasury bills are as follows:

	2020	2019
	%	%
Average effective interest rate, %	-	8.67%
Year-end effective interest rate, %	-	8.52%

16.1.2 En commandite partnership

On 26 May 2015 the Group made an advance to a strategic partner in an en commandite partnership. The advance bears interest at the prime rate and has no fixed repayment terms.

The share of profit consists of 50% of the partnership accumulated profit for the year.

The instrument is classified as a level 3 instrument. There have been no transfers between the levels stated in note 5.1.

The fair value of the partnership was determined on a discounted cash flow method.

The principle assumptions and significant unobservable inputs used in the valuation of the financial asset were as follows:

- Growth in revenue of 7.6% (2019: 4.0%)
- Growth in margin of 23.4% (2019: 21.4%)
- Fair rate of return of 18.5% (2019: 19.6%)

Sensitivity analysis:

Changes in the above assumptions could have the following impact on the profit or loss of the group:

- 2% increase in growth of revenue, effect of R6,218,000 (2019: R7,246,000)
- 2% growth in margin, effect of R8,241,000 (2019: R10,263,000)
- 1% decrease in fair rate of return, effect of R6,194,000 (2019: R7,675,000)

	2020	2019
	R'000	R'000
Analysis of movement in valuation of partnership		
Balance at the beginning of the year	96,124	72,958
Share of profit from the partnership	17,693	23,166
Balance at the end of the year	**113,817**	**96,124**

16. Investments (continued)

16.1 Investments at fair value through profit or loss (continued)

16.1.3 Investment in shares

	2020	2019
	R'000	R'000
8,695 (2019: 8,695) shares in Intermediaries Guarantees Facility Limited	9	9
Impairment of shares in Intermediaries Guarantees Facility Limited	(9)	(9)
Shares in Open Window Growth Partners Proprietary Limited	26,846	24,438
Shares in Nesibindi Capital Proprietary Limited	2,977	2,039
Shares in Insure Group Managers Limited	10,036	-
	39,859	**26,477**

	2020	2019
	R'000	R'000
Level 3		
8,695 (2019: 8,695) shares in Intermediaries Guarantees Facility Limited	9	9
Impairment of shares in Intermediaries Guarantees Facility Limited	(9)	(9)
Shares in Open Window Growth Partners Proprietary Limited	26,846	24,438
Shares in Nesibindi Capital Proprietary Limited	2,977	2,039
Shares in Insure Group Managers Limited	10,036	-
	39,859	**26,477**

Open Window Growth Partners Proprietary Limited ("Open Window")

The group subscribed for shares in Open Window as follows:
2017: 10,000 shares of R1,000 each (R10 million);
2018: 3,470 shares of R1,250 each (R4.3 million);
2019: 8,080 shares of R1,250 each (R10.1 million); and
2020: 3,322 shares of R1,500 each (R4.9 million).

As Open Window is a South African Revenue Service ("SARS") Section 12J company the full subscription price is deductible from taxable income. Open Window invests in qualifying start-up businesses.

Nesibindi Capital Proprietary Limited ("Nesibindi")

The group subscribed for shares in Nesibindi as follows:
2019: 2,039 shares of R1,000 each (R2.039 million); and
2020: 1,406 shares of R1,000 each (R1.406 million).

As Nesibindi is a SARS Section 12J company the full subscription price is deductible from taxable income. Nesibindi invest in qualifying start-up businesses.

Insure Group Managers Limited ("IGM")

The group subscribed for shares in IGM as follows:
2020: 1,160 shares of R1 each (R1,160); and
2020: 100,377 shares of R100 each (R10 million).

The acquisition of these shares form part of a debt restructure undertaken between IGM and the group during the current financial year.

	2020	2019
	R'000	R'000
Balance at the beginning of the year	26,476	14,346
Purchase of additional shares	16,426	12,139
Impairment of shares	(3,043)	(9)
	39,859	**26,476**

16. Investments (continued)

16.1 Investments at fair value through profit or loss (continued)

16.1.3 Investment in shares

Valuation technique

The fair value of these investments are valued using a combination of techniques (adjusted earnings, EBITDA and net asset values). In the current period there was no movement in the fair value. Group companies carry all investments at fair value in their financial statements. In the current period the carrying value of the investment does not approximate the fair value and thus an impairment of R3 million was raised.

The most significant assumption used in these valuations is net asset value ("NAV"). Should the NAV result in a movement of 10%, the cumulative value of the shares valued by way of NAV valuation would change by R3,985,967.

16.1.4 Investment in Steyn City Properties preference shares

During the current year a R2,500,000,000 loan facility to Steyn City Properties Proprietary Limited ("SCP") was transferred from TIH to BHL SA by declaring a R2,500,000,000 dividend in specie. At 30 June 2020, this loan facility was converted to R2,500,000,000 non-cumulative non-participatory redeemable no-par value class B preference shares which are redeemable by SCP on 30 June 2024, or such earlier date as may be determined by SCP. Class B issued preference shares are not entitled to receive dividends or any interest from the company.

The SCP preference shares are classified as mandatorily at FVTPL. They are level 3 in the fair value hierarchy.

At the year end the fair value has been determined to be nil and a R2,500,000,000 fair value adjustment loss recorded in net operating expenses.

16.2 At amortised cost

	2020	2019
	R'000	R'000
Loans	16,692	4,637
Fixed deposits	2,401,813	2,892,329
Advance to strategic partnerships	13,649	8,417
	2,432,154	**2,905,383**

16. Investments (continued)

16.2 At amortised cost (continued)

16.2.1 Loans

	2020	2019
	R'000	R'000
Tekton Autobody Repairs Paarl Proprietary Limited		
The loan is unsecured, bears interest at the prime lending rate calculated from time to time, and is repayable on demand.	808	800
Silver Solutions 2474 Close Corporation		
The loan is unsecured, bears interest after 24 months at the prime lending rate for another 36 equal monthly installments commencing after 60 months of granting the loan with the first installment due in December 2016.	-	106
Dube Autobody Proprietary Limited		
The loan is unsecured, interest free for 24 months effective from the date of signature. The loan is repayable over a period not exceeding 24 months effective from 10 May 2021.	990	901
Quicker Trading Proprietary Limited t/a Renew IT		
The loan is unsecured, interest free and has no fixed repayment terms.	7,715	5,627
Namola EMS Group Proprietary Limited		
The loan is unsecured, interest free for initial 24 months. Interset at the prime rate will be effective for 36 months. The loan is repayable in equal monthly installments up to 60 months.	13,600	3,400
Enterprise and supplier development loans		
Loans for towing trucks: These loans are interest free and repayable in equal monthly installments not exceeding 60 months.	20,736	20,373
	43,849	**31,207**
Impairment of loans	(27,157)	(26,570)
	16,692	**4,637**

16. Investments (continued)

16.2 At amortised cost (continued)

16.2.1 Loans (continued)

Reconciliation of provision for impairment of loans and other receivables

	2020	2019
	R'000	R'000
Balance at the beginning of the year	(26,570)	(644)
Impairment raised during the year	(587)	(26,000)
Impairment released during the year	-	74
	(27,157)	**(26,570)**

	2020	2019
	R'000	R'000
Impairment of loans and other receivables consist of:		
Quicker Trading Proprietary Limited t/a Renew-IT Greenstone	(5,627)	(5,627)
Dube Autobody Proprietary Limited	(400)	(400)
Tekton Autobody Repairs Paarl Proprietary Limited	(170)	(170)
Enterprise and Supplier Development loans	(20,355)	(20,373)
Expected credit loss	(605)	-
	(27,157)	**(26,570)**

16.2.2 Fixed deposits

Fixed deposits held for more than 3 months from initial date are classified as investments. Below is the maturity analysis of the fixed deposits remaining after 30 June. Fixed deposits are held at amortised cost which approximates fair value.

	2020	2019
	R'000	R'000
0 - 3 months	578,542	700,118
3 - 6 months	569,628	602,895
6 - 9 months	622,141	761,217
9 - 12 months	631,502	828,099
	2,401,813	**2,892,329**

The average and effective interest rates earned on the fixed deposits are as follows:

	2020	2019
	%	%
Average effective interest rate, %	7.02%	6.60%
Year-end effective interest rate, %	4.92%	6.45%

16. Investments (continued)

16.2 At amortised cost (continued)

16.2.3 Advance to strategic partnership

	2020	2019
	R'000	R'000
Analysis of movement in advance to strategic partnership		
Balance at the beginning of the year	8,417	7,132
Advancement during the year	5,000	5,000
Interest on loan	232	1,285
Repayment of loan	-	(5,000)
Balance at the end of the year	**13,649**	**8,417**

17. Loans to/(from) related parties

17.1 Fellow subsidiaries

	2020	2019
	R'000	R'000
Steyn City Properties Proprietary Limited	-	2,000,000
Expected credit loss adjustment of loan to fellow subsidiary	-	(540)
BHL (UK) Holdings Limited	(32,749)	(31,860)
	(32,749)	**1,967,600**

The loan was payable on demand, interest free and guaranteed by BHL Holdings Limited in full. During the current year TIH declared a dividend in specie to BHL (SA) Holdings Limited to the amount of R2,500,000,000 to settle the loan in full.

The BHL (UK) Holdings loan is payable on demand and is interest free.

	2020	2019
	R'000	R'000
Set out below is the reconciliation of the movement in the amounts receivable/(payable)		
Balance at the beginning of the year	1,967,600	1,621,973
Amounts receivable: New loans advanced	500,000	378,027
Amounts payable: New loans advanced	(889)	(31,860)
Dividend in specie	(2,500,000)	-
Expected credit loss adjustment	540	(540)
Balance at the end of the year	**(32,749)**	**1,967,600**

17. Loans to/(from) related parties (continued)

17.2 Other related parties

	2020	2019
	R'000	R'000
1 Life Trust		
The amount is unsecured, interest free and has no fixed repayment term. The loan has been impaired based on the liquidity position of 1Life Trust. The loan has been subordinated by 1 Life Insurance (RF) Limited in favour of third party creditors.	1,283	765
First for Women Trust		
The amount is unsecured, interest free and has no fixed repayment term.	(668)	(8)
Die Virseker Trust		
The amount is unsecured, interest free and has no fixed repayment term.	(1,329)	(1,211)
Harbour Private Clients Proprietary Limited		
The amount is unsecured, interest free and has no fixed repayment term. During the current year the full loan was ceded and transferred to Telesure Investment Holdings Proprietary Limited.	-	(6,221)
Expected credit loss on loans with other related parties		
The expected credit loss was raised on the loan to 1 Life Trust	(332)	(230)
	(1,046)	**(6,905)**

	2020	2019
Loans consisted of:	**R'000**	**R'000**
Fellow subsidiaries	(32,749)	1,968,140
Other related parties	(1,046)	(6,905)
Impairment of loans to subsidiaries and amortised cost adjustment	-	
Expected credit loss adjustment of loan to fellow subsidiary	-	(540)
	(33,795)	**1,960,695**

	2020	2019
	R'000	**R'000**
Assets	951	1,999,995
Liabilities	(34,746)	(39,300)
	(33,795)	**1,960,695**

18. Inventory

	2020	2019
	R'000	**R'000**
Consumables	8,166	-
	8,166	**-**

	2020	2019
	R'000	**R'000**
Reconciliation of inventory		
Balance at the beginning of the year	-	-
Purchased during the year	8,166	-
Items dispatched during the year	-	-
Balance at the end of the year	**8,166**	**-**

19. Insurance and other receivables

	2020	2019
	R'000	R'000
Insurance receivables		
Gross premium receivables	74,138	99,640
Gross reinsurance receivables	117,938	108,627
Commission clawback receivable	8,480	8,097
Impairment provision	(6,378)	(6,078)
	194,178	**210,286**
Other receivables		
Trade receivables	101,411	62,631
Prepayments	60,162	68,916
Deposits	3,155	3,698
Value added tax receivable	34,233	74,518
Total other receivables	**198,961**	**209,763**
Total insurance and other receivables	**393,139**	**420,049**

During the 2019 financial year, Insure Group Managers (Pty) Ltd "IGM" (the premium collection agency used to collect the premiums written by MUA Insurance Acceptances Proprietary Limited) was placed under curatorship. A provision for bad debts of R29.8 million (2019: R22.5 million) has been raised against premium receivables for the outstanding amount as the curator did not give any positive indication that these amounts will be recovered. This represents a significant portion of the provision for bad debt raised. From 1 June 2020, the collection process was moved to Fulcrum collections therefore there is no additional exposure with IGM.

An impairment of R6,378,000 (2019: R6,078,000) has been raised for Clawback commission receivable.

