Company number 11707219

BHL (SA) Holdings Limited

Annual Report and Financial Statements

Year ended 30 June 2022

BHL (SA) Holdings Limited
Year ended 30 June 2022
Annual report and financial statements for the year ended 30 June 2022

Index

Directors	S Klinkert I Leech S James M Raisbeck (appointed on 3 May 2022)
Company secretary	L Sinfield
Registered office	Bath House 16 Bath Row Stamford Lincolnshire PE9 2QU
Auditors	Deloitte LLP Four Brindleyplace Birmingham B1 2HZ

BHL (SA) Holdings Limited
Year ended 30 June 2022
Annual report and financial statements for the year ended 30 June 2022

Strategic report

The directors present the strategic report for the year ended 30 June 2022.

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 13 and show a consolidated profit for the year after taxation of R402,782k (2021: R228,511k). 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 (2021: none).

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.

TIH's strategy pivots on three main pillars of growth, customer and people.

In its growth strategy, TIH is investing in diversification, digitisation and seeking new acquisition opportunities (such as the post year end acquisition described in Events since the reporting date, in the Directors report).

In TIH's customer strategy, the goal is to be the best in customer experience by creating seamless omni-channel experiences that cultivate deeper relationships with our customers, resulting in the ultimate experience where actual experience exceeds expectation. This brings together both superior digital capability and passionate human connections.

In TIH's people strategy, the goal is to be the best in employee experience by creating a superior employee journey that will cultivate healthy employee engagement resulting in greater sense of belonging and TIH employer brand loyalty.

Key performance indicators

	2022 R'000	2021 R'000
Net premium income earned	2,734,771	2,764,033
Profit before tax	486,033	372,351
Add back one off items:		
COVID-19 relief funding [1]	50,000	20,000
Underlying profit before taxation	**536,033**	**392,351**
Solvency capital cover ratio [2]	1.68	
Minimum solvency capital cover ratio for internal monitoring	1.35	1.35

[1] For further details of the charitable donation for COVID-19 relief funding see note 25.
[2] 2022 is the first year that it has been required to calculate the group cover ratio, hence there is no figure for the comparative.

The constrained economic situation has resulted in net premium income earned declining by 1.1% to R2,734m (2021: R2,764m). Profit before tax is up 30.5% to R486m (2021: R372m) largely driven by improved result at 1Life after high claims in the prior year due to COVID-19.

When COVID-19 relief funding donations of R50m (2021: R20m) are excluded from the profit before tax, the year on year growth in profit is 36.6%.

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 BHL (SA) Holdings board exercises oversight by two of its directors also sitting on the board of TIH (one director for the whole period and one director since 1 June 2022).

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 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.

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

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 2022, 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 32, risk management.

Strategic report (continued)

Principal risks and uncertainties (continued)

COVID-19 risk

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 raised during the previous two financial years to allow for these assumed impacts, being an expected worsening to future claims, lapse and non-collections rates.

Although lockdown restrictions have been removed and the compulsory mask mandate has recently been lifted, there is still significant uncertainty about what the long-term impact of COVID-19 will be on mortality rates. Refer to note 9.8 for more disclosure on the impact of COVID-19 on the long-term insurance business within the group.

On behalf of the board

I Leech
Director
Date: 21 February 2023

Directors' report

The directors present their report together with the audited financial statements for the year ended 30 June 2022.

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 2022, the Group has net current assets of R1,995,023k. 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 R36,501k as at 30 June 2022 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 2022 amounted to R42,072k, 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:

I Leech
S Klinkert (the alternate director for I Leech, which means he can attend meetings and vote in the absence of I Leech)
S James
M Raisbeck (appointed 3 May 2022)

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.

Auditor

In accordance with section 487 of the Companies Act 2006, Deloitte LLP has been appointed as auditor for the year ended 30 June 2022.

Directors' report (continued)

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 32.

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 32 to the consolidated financial statements.

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.

Directors' report (continued)

Section 172 (1) statement (continued)

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 and follow an end to end best practice case management protocol.

During 2020 and 2021, TIH donated a total of R290 million to support to the communities in South Africa impacted by the COVID-19 pandemic. In July 2021, following the devastating civil unrest, a further R50 million was pledged predominantly for food security in areas most impacted by the effects of COVID and the unrest, as well as to assist small businesses.

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.

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.

The insurers 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. In addition, we understand our role in improving financial literacy in South Africa. Our Truth About Money programme offers a financial education course, debt management and estate and wills services. We continue to see improved customer service delivery results with external benchmarks, such as the annual South African Customer Satisfaction Index (SAcsi), confirming that the Financial Service Providers within the Group are competitively ranked.

TIH fosters its business relationships with suppliers through developing knowledge, skills and capacity through trading with them through a number of programmes. These include: the provision of loans (see note 16 for details) and during COVID-19 supporting small business that were not able to earn income during the lockdown period; our Enterprise Development programme called Sisekelo which aims to stimulate growth of SME's; and through our preferential procurement policy which promotes the upliftment of black owned Qualifying Small Enterprise's and Exempt Micro Enterprises.

The Group engages with and supports local communities through many initiatives and programmes. 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. This year's initiatives included 1st for Women's gender based violence prevention and response programmes.

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.

Development activities

The Group undertakes development of computer software to enhance existing insurance offerings, or to develop new insurance related products and services.

Directors' report (continued)

Charitable donations

R50m (2021: R20m) of COVID relief funding donated as described above. Donations to related parties of R26m (2021: R34m), (refer to note 31) and other donations provided of R7m (2021: R5m).

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, with an exception for low energy users. The Company qualifies as a low energy user and therefore it is not required to make the disclosures referred to in those regulations. These regulations permit the exclusion of reporting outside the UK for unquoted companies and the Group has adopted this exclusion.

Events since the reporting date

Following a binding offer to purchase a 100% equity interest in the Renasa Group ("Renasa") that comprises Renasa Holdings Proprietary Limited, Concourse Holdings Proprietary Limited and Summit Risk Holdings Proprietary Limited, on the 12 of May 2022, the final regulatory approval was received on 22 December 2022. Consequently, on 22 December 2022 TIH obtained control of Renasa and the entities became subsidiaries of TIH.

The 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 21st February 2023

Statement of directors' responsibilities in respect of the strategic report, the 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 the directors have elected to prepare the group financial statements in accordance with United Kingdom adopted international accounting standards. The financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the IASB. The directors have elected to prepare the parent company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

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 the group's profit or loss for that period.

In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of the financial reporting framework are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of BHL (SA) Holdings Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of profit and loss and comprehensive income;
- the consolidated and parent company statement of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the related consolidated notes 1 to 39;
- the related parent company notes 1 to 8; and
- the accounting policies in Appendix A.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law, United Kingdom adopted international accounting standards and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom adopted international accounting standards and as applied in accordance with the provisions 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 under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the 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 the directors 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 for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included the regulations of South Africa Prudential Authority and regulatory solvency requirements.

We discussed among the audit engagement team including significant component audit teams and relevant internal specialists such as actuarial, valuations and IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

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

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below:

- Risk of material misstatement due to fraud relating to revenue recognition:
    - We have gained an understanding of the revenue control environment and performed design and implementation testing over key controls identified.
    - We have performed test of detail over revenue streams.
    - We have performed predictive substantive analytical procedures on the gross written premiums by month and risk class.
    - We have assessed any non-systematic journals and one-off transactions which relate to revenue.
- Risk of material misstatement in regard to the actuarial assumptions and models (both short-term and life insurance):
    - We have considered the group's reserving approach, including an assessment of the reserving control environment.
    - We have assessed the appropriateness of actuarial assumptions implemented.
    - We have performed substantive testing of reported claims not yet paid.
    - We have performed a recalculation of the effect of reinsurance on the policyholder liabilities.
    - We have assessed the group's compliance with professional actuarial guidance of the methodologies adopted.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

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 in respect of the following matters 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 respect of these matters.

Use of our report

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.

S. Cumberbatch.

Stewart Cumberbatch (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor

Birmingham, United Kingdom

21 February 2023

BHL (SA) Holdings Limited

Year ended 30 June 2022

Consolidated statement of profit or loss and other comprehensive income

	Notes	2022 R'000	2021 R'000
Insurance income			
Gross premium written		8,143,439	8,095,421
Insurance premium ceded to reinsurers		(5,405,859)	(5,346,829)
Movement in unearned premium provision		(2,809)	15,441
Total net premium income earned		**2,734,771**	**2,764,033**
Finance income	27	243,191	243,482
Other income	24	3,466,973	2,958,996
Total revenue net of reinsurance		**6,444,935**	**5,966,511**
Gross insurance claims incurred	23	(3,860,653)	(3,850,588)
Reinsurers' share of claims incurred	23	2,592,853	2,420,439
Total net claims incurred	23	**(1,267,800)**	**(1,430,149)**
Net operating expenses		(4,594,373)	(4,075,183)
Finance expense	27	(96,729)	(88,828)
Total charges, net of reinsurance		**(5,958,902)**	**(5,594,160)**
Profit before tax		**486,033**	**372,351**
Taxation	28	(83,251)	(143,840)
Profit after tax for the year		**402,782**	**228,511**
Other comprehensive income that may subsequently be reclassified to profit and loss:			
Revaluation on land and buildings	6	24,408	-
Tax on revaluation on land and buildings	28	(5,467)	-
Other comprehensive income net of tax		**18,941**	-
Total comprehensive income for the year		**421,723**	**228,511**

The notes on pages 18 to 83 form part of these consolidated financial statements.

Consolidated statement of financial position

Company registration number: 11707219

	Notes	2022 R'000	2021 R'000
Assets			
Computer software	7	244,926	265,597
Goodwill	4	152,965	152,965
Investments in participating interests	15	581,887	536,361
Loans to related parties	16	-	556
Loan receivable	14	8,048	7,322
Other financial investments	15	2,906,235	2,947,976
Policyholders assets arising from long-term insurance contracts	9	1,436,297	1,340,409
Reinsurers' share of policyholder asset arising from long-term insurance	9	181,012	111,855
Financial assets backing investment contract liabilities	10	2,558,044	2,459,935
Reinsurers' share of long-term business provision	12	176,136	188,207
Reinsurers' share of provision for claims incurred but not reported	12	159,080	145,041
Insurance receivables	18	310,058	248,177
Expected insurance salvages and recoveries	13	234,761	190,183
Current tax receivable		14,350	29,505
Other receivables	18	152,421	193,785
Property, plant and equipment	6	719,559	695,838
Right of use assets	8	88,671	155,674
Inventory	17	2,023	3,886
Cash and cash equivalents	19	1,593,352	1,326,899
Deferred tax	5	89,382	92,082
Deferred acquisition costs	11	14,834	14,184
Prepayments	18	44,514	51,304
Total assets		**11,668,555**	**11,157,741**
Liabilities			
Provision for unearned premiums	12	338,199	335,390
Long-term business provision	12	476,900	535,708
Claims outstanding	12	938,819	813,839
Investment contract liabilities	10	2,555,732	2,446,575
Deferred tax	5	258,519	284,271
Provisions	20	361,562	423,889
Insurance payables	22	987,034	1,008,914
Reinsurers' share of expected insurance salvages and recoveries	13	169,280	137,073
Loans from related parties	16	42,072	36,234
Other financial liabilities	21	536,782	566,283
Current tax payable		28,512	7,506
Other payables	22	308,492	249,544
Lease liabilities	8	130,956	196,330
Accruals	22	148,366	150,578
Total liabilities		**7,281,225**	**7,192,134**

Consolidated statement of financial position (continued)

Company registration number: 11707219

	Appendix	2022 R'000	2021 R'000
Equity			
Equity attributable to equity holders of parent			
Share capital		12,944,000	12,944,000
Retained earnings		(1,503,060)	(1,905,842)
Revaluation surplus	A 9	18,941	-
Merger reserve	A 9	(7,072,551)	(7,072,551)
Total equity		**4,387,330**	**3,965,607**
Total equity and liabilities		**11,668,555**	**11,157,741**

The financial statements were approved by the board of directors on 21st February 2023 and signed on its behalf by:

I Leech
Director

The notes on pages 18 to 83 form part of these consolidated financial statements.

BHL (SA) Holdings Limited

Year ended 30 June 2022

Consolidated statement of changes in equity

		Number of shares authorised & issued	Share capital	Merger reserve	Retained earnings	Revaluation surplus	Total
			R'000	R'000	R'000	R'000	R'000
Balance at 1 July 2020		**708,000,000**	**12,744,000**	**(7,072,551)**	**(2,144,644)**	**-**	**3,526,805**
Profit and loss		-	-	-	228,511	-	228,511
Shares issued during the year	1	-	200,000	-	-	-	200,000
Disposal of subsidiary	2	-	-	-	10,291	-	10,291
Balance at 30 June 2021		**708,000,000**	**12,944,000**	**(7,072,551)**	**(1,905,842)**	**-**	**3,965,607**
Profit and loss		-	-	-	402,782	-	402,782
Other comprehensive income – fair value adjustment on land and buildings		-	-	-	-	18,941	18,941
Balance at 30 June 2022		**708,000,000**	**12,944,000**	**(7,072,551)**	**(1,503,060)**	**18,941**	**4,387,330**

1 Refer to the Company financial statements note 6.

2 Refer to the Company financial statements note 2.

The notes on pages 18 to 83 form part of these consolidated financial statements.

BHL (SA) Holdings Limited
Year ended 30 June 2022

Consolidated statement of cash flows

	Notes	2022	2021
		R'000	R'000
Cash flows generated from operating activities			
Cash generated from operations	29	305,670	420,275
Interest income		75,016	75,272
Interest expense		(33)	(979)
Tax paid	30	(75,609)	(137,845)
Net cash generated from operating activities		**305,044**	**356,723**
Cash flows used in investing activities			
Purchase of property, plant and equipment		(24,099)	(619,837)
Sale of property, plant and equipment		464	5,621
Purchase of other intangible assets		(72,746)	(102,004)
Sale of other intangible assets		-	13,409
Purchase of investments		-	(205,470)
Decrease in loans to related parties		556	395
Interest received on investments	27	118,537	112,849
Increase in loan receivable		(726)	-
Decrease/ (increase) in investments		37,052	(663,468)
Net cash generated from/ (used in) investing activities		**59,038**	**(1,458,505)**
Cash flows used in financing activities			
Capital payment of lease liabilities		(24,072)	(64,427)
Interest paid on lease liabilities		(16,977)	(40,313)
Capital (payment)/ receipt in other financial liabilities		(29,501)	566,283
Interest paid on other financial liabilities		(35,036)	-
Increase in loans due to related parties		7,957	1,487
Issue of shares		-	200,000
Net cash (used in)/ generated from financing activities		**(97,629)**	**663,030**
Total cash movement for the year		**266,453**	**(438,752)**
Cash and cash equivalents at the beginning of the year		1,326,899	1,765,651
Cash and cash equivalents at the end of the year	19	**1,593,352**	**1,326,899**

The notes on pages 18 to 83 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 or using best estimates with margins to allow for inherent uncertainties.

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 UK ("Adopted IFRSs");
- IFRS as issued by the International Accounting Standards Board (IASB); and
- The requirements of the Companies Act 2006.

These financial statements have been prepared on a basis consistent with that of the prior year, unless otherwise indicated.

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; 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.

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.

1. Significant accounting policies (continued)

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

Summary of significant accounting policies		
Insurance contracts		
Premiums Unearned premium provision Long-term insurance contract assets and liabilities Broker commission clawback	Insurance claims Reinsurance Insurance receivables Commission incurred	Salvages and third party recoveries Incurred but not reported claims and outstanding claims Insurance payables Impairment

Financial instruments		
Investments Cash and cash equivalents Loans to related party Fair value adjustments	Financial assets Investment contracts Other payables	Financial liabilities Loan receivable Other receivables

Intangible assets		
Goodwill	Other intangible assets	

Fixed assets
Property, plant and equipment

Capital and reserves
Stated capital and equity

Other income, expenses and provisions		
Interest income and expense Leases Long-term incentive bonus Impairment of non-financial assets	Other income Employee benefits Inventory	Taxation Provisions Investments in subsidiaries

2. New standards and interpretations

2.1 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 2021, 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
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform - Phase 2l	1 January 2021	There was no material impact on the results

2.1.1 Amendments to IFRS 9, IAS 39, IFRS 9, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform - Phase 2

As a result of the financial reporting impacts arising from the global reform of benchmark interest rates, which includes the replacement of some IBORs (Interbank offered rates) with alternative benchmark rates, the IASB (International Accounting Standards Board) have issued amendments that focus on the accounting once an alternative benchmark rate is in place. The amendments apply retrospectively from 1 January 2021 with no requirement to restate prior periods to reflect the application of the amendments.

There is uncertainty over the timing and the methods of transition in South Africa. The group anticipates that IBORs reform will impact some of its Jibar risk management in the longer term. The South African Reserve Bank is still in the early stages of the replacement project. The group does not have any other exposure to any other IBORs.

2. New standards and interpretations (continued)

2.2 New standards and amendments

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 July 2022, 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 IAS 1 - Classification of liabilities as current or non-current	1 January 2023	No material impact expected as the results are disclosed using the liquidity basis.
Amendments to IAS 1 and IFRS practice statement 2 – Disclosure of Accounting Policy	1 January 2023	This will not result in a change in disclosure
Amendments to IAS 8 – Definition of accounting estimate	1 January 2023	This will not have a material impact
Amendments to IAS 12 - Deferred tax relating to assets and liabilities arising from a single transaction	1 January 2023	This will not have a material impact
IFRS 17 Insurance contracts	1 January 2023	Impact assessment as disclosed in detail below

2.2.1 Amendments to IAS 1 - Classification of liabilities as current or non-current

To promote consistency in application and clarify the requirements on determining if a liability is current or non-current, the International Accounting Standards Board has amended IAS 1.

Under the existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments the IASB has removed the requirement for a right to be unconditional and now requires that a right to defer settlement must have substance and exist at the end of the reporting period.

There is limited guidance on how to determine whether a right has substance and the assessment may require management to exercise interpretive judgement. The existing requirement to ignore management's intentions or expectations for settling a liability when determining its classification, is unchanged.

The IASB has clarified that a right to defer exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date.

The amendments apply retrospectively for annual accounting periods beginning on or after 1 January 2023. The group disclose its liabilities in accordance with liquidity, based on management's own interpretation of what they consider current.

2.2.2 Amendments to IAS 1 and IFRS practice statement 2 - Disclosure of Accounting Policy

The International Accounting Standards Board (IASB) has recently issued amendments to IAS 1: Presentation of Financial statements and an update to IFRS Practice Statement 2: Making Materiality Judgements to help companies provide useful accounting policy disclosure.

The key amendments to IAS 1 include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions 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 a company's financial statements.

The amendments are consistent with the refined definition of material:

2. New standards and interpretations (continued)

2.2 New standards and amendments (continued)

2.2.2 Amendments to IAS 1 and IFRS practice statement 2 - Disclosure of Accounting Policy

"Accounting policy information is material, if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements."

The amendments are effective from 1 January 2023 but may be applied earlier. The amendments will not have an impact on the disclosure of the group financial statements.

2.2.3 Amendments to IAS 8 - Definition of accounting estimate

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in financial statements that are subject to measurement uncertainty.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

Developing an accounting estimate includes both:

- selecting a measurement technique; and
- choosing the inputs to be used when applying the chosen measurement technique.

The effects of changes in such inputs or measurement techniques are changes in accounting estimates.

The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments. The amendments will not have a material impact on the results of the group.

2.2.4 Amendments to IAS 12 - Deferred tax relating to assets and liabilities arising from a single transaction

The amendments clarify the accounting for deferred tax on certain transactions and narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision will need to be recognised.

The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted. The amendments will not have a material impact on the results of the group.

2.2.5 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.

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.

2. New standards and interpretations (continued)

2.2 New standards and amendments (continued)

2.2.5 IFRS 17 Insurance contracts (continued)

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 for the 2024 financial year.

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.

In 2018 the group instituted an implementation programme under the sponsorship of the Chief Financial Officer, who chairs a steering committee consisting of senior finance, actuarial and information technology executives from the impacted business areas. Programme resources include a mix of dedicated and shared internal experts, as well as external consultants where appropriate. An update of the IFRS 17 project is presented at each of the Audit and Actuarial Committee meetings.

In the initial planning phase, the programme has completed an impact assessment, a capabilities assessment and have also performed a gap analysis identifying the full impact of the standard. With the two-year deferral from the original effective date of 1 January 2022 to reporting period beginning on or after 1 January 2023, an updated roadmap plan was prepared and approved by the Audit and Actuarial Committee. The updated roadmap allows for additional time for iterative testing to be performed.

The execution phase of the programme is now complete. This phase included the implementation of the IFRS 17 calculation software engine purchased, as well as completing the business process data flows. The new capability leverages the existing financial reporting landscape and provides a sustainable, long-term IFRS 17 solution for the group. Engagement with assurance providers were also initiated on policy and methodology papers, and have progressed in line with the plan. The programme has also concluded the iterative testing phase, which included loading and testing of all the data sets and embedding the validated key business design decisions into the IFRS 17 calculation engine.

During the 2023 financial year, full comparative parallel runs will be produced, and results fine-tuned in line with the design decisions. Concurrently, internal data and system controls as well as opening transition balances will be tested by the respective external assurance teams. In addition, more extensive training will be provided to the respective stakeholders to assist them in the transitioning to the new reporting.

3. Critical accounting judgements and key sources of estimation uncertainty

In applying the Group's accounting policies as described in the notes to the financial statements, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

No critical accounting judgements, apart from those involving estimations (which are presented separately below), have been made by the directors in the process of applying the Group's accounting policies.

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

3.1 Key sources of estimation uncertainty

3.1.1 Fair value estimation of assets and liabilities

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

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 Auto & General Park building was valued using Level 3 valuation techniques, by an external valuator and this is a key source of estimation uncertainty. Refer to note 6 for the valuation of the building.

3.1.2 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 key sources of estimation uncertainty in the valuation of the insurance policy liabilities and assets is set out below.

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. Refer to note 32.3.10 for sensitivities.

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 specified periods 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. Refer to note 32.3.10 for sensitivities.

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. Refer to note 32.3.10 for sensitivities.

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

3.1 Key sources of estimation uncertainty

3.1.2 Valuation of insurance policy liabilities and assets (continued)

Outstanding claims provision (OCR)

The outstanding claims provision (OCR) 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 group. 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 (and related maintenance cost) under existing contracts offset by future premiums to be received. The key assumptions have been detailed in note 9 to the financial statements. Refer to note 32.3.1.1 for sensitivities.

Outstanding claims provision (OCR)

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.

4. Goodwill

	R'000
Cost	
At 1 July 2020	**156,357**
Disposal	(392)
At 30 June 2021 and 30 June 2022	**155,965**
Accumulated impairment	
At 1 July 2020	**3,392**
Impairment through profit or loss	(392)
At 30 June 2021 and 30 June 2022	**3,000**
Carrying amount	
At 30 June 2021 and 30 June 2022	**152,965**

The goodwill attributable to Hippo Advisory Services Proprietary Limited were fully impaired in prior periods. The current goodwill balance is attributable to the acquisition of Auto and General Insurance Company (RF) Limited.

Allocation of goodwill

Before recognition of impairment losses, the carrying amount of goodwill was allocated as follows:

	2022 R'000	2021 R'000
Auto and General Insurance Company (RF) Limited	152,965	152,965
Hippo Advisory Services Proprietary Limited	3,000	3,000
	155,965	**155,965**

5. Deferred tax

	2022	2021
	R'000	R'000
Plant and equipment	(5,229)	(21,449)
Land and buildings	(8,694)	-
Provisions	119,186	136,685
Intangible assets	(341)	(281)
Impairment of intangible assets	11,783	-
Prepayments	(6,778)	(2,895)
Unrealised fair value gains on investments	(89,370)	(82,530)
Income received in advance	385	760
Accruals	3,364	4,209
Impairment of financial assets	-	680
Right of use asset	(23,941)	(43,589)
Lease liability	35,358	54,972
Section 12J investments	(304)	-
Assessed loss	3,023	4,882
Donations S18A deduction carried forward	55,849	45,613
Allowance for bad debts	(3,297)	(1,848)
Limitation on deferred tax asset recognition	-	(3,682)
Net policyholder asset	(329,874)	(290,142)
Transfer tax on future utilisation of "I-E" calculated tax loss	(9,118)	-
Future utilisation of "I-E" calculated tax loss	33,771	-
Calculated loss - special transfer credits	45,090	6,426
Total net deferred tax liability	**(169,137)**	**(192,189)**

Split as follows:		
Deferred tax asset	89,382	92,082
Deferred tax liability	(258,519)	(284,271)
Total net deferred tax liability	**(169,137)**	**(192,189)**

	2022	2021
	R'000	R'000
Reconciliation of net deferred tax liability		
At the beginning of the year	**(192,189)**	**(147,699)**
Current year charge through profit or loss	5,333	(25,857)
Current year charge relating to prior periods	15,790	(18,157)
Current year charge through other comprehensive income	(5,467)	-
Reversal due to sale of subsidiary	-	(476)
Tax rate change – 27%	7,396	-
At the end of the year	**(169,137)**	**(192,189)**

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

On 23 February 2022, the South Africa Minister of Finance announced that the decrease in the corporate tax rate from 28% to 27% will be effective for the years of assessment ending on or after 31 March 2023. As a result, the deferred tax balance as at 30 June 2022 has been adjusted to reflect this substantively enacted rate change.

5. Deferred tax (continued)

Unrecognised deferred tax:

Deferred tax assets have not been recognised in respect of the following items as it is not probable that future taxable profits will be available against which the group can utilise the benefits:

Subsidiary	Unused tax loss balance R'000	Potential tax benefit R'000
1 Life Insurance (RF) Limited - Individual policyholder fund (IPF)	1,792,323	537,697
1 Life Insurance (RF) Limited - Company policyholder fund (CPF)	164,032	44,289
Wealthport Proprietary Limited	75,847	20,479
	2,032,202	602,465

Recognition of deferred tax assets on unused tax losses:

A deferred tax asset of R36.8 million has been recognised on unused tax losses arising from losses suffered in the preceding periods in respect of 1 Life Insurance (RF) Limited Individual policyholder fund and Hippo Advisory Services Proprietary Limited. The utilisation of this deferred tax asset depends on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences.

Based on 3 to 5-year business projections, management has considered it probable that future taxable profits will be available against which such losses can be utilised.

6. Property, plant and equipment

	Furniture, fixtures & equipment R'000	Motor vehicles R'000	Computer equipment R'000	Leasehold improvements R'000	Land & buildings R'000	Total R'000
Cost						
Balance at 1 July 2020	106,857	6,212	323,001	71,469	-	507,539
Additions	2,152	-	41,403	10,282	566,000	619,837
Reclassifications and transfers[1]	(9,241)	-	-	(32,848)	31,561	(10,528)
Disposals	(25,722)	-	(8,172)	-	-	(33,894)
Disposal as part of the sale of subsidiary	(516)	-	(702)	(143)	-	(1,361)
Revaluations	-	-	-	-	(31,561)	(31,561)
Balance at 30 June 2021	**73,530**	**6,212**	**355,530**	**48,760**	**566,000**	**1,050,032**
Additions	1,324	-	15,198	607	6,970	24,099
Reclassifications and transfers[1]	(156)	-	(535)	(261)	(11,939)	(12,891)
Disposals	-	-	(2,112)	-	-	(2,112)
Revaluations	-	-	-	-	55,969	55,969
Balance at 30 June 2022	**74,698**	**6,212**	**368,081**	**49,106**	**617,000**	**1,115,097**

6. Property, plant and equipment (continued)

Accumulated depreciation						
Balance at 1 July 2020	67,611	3,356	237,100	33,549	-	341,616
Charge for the year	8,014	1,149	33,011	8,937	-	51,111
Reclassifications and transfers[1]	-	-	-	(9,120)	-	(9,120)
Disposals	(21,410)	-	(6,864)	-	-	(28,274)
Disposal as part of the sale of subsidiary	(356)	-	(640)	(143)	-	(1,139)
Balance at 30 June 2021	**53,859**	**4,505**	**262,607**	**33,223**	**-**	**354,194**
Charge for the year	6,741	909	32,152	3,196	11,939	54,937
Reclassifications and transfers[1]	(10)	-	(27)	-	(11,939)	(11,976)
Disposals	-	-	(1,617)	-	-	(1,617)
Balance at 30 June 2022	**60,590**	**5,414**	**293,115**	**36,419**	**-**	**395,538**
Net book value						
At 30 June 2022	**14,108**	**798**	**74,966**	**12,687**	**617,000**	**719,559**
At 30 June 2021	**19,671**	**1,707**	**92,923**	**15,537**	**566,000**	**695,838**

[1] In the prior year the transfer out of leasehold improvements relate to the improvements done on the Auto and General Park (A&G Park) building. Upon acquisition of the A&G Park building both the leasehold improvements and the furniture and fixtures were transferred to land and buildings. The transfers of R915,000 (2021: R1,408,000) relates to a transfer to internally generated software.

On 21 June 2021, the Telesure Group Services Proprietary Limited, a subsidiary, purchased the A&G Park building located at 1 Telesure Lane, Riverglen, Dainfern. On 30 June 2022, a valuation was undertaken by Rode Property Consultants, Valuers and Town Planners, an independent valuator, and the market value of the A&G Park building was appraised at R617,000,000 (2021: R566,000,000). The carrying amount of the asset would have been R543,360,000 (2021: R554,680,000) had it been measured at cost.

The property has been valued using the income capitalisation method. Significant assumptions include gross market rental of R170m^2 per month and a market capitalisation rate of 9.75%.

The value is most sensitive to changes in the gross market rental and the capitalisation rate. If the gross market rental reduce to R165m^2 per month and the capitalisation rate increases to 10% the property's value decreases to R583million. By contrast, if the gross market rate remains at R170m^2 per month but the capitalisation rate decreases to 9.5% the property's value increased to R633million.

7. Intangible assets

	Computer software developed	Computer software purchased	Total
	R'000	R'000	R'000
Cost			
Balance at 1 July 2020	**294,662**	**179,883**	**474,545**
Additions	96,620	5,384	102,004
Disposals	(33,800)	(144)	(33,944)
Disposal as part of sale of subsidiary	(2,569)	-	(2,569)
Reversal of impairment	1,423	-	1,423
Transfers	12,210	(10,802)	1,408
Balance at 30 June 2021	**368,546**	**174,321**	**542,867**
Additions	69,126	3,620	72,746
Disposals	-	(70,804)	(70,804)
Reversal of impairment	(1,143)	-	(1,143)
Transfers*	918	-	918
Balance at 30 June 2022	**437,447**	**107,137**	**544,584**
Accumulated amortisation			
Balance at 1 July 2020	**179,396**	**63,804**	**243,200**
Charge for the year	38,884	18,109	56,993
Disposals	(20,519)	(16)	(20,535)
Disposal as part of sale of subsidiary	(2,388)	-	(2,388)
Transfers	8,016	(8,016)	-
Balance at 30 June 2021	**203,389**	**73,881**	**277,270**
Charge for the year	43,132	16,513	59,645
Disposals	-	(22,637)	(22,637)
Disposal as part of sale of subsidiary	-	-	-
Reversal of impairment	(14,620)	-	(14,620)
Balance at 30 June 2022	**231,901**	**67,757**	**299,658**
Net book value			
At 30 June 2022	**205,546**	**39,380**	**244,926**
At 30 June 2021	**165,157**	**100,440**	**265,597**

* Internally generated software of R918,000 (2021: R1,408,000) were transferred from property, plant and equipment.

8. Leases

8.1 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.

The Auto and General Park lease was terminated on 30 June 2021, due to the purchase of the Auto and General Park building by the group on 21 June 2021.

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

8. Leases (continued)

8.2 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
2022			
Opening balance at 1 July 2021	153,898	1,776	155,674
Additions through the year	1,932	9,367	11,299
Derecognition of right of use asset	(47,511)	—	(47,511)
Depreciation charge for the year	(25,138)	(5,653)	(30,791)
	83,181	**5,490**	**88,671**

	Premises	Motor vehicles	Total
	R'000	R'000	R'000
2021			
Opening balance at 1 July 2020	334,695	3,663	338,358
Additions through the year	70,105	2,073	72,178
Derecognition of right of use asset	(180,887)	-	(180,887)
Depreciation charge for the year	(70,015)	(3,960)	(73,975)
	153,898	**1,776**	**155,674**

8.3 Lease liabilities

	Premises	Motor vehicles	Total
	R'000	R'000	R'000
Analysis of movement in lease liabilities			
Opening balance at 1 July 2022	194,357	1,973	196,330
Additions through the year	1,932	9,367	11,299
Interest on lease liabilities during the year	15,872	1,105	16,977
Rental payments made during the year	(34,226)	(6,823)	(41,049)
Derecognition of lease liabilities	(52,601)	—	(52,601)
	125,334	**5,622**	**130,956**

	Premises	Motor vehicles	Total
	R'000	R'000	R'000
Analysis of movement in lease liabilities			
Opening balance at 1 July 2021	410,033	4,011	414,044
Additions through the year	70,105	2,073	72,178
Interest on lease liabilities during the year	39,767	546	40,313
Rental payments made during the year	(100,083)	(4,657)	(104,740)
Derecognition of lease liabilities	(225,465)	-	(225,465)
	194,357	**1,973**	**196,330**

2022	Premises	Motor vehicles	Total
	R'000	R'000	R'000
Maturity analysis - contractual undiscounted cash flows			
One to five years	117,707	2,643	120,350
More than five years	52,648	—	52,648
	170,355	**2,643**	**172,998**

8. Leases (continued)

8.3 Lease liabilities (continued)

2021	Premises	Motor vehicles	Total
	R'000	R'000	R'000
Maturity analysis - contractual undiscounted cash flows			
One to five years	187,382	1,973	189,355
More than five years	85,486	-	85,485
	272,868	**1,973**	**274,841**

8.4 Amounts recognised in profit or loss

	Premises	Motor vehicles	Total
	R'000	R'000	R'000
2022 - IFRS 16			
Interest on lease liabilities	15,872	1,105	16,977
Depreciation on right-of-use assets	25,138	5,653	30,791
Expenses relating to low-value assets	6,689	-	6,689
Expenses relating to short-term leases	3,176	-	3,176
Total	**50,875**	**6,758**	**57,633**

	Premises	Motor vehicles	Total
	R'000	R'000	R'000
2021 - IFRS 16			
Interest on lease liabilities	39,767	546	40,313
Depreciation on right-of-use assets	70,015	3,960	73,975
Expenses relating to low-value assets	10,019	-	10,019
Expenses relating to short-term leases	723	-	723
Total	**120,524**	**4,506**	**125,030**

9. Policyholders assets arising from long-term insurance contracts

The value of insurance assets and liabilities was for the most part based on the prudent best estimate assumptions of future expectations plus/less any compulsory margins as required by the Standard of Actuarial Practice 104 (SAP104) issued by the Actuarial Society of South Africa (ASSA), plus/less any additional values from assumptions reviewed by the Head of the Actuarial Function. The exception to this involved the additional COVID-19 related claims provisions, where the approach is described below. The methodology for each assumption is set out below:

9.1 Lapses

1 Life Insurance (RF) Limited's (1 Life) lapse assumptions are based on 1 Life's actual experience and have followed the agreed assumption setting methodology: 1Life 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. The assumptions have been updated to include all experience up to 31 March 2022. Also refer to note 10.8 for the COVID-19 related additional lapses.

9.2 Mortality

Mortality assumptions reflect 1 Life's long-term expected experience plus additional compulsory margins, to add a degree of prudence and to allow for possible adverse deviation. These assumptions make an allowance for AIDS mortality in line with the model produced by the ASSA. The assumptions used are unchanged from the 30 June 2020 basis, being 92.5% (net), 94.6% (gross) and 68% (for Funeral business).

1 Life calibrates the level of its own mortality experience against that of the reinsurers tables, due to the higher levels of statistically credible data on which the shape of the reinsurers mortality curves are based. A compulsory margin of 7.5% (relative) is held in addition to these assumptions, as prescribed in SAP104. Also refer to note 9.8 for the COVID-19 related additional mortality.

9.3 Morbidity

Morbidity assumptions reflect 1 Life's long-term expected experience plus additional compulsory margins to add a degree of prudence and to allow for possible adverse deviation. The assumptions have been retained at the levels applied as at 30 June 2020, being 90% of the reinsurer's morbidity tables. 1 Life calibrates its own morbidity experience against that of the reinsurers tables due to the higher levels of statistically credible data on which the shape of the reinsurers morbidity curves are based. A compulsory margin of 10% (relative) is held in addition to these assumptions, as prescribed in SAP10.

9.4 Investment return

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

9.5 Expense inflation

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

9.6 Maintenance expenses

Maintenance expense assumptions reflect the group's long-term expected experience plus additional margins for prudence and to allow for possible adverse deviation. The assumptions used for maintenance expenses per policy are R481.50 (2021: R435.21) for the life business, R396.34 (2021: R403.95) for the funeral business, and R127.86 (2021: R198.32) for the broker business. There were significant expense savings in the current financial year and a significant portion of these are expected to be sustained over the long-term, as evidenced in the budgets for the next financial year. The budgets for the forthcoming financial year have been approved by the Board and the forecasted expenses therein were used as the best estimate of the future expense levels. These are expected to be a better reflection of the expected long-term experience than the current expense levels. There was also a change in the allocation of central services expenses, with proportionately more being allocated to the life and funeral businesses and less to brokers. A compulsory margin of 10% (relative) is held in addition to these assumptions, as prescribed in SAP104.

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

9.7 Premium collection rates

The premium collection rates reflect 1 Life's long-term expectation of the level of premiums that will not be collected. 1 Life 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. 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 9.8 for the COVID-19 related additional non-collections. The assumption was updated to include experience up to 31 March 2022.

9.8 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 raised during the previous two financial years to allow for these assumed impacts, being an expected worsening to future claims, lapse and non-collections rates.

Although lockdown restrictions have been removed and the compulsory mask mandate has recently been lifted, there is still significant uncertainty about what the long-term impact of COVID-19 will be on mortality rates. The recent two Omicron-driven waves that have been experienced saw a significant reduction in excess mortality when compared against the earlier waves, but mortality rates have not returned to pre-pandemic levels, necessitating future provisions for expected excess mortality in future. These are covered in note 9.8.1 below.

1 Life's lapse and premium collection rates were expected to be impacted by the ability of policyholders to continue paying premiums, based on the economic downturn driven by COVID-19. A 24 month period to recovery was assumed as at 30 June 2020. This was recalibrated as at 30 June 2021, with an extension of the period to recovery for a further 12 months assumed i.e. to 30 June 2023. This approach was further refined in the current year.

9.8.1 Claims

As at 30 June 2020, 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 (ASSA) and the South African COVID-19 Modelling Consortium. The mortality projections in the models from ASSA and the COVID-19 Modelling Consortium were closely aligned for most scenarios. The group had 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 (i.e. excess mortality).

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 the company's policyholders. This resulted in an additional COVID-19-related claims provision of R41.6 million (net of reinsurance) as at 30 June 2020.

As at 30 June 2021, the claims provisions for additional future mortality due to COVID-19 were reassessed to allow for the estimated future impact from the third and expected fourth wave of COVID-19.

The provision for additional claims due to COVID-19 was reassessed with reference to a model released by GenRe. This model was the most relevant, regularly updated and publicly available model (at the time) in South Africa for assessing the impact of the third wave of COVID-19.

The model was calibrated to the population excess deaths published by the South African Medical Research Council (SAMRC). This addressed the significant levels of COVID-19 population mortality underreporting to ensure more precise mortality projections. The total additional net reserve raised as at 30 June 2021 was R254.6 million.

To assess the expected impact on future mortality as at 30 June 2022, expert opinions from health actuaries and consulting actuaries were sourced, competitor approaches were compared and the most recent virology research was considered.

The outcome of the above was that a model for excess claims due to COVID-19 was segmented into two parts i.e. a short-term reserve based on Omicron-driven excess mortality levels and a long-term reserve assuming that mortality rates will be higher than current levels for the entire projection period. Allowance was made for a reprice on existing business rates, as policyholders have already been provided notice of a premium review. Further detail on the approach is provided below:

- The short-term reserve was based on SAMRC research indicating that approximately 85% of excess mortality is as a result of COVID-19. An infection fatality rate (IFR) assumption of 0.5% was applied to the COVID-19 related excess deaths to determine an estimate of the immunity levels in the population and a population exposed to risk estimate of 8%. This was then multiplied into vaccinated and unvaccinated loading tables. The short-term reserve as at 30 June 2022 was calculated to be R71.6 million.

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

9.8.1 Claims (continued)

- The long-term reserve was aligned to advice provided by consulting actuaries and reinsurers and is in line with many competitors' approach in treating COVID-19 as endemic. A 2% addition (relative) was made to the long-term mortality assumption for this purpose. No additional allowance was made for the possibility of more frequent future pandemics or for the potential impact from post-COVID syndrome (i.e. "long COVID") as the research on these were inconclusive. The long-term reserve was calculated to be R35.1 million as at 30 June 2022.
- It was also assumed that 1Life would review existing business rates to offset some of the financial impact from the worsening to the expected long-term claims. Policyholders have already been notified of a review. It was assumed that all life and funeral policies outside of their initial guarantee period would be repriced. The impact of the expected repricing was a R26.2 million reserve reduction as at 30 June 2022.
- The modelling of the short-term, long-term and repricing approaches was integrated into the valuation model to enhance accuracy, improve efficiency and to allow for second order impacts (such as the expected reduction in premium income following excess mortality).
- The total COVID-19 mortality reserve as at 30 June 2022 was R80.5 million (2021: R255 million).

9.8.2 Lapse and premium collection rates

As at 30 June 2020, the estimated future deterioration in lapse and non-collection rates, driven by deteriorating economic conditions, as a result of the COVID-19 pandemic, were estimated. These were recalibrated as at 30 June 2021. The assumptions derived for this purpose was a 14.4% (relative) worsening to lapse and non-collection rates over the following 12 months and a 5.4% (relative) worsening to lapse and non-collection rates for the 12 months thereafter.

These assumptions were based on the forecasted GDP growth for 2021, 2022 and 2023 as published by the South African Reserve Bank. An adjustment was made to the 2021 forecast based on the expected financial impact from the third wave (and level 4 lockdown). Allowance was also made for the estimated impact from the political unrest seen in 2021

For the 30 June 2022 valuation, the approach considered for the worsening lapse and non-collection during the COVID-19 period was to assume a prolonged worsening to experience i.e. no recovery to pre-pandemic levels were assumed. The mechanism to allow for this was to update the lapse and non-collection assumptions to include all data up to and including 31 March 2022, hence factoring in the worse experience during the pandemic into the assumptions.

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

9.8.2 Lapse and premium collection rates (continued)

The impact of the lapse and non-collection assumption changes as at 30 June 2022 was a strengthening of R62.3 million. There were no change in the lapse and non-collections assumptions in the prior year.

	2022	2021
	R'000	R'000
Net assets at the beginning of the year	**1,452,264**	**1,558,049**
Movement for the year:		
Expected movement in policy assets	(215,579)	(148,998)
Unwinding of discount rate	78,788	54,033
New business written	347,201	320,325
	210,410	**225,360**
Experience variance	248,953	(43,162)
Changes in assumptions		
- Persistency	14,342	-
- Economic	(108,376)	84,865
- Expenses	(5,171)	(26,420)
- Non-collections rates	(76,655)	-
- Margin reset	(205)	(851)
- COVID-19 – Lapse and non-collection	-	(71,934)
- COVID-19 - Mortality	(80,532)	(254,556)
	(256,597)	**(268,896)**
Changes in modelling and method	(37,721)	(19,087)
Total change	**165,045**	**(105,785)**
Net assets at the end of the year	**1,617,309**	**1,452,264**

	2022	2021
	R'000	R'000
Assets arising from long-term insurance contracts - gross	1,436,297	1,340,409
Portion attributable to reinsurers	181,012	111,855
	1,617,309	**1,452,264**

10. Investment contracts

	2022	2021
	R'000	R'000
Financial assets backing investment contract liabilities	2,558,044	2,459,935
Investment contract liabilities	(2,555,732)	(2,446,575)
	2,312	**13,360**

1Life Insurance (RF) Limited ("1Life") offers a linked endowment policy with a fixed period to maturity of 5 years. The product contains three product offerings referred to as product 1, product 2 and product 3 below. Product 1 are fixed asset investments. Investment contracts also include a living annuity referred to in 10.5 below. All the investments are fixed interest investments.

10. Investment contracts (continued)

10.1 Investment contracts - product 1 at amortised cost

	2022	2021
	R'000	R'000
Policy assets	671,334	637,180
Policy liabilities	(661,443)	(623,820)
	9,891	**13,360**

The return that the policyholder will earn is linked to an underlying investment that 1Life holds with a third party. The liability balance for product 1 is reduced with an administration fee due to 1Life. This decrease in the liability results in a difference in the base used for calculating the interest between the asset and liability as disclosed in the values above. Product 1 is measured at amortised cost and is a reasonable approximation of fair value.

10.2 Investment contracts - product 1 at fair value

	2022	2021
	R'000	R'000
Policy assets	2,930	-
Policy liabilities	(2,930)	-
	-	-

The product is linked to an underlying fixed interest rate investment held with a third party. The third party provides 1Life with the market values as at the reporting date.

All products sold from 1 July 2021 onwards are designated at fair value through profit or loss to eliminate the possible accounting mismatch created due to the probability of future tax as presented in the deferred tax asset.

Level 1

The investment contracts in product 1 are categorised as level 1 instruments, as the valuation techniques are based on quoted prices in active markets.

10.3 Investment contracts - product 2

	2022	2021
	R'000	R'000
Policy assets	1,224,147	1,227,621
Policy liabilities	(1,231,726)	(1,227,621)
	(7,579)	-

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 1Life with the bid price of the underlying assets at the 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 for 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 is the market approach of obtaining bid prices. Should the bid price be affected by changes in interest rates, an average interest rate of 8.48% is used. If the rate increased or decreased by 100 basis points then the cumulative change in the valuation would be R12,259,000 (2021: R11,851,000). As these products are linked, there would be no impact on profit or loss.

10. Investment contracts (continued)

10.4 Investment contracts - product 3

	2022	2021
	R'000	R'000
Policy assets	24,680	25,462
Policy liabilities	(24,680)	(25,462)
	-	-

This product comprises a capped income return from the underlying investment that 1Life holds with a third party. The after tax return for the policyholder is capped at 9.5% per annum.

The product is held in linked funds however the total exposure is limited to the balance invested and the balance is not subject to interest rate risk.

The fair value calculation at reporting date is performed by a third party. The third party provides 1Life with the unit price of the underlying assets at the reporting date. The fair value of the units are calculated by taking the number of units multiplied by the price of the Collective Investment Scheme (CIS).at the reporting date.

Level 2

The investment contracts in product 3 are categorised as level 2 instruments, as the valuation techniques are based on observable inputs, either directly (i.e. priced) or indirectly (i.e. derived from prices).

10.5 Investment contracts - living annuity

	2022	2021
	R'000	R'000
Policy assets	634,953	569,672
Policy liabilities	(634,953)	(569,672)
	-	-

The fair value calculation at reporting date is performed by a third party. The third party provides 1Life with the bid price of the underlying assets at the 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.

The living annuity balance is invested in linked products however the total exposure is limited to the balance invested and the balance is not subject to interest rate risk.

Level 2

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

10.6 Reconciliation of assets and liabilities

	2022	2021
	R'000	R'000
Reconciliation of financial assets backing investment contract liabilities		
Balance at the beginning of the year	2,459,935	2,108,502
Additions during the year	294,613	406,770
Investment returns during the year	58,812	65,884
Surrenders and annuity payments during the year	(269,002)	(263,708)
Fair value adjustment during the year	13,766	142,474
Expected credit loss movement during the year	(80)	13
Balance at the end of the year	**2,558,044**	**2,459,935**

10. Investment contracts (continued)

10.6 Reconciliation of assets and liabilities (continued)

	2022 R'000	2021 R'000
Reconciliation of investment contract liabilities		
Balance at the beginning of the year	(2,446,575)	(2,102,508)
Additions during the year	(294,613)	(406,270)
Investment returns during the year	(62,280)	(59,031)
Surrenders and annuity payments during the year	269,081	263,708
Fair value adjustment during the year	(21,345)	(142,474)
Balance at the end of the year	**(2,555,732)**	**(2,446,575)**

11. Deferred acquisition costs and commission incurred

	2022 R'000	2021 R'000
Analysis of movement in deferred acquisition costs		
Balance at the beginning of the year	14,184	13,719
New business written recognised in profit or loss	108,495	100,695
Deferred acquisition costs amortised	(107,845)	(100,230)
Balance at the end of the year	**14,834**	**14,184**
Commission incurred		
Commission incurred - deferred acquisition costs	650	467
Commission paid - other	(588,349)	(540,107)
	(587,699)	**(539,640)**

12. Liabilities for insurance contracts

Short-term insurance contracts:

	Gross R'000	Reinsurance R'000	Net R'000
June 2022			
Outstanding claims provision	734,148	-	734,148
Claims incurred but not reported	204,671	(159,080)	45,591
Unearned premium provision	338,199	-	338,199
	1,277,018	**(159,080)**	**1,117,938**

	Gross R'000	Reinsurance R'000	Net R'000
June 2021			
Outstanding claims provision	626,105	-	626,105
Claims incurred but not reported	187,734	(145,040)	42,694
Unearned premium provision	335,390	-	335,390
	1,149,229	**(145,040)**	**1,004,189**

No reinsurance recovery applies to the unearned premiums as the reinsurers do not accept responsibility for settling any portion of the cash-back bonus 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 reported (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 22. The R159,080,000 (2021:R145,040,000) reinsurance asset is in respect of claims incurred but not yet reported provision only (see note 13 for the Reinsurers' share of expected insurance salvages and recoveries).

12. Liabilities for insurance contracts (continued)

Long-term insurance contracts

	Gross	Reinsurance	Net
June 2022	**R'000**	**R'000**	**R'000**
Outstanding claims	356,994	(138,743)	218,251
Claims incurred but not reported	119,906	(37,393)	82,513
	476,900	**(176,136)**	**300,764**

	Gross	Reinsurance	Net
June 2021	**R'000**	**R'000**	**R'000**
Outstanding claims	358,943	(131,714)	227,229
Claims incurred but not reported	176,765	(56,493)	120,272
	535,708	**(188,207)**	**347,501**

Liabilities for insurance contracts represent a value for claims reported to the group as well as incurred but not reported (IBNR) claims, reduced by a factor for expected repudiation in the current year. The prior year values for the liabilities for insurance contracts represented an undiscounted value for claims reported to the group.

The calculation of the incurred claims required assumptions and judgement. 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 valuing outstanding claims, shows that a reduction in the repudiation factor of 20% will result in an increase in the gross outstanding claims reserve of R24,353,907 (2021:R28,621,147). The net outstanding claims reserve will increase by R14,182,710 (2021:R16,223,987). See note 32.3.11 for further detail on the sensitivity analysis.

Analysis of movement for short-term insurance contracts:

	2022	2021
	R'000	**R'000**
Analysis of movement in gross outstanding claims and claims incurred but not reported		
Balance at the beginning of the year	813,839	711,764
Current year claims incurred	3,989,297	3,793,769
Change in previous year claims estimated	35,278	(37,880)
Current year claims paid	(3,476,653)	(3,108,850)
Previous year claims paid	(422,942)	(544,963)
Balance at the end of the year	**938,819**	**813,839**

	2022	2021
	R'000	**R'000**
Analysis of movement in gross unearned premium liability		
Balance at the beginning of the year	335,390	350,830
Additional provision raised during the year	178,440	166,902
Cashback payments	(175,829)	(180,270)
Premium recognised in profit or loss	198	(2,072)
Balance at the end of the year	**338,199**	**335,390**

12. Liabilities for insurance contracts (continued)

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 are 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
2022	**R'000**	**R'000**	**R'000**	**R'000**
Claims incurred but not yet reported	142,900	44,454	17,317	204,671
Outstanding claims	553,989	135,021	45,138	734,148
Unearned premium provision	39,839	83,481	214,879	338,199
	736,728	**262,956**	**277,334**	**1,277,018**

	Maturity in less than 3 months	Maturity between 3 months and 1 year	Maturity between 1 year and 5 years	Total
2021	**R'000**	**R'000**	**R'000**	**R'000**
Claims incurred but not yet reported	122,418	45,254	20,062	187,734
Outstanding claims	492,302	109,125	24,678	626,105
Unearned premium provision	40,488	89,710	205,192	335,390
	655,208	**244,089**	**249,932**	**1,149,229**

	2022	2021
	R'000	**R'000**
Analysis of movement in reinsurers' share of claims incurred but not reported		
Balance at the beginning of the year	145,040	122,014
Claims incurred but not yet reported provision utilised	(128,489)	(109,199)
Claims incurred but not yet reported provision created	142,529	132,225
Balance at the end of the year	**159,080**	**145,040**

Claims development tables - Short-term insurance:

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, movement in outstanding claims provision as well as the claims incurred but not reported provision.

Estimate of cumulative claims gross of reinsurance – 2022

	2022	2021	2020	2019	2018	2017 and prior years	Total
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Financial period							
At end of year	4,113,624	3,836,065	3,623,587	4,028,650	4,120,717	8,069,270	27,791,913
One year later	-	3,544,535	3,398,251	3,710,692	3,743,859	7,968,217	22,365,554
Two years later	-	-	3,509,666	3,791,785	3,815,979	8,091,946	19,209,376
Three years later	-	-	-	3,867,887	3,854,367	8,147,540	15,869,794
Four years later	-	-	-	-	3,876,697	8,173,207	12,049,904
Five years later	-	-	-	-	-	8,205,852	8,205,852
	4,113,624	**3,544,535**	**3,509,666**	**3,867,887**	**3,876,697**	**8,205,852**	**27,118,261**
Cumulative payments	(3,476,651)	(3,422,550)	(3,440,550)	(3,807,372)	(3,851,896)	(8,180,423)	(26,179,442)
Estimate balance to pay	**636,973**	**121,985**	**69,116**	**60,515**	**24,801**	**25,429**	**938,819**

12. Liabilities for insurance contracts (continued)

Claims development tables - Short-term insurance (continued):

Estimate of cumulative claims gross of reinsurance – 2021

	2021	2020	2019	2018	2017	2016 and prior years	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Financial period							
At end of year	3,836,065	3,623,587	3,895,817	4,120,717	4,032,918	4,161,273	23,670,377
One year later	-	3,398,260	3,710,692	3,743,859	3,768,707	4,036,352	18,657,870
Two years later	-	-	3,791,785	3,815,979	3,838,696	4,199,510	15,645,970
Three years later	-	-	-	3,854,367	3,872,607	4,253,251	11,980,225
Four years later	-	-	-	-	3,879,442	4,274,935	8,154,377
Five years later	-	-	-	-	-	4,293,768	4,293,768
	3,836,065	**3,398,260**	**3,791,785**	**3,854,367**	**3,879,442**	**4,293,768**	**23,053,687**
Cumulative payments	(3,108,850)	(3,358,309)	(3,771,816)	(3,840,341)	(3,873,513)	(4,287,019)	(22,239,848)
Estimate balance to pay	**727,215**	**39,951**	**19,969**	**14,026**	**5,929**	**6,749**	**813,839**

Analysis of movement for long-term insurance contracts:

	Gross	Reinsurance	Net
2022	**R'000**	**R'000**	**R'000**
Analysis of outstanding claims incurred but not reported			
Balance at the beginning of the year	535,708	(188,207)	347,501
Incurred during the year	801,282	(216,380)	584,902
Paid/(recovered) during the year	(860,090)	228,451	(631,639)
Total	**476,900**	**(176,136)**	**300,764**

	Gross	Reinsurance	Net
2021	**R'000**	**R'000**	**R'000**
Analysis of outstanding claims incurred but not reported			
Balance at the beginning of the year	285,442	(97,501)	187,941
Incurred during the year	1,004,398	(278,471)	725,927
Paid/(recovered) during the year	(754,132)	187,765	(566,367)
	535,708	**(188,207)**	**347,501**

Long-term insurance claims development tables

The following tables illustrate the development of gross and net insurance cumulative claims for the past five financial periods, including the impact of re-estimation of claims at the end of each financial year. The first table shows actual gross cumulative claims and the second shows actual net cumulative claims.

12. Liabilities for insurance contracts (continued)

Long-term insurance claims development tables (continued)

Estimate of cumulative claims gross of reinsurance - 2022

2022	2022 R'000	2021 R'000	2020 R'000	2019 R'000	2018 R'000	2017 and prior R'000	Total R'000
Financial period							
At end of year	915,296	953,820	527,818	521,833	383,696	1,248,050	4,550,513
One year later	-	910,121	506,720	496,298	461,063	1,191,140	3,565,342
Two years later	-	-	501,745	503,769	466,630	1,294,997	2,767,141
Three years later	-	-	-	501,734	473,383	1,302,098	2,277,215
Four years later	-	-	-	-	471,000	1,300,339	1,771,339
Five years later	-	-	-	-	-	1,298,497	1,298,497
Total	**915,296**	**910,121**	**501,745**	**501,734**	**471,000**	**1,298,497**	**4,598,393**
Cumulative payments	(618,021)	(835,023)	(472,185)	(488,570)	(455,002)	(1,252,692)	(4,121,493)
Estimated balance to pay	**297,275**	**75,098**	**29,560**	**13,164**	**15,998**	**45,805**	**476,900**

Estimate of cumulative claims net of reinsurance - 2022

2022	2022 R'000	2021 R'000	2020 R'000	2019 * R'000	2018 R'000	2017 and prior R'000	Total R'000
Financial period							
At the end of the year	662,380	698,185	398,672	404,901	280,561	668,876	3,113,575
One year later	-	650,132	387,999	386,099	362,354	645,041	2,431,625
Two years later	-	-	385,961	391,227	365,190	747,388	1,889,766
Three years later	-	-	-	389,796	369,436	750,838	1,510,070
Four years later	-	-	-	-	368,162	750,653	1,118,815
Five years later	-	-	-	-	-	749,621	749,621
Total	**662,380**	**650,132**	**385,961**	**389,796**	**368,162**	**749,621**	**3,206,052**
Cumulative payments	(555,884)	(591,150)	(307,917)	(355,099)	(408,761)	(686,477)	(2,905,288)
Estimated balance to pay	**106,496**	**58,982**	**78,044**	**34,697**	**(40,599)**	63,144	**300,764**

12. Liabilities for insurance contracts (continued)

Long-term insurance claims development tables (continued)

Estimate of cumulative claims gross of reinsurance - 2021

2021	2021 R'000	2020 R'000	2019 R'000	2018 R'000	2017 R'000	2016 and prior R'000	Total R'000
Financial period							
At end of year	1 011 085	529 342	523 927	385 966	357 884	909 867	3 718 071
One year later	-	508 244	498 392	463 333	328 947	890 166	2 689 082
Two years later	-	-	505 863	468 900	378 814	862 192	2 215 769
Three years later	-	-	-	475 653	382 716	916 184	1 774 553
Four years later	-	-	-	-	384 332	919 382	1 303 714
Five years later	-	-	-	-	-	916 007	916 007
Total	**1 011 085**	**508 244**	**505 863**	**475 653**	**384 332**	**916 007**	**3 801 184**
Cumulative payments	(613 935)	(463 378)	(484 183)	(454 254)	(374 318)	(875 409)	(3 265 477)
Estimated balance to pay	**397 150**	**44 867**	**21 680**	**21 399**	**10 014**	**40 598**	**535 708**

Estimate of cumulative claims net of reinsurance - 2021

2021	2021 R'000	2020 R'000	2019 * R'000	2018 R'000	2017 R'000	2016 and prior R'000	Total R'000
Financial period							
At the end of the year	762 904	403 518	412 072	283 116	250 396	427 195	2 539 201
One year later	-	392 845	393 270	364 909	232 456	419 716	1 803 196
Two years later	-	-	398 398	367 745	285 051	413 821	1 465 015
Three years later	-	-	-	371 991	287 149	463 574	1 122 714
Four years later	-	-	-	-	288 033	464 925	752 958
Five years later	-	-	-	-	-	463 856	463 856
Total	**762 904**	**392 845**	**398 398**	**371 991**	**288 033**	**463 856**	**2 678 027**
Cumulative payments	(563 089)	(310 736)	(360 116)	(408 956)	(274 422)	(413 206)	(2 330 525)
Estimated balance to pay	**199 815**	**82 109**	**38 282**	**(36 966)**	**13 611**	**50 650**	**347 501**

* During the 2018 financial year, a full reinsurance review was undertaken including actual assessment of claims type, development and recovery amounts. This resulted in the refinement of the outstanding claims reserve provisioning calculation methodology and treatment, specifically the methodology in treatment of Ditcott claims (partial payments). The impact of the change in provisioning in the 2018 year resulted in a decrease in the net outstanding claims reserve and a decrease in the net incurred but not reported reserve.

13. Expected insurance salvages and recoveries

	Gross	Reinsurance	Net
2022	**R'000**	**R'000**	**R'000**
Expected salvage on insurance contracts	150,712	(105,279)	45,433
Expected third party recoveries on insurance contracts	84,049	(64,001)	20,048
Total	**234,761**	**(169,280)**	**65,481**

	Gross	Reinsurance	Net
2021	**R'000**	**R'000**	**R'000**
Expected salvage on insurance contracts	113,915	(79,092)	34,823
Expected third party recoveries on insurance contracts	76,268	(57,981)	18,287
Total	**190,183**	**(137,073)**	**53,110**

13.1 Analysis of movement in expected insurance salvages

	Gross	Reinsurance	Net
2022	**R'000**	**R'000**	**R'000**
Balance at the beginning of the year	113,915	(79,092)	34,823
Recognised in profit or loss	434,855	(327,298)	107,557
Cash receipts	**(398,058)**	**301,111**	**(96,947)**
Balance at the end of the year	**150,712**	**(105,279)**	**45,433**

	Gross	Reinsurance	Net
2021	**R'000**	**R'000**	**R'000**
Balance at the beginning of the year	115,734	(75,523)	40,211
Recognised in profit or loss	375,077	(288,760)	86,317
Cash receipts	(376,896)	285,191	(91,705)
Balance at the end of the year	**113,915**	**(79,092)**	**34,823**

13.2 Analysis of movement in expected insurance recoveries

	Gross	Reinsurance	Net
2022	**R'000**	**R'000**	**R'000**
Balance at the beginning of the year	76,268	(57,981)	18,287
Recognised in profit or loss	105,956	(81,039)	24,917
Cash receipts	(98,175)	75,019	(23,156)
Balance at the end of the year	**84,049**	**(64,001)**	**20,048**

	Gross	Reinsurance	Net
2021	**R'000**	**R'000**	**R'000**
Balance at the beginning of the year	74,163	(56,268)	17,895
Recognised in profit or loss	92,787	(71,195)	21,592
Cash receipts	(90,682)	69,482	(21,200)
Balance at the end of the year	**76,268**	**(57,981)**	**18,287**

14. Loan receivable

	2022	2021
	R'000	R'000
Loan receivable at fair value through profit or loss	8,048	7 322

14.1 Loan receivable at fair value through profit or loss

	2022	2021
	R'000	R'000
All Risk Group Proprietary Limited	8,048	7 322

All Risk Group Proprietary Limited:
In 2021, Telesure Investment Holdings Proprietary Limited sold One Call Insurance Brokers Proprietary Limited, one of its subsidiaries, to All Risk Group Proprietary Limited. The sale of the subsidiary resulted in a creation of a loan amount payable by All Risk Group Proprietary Limited to settle the remainder of the purchase price of One Call Insurance Brokers Proprietary as set out below:

The loan is repayable in minimum monthly instalments of R50,000 effective from 1 June 2021.

The loan bears interest at the prime lending rate plus 1% effective from 1 June 2022.

The full loan amount must be repayed on or before 30 June 2026.

Level 3

The loan receivable is categorised as a level 3 instrument, as there are valuation techniques using significant unobservable inputs when valuing the loan balance.

Fair value technique:
In determination of the fair value an ownership interest in the form of a discount was taken into account and will apply based on the various limits set for premiums collected by Telesure Investment Holdings Proprietary Limited insurers collecting premium on new business as stipulated in the sale of share agreement. In addition to the discount applied interest is calculated using the effective interest rate and all cash flows are discounted to present value.

The fair value will be calculated annually and adjusted through profit or loss.

15. Investments

	2022	2021
	R'000	R'000
Investments at fair value through profit or loss	396,349	359,305
Investments at amortised cost	2,876,871	2,918,615
Equity accounted investees	214,902	206,417
Total investments	**3,488,122**	**3,484,337**

	2022	2021
	R'000	R'000
Investments in participating interests[1]	581,887	536,361
Other financial investments	2,906,235	2,947,976
Total investments	**3,488,122**	**3,484,337**

[1] Comprises the En commandite partnership (see 15.1 below) and equity accounted investee (see 15.3 below).

5.1 Investments at fair value through profit or loss

	2022	2021
	R'000	R'000
En commandite partnership	366,985	329,944
Investment in shares	26,486	28,259
Forward exchange contract – Asset	2,878	1,102
Steyn City Properties preference shares	-	-
Total investments	**396,349**	**359,305**

15. Investments (continued)

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

15.1.1 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 group share in 50% of the partnership's accumulated profit.

The instrument is classified as a level 3 instrument. There have been no transfers between the levels stated in note 3.1.

The group performs a valuation of the en commandite partnership on an annual basis. The fair value of the partnership was determined on a discounted cash flow method. The valuation was performed internally, by management.

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

- Growth in revenue of 41.6% (2021: 26.1%)
- Average margin of 38.5 (2021: 38.5%)
- Discount rate of 17.6% (2021: 16.6%)
- Terminal growth rate of 4.4% (2021: 4.8%)

Sensitivity analysis:

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

- 0.5% increase in terminal growth rate, effect of R9,200,000 (2021: R9,700,000)
- 0.5% increase in discount rate, effect of (R13,000,000) (2021: (R11,200,000))
- 0.5% decrease in terminal growth rate, effect of (R8,600,000) (2021: (R9,000,000))
- 0.5% decrease in discount rate, effect of R14,000,000 (2021:R12,100,000)

	2022	2021
	R'000	R'000
Analysis of movement in valuation of partnership		
Balance at the beginning of the year	329,944	113,817
Share of profit from the partnership	51,237	31,972
Cash payments received during the year	(50,446)	(60,595)
Fair value adjustment of the partnership	36,250	244,750
Balance at the end of the year	**366,985**	**329,944**

15.1.2 Investment in shares

	2022	2021
	R'000	R'000
8,695 (2021: 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	23,564	25,424
Shares in Nesibindi Capital Proprietary Limited	2,922	2,835
Shares in Insure Group Managers Limited	10,036	10,036
Impairment of shares in Insure Group Managers Limited	(10,036)	(10,036)
	26,486	**28,259**

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).

Open Window is a Section 12J company. Open Window invests in qualifying start-up businesses.

15.1.2 Investment in shares (continued)

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).

Nesibindi is a Section 12J company. 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).

In the 2019 financial year, Insure Group Managers Ltd "IGM" (the premium collection agency used to collect premiums written by MUA Insurance Acceptances Proprietary Limited) had a statutory manager appointed. The group subscribed for shares in IGM as part of the debt restructure arrangement in the 2020 financial year. An amount of R10 million has been recognised as an impairment against the investment of shares balance as this amount has been deemed as irrecoverable. In the previous financial year, Insure Group Managers Ltd was placed under voluntary liquidation and as a result the investment has been fully impaired.

Reconciliation of movement in investment in shares

	2022 R'000	2021 R'000
Balance at the beginning of the year	28,259	39,859
Impairment of shares in Open Window and Nesibindi Capital	(1,773)	(1,564)
Revaluation of shares in Insure Group Managers Limited	-	(10,036)
	26,486	28,259

Valuation technique

These investments are valued using a net asset value (NAV) approach. In the current year, the carrying value of the investments in Open Window Growth Partners Proprietary Limited and Nesibindi Capital (Proprietary) Limited did not approximate the fair values and thus a revaluation of R1.8 million (2021:R1.6 million) was recorded.

Sensitivity analysis:

A movement of 10% in NAV would result in a change in the cumulative carrying value of R2.6 million (2021:R2.8 million).

15.1.3 Forward exchange contract

The forward exchange contract asset is a derivative instrument, held at fair value through profit or loss. The corresponding forward exchange contract liability is disclosed under note 22. Movement in the forward exchange contract asset and forward exchange contract liability are accounted for in profit or loss.

	2022 R'000	2021 R'000
Net exposure in fair value on forward exchange contract		
Balance at the beginning of the year	779	-
Forward exchange contract - Asset	1,776	1,102
Forward exchange contract - Liability	311	(323)
Fair value gain on forward exchange contract	**2,866**	**779**

15.1.4 Investment in Steyn City Properties preference shares

In 2020, 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 (2021: nil).

15.2 At amortised cost

	2022	2021
	R'000	R'000
Loans and other receivables	15,392	5,600
Fixed deposits	2,841,479	2,893,015
Advance to strategic partnerships	20,000	20,000
	2,876,871	**2,918,615**

15.2.1 Loans

	2022	2021
	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.	589	548
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.	1,143	1,062
Quicker Trading Proprietary Limited t/a Renew IT Greenstone		
The loan is unsecured, interest free and has no fixed repayment terms.	11,097	11,097
Namola EMS Group Proprietary Limited		
The loan is unsecured, interest free for initial 24 months. Interest at the prime rate will be effective for 36 months. The loan is repayable in equal monthly installments up to 60 months.	14,500	14,500
Enterprise and supplier development loans		
Loans for towing trucks: These loans are interest free and repayable in equal monthly installments not exceeding 60 months.	29,240	22,052
Money School CC	357	-
The loan amount payable monthly by Money School CC is offset with the monthly consideration payable by Telesure Group Services Proprietary Limited of R1,62 (excl VAT) per net premium received from 1 Life Insurance (RF) Limited. The loan bears interest at the prime rate on the outstanding amount payable.		
	56,926	**49,259**
Impairment of loans	(41,534)	(43,659)
Total loans and other receivables	**15,392**	**5,600**

15. Investments (continued)

15.2 At amortised cost (continued)

	2022	2021
	R'000	R'000
Impairment of loans and other receivables consist of:		
Tekton Autobody Repairs Paarl Proprietary Limited	(589)	(423)
Dube Autobody Proprietary Limited	(1,143)	(400)
Quicker Trading Proprietary Limited t/a Renew-IT Greenstone	(5,627)	(5,627)
Namola EMS Group Proprietary Limited [1]	(4,926)	(14,500)
Enterprise and Supplier Development loans	(29,240)	(22,091)
Expected credit loss	(9)	(618)
	(41,534)	**(43,659)**

[1] Loan impairment reduction is due to an expectation of a repayment on the loan.

15.2.2 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 2022. Fixed deposits are held at amortised cost which approximates fair value.

	2022	2021
	R'000	R'000
0 - 3 months	475,464	495,421
3 - 6 months	477,068	164,196
6 - 9 months	455,232	163,901
9 - 12 months	468,295	397,903
Greater than 12 months	965,420	1,671,594
	2,841,479	**2,893,015**

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

	2022	2021
	%	%
Average effective interest rate, %	4.24%	4.63%
Year-end effective interest rate, %	5.11%	4.52%

15. Investments (continued)

15.2 At amortised cost (continued)

15.2.3 Advance to strategic partnership

	2022	2021
	R'000	**R'000**
Analysis of movement in advance to strategic partnership		
Balance at the beginning of the year	20,000	13,649
Advancement during the year	-	15,000
Interest paid/ received on loan	-	(3,649)
Repayment of loan	-	(5,000)
Balance at the end of the year	**20,000**	**20,000**

15.3 Equity accounted investees

The Group has an interest in one immaterial associate acquired during the prior year. On 13 May 2021, BHL SA Investment Holdings (Pty) Limited acquired a 39.99% equity interest in Weelee Proprietary Limited ("Weelee"). Weelee is an online car selling platform in South Africa.

The following table analyses the carrying amount and share of profit and OCI of this associate.

	2022	2021
	R'000	**R'000**
Carrying amount of interest in associate	214,902	206,417
Share of:		
- Profit from continuing operations	8,485	947
- OCI	-	-
	8,485	**947**

16. Loans to/ (from) related parties

16.1 Fellow subsidiaries

	2022	2021
	R'000	**R'000**
BHL (UK) Holdings Limited	(42,072)	(34,115)
	(42,072)	**(34,115)**

The loan is payable on demand, interest free and guaranteed by BHL Holdings Limited in full.

	2022	2021
	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	(34,115)	(32,749)
Amounts receivable: New loans advanced	-	-
Amounts payable: New loans advanced	(7,957)	(1,366)
Dividend in specie	-	-
Expected credit loss adjustment	-	-
Balance at the end of the year	**(42,072)**	**(34,115)**

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

16.2 Other related parties

	2022	2021
	R'000	R'000
1 Life Trust		
The loan was unsecured, interest free and had no repayment terms. The amount receivable was carried at amortised cost and was discounted to the present value using a discount rate that reflects time value of money and the credit risk of 1 Life Trust. The loan had been subordinated by 1 Life Insurance (RF) Limited in favour of third party creditors.	-	556
First for Women Foundation Trust *		
The amount was unsecured, interest free and had no fixed repayment term.	-	(649)
Die Virseker Trust *		
The amount was unsecured, interest free and had no fixed repayment term.	-	(1,470)
	-	**(1,563)**

*Loans payable to other related parties have been reclassified to trade payables in the current year.

	2022	2021
Loans consisted of:	R'000	R'000
Fellow subsidiaries	(42,072)	(34,115)
Other related parties	-	(1,563)
	(42,072)	**(35,678)**

	2022	2021
	R'000	R'000
Assets	-	556
Liabilities	(42,072)	(36,234)
	(42,072)	**(35,678)**

17. Inventory

	2022	2021
	R'000	R'000
Consumables	2,023	3,886

	2022	2021
	R'000	R'000
Reconciliation of inventory		
Balance at the beginning of the year	3,886	8,166
Items dispatched during the year	(1,863)	(4,280)
Balance at the end of the year	**2,023**	**3,886**

During the 2020 financial year, 1 Life Insurance (RF) Limited purchased devices in the form of smart watches to be dispatched to new clients who take up the 1Life Pulse product offering. The group has full control over the asset until the first premium has been collected from the client and the device has been dispatched and all rights are transferred to the client.

18. Insurance, other receivables and prepayments

	2022	2021
	R'000	R'000
Insurance receivables		
Gross premium receivables	80,676	80,471
Gross reinsurance receivables	224,694	162,605
Commission clawback receivable	12,430	13,550
Impairment provision	(7,742)	(8,449)
	310,058	**248,177**
Other receivables		
Trade receivables	79,840	61,749
Deposits	2,608	2,695
Value added tax receivable	69,973	129,341
	152,421	**193,785**
Prepayments	44,514	51,304
Total insurance, other receivables and prepayments	**506,993**	**493,266**

In the 2019 financial year, Insure Group Managers Ltd "IGM" (the premium collection agency used to collect premiums written by MUA Insurance Acceptances Proprietary Limited) had a statutory manager appointed. An amount of R30.8 million has been recognised as an impairment in the previous financial year against the outstanding premium receivable balance as these amounts have been deemed as irrecoverable. In the previous financial year, Insure Group Managers Ltd was placed under voluntary liquidation and as a result the remaining outstanding balance has been fully impaired.

An impairment of R7,742,209 (2021: R8,449,135) has been raised for Clawback commission receivable.

All other receivables are neither past due nor impaired.

	2022	2021
	R'000	R'000
Reconciliation of movement in gross premium receivables		
Balance at the beginning of the year	80,471	74,138
Recognised in profit or loss	3,600,955	3,575,614
Cash receipts during the year	(3,568,898)	(3,526,267)
Allowance for doubtful debt	(24,397)	(12,338)
Impairment	—	(30,862)
Provision for premium refund	(7,455)	186
Balance at the end of the year	**80,676**	**80,471**
Reconciliation of movement in gross reinsurance receivables		
Balance at the beginning of the year	162,605	117,938
Recognised in profit or loss	359,751	107,581
Cash payments during the year	(298,974)	(83,689)
Reclassified from insurance payable	1,312	12,995
Balance at the end of the year	**224,694**	**162,605**
Reconciliation of impairment provision		
Balance at the beginning of the year	(8,449)	(6,378)
Debt written off during the year	5,911	
Increase in provision	(5,204)	(2,071)
Total insurance and other receivables	**(7,742)**	**(8,449)**

18. Insurance, other receivables and prepayments (continued)

18.1 Expected credit loss assumptions (continued)

The balances disclosed for trade receivables has been adjusted to account for impairment losses measured at the lifetime expected credit loss (ECL) basis.

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.

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, in 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.

	2022	2021
	R'000	R'000
Trade receivables	3,679	2,799

19. Cash and cash equivalents

Cash and cash equivalents consist of:

	2022	2021
	R'000	R'000
Bank balances	288,469	330,155
Short-term deposits	1,304,883	996,744
	1,593,352	**1,326,899**

For more information regarding facilities issued by Nedbank refer to note 35.

Included in the short-term deposits balance is a cash equivalent balance of R1,304,483,008 (2021: R995,912,046) 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 note 32.2.4.

Cash and cash equivalents are measured at amortised cost and is a reasonable approximation of fair value.

20. Provisions

	Executive and management bonus	Long-term and annual incentive liability	Clawback activations	Total
	R'000	R'000	R'000	R'000
Opening balance 2020	60,662	402,368	124	463,154
Utilised during the year	(62,429)	(77,446)	-	(139,875)
Under provision from the prior year	2,790	1,490	-	4,280
Provisions made during the year	66,001	30,211	118	96,330
Balance at 30 June 2021	**67,024**	**356,623**	**242**	**423,889**
Utilised during the year	(57,543)	(46,104)	-	(103,647)
Under provision from the prior year	(6,142)	(4,918)	-	(11,060)
Provisions made during the year	66,182	(13,833)	31	52,380
Balance at 30 June 2022	**69,521**	**291,768**	**273**	**361,562**

For details on the long-term and annual incentive liability refer to note 34.

21. Other financial liabilities

	2022	2021
	R'000	R'000
Term and revolving loan – The Standard Bank of South Africa Limited	536,782	566,283

The Standard Bank of South Africa Ltd granted a term loan facility consisting of a property finance facility (facility A - R424,500,000) and a corporate finance facility (facility B - R141,500,000) to fund the acquisition of the Auto and General Park (A&G Park) building. This facility is secured by way of a bond over the (A&G Park) building, cession of any building insurance proceeds and a guarantee from BHL (SA) Holdings Ltd.

Facilities A and B bear interest at a rate 6.567% and 7.367% respectively, nominal compounded quarterly in arrears over the 5 year term. Facility A will be repaid in quarterly instalments of R7,386,300, with a bullet repayment made at the end of year 5. Facility B has quarterly interest repayments and no capital repayments, but a bullet repayment would be made at the end of year 5.

22. Insurance and other payables

	2022	2021
	R'000	R'000
Insurance payables		
Reinsurance payables	151,085	184,221
Deposit held in respect of reinsurance [1]	461,036	461,036
Premiums received in advance	357,675	346,914
Insurance payables	17,238	16,743
Total insurance payables	**987,034**	**1,008,914**
Other payables		
Trade payables	193,733	174,529
Amounts received in advance	17,807	14,489
Value added tax payable	31,473	1,141
Employee benefits payable	64,367	58,066
Material right	1,100	996
Forward exchange contract – Liability [2]	12	323
Total other payables	**308,492**	**249,544**
Accruals		
Accrued leave pay	72,206	72,820
Accrued audit fees	15,490	14,762
Other accrued expenses	60,670	62,996
Total accruals	**148,366**	**150,578**
Total insurance and other payables	**1,443,891**	**1,409,036**

[1] Collateral deposit held in respect of the reinsurance treaty entered into between the short term insurers in the group and Jacana Re Limited. The deposit is interest free, payable on demand and is the amount determined from time to time as collateral in accordance with the group's regulatory solvency requirements.

[2] The forward exchange contract liability is a derivative instrument, held at fair value through profit or loss. The corresponding forward exchange contract asset is disclosed under note 15. Movement in the forward exchange contract asset and liability are accounted for in the statement of profit or loss.

22. Insurance and other payables (continued)

	2022	2021
	R'000	R'000
Reconciliation of movement of reinsurance payables		
Balance at the beginning of the year	184,221	201,716
Recognised in profit or loss	776,996	527,101
Cash payments	(845,267)	(533,545)
Reallocation to insurance receivables	140	(12,318)
Receipts during the year	34,994	1,267
Balance at the end of the year	**151,084**	**184,221**

23. Insurance claims

	2022	2021
	R'000	R'000
Gross		
Claims paid	(4,347,503)	(3,977,440)
Movement in incurred but not reported claims liability	39,918	(121,086)
Movement in outstanding claims liability	(90,221)	(221,990)
Salvages and recoveries	537,153	469,928
	(3,860,653)	**(3,850,588)**
Reinsurers' share		
Claims paid	2,999,013	2,666,351
Movement in outstanding claims and incurred but not reported claims	1,970	113,733
Salvages and recoveries	(408,130)	(359,645)
	2,592,853	**2,420,439**
	(1,267,800)	**(1,430,149)**

24. Other income

	2022	2021
	R'000	R'000
Reinsurance commission income	2,266,530	2,256,131
Transfer to life fund	165,045	-
Fees for ancillary insurance services	39,762	170,178
Value added products and health primary care income	212,404	52,624
Unclaimed amounts following policy cancellations	62,416	61,412
Commission received	31,555	57,234
Sundry income	96,711	55,831
Recoveries	468,588	197,523
Advertising partner income	94,077	89,333
Administration and management fees received	29,527	18,730
Net foreign exchange gains	358	-
	3,446,973	**2,958,996**

25. Profit before tax

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

	2022	2021
	R'000	R'000
Operating lease charges		
Premises - rental expense relating to short term leases	3,176	723
Equipment - rental expense relating to low value leases	6,689	10,019
Other disclosable charges		
Loss on deregistration/sale of businesses	-	4,190
Impairment on intangible assets reversal	(13,477)	(563)
(Profit)/ loss on exchange differences	(78)	313
Amortisation on intangible assets	107,812	56,993
Depreciation on plant and equipment	54,937	51,111
Depreciation – Right-of-use assets	30,792	73,975
Loss on sale of plant and equipment	31	11,241
Research and development costs	2,666	2,112
Consulting and professional fees	130,429	126,252
Fines and penalties	-	44
COVID-19 relief funding *	50,000	20,000
Auditor fees – fees for the audit of the Company	2,246	1,598
Auditor fees – fees for the audit of the Company's subsidiaries	12,737	10,994
Auditor fees – other statutory reporting	3,419	1,366
Auditor fees – other services	-	761

*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 were 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 themselves during an extended period of lockdown.

An additional R50 million (2021: R20 million) was contributed to provide food and other relief in communities, and to provide support to small businesses.

26. Fair value adjustments

	2022	2021
	R'000	R'000
Fair value adjustment on land and buildings	31,561	(31,561)
Fair value adjustment on investment contracts	(7,579)	-
Fair value adjustment on limited partnership	36,250	244,750
Fair value adjustment on financial assets	30	-
Fair value adjustment on foreign exchange contract	3,169	779
	63,431	**213,968**

In 2020 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 (2021: nil). For further detail on these preference shares refer to note 15.1.4.

27. Finance income and expense

	2022	2021
	R'000	R'000
Interest received from banks	74,637	75,249
Interest received from investments	118,537	112,849
Interest received from South African Revenue Service	378	23
Interest accrued on endowment policy asset	41,154	54,414
Share of profit from equity accounted investment	8,485	947
Finance income	**243,191**	**243,482**

	2022	2021
	R'000	R'000
Interest incurred on leasing arrangement	16,978	40,313
Interest paid to other payables	33	950
Interest on other financial liabilities	35,036	13
Interest paid to South African Revenue Service	-	10
Other interest paid	-	6
Interest accrued on endowment policy liabilities	44,682	47,536
Finance expense	**96,729**	**88,828**

28 Taxation

Major components of the tax expense

	2022	2021
	R'000	R'000
Current		
Foreign corporation tax	114,767	99,534
Recognised in current period for prior periods	(2,997)	292
	111,770	99,826
Deferred		
Originating and reversing temporary differences – current year	(5,333)	25,397
Recognised in current period for prior period	(15,790)	18,617
Result from reduction in tax rate	(7,396)	-
	(28,519)	**44,014**
Total tax on profit or loss	**83,251**	**143,840**
Tax on other comprehensive income	5,467	-
Total tax expense for the year	**88,718**	**143,840**

28. Taxation (continued)

Reconciliation tax expense

	2022	2021
	R'000	**R'000**
Accounting profit before tax	486,033	372,351
Tax payable at the domestic rate of 19%	92,346	70,747
Effect of tax rates in foreign jurisdictions	43,203	33,578
Non-taxable income		
Exempt income	-	**(508)**
Additional allowances		
Learnership allowance	(1,341)	(2,301)
Section 12J not recognised in prior periods	315	-
	(1,026)	**(2,301)**
Non-deductible expenses		
Prior year adjustments	(3,011)	18,909
Adjustment to opening deferred tax	(2,103)	(1,594)
Deferred tax liability on special transfer	9,456	-
Tax rate difference on assessed loss	20	-
Deferred tax asset not recognised on calculated tax losses	(33,285)	12,383
Consulting, legal and professional fees	4,397	3,356
Donations	(13)	2,625
Other expenses	30	448
Impairment of investments	505	438
Impairment of loans	(616)	5,775
Tax on fair value through other comprehensive income	3,700	-
Impairment of intangibles	(16,425)	(158)
Tax rate change to 27%	(7,320)	-
	(44,665)	**42,324**
Tax expense at effective rate	**88,718**	**143,840**

The South African corporation tax rate in the year was 28% and for capital gains tax transactions an effective rate of 22.4% (2021: 28% and 22.4%). The deferred tax asset and liability at 30 June 2022 has been calculated based on 27% for South African entities, with regards to capital gains tax transactions an effective rate of 21.6% was used (2021: 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.

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

Cash generated from operations is calculated below:

	2022	2021
	R'000	R'000
Profit for the year before taxation	486,033	372,351
Adjustments for:		
Depreciation and amortisation	193,540	182,079
Loss on sale of assets	31	-
Interest income	(234,706)	(242,535)
Interest expense	96,729	88,828
Impairment on intangible asset	(13,477)	(1,423)
Loss/ (profit) of limited partnership	791	(28,623)
Gain on lease termination	(5,091)	(44,578)
Loss on sale of subsidiary	-	4,190
Loss on deregistration of trust	301	-
Fair value adjustment on land and buildings	(31,561)	31,561
Fair value adjustment on forward exchange contracts	(3,169)	(779)
Fair value adjustment on investment contracts	7,579	-
Fair value adjustment on limited partnership	(36,250)	-
Fair value adjustment on investments	1,773	-
Impairment of loans and other receivables	2,125	
Decrease in provisions	(62,327)	(39,265)
Increase in expected insurance salvages and recoveries	(44,578)	(286)
Increase in liabilities for insurance contracts	68,981	336,901
Increase in reinsurers' share of insurance contract liabilities	(1,968)	(113,733)
Increase in reinsurers' share of expected salvages and recoveries	32,207	5,282
(Increase)/ decrease in policyholder asset arising from long-term insurance contracts	(165,045)	105,785
Increase in deferred acquisition costs	(650)	(465)
Profit of equity accounted investment	(8,485)	(947)
	282,783	**654,343**
Changes in working capital		
Increase in insurance receivables	(61,881)	(46,219)
Decrease/ (increase) in other receivables	48,154	(53,908)
Decrease in inventory	1,863	4,280
Decrease in insurance payables	(21,880)	(31,258)
Increase/ (decrease) in other payables	56,631	(106,963)
	22,887	**(234,068)**
Total cash generated from operations	**305,670**	**420,275**

30. Tax paid

	2022	2021
	R'000	R'000
Balance at the beginning of the year	21,999	(16,020)
Current tax for the year recognised in profit or loss	(111,770)	(99,826)
Balance at the end of the year	14,162	(21,999)
Total tax paid during the year	**(75,609)**	**(137,845)**

31. 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 BHL SA Investment Holdings Proprietary Limited Budget Insurance Company (RF) Limited Dial Direct Insurance (RF) Limited First for Women Insurance Company (RF) Limited Hippo Advisory Services Proprietary Limited Hippo Comparative Services Proprietary Limited Rockport Capital Proprietary Limited Telesure Group Services Proprietary Limited Telesure Investment Holdings Proprietary Limited Unity Financial Services Proprietary Limited Wealthport Nominees Proprietary Limited Wealthport Proprietary Limited
Other related parties	South Africa	1 Life Trust* First for Women Foundation Trust Derek Pead and Associates The DG Steyn Family Trust Die Virseker Trust Weelee Proprietary Limited
	Guernsey Turkey	Jacana Re Limited BHL Turkey Teknoloji Anonim Sirketi (formerly Konut Kredisi Com Tr Danismankik A.S.)

*1 Life Trust is in the process of being deregistered

Related party balances

Please also refer to note 16 for analysis of loan accounts with related parties.

	2022 R'000	2021 R'000
Amounts included in trade and other receivables/ (trade payables) regarding related parties		
Auto and General Holdings Limited	29,023	11,616
1 Life Trust	-	36
Napier Gardens Proprietary Limited	249	-
Steyn City Properties Proprietary Limited	-	452
BHL Turkey Teknoloji Anonim Sirketi	-	21
Saxon Hotel Proprietary Limited	(510)	(3)
Die Virseker Trust	(1,530)	-
The First for Women Foundation Trust	(668)	
	26,564	**12,122**

31. Related parties (continued)

	2022	2021
	R'000	R'000
Insurance claim payable to related party		
Saxon Hotel Proprietary Limited	-	(40,000)
Investments in endowment products from related parties		
Napier Gardens Proprietary Limited	(1,000)	(1,000)
Reinsurance deposit payable to related party		
Jacana Re Limited	(461,036)	(461,036)
Reinsurance payable to related party		
Jacana Re Limited	(42,585)	(49,841)
Expected recoveries and salvages payable to related party		
Jacana Re Limited	(106,896)	(89,556)
Reinsurance share of claims incurred but not reported provision from related party		
Jacana Re Limited	88,609	89,818
Reinsurance share of catastrophe claims receivable from		
Jacana Re Limited	4,101	-
Premiums received in advance from related party		
Saxon Hotel Proprietary Limited	-	53
Deferred income liability - property		
Steyn City Properties Proprietary Limited	(1,196)	(2,913)
Insurance premiums paid in advance to related party		
BHL Holdings Limited	1,717	1,170
Related party transactions		
Reinsurance commission received from related party		
Jacana Re Limited	(2,150,632)	(2,147,664)
Reinsurance premiums paid to related party		
Jacana Re Limited	4,764,360	4,757,785
Reinsurance claims received from related party		
Jacana Re Limited	(2,393,299)	(2,259,025)
Actual recoveries and salvages paid to related party		
Jacana Re Limited	359,889	338,741
Expected recoveries and salvages (received from)/ paid to related party		
Jacana Re Limited	17,340	(5,863)

31. Related parties (continued)	2022	2021
	R'000	R'000
Reinsurance share of incurred but not reported claims paid to related party		
Jacana Re Limited	1,209	(16,540)
Reinsurance share of catastrophe claims recovered		
Jacana Re Limited	(6,001)	-
Reinsurance share of catastrophe reinstatement		
Jacana Re Limited	1,899	-
Administration fees received from related parties		
1Life Trust	-	(379)
Advisory service fee income received from related party		
Konut Kredisi Com TR Danismanlik A.S.	-	(666)
Rent paid to related party		
Napier Gardens Proprietary Limited	-	67,253
Steyn City Properties Proprietary Limited	4,255	4,002
	4,255	**71,255**
Utilities paid to related party		
Steyn City Properties Proprietary Limited	361	409
Donations paid to related parties		
First for Women Foundation Trust	7,926	7,932
Die Virseker Trust	17,914	17,043
1 Life Trust	—	9,200
	25,840	**34,175**
Consulting fees paid to related parties		
Auto and General Holdings Limited	-	1,449
BHL Holdings Limited	704	702
Derek Pead and Associates	50	120
	754	**2,271**
Call centre expenses recovered from related party		
Auto and General Holdings Limited	(149,410)	(133,345)
Subscription fees received from related party		
Napier Gardens Proprietary Limited	(4)	-
Saxon Hotel Proprietary Limited	(9)	(3)
	(13)	**(3)**
Entertainment and other related costs paid to related parties		
Saxon Hotel Proprietary Limited	-	10
Auto and General Holdings Limited	-	352
	-	**362**

31. Related parties (continued)	2022	2021
	R'000	R'000
Insurance claims paid to related party		
Saxon Hotel Proprietary Limited	-	**40,000**
Deferred property income		
Steyn City Properties Proprietary Limited	**1,717**	**2,342**
Insurance paid to related party		
BHL Holdings Limited	3,573	-
Legal fees received from related party		
Napier Gardens Proprietary Limited	(139)	-

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

	2022	2021
	R'000	R'000
Key management emoluments		
Short-term employee benefits	69,984	98,073

Three (2021: three) of the BHL (SA) Holdings Limited Directors were remunerated by other BHL Holdings Limited group companies and their remuneration is included in the accounts of those companies. It is not possible to determine the proportion of remuneration which relates to the Company.

None (2021: none) of the directors participate in long term incentive schemes or hold share options.

32. Risk management

32.1 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.

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).

32. Risk management (continued)

32.1 General (continued)

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;
- review accounting and financial policies to ensure consistency, integrity and accuracy of accounting records;
- 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 TIH 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.

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.

32. Risk management (continued)

32.1 General (continued)

For the year ended 30 June 2022, 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.

32.2 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.

32.2.1 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.

32. Risk management (continued)

32.2 Financial risk management (continued)

32.2.1 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 2022						
Assets						
Other receivables	33,398	42,520	2,995	35	892	79,840
Cash and cash equivalents	1,593,333	-	-	-	-	1,593,333
Investments	162,519	315,823	477,068	959,870	1,572,842	3,488,122
Insurance receivables	199,304	40,238	61,355	9,161	-	310,058
Loans to related parties *	-	-	-	-	-	-
Reinsurance share of insurance contracts [2]	92,740	62,107	52,035	72,138	62,440	341,460
Policyholder assets arising from long-term insurance contracts [1]	28,726	43,089	57,452	28,726	1,278,304	1,436,297
Reinsurers' share of policyholder asset arising from long-term insurance contracts [1]	3,620	5,430	7,240	3,620	161,102	181,012
Expected recoveries and salvages	54,099	86,631	43,410	26,566	24,055	234,761
Loans receivable [2]	109	221	325	633	7,465	8,753
Financial assets backing investment contract liabilities [2]	18,697	64,955	49,251	161,765	2,630,336	2,925,004
Total assets	**2,186,545**	**661,014**	**751,131**	**1,262,514**	**5,737,436**	**10,598,640**

	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 2021						
Assets						
Other receivables	31,449	26,518	3,742	6	34	61,749
Cash and cash equivalents	1,326,899	-	-	-	-	1,326,899
Investments	248,186	247,310	164,196	596,997	2,227,648	3,484,337
Insurance receivables	224,404	9,509	14,264	-	-	248,177
Loans to related parties *	556	-	-	-	-	556
Reinsurance share of insurance contracts [2]	80,765	63,355	58,522	135,907	40,868	379,417
Policyholder assets arising from long-term insurance contracts [1]	26,808	40,212	53,616	26,808	1,192,965	1,340,409
Reinsurers' share of policyholder asset arising from long-term insurance contracts [1]	2,237	3,356	4,474	2,237	99,551	111,855
Expected recoveries and salvages	45,196	69,249	33,599	21,266	20,873	190,183
Loans receivable [2]	100	100	150	46	6,926	7,322
Financial assets backing investment contract liabilities [2]	2,488	4,979	7,467	15,073	2,758,987	2,788,994
Total assets	**1,989,088**	**464,588**	**340,030**	**798,340**	**6,347,852**	**9,939,898**

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

[1] Cashflows for policyholder assets are calculated using discounted expected cashflows.

[2] Amounts have been adjusted to reflect undiscounted cashflows.

32. Risk management (continued)

32.2 Financial risk management (continued)

32.2.1 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 2022						
Liabilities						
Lease liabilities	1,560	4,931	4,968	12,100	107,397	130,956
Other payables	146,139	8,987	22,695	3,882	32,134	213,837
Loans from related parties#	42,072	-	-	-	-	42,072
Insurance payables	495,601	27,597	2,800	-	461,036	987,034
Liabilities for insurance contracts [2]	538,539	351,746	230,409	264,999	383,324	1,769,017
Reinsurers share of expected recoveries and salvages	38,257	61,527	31,563	19,875	18,058	169,280
Investment contract liabilities [2]	18,697	64,955	49,251	161,765	2,629,251	2,923,919
Other financial liabilities	-	7,386	7,386	14,773	507,237	536,782
Total liabilities	**1,280,865**	**527,129**	**349,072**	**477,394**	**4,138,437**	**6,772,898**

The R42,072k 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.
[2] Amounts have been adjusted to reflect undiscounted cashflows.

	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 2021						
Liabilities						
Lease liabilities	2,888	8,835	8,933	15,231	160,443	196,330
Other payables	121,187	20,297	20,966	2,858	25,977	191,285
Loans from related parties#	36,234	-	-	-	-	36,234
Insurance payables	526,019	18,980	2,879	-	461,036	1,008,914
Liabilities for insurance contracts [2]	524,206	278,726	201,562	372,362	321,134	1,697,990
Reinsurers share of expected recoveries and salvages	32,936	48,326	24,203	15,815	15,793	137,073
Investment contract liabilities [2]	2,488	4,979	7,467	15,073	2,757,961	2,787,968
Other financial liabilities	-	7,368	7,368	14,773	536,774	566,283
Total liabilities	**1,245,958**	**387,511**	**273,378**	**436,112**	**4,279,118**	**6,622,077**

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.
[2] Amounts have been adjusted to reflect undiscounted cashflows.

32. Risk management (continued)

32.2 Financial risk management (continued)

32.2.2 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.

The group's exposure to market risk is limited to equity risk, interest rate risk and limited foreign exchange rate risk.

32.2.3 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 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 and Nesibindi Capital Proprietary Limited detailed in note 15.1.2. The risk attached to the investment in Open Window Partners Proprietary Limited and Nesibindi Capital Proprietary Limited are managed by monitoring the underlying investments made by these companies and participation in its Board and investment committee. The group is also exposed to equity risk through the investment contracts held, however the risk is born by the relevant policyholder and are therefore not material to the group.

The group has exposure to equity price risk as a result of the investment in the en commandite partnership, during the year.

32.2.4 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 and fixed deposits. Investment contracts are not included in the sensitivity stresses as there is no net impact.

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.

	2022	2021
	%	%
Average effective interest rate, %	4.15%	4.41%
Year-end effective interest rate, %	4.73%	4.23%

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.

	2022	2021
	R'000	R'000
100 basis points change in interest yields, fluctuation in profit or loss	93,096	42,611

The above sensitivity analysis excludes any effect that a change in interest rates would have on the policyholder assets arising from insurance contracts. These are included in note 32.3.11.

32. Risk management (continued)

32.2 Financial risk management (continued)

32.2.5 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. The currency risk exposure relevant to the endowment product 2 is carried by the relevant policyholder.

32.2.6 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 reinsurers who meet the minimum Financial Strength rating stated in the Reinsurance Policy. 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 R461,035,785 (2021: R461,035,785) as security for reinsurers' share of insurance contract liabilities at the reporting date (also see note 22).

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

Credit exposure

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

	P-1 or equivalent*	P-2 or equivalent*	P-3 or equivalent*	NP	Carrying value
	R'000	R'000	R'000	R'000	R'000
2022					
Financial instruments and other assets					
Policyholder assets arising from long-term insurance contracts	-%	-%	-%	100%	1,436,297
Reinsurers' share of policyholder assets arising from long-term insurance contracts **	100%	-%	-%	-%	181,012
Financial assets backing investment contract liabilities	70%	5%	-%	25%	2,558,044
Reinsurers' share of liabilities for insurance contract **	20%	-%	80%	-%	335,216
Expected insurance salvages and recoveries	-%	-%	-%	100%	234,761
Loan receivable	-%	-%	-%	100%	8,048
Investments	83%	-%	-%	17%	3,273,220
Insurance receivables	30%	2%	3%	65%	310,058
Other receivables	15%	-%	-%	85%	82,448
Cash and cash equivalents	100%	-%	-%	-%	1,593,333

32. Risk management (continued)

32.2 Financial risk management (continued)

32.2.6 Credit risk (continued)

	P-1 or equivalent*	P-2 or equivalent*	P-3 or equivalent*	NP	Carrying value
	R'000	R'000	R'000	R'000	R'000
2021					
Financial instruments and other assets					
Policyholder assets arising from long-term insurance contracts	-%	-%	-%	100%	1,340,409
Reinsurers' share of policyholder assets arising from long-term insurance contracts **	-%	-%	-%	100%	111,855
Financial assets backing investment contract liabilities	73%	4%	-%	23%	2,459,935
Reinsurers' share of liabilities for insurance contract **	20%	-%	60%	20%	333,248
Expected insurance salvages and recoveries	-%	-%	-%	100%	190,183
Loan receivable	-%	-%	-%	100%	7,322
Investments	83%	-%	-%	17%	3,277,920
Loan to related parties	-%	-%	-%	100%	556
Insurance receivables	18%	1%	-%	81%	248,177
Other receivables	17%	-%	-%	83%	61,749
Cash and cash equivalents	100%	-%	-%	-%	1,326,899

* Moody's national short-term ratings

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 does not fall within any of the prime rating categories

32.3 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. The group has a claims assessing process where all claims received are assessed. Large claims are investigated further before being paid.

32. Risk management (continued)

32.3 Insurance risk management (continued)

32.3.1 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.

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. 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.

32. Risk management (continued)

32.3 Insurance risk management (continued)

32.3.1 Exposure to insurance risk (continued)

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. Premiums are fixed for the first twelve months and thereafter will increase up to a maximum of 15%.

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.

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.

32.3.2 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.

32.3.3 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.

32. Risk management (continued)

32.3 Insurance risk management (continued)

32.3.3 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 Head of Actuarial Control 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 TIH 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.

Credit ratings of all existing or new reinsurers are monitored in order to manage the credit risk.

(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.

32. Risk management (continued)

32.3 Insurance risk management (continued)

32.3.3 Limiting exposure to insurance risk

(v) Liability adequacy test

Insurance contract provisions are tested for adequacy by discounting current estimates of all contractual cash flows and comparing this amount to the carrying value of the provision and any related assets: this is known as the liability adequacy test. Where a shortfall is identified, an additional provision is made and the group recognises the deficiency in income for the year. Insurance contract provisions can never be definitive as to their timing or the amount of claims and are therefore subject to subsequent reassessment on a regular basis.

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.

32.3.4 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.

32.3.5 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.

32.3.6 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.

32.3.7 Expense risk

There is a risk that the group may suffer a loss when actual expenses are higher than those assumed when pricing or valuing contracts. This may be caused by factors increasing the expense charge in running the business, higher than expected expense inflation, or by an in force policy book smaller than expected. Alternatively, lower than expected volumes of new business or higher than expected contract terminations may result in higher than expected expenses or unit costs per policy.

Expense investigations are performed regularly, taking cognisance of the budgeted expenses per policy for the next financial year. Actual expenses are compared to budgeted expenses on a monthly basis.

32. Risk management (continued)

32.3 Insurance risk management (continued)

32.3.8 Business volume risk

Business volume risk relates to expense risk in the context of higher expenses per policy results from smaller in force policy volumes arising from lower than expected volumes of new business or higher than expected contract terminations. Expenses at unit level are monitored as explained above.

32.3.9 Lapse risk

Lapse risk relates to the risk of financial loss due to negative lapse experience. Lapse experience is monitored to ensure that negative experience is identified on a timely basis and corrective action is taken. The group's reserving policy for individual life policies is based on actual experience to ensure that adequate provision is made for lapses.

32.3.10 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.

32. Risk management (continued)

32.3 Insurance risk management (continued)

32.3.10 Short-term insurance provisions (continued)

Claims incurred but not yet reported (IBNR) (continued)

The sensitivity analysis illustrated below details the impact that a 10% and 5% adjustment to the projected loss ratio for June 2022 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 R'000	5% increase R'000	10% decrease R'000	5% decrease R'000
Impact on profit before taxation - Current year	(13,250	(6,624)	13,250	6,624
Impact on profit before taxation - Prior year	(12,485	(6,243)	12,485	6,243

Salvages IBNR net of reinsurance

	10% increase R'000	5% increase R'000	10% decrease R'000	5% decrease R'000
Impact on profit before taxation - Current year	1,981	990	(1,981)	(990)
Impact on profit before taxation - Prior year	1,372	686	(1,372)	(686)

Recoveries IBNR net of reinsurance

	10% increase R'000	5% increase R'000	10% decrease R'000	5% decrease R'000
Impact on profit before taxation - Current year	194	97	(194)	(97)
Impact on profit before taxation - Prior year	116	58	(116)	(58)

Recoveries outstanding claims provision net of reinsurance

	10% increase R'000	5% increase R'000	10% decrease R'000	5% decrease R'000
Impact on profit before taxation - Current year	336	169	(336)	(169)
Impact on profit before taxation - Prior year	257	129	(257)	(129)

32. Risk management (continued)

32.3 Insurance risk management (continued)

32.3.10 Short-term insurance provisions (continued)

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 by 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, however the claim-free periods depend on the type of cashback product applicable.

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 2022 has on profit or loss. The changed assumption is that the policy premium reverts to the base rate.

Cashback bonus provision

	10% increase R'000	5% increase R'000	10% decrease R'000	5% decrease R'000
Impact on profit before taxation - Current year	(10,987)	(5,597)	11,861	5,816
Impact on profit before taxation - Prior year	(10,804)	(5,502)	11,648	5,713

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 the date of anniversary of the policy of every year and future premium increases are aligned to inflation and market trends.

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 5.50% (2021: 4.28%). This is based on the rate of return that the group earns on the assets backing the cashback liability.

32. Risk management (continued)

32.3 Insurance risk management (continued)

32.3.11 Sensitivity to long-term insurance risk

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

(1) Lapse rates;
(2) mortality and morbidity;
(3) expenses;
(4) interest rates, and
(5) non-collection 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 R226.1 million (2021: R249.3 million);
- a worsening in mortality and morbidity assumptions by 20% results in profit before tax reducing by R447.4 million (2021: R391.2 million);
- a 20% increase in renewal expense per policy per annum would reduce profit before tax by R195.0 million (2021: R174.2 million);
- a 20% increase in interest rate together with an equivalent increase in inflation would reduce profit before tax by R182.1 million (2021: R150.9 million); and
- a 20% increase in non-collection rates would reduce profit before tax by R87.2 million (2021: R69.9 million).

32.4 Capital management

For risk management purposes the alternate (2021: 1.35) and measured its risk exposures against this level.

The group submit quarterly and annual returns to the Prudential Authority in terms of the insurance legislation. The group is required to at all times maintain a minimum statutory solvency capital requirement of 1 and this level was met at year-end and during the year. The group met this requirement during the year and at year-end.

33. Classes and categories of assets and liabilities

Categories of assets - 2022

		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	-	-	244,926	244,926	244,926
Goodwill	5	-	-	152,965	152,965	152,965
Investments in participating interests	14	366,985	-	214,902	581,887	581,887
Loan receivable		8,048	-	-	8,048	7,465
Other financial investments	16	29,364	2,876,871	-	2,906,235	990,955
Policyholders assets arising from long term insurance contracts	9	-	-	1,436,297	1,436,297	1,278,304
Reinsurers' share of policyholder asset arising from long-term		-	-	181,012	181,012	161,102
Financial assets backing investment contract liabilities	10	1,886,710	671,334	-	2,558,044	2,263,376
Reinsurers' share of long-term business provision	12	-	-	176,136	176,136	44,160
Reinsurers' share of provision for claims incurred but not reported	12	-	-	159,080	159,080	18,280
Insurance receivables	16	-	-	310,058	310,058	-
Expected insurance salvages and recoveries	13	-	-	234,761	234,761	24,055
Current tax receivable		-	-	14,350	14,350	-
Other receivables	16	-	79,840	72,581	152,421	892
Plant and equipment	7	-	-	719,559	719,559	719,559
Right of use assets	10	-	-	88,671	88,671	88,671
Inventory	18	-	-	2,023	2,023	-
Cash and cash equivalents	17	-	1,593,352	-	1,593,352	-
Deferred tax	6	-	-	89,382	89,382	89,382
Deferred acquisition costs	11	-	-	14,834	14,834	-
Prepayments	16	-	-	44,514	44,514	-
		2,291,107	**5,221,397**	**4,156,051**	**11,668,555**	**6,665,979**

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

The carrying amount of financial instruments not held at fair value approximates their fair value, except as disclosed in note 10.1.

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

Categories of assets - 2021

		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	-	-	265,597	265,597	265,597
Goodwill	5	-	-	152,965	152,965	152,965
Investments in participating interests	14	329,944	-	206,417	536,361	536,361
Loans to related parties *	15		556	-	556	-
Loan receivable		7,322	-	-	7,322	6,926
Other financial investments	16	29,361	2,918,615	-	2,947,976	1,691,287
Policyholders assets arising from long term insurance contracts	9	-	-	1,340,409	1,340,409	1,192,965
Reinsurers' share of policyholder asset arising from long-term		-	-	111,855	111,855	99,551
Financial assets backing investment contract liabilities	10	1,822,755	637,180	-	2,459,935	2,429,929
Reinsurers' share of long-term business provision	12	-	-	188,207	188,207	36,344
Reinsurers' share of provision for claims incurred but not reported	12	-	-	145,041	145,041	15,463
Insurance receivables	16	-	-	248,177	248,177	-
Expected insurance salvages and recoveries	13	-	-	190,183	190,183	20,873
Current tax receivable		-	-	29,505	29,505	-
Other receivables	16	-	61,749	132,036	193,785	34
Plant and equipment	7	-	-	695,838	695,838	695,838
Right of use assets	10	-	-	155,674	155,674	155,674
Inventory	18	-	-	3,886	3,886	-
Cash and cash equivalents	17	-	1,326,899	-	1,326,899	-
Deferred tax	6	-	-	92,082	92,082	92,082
Deferred acquisition costs	11	-	-	14,184	14,184	-
Prepayments	16	-	-	51,304	51,304	-
		2,189,382	**4,944,999**	**4,023,360**	**11,157,741**	**7,391,889**

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

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

Categories of liabilities - 2022

		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	-	-	338,199	338,199	214,879
Long-term business provision	12	-	-	476,900	476,900	105,990
Claims outstanding	12	-	-	938,819	938,819	62,455
Investment contract liabilities	10	1,894,289	661,443	-	2,555,732	2,261,064
Deferred tax	6	-	-	258,519	258,519	258,519
Provisions	18	-	-	361,562	361,562	244,902
Insurance payables	19	-	-	987,034	987,034	461,036
Reinsurers' share of expected insurance salvages and recoveries	13	-	-	169,280	169,280	18,058
Loans from related parties	15	-	42,072	-	42,072	-
Other financial liabilities		-	536,782	-	536,782	507,237
Current tax payable	27	-	-	28,512	28,512	-
Other payables	19	12	212,540	95,939	308,492	32,134
Lease liabilities	10	-	-	130,956	130,956	107,397
Accruals	19	-	-	148,366	148,366	-
		1,894,301	**1,452,837**	**3,934,086**	**7,281,225**	**4,273,671**

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

Categories of liabilities - 2021

		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	-	-	335,390	335,390	205,192
Long-term business provision	12	-	-	535,708	535,708	103,466
Claims outstanding	12	-	-	813,839	813,839	44,740
Investment contract liabilities	10	1,822,755	623,820	-	2,446,575	2,416,569
Deferred tax	6	-	-	284,271	284,271	284,271
Provisions	18	-	-	423,889	423,889	10,643
Insurance payables	19	-	-	1,008,914	1,008,914	461,036
Reinsurers' share of expected insurance salvages and recoveries	13	-	-	137,073	137,073	15,793
Loans from related parties	15	-	36,234	-	36,234	-
Other financial liabilities		-	566,283	-	566,283	536,774
Current tax payable	27	-	-	7,506	7,506	-
Other payables	19	323	184,544	64,677	249,544	25,977
Lease liabilities	10	-	-	196,330	196,330	179,951
Accruals	19	-	-	150,578	150,578	-
		1,823,078	**1,410,881**	**3,958,175**	**7,192,134**	**4,284,412**

The carrying amount of financial instruments not held at fair value approximates their fair value, except as disclosed in note 10.1.

34. Long-term and annual incentive 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 thegroup.

The liability of R291,768,000 (2021: R356,623,000) is included in note 20.

35. Contingencies

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.
- The performance guarantees issued by Nedbank Ltd on behalf of the company relate to the payment performance of its obligations in terms of the underlying agreements. The beneficiaries of the guarantees are only entitled to claim under these guarantees should the company not perform its payment obligations in terms of the underlying agreements.

Telesure Investment Holdings Proprietary Limited

The amounts receivable from Rockport Capital Proprietary Limited were subordinated in favour of third party creditors. Refer to note 16.

36. Employees

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

	2022	2021
	Number	**Number**
Call centre staff	2,171	2,157
Management, business development and support services	2,153	2,035
Legal services	8	27
	4,332	**4,219**

The aggregate remuneration comprised:

	2022	2021
	R'000	**R'000**
Wages and salaries	1,699,823	1,671,676

37. Commitments

Telesure Investment Holdings (Proprietary) Limited ("TIH") made a binding offer to purchase a 100% equity interest in the Renasa Group ("Renasa") that comprises Renasa Holdings Proprietary Limited, Concourse Holdings Proprietary Limited and Summit Risk Holdings Proprietary Limited, on the 12th of May 2022.

The offer was subject to approval from the Prudential Authority as well as the Competition Commission. Once the final approval was received on 22 December 2022, TIH obtained control of Renasa and the entities became subsidiaries of TIH.

Consideration for 100% interest in Renasa is structured with an upfront cash payment of R250m, and two subsequent contingent consideration payments of R50m each, based on agreed future performance hurdles.

Total consideration is subject to downward adjustments, and these adjustments are based on agreed minimum solvency capital requirements for Renasa Insurance Company Limited and working capital movements in other Renasa Group entities.

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 and smallest group in which the results of the Company are consolidated is that headed the Company itself.

39. Post balance sheet events

Following a binding offer to purchase a 100% equity interest in the Renasa Group ("Renasa") that comprises Renasa Holdings Proprietary Limited, Concourse Holdings Proprietary Limited and Summit Risk Holdings Proprietary Limited, on the 12th of May 2022, the final regulatory approval was received on 22 December 2022. Consequently, on 22 December 2022 TIH obtained control of Renasa and the entities became subsidiaries of TIH.

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 2022
Company statement of financial position

Company registration number: 11707219

	Note	2022	2021
		R'000	R'000
Fixed assets			
Investments in subsidiaries	2	12,944,000	12,944,000
Current assets			
Debtors	4	5,570	5,470
Cash		1	-
Creditors: amounts falling due within one year			
Other creditors	5	42,072	39,586
Net current liabilities		**(36,501)**	**(34,116)**
Total assets less current liabilities		**12,907,499**	**12,909,884**
Accruals		1,188	1,270
Net assets		**12,906,311**	**12,908,614**
Capital and reserves			
Share capital	6	12,944,000	12,944,000
Retained earnings		(37,689)	(35,386)
Total equity		**12,906,311**	**12,908,614**

The Company made a loss for the year of R2,303k (2021: £1,692k).

The financial statements were approved by the board of directors on 21st February 2023 and signed on its behalf by:

I R Leech
Director

The notes on pages 86 to 89 form part of these financial statements.

BHL (SA) Holdings Limited
Year ended 30 June 2022
Company statement of changes in equity

	Share capital	Retained earnings	Total equity
	R'000	**R'000**	**R'000**
At 1 July 2020	**12,744,000**	**(33,694)**	**12,710,306**
Issue of new shares in the period	200,000	-	200,000
Total comprehensive loss for the period	-	(1,692)	(1,612)
At 30 June 2021	**12,944,000**	**(35,386)**	**12, 908,614**
Total comprehensive loss for the period	-	(2,303)	(2,303)
At 30 June 2022	**12,944,000**	**(37,689)**	**12,906,311**

The notes on pages 86 to 89 form part of these financial statements.

1. Accounting policies

Details of the Company's most significant accounting policy, which is investments in subsidiaries, is set out below. Information about the other accounting policies is set out under Appendix A - Significant accounting policies, see 3 Financial instruments and 11. Foreign exchange.

Basis of preparation

The Company, a private limited company incorporated and domiciled in England and Wales, has elected to prepare its separate 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 UK ("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.

The financial statements have been prepared on the historical cost basis.

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 loss 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 25 to the consolidated financial statements for BHL (SA) Holdings Limited Group.

Going concern

Notwithstanding net current liabilities of R36,501k as at 30 June 2022 and a loss for the year then ended of R2,303k, 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 2022 amounted to R42,072k, 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.

Critical accounting judgements and key sources of estimation uncertainty

In applying the Group's accounting policies as described in the notes to the financial statements, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

There are no critical accounting judgements or key sources of estimation uncertainty.

2. Investment in subsidiaries

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

Name of company	Nature of business	% holding 2022	% holding 2021
Directly held:			
Telesure Investment Holdings Proprietary Limited	Holding company	100%	100%
BHL SA Investment Holdings (Pty) 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%
First for Women Insurance Company (RF) Limited	Short-term insurance	100%	100%
Hippo Comparative Services Proprietary Limited	Quote aggregator and comparative services	100%	100%
Hippo Advisory Services Proprietary Limited	Medical insurance broker	100%	100%
Rockport Capital Proprietary Limited	Holding company of Wealthport Proprietary Limited	100%	100%
Telesure Group Services Proprietary Limited	Administrative services	100%	100%
Unity Financial Services Proprietary Limited	Insurance brokers	100%	100%
Indirectly held through Rockport Capital Proprietary Limited:			
Wealthport Proprietary Limited	Administrative financial services provider	100%	100%
Wealthport Nominees Proprietary Limited	Registered holder and custodian of the investments of clients	100%	100%

One Call Insurance Brokers Proprietary Limited was sold during the prior year.

2. Investment in subsidiaries (continued)

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

Name of company	Carrying amount	
	2022	2021
	R'000	R'000
Telesure Investment Holdings Limited	12,744,000	12,744,000
BHL SA Investment Holdings (Pty) Limited	200,000	200,000
	12,944,000	12,944,000

3. Other investments

During 2020 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 (2021: nil).

4. Debtors

	2022	2021
	R'000	R'000
Falling due within one year:		
Loan receivable from group company	5,570	5,470

Loan is with BHL SA Investment Holdings (Pty) Limited and is interest free, repayable on demand and unsecured.

5. Creditors

	2022	2021
	R'000	R'000
Falling due within one year:		
Other creditors	-	5,471
Amounts owed to related undertakings	42,072	34,115
	42,072	40,856

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

6. Share capital

	2022	2021
	£'000	£'000
Authorised, allotted, called up and fully paid		
Ordinary shares of £1 each	718,151	718,151

The value of the original share issue on 28 December 2018 in Rand was R12,744,000,000. The value of the share issue in the prior year in Rand was R 200,000,000. Each share is entitled to one vote. Each share is entitled to dividend payments and any other distribution including on a winding up of the company.

7. 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. The smallest group in which they are consolidated is that headed by the Company itself.

8. Post balance sheet events

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

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.

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 thecontracts.

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. Gross insurance claims for life insurers are recorded as an expense at a discounted amount when they are incurred, and consist of claims paid during the financial year together with the movement in provisions for outstanding claims and IBNR. 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.

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.

1. Insurance contracts (continued)

Measurement (continued)

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. The discount rate applied by the life insurer on IBNR and OCR is obtained from the risk-free rates that is received from the Prudential Authority.

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.

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. Fair value gains and losses have been offset in profit or loss only to the extent that the gain and loss offset occurred on investment contract liabilities.

The group has entered into forward exchange contracts (FEC), during the year of assessment. The FEC's are considered to be derivative instruments that are held at fair value through profit or loss. Any movement in the FEC asset and liability will be accounted for within profit or loss, as a fair value adjustment.

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
Forward exchange contract assets	Fair value through profit or loss	Mandatory
Financial assets backing investment contracts- underlying products		
Endowment policy - Product 1	Amortised cost	Designated
Endowment policy - Product 2	Fair value through profit or loss	Designated
Endowment policy - Product 3	Fair value through profit or loss	Designated
Living annuity	Fair value through profit or loss	Designated
Loan receivable	Fair value through profit or loss	Mandatory
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	Designated
Endowment policy - product 2	Fair value through profit or loss	Designated
Endowment policy - product 3	Fair value through profit or loss	Designated
Living annuity	Fair value through profit or loss	Designated
Loans due to related parties	Amortised cost	Mandatory
Other financial liabilities	Amortised cost	Mandatory
Trade and other payables	Amortised cost	Mandatory

Investment contracts asset and liabilities held at fair value through profit or loss

Subsequent to initial recognition, investment contract assets and investment contract liabilities are measured at fair value, and any gains or losses therein are offset.

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.

The gains and losses on the living annuity products are offset through profit or loss on the statement of profit or loss and other comprehensive income.

4. Intangible assets

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.

Other 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.

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.

Development costs will be capitalised once the following requirements are met:
- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

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

Property, 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.

Land and buildings are initially measured at cost and subsequently measured at fair value. Valuations are performed at least annually by an independent professional valuer.

Any increase in the property's carrying amount, as a result of a revaluation, is recognised in other comprehensive income and accumulated in the revaluation surplus in equity. The increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same property previously recognised in profit or loss.

The decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in the revaluation reserve in equity. If there is no credit in the revaluation reserve, a decrease in a property's carrying amount, as a result of a revaluation, is recognised in profit or loss in the current period.

Property, 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 property, 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
Land and buildings	Straight line	50 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.

Inventory are expensed once the item has been dispatched to the client and the cost is then allocated to acquisition cost in the statement of profit or loss.

7. Leases

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.

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 was exposed to variable lease payments, due to the lease agreement with Napier Gardens Proprietary Limited. The monthly rentals were escalated by CPI. The Napier Gardens Proprietary Limited lease was terminated on 30 June 2021. 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. Where leases are terminated, the right-of-use asset and lease liability is derecognised and any resulting gain or loss, is recognised in the statement of profit or loss.

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.

Merger reserve

A merger reserve of R(7,072,551)k arose on consolidation following the transfer of the TIH shares to the Company from its parent company on 28 December 2018. The consolidated reserves of the Group were adjusted on the basis that TIH was already owned by the Company and the difference between i) the Company's investment in TIH and ii) TIH's share capital plus retained earnings was recognised within equity as a merger reserve.

Revaluation reserve

The revaluation reserve of R18,941k (2021: nil) comprises the revaluaiton of land and buildings above its original cost, after deferred tax is recognised on the revaluation.

10. Other income, expenses and provisions

Other income

Other revenue

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 obligation received or receivable.

To determine whether to recognise other income, the group follows a 5-step process:

(1) Identifying the contract with a customer;
(2) identifying the performance obligations;
(3) determining the transaction price;
(4) allocating the transaction price to the performance obligations; and
(5) recognising revenue when/ as performance obligation(s) are satisfied.

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.

Finance income

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

Expenses

Finance expense

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

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. Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. 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.

Fair value adjustments

Fair value adjustment comprise, fair value adjustments on the En-commandite partnership, forward exchange contracts, investments in financial assets and land and buildings.

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.