CENTRIQ INSURANCE COMPANY LIMITED

Registration number: 1998/007558/06

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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RESPONSIBILITY OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements for the year ended 31 December 2020 have been audited in terms of Section 90 (1) of the Companies Act, no. 71 of 2008.

The annual financial statements for the year ended 31 December 2020 have been prepared by Elsie Jooste AGA (SA), and reviewed by Terina Erasmus, CA (SA).

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

The board of directors of Centriq Insurance Company Limited ("the Company") accepts responsibility for the integrity, objectivity and reliability of the annual financial statements of the Company. Adequate accounting records have been maintained. The board endorses the principle of transparency in financial reporting. The responsibility for the preparation and presentation of the financial statements has been delegated to management.

The responsibility of the external auditors is to express an independent opinion on the fair presentation of the financial statements based on their audit of the Company.

The Risk and Financial Review Committee has confirmed that adequate internal financial control systems are being maintained. There were no material breakdowns in the functioning of the internal financial control systems during the year. The board is satisfied that the financial statements fairly present the financial position, the results of the operations and cash flows in accordance with relevant accounting policies, based on International Financial Reporting Standards ("IFRS").

The board is of the opinion that the Company is financially sound and operates as a going concern. The financial statements have accordingly been prepared on this basis. Refer to note 30 for an assessment of COVID-19 and the expected impact on the Company.

The annual financial statements and report of the directors were approved by the board and signed on their behalf by:

DIRECTOR
16 February 2021

DIRECTOR
16 February 2021

CERTIFICATION BY COMPANY SECRETARY

In terms of Section 88(2) (e) of the Companies Act, 2008 ("the Act"), as amended, I certify that in respect of the financial year ended 31 December 2020, the Company has lodged with the Companies and Intellectual Property Commission all such returns and notices as required in terms of the Act and that all such returns and notices are true, correct and up to date.

E. PRICE
COMPANY SECRETARY
16 February 2021

REPORT OF THE AUDIT COMMITTEE

The Company's holding company, Santam Limited performed duties of an audit committee for the Company as prescribed in Section 94 (2) of the Companies Act no 71, 2008. The Santam Limited's Audit Committee is supported by the Company's Risk and Financial Review ("RFR") committee, which is a subcommittee of the board of the Company.

The Risk and Financial Review ("RFR") committee consists of 3 non-executive directors, 2 of whom are independent. The RFR committee met quarterly with the Chief Executive Officer and representatives from external and internal auditors, risk management as well as other assurance providers in attendance. The RFR committee operated in accordance with an annual work plan to cover all relevant matters. Items discussed at these meetings were formally minuted and, where needed, appropriate action plans were documented.

The mandate and responsibilities of the RFR committee encompass, amongst others, all actions required to:

- Oversee annual financial reporting including the annual financial statements;
- Ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities;
- Oversee the internal audit function;
- Oversee the risk management process;
- Oversee the external audit function; and
- Receive and deal with complaints (whether from within or outside the Company) relating either to the accounting practices and internal audit of the group, or to any related matter and report to the Santam Limited's audit committee on all complaints received and the action to be taken thereon.

During the year the RFR committee assisted the Santam Limited's Audit Committee and the board of directors by performing an objective and independent review of the performance of the finance and risk management functions. This was achieved through close cooperation and communication with management and the internal and external auditors, who have unrestricted access to members of the RFR committee.

The RFR committee also reviewed the Annual Financial Statements for the year ended 31 December 2020 and recommended these financial statements for approval by the Board on 16 February 2021. The RFR committee has functioned well and has performed all its other duties properly.

REPORT OF THE AUDIT COMMITTEE (CONTINUED)

The RFR committee considered the external auditor's independence for the financial year ended 31 December 2020 and is satisfied that the registered auditor, PricewaterhouseCoopers Inc., was independent of the Company.

The Santam Limited's Audit Committee with the appropriate assistance from the RFR committee is satisfied that it had fulfilled its responsibilities.

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PE Speckmann

Chairman Santam Audit Committee

REPORT OF THE DIRECTORS

1. ACTIVITIES

Centriq Insurance Company Limited ("the Company") is incorporated in the Republic of South Africa. The Company transacts all classes of non-life insurance primarily as a cell captive and alternative risk transfer insurer.

The company primarily offers the following structured insurance and risk financing solutions:

1.1. Cell Captive Insurance

The Company offers cell captive facilities to clients. A cell captive is a contractual arrangement entered into by the Company with a cell shareholder, whereby the risks and rewards associated with certain insurance activities accrue to the cell shareholder. Cell captive insurers allow clients to purchase non-convertible preference shares in the registered insurance company which undertakes the professional insurance management of the cell including underwriting, reinsurance, claims management, actuarial and statistical analysis, investment and accounting services. The terms and conditions are governed by the shareholders agreement. There are currently two distinct types of cell captive arrangements a) first party and b) third party.

a. First party cell captive arrangements are arrangements where the risks that are being insured relate to the cell shareholder's own operations or operations within the cell shareholder's group of companies.

   The cell shareholder and the policyholder are considered the same person. Where more than one contract is entered into with a single counterparty, it shall be considered a single contract, and the shareholder and insurance agreement are considered together for risk transfer purposes. As these contracts are a single contract there is no significant risk transfer and such cell captive facilities are accounted for as investment contracts.

b. Third party cell captive arrangements are arrangements where the cell shareholder provides the opportunity to its own client base to purchase branded insurance products. The Company is the principal to the insurance contract, although the business is underwritten on behalf of the cell shareholder. The shareholder's agreement however determines that the cell shareholders remain responsible for the solvency of the cell captive arrangement. In substance the Company therefore reinsures this business to the cell shareholder as the cell shareholder remains responsible for the solvency of the cell captive arrangement.

1. **ACTIVITIES (CONTINUED)**

1.2. **Own Risk Assumption**

The Company selectively participates in underwriting risk across the portfolios of traditional insurance business which our underwriting managers underwrite on our behalf.

1.3. **Alternative Risk Transfer**

This is a policy contract structure that allows for the provision of insurance cover on first party risks. These policies provide payment of a performance bonus/premium refund to the insured based on overall policy claims experience and after deduction of related expenses at the end of the policy period.

2. **OPERATING RESULTS**

The following tables provide an overview of the operating results for the past two financial years.

	2020	2019
	R'000	R'000
Total assets	**10,257,654**	8,585,433
Gross written premiums	**3,359,348**	3,292,415
Investment income and net gains/(losses) on financial assets	**536,852**	441,577
Total comprehensive income for the year	**82,628**	72,160

3. **SHARE CAPITAL**

ORDINARY SHARE CAPITAL

The authorised and issued share capital remained unchanged during the year.

NON-CONVERTIBLE REDEEMABLE PREFERENCE SHARE CAPITAL

During the year the following shares were issued to cell shareholders as a result of the establishment of new cell captives as well as to recapitalise an existing cell captive:

3. **SHARE CAPITAL (CONTINUED)**

Description	Class	Number	Value (R)
Preference shares (existing)	NCRP B1	**20**	4,000,000
Preference shares (existing)	NCRP D5	**10**	1,000,000
Preference shares (existing)	NCRP B4	**1**	179,016
Preference shares (existing)	NCRP O10	**10**	35,000,000
Preference shares (existing)	NCRP C1	**10**	5,561,420
Preference shares (new)	NCRP O7	**20**	7,500,000
Preference shares (new)	NCRP O8	**30**	25,000,000
Preference shares (new)	NCRP O9	**20**	20,000,000
		121	98,240,436

The following share was redeemed by a cell shareholder:

Description	Class	Number	Value (R)
Preference shares	NCRP C10	**5**	577,046

In the prior year a total of 53 Non–convertible redeemable preference shares were issued as a result of the establishment of new cells or recapitalisation of existing cells for a total value of R 109,053,509 as detailed in note 15 of the annual financial statements. There were also 50 Non-convertible redeemable preference shares that were redeemed as a result of termination of existing cell captives for a value of R 886,000.

4. **DIVIDENDS**

ORDINARY SHARE CAPITAL

The following dividends were declared and paid during the year:

	2020	2019
Ordinary shares	**23,145,056**	28,400,000

4. **DIVIDENDS (CONTINUED)**

NON-CONVERTIBLE REDEEMABLE PREFERENCE SHARES

The following dividends were declared and paid during the year:

	2020	2019
Preference shares – (Class B3)	**6,380,000**	4,000,000
Preference shares – (Class C2)	**12,627,813**	22,432,203
Preference shares – (Class C7)	**512,708**	250,000
Preference shares – (Class B11)	**3,660,000**	-
Preference shares – (Class L1)	**2,300,000**	4,100,000
Preference shares – (Class M9)	**35,000,000**	-
Preference shares – (Class P8)	**29,000,000**	28,500,000
Preference shares – (Class O4)	**10,500,000**	-
Preference shares – (Class O5)	**14,329,719**	-
Preference shares – (Class O6)	**78,663,278**	-
	192,973,518	59,282,203

The following dividends were declared during the year and paid after year-end:

Preference shares – (Class O6)	**37,060,739**	-

Total dividends declared during the year	**230,034,257**	59,282,203

5. **RELATED PARTIES**

Related party relationships exist between the Company and its fellow subsidiaries, the holding company and the Sanlam and Santam Limited groups of companies. Transactions and balances with related parties are disclosed in note 31. There are no related party transactions with key management other than directors' emoluments.

6. **HOLDING COMPANY**

Centriq Insurance Holdings Limited, the Company's holding company, holds 100% of the ordinary issued share capital. Santam Limited holds 100% of the ordinary issued capital in Centriq Insurance Holdings Limited. The Company's ultimate holding company is Sanlam Limited.

7. **DIRECTORS EMOLUMENTS AND INTERESTS IN SHARE CAPITAL**

Executive directors' remuneration amounting to R13 172 638 (2019: R10 790 874) was paid by the Company during the year. The directors do not have any interest in the Company. The detail of the director's remuneration is disclosed in note 31.

8. **DIRECTORS AND COMPANY SECRETARY**

The directorship of the Company is as follows:

Executive directors

PA Jennett	(appointed 16/05/2013 as executive director and 01/09/2016 as Chief Executive Officer)*
MC le Roux	(appointed 16/05/2013)

Non–executive directors:

L Lambrechts (Chairman)	(appointed 01/01/2015) #
HD Nel	(appointed 15/11/2012) ^
MD Dunn	(appointed 18/05/2016) #^
PE Speckmann	(appointed 01/11/2017) #^
M Matthee	(appointed 14/08/2019)

Sub–committee membership

Remuneration Committee members

^ Risk and Financial Review Committee members

* Investment Committee member

Company secretary

E Price	(appointed 21/02/2013)

The Company secretary's postal and business addresses are:

40 3rd Avenue
Parktown North
2193

9. **AUDITORS**

PricewaterhouseCoopers Inc. will continue in office in accordance with Section 90 (1) of the Companies Act, 2008.

10. **AUDIT COMMITTEE**

The Company's holding company, Santam Limited, performed duties of an audit committee for the Company as prescribed in Section 94 (2) of the Companies Act no71, 2008. Please refer to page 4 for the Report of the Audit Committee.

11. **CORPORATE GOVERNANCE REPORT**

The Corporate Governance and integrated reporting function for Centriq Insurance Company Limited is performed by the parent company, Santam Limited and as a result a stand-alone corporate governance and sustainability report for Centriq Insurance Company Limited has not been prepared.

12. **SUBSEQUENT EVENTS**

An ordinary shareholders' dividend payable to Centriq Insurance Holdings Limited of R14 368 536 was declared on 11 February 2021. Refer to note 29.