All other receivables have been assessed as neither past due nor impaired.

	2020	2019
	R'000	R'000
Reconciliation of movement in gross premium receivables		
Balance at the beginning of the year	99,640	155,671
Recognised in profit or loss	2,395,957	8,939,646
Cash receipts	(2,387,133)	(8,968,032)
Allowance for doubtful debt	(34,735)	(22,523)
Provision for premium refund	409	(694)
Reclassification from/(to) insurance payables	-	(4,428)
Balance at the end of the year	**74,138**	**99,640**
Reconciliation of movement in gross reinsurance receivables		
Balance at the beginning of the year	108,627	118,771
Recognised in profit or loss	(58,383)	(78,245)
Cash receipts	58,323	64,607
Reclassified from insurance payable	9,371	3,494
Balance at the end of the year	**117,938**	**108,627**
Reconciliation of impairment provision		
Balance at the beginning of the year	(6,078)	(4,545)
Increase in provision	(300)	(1,533)
Total insurance and other receivables	**(6,378)**	**(6,078)**

19.1 Expected credit loss assumptions

Trade receivables and other receivables with no significant financing component cannot be rated. As such, the impairment loss is measured at the lifetime expected credit loss ('ECL') for all assets. Under a loss rate approach, the lifetime ECL is calculated using a provision matrix as permitted by IFRS 9.

19. Insurance and other receivables (continued)

19.1 Expected credit loss assumptions (continued)

Receivables are segmented based on different credit loss patterns (e.g. based on customer type, product type, geographical design, collateral etc). Ageing of receivables is prepared (e.g. no past due, past due 1-30 days, 31 - 60 days, 90+ days) and historical loss patterns are calculated and treated as a starting point, is estimating the loss rate. Historical data is adjusted using reasonable and supportable information that is available at the reporting date, about current conditions and forecasts of future economic conditions.

	2020	2019
	R'000	R'000
Trade receivables	6,788	2,761
Other receivables	1,580	1,681
	8,368	**4,442**

The increase in trade receivable balance is due to the debtors ageing amount for 90+ day increasing substantially during the current year.

20. Cash and cash equivalents

Cash and cash equivalents consist of:

	2020	2019
	R'000	R'000
Cash on hand	2	65
Bank balances	337,918	353,040
Short-term deposits	1,427,731	803,808
	1,765,651	**1,156,913**

For more information regarding facilities issued by Nedbank refer to note 36.

Included in the short-term deposits balance is a cash equivalent balance of R1,426,888,000 (2019: R600,900,000) which is invested in the Nedgroup Investments Corporate Money Market Fund. The total exposure is limited to the balance invested, and the balance is subject to interest rate risk as disclosed in note33.2.4.

21. Non-controlling interests

	2020	2019
	R'000	R'000
Balance at beginning of year	37,850	22,586
Share of loss for the year – Rockport Capital Proprietary Limited	-	15,264
Non-controlling interests, adjustment on the acquisition of shares in subsidiaries	(6,220)	-
Non-controlling interest transfer to retained earnings	(31,630)	-
	-	**37,850**

On 1 July 2019 Telesure Investment Holdings Proprietary Limited acquired the remaining 20% shares of Rockport Capital Proprietary Limited and its subsidiaries. Rockport Capital Proprietary Limited and its subsidiaries are now fully owned by Telesure Investment Holdings Proprietary Limited which resulted in the write off of the non-controlling interest during the current year.

22. Provisions

	Executive and management bonus	Cash settled share based payments	Clawback activations	Total
	R'000	R'000	R'000	R'000
Opening balance 2018	94,574	273,602	134	368,310
Utilised during the year	(98,972)	(38,511)	-	(137,483)
Under/(over) provided from the prior year	12,041	(13,038)	-	(997)
Provisions made during the year	81,711	134,485	51	216,247
Balance at 30 June 2019	**89,354**	**356,538**	**185**	**446,077**
Utilised during the year	(82,505)	(67,189)	(61)	(149,755)
Under/(over) provided from the prior year	6,257	1,380	-	7,637
Provisions made during the year	47,556	111,639	-	159,195
Balance at 30 June 2020	**60,662**	**402,368**	**124**	**463,154**

For details on the incentive bonus scheme liability refer to note 35.

23. Insurance and other payables

	2020	2019
	R'000	R'000
Insurance payables		
Reinsurance payables	201,716	171,932
Deposit held in respect of reinsurance	461,036	102,581
Insurance payables	32,104	23,952
Premiums received in advance	345,316	317,869
	1,040,172	**616,334**
Other payables		
Trade payables	280,497	173,299
Amounts received in advance	30,317	7,356
Deposits received	-	120
Operating lease payables	-	11,268
Value added tax payable	17,729	32,332
Employee remuneration benefits payable	85,747	91,830
Accrued leave pay	71,311	64,930
Accrued audit fees	11,967	11,351
Other accrued expenses	9,467	9,849
	507,035	**402,335**
	1,547,207	**1,018,669**

23. Insurance and other payables (continued)

	2020	2019
	R'000	R'000
Reconciliation of movement of reinsurance payables		
Balance at the beginning of the year	171,932	194,574
Recognised in profit or loss	753,119	657,749
Cash payments	(720,673)	(680,190)
Reallocation to insurance receivables	(2,662)	(201)
Balance at the end of the year	**201,716**	**171,932**
Reconciliation of movement in deposits held in respect of reinsurance		
Balance at the beginning of the year	102,581	92,011
Movement in deposit - Exotics quota share	-	(21,836)
Movement in deposit - Jacana quota share	358,464	33,336
Movement in deposit - Commercial quota share	(9)	(930)
Balance at the end of the year	**461,036**	**102,581**

24. Insurance claims

	2020	2019
	R'000	R'000
Gross		
Claims paid	(3,584,275)	(3,830,943)
Movement in incurred but not reported claims liability	37,931	13,510
Movement in outstanding claims liability	(13,509)	49,886
Salvages and recoveries	365,930	445,490
	(3,193,923)	**(3,322,057)**
Reinsurers' share		
Claims paid	2,509,964	2,619,867
Movement in outstanding claims and incurred but not reported claims	(64,060)	21,328
Salvages and recoveries	(274,192)	(377,577)
	2,171,712	**2,263,618**
	(1,022,211)	**(1,058,439)**

25. Other income

	2020	2019
	R'000	R'000
Reinsurance commission income	2,287,361	2,221,925
Transfer to life fund	54,191	239,732
Fees for ancillary insurance services	151,682	182,818
Commission received	46,017	66,633
Value added products income	28,192	21,986
Sundry income	199,585	161,661
Other income on policy cancellations	58,840	57,784
Advertising partner income	43,738	30,906
Administration and management fees received	6,345	8,401
Gains on disposal of assets	(38)	66
	2,875,913	**2,991,912**

26. Profit before tax

Profit before tax for the year is stated after accounting for the following disclosable items:

	2020	2019
	R'000	R'000
Operating lease charges		
Premises - rental expense relating to short term leases	8,035	103,402
Equipment - rental expense relating to low value leases	5,939	11,718
Other disclosable charges		
Gain on deregistration/sale of businesses	(20)	(444)
Impairment on intangible assets	10,623	47,004
Loss on exchange differences	2,402	401
Amortisation on intangible assets	51,540	43,019
Depreciation on plant and equipment	49,969	46,703
Depreciation – Right-of-use assets	68,587	-
Research and development costs	2,450	1,779
Consulting and professional fees	99,815	96,115
Fines and penalties	496	241
COVID-19 relief funding *	270,000	-
Auditor fees – fees for the audit of the Company	998	224
Auditor fees – fees for the audit of the Company's subsidiaries	8,638	8,678
Auditor fees – other statutory reporting	1,315	1,335
Auditor fees – other services	178	35

* On 8 April 2020, the Telesure Investment Holdings Proprietary Limited Board approved the establishment of a COVID-19 relief fund to support the people and small businesses of South Africa, through the devastating effects of the COVID-19 pandemic. A total of R270 million was approved as contributions by the non-life insurance subsidiaries to support the Solidarity Fund, food and other relief in communities and to support small businesses that may not be able to sustain during an extended period of lockdown

27. Fair value adjustments

	2020	2019
	R'000	R'000
Fair value adjustment of Steyn City Properties preference shares	(2,500,000)	-
Investment in subsidiaries, loans to group companies and related parties	-	63
Trade and other receivables and investments	-	65
Expected credit loss adjustment on trade and other receivables	-	(1,831)
Expected credit loss adjustment on loans	-	54
	(2,500,000)	**(1,649)**
Gains	-	137
Losses	(2,500,000)	(1,786)
	(2,500,000)	**(1,649)**

During the year BHL (SA) Holdings Limited acquired R2,500,000,000 preference shares from Steyn City Properties Proprietary Limited. At the year end the fair value has been determined to be nil and a R2,500,000,000 fair value adjustment loss recorded in net operating expenses. For further detail on these preference shares refer to note 16.1.4.

28. Finance income and expense

	2020	2019
	R'000	R'000
Interest received from banks	87,939	101,736
Interest received from investments	179,520	192,810
Interest received from South African Revenue Service	2,141	1,212
Interest received from treasury bills	-	4,260
Interest received from related parties and other loans	330	128
Interest accrued on endowment policy asset	44,964	15,391
Interest on reinsurance received	1,336	1,005
Finance income	**316,230**	**316,542**

	2020	2019
	R'000	R'000
Interest incurred on leasing arrangement	40,791	-
Interest paid to other payables	103	96
Interest on other financial liabilities	8	1
Interest paid to South African Revenue Service	203	-
Interest on reinsurance payables	-	574
Other interest paid	7	86
Interest accrued on endowment policy liabilities	40,785	14,149
Finance expense	**81,897**	**14,906**

29. Taxation

Major components of the tax expense

	2020	2019
	R'000	R'000
Current		
Foreign corporation tax	206,154	328,879
Recognised in current period for prior periods	(84,958)	670
Other	-	59
Withholding tax	125,000	-
	246,196	**329,608**
Deferred		
Originating and reversing temporary differences	(108,305)	(69,015)
Charged to the statement of profit and loss	86,871	
	(21,434)	**(69,015)**
	224,762	**260,593**

29. Taxation

Reconciliation tax expense

	2020	2019
	R'000	**R'000**
(Loss)/ profit before tax	(2,132,922)	831,788
Tax payable at the domestic rate of 19%	(405,255)	158,040
Effect of tax rates in foreign jurisdictions	33,182	77,748
Non-taxable income		
Exempt income	-	(124)
Additional allowances		
Learnership allowance	(2,248)	(2,959)
Section 12J deduction	(1,789)	(3,399)
Tax rate adjustment for Individual Fund	-	172
Alignment to adjusted IFRS tax basis for S29A	-	(9,987)
	(4,037)	**(16,173)**
Non-deductible expenses		
Prior year adjustments	(560)	298
Deferred tax on policyholder credit transfers	813	113
Adjustment to opening deferred tax	(18,157)	
Tax loss not utilised	477,786	8,004
Deferred tax asset not recognised	70	1,243
Deferred tax raised on share in partnership profits	-	6,569
Consulting, legal and professional fees	4,662	4,715
Donations	2,899	2,512
Other expenses	4,891	4,399
Withholding tax	125,000	
Securities transfer tax	-	59
Impairment of intangibles	2,719	13,161
Impairment of financial assets	749	29
Tax expense at effective rate	**224,762**	**260,593**

The South African corporation tax rate in the year was 28% and for capital gains tax transactions an effective rate of 22.4% (2019: 28% and 22.4%). The deferred tax asset and liability at 30 June 2020 has been calculated based on 28% for South African entities, with regards to capital gains tax transactions an effective rate of 22.4% was used (2019: 28% and 22.4%).

The deferred tax asset at each reporting date has been measured at the tax rates that are expected to apply in the year when the asset is realised, based on the rates substantively enacted at the reporting date.

BHL (SA) Holdings Limited
Year ended 30 June 2020
Notes forming part of the consolidated financial statements

30. Cash flows generated from/(used in) operations

Cash generated from operations are calculated below:

	2020	2019
	R'000	R'000
Profit for the year before taxation	(2,132,922)	831,788
Adjustments for:		
Depreciation and amortisation	170,096	89,722
Profit on sale of assets	38	(66)
Interest income	(316,230)	(316,542)
Interest expense	81,897	14,906
Fair value adjustment	2,500,000	(128)
Loss on exchange differences	2,402	401
Impairment on intangible asset	10,623	47,004
Change in accounting policy relating to prior periods	21,111	
Movement in provisions	17,077	77,767
Movement in expected salvages and recoveries	8,763	5,162
Movement in liabilities for insurance contract liabilities	(43,822)	(53,171)
Movement in reinsurers' share of insurance contract liabilities	64,058	(21,328)
Movement in reinsurers' share of expected salvages and recoveries	(13,253)	41,327
Net movements in assets and liabilities from insurance contracts and outstanding claims	(54,191)	(239,732)
Movement in deferred acquisition costs	1,106	(287)
Expected credit loss adjustment relating to prior periods	-	(3,436)
Profit of limited partnership	(17,692)	(23,166)
Operating lease smoothing	7,569	
	306,630	**450,221**
Changes in working capital		
Movement in insurance and other receivables	26,671	25,314
Movement in inventory	(8,166)	
Movement in insurance and other payables	528,537	79,664
	547,042	**104,978**
Total cash generated from/(used in)operations	**853,672**	**555,199**

31. Tax paid

	2020	2019
	R'000	R'000
Balance at the beginning of the year	(1,535)	39,065
Acquisition of subsidiary	-	93
Current tax for the year recognised in profit or loss	(246,196)	(329,608)
Balance at the end of the year	16,020	1,535
Total tax paid during the year	**(231,711)**	**(288,915)**

32. Related parties

Relationships	Country of incorporation	
Holding company	Guernsey	BHL Holdings Limited

Common shareholder	Australia	Auto and General Holdings Limited

Fellow subsidiaries	South Africa	Douw Steyn Properties Proprietary Limited and its subsidiaries Napier Gardens Proprietary Limited & its subsidiary

Subsidiaries	South Africa	1 Life Insurance (RF) Limited Auto and General Insurance Company (RF) Limited Budget Insurance Company (RF) Limited Dial Direct Insurance (RF) Limited Digital Comparison Services Proprietary Limited First for Women Insurance Company (RF) Limited Hippo Advisory Services Proprietary Limited Hippo Comparative Services Proprietary Limited IS Services Proprietary Limited One Call Insurance Brokers Proprietary Limited Rockport Capital Proprietary Limited Telesure Group Services Proprietary Limited Telesure Investment Holdings Proprietary Limited Unity Financial Services Proprietary Limited Upstream Advertising Proprietary Limited Wealthport Nominees Proprietary Limited Wealthport Proprietary Limited

Other related parties	South Africa	1 Life Trust First for Women Trust Derek Pead and Associates The DG Steyn Family Trust Jenus Marketing Proprietary Limited Maple Group Insurance Brokers Die Virseker Trust
	Guernsey Turkey	Jacana Re Limited Koalay Com Sigorta VE Reassurans Brokerligi A.S.

Related party balances

Please also refer to note 17 for analysis of loan accounts with related parties.

	2020	2019
	R'000	R'000
Amounts included in trade and other receivables/ (trade payables) regarding related parties		
Auto and General Holdings Limited	21,874	14,252
Auto and General Holdings Limited	-	(1,499)
1 Life Trust	81	255
First for Women Trust	-	(8)
Die Virseker Trust	-	(1,187)
Napier Gardens Proprietary Limited	17,654	2,699
Napier Gardens Proprietary Limited	(2,571)	-
Steyn City Properties Proprietary Limited	1,448	192
Steyn City Properties Proprietary Limited	(848)	
Koalay Com Sigorta VE Reassurans Brokerligi A.S.	815	262
Saxon Hotel Proprietary Limited	9	9
The DG Steyn Family Trust	30,000	
	68,462	**14,975**

32. Related parties (continued)

	2020	2019
	R'000	**R'000**
Reinsurance share of incurred but not reported provision from related party		
Jacana Re Limited	73,278	101,641
Reinsurance deposit payable to related party		
Jacana Re Limited	(461,036)	(101,641)
Reinsurance payable to related party		
Jacana Re Limited	(78,571)	(67,803)
Expected recoveries and salvages payable to related party		
Jacana Re Limited	(95,419)	(89,732)
Reinsurance commission received from related party		
Jacana Re Limited	(2,205,744)	(2,142,836)
Reinsurance premiums paid to related party		
Jacana Re Limited	4,847,789	4,709,529
Reinsurance claims received from related party		
Jacana Re Limited	(2,127,607)	(2,242,114)
Actual recoveries and salvages paid to related party		
Jacana Re Limited	271,074	325,774
Expected recoveries and salvages paid to related party		
Jacana Re Limited	17,756	30,462
Reinsurance share of incurred but not reported claims paid to related party		
Jacana Re Limited	(28,365)	(42,635)
Administration fees received from related parties		
1Life Trust	(379)	(379)
Rent paid to related party		
Napier Gardens Proprietary Limited	64,830	62,587
Steyn City Properties Proprietary Limited	1,249	-
	66,079	62,587
Utilities paid to related party		
Napier Gardens Proprietary Limited	4,307	683

32. Related parties (continued)

Related party transactions (continued)

	2020	2019
	R'000	**R'000**
Donations paid to related parties		
First for Women Trust	8,383	9,195
Die Virseker Trust	18,159	13,378
1 Life Trust	9,431	9,747
	35,973	**32,320**
Consulting fees paid to related parties		
Jenus Marketing Proprietary Limited	-	293
Auto and General Holdings Limited	-	1,499
BHL Holdings Limited	654	4,320
Derek Pead and Associates	188	35
	842	**6,1472**
Call centre expenses recovered from related party		
Auto and General Holdings Limited	(110,898)	(85,598)
Subscription fees received from related party		
Napier Gardens Proprietary Limited	(8)	-
Saxon Hotel Proprietary Limited	(6)	-
	(14)	**-**
Entertainment and other related costs paid to related parties		
Steyn City Properties Proprietary Limited	91	128
Saxon Hotel Proprietary Limited	1,115	810
	1,206	**938**
Repairs and maintenance paid to related parties		
Steyn City Properties Proprietary Limited	-	288
Advisory service fee income received from related party		
Koalay Com Sigorta VE Reassurance Brokerligi A.S.	(1,939)	(2,528)

Key management of the Group is comprised of the directors and prescribed officer of TIH. Amounts paid to key management are as follows:

	2020	2019
	R'000	**R'000**
Key management emoluments		
Short-term employee benefits	91,922	72,706

33. Risk management

33.1 General

Effective risk management is fundamental to the business activities of the group and seeks to achieve an appropriate balance between risk and reward, and assists in delivering on its strategy and growth plans in a controlled environment. The TIH Board of Directors ("TIH Board") has overall responsibility for the group's system of internal control and is accountable for reviewing its effectiveness.

Risk is inherent in the business and the identification and management of risk is central to delivering on the strategic objectives set by the TIH Board. By understanding and managing risk, the group provides greater certainty and confidence to the shareholders, employees, customers and suppliers, and to the communities in which it operates.

33. Risk management (continued)

33.1 General (continued)

The group's risk appetite and capital management strategy are reviewed on a continuous basis. The risk appetite references financial and non-financial risk categories and indicates how much risk the group is willing to take in the pursuit of achieving its strategic and operational goals. Risks that have the potential to impact the reputation, regulatory, solvency, environment, community, operational and financial performance of the group and, thereby, the achievement of the strategic objectives are managed. As such, strategic business decisions are taken in accordance with a board approved risk appetite statement with the executive and risk committees closely monitoring risk profiles against this appetite.

Internal control systems are designed to manage risks within the business and inevitably, they can provide only reasonable and not absolute assurance against material misstatement or loss. The TIH Board is conscious of the importance of the group's risk management process and system of internal controls and attaches a high priority to monitoring the effectiveness and continued developing of it in line with good practice.

The TIH Board has delegated the oversight of the various control functions and processes to the various committees (Risk, Audit and Actuarial, Social and Ethics, Remuneration).

The TIH Board's oversight of the risk management process and the systems of internal general control are delegated to the Risk Committee. The Risk Committee is responsible for providing reasonable assurance that adequate mechanisms and procedures are established, implemented and maintained to:

- identify the individual and aggregated risks (current and emerging) the group faces;
- assess, monitor and help manage identified risks effectively;
- gain and maintain an aggregated view of the risk profile of the group; and
- establish a forward-looking assessment of the risk profile and financial position of the group, including the conducting of regular stress testing and scenario analyses as defined in GOI 3.1 (Own Risk and Solvency Assessment (ORSA) for Insurers), against the risk appetite and risk limits of the insurer.

The risk management function:

- regularly provides written reports to senior management, other key persons in control functions and the Risk Committee on the group's risk profile and details on the risk exposures facing the group and related mitigation actions;
- documents and reports material changes affecting the group's risk management system to the Risk Committee to help ensure that the system is maintained and improved; and
- has access to and report to the Board or appropriate sub-committee on the strategy of the risk management function and information on its resources, including an analysis on the appropriateness of those resources.

The TIH Board has delegated the requirement for oversight, establishment and implementation of appropriate and effective systems of internal financial control to the Audit and Actuarial Committee. The internal financial control systems are continually enhanced and encompasses suitable policies, processes, tasks and behaviours.

The internal financial control system is monitored and supported by Internal Audit and the Compliance Function who report on the group's operations to the Audit and Actuarial Committee and Risk Committee respectively. Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the group's operations.

The Audit and Actuarial Committee has reviewed and approved the Internal Audit Charter. Internal audit has responsibility for the following key activities in terms of the approved the Internal Audit Charter:

- develop a risk based internal audit plan, on a three year rolling basis. The internal audit plan is presented to the Audit and Actuarial Committee annually for approval;
- execution of the work in accordance with the approved plan;
- regular reporting to relevant stakeholders;
- review and evaluate the adequacy, effectiveness and compliance with the group's policies as well as documented processes and controls;
- evaluating controls and processes in place to ensure safeguarding of assets; and
- ensure that material areas of risk and obligations of the group are subject to an appropriate audit or review within a reasonable timeframe.

33. Risk management (continued)

33.1 General (continued)

Group Compliance fulfils a critical function within the group's overall risk management framework. Group Compliance:

- monitors and reports on compliance with regulatory requirements;
- monitors that systems and controls are in place to ensure that the group's exposure to compliance risk is minimised;
- coordinates the group's relationship with its regulators;
- evaluates the impact of forthcoming regulatory changes and provides advice on potential process and control changes required; and
- assists management with the objective of embedding risk management within the business units.

The focus on risk management and a system of internal controls enables the group to identify, evaluate, monitor, respond, mitigate and manage risks that could affect its ability to achieve the strategic objectives.

TIH management is accountable to the TIH Board and the relevant committees for designing, implementing and monitoring the process of risk management and integrating it into the day-to-day activities. TIH management is responsible for the identification, assessment and control of all key risks facing the operations, functions and processes under their control and is required to monitor the status of risks, and report on any material changes to the risk profile, and risk materialisation/losses. TIH management is also expected to put in place appropriate controls for those risks, and to provide assurance that such controls perform as intended.

For the year ended 30 June 2020, TIH management has ensured continual review of the systems of internal control, risk identification and mitigation. The ongoing review covered all material controls, including financial and operational controls.

33.2 Financial risk management

Financial risk is generally defined as the risk of financial loss to the group as a result of either a negative change in the value of assets or the deviation of financial results from that expected. The approach of the group towards financial risk management is to limit risk exposures within acceptable parameters while optimising returns through specifying allowable asset classes. The group's Financial Risk Policy defines its practices and procedures for managing financial risk. These activities provide reasonable, but not absolute, assurance that these risks are adequately managed.

The group is exposed to the following financial risks: liquidity risk, market risk, interest rate risk and credit risk.

33.2.1 Liquidity risk

Liquidity risk is the risk that the group will not be able to meet current and/or future cash-flow requirements in respect of its business obligations as they fall due, resulting in assets being sold at inappropriate times and at excessive cost. The risk arises from potential mismatches in timing of cash inflows from revenue and of operational outflows, as well as from inflows out of investment portfolio transactions. The group's approach to managing liquidity risks is to ensure, as far as possible, that it will always have sufficient liquid assets to meet its liabilities when they are expected to fall due under normal and under stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

33. Risk management (continued)

33.2 Financial risk management (continued)

33.2.1 Liquidity risk (continued)

The table below analyses the group's financial and insurance assets and liabilities into maturity groupings based on the remaining period from the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Greater than 12 months	Total
	R'000	R'000	R'000	R'000	R'000	R'000
At June 2020						
Assets						
Other receivables	82,488	17,860	982	72	9	101,411
Cash and cash equivalents	1,765,651					1,765,651
Investments	271,856	272,150	632,931	1,288,216	120,677	2,585,830
Insurance receivables	72,899	101,288	16,654	3,337		194,178
Loans to related parties *	951					951
Reinsurance share of insurance contracts	60,398	53,083	49,666	21,301	35,067	219,515
Policyholder assets arising from insurance contracts	47,554	71,331	95,108	47,554	1,223,670	1,485,217
Reinsurers' share of policyholder asset arising from long-term insurance contracts	2,332	3,498	4,664	2,332	60,006	72,832
Expected recoveries and salvages	51,024	63,968	30,598	18,668	25,639	189,897
Financial assets backing investment contract liabilities	15,589	3,254	9,757	58,629	2,166,848	2,254,077
Total assets	**2,370,742**	**586,432**	**840,360**	**1,440,109**	**3,631,916**	**8,869,559**

	Within 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Greater than 12 months	Total
	R'000	R'000	R'000	R'000	R'000	R'000
At June 2019						
Assets						
Other receivables	49,979	9,463	2,614	320	256	62,632
Cash and cash equivalents	1,156,913	-	-	-	-	1,156,913
Investments	358,986	442,719	589,265	1,488,683	148,331	3,027,984
Insurance receivables	171,114	4,307	4,713	604	29,548	210,286
Loans to related parties *	-	-	-	-	1,999,995	1,999,995
Reinsurance share of insurance contracts	69,016	63,864	65,578	35,243	49,872	283,573
Policyholder assets arising from insurance contracts	55,403	83,106	110,808	55,404	1,218,894	1,523,615
Expected recoveries and salvages	45,902	68,239	32,967	22,687	28,866	198,661
Financial assets backing investment contract liabilities	839	1,687	2,567	5,545	1,377,377	1,388,015
Total assets	**1,908,152**	**673,385**	**808,512**	**1,608,486**	**4,853,139**	**9,851,674**

* In terms of the contract this amount is payable on demand but the intention is not to require payment within the next twelvemonths.

33. Risk management (continued)

33.2 Financial risk management (continued)

33.2.1 Liquidity risk (continued)

	Within 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Greater than 12 months	Total
	R'000	R'000	R'000	R'000	R'000	R'000
At June 2020						
Liabilities						
Other payables	237,853	21,759	44,821	1,579	5,747	311,759
Loans from related parties#	34,746	-	-	-	-	34,746
Insurance payables	389,869	176,608	12,654	-	461,041	1,040,172
Liabilities for insurance contracts	352,748	273,312	247,904	143,648	330,426	1,348,038
Reinsurers share of expected recoveries and salvages	34,980	42,731	21,315	13,665	19,100	131,791
Investment contract liabilities	15,589	3,254	9,757	58,629	2,166,848	2,254,077
Total liabilities	**1,065,785**	**517,664**	**336,451**	**217,521**	**2,983,162**	**5,120,583**

The R32,749k loan within this balance is payable on demand but BHL (UK) Holdings Limited's intention is not to require payment within the next twelve months

	Within 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Greater than 12 months	Total
	R'000	R'000	R'000	R'000	R'000	R'000
At June 2019						
Liabilities						
Other payables	141,952	24,326	5,683	1,562	-	173,523
Loans from related parties#	39,300	-	-	-		39,300
Insurance payables	508,503	55,304	37,890	14,637	-	616,334
Reinsurers share of policyholder assets arising from insurance contracts	718	1,078	1,437	718	15,807	19,758
Liabilities for insurance contracts	423,030	295,986	250,942	177,118	244,782	1,391,858
Reinsurers share of expected recoveries and salvages	32,393	47,793	25,307	17,606	21,944	145,043
Investment contract liabilities	839	1,687	2,567	5,545	1,377,377	1,388,015
Total liabilities	**1,146,735**	**426,174**	**323,826**	**217,186**	**1,659,910**	**3,773,831**

The R31,860k loan within this balance is payable on demand but BHL (UK) Holdings Limited's intention is not to require payment within the next twelve months.

33. Risk management (continued)

33.2 Financial risk management (continued)

33.2.2 Market risk

Market risk refers to the sensitivity of an asset or portfolio of financial instruments to overall market price movements such as interest rates, inflation, equity prices and foreign exchange rates during the time required to liquidate or offset positions. The impact of market movements on both assets and liabilities exposes the group to the potential of adverse financial impact. In the context of the group, these risks are regarded as Asset Liability Matching 'ALM' Risks (in a broad sense) or 'mismatch risks', i.e. risks arising from differences in the sensitivity of investments and other assets as well as insurance liabilities, to changes in the return on investments. The group's approach to market risk management is to limit risk exposures within acceptable parameters while optimising returns through specifying allowable asset classes. Currently the group does not follow a hedging strategy to manage market risks.

33.2.3 Equity risk

Equity risk arises when the market value of assets and liabilities are sensitive to changes in the market prices for equities or their volatilities. The group limits exposure to equity risk by specifying the allowable investments (as per the Investment Policy) and setting upper limits for the percentage of assets investible in equity. The risk attached to investing in equities is further managed by monitoring the performance of the entities and any underlying investments of that company.

The only equity risk that the group is exposed to during the year and at year end are the investments in Open Window Growth Partners Proprietary Limited, Nesibindi Capital Proprietary Limited and Insure Group Managers Limited detailed in note 16.1.3. The risk attached to these investments are managed by monitoring the underlying investments made by Open Window Growth Partners Proprietary Limited, Nesibindi Capital Proprietary Limited and Insure Group Managers Limited and participation in its Board and investment committee.

33.2.4 Interest rate risk

Interest rate risk arises when the market value of assets and liabilities are sensitive to change in market yield curves or interest rate volatilities. The group is exposed to interest rate risk to the extent that it holds variable interest rate instruments in the form of cash and cash equivalents, treasury bills and fixed deposits.

Fluctuations in interest rates impact on the value of these investments and the interest income earned on them. Sensitivity analysis for interest rate risk is performed to determine how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Management also monitors interest rate assumptions used during the budgeting process against actual interest rates prevailing at respective reporting dates. The group does not use hedging instruments to manage interest rate risk but provides for duration limits in the Financial Risk Policy.

The group and company have no fixed interest investments with maturity periods longer than 1 year. Hence fair value interest rate risk in respect of interest-bearing assets is not significant.

The average effective interest rate for the group throughout the year was 6.51% (2019: 7.42%) and the year-end effective interest rate was 4.41% (2019:7.52%).

Sensitivity analysis - interest rate risk

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date.

100 basis points change in the interest yields, effect on group profit or loss R41 083 530 (2019: R40 296 300)
100 basis points change in the interest yields, effect on company profit or loss R1 717 220 (2019: R993 800).
This excludes interest relating to policyholder assets arising from long term insurance contracts.

33.2.5 Currency risk

Currency risk arises when the market value of assets and liabilities are sensitive to changes in currency exchange rates. Indirect exposure may result from assets, liabilities or expenses denominated in foreign currencies. The group has limited dealings in foreign currency and had no foreign currency exposure at year-end.

33. Risk management (continued)

33.2 Financial risk management (continued)

33.2.6 Credit risk

The group has exposure to credit risk, which is the risk of loss or of adverse impact on the group's financial position due to the inability or limited willingness of a counterparty, to meet its financial obligations to the group.

Key areas where the group is exposed to credit risk are:

- amounts due from insurance policyholders;
- trade and other receivables;
- amounts due from insurance contract intermediaries and third party recoveries;
- investments, endowment policy assets, living annuity assets and cash and cash equivalents;
- reinsurers' share of insurance contract liabilities; and
- amounts due from other third parties.

Credit risk is managed on a group basis. The group limits the levels of credit risk that it accepts by placing limits on its exposure to a single counterparty or groups of counterparties. The levels are subject to at least annual reviews. Reputable financial institutions are used for investing and cash handling purposes and credit and concentration risk limits are strictly enforced.

The group enters into reinsurance agreements to spread the insurance risk and minimise the effect of underwriting losses. Agreements are entered into with approved reinsurers only who are independently rated at a minimum equivalent A- rating. Under the terms of reinsurance agreements, reinsurers agree to pay a portion of claims paid to policyholders, by the group. Consequently the group is exposed to credit risk. When selecting a reinsurer the group considers its security. The group held deposits of R461,036,000 (2019: R102,581,000) as security for reinsurers' share of insurance contract liabilities at the reporting date (also see note 23).

Outstanding salvages and third party recoveries are followed up regularly by a dedicated department allocated to this function.

Credit exposure

The group assets subject to credit risk comprise the balances below which are rated as follows:

	P-1 or equivalent*	P-2*	P-3 or equivalent*	NP	Carrying value
	R'000	R'000	R'000	R'000	R'000
2020					
Financial instruments and other assets					
Financial assets backing investment contract liabilities	76%	6%	-%	18%	2,108,502
Reinsurers' share of liabilities for insurance contract	20%	-%	60%	20%	219,515
Expected insurance salvages and recoveries	-%	-%	-%	100%	189,897
Investments	99%	-%	-%	1%	2,585,830
Loan to related parties	-%	-%	-%	100%	951
Insurance receivables	9%	1%	-%	90%	194,178
Other receivables	12%	-%	-%	88%	101,411
Cash and cash equivalents	100%	-%	-%	-%	1,765,651

33. Risk management (continued)

33.2 Financial risk management (continued)

33.2.6 Credit risk (continued)

	P-1 or equivalent*	P-2*	P-3 or equivalent*	NP	Carrying value
	R'000	R'000	R'000	R'000	R'000
2019					
Financial instruments and other assets					
Policyholders assets arising from long term insurance contracts	80%	-%	-%	20%	1,158,542
Reinsurers' share of liabilities for insurance contract*	24%	-%	57%	19%	283,573
Expected insurance salvages and recoveries	-%	-%	-%	100%	198,660
Investments	80%	-%	3%	17%	3,027,984
Loan to related parties	-%	-%	-%	100%	1,999,995
Insurance receivables	10%	3%	-%	87%	210,286
Other receivables	-%	-%	-%	100%	62,631
Cash and cash equivalents	100%	-%	-%	-%	1,156,913

The credit risk ratings used above are South African short-term Moody's ratings. Where national ratings (".za") are not applicable, international ratings are applied. Where short-term ratings are not available, the financial instrument is categorised according to long-term ratings. The ratings are defined as follows:

Moody's rating

P-1 - Highest credit quality: The rating demonstrates a superior ability to repay short-term debt obligations.

P-2 - Very high credit quality: The rating demonstrates a strong ability to repay short-term debt obligations.

P-3 - High credit quality: The rating demonstrates an acceptable ability to repay short-term debt obligations.

NP - Credit quality: The rating do not fall within any of the prime rating categories

* Hannover Re is rated by Standard and Poor's at A- (2019:AA-): Stable outlook

33.3 Insurance risk management

The group issues contracts that transfer significant insurance risk. The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. As such the group is exposed to uncertainty surrounding the timing and severity of claims under insurance contracts. By the very nature of an insurance contract, the risk is random and therefore unpredictable.

Short-term risks include perils around fire, motor accident and weather related damage that may give rise to an insurable event.

Long-term risks include mortality and the most significant factors that could increase the overall frequency of claims are epidemics (such as AIDS and COVID-19), economic conditions or wide spread changes in lifestyle, such as eating, smoking and exercise habits, resulting in higher morbidity risk and earlier or more claims than expected. All claims received are assessed. Large claims are investigated further before being paid.

33.3.1 Exposure to insurance risk

The group underwrites both short-term risks and long-term risks that natural persons, corporate entities and other entities wish to transfer to an insurer.

The product features of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash are set out below:

Property

Provides indemnity for loss of or damage to immovable property sustained through perils such as fire, storm, wind, water or earthquakes. The properties insured are residential and commercial.

33. Risk management (continued)

33.3 Insurance risk management (continued)

33.3.1 Exposure to insurance risk (continued)

Household contents and business insurance

Provides indemnity for loss of or damage to household goods, personal possessions and office content caused by similar perils as well as theft.

Motor

Provides indemnity for loss or damage in relation to all types of insured motor vehicles. 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 motor vehicles, excluding liability that is covered in terms of the Road Traffic Act, are also covered under this class of business.

Liability

Provides indemnity for loss against lawsuits or letters of demand brought against the policyholder, emanating from business activities.

Healthcare

Medical insurance in the form of gap cover. Gap cover is a medical top-up insurance product, which offers cover for medical procedures or emergency surgeries which are not covered by the customer's medical aid.

Individual life

This product pays out a lump sum in the event of policyholder deaths. Cover can be taken out on a Whole of Life or term assurance basis. In addition to annual premium increases, premium rates are reviewed every five years across all policies, and if necessary, premium rates are increased. The first five yearly increase is guaranteed not to exceed 15%.

Group life

Group funeral business comprise policies that pay a lump sum in the event of the death of the life assured. The groups of policies under these schemes are associated to each other by a common aspect for example they may all be sold by a specific funeral parlour. Premiums are payable monthly and are usually not guaranteed for a period exceeding 6 months. The contract term is therefore not more than one month, allowing pricing adjustments to be made readily.

Disability insurance

Disability insurance pays out a lump sum in the event of the disablement of the life assured. There are two types of disability insurance available, namely occupation-based disablement which pays out when the life assured is permanently and totally disabled and can no longer work and event-based disablement which pays out a percentage of the cover amount depending on the cause of disablement. Once 100% of the total assured benefit has been paid out, cover will cease. Premiums are fixed for the first 24 months and thereafter will increase by a stated percentage per annum.

Credit life

This product is designed to pay off the borrower's debt in the event that the borrower dies, is disabled or retrenched. The face value of the credit life insurance policy decreases proportionately with an outstanding loan amount as the loan is paid off over time until both reach zero value.

Funeral

This product pays out in the event of the death of the insured persons, providing the beneficiaries of the policy with the funds they need to pay the funeral expenses of the deceased. Immediate and extended family members can be included on the same policy.

Dread disease

This product pays out a percentage of cover as a lump sum in the event of the insured person suffering a serious illness as listed in the policy document. This pay-out can be used to cover medical expenses not covered by a medical aid, especially out of hospital expenses, or to pay basic living expenses while the insured recuperates. Premiums are fixed for the first 24 months and thereafter will increase by a stated percentage per annum.

33. Risk management (continued)
33.3 Insurance risk management (continued)
33.3.1 Exposure to insurance risk (continued)

Expense protector

Expense protector is a form of income protection that will pay out a monthly income if the insured person becomes temporarily disabled through illness or injury. The benefit will continue until the insured person is able to return to work or reaches retirement age.

33.3.2 Concentration of insurance risk

The group's largest portfolio of insurance risks consists of the motor risk that it underwrites. The concentration of motor risks is managed by different levels of diversification mainly through the types of vehicles that are underwritten and the geographical areas in which the risks are situated, with single risks spread across all areas of the country.

Motor risks are accepted and rated based on a number of different rating factors. Different premium levels for different geographical areas enhance diversification and the loss experience in different areas is closely monitored with the rating appropriately adjusted as and when required. Whilst exposure is higher in certain areas, the group is satisfied that these exposures are managed in the context of the entire portfolio and the exposure to single events such as hailstorms in specific areas is thereby mitigated. Catastrophe reinsurance is in place to reduce the potential impact of single events causing severe losses above the group's risk appetite.

33.3.3 Limiting exposure to insurance risk

The group limits its exposure to insurance risk through setting a clear defined underwriting strategy and limits, adopting appropriate risk assessment techniques and the reinsurance of risks that exceed its risk appetite. The group's underwriting strategy seeks diversity to ensure a balanced portfolio of insurance risk. The strategy also aims to establish a sufficiently large portfolio of risks to reduce the variability of the outcome.

Each of these risk management aspects is dealt with below in more detail.

(i) Underwriting strategy

Short-term insurance strategy:

Underwriting risk in terms of short-term insurance is the risk that the actual exposure to policyholder claims will exceed expectations and is controlled by applying sound underwriting principles.

The following policies and practices are used by the group as part of its underwriting strategy to mitigate underwriting risk:

- monitoring of actual versus expected margins and penetration/retention of new and existing business;
- monthly inflationary adjustments to premium based on actual trends in claim frequency and claim severity; and
- system limits of exposure per individual insurance line of business.

Half yearly actuarial valuations are performed to assist in the timely identification of trends in claims development.

Long-term insurance strategy:

Underwriting risk in terms of long-term insurance is the risk that the actual mortality, morbidity and medical claims will exceed prudent exposure and timing calculations. The risk is controlled by underwriting principles and managed through:

- its product development process where all new or product additions and alterations are required to pass through an approval framework;
- the requirement for the statutory actuary to approve policy conditions and premium rates of new and revised products;
- underwriting policy to prevent anti-selection and ensure appropriate premium rates (loadings) for substandard risks e.g. specific testing for HIV/Aids is carried out in all cases where the application for risk cover exceed a set limit and product pricing and reserving policies include specific allowance for the risk of HIV/AIDS;
- review of policy applications by experienced underwriters and implementing of retention limits per individual life as well as using the experience of reinsurers to review substandard risks;
- adequate reinsurance arrangements to limit exposure per individual and to manage concentration of risks;
- its claims handling policy; and
- testing the adequacy of pricing and reserving against past experience and adjusting the risk premiums for the in-force individual risk business should claims experience deteriorate, and for individual life business premiums can be re-rated after a period of five years following an insurance contract being issued.

33. Risk management (continued)

33.3 Insurance risk management (continued)

33.3.3 Limiting exposure to insurance risk (continued)

(i) Underwriting strategy (continued)

Long-term insurance strategy:

Underwriting risk in terms of long-term insurance is the risk that the actual mortality, morbidity and medical claims will exceed prudent exposure and timing calculations. The risk is controlled by underwriting principles and managed through:

- its product development process where all new or product additions and alterations are required to pass through an approval framework;
- the requirement for the statutory actuary to approve policy conditions and premium rates of new and revised products;
- underwriting policy to prevent anti-selection and ensure appropriate premium rates (loadings) for substandard risks e.g. specific testing for HIV/Aids is carried out in all cases where the application for risk cover exceed a set limit and product pricing and reserving policies include specific allowance for the risk of HIV/AIDS;
- review of policy applications by experienced underwriters and implementing of retention limits per individual life as well as using the experience of reinsurers to review substandard risks;
- adequate reinsurance arrangements to limit exposure per individual and to manage concentration of risks;
- its claims handling policy; and
- testing the adequacy of pricing and reserving against past experience and adjusting the risk premiums for the in-force individual risk business should claims experience deteriorate, and for individual life business premiums can be re-rated after a period of five years following an insurance contract being issued.

Half yearly actuarial valuations are also performed to assist in the timely identification of experience variances using appropriate base tables of standard mortality and morbidity rates for individual life policies. An investigation into the actual experience of the company over the last year is carried out to produce a best estimate of the expected mortality and morbidity for the future. The best estimate of future mortality is standardised based on the reinsurers' tables and statistical methods are used to determine appropriate termination rates. An allowance is made for any trends in the best estimate of future termination rates.

On an annual basis, the group prepares an underwriting budget that is based on the underwriting strategy to be followed in the next three years. The underwriting strategy is updated for changes in the underwriting results of the group and the industry, the group's available risk capital and available reinsurance capacity as well as existing concentration of insurance risk.

(ii) Risk assessment

The group follows an underwriting process before accepting any proposed insurance risk.

(iii) Reinsurance strategy

The group has an extensive proportional and non-proportional reinsurance program in place to limit the group's liability. There is a Board approved reinsurance strategy in place which is regularly reviewed for its ongoing appropriateness. The group reinsures a portion of the risk it underwrites in order to control its exposures to losses to within its risk appetite and to protect capital resources.

The reinsurance program through a combination of treaty and facultative contracts limits the group's exposure in each of its classes of business.

33. Risk management (continued)

33.3 Insurance risk management (continued)

33.3.3 Limiting exposure to insurance risk (continued)

(iv) Exposure relating to catastrophe events

The group purchases catastrophe reinsurance to protect itself from extraordinary losses. The level of catastrophe reinsurance purchased is based on the group's estimation of its expected losses from low frequency high severity events.

The aggregate catastrophe exposure position is reviewed annually. The group uses a number of modelling tools to monitor aggregation and to simulate catastrophe losses in order to measure the effectiveness of the reinsurance programs and the net exposure of the group.

(v) Liability adequacy test

At each reporting date, a liability adequacy test is required to ensure the adequacy of the insurance contract liabilities. In performing this test, current best estimates of future premiums, claims and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is charged to profit or loss by establishing a provision for unexpired risks.

Since the long-term insurance policy liabilities are calculated in terms of the financial soundness valuation basis as prescribed in SAP 104, which meets the minimum requirements of the liability adequacy test, it is not necessary to perform an additional liability adequacy test.

33.3.4 Claims development

The principal risk that the group faces under its insurance contracts is that the actual claims payments exceed the expected claims. This could occur because the frequency or severity of claims is greater than estimated. Insurance events are random and the actual number and amounts of claims will vary from year to year and from the estimate.

The development of claims liabilities provides a measure of the group's ability to estimate the ultimate value of claims incurred but not yet settled. The majority of the group's insurance contracts are classified as short-tailed, meaning that claims are settled within a year after the loss date. The group underwrites a limited portion of long-tail risks and consequently the uncertainty about the amount and timing of claims payments a year after the loss event is limited. Regular estimates of claims development are performed in reviewing the adequacy of the claims provisions and corrective action is taken where necessary.

33.3.5 Fraudulent claims risk

Training of staff takes place to ensure that fraudulent claims are identified and investigated timeously. The legitimacy of claims is verified by internal, financial and operating controls that are designed to contain and monitor claims risks. The forensic investigation team also advises on improvements to internal control systems and performs forensic investigations on suspected fraudulent claims.

33.3.6 Product and pricing risk

A key aspect of insurance risk is that products and risk pricing could be unsuitable or inaccurate resulting in insufficient premiums being charged for the amount of claims experienced.

Some of the mitigating measures in place to address the risk include:

- ongoing analysis of risk experience;
- use of reinsurance - this protects the insurer in that some of the risks of insufficient rates is passed onto a reinsurer;
- margins in the premium rates - generally additional margins are included in the setting of premium rates to arrive at a more prudent set of rates to protect against experience being worse than anticipated; and
- the thorough upfront testing of proposed products, including testing expected expenses and volumes of business, provides an understanding of the expected parameters within which the product pricing will remain appropriate. If expenses or volumes are significantly different from the business plan then the overall offering and position will be revisited and consideration given to making appropriate changes to remedy worsening positions.

33. Risk management (continued)

33.3 Insurance risk management (continued)

33.3.7 Short-term insurance provisions

Process used to determine significant assumptions

Insurance risk incorporates unpredictability and the group recognises that it is impossible to predict future claims and premium refunds payable under existing insurance contracts with absolute certainty. To this end, the group has over time, developed a methodology that is aimed at establishing insurance provisions that have reasonable likelihood of being adequate to settle all its insurance obligations.

Claims provisions

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

Notified claims

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/or loss adjuster and past experience with similar claims. The group rigorously applies standardised policies and procedures around claims assessment. The provision for each notified claim includes an estimate of the associated claims handling costs.

The ultimate cost of the reported claims may vary as a result of future developments or better information becoming available. Case estimates are therefore reviewed regularly and updated if new information becomes available.

Claims incurred but not yet reported (IBNR)

The IBNR provision, other than for personal accident, extended warranty and commercial non motor business, consists of a best estimate provision and an explicit risk margin. The best estimate represents the expected value of the insurance liabilities, essentially the mean in a range of possible outcomes in the development of unreported claims and the future development of notified claims. The risk margins are determined statistically such that the level of confidence on the adequacy of the provision approximates 75%, indicating a 25% probability that the provision will be inadequate. The levels of the IBNR provisions and the risk margins are assessed semi-annually by management against the group's past claims experience and adjusted if the experience indicates that the methodology is no longer appropriate.

The methods applied by the group use historical claims development information and therefore the underlying basis assumes that the historical claims development pattern will occur again in the future. There are reasons why this may not be the case, which, insofar as they can be identified, have been allowed for by modifying the methods. Such reasons include:

- changes in processes that affect the development/recording of claims paid and incurred;
- economic, legal, political and social trends;
- changes in mix of business; and
- random fluctuations, including the impact of large losses.

The provisions for the notified claims and IBNR are initially estimated at a gross level. A separate calculation is then carried out to determine the estimated reinsurance recoveries. The calculation of the reinsurance recoveries considers the type of risk underwritten, which year the claim occurred and therefore under which reinsurance program the recovery will be made, the size of the claim and whether the claim was an isolated incident or forms part of a catastrophe reinsurance claim.

The sensitivity analysis illustrated below details the impact that a 10% and 5% adjustment to the projected loss ratio for June 2020 on the incurred but not reported claims (IBNR), salvages and recoveries after being adjusted for the reinsurers' share of the movement, has on profit or loss of the group.

IBNR net of reinsurance

- 10% increase in IBNR net of reinsurance, effect on profit or loss (R12 774 000) (2019: (R13 345000)).
- 10% decrease in IBNR net of reinsurance, effect on profit or loss R12 774 000 (2019:R13 345000).
- 5% increase in IBNR net of reinsurance, effect on profit or loss (R6 386 000) (2019: (R6 673000)).
- 5% decrease in IBNR net of reinsurance, effect on profit or loss R6 386 000 (2019: R6 673000).

33. Risk management (continued)

33.3 Insurance risk management (continued)

33.3.7 Short-term insurance provisions (continued)

Salvages IBNR net of reinsurance

- 10% increase in salvages IBNR net of reinsurance, effect on profit or loss R1 048 000 (2019:R1356 000).
- 10% decrease in salvages IBNR net of reinsurance, effect on profit or loss (R1 048 000) (2019: (R1 356 000)).
- 5% increase in salvages IBNR net of reinsurance, effect on profit or loss R524 000 (2019: R678000).
- 5% decrease in salvages IBNR net of reinsurance, effect on profit or loss (R524 000) (2019: (R678000)).

Recoveries IBNR net of reinsurance

- 10% increase in recoveries IBNR net of reinsurance, effect on profit or loss R117 000 (2019:R169000).
- 10% decrease in recoveries IBNR net of reinsurance, effect on profit or loss (R117 000) (2019: (R169000)).
- 5% increase in recoveries IBNR net of reinsurance, effect on profit or loss R59 000 (2019: R85000).
- 5% decrease in recoveries IBNR net of reinsurance, effect on profit or loss (R59 000) (2019: (R85000)).

Recoveries outstanding claims provision net of reinsurance

- 10% increase in recoveries OCR net of reinsurance, effect on profit or loss R274 000 (2019:R312000).
- 10% decrease in recoveries OCR net of reinsurance, effect on profit or loss (R274 000) (2019: (R312000)).
- 5% increase in recoveries OCR net of reinsurance, effect on profit or loss R137 000 (2019: R156000).
- 5% decrease in recoveries OCR net of reinsurance, effect on profit or loss (R137 000) (2019: (R156000)).

Unearned premium provision

The group raises a provision for unearned premiums on a basis that reflects the underlying risk profile of its insurance contracts. The larger portion of the provision relates to the products where, if the policyholder remains claim-free for a period of four years, the policyholder will receive the lower of the following back in the form of a cashback bonus payment:

- the first twelve months' premiums, of the said four year period; or
- 25% of the total premiums paid during the four year period.

Also included in the unearned premium provision is a product offered Budget Insurance Company (RF) Limited where, if a policyholder remains claim-free for a period of two years, the policyholder will receive 15% of the total premiums paid during the two year period back in the form of a cashback payment. Furthermore, if the policyholder remains claim-free for another two years the policyholder will receive 10% of the total premiums paid during the two year period in the form of a cashback payment. The policyholder will also receive 10% of all premiums paid in every subsequent claim-free year of experience after the initial four year claim-free period.

The provision is estimated by the actuarial function, using a straight line accrual method and includes margins to the claims and lapse rates used. The methodology used to assess the required premium loadings and the required reserve levels is based on the concept of projecting future cashflows and then discounting it back to the valuation date. An unearned premium provision is created at the commencement of each insurance contract and is then released as the risk under the contract expires.

The circumstances under which the provision will be released are as follows:

- the policyholder cancels the policy; or
- the policyholder claims against the policy; or
- the policyholder defaults on payment of the policy; or
- the policyholder remains claim-free for a period of four years, depending on the type of cashback product.

Also included in the unearned premium provision is the portion of premiums of multi-year warranty contracts that relate to unexpired coverage, as well as annual business.

The sensitivity analysis illustrated below details the impact that a 10% and 5% adjustment to the decrement assumptions used in the calculation of the cashback bonus provision for 2020 has on profit or loss. The changed assumption is that the policy premium reverts to the base rate.

Cashback bonus provision

- 10% increase in cashback bonus provision, effect on profit or loss (R11 384 000) (2019: (R11 555000)).
- 10% decrease in cashback bonus provision, effect on profit or loss R11 989 000 (2019:R11 555000).
- 5% increase in cashback bonus provision, effect on profit or loss (R5 798 000) (2019: (R5 884000)).
- 5% decrease in cashback bonus provision, effect on profit or loss R5 950 000 (2019: R5 884000).

33. Risk management (continued)

33.3 Insurance risk management (continued)

33.3.7 Short-term insurance provisions (continued)

Claims and lapse rates

Claims and lapse rates calculated with reference to the duration to bonus payment were used. As far as possible the underlying experience of the cashback policies was used.

Premium increases

Premium increases occur on 1 January of every year and future premium increases are estimated to be 8% (2019: 8%).

Interest rates

The reserves that are held for future cashback payments will earn interest until such time as the amounts are paid to the qualifying policyholders. The assets will be invested in cash at a post-tax interest rate of 6.72% (2019: 7.53%). This is based on the rate of return that the group earns on the assets backing the cashbackliability.

33.3.8 Sensitivity to long-term insurance risk

The four key assumptions that impact the long term insurance contract liabilities are:

(1) Lapse rates;
(2) mortality and morbidity;
(3) expenses; and
(4) interest rates.

The sensitivity of the surplus from life insurance contracts to changes in these assumptions is presented below:

- a 20% increase in lapse rates would reduce profit before tax by R236.5 million (2019: R198.3 million);
- a worsening in mortality and morbidity assumptions by 20% results in profit before tax reducing by R347.2 million;
- a 20% increase in renewal expense per policy per annum would reduce profit before tax by R163.1 million (2019: R161.5 million); and
- a 20% increase in interest rate together with an equivalent increase in inflation would reduce profit before tax by R122.7 million (2019: R131.9 million).

33.4 Capital management

The group recognises equity and reserves as capital. For risk management purposes the group maintains a minimum solvency capital requirement target of 1.35 (2019: 1.35) and measured its risk exposures against this level.

The group submits quarterly and annual returns to the Prudential Authority in terms of the short-term and long-term insurance legislation. The group is required to at all times maintain a minimum statutory solvency capital requirement.

34. Classes and categories of assets and liabilities

Categories of assets - 2020

		Financial assets and liabilities at fair value through profit or loss	Financial assets and liabilities at amortised cost	Other non financial assets	Total carrying amount	Non-current
		R'000	R'000	R'000	R'000	R'000
Computer software	8	-	-	231,345	231,345	228,492
Goodwill	5	-	-	152,965	152,965	152,965
Investments in participating interests	14	113,817	-	-	113,817	113,817
Loans to related parties *	15		951	-	951	-
Other financial investments	16	40,359	2,431,654	-	2,472,013	6,883
Policyholders assets arising from long term insurance contracts	9	-	-	1,485,217	1,485,217	1,223,670
Reinsurers' share of policyholder asset arising from long-term		-	-	72,832	72,832	60,006
Financial assets backing investment contract liabilities	10	1,511,734	596,768	-	2,108,502	2,021,327
Reinsurers' share of long-term business provision	12	-	-	97,501	97,501	17,590
Reinsurers' share of provision for claims incurred but not reported	12	-	-	122,014	122,014	17,477
Insurance receivables	16	-	-	194,178	194,178	-
Expected insurance salvages and recoveries	13	-	-	189,897	189,897	25,639
Current tax receivable		-	-	11,166	11,166	-
Other receivables	16	-	101,411	37,388	138,799	30
Plant and equipment	7	-	-	165,923	165,923	165,753
Right of use assets	10	-	-	338,358	338,358	337,717
Inventory	18	-	-	8,166	8,166	-
Cash and cash equivalents	17	-	1,765,651	-	1,765,651	-
Deferred tax	6	-	-	207,231	207,231	207,231
Deferred acquisition costs	11	-	-	13,719	13,719	-
Prepayments	16	-	-	60,162	60,162	-
		1,665,910	**4,896,435**	**3,388,062**	**9,950,407**	**4,578,597**

* In terms of the contract this amount is payable on demand but the intention is not to require payment within the next twelve months.

34. Classes and categories of assets and liabilities (continued)

Categories of assets - 2019

		Financial assets and liabilities at fair value through profit or loss	Financial assets and liabilities at amortised cost	Other non financial assets	Total carrying amount	Non-current
		R'000	R'000	R'000	R'000	R'000
Computer software	8	-	-	239,145	239,145	239,145
Goodwill	5	-	-	153,357	153,357	153,357
Investments in participating interests	14	96,124	-	-	96,124	96,124
Loans to related parties *	15	-	1,999,995	-	1,999,995	1,999,995
Other financial investments	14	26,477	2,905,383	-	2,931,860	52,207
Policyholders assets arising from long term insurance contracts	9	-	-	1,523,615	1,523,615	1,218,894
Financial assets backing investment contract liabilities	10	868,693	289,849	-	1,158,542	1,377,377
Reinsurers' share of long-term business provision	12	-	-	123,724	123,724	22,498
Reinsurers' share of provision for claims incurred but not reported	12	-	-	159,849	159,849	27,374
Insurance receivables	16	-	-	210,286	210,286	29,548
Expected insurance salvages and recoveries	13	-	-	198,660	198,660	28,866
Current tax receivable		-	-	54,116	54,116	-
Other receivables	16	-	62,631	78,216	140,847	257
Plant and equipment	7	-	-	147,569	147,569	147,569
Cash and cash equivalents	17	-	1,156,913	-	1,156,913	-
Deferred tax	6	-	-	182,330	182,330	182,330
Deferred acquisition costs	11	-	-	14,825	14,825	-
Prepayments	16	-	-	68,916	68,916	-
		991,294	**6,414,771**	**3,154,608**	**10,560,673**	**5,575,541**

* In terms of the contract this amount is payable on demand but the intention is not to require payment within the next twelve months.

34. Classes and categories of assets and liabilities (continued)

Categories of liabilities - 2020

		Financial assets and liabilities at fair value through profit or loss	Financial assets and liabilities at amortised cost	Other non financial assets and liabilities	Total carrying amount	Non-current
		R'000	R'000	R'000	R'000	R'000
Provision for unearned premiums	12	-	-	350,830	350,830	219,487
Long-term business provision	12	-	-	285,442	285,442	51,496
Claims outstanding	12	-	-	711,764	711,764	59,443
Investment contract liabilities	10	1,511,734	590,774		2,102,508	2,015,767
Deferred tax	6	-	-	354,930	354,930	354,930
Provisions	18	-	-	463,154	463,154	845
Insurance payables	19	-	-	1,040,172	1,040,172	461,036
Reinsurers' share of expected insurance salvages and recoveries	13	-	-	131,791	131,791	19,100
Loans from related parties	15	-	34,746	-	34,746	-
Current tax payable	27	-	-	27,186	27,186	-
Other payables	19		310,814	103,476	414,290	9,396
Lease liabilities	10	-	-	414,044	414,044	355,011
Accruals	19	-	-	92,745	92,745	-
		1,511,734	**936,334**	**3,975,534**	**6,423,602**	**3,546,511**

34. Classes and categories of assets and liabilities (continued)

Categories of liabilities - 2019

		Financial assets and liabilities at fair value through profit or loss	Financial assets and liabilities at amortised cost	Other non financial assets and liabilities	Total carrying amount	Non-current
		R'000	R'000	R'000	R'000	R'000
Provision for unearned premiums	12	-	-	358,434	358,434	132,757
Long-term business provision	12	-	-	222,778	222,778	54,934
Claims outstanding	12	-	-	810,646	810,646	57,091
Reinsurers' share of policyholder asset arising from long-term insurance	9	-	-	19,757	19,757	15,807
Investment contract liabilities	10	868,693	288,467	-	1,157,160	1,377,377
Deferred tax	6	-	-	369,620	369,620	369,620
Provisions	18	-	-	446,077	446,077	-
Insurance payables	19	-	-	616,334	616,334	-
Reinsurers' share of expected insurance salvages and recoveries	13	-	-	145,044	145,044	21,944
Loans from related parties	15	-	39,300	-	39,300	-
Current tax payable	27	-	-	55,651	55,651	-
Other payables	19	-	180,655	135,550	316,205	-
Accruals	19	-	-	86,130	86,130	-
		868,693	**508,422**	**3,266,021**	**4,643,136**	**2,029,530**

The carrying amount of financial instruments not held at fair value approximates their fair value.

35. Cash-settled share based payment liability

An incentive structure exists under which the chairman of the South African group and an executive director are entitled to future payments that are calculated annually based on the growth in the estimated value of the group.

The liability of R402,368,000 (2019: R356,538,000) is included in note 22.

36. Commitments

Telesure Group Services Proprietary Limited

- Guarantee has been issued by Nedbank Limited on behalf of the company for R1,850,000. The beneficiary is Growthpoint Securitisation Warehouse Trust.
- Guarantee has been issued by Nedbank Limited on behalf of the company for R1,305,400. The beneficiary is Eskom Holdings SOC Limited.
- Guarantee has been issued by Nedbank Limited on behalf of the company for R90,922. The beneficiary is Bartlucia Investments Share Block Proprietary Limited.
- Local guarantee for liability with Nedbank Limited for R2,000,000. The beneficiary is the South African Post Office.

Telesure Investment Holdings Proprietary Limited

The amounts receivable from Rockport Capital Proprietary Limited were subordinated in favour of third party creditors. In the prior year amounts receivable from Hippo Advisory Services Proprietary Limited has also been subordinated by the company in favour of third party creditors. Refer to note 17.

37. Employees

The average monthly number of employees (including directors) during the year was made up as follows:

	2020	2019
	Number	**Number**
Call centre staff	2,309	2,337
Management, business development and support services	2,119	1,953
Legal services	26	28
	4,454	**4,318**

The aggregate remuneration comprised:

	2020	2019
	R'000	**R'000**
Wages and salaries	1,758,045	1,686,926

38. Ultimate and immediate parent companies

The Company's immediate and ultimate parent undertaking and controlling party is BHL Holdings Limited which is incorporated in Guernsey and registered at Second Floor, Elizabeth House, Les Ruettes Brayes, St Peter Port, Guernsey, GY1 1EW.

The largest group in which the results of the Company are consolidated is that headed the Company itself.

39. Post balance sheet events

The potential impact of COVID-19 on the Group is still unknown and dependent on a number of variables that have the potential to continue to disrupt our business. While the scale and duration of the Covid-19 pandemic remains uncertain, the directors believe that the Group is able to withstand the operational and economic disruption of reasonable downside scenarios that may result from the impact of the pandemic.

The board of directors are not aware of any other events after the reporting date requiring disclosure in these financial statements.

BHL (SA) Holdings Limited
Year ended 30 June 2020
Company statement of financial position

Company registration number 11707219

	Note	2020	2019
		R'000	R'000
Fixed assets			
Investments in subsidiaries	2	12,744,000	12,744,000
Creditors: amounts falling due within one year			
Creditors	4	33,694	32,084
Net current liabilities		**(33,694)**	**(32,084)**
Total assets less current liabilities		**12,710,306**	**12,711,916**
Net assets		**12,710,306**	**12,711,916**
Capital and reserves			
Share capital	5	12,744,000	12,744,000
Retained earnings		(33,694)	(32,084)
Total equity		**12,710,306**	**12,711,916**

The financial statements were approved by the board of directors on and signed on its behalf by:

I R Leech
Director
23 December 2020

The notes on pages 77 to 81 form part of these financial statements.

BHL (SA) Holdings Limited
Year ended 30 June 2020
Company statement of changes in equity

	Share capital	Retained earnings	Total equity
	R'000	R'000	R'000
At 3 December 2018	-	-	-
Issue of new shares in the period	12,744,000	-	12,744,000
Loss for the period	-	(32,084)	(32,084)
At 30 June 2019	**12,744,000**	**(32,084)**	**12,711,916**
Loss for the period	-	(1,610)	(1,610)
At 30 June 2020	**12,744,000**	**(33,694)**	**12,710,306**

The notes on pages 77 to 81 form part of these financial statements.

1. Accounting policies

The Company's significant accounting policies relating to specific financial statement items, together with a description of the accounting estimates and judgements that were critical to preparing them, are set out below.

Basis of preparation

The Company, a private limited company incorporated and domiciled in England and Wales, has elected to prepare its financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a cash flow statement and related notes;
- comparative period reconciliations for share capital;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs;
- disclosures in respect of the compensation of key management personnel.

Unless otherwise noted, the amounts shown in these financial statements are in R 000.

As permitted under section 408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account for the period. The profit of the Company is disclosed in the Company statement of changes in equity.

The parent company audit fee is not disclosed in these accounts as it is disclosed in note 26 to the consolidated financial statements for BHL (SA) Holdings Limited Group.

While the scale and duration of the Covid-19 pandemic remain uncertain, the directors believe that the Company is able to withstand the operational and economic disruption of reasonable downside scenarios.

Going concern

Notwithstanding net current liabilities of R33,694k as at 30 June 2020 and a loss for the year then ended of R1,610k, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through funding from its immediate parent company, BHL Holdings Limited to meet its liabilities as they fall due for that period.

Those forecasts are dependent on BHL Holdings Limited not seeking repayment of the amounts currently due to the group, which at 30 June 2020 amounted to R33,694k, and providing additional financial support during that period. BHL Holdings Limited has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

1. Accounting policies (continued)

Going concern (continued)

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Investments

In the Company's balance sheet, investments in subsidiaries are valued at cost less provision for impairment.

Impairment is measured based on the present value of expected future cash flows of the subsidiary. When a subsidiary is considered to be impaired, the profit and loss account is charged with the difference between the carrying value and the estimated recoverable amount. Reversals of impairments are only recognised where the decrease in the impairment can be objectively related to an event occurring after the write down.

Significant judgements and estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts presented in the financial statements and related disclosures. Use of available information and the application of judgements are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements.

Estimates and underlying assumptions are reviewed on an ongoing basis. Accounting estimates that change are recognised in the period in which they are revised and in any future periods affected.

2. Investment in subsidiaries

The following were the subsidiary undertakings at the end of the year:

Name of company	Nature of business	% holding 2020	% holding 2019
Directly held:			
Telesure Investment Holdings Proprietary Limited	Holding company	100%	100%
Indirectly held through Telesure Investment Holdings Proprietary Limited:			
1 Life Insurance (RF) Limited	Long-term insurance	100%	100%
Auto and General Insurance Company (RF) Limited	Short-term insurance	100%	100%
Budget Insurance Company (RF) Limited	Short-term insurance	100%	100%
Dial Direct Insurance (RF) Limited	Short-term insurance	100%	100%
Digital Comparison Services Proprietary Limited	Deregistered	-	100%
First for Women Insurance Company (RF) Limited	Short-term insurance	100%	100%
Hippo Comparative Services Proprietary Limited	Insurance aggregator	100%	100%
Hippo Advisory Services Proprietary Limited	Medical insurance broker	100%	100%
IS Services Proprietary Limited	In the process of being deregistered	100%	100%
One Call Insurance Brokers Proprietary Limited	Insurance brokers	100%	100%
Rockport Capital Proprietary Limited	Holding company of Wealthport Proprietary Limited	100%	80%
Telesure Group Services Proprietary Limited	Administrative services	100%	100%
Unity Financial Services Proprietary Limited	Insurance brokers	100%	100%
Upstream Advertising Proprietary Limited	Deregistered	-	100%

Digital Comparison Services Proprietary Limited and Upstream Advertising Proprietary Limited were deregistered during the current year. IS Services Proprietary Limited is in the process of being deregistered.

Name of company	Carrying amount	
	2020	2019
	R'000	R'000
Telesure Investment Holdings Limited	12,744,000	12,744,000

All subsidiaries are incorporated in South Africa and registered at Auto and General Park, 1 Telesure Lane, Riverglen, Dainfern, 2191, South Africa.

2. Investment in subsidiaries (continued)

The TIH group (the CGU) has been valued on a sum-of-the-parts basis by identifying the underlying business units.

For the Short Term Insurance (STI) and re-insurance businesses, the recoverable amount was based on fair value less costs of disposal, estimated using discounted cash flows. The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used.

The key assumptions have used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

	2020	2019
	%	%
Discount rate	19.7	21.1
Terminal growth rate	4.8	5.2

The discount rate was based on the rate of a South African government ten-year bond, adjusted for a risk premium to reflect both the risk of investing in equities generally and the systematic risk of the specific CGU.

The cash flow projections included specific estimates for four years (2019: five years) and a terminal growth rate thereafter. The terminal growth rate is in line with the long term expected CPI rate for South Africa.

Budgeted GWP was based on expectations for future outcomes taking into account the average growth levels experienced over the last 4 years and the estimated sales volume and price growth for the next 4 years (2019: 3 and 5 years respectively). Claims ratios have been projected taking into account ratios experienced in the past 4 years (2019: 3 years).

For the 1 Life business, the recoverable amount is the appraisal value, calculated as embedded value plus the value of future new business. The embedded value is a measure of the consolidated value of shareholders' interest in long the insurance business and is based on the value of the assets allocated to supporting the business.

The estimated recoverable amount of the CGU, even after deducting sensitivities, is in excess of the carrying amount. Therefore it is reasonable to continue to conclude that the value of the investment is not impaired.

The changes in key assumptions that would trigger an impairment are:

	2020
	%
Discount rate	20.3
Terminal growth rate	4.1

3. Other investments

During the current year a R2,500,000,000 loan facility to Steyn City Properties Proprietary Limited ("SCP") was transferred from TIH to BHL SA by declaring a R2,500,000,000 dividend in specie. At 30 June 2020, this loan facility was converted to R2,500,000,000 non-cumulative non-participatory redeemable no-par value class B preference shares which are redeemable by SCP on 30 June 2024, or such earlier date as may be determined by SCP. Class B issued preference shares are not entitled to receive dividends or any interest from the company.

The SCP preference shares are classified as mandatorily at FVTPL. They are level 3 in the fair value hierarchy.

At the year end the fair value has been determined to be nil and a R2,500,000,000 fair value adjustment loss recorded in net operating expenses.

4. Creditors

	2020	2019
	R'000	R'000
Falling due within one year:		
Accruals	945	224
Amounts owed to related undertakings	32,749	31,860
	33,694	32,084

The loan is with BHL UK Holdings Limited and is interest free and repayable on demand.

5. Share capital

	2020	2019
	£'000	£'000
Allotted and called up		
Ordinary shares of £1 each	708,000	708,000

On issuance the value of the shares in Rand was R12,744,000,000.

6. Ultimate and immediate parent companies

The Company's immediate and ultimate parent undertaking and controlling party is BHL Holdings Limited which is incorporated in Guernsey and registered at Second Floor, Elizabeth House, Les Ruettes Brayes, St Peter Port, Guernsey, GY1 1EW.

The largest group in which the results of the Company are consolidated is that headed the Company itself.

7. Post balance sheet events

The potential impact of COVID-19 on the Company is still unknown and dependent on a number of variables that have the potential to continue to disrupt our business. While the scale and duration of the Covid-19 pandemic remains uncertain, the directors believe that the Company is able to withstand the operational and economic disruption of reasonable downside scenarios that may result from the impact of the pandemic.

The directors are not aware of any other events after the reporting date requiring disclosure in these financial statements.

BHL (SA) Holdings Limited
Year ended 30 June 2020
Appendix A – Significant accounting policies

These accounting policies represent a summary of the significant accounting policy elections of BHL (SA) Holdings Limited and its subsidiaries. They are not intended to be a complete list of all policies.

1. Insurance contracts

Classification of insurance contracts

An insurance contract is a contract under which the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Insurance risk is risk other than financial risk, transferred from the holder of the contract to the issuer. Such contracts may also transfer financial risk. The group defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are more than the benefits payable if the insured event did not occur. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided that in the case of a non-financial variable that the variable is not specific to a party to the contract.

Reinsurance contracts

Contracts entered into by the group with reinsurers under which the group is compensated for losses on insurance contracts issued by the group and that meet the classification requirements for insurance contracts, are accounted for as reinsurance contracts held. Insurance contracts entered into by the group under which the contract holder is another insurer (inwards reinsurance) are accounted for as inwards reinsurance business.

Measurement

Premiums

Net premium income is the gross written premiums for the period, net of the reinsurance premiums ceded and the movement in the unearned premium provision. Gross premiums written are recognised in profit or loss and comprise premiums on insurance contracts entered into during the year at the undiscounted amounts payable in terms of the contracts, irrespective of whether they relate in whole or in part to a later accounting period. Gross premiums written are disclosed before deductions of expenses for the acquisition of insurance contracts, commission, reinsurance premiums and exclude value added taxation. Gross premiums written include adjustments to premiums written in prior accounting periods as well as value added products and the cash back bonus expense. Reinsurance premiums ceded are recognised as an expense in profit or loss, in the same period as the gross written premium they relate to, at the undiscounted amounts payable in terms of the contracts.

Claims

Net claims incurred are the gross insurance claims incurred, net of any reinsurers' share of claims incurred. Gross insurance claims are recorded as an expense at an undiscounted amount when they are incurred, and consist of claims paid during the financial year together with the movement in the provisions for outstanding claims and IBNR and net of actual salvages and recoveries and the movement in expected salvages and recoveries. Claims handling expenses are included in the gross claims. Reinsurers' share of claims incurred are recognised in profit or loss in the same period as the related claim at the undiscounted amount receivable in terms of the contracts.

Commission incurred

These consist of commission on marketing management costs paid by the group upon the acquisition of new and additional insurance business, and are recognised in the same period as the premium to which it relates.

1. Insurance contracts (continued)

Measurement (continued)

Broker commission clawback receivable

Commission is paid to brokers based on each policy sold before the first premium for a policy is collected. In the event that the first premium is not collected, the commission paid on the policy sold is clawed back from the broker. This amount is recognised as a receivable in the statement of financial position and is tested annually for impairment.

Reinsurance commissions

Reinsurance commission received is measured at the fair value of the considerations received or receivable and represents the amounts receivable for services provided in the normal course of business.

Unearned premium provision

The provision for unearned premiums comprises the proportion of premiums written which is estimated to be earned in subsequent financial years, and probable future cash bonus payments.

Salvage and third party recoveries

Salvage and third party recoveries asset consists of all identifiable and measurable amounts that the group expects to recover in future, from past lost events. A liability is recognised for the reinsurers' share of these salvage and third party recoveries.

Incurred but not reported claims (IBNR) and outstanding claims provision (OCR)

The IBNR provision is a best estimate of claims incurred that have not yet been reported. For non-life insurers the IBNR provision comprises the group's estimate at a 75% confidence level of the undiscounted cost of settling all claims incurred but not yet reported at the reporting date and related claims handling expenses. For the life insurer the IBNR is calculated using a consistent methodology taking into account compulsory margins to the total incurred claims experience. The profile of claims run-off (over time) is modelled on a statistical basis by using historic data of the company. The profile is then applied to actual claims data of recent periods for which the run-off is not complete.

The IBNR provision is included in the liabilities for insurance contracts. Anticipated reinsurance recoveries are disclosed separately as assets. The OCR indicates the outstanding value of claims reported and not yet settled and is adjusted for repudiations.

Impairment

Reinsurance assets, salvages and recoveries as well as insurance receivables are assessed for impairment at each reporting date. Impairment losses on these assets are recognised in profit or loss for the period.

Receivables and payables related to insurance contracts

Insurance receivables and payables are recognised when due at the amount in terms of the contract.

Insurance receivables and insurance payables are treated in terms of IFRS 4. Insurance receivables comprise premium receivables and reinsurance receivables. Insurance payables comprise reinsurance payables and deposits held in respect of reinsurance.

Long-term insurance contract assets and liabilities

Long-term insurance contract assets and liabilities are valued according to the requirements of the professional guidance notes ("SAP's") issued by the Actuarial Society of South Africa ("ASSA"). Of particular relevance to the calculations, are the following actuarial guidance notes:

- SAP 104: Life offices - calculation of the value of assets, liabilities and capital adequacy requirements of long-term insurers, and
- APN 105: Recommended AIDS extra mortality bases.

1. Insurance contracts (continued)

Measurement (continued)

Long-term insurance contract assets and liabilities (continued)

The insurance contracts are valued in terms of the financial soundness valuation ("FSV") basis contained in Standard of Actuarial Practice 104 (SAP 104) issued by the Actuarial Society of South Africa. An asset or liability for contractual benefits that are expected to be realised or incurred in the future is recorded in respect of the existing policy book when the premiums are recognised. The asset and liability is determined as the sum of the expected discounted value of the benefit payments and the future administration expenses that are directly related to the contract, less the expected discounted value of the premiums to be paid in terms of the policy contract. The asset or liability is based on best-estimate assumptions as to mortality, persistency, maintenance expenses and investment income that are established at the time the contract is issued and updated on an annual basis at reporting date to reflect current expectations.

Compulsory margins to adverse deviations are included in the assumptions as required in terms of SAP104. Allowance can be made for future margins at the discretion of the head of actuarial function. Negative reserves have not been eliminated.

2. Investment in subsidiaries

Investment in subsidiaries are held at cost less accumulated impairment.

3. Financial instruments

Measurement

Initial recognition and measurement

The group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial instrument is recognised in the financial statements when the entity becomes a party to the financial instrument contract.

Financial assets are classified, at initial recognition, as measured at amortised cost, fair value through other comprehensive income (FVTOCI), and fair value through profit or loss (FVTPL).

Financial liabilities are classified, at initial recognition, as measured at amortised cost or fair value through profit or loss.

Financial assets and financial liabilities are initially measured at fair value plus transaction costs directly attributable to its acquisition or issue, except for financial assets held at fair value through profit or loss which are initially recognised at fair value and directly attributable transaction costs are recognised in profit or loss as they are incurred.

3. Financial instruments (continued)

Measurement (continued)

Subsequent measurement

	Classification under IFRS 9	**Classification decision**
Financial assets		
Cash and cash equivalents	Amortised cost	Mandatory
Investments - Underlying items		
En commandite partnership	Fair value through profit or loss	Mandatory
Shares in Open Window Growth Partners Proprietary Limited	Fair value through profit or loss	Mandatory
Shares in Nesibindi Capital Proprietary Limited	Fair value through profit or loss	Mandatory
Shares in Insure Group Managers Limited	Fair value through profit or loss	Mandatory
Shares in Intermediaries Guarantees Facility Limited	Fair value through profit or loss	Mandatory
Loans	Amortised cost	Mandatory
Fixed deposits	Amortised cost	Mandatory
Advance to strategic partnership	Amortised cost	Mandatory
Financial assets backing investment contracts- underlying products		
Endowment policy - Product 1	Amortised cost	Mandatory
Endowment policy - Product 2	Fair value through profit or loss	Designated
Living annuity	Fair value through profit or loss	Designated
Loans to related parties	Amortised cost	Mandatory
Trade and other receivables	Amortised cost	Mandatory
Financial liabilities		
Investment contract liabilities - underlying products		
Endowment policy - product 1	Amortised cost	Mandatory
Endowment policy - product 2	Fair value through profit or loss	Designated
Living annuity	Fair value through profit or loss	Designated
Loans due to related parties	Amortised cost	Mandatory
Trade and other payables	Amortised cost	Mandatory

3. Financial instruments (continued)

Impairment of financial assets

The group assesses at each end of the reporting period an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Offsetting, derecognition and reclassification of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The group derecognises an asset:

- when the contractual rights to the cash flows from the asset expire; or
- where there is a transfer of contractual rights to receive cash flows on the asset in a transaction in which substantially all the risk and rewards of ownership of the asset are transferred; or
- where the group retains the contractual right to the cash flows from the asset but assumes a corresponding liability to transfer the contractual rights to another party and consequently transfers substantially all of the risk and benefits associated with the asset.

The group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

4. Intellectual property

Goodwill

Goodwill is measured at cost, being the excess of the cost of the business combination over the company's interest of the net fair value of the identifiable asset, liabilities and contingent liabilities. Subsequently goodwill is carried at cost less any accumulated impairment. The excess of the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the business combination is immediately recognised in profit or loss.

Intangible assets

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

Intangible assets are initially recognised at cost and subsequently recognised at cost less accumulated amortisation. Intangible assets are reviewed for any indication of impairment, on an annual basis, refer to note 5.3 for additional information.

For the internally generated assets, research and development costs are incurred. Research costs are expensed as and when they are incurred and do not form part of the cost of the intangible asset or work-in-progress. Development costs are capitalised to the cost of the intangible asset or work-in-progress.

The amortisation period and method are reviewed at the end of every financial year. Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Computer software, internally generated	3 - 10 years
Computer software, purchased	1 - 3 years

5. Fixed assets

Plant and equipment

The cost of an item of plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably.

Plant and equipment is initially measured at cost and subsequently measured at cost less accumulated depreciation.

Plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	8 years
Motor vehicles	Straight line	4 years
Office equipment	Straight line	3 years
Computer equipment	Straight line	3 years
Gym equipment	Straight line	3 years
Leasehold improvements	Straight line	8 years

The residual value, depreciation method and useful life of each asset are reviewed at the end of each financial period.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset. Gain or loss arising from the derecognition of an asset is included in profit or loss.

6. Inventory

Measurement - Initial recognition and subsequent measurement

Inventories are carried at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the first-in-first-out basis. Net realisable value is the estimated selling price in the ordinary course of business, less the applicable variable selling expenses. The cost of inventory comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Inventory is reduced for estimated losses arising from excess, obsolescence, and decline in value. This reduction is determined by estimating market value based on future customer demand. The write down to net realisable value of inventory is recorded as an expense.

7. Leases

Policy applicable before 1 July 2019

Operating lease payments were recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as expenses and the contractual payments were recognised as an operating lease asset or liability. These assets or liabilities were not discounted. Any contingent rents were expensed in the period in which they were incurred.

Policy applicable from 1 July 2019

At inception of a contract, the group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the company uses the definition of a lease in IFRS 16.

This policy is applied to all contracts that are or that contain a lease according to the definition, and that are in existence on or after 1 July 2019.

As a lessee:

The group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

7. Leases (continued)

The lease liability is initially measured at present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the group's incremental borrowing rate. Generally, the group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently measured at amortised cost using the effective interest method.

The group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including computer equipment. The group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

At commencement or on modification of a contract that contains a lease component, the group allocated the consideration in the contract to each lease component on the basis of its relative stand-alone price.

The group elected not to separate non-lease components, and account for lease and non-lease components as a single lease component.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date.

The group is exposed to variable lease payments, due to the lease agreement with Napier Gardens Proprietary Limited. The monthly rentals are escalated by CPI. All other rental escalations for the other leases, are based on fixed escalations.

The index linked lease liability component is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate.

Extension options and termination options:

Many of the leases have optional renewable periods. This has been included in the calculation of the lease term, due to the group having economic incentive to retain the lease.

Termination/cancellation clauses do exist for some of the leases. The group has economic incentive to retain the leases and as such, consideration was given to the termination and cancellation clauses.

8. Impairment of non-financial assets

The group assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the group estimates the recoverable amount of the asset. Irrespective of whether there is any indication of impairment, the group tests intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every period, and also tests goodwill acquired in a business combination for impairment. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risk specific to the asset. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

9. Stated capital and equity

Stated capital

Stated capital is the aggregate par value of all shares issued.

Retained earnings

This comprises profits generated by the group and company that is available for distribution.

Dividends

This is a distribution of earnings to the group and company's shareholder.

10. Other income, expenses and provisions

Other income

Other income

Other income represents the amounts receivable for services provided in the normal course of business, net of trade discounts, volume rebates and value added taxation that is not classified as insurance premiums in terms of IFRS 4. Other income is measured at fair value of the consideration received or receivable

Other income includes reinsurance commissions.

Other income is recognised either at a point in time or over time, when (or as) the group satisfies performance obligations by transferring the promised services to its customers. The group recognises income at a point in time once services are rendered.

The group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the group satisfies a performance obligation before it receives the consideration, the group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Interest income

Interest income is measured using the effective interest method and is recognised in profit or loss.

Expenses

Interest expense

Interest expense is measured using the effective interest method and is recognised in profit or loss.

Operating leases

Operating lease payments are recognised as an expense on a straight line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. This asset or liability is not discounted. Any contingent rents are expensed in the period they are incurred.

Long-term and annual incentive

The group's net obligation in respect of long-term and short-term employee benefits other than pension plans is the amount of future benefits that employees and directors have earned in return for their service in the current and prior periods. The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is re-measured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as employee cost or directors' emoluments in profit or loss.

10. Other income, expenses and provisions (continued)

Expenses (continued)

Employee benefits

- *Short term employee benefits:*
  The cost of short-term employee benefits is recognised in the period in which the service is rendered and is not discounted. A liability is recognised for the amount expected to be paid if the group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

- *Termination benefits:*
  Termination benefits are recognised as an expense in the statement of comprehensive income and a liability in the statement of financial position when the company has a present obligation relating to termination.

- *Leave pay accrual:*
  The expected cost of compensated absence is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absence, when the absence occurs.

- *Management bonus:*
  The expected cost of profit sharing and bonus payments are recognised as an expense when there is a legal or constructive obligation to make payments as a result of past performance.

Taxation

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects the uncertainty related to income taxes, if any. Current tax is measured using tax rates enacted or substantively enacted at the reporting date. Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period.

Provisions

Provisions comprise the present value of the expenditure expected to be required to settle the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. The unwinding of discount is recognised as a finance cost. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

11. Foreign exchange

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transaction. Gains and losses resulting from the settlement of such transactions are recognised in the statement of profit and loss.

Monetary assets and liabilities denominated in foreign currencies, such as cash held by the Group, are translated at the year end exchange rate, with all gains and losses being recognised in the statement of prior and loss.