Independent auditor's report

To the Shareholder of Centriq Insurance Company Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Centriq Insurance Company Limited (the Company) as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Centriq Insurance Company Limited's financial statements set out on pages 15 to 110 comprise:

- the statement of financial position as at 31 December 2020;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards).*

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Centriq Insurance Company Limited's Annual Financial Statements for the year ended 31 December 2020", which includes the Report of the Directors, the Report of the Audit Committee and the Certification by Company Secretary as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial statements

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

In preparing the financial statements, the directors are responsible for assessing the 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 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 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.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Centriq Insurance Company Limited for 18 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: J.M. Goncalves

Registered Auditor

Johannesburg

19 April 2021

STATEMENT OF FINANCIAL POSITION

as at 31 December 2020

	Notes	2020	2019
		R'000	R'000
ASSETS			
Non–current assets			
Intangible assets	4	**1,187**	1,451
Property and equipment	5	**2,225**	2,074
Right-of-use asset	5	**5,879**	8,818
Financial assets at fair value through profit and loss: Debt securities	6	**3,926,861**	4,164,096
Deferred taxation	7	**16,450**	37,910
		3,952,602	4,214,349
Current assets			
Financial assets at fair value through profit and loss			
Equity securities	6	**274,659**	73,809
Debt securities	6	**2,643,226**	1,797,656
Short-term money market instruments	6	**1,150,050**	586,367
Reinsurance contracts	8	**962,751**	728,058
Deferred acquisition costs	9	**95,727**	71,819
Loans and receivables including insurance receivables	10	**693,566**	613,968
Current income tax asset		**-**	6,492
Cash and cash equivalents	11	**485,073**	492,915
Total current assets		**6,305,052**	4,371,084
TOTAL ASSETS		**10,257,654**	8,585,433
EQUITY			
Capital and reserves			
Ordinary share capital and premium	12	**55,000**	55,000
Distributable reserves	13	**333,571**	274,088
Total equity		**388,571**	329,088
LIABILITIES			
Non–current liabilities			
Liabilities due to cell shareholders	14	**2,068,288**	1,674,811
Insurance contracts	8	**254,340**	193,230
Lease liability	5	**2,359**	6,029
		2,324,987	1,874,070
Current liabilities			
Lease liability	5	**3,670**	3,075
Insurance contracts	8	**5,999,709**	5,215,814
Deferred reinsurance commission revenue	9	**83,345**	80,433
Investment contracts	15	**357,820**	80,969
Employee benefit obligations	16	**52,665**	40,581
Insurance and other payables	17	**1,031,676**	961,403
Current income tax liability		**15,211**	-
		7,544,096	6,382,275
Total liabilities		**9,869,083**	8,256,345
TOTAL EQUITY AND LIABILITIES		**10,257,654**	8,585,433

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2020

	Notes	2020	2019
		R'000	R'000
Gross written premium		3,359,348	3,292,415
Reinsurance premium		(2,510,515)	(2,175,429)
Net written premium		848,833	1,116,986
Change in unearned premium			
Gross		(758,506)	(696,985)
Reinsurers' share		153,633	91,864
Net insurance premium revenue		243,960	511,865
Investment income and net gains/(losses) on financial assets	19	536,852	441,577
Income on reinsurance contracts ceded	20	344,182	323,147
Fee income		131,374	113,521
Revenue from contracts with customers	21	7,745	4,423
Foreign exchange gains/(losses)		4,650	(2,253)
Net income		1,268,763	1,392,280
Insurance claims and loss adjustment expenses	22	(1,557,031)	(1,637,462)
Insurance claims and loss adjustment expenses recovered from reinsurers	22	1,187,894	1,014,856
Net insurance benefits and claims	22	(369,137)	(622,606)
Expenses for the acquisition of insurance contracts	23	(321,157)	(320,958)
Finance income allocated to cell shareholders		(185,662)	(83,933)
Expenses for marketing and administration	18	(263,146)	(249,648)
Expenses for asset management services		(15,847)	(8,928)
Expenses		(785,812)	(663,467)
Operating profit		113,814	106,207
Finance costs	24	(889)	(6,545)
Income tax recovered from cell shareholders		194,793	113,166
Profit before tax		307,718	212,828
Total tax expense		(225,090)	(140,668)
Tax expense allocated to shareholders	25	(30,297)	(27,502)
Tax expense allocated to cell shareholders	25	(194,793)	(113,166)
Profit for the year		82,628	72,160
Other comprehensive income		-	-
Total comprehensive income		82,628	72,160
Attributable to			
– equity holders of the Company		82,628	72,160

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

	Share Capital and Premium	Distributable Reserves	Total
	R'000	R'000	R'000
Balance as at 1 January 2019	**55,000**	**230,328**	**285,328**
Profit for the year	-	72,160	72,160
Other comprehensive income for the year	-	-	-
Ordinary dividends paid	-	(28,400)	(28,400)
Balance as at 31 December 2019	**55,000**	**274,088**	**329,088**
Balance as at 1 January 2020	**55,000**	**274,088**	**329,088**
Profit for the year	-	82,628	82,628
Other comprehensive income for the year	-	-	-
Ordinary dividends paid	-	(23,145)	(23,145)
Balance as at 31 December 2020	**55,000**	**333,571**	**388,571**

STATEMENT OF CASH FLOWS

for the year ended 31 December 2020

	Notes	**2020**	2019
		R'000	R'000
Cash flow from operating activities			
Cash generated from operations	26	**937,738**	1,048,585
Net realised fair value losses on assets		**(39,182)**	(17,730)
Dividend income		**6,479**	4,854
Interest income		**474,811**	482,284
Interest paid		**(328)**	(5,699)
Taxation paid	27	**(181,927)**	(153,888)
Acquisition of financial assets		**(5,666,800)**	(4,527,976)
Disposal of financial assets		**4,388,676**	3,199,505
Net cash inflow from operating activities		**(80,533)**	29,935
Cash flow from investing activities			
Proceeds on disposal of intangibles, property and equipment		**12**	18
Purchase of intangible assets		**(636)**	(787)
Purchase of property and equipment		**(1,203)**	(649)
Cash outflow from investing activities		**(1,827)**	(1,418)
Cash flow from financing activities			
Proceeds from issue of preference shares		**98,240**	109,054
Repayments of amounts due to preference shareholders		**(577)**	(886)
Ordinary Dividends paid		**(23,145)**	(28,400)
Net cash inflow/(outflow) from financing activities		**74,518**	79,768
Net change in cash and cash equivalents		**(7,842)**	108,285
Cash and cash equivalents at the beginning of the year		**492,915**	384,630
Cash and cash equivalents at the end of the year		**485,073**	492,915

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented and are consistent with the previous year unless otherwise stated.

1.1 Basis of presentation

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and the interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”), and are in compliance with the requirements of the Companies Act of South Africa 2008. The financial statements have been prepared under the historical cost convention, modified by the revaluation of financial assets designated at fair value through profit and loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2, critical accounting estimates and judgments in applying accounting policies.

The Company did not early adopt any of the IFRS standards.

All amounts in the notes are shown in South African Rands, rounded to the nearest thousand, unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.1. Basis of presentation (continued)

1.1.1. International Financial Reporting Standards and amendments effective for the first time for December 2020 year-ends:

IFRS	Effective date	Executive summary
Amendment to IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting policies, changes in accounting estimates and errors' on the definition of material.	Annual periods beginning on or after 1 January 2020 (Published October 2018)	These amendments to IAS 1 and IAS 8 and consequential amendments to other IFRSs: • use a consistent definition of materiality through IFRSs and the Conceptual Framework for Financial Reporting; • clarify the explanation of the definition of material; and • incorporate some of the guidance in IAS 1 about immaterial information. The amended definition is: "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."
Amendments to IFRS 9, 'Financial Instruments', IAS 39, 'Financial Instruments: Recognition and Measurement' and IFRS 7, 'Financial Instruments: Disclosure' – Interest rate benchmark reform (Phase 1)	Annual periods beginning on or after 1 January 2020 (early adoption is permitted) (Published September 2019)	These amendments provide certain reliefs in connection with interest rate benchmark reform (IBOR). The reliefs relate to hedge accounting and have the effect that IBOR should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

1.1. **Basis of presentation (continued)**

1.1.2. **International Financial Reporting Standards and amendments issued but not effective for 31 December 2020 year-end**

Number	Effective date	Executive summary
IFRS 16, 'Leases' COVID-19-Related Rent Concessions Amendment	Annual periods beginning on or after 1 June 2020 (early adoption is permitted) (Published June 2020)	The IASB has provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification, provided that the concession meets certain conditions. Lessees can elect to account for qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment.
Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 7 'Financial Instruments: Disclosures', IFRS 4 'Insurance Contracts' and IFRS 16 'Leases' – interest rate benchmark (IBOR) reform (Phase 2)	Annual periods beginning on or after 1 January 2021 (Published August 2020)	The Phase 2 amendments address issues that arise from the implementation of the reform of an interest rate benchmark, including the replacement of one benchmark with an alternative one.
Amendment to IAS 1 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current	Annual periods beginning on or after 1 January 2022 (Published January 2020)	The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant).
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' on Onerous Contracts—Cost of Fulfilling a Contract	Annual periods beginning on or after 1 January 2022 (Published May 2020)	The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

1.1. **Basis of presentation (continued)**

1.1.2. **International Financial Reporting Standards and amendments issued but not effective for 31 December 2020 year-end (continued)**

Annual improvements cycle 2018 -2020	Annual periods beginning on or after 1 January 2022 (Published May 2020)	These amendments include minor changes to: • IFRS 9, 'Financial Instruments' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation. • IFRS 16, 'Leases', amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives.
IFRS 17, 'Insurance contracts'	Annual periods beginning on or after 1 January 2023 Early application is permitted for entities that apply IFRS 9, 'Financial Instruments', and IFRS 15, 'Revenue from Contracts with Customers', at or before the date of initial application of IFRS 17. (Published May 2017)	The IASB issued IFRS 17, 'Insurance contracts', and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators. Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period. Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less. For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. Consequently, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract.
IFRS 17, 'Insurance contracts' Amendments	Annual periods beginning on or after 1 January 2023 (Published June 2020)	In response to some of the concerns and challenges raised, the Board developed targeted amendments and several proposed clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and ease transition. The amendments are not intended to change the fundamental principles of the standard or unduly disrupt implementation already underway.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

1.1. **Basis of presentation (continued)**

1.1.2. **International Financial Reporting Standards and amendments issued but not effective for 31 December 2020 year-end (continued)**

Number	Effective date	Executive summary
IFRS 16, 'Leases' COVID-19-Related Rent Concessions Amendment	Annual periods beginning on or after 1 June 2020 (early adoption is permitted) (Published June 2020)	The IASB has provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification, provided that the concession meets certain conditions. Lessees can elect to account for qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

1.1. **Basis of presentation (continued)**

1.1.3. **Discussion of impact of initial application of changes to standards and interpretations that are not yet effective and have not been early adopted by the Company**

i. **IFRS 17 – Insurance contracts**

IFRS 17 *Insurance contracts* was issued in May 2017 and will be effective for annual periods beginning on or after 1 January 2023. The previous IFRS Standard on insurance contracts, IFRS 4, was an interim standard that allowed entities to use a wide variety of accounting practices for insurance contracts, reflecting national accounting requirements and variations of those requirements. In contrast to the requirements of IFRS 4, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

IFRS 17 applies to all types of insurance contracts (i.e. life, non-life, direct and reinsurance), regardless of the type of entity that issue those contracts. The General Model (also referred to as building block approach) forms the core of IFRS 17. It is supplemented by:

- A specific adaption for contracts with direct participation features (“the variable fee approach”); and
- A simplified approach (“the premium allocation approach”) mainly for short-duration contracts.

The implementation of IFRS 17 will have different financial and operational impactions for each entity that adopts the standard. It is, however, expected that fundamental changes will be required in the following areas:

- Liability measurement
- Data requirements
- Operations and the underlying systems
- Management reporting

ii. **Other Reporting Standards**

The Company does not expect that the remaining statements will have a significant impact on the financial results and disclosures.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

1.2. Property and equipment

Property and equipment are measured at historic cost which includes expenditure that is directly attributable to the acquisition of the items, less accumulated depreciation and impairment charges.

Depreciation is calculated using the straight–line method to write off the cost of each item of property and equipment to its residual value over its estimated useful life as follows:

Computer equipment	3 years
Furniture and fittings	7 years
Leasehold improvements	6 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed at each statement of financial position date and adjusted if appropriate. An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Subsequent costs and additions are included in the assets' carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the Company and the cost of the item can be measured. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the assets and are included in profit or loss before tax. Refer 1.11 – Impairment of assets.

1.3. Leases

Until the 2018 financial year, the lease was classified as an operating lease. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), less any lease incentives receivable.

Right of use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

1.3. **Leases (continued)**

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The Company uses the Prime lending rate as its incremental borrowing rate.

1.4. **Intangible assets**

Intangible assets consist of computer software. Expenditure on acquired computer software controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year is capitalised and amortized using the straight–line basis over its useful life, which is three years. The carrying amount is reviewed annually and adjusted for impairment, where it is considered necessary.

The intangibles are subsequently measured at cost let accumulated amortisation and impairment.

1.5. **Insurance contracts**

1.5.1 **Classification of contracts**

Contracts under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary are classified as insurance contracts.

A risk is a significant risk if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding those that lack commercial substance and is assessed on a contract by contract basis; except in circumstances where there is a relatively homogeneous book of small contracts which are known to transfer risk.

Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, credit rating, credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance contracts may also transfer some financial risk. Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

1.5. **Insurance contracts (continued)**

1.5.1 **Classification of contracts (continued)**

The Company provides contracts which are classified into three main categories depending on the type of insurance contract entered into namely cell, alternative risk transfer policy and non-life insurance.

i. **Cell insurance**

The Company offers cell captive facilities to clients. A cell captive is a contractual arrangement entered into by the Company with a cell shareholder, whereby the risks and rewards associated with certain insurance activities accrue to the cell shareholder. Cell captives allow clients to purchase non-convertible preference shares in the registered insurance company which undertakes the professional insurance management of the cell including underwriting, reinsurance, claims management, actuarial and statistical analysis, investment and accounting services. The terms and conditions are governed by the shareholders agreement. There are currently two distinct types of cell captive arrangements a) first party and b) third party.

a. First party cell captive arrangements are arrangements where the risks that are being insured relate to the cell shareholder's own operations or operations within the cell shareholder's group of companies. The cell shareholder and the policyholder are considered the same person. Where more than one contract is entered into with a single counterparty, it shall be considered a single contract, and the shareholder and insurance agreement are considered together for risk transfer purposes. As these contracts are a single contract there is no significant risk transfer and such cell captive facilities are accounted for as investment contracts.

b. Third party cell captive arrangements are arrangements where the cell shareholder provides the opportunity to its own client base to purchase branded insurance products. The Company is the principal to the insurance contract, although the business is underwritten on behalf of the cell shareholder. The shareholder's agreement however determines that the cell shareholders remain responsible for the solvency of the cell captive arrangement. In substance the Company therefore reinsures this business to the cell shareholder as the cell shareholder remains responsible for the solvency of the cell captive arrangement.

The cell shareholder's interest represents the cell shareholder's funds held by the insurer and is included under "Liabilities due to cell shareholders". The carrying value of amounts due to cells is the consideration received for preference shares plus the accumulated funds in respect of business conducted in the cells less repayments to cells.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

1.5. **Insurance contracts (continued)**

1.5.1 **Classification of contracts (continued)**

ii. **Alternative Risk Transfer ("ART")**

This is a policy contract structure that allows for the provision of insurance cover on first party risks. These policies provide payment of a performance bonus/premium refund to the insured based on overall policy claims experience and after deduction of related expenses at the end of the policy period.

iii. **Non-Life insurance**

Non-Life insurance provides benefits under non-life policies, which include engineering, guarantee, liability, miscellaneous, motor, accident and health, property and transportation, or a contract comprising a combination of any of those policies. Non-Life insurance contracts are further classified into the following categories:

- Personal insurance, consisting of insurance provided to individuals and their personal property; and
- Commercial insurance, providing cover on the assets and liabilities of business enterprises.

1.5.2 **Recognition and measurements of insurance contracts**

i. **Gross written premium**

Gross premiums exclude value added tax. Premiums are accounted for as income when the risk related to the insurance policy incepts and are spread over the risk period of the contract by using an unearned premium provision. All premiums are shown before deduction of commission payable to intermediaries.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

1.5. **Insurance contracts (continued)**

1.5.2 **Recognition and measurements of insurance contracts (continued)**

ii. **Provision for unearned premiums**

The provision for unearned premiums for cell captive- and non-life insurance represents the portion of the current year's premiums that relate to risk periods extending into the following year. The provision for unearned premiums is computed separately for each insurance contract by using the 365th method. This method is appropriate when the risk is spread evenly over the period of insurance. Under this method the unearned premium liability is calculated by multiplying the total premiums received by the ratio of the number of days which the contract will still be active after the reporting date to the total number of days for which the contract was initially written. The change in this provision is taken to the statement of comprehensive income in order that revenue is recognised over the period of the risk. For policies where the risk is not spread evenly over the period of insurance (alternative risk transfer policies), reserves are determined with reference to the underlying risk exposure assumed. Valuation of these exposures is determined by using discounted cash flow projections, adjusted for a risk margin to recognise uncertainty inherent in the cash flow projections.

iii. **Provision for unexpired risk**

Provision is made for underwriting losses that may arise from unexpired risks when it is anticipated that unearned premiums will be insufficient to cover future claims, as well as claims–handling fees and related administrative costs. This liability adequacy test is performed annually to ensure the adequacy of short–term insurance liabilities. Any deficiency is immediately charged to profit or loss.

iv. **Provision for claims**

Provision is made for the estimated final cost of all claims that had not been settled on the accounting date, less amounts already paid. Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. Provision for outstanding claims is estimated using the assessments on individual cases reported to the Company. The claims provision includes an estimated portion of the direct expenses of the claims and assessment charges. Claims provisions are not discounted as it is not expected to make a material impact to the estimate result as claims are expected to be settled in approximately one year.

v. **Provision for claims incurred but not reported ("IBNR"*)***

Provision is also made for claims arising from insured events that occurred before the close of the accounting period, but which had not been reported to the Company at that date. This provision is calculated using actuarial modelling (refer note 2).

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

1.5. **Insurance contracts (continued)**

1.5.2. **Recognition and measurement of insurance contracts (continued)**

vi. **Deferred policy acquisition costs ("DAC")**

Acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are deferred over the period in which the related premiums are earned, and are recognised as a current asset. The change in this asset is taken to the statement of comprehensive income in order that the expense is recognised over the period of the risk. All other costs are recognised as expenses when incurred.

vii. **Reinsurance contracts held**

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one, or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as assets. These assets consist of short–term balances due from reinsurers (classified within insurance receivables) on settled claims, as well as estimates (classified as reinsurance assets) that are dependent on the gross outstanding claims and IBNR provisions. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Primarily premiums payable for reinsurance contracts are reflected as reinsurance liabilities and are recognised as an expense when incurred.

The reinsurer's share of unearned premiums represents the portion of the current year's reinsurance premiums that relate to risk periods covered by the related reinsurance contracts extending into the following year. The reinsurers' share of unearned premium is calculated using the 365th method.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

1.5. **Insurance contracts (continued)**

1.5.2. **Recognition and measurement of insurance contracts (continued)**

viii. **Income on reinsurance contracts ceded and deferred reinsurance commission revenue**

Income from reinsurance contracts ceded, that varies with and is related to obtaining new reinsurance contracts and renewing existing reinsurance contracts, is deferred over the period of the related reinsurance contract and is recognised as a current liability. The change in this liability is taken to the statement of comprehensive income in order that revenue is recognised over the period of the risk. The deferred reinsurance commission revenue represents the portion of revenue received which corresponds to the provision for unearned premium.

The Company assesses its reinsurance assets for impairment on an annual basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the statement of comprehensive income. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for insurance receivables. The impairment loss is also calculated following the same method used for these insurance receivables.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

1.5. **Insurance contracts (continued)**

1.5.2. **Recognition and measurement of insurance contracts (continued)**

ix. **Receivables and payables related to insurance contracts**

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders and are included under insurance loans and receivables and insurance and other payables.

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the statement of comprehensive income. Objective evidence that an insurance receivable is impaired includes observable data that comes to the attention of the Company about one or more of the following events:

(i) significant financial difficulty of the issuer or debtor;
(ii) a breach of contract, such as a default or delinquency in payments;
(iii) it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisations;
(iv) the disappearance of an active market for that financial asset because of financial difficulties; or
(v) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannon yet be identified with the individual financial assets in the Company, including:

- adverse changes in the payment status of issuers or debtors in the Company; or
- national or local economic conditions that correlate with defaults on the assets in the Company.

The Company first assesses whether objective evidence of impairment exists individually for insurance receivables that are individually significant. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The amount of the loss is recognised in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

1.5. **Insurance contracts (continued)**

1.5.2. **Recognition and measurement of insurance contracts (continued)**

x. **Salvage reimbursements**

Some insurance contracts permit the Company to sell (usually damaged) property acquired in settling a claim (i.e. salvage). The Company may also have the right to pursue third parties for payment of some or all costs (i.e. subrogation). Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims. The allowance is the amount that can reasonably be recovered from the disposal of the property.

Subrogation reimbursements are also considered as an allowance in determining the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

xi. **Investment return allocated to cell shareholders**

Investment return allocated to cell shareholders relates to investment returns earned on cell shareholders' funds which are payable to cell shareholders in terms of the shareholders agreement.

1.6. **Investment contracts**

Non-life insurance policies are disclosed as investment contracts in the following instances:

1.6.1. **First party cells**

First Party cell captives are disclosed in accordance with the requirement detailed in the accounting policy under 'First party' (refer to accounting policy note 1.5.1 'Cell insurance').

1.6.2. **Policies with no significant risk transfer**

A risk is a significant risk if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding those that lack commercial substance and is assessed on a contract by contract basis except in circumstances where there is a relatively homogeneous book of small contracts which are known to transfer risk. Should an insurance contract not result in significant risk transfer, the contract will be accounted for as an investment contract.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.7. Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

1.8. Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case the related income tax is also recognised in equity.

1.8.1 Current tax

Current tax is the expected tax payable on the taxable profit for the year, using tax rates enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

1.8.2. Deferred tax

Deferred income tax is provided in full, using the balance sheet method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Enacted tax rates or substantially enacted rates at the statement of financial position date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

1.9. Foreign currencies

The financial statements are presented in the South African Rand value, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

1.10. Financial assets

The Company classifies its financial assets into the following categories: financial assets at fair value through profit and loss, and at amortised cost. Management determines the classification of its financial assets at initial recognition and re–evaluates this at every reporting date.

i. **Financial assets at fair value through profit and loss**

The following is classified as financial assets at fair value through profit or loss (FVPL):

- debt investments that do not qualify for measurement at either amortised cost or fair value through other comprehensive income (FVOCI);
- equity investments that are held for trading; and
- equity investments for which the Company has not elected to recognise fair value gains and losses through other comprehensive income (OCI).

ii. **Financial assets at amortised cost**

The following is classified as financial assets at amortised cost:

Other loans and receivables consisting of:

- amounts due from group companies
- cash and cash equivalents
- sundry debtors

The financial assets are non–derivative financial assets with fixed or determinable payments and the Company intends to hold the financial asset to collect the contractual cash flows which represent principal and interest.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

1.10. **Financial assets (continued)**

1.10.1 **Recognition and measurement**

Purchases and sales of investments are recognised on trade date – the date on which the Company commits to purchase or sell the asset. Financial assets at fair value are initially recognised at fair value. Transaction costs are recognised in the statement of comprehensive income. Financial assets at fair value are derecognised when the rights to receive cash flows from the financial assets have expired and where the Company has also transferred substantially all the risks and rewards of ownership.

Financial assets at fair value through profit and loss are subsequently carried at fair value. Movements arising from changes in the fair value of the 'financial assets at fair value through profit and loss' category are included in the statement of comprehensive income in the period in which they arise.

Other loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective-interest method, less provision for impairment. The carrying amount is considered to be the same as fair value due to the short term duration of the financial assets.

1.10.2. **Determination of fair value**

The fair values of quoted investments are based on current stock exchange close prices at the statement of financial position date. If the market for a financial asset is not active or if it is unquoted, the Company establishes fair value by using valuation techniques. These include discounted cash flow analysis, recent market related transactions, premium/discount to net asset value and price–earnings techniques. The Company's main valuation techniques incorporate all factors that market participants would consider and make maximum use of observable market data.

Debt securities are measured at fair value based on the market rate of an equivalent non-convertible bond. Unit trusts are measured at fair value based on the quoted repurchase prices.

1.10.3. **Derecognition of financial assets**

Financial assets are derecognised when the Company loses control over the contractual rights that comprise the asset and consequently transfers the substantive risks and benefits associated with the asset. This occurs when the rights are realized, expire or are surrendered.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

1.11. **Impairment of assets**

1.11.1. **Financial assets carried at amortised cost**

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss was recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Previous accounting policy
In the prior year the impairment was based on objective evidence that the financial asset is impaired and the Company reduced the carrying amount accordingly.

1.11.2. **Other non-financial assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where an asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit to which it belongs.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

1.12. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held on call with banks. Cash on hand and deposits held on call with banks are carried at amortised cost.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

1.13. Offsetting 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.

1.14. Share capital

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

1.15. Trade and other payables

Trade and other payables are recognised when the Company has a present obligation arising from past events, the settlement of which is expected to result in an outflow of economic benefits from the Company.

Trade and other payables are recognised initially at fair value, net of transaction costs incurred and are carried at amortised cost using the effective interest method.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

1.16. **Liability to cell shareholders**

Liability to cell shareholders is measured in accordance with the requirement set out in IFRS 4 detailed in the accounting policy under 'Cell Insurance' (refer to accounting policy note (1.5.1)).

Liabilities to cell shareholders represent the cells' funds in respect of the insurance business conducted in the cell structures. The premiums and claims relating to first party cells have been excluded from the statement of comprehensive income and are accounted for directly in the liability. The premium and claims payments relating to contracts in third party cells have been included in the statement of comprehensive income but as the third party cell, in substance, is the reinsurer the net result is accounted for as part of the liability.

Fees earned from the contracts are disclosed separately.

1.17. **Financial liabilities**

1.17.1. **Financial liabilities at amortised cost**

Financial liabilities at amortised cost include interest–bearing loans and borrowings and are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of comprehensive income over the year of the borrowings on an effective interest basis.

1.17.2. **Derecognition of financial liabilities**

A financial liability is derecognized when it is legally extinguished.

1.18. **Employee benefit obligations**

Performance bonus plan and long term incentive scheme

The Company recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments as well as growth targets. The Company recognises an accrual where contractually obliged or where there is a past practice that has created a constructive obligation.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

1.19. **Other revenue recognition**

1.19.1. **Interest income on financial assets held as investments**

Interest income from financial assets that are classified as at through profit and loss and cash and cash equivalents is recognised using the effective interest rate method

1.19.2. **Dividend income**

Dividend income from financial assets classified as at fair value through profit and loss is recognised on the last date to register. Preference share dividends are recognised using the effective interest rate method. Dividend income is included in the statement of comprehensive income in “Investment income and net (losses)/gains on financial assets” (Note 19).

1.19.3. **Fee income**

Fee income comprises of management fees charged to cells and are contractually agreed. Fee income is recognised when services are rendered

1.19.4. **Revenue from contracts with customers**

Revenue from contracts with customers comprises management fees received for administrative services rendered on first party policies. Revenue is recognised when services are rendered and is a contracted percentage of premium. A receivable is recognised when an investment contract is effective as this is the point in time that the consideration is unconditional because only the passage of time is required before payments is due.

There were no significant judgements in recognising revenue.

There are no:

- significant payment terms;
- obligations for returns, refunds and other similar obligations; or
- no types of warranties or related obligations.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

2.1. Critical accounting estimates and judgements

Preparing financial statements in accordance with IFRS requires that management make use of estimates, assumptions and judgements that affect the application of the accounting principles and reported amounts of assets, liabilities and contingent liabilities at the statement of financial position date as well as the reported income and expenses for the year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although estimates are based on management's best knowledge, experience, insight and judgement of current facts at the statement of financial position date, the actual outcome may deviate from these estimates, possibly significantly.

2.1.1 Insurance liabilities

One of the purposes of insurance is to enable policyholders to protect themselves against uncertain future events. Insurance companies accept the transfer of uncertainty from policyholders and seek to add value through the aggregation and management of these risks. The uncertainty inherent in insurance is inevitably reflected in the financial statements of the insurance company, principally in respect of the insurance liabilities of the Company.

Insurance liabilities include the provisions for unearned premiums, outstanding claims and IBNR (incurred but not reported) claims. Unearned premiums represent the amount of income set aside by the Company to cover the cost of claims that may arise during the unexpired period of risk of insurance policies in force at the statement of financial position date. At each statement of financial position date an assessment is made of whether the provisions for unearned premiums are adequate. A separate provision is made, based on information available at the statement of financial position date, for any estimated future underwriting losses relating to unexpired risks. Outstanding claims represent the Company's estimate of the cost of settlement of claims that have occurred by the statement of financial position date, but that have not yet been finally settled. In addition to the inherent uncertainty of having to provide for future events, there is also considerable uncertainty concerning the eventual outcome of claims that have occurred but had not yet been reported to the insurer by the statement of financial position date.

2. **CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)**

2.1. **Critical accounting estimates and judgements (continued)**

2.1.1. **Insurance liabilities (continued)**

i. **Process to determine significant assumptions**

Insurance risks are unpredictable and the Company recognises that it is not always possible to forecast, with absolute precision, future claims payable under existing insurance contracts. Over time, the Company has developed a methodology that is aimed at establishing insurance provisions that are expected to be adequate to settle all its insurance obligations.

a. **Outstanding claims provision**

The accurate estimation of provision for outstanding claims is critical. Each notified claim is assessed on a separate case–by–case basis with due regard to the specific circumstances, information available from loss adjusters and past experience with similar cases and historical claims payment trends. The claim estimates are adjusted as and when new information becomes available. The Company has outsourced the claims administration function to third party administrators and relies on them for the determination of outstanding claims provisions. The claims administrators use a best estimate approach where sufficient information is available, whilst a more prudent approach is adopted if the information is inadequate to determine an accurate provision. As part of the Company's risk management processes, financial and process reviews are conducted at third party administrators to ensure that the information received from third party administrators is reliable. Where it is felt that the case estimates are inadequate based on the available information, an additional provision called Incurred But Not Enough Reported ("IBNER") is provided for.

The provision for outstanding claims is initially estimated at a gross level. A separate calculation is carried out to estimate reinsurance recoveries. The calculation of reinsurance recoveries considers the type of risk underwritten, the year in which the loss claim occurred and under which reinsurance programme the recovery will be made, the size of the claim and whether the claim was an isolated incident or formed part of a catastrophe reinsurance claim.

2. **CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)**

2.1. **Critical accounting estimates and judgements (continued)**

2.1.1. **Insurance liabilities (continued)**

b. **Incurred but not reported ("IBNR")**

A comprehensive assessment of the adequacy of the IBNR provision is performed on a quarterly basis with the main data being sourced internally. The IBNR provision is calculated using the methodology provided in Board Notice 169 of 2011 as issued by the then Financial Services Board, now Prudential Authority. This method is based on various prescribed percentages which are multiplied with the net earned premium by line of business for the past 6 development years.

Where this method is not appropriate for a certain scheme, the claim records of that scheme are analysed to determine whether there are sufficient volumes of claims and that the period over which the claims are recorded is long enough in order to form credible development patterns. If these hold true, then the data is investigated further to remove any abnormalities and influences that are specific to that period and which are not expected to occur again over the period of projection.

The ultimate claims cost is then calculated using various statistical and actuarial techniques such as the Expected Loss Ratio, Basic Chain Ladder and Bornhuetter Fergusson methods. The method used is determined by the amount and nature of data available for the particular scheme or class of business.

These methods are briefly described below:

Expected Loss Ratio method – This method uses the experience of underwriters and claims managers who might know of events relating to the market as a whole or to individual claims before they become apparent in the statistics. The expected loss ratio is estimated and applied to the earned premium to estimate the ultimate claims figure. The IBNR is then derived by deducting the incurred reported claims from the ultimate claims figure. The main assumption under this method is that the estimated loss ratio is correct. The Company mainly uses this method for open underwriting year of each client.

2. **CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)**

2.1. **Critical accounting estimates and judgements (continued)**

2.1.1. **Insurance liabilities (continued)**

Basic chain ladder method – The basic technique involves the analysis of historical claims development or reporting patterns based on paid and incurred claims over as many years as the data allows under any particular scheme or class of business, typically 5 years being more common. These patterns are then used to calculate appropriate development factors for each development year. The selected development factors are applied to cumulative claims data for each accident year that is not yet fully developed to produce an estimated ultimate claims cost for each accident year. The IBNR provision is determined by subtracting the reported claims from the ultimate claims cost. The main assumption under this method is that claims from the earliest origin year are fully developed. The Company uses this method for most of the classes of business where there is sufficient claims data to lend credibility to the method, e.g. motor and property classes. This method is used for all underwriting year, excluding the open underwriting year.

Bornhuetter–Ferguson (B–F) method – This method combines the expected loss ratio with a projection method, usually the basic chain ladder. The method therefore improves on the crude use of a loss ratio by taking account of the information provided by the latest development pattern of the claims, whilst the addition of the loss ratio to a projection method serves to add some stability against distortions in the development pattern. The assumptions under this method are the same as those assumed under the two methods above.
Allowance is made for any trends that are developing such as changes in the administration of the business which can lead to changes in the reporting delay.

Sensitivity analysis

Factors based on client and/or lines of business are applied to exposure measures and used to determine the IBNR claims reserves. Any change in the exposure measure is expected to result in a proportionate change in the IBNR reserves, ceteris paribus. A 1% change in the latest year of exposure could result in the following changes in the reserves:

a. 1% increase in net exposure – results in approximately 0.88% increase in the overall reserves or R0.884m (2019: 0.82% or R1.045m)
b. 1% decrease in net exposure – results in approximately 0.88% decrease in the overall reserves or R0.884m (2019: 0.82% or R1.045m)
c. 1% increase in gross exposure – results in approximately 0.90% increase in the overall reserves or R1.990m (2019: 0.81% or R1.749m)
d. 1% decrease in gross exposure – results in approximately 0.90% increase in the overall reserves or R1.990m (2019: 0.81% or R1.749m)

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

2.1. Critical accounting estimates and judgements (continued)

2.1.1. Insurance liabilities (continued)

c. Premium provisions

The Company raises provisions for unearned premiums on a basis that reflects the underlying risk profile of its insurance contracts. An unearned premium provision is created at the commencement of each insurance contract and is released as the risk covered by the contract expires. Most of the Company's insurance contracts have an even risk profile. Therefore, the unearned premium provision is released evenly over the period of insurance using a time proportion basis. For the remainder of the insurance portfolio, which consists of mainly alternative risk business, the unearned premium is released on a basis consistent with the increasing, decreasing or uneven risk profile of the contracts involved. This risk profile is determined based on a historic time–based analysis of the incurred claims.

At each statement of financial position date an assessment is made of whether the provisions for unearned premiums are adequate. If the premium level is deemed to be insufficient, based on information available at the statement of financial position date, to cover the anticipated claims and operating expenses, a separate provision is made for any estimated future underwriting losses relating to unexpired risks. This assessment includes estimates of future claims frequency and other factors affecting the need for a provision for unexpired risk.

The provisions for unearned premiums are first determined on a gross level and thereafter the reinsurance impact is recognised. Deferred acquisition costs and reinsurance commission revenue is recognised on a basis that is consistent with the related provisions for unearned premiums.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

2.1. Critical accounting estimates and judgements (continued)

2.1.1. Insurance liabilities (continued)

d. COVID-19 Business Interruption ("BI") reserve

The basic methodology employed was to derive a reserve based on the exposure to BI claims, where policies had infectious disease cover, and allowing for the government permitted production capacity during the lockdown period. Only policies where claims have been notified, were included, this is considered reasonable given that lockdown and COVID-19 (which occurred around 8 months ago, at the date of writing) can be considered a type of catastrophe claim and reporting details for such claims tend to be very short. No further reporting of claims is expected.

2.1.2. Provisions

The Company is exposed to various liabilities at year end of uncertain timing or amount. Provision is made for such liabilities if a present or constructive obligation has arisen, payment is probable and the amount can be estimated reliably. Management uses their discretion to make an estimate of the expenditure required to settle the present obligation at the statement of financial position date.

2.1.3. Employee benefit obligations

Staff profit sharing and bonus plans

The Company recognises a liability and an expense for bonuses and profit–sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2. **CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)**

2.1. **Critical accounting estimates and judgements (continued)**

2.1.4. **Taxation**

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There might be transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred income tax is provided in full, using the balance sheet method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Assessing the recoverability of deferred income tax assets requires the Company to make estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ from estimates, the ability of the Company to realise the net deferred tax assets recorded at the statement of financial position date could be impacted.

2.1.5. **Financial assets**

The fair value of financial assets that are not traded in an active market is determined by using valuation techniques. The Company uses its judgement to select a variety of methods and assumptions that are mainly based on market conditions existing at each reporting date as per note 3.6.

2.2. **Changes in assumptions**

There have been no significant changes in the assumptions used during the 2020 financial year compared to the previous year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. RISK AND CAPITAL MANAGEMENT

3.1. Risk management framework

The Company has established an enterprise risk management framework that is designed to identify, assess, measure and manage exposure to risk. Its primary objective is to protect the Company from events that hinder the sustainable achievement of the Company's performance objectives, including failing to exploit opportunities.

For the discussions below, the following financial instruments and insurance balances are disclosed in classes based on their similar characteristics:

	2020	2019
	R'000	R'000
Financial and insurance assets		
Quoted debt securities	**3,758,534**	2,665,840
Unquoted debt securities	**2,811,553**	3,295,912
Quoted equity securities	**274,657**	73,809
Unquoted equity securities	**2**	-
Short-term money market instruments	**1,150,050**	586,367
Total financial assets designated at fair value through profit and loss	**7,994,796**	6,621,928
Receivables due from contract holders and intermediaries	**570,121**	504,284
Other loans and receivables	**123,445**	109,684
Total loans and receivables including insurance receivables	**693,566**	613,968
Reinsurance assets	**962,751**	728,058
Cash and cash equivalents	**485,073**	492,915
Total financial and insurance assets	**10,136,186**	8,456,869
Liabilities due to cell shareholder		
Amounts due to cell shareholders	**2,068,288**	1,674,811
Financial and insurance liabilities		
Insurance liabilities	**6,254,049**	5,409,044
Investment contracts	**357,820**	80,969
Insurance payables	**332,749**	310,698
Other payables	**698,927**	650,705
Total financial and insurance liabilities	**9,711,833**	8,126,227

3. **RISK AND CAPITAL MANAGEMENT (CONTINUED)**

3.2. Regulatory impact on risk and risk assessments

The Company's insurance operations are subject to regulatory requirements that prescribe the type, quality and concentrations of investments, and the level of assets to be maintained in local currency to meet insurance liabilities. These requirements help to maintain the Company's market risk at an acceptable level.

In monitoring risks, the Company makes use of compiled information on all material risks, along with information on likelihood and severity of risks, and the mitigating actions taken or planned. This enables the Company to assess its overall risk exposure and to develop a risk map, identifying any concentration of risk that may exist, and to define which risks and what level of risk the Company is prepared to accept.

3.3. Insurance risk

3.3.1. Objectives for risk management and controls for mitigating risk

Insurance risks refer to risks arising from the underwriting of insurance contracts and include risks that are directly or indirectly associated with the technical or actuarial basis of calculation for premiums and technical provisions.

One of the Company's main insurance activities involves the provision of alternative risk transfer solutions to corporate clients that adopt good risk management principles. The Company also assumes the risk of loss from persons that are directly subject to the risk. Insurance solutions are provided by way of alternative risk transfer policies and by way of first and third party cell captives.

The Company has in place approved alternative risk transfer policy wordings and has developed specific section wordings which are incorporated in its suite of policy wordings. For the cell captive business, policy wordings are designed specifically for the type of cover being provided within the cells.

The Company has ensured the successful implementation of Board Notice 158 of 2014 – Governance and Risk Management Framework for Insurers. The required framework was incorporated within all levels of the business and all Committee and subcommittee Charters were aligned accordingly.

The board of directors has granted the management of the Company a general authority to conduct the business affairs of the Company, subject to levels of authority.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. **RISK AND CAPITAL MANAGEMENT (CONTINUED)**

3.3. **Insurance risk (continued)**

3.3.2. **Terms and conditions of insurance contracts**

Engineering – Provides cover for risks relating to:

- the possession, use or ownership of machinery or equipment, other than a motor vehicle, in the carrying on of a business;
- the possession, use or ownership of machinery or equipment, other than a motor vehicle, in the carrying on of a business;
- the erection of buildings or other structures or the undertaking of other works; and
- the installation of machinery or equipment.

Guarantee – A contract whereby the insurer assumes an obligation to discharge the debts or other obligations of another person in the event of the failure of that person to do so.

Liability – Provide cover for risks relating to the incurring of a liability other than relating to a risk covered more specifically under another insurance contract.

Motor – Covers risks relating to the possession, use or ownership of a motor vehicle. This cover can include risks relating to vehicle accident, theft or damage to third–party property or legal liability arising from the possession, use or ownership of the insured vehicle.

Accident and health – Provides cover for death, disability and certain health events. This excludes the benefits to the provider of health services, and is linked directly to the expenditure in respect of health services.

Property – Covers risks relating to the use, ownership, loss of or damage to movable or immovable property other than a risk covered more specifically under another insurance contract.

Transportation – Covers risks relating to the possession, use or ownership of a vessel, aircraft or other craft or for the conveyance of persons or goods by air, space, land or water. It also covers risks relating to the storage, treatment or handling of goods that are conveyed.

Miscellaneous – Cover any other risk of non-life insurance business not covered by the lines of business already mentioned above.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. **RISK AND CAPITAL MANAGEMENT (CONTINUED)**

3.3. **Insurance risk (continued)**

3.3.2. **Terms and conditions of insurance contracts (continued)**

The above classes of business are underwritten via alternative risk transfer policies, affinity programmes and Underwriting Managing Agencies. Some of these programmes are offered in cell captive arrangements. With alternative risk transfer policies the Company's risks are limited to certain amounts by including event limits and aggregate limits on policies. The contracts also include mechanisms such as performance bonuses to encourage policyholders to adopt good risk management practices. With these mechanisms policyholders can share in the positive underwriting results on expiry of the period of risk. Under the cell arrangements the cell shareholders participate in the positive underwriting results arising from the cell business conducted in the cell. Distributions to cell shareholders are made by way of dividend declaration.

3.3.3. **Insurance risks in the Company and how these are mitigated**

For each of the above classes of business, the following insurance risks could result in underwriting losses:

- fluctuations in the frequency of claims relative to the assumptions made in the risk rating. This is mitigated by continuously monitoring the loss ratios and re–rating where necessary. For the cell business, cell shareholders are required to maintain sufficient capital as determined by the Company and this capital provides some buffer above the set reserves;
- fluctuations in the severity of claims. This could either be random or as a result of changing claims trends. Non–proportional reinsurance programmes are arranged to mitigate this risk. Continuous assessment of claim sizes is done to ensure that these reinsurance programmes and the relevant attachment points remain appropriate;
- unexpectedly high number of claims arising from a single event due to a catastrophe. The Company arranges catastrophe reinsurance to mitigate this risk;
- inaccurate pricing of risks when underwritten, either due to incorrect or insufficient data may result in higher claims numbers or amounts than priced for. This risk is mitigated by benchmarking priced products with similar products where sufficient credible data exists. Also, continuous monitoring of loss ratios is done and re–rating carried out where necessary;
- inadequate reinsurance protection or other risk transfer techniques could result in unintended levels of exposure for the Company. This risk is mitigated by ensuring that the reinsurance terms and conditions closely mirrors the underlying policy terms and conditions;

3. **RISK AND CAPITAL MANAGEMENT (CONTINUED)**

3.3. **Insurance risk (continued)**

3.3.3. **Insurance risks in the Company and how these are mitigated (continued)**

- inadequate reserves set for claims could result in premature release of profits. This can arise where the scheme is new or for schemes with no credible/sufficient historical data to enable application of the statistical methods. There could also be a risk of latent claims coming through. This risk is controlled by ensuring that the reserving basis is reviewed by more than one experienced person in the Company and where necessary external assistance is sought, e.g. from reinsurers. For the cell business, cell shareholders are required to maintain sufficient capital as determined by the Company and this capital provides some buffer above the set reserves;
- inadequate premium reserves set for unexpired risks could result in premature release of profits. The unearned premium reserve ("UPR") set could become insufficient due to either some changing risk trends or nature of risk covered, which may be caused by external factors, e.g. regulatory changes, policyholders' claiming pattern as dictated by changing economic conditions, etc. This is managed by setting additional unexpired risk reserves ("URR") based on the latest information on the said risks;
- claims that had not been anticipated may occur due to ambiguity or interpretation of the cover provided. This risk is controlled by ensuring that the policy terms and conditions is thoroughly scrutinised and applying a 4–eyes approach (i.e. two people to sign–off the policy); or
- the Company writes a significant volume of alternative risk transfer policies. These are first party policies covering largely non–traditional risk. Due to their unique nature and a lack of precedence, the pricing of these risks could turn out to be inadequate resulting in losses to the Company. This risk is mitigated by limiting the risk transfer layer to 25% of gross premium, the Company also requires the policy wording to include a "pay as paid" clause where the client nominates the reinsurer and other tight policy terms and conditions.

The risks under any one insurance contract are the frequency with which the insured event occurs and the uncertainty of the amount of the resulting claims. For a portfolio of insurance contracts where the theory of probability is applied to pricing and reserving, the principal risks the Company face are that the actual claims and benefit payments exceed the premiums charged for the risks assumed and that the reserves set aside for policyholders' liabilities, whether they are known or still to be reported, prove to be insufficient. By the very nature of an insurance contract, this risk is random and therefore unpredictable. Changing risk parameters and unforeseen factors, such as patterns of crime, economic and geographical circumstances, may result in unexpectedly large claims. Insurance events are random and the actual number of claims and benefits will vary from year to year from the estimate established using statistical techniques.

3. **RISK AND CAPITAL MANAGEMENT (CONTINUED)**

3.3. **Insurance risk (continued)**

3.3.4. **Underwriting strategy**

The Company's main underwriting objective is to optimise underwriting profits within an acceptable level of risk. The Company provides both conventional cover as well as cover for risks that are difficult to insure in the conventional insurance market. The Company's insurance solutions are client specific and may vary from ground–up to alternative risk transfer with the Company either reinsuring or participating in the risk.

As the Company's business does not involve homogenous products the underwriting risk is managed on a policy by policy basis. Each structure is designed to provide the required cover whilst ensuring the Company's risk appetite is not exceeded. This is mainly controlled via event limits, aggregated limits of liability and reinsurance. Loss ratios on individual contracts are reviewed on an on-going basis as part of on-going risk management. In addition, the company uses actuarial techniques to determine the probability of breaching predefined limits and to perform loss cost analyses.

The Company has in place an underwriting strategy that is reviewed by management as and when it is appropriate. The review process will consider net retention limits, pricing and scope of cover.

i. **Reinsurance strategy**

To limit the Company's exposure to underwriting risks, amounts exceeding the Company's net acceptance limits are ceded to reinsurers. The Company uses a combination of local and international reinsurers.

The Company has reinsurance guidelines setting out the limits and structures that can be applied to different classes of business and risks.

The Company monitors the concentration of risks to single reinsurers and risk exposures to the reinsurers. The risk exposures are calculated using default probabilities based on the respective reinsurer’s credit rating as allocated by recognised rating agencies. The risk exposure is fairly sensitive to the reinsurer’s credit rating, for example if the credit rating of the reinsurer with the biggest exposure was downgraded the Company’s overall exposure to reinsurers after applying the probabilities of default would increase concomitantly.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. **RISK AND CAPITAL MANAGEMENT (CONTINUED)**

3.3. **Insurance risk (continued)**

3.3.4. **Underwriting strategy (continued)**

ii. **Pricing**

For third party cells and underwriting management agencies ("UMA"), the Company bases its pricing policy on the theory of probability. Underwriting limits are set for underwriting managers and brokers to ensure that this policy is consistently applied. The Company also has the right to re–price and change the conditions for accepting risks on renewal. It also has the ability to impose deductibles.

For alternative risk transfer policies, the pricing philosophy is a bit more subjective due to the non–traditional nature of risks. Various control measures are applied to limit the Company's risk exposure, e.g. pay as paid clause where the client nominates the reinsurers used, as well as other tight policy terms and conditions.

Through the use of extensive expertise, well–maintained data resources, selective underwriting practices and pricing techniques the Company is able to produce appropriate and competitive premium rates.

iii. **Concentration of insurance risk**

Within the insurance process, concentration risk may arise where a particular event or series of events could cause significant insurance losses that could impact heavily on the Company's financial resources. For this reason the Company monitors its net exposure to these events by identifying the concentration of risk by geographical area. The objective of this process is to source sufficient catastrophe cover in order to protect the Company's net retained position against these events. A detailed analysis in the form of CRESTA zone reports is performed by the underwriting department in conjunction with the actuarial department and the reinsurance broker on an annual basis to ensure that adequate cover is in place.

As at 31 December 2020, the Company's net exposure to the motor business accounted for about 23% (2019: 24%) of the Company's net written premium. Risk profiling of this motor business as well as property business (which accounted for about 19% (2019: 11%) of the Company's net written premium) that could be exposed to a catastrophe was carried out as described above and the appropriate catastrophe reinsurance has been arranged to apply until 31 December 2020.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. **RISK AND CAPITAL MANAGEMENT (CONTINUED)**

3.3. **Insurance risk (continued)**

3.3.4. **Underwriting strategy (continued)**

iv. **Reserving**

In determining the estimated cost of unpaid claims, the Company relies on third party administrators to whom the claims administration function has been outsourced. Each notified claim is assessed, based on the individual circumstances, loss adjuster reports and historical evidence. Expert assessors working with our administrators estimate the expected cost of final settlement. In addition to this, testing of the entire portfolio is done to determine whether or not these estimates are likely to be sufficient in aggregate or if an additional reserve amount is required.

For claims that have not been reported to the Company by the valuation date various statutory and actuarial methods are used to determine the expected cost of these unreported claims (refer to Note 2).

Claim provisions for all classes of business are regularly reviewed to make sure they are sufficient. This analysis draws on the expertise and experience of a wide range of specialists, such as actuaries, underwriting and accounting experts. The Company believes that its liabilities for claims are adequate.

3.4. **Market risk**

Market risk is the risk of adverse financial impact due to changes in fair values or future cash flows of financial instruments from fluctuations in economic factors such as interest rates, equity prices and foreign currency exchange rates.

Market risk arises due to fluctuations in both the value of financial liabilities and the value of investments held.

The Company has established a Risk Appetite Statement and an Investment Policy which management utilises in the management of the key market risks which the Company is exposed. Adherence to the Risk Appetite Statement and Investment Policy is monitored and reviewed through the Investment Committee. For each of the major components of market risk, described in more detail below, the Company has put in place additional policies and procedures to set out how each risk should be managed and monitored, and the approach to setting an appropriate risk appetite.

3. **RISK AND CAPITAL MANAGEMENT (CONTINUED)**

3.4. **Market risk (continued)**

The Company is subject to price risk due to daily changes in the market values of its equity and debt securities portfolios.

The Company's objective is to earn competitive relative returns by investing in a diverse portfolio of high–quality, liquid securities. Portfolio characteristics are analysed regularly and equity price risk is actively monitored and managed by the Investment Committee. The Company's holdings are diversified across companies, and concentrations in any one company are limited by parameters established by management and statutory requirements.

3.4.1. **Interest rate risk**

Interest rate risk arises primarily from the Company's investments in long–term debt and fixed income securities as well as cash and cash equivalents which are exposed to fluctuations in interest rates. Exposure to interest rate risk is monitored and managed by the Investment Committee.

Short–term insurance liabilities are not directly sensitive to the level of market interest rates, as they are undiscounted and contractually non–interest bearing. Liabilities due to cell shareholders are not sensitive to changes in interest rates as the amounts are undiscounted and the cash component of the amounts earn interest at market related rates. An increase or decrease of 1% (100 basis points) in the interest rates relating to floating debt securities and cash and cash equivalents would result in an increase in total investment income of R 6,406,511 (2019: R 6,060,445) or a decrease of R4,299,368 (2019: R 3,823,898), of which R1,154,728 (2019: R 791,375) and R774,931 (2019: R 501,810), respectively, is attributable to profit before tax.

3.4.2. **Foreign currency risk**

Foreign currency risk is the risk that the Company will be negatively impacted by changes in the level or volatility of currency exchange rates relative to the South African Rand.

In instances where policies are issued in foreign currency these insurance contract liabilities needs to be underpinned by assets also denominated in foreign currency in order to ensure adequate asset liability matching. As a result of close matching of the asset and liability the Company is therefore not exposed to significant currency risk. The Company does not take cover on foreign currency transactions and balances, as the net exposure is considered minimal.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. RISK AND CAPITAL MANAGEMENT (CONTINUED)

3.4. Market risk (continued)

3.4.2. Foreign currency risk (continued)

The following assets denominated in foreign currencies are included in the statement of financial position:

	United States Dollar	Exposure	Euro	Exposure
	$	R	€	R
31 December 2020				
Cash and deposits	11,551,146	168,719,504	243,306	4,329,720
Amounts due to policyholders	11,020,149	160,963,602	243,306	4,329,720
Foreign currency exposure	**530,997**	**7,755,902**	**-**	**-**
Closing exchange rate	14.61		17.80	
Average exchange rate	16.34		18.64	
31 December 2019				
Cash and deposits	10,927,247	153,126,600	243,355	3,948,758
Amounts due to policyholders	10,555,460	147,903,100	243,355	3,948,758
Foreign currency exposure	**372,787**	**5,223,500**	**-**	**-**
Closing exchange rate	14.01		16.23	
Average exchange rate	14.43		16.16	

A 1% change in the South African Rand against the following currencies would have the following impact on net assets and income before tax:

	1% increase in Rand/ US dollar	1% decrease in Rand/ US dollar	1% increase in Rand/ Euro	1% decrease in Rand/ Euro
	R	R	R	R
Impact on net assets and income before tax at 31 December 2020	77,559	77,559	-	-
Impact on net assets and income before tax at 31 December 2019	52,235	52,235	-	-

3. **RISK AND CAPITAL MANAGEMENT (CONTINUED)**

3.5. Credit risk

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their contractual obligations.

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

- investments in debt securities and cash and cash equivalents;
- amounts due from insurance policyholders;
- amounts due from underwriting management agencies as a result of slider adjustments;
- amounts due from insurance contract intermediaries;
- reinsurance receivables and contracts; and
- loans and receivables.

The credit ratings provided were determined as follows: Sanlam Investment Management ("SIM") provided management with reports generated from their credit system on a quarterly basis, detailing all counterparty, duration and credit risk. These reports include international, national and internal ratings. SIM also provides management with a conversion table that is then applied to standardise the ratings to the equivalent Standard & Poor's international long-term rates. The Company seeks to avoid concentration of credit risk to groups of counterparties, to business sectors and product types.

Financial assets are graded according to current credit ratings issued and are classified as above. Financial assets which fall outside this range are classified as not rated. Credit limits for each counterparty, are set based on default probabilities that are in turn based on the ratings of the counterparty concerned.

Credit risk is managed on a client by client basis. Credit risk procedures are performed for new clients at inception and for existing clients at renewal. In addition, credit risk is re–evaluated on an exception basis if a client's solvency declines to an unacceptable level in management's view. Below are the controls that have been implemented to monitor and mitigate our credit risk:

- A credit risk analysis is performed per client to assess the level of exposure that the Company faces; and
- If the analysis reflects an unacceptable level of risk, further steps are put in place to mitigate this risk. This is done through the engagement of a specialist attorney to secure the assets of certain individuals, for example by obtaining pledges, notarial bonds, suretyships, etc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. **RISK AND CAPITAL MANAGEMENT (CONTINUED)**

3.5. **Credit risk (continued)**

The following table provides information regarding the aggregated credit risk exposure for financial assets with external credit ratings as at 31 December 2020:

	AA-	A+	A	A-	BB+	BB	BB-	B+	B-	D	Not rated	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
31 December 2020:												
Quoted debt securities	-	-	-	-	-	1,133,781	129,008	66,130	32,801	-	2,396,814	**3,758,534**
Unquoted debt securities	-	-	-	-	-	2,635,467	33,272	-	-	155	142,659	**2,811,553**
Quoted equity securities	-	-	-	-	-	208,107	-	964	-	-	65,586	**274,657**
Unquoted equity securities	-	-	-	-	-	-	-	-	-	-	2	**2**
Insurance receivables	50,724	1,791	440	15,625	341	37,546	56,799	-	-	-	406,855	**570,121**
Other loans and receivables	-	-	-	-	-	-	-	-	-	-	123,445	**123,445**
Short-term money market instruments	-	-	-	-	-	1,085,800	39,190	25,060	-	-	-	**1,150,050**
Cash and cash equivalents	-	86,585	-	-	-	398,488	-	-	-	-	-	**485,073**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. **RISK AND CAPITAL MANAGEMENT (CONTINUED)**

3.5. **Credit risk (continued)**

The following table provides information regarding the aggregated credit risk exposure for financial assets with external credit ratings as at 31 December 2019:

	AA-	A+	A	A-	BBB-	BB+	BB	BB-	B+	B	B-	D	Not rated	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
31 December 2019:														
Quoted debt securities	-	-	-	-	863,313	24,888	29,366	146,228	18,096	-	10,149	-	1,573,800	**2,665,840**
Unquoted debt securities	-	-	-	-	2,962,418	-	8,155	134,637	27,365	-	-	7,559	155,778	**3,295,912**
Quoted equity securities	-	-	-	-	11,871	6,319	-	-	-	-	-	-	55,619	**73,809**
Insurance receivables	30,391	8,195	983	12,814	513	13,866	-	-	-	-	-	-	437,522	**504,284**
Other loans and receivables	-	-	-	-	-	-	-	-	-	-	-	-	109,684	**109,684**
Short-term money market instruments	-	-	-	-	418,885	71,575	43,380	35,315	9,193	8,019	-	-	-	**586,367**
Cash and cash equivalents	71,659	-	-	-	419,625	-	-	-	-	-	-	-	1,631	**492,915**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. **RISK AND CAPITAL MANAGEMENT (CONTINUED)**

3.5. **Credit risk (continued)**

3.5.1. **Reinsurance credit exposures**

Reinsurance is used to manage insurance risk. However, this does not discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The Company has some exposure to concentration risk with individual reinsurers due to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable credit ratings. The creditworthiness of reinsurers is considered annually by reviewing their financial strength prior to finalisation of any contract.

The Company only reinsures with companies that have an investment grade credit rating (AAA to BBB). Reinsurers with a rating less than A- and whose risk of default is in excess of 2% are approved by the Board of directors. Where a reinsurer has a relatively lower credit rating, the Company will insist on a "pay as paid" clause in the reinsurance agreement.

3.5.2. **Cell shareholders' interest**

The Company is exposed to credit risk in relation to cell captive arrangements. Management has established and implemented credit risk evaluation procedures that are followed for all new and existing cells. These evaluation procedures involve the analysis of the cells' individual financial statements with a focus on solvency. Actuarial techniques are applied on the available information to determine the extent of underwriting risk.

Where underwriting risk is considered to be excessive, third party reinsurance is utilised to mitigate this risk. Where excessive underwriting losses are incurred by a client cell facility, the facility is either recapitalised, cancelled and a claim instituted for any residual losses or the facility is restructured to reduce on-going exposures and corrective underwriting measures are implemented to trade out of the loss position. In addition to this, the insurance product is structured in a manner that will minimise underwriting risk to levels appropriate for the credit risk extent.

In the event that claims incurred by the cell captive exceed the related assets, the Company will be exposed to the credit risk of the related cell shareholders until the solvency requirements of the cell captives have been met by the cell shareholder. At year end the Company had an exposure of R14,328,138 (2019: R25,594,158).

The solvency of all new and existing cells are monitored by management on a monthly basis. Cell captives identified as having insufficient capital are reviewed by the Executive committee and where appropriate additional capital is requested from the cell captive owner.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. **RISK AND CAPITAL MANAGEMENT (CONTINUED)**

3.5. **Credit risk (continued)**

3.5.3. **Impairment history**

The following table provides information regarding the carrying value of financial assets that have been impaired and the ageing of financial assets that are past due but not impaired.

		Financial assets that are past due but not impaired						
	Neither past due nor impaired	0-3 months	3-6 months	6 months – 1 year	Greater than 1 year	Financial assets that have been impaired	Impairment	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
31 December 2020:								
Quoted debt securities	3,758,534	-	-	-	-	-	-	**3,758,534**
Unquoted debt securities	2,811,553	-	-	-	-	-	-	**2,811,553**
Quoted equity securities	274,657	-	-	-	-	-	-	**274,657**
Unquoted equity securities	2	-	-	-	-	-	-	**2**
Short-term money market instruments	1,150,050	-	-	-	-	-	-	**1,150,050**
Insurance receivables	370,412	99,848	99,861	-	-	60,275	(60,275)	**570,121**
Other loans and receivables	123,413	-	32	-	-	-	-	**123,445**
Cash and cash equivalents	485,073	-	-	-	-	-	-	**485,073**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. **RISK AND CAPITAL MANAGEMENT (CONTINUED)**

3.5. **Credit risk (continued)**

3.5.3. **Impairment history (continued)**

		Financial assets that are past due but not impaired						
	Neither past due nor impaired	0-3 months	3-6 months	6 months – 1 year	Greater than 1 year	Financial assets that have been impaired	Impairment	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
31 December 2019:								
Quoted debt securities	2,665,840	-	-	-	-	-	-	**2,665,840**
Unquoted debt securities	3,295,912	-	-	-	-	-	-	**3,295,912**
Quoted equity securities	73,809	-	-	-	-	-	-	**73,809**
Short-term money market instruments	586,367	-	-	-	-	-	-	**586,367**
Insurance receivables	347,005	114,698	42,581	-	-	47,764	(47,764)	**504,284**
Other loans and receivables	109,528	141	15	-	-	-	-	**109,684**
Cash and cash equivalents	492,915	-	-	-	-	-	-	**492,915**

There is no concentration of credit risk with respect to loans and receivables, as the Company has a large number of debtors.

3.6. **Fair value estimation**

The following fair value hierarchy analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. **RISK AND CAPITAL MANAGEMENT (CONTINUED)**

3.6. **Fair value estimation (continued)**

31 December 2020	Level 1 R'000	Level 2 R' 000	Level 3 R' 000	Total R'000
Quoted debt securities	-	3,758,534	-	**3,758,534**
Unquoted debt securities	-	2,811,553	-	**2,811,553**
Quoted equity securities	274,657	-	-	**274,657**
Unquoted equity securities	-	-	2	**2**
Short-term money market instruments	-	1,150,050	-	**1,150,050**
Total financial assets designated at fair value through profit and loss	**274,657**	**7,720,137**	**2**	**7,994,796**
Investment contracts	-	357,820	-	**357,820**
Liabilities due to cell shareholders	-	2,068,288	-	**2,068,288**
Total financial liabilities at fair value through profit and loss	**-**	**2,426,108**	**-**	**2,426,108**

Level 3 reconciliation

Opening balance at the beginning of the year	**-**
Additions during the year	**2**
Closing balance at the end of the year	**2**

31 December 2019	Level 1 R'000	Level 2 R' 000	Level 3 R' 000	Total R'000
Quoted debt securities	-	2,665,840	-	**2,665,840**
Unquoted debt securities	-	3,295,912	-	**3,295,912**
Quoted equity securities	73,809	-	-	**73,809**
Short-term money market instruments	-	586,367	-	**586,367**
Total financial assets designated at fair value through profit and loss	**73,809**	**6,548,119**	**-**	**6,621,928**
Investment contracts	-	80,969	-	**80,969**
Liabilities due to cell shareholders	-	1,674,811	-	**1,674,811**
Total financial liabilities at fair value through profit and loss	**-**	**1,755,780**	**-**	**1,755,780**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. **RISK AND CAPITAL MANAGEMENT (CONTINUED)**

3.7. **Liquidity risk**

Liquidity risk is the risk that the business will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk arises when there is mismatching between the maturities of liabilities and assets.

The Company is exposed to daily calls on its available cash resources from claims. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Company actively manages its cash resources, split between short–term and long–term to ensure sufficient cash is at hand to settle insurance liabilities, based on monthly float projections. The Company has significant liquid resources to cover its obligations. For the purposes of the maturity analysis below, financial instruments are presented on an undiscounted, contractual and worse case basis while insurance assets and liabilities are presented based on expected cash flows.

The following maturity analysis provides details on the expected settlement of the financial and insurance liabilities recognised at reporting date:

	Within 1 year R'000	2 to 5 years R'000	>5 years R'000	Total R'000
As at 31 December 2020				
Liabilities due to cell shareholders	2,068,288	-	-	**2,068,288**
Investment contracts	357,820	-	-	**357,820**
Amounts due to group companies	16,792	-	-	**16,792**
Insurance liabilities	5,999,709	239,405	14,935	**6,254,049**
Insurance and other payables	1,014,884	-	-	**1,014,884**
Total	**9,457,493**	**239,405**	**14,935**	**9,711,833**
As at 31 December 2019				
Liabilities due to cell shareholders	1,674,811	-	-	**1,674,811**
Investment contracts	80,969	-	-	**80,969**
Amounts due to group companies	27,167	-	-	**27,167**
Insurance liabilities	5,215,815	181,456	11,773	**5,409,044**
Insurance and other payables	934,236	-	-	**934,236**
Total	**7,932,998**	**181,456**	**11,773**	**8,126,227**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. **RISK AND CAPITAL MANAGEMENT (CONTINUED)**

3.7. **Liquidity risk (continued)**

The following maturity analysis provides details on the expected realisation of the financial and insurance assets recognised at reporting date:

	Within 1 year R'000	2 - 5 years R'000	>5 years R'000	Total R'000
As at 31 December 2020				
Reinsurance assets	962,751	-	-	**962,751**
Insurance receivables	570,121	-	-	**570,121**
Other Loans and receivables	107,015	-	16,430	**123,445**
Financial assets – at fair value through profit and loss	4,067,936	3,588,322	338,538	**7,994,796**
Cash and cash equivalents	485,073	-	-	**485,073**
Total	**6,192,896**	**3,588,322**	**354,968**	**10,136,186**
As at 31 December 2019				
Reinsurance assets	728,058	-	-	728,058
Insurance receivables	504,284	-	-	504,284
Other Loans and receivables	109,684	-	-	109,684
Financial assets – at fair value through profit and loss	2,457,832	3,943,351	220,745	6,621,928
Cash and cash equivalents	492,915			492,915
Total	**4,292,773**	**3,943,351**	**220,745**	**8,456,869**

The financial assets designated at fair value through profit and loss have been allocated in the 2 to 5 years maturity classification based on the contractual maturity date, but can be sold immediately.

3.8. **Operational risk**

Operational risk arises as a result of inadequately controlled internal processes or systems, human error, or from external events. These risks are mitigated through a comprehensive system of internal controls, comprising policies and standards, procedures, systems and information to assist in achieving established objectives and goals.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. **RISK AND CAPITAL MANAGEMENT (CONTINUED)**

3.8. **Operational risk (continued)**

This definition is intended to include all risks to which the Company is exposed, other than the strategic, legal and financial risks considered elsewhere. Hence, operational risks include for example, information technology, information security, human resources, project management, outsourcing, tax, legal, fraud and compliance risks.

The Company is exposed to operational risk due to its outsourced business model whereby the UMA/Non-mandated intermediary performs binder functions relating to the insurance products sold. This operational risk is mitigated by contracting the UMA's/Non-mandated intermediary through binder agreements which stipulate the terms and conditions of the arrangement. Periodic reviews and monitoring of operational activities at the UMA/Non-mandated intermediary are also performed, which further mitigates the Company's operational risk.

The Company's management has the responsibility for the effective identification, management, monitoring and reporting of operational risks.

3.9. **Reputation risk**

Reputation risk is the risk that the Company's brand may be negatively affected due to business practices of third parties who distribute insurance products and solutions on behalf of the Company. Take-on procedures for new business partners involve a thorough review of their history and the industry reputation of their principal members. The existing business partners are regularly reviewed to ensure that amongst other things no reputation risk to the Company arises.

3.10. **Legal risk**

Legal risk is the risk that the Company will be exposed to contractual obligations which have not been provided for. During the development stage of any new products and for material transactions entered into by the Company, the legal resources of the Company monitor the drafting of the contract document to ensure that rights and obligations of all parties are clearly set out.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. **RISK AND CAPITAL MANAGEMENT (CONTINUED)**

3.11. **Capital management**

The Company's capital management philosophy is to maximise the return on shareholders' capital within an appropriate risk framework. Two sources of capital are used in the business, being ordinary shareholder capital and reserves and preference shareholder capital and reserves.

Ordinary share capital and reserves in the business is R389 million (2019: R329 million) and preference shareholder capital and reserves amounts to R2.07 billion (2019: R1.67 billion). The aim of the capital management process is to increase shareholder wealth through optimal allocation of capital to the business. Preference share capital is used to underwrite insurance policies issued under cell captive arrangements. Ordinary shareholder capital is used to write insurance policies for the Company's net account and at the option of the Company, to provide solvency capital to cell shareholders where the cell has insufficient capital.

The Company has entered into a contingent capital facility with Santam Limited of R 50,000,000 and a facility fee amounting to 0.5% of the contingent capital facility is charged.

3.11.1. **Quantification of risk**

The Company's management performs an assessment of capital requirements on an on-going basis. Underwriting margins needed to achieve the required return on capital are determined. The assessment also involves the evaluation of reinsurance structures by looking at the type and level of reinsurance required as well as the expected cost of this reinsurance.

The following areas of risk are considered during the process:

- Market risk
- Underwriting risk
- Reserve risk
- Credit risk
- Operational and other risk

3.11.2. **Statutory solvency requirement**

In terms of Solvency Assessment Management, all non-life insurers are required to maintain a minimum Capital Adequacy Ratio ("CAR"), which is defined as the ratio of regulatory admissible net assets to the solvency capital requirement, of 1. The Company's CAR, including cell capital requirements, is 2.33 for the year ended 31 December 2020 (2019: 2.34).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. INTANGIBLE ASSETS

	2020	2019
	R'000	R'000
At 31 December		
Cost	**14,930**	14,294
Accumulated amortisation	**(13,743)**	(12,843)
Net book amount	**1,187**	1,451
Year ended 31 December		
Opening net book amount	**1,451**	1,650
Additions	**636**	787
Disposals	**-**	-
Amortisation charge	**(900)**	(986)
Closing net book amount	**1,187**	1,451

Intangible assets consist of computer software. The amortisation charge has been included in expenses for marketing and administration in the statement of comprehensive income (refer to note 18).

5. PROPERTY AND EQUIPMENT

	Leasehold improvements R'000	Computer equipment R'000	Furniture and fittings R'000	Motor Vehicles R'000	Total R'000
At 31 December 2020					
Cost	**2,451**	**8,791**	**3,124**	**250**	**14,616**
Accumulated depreciation	**(2,107)**	**(7,629)**	**(2,405)**	**(250)**	**(12,391)**
Net book amount	**344**	**1,162**	**719**	**-**	**2,225**
Year ended 31 December 2020					
Opening net book amount	**413**	**910**	**704**	**47**	**2,074**
Additions	**35**	**872**	**296**	**-**	**1,203**
Disposals	**-**	**(41)**	**-**	**-**	**(41)**
Depreciation charge	**(104)**	**(579)**	**(281)**	**(47)**	**(1,011)**
Closing net book amount	**344**	**1,162**	**719**	**-**	**2,225**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. **PROPERTY AND EQUIPMENT (CONTINUED)**

Depreciation expense has been included in expenses for marketing and administration in the statement of comprehensive income (refer to note 18).

	Leasehold improvements R'000	Computer equipment R'000	Furniture and fittings R'000	Motor Vehicles R'000	Total R'000
At 31 December 2019					
Cost	2,416	7,960	2,828	250	13,454
Accumulated depreciation	(2,003)	(7,050)	(2,124)	(203)	(11,380)
Net book amount	413	910	704	47	2,074
Year ended 31 December 2019					
Opening net book amount	339	1,453	884	98	2,774
Additions	364	188	97	-	649
Disposals	-	-	-	-	-
Depreciation charge	(290)	(731)	(277)	(51)	(1,349)
Closing net book amount	413	910	704	47	2,074

	2020 R'000	2019 R'000
LEASES		
(i) Amounts recognised in the statement of financial position		
Right-of-use-asset		
Buildings		
Opening net book amount	8,818	
Additions during the year	-	11,757
Depreciation charge	(2,939)	(2,939)
Closing net book amount	5,879	8,818
Lease liability	6,029	9,104
Current	3,670	3,075
Non-current	2,359	6,029
(ii) Amounts recognised in the statement of comprehensive income		
Depreciation charge of right of use assets : Buildings	(2,939)	(2,939)
Interest expense (included in finance costs note 24)	(561)	(846)
Cash outflow for lease payments	(3,636)	(3,499)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

Investments

	2020	2019
	R'000	R'000
Debt securities – Floating rate		
Quoted redeemable after 1 year	**948,135**	820,031
Unquoted redeemable after 1 year	**2,448,382**	2,763,050
	3,396,517	3,583,081
Debt securities – Fixed rate		
Quoted redeemable after 1 year	**382,663**	211,491
Unquoted redeemable after 1 year	**147,681**	369,524
	530,344	581,015
Total non-current debt securities	**3,926,861**	4,164,096

Equity securities		
Quoted	**274,657**	73,809
Unquoted	**2**	-
Total current equity securities	**274,659**	73,809

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. **FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (CONTINUED)**

	2020	2019
	R'000	R'000
Debt securities – Floating rate	**20,210**	9,181
Quoted redeemable in less than 1 year	**10,084**	9,181
Unquoted redeemable in less than 1 year	**10,126**	-
Debt securities – Fixed rate	**83,543**	58,896
Quoted redeemable in less than 1 year	**20,837**	51,337
Unquoted redeemable in less than 1 year	**62,706**	7,559
Unitised investments	**2,539,473**	1,729,579
Quoted unitised investments in less than 1 year	**2,396,815**	1,573,800
Unquoted unitised investments in less than 1 year	**142,658**	155,779
Total current debt securities	**2,643,226**	1,797,656
Short term money market instruments	**1,150,050**	586,367
Total financial assets designated at fair value through profit and loss	**7,994,796**	6,621,928

The movement in investments is as follows:

Balance at beginning of year	**6,621,928**	5,321,288
Additions	**5,666,800**	4,527,976
Disposals	**(4,388,676)**	(3,199,505)
Unrealised fair value gain/(loss)	**94,744**	(27,831)
Balance at end of year	**7,994,796**	6,621,928

Debt securities comprise of investments in domestic corporate and government bonds as well as collective investment schemes. Collective investment schemes and other unit-linked investments are included in equity and debt securities. Collective investment schemes are categorised into equity, property or interest-bearing instruments based on a minimum of 55% per category of the underlying asset composition of the fund by value. In the event no one category meeting this threshold, it is classified as a mixed class. Money market collective investment schemes are categorised as such.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. DEFERRED TAXATION

	2020	2019
	R'000	R'000
Balance at beginning of year	**37,910**	26,446
Statement of comprehensive income charge	**(21,460)**	11,464
Balance at end of year	**16,450**	37,910
Comprising:		
Unrealised investment (gain)/loss	**(9,653)**	16,875
Provision for doubtful debts	**16,877**	13,374
Other provisions and impairments	**15,418**	12,276
Temporary differences on property, equipment and intangible assets	**(499)**	(567)
Temporary differences on allowances claimed	**(5,731)**	(4,067)
Temporary differences - other	**38**	19
	16,450	37,910

8. INSURANCE LIABILITIES AND REINSURANCE CONTRACTS

Insurance liabilities and reinsurance contracts – non-current liabilities:

Gross		
Unearned premiums	**254,340**	**193,230**
Total insurance liabilities – gross	**254,340**	**193,230**
Net		
Unearned premiums	**254,340**	**193,230**
Total insurance liabilities – net	**254,340**	**193,230**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. **INSURANCE LIABILITIES AND REINSURANCE CONTRACTS (CONTINUED)**

Insurance liabilities and reinsurance contracts – current liabilities:

	2020 R'000	2019 R'000
Gross		
Claims reported and loss adjustment expenses	**519,614**	657,880
Claim incurred but not reported (IBNR)	**610,371**	341,471
Unearned premiums	**4,869,724**	4,216,463
Total insurance liabilities – gross	**5,999,709**	5,215,814
Recoverable from reinsurers		
Claims reported and loss adjustment expenses	**306,552**	391,656
Claim incurred but not reported	**374,008**	74,623
Unearned premiums	**282,191**	261,779
Total reinsurer's share of insurance liabilities	**962,751**	728,058
Net		
Claims reported and loss adjustment expenses	**213,062**	266,224
Claim incurred but not reported	**236,363**	266,848
Unearned premiums	**4,587,533**	3,954,684
Total insurance liabilities – net	**5,036,958**	4,487,756

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. **INSURANCE LIABILITIES AND REINSURANCE CONTRACTS (CONTINUED)**

	2020 R'000	2019 R'000
Analysis of movement in gross outstanding claims and IBNR		
Balance at beginning of year	**999,351**	768,881
Current year claims reported	**1,113,338**	1,063,176
Change in previous years claims estimates	**209,156**	320,548
Current year claims paid	**(703,197)**	(720,035)
Previous years claims paid	**(439,161)**	(433,219)
Portfolio transfer	**(49,502)**	-
Balance at end of year	**1,129,985**	999,351
Analysis of movement in reinsurance outstanding claims and IBNR		
Balance at beginning of year	**466,279**	323,372
Current year reinsurance claims reported	**933,088**	723,419
Change in previous years reinsurance claims estimates	**256,221**	289,791
Current year reinsurance claim recoveries	**(597,456)**	(552,501)
Previous years reinsurance claims recoveries	**(368,578)**	(317,802)
Portfolio transfer	**(8,994)**	-
Balance at end of year	**680,560**	466,279

Assumptions and change in assumptions:

The determination of the ultimate cost of claims is based on past experience. Where no historical information is available on a program then assumptions to determine the ultimate cost of claims are obtained from programs with similar risks adjusted for any peculiarities. There have been no significant changes in assumptions over the past year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. INSURANCE LIABILITIES AND REINSURANCE CONTRACTS (CONTINUED)

	2020			2019		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
	R'000	**R'000**	**R'000**	R'000	R'000	R'000
Movements in insurance liabilities and reinsurance assets						
Claims and loss adjustment expenses						
Claims reported	**657,880**	**391,656**	**266,224**	504,605	247,240	257,365
Incurred but not reported	**341,471**	**74,623**	**266,848**	264,276	76,132	188,144
Balance at beginning of year	**999,351**	**466,279**	**533,072**	768,881	323,372	445,509
Movement in claims reported	**(103,572)**	**(87,912)**	**(15,660)**	153,275	125,184	28,091
Movement in IBNR	**283,708**	**309,772**	**(26,064)**	77,195	19,369	57,826
Portfolio transfer – claims reported	**(34,694)**	**(212)**	**(34,482)**	-	-	-
Portfolio transfer – incurred by not reported	**(14,808)**	**(8,782)**	**(6,026)**	-	-	-
Transfer to cell owners' interest	**-**	**1,415**	**(1,415)**	-	(1,646)	1,646
Balance at end of year	**1,129,985**	**680,560**	**449,425**	999,351	466,279	533,072
Provision for unearned premiums						
Balance at beginning of year	**4,409,693**	**261,779**	**4,147,914**	3,485,703	200,348	3,285,355
Premiums for the year	**3,359,348**	**2,510,515**	**848,833**	3,292,415	2,175,429	1,116,986
Portfolio transfer	**(44,135)**	**(31,772)**	**(12,363)**	227,005	-	227,005
Earned premiums	**(2,600,842)**	**(2,356,882)**	**(243,960)**	(2,595,430)	(2,083,565)	(511,865)
Transfer to cell owners' interest	**-**	**(101,449)**	**101,449**	-	(30,433)	30,433
Balance at end of year	**5,124,064**	**282,191**	**4,841,873**	4,409,693	261,779	4,147,914

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. INSURANCE LIABILITIES AND REINSURANCE CONTRACTS (CONTINUED)

8.1. CLAIMS DEVELOPMENT TABLES

PAYMENT DEVELOPMENT

The presentation of the claims development tables for the Company are based on underwriting years:

		Claims paid in respect of							
	Total	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013 and prior**
Insurance claims – *GROSS*									
Reporting year									
Actual claims costs									
- 2020	1,142,358	703,197	305,920	78,950	28,086	4,285	3,591	3,168	15,161
- 2019	1,153,254	-	720,035	344,186	64,014	12,625	4,399	315	7,680
- 2018	1,177,057	-	-	684,121	362,682	84,058	29,678	5,489	11,029
- 2017	1,214,175	-	-	-	529,739	548,101	96,882	13,970	25,483
- 2016	1,183,971	-	-	-	-	478,653	573,642	82,612	49,064
- 2015	1,042,179	-	-	-	-	-	409,677	441,189	191,313
Cumulative payments to date	**6,912,994**	**703,197**	**1,025,955**	**1,107,257**	**984,521**	**1,127,722**	**1,117,869**	**546,743**	**299,730**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. **INSURANCE LIABILITIES AND REINSURANCE CONTRACTS (CONTINUED)**

8.1. **CLAIMS DEVELOPMENT TABLES (CONTINUED)**

	Total	2020	2019	2018	2017	2016	2015	2014	2013 and prior
Insurance claims – *NET*									
Reporting year									
Actual claims costs									
- 2020	176,324	105,741	51,527	10,075	3,718	1,320	1,571	1,032	1,340
- 2019	282,951	-	167,534	98,805	11,686	2,305	1,061	(85)	1,645
- 2018	315,321	-	-	177,770	93,325	30,542	16,208	1,055	(3,579)
- 2017	314,082	-	-	-	107,919	151,419	35,057	8,751	10,936
- 2016	436,309	-	-	-	-	133,408	243,584	38,931	20,386
- 2015	487,536	-	-	-	-	-	211,342	246,968	29,226
Cumulative payments to date	**2,012,523**	**105,741**	**219,061**	**286,650**	**216,648**	**318,994**	**508,823**	**296,652**	**59,954**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. **INSURANCE LIABILITIES AND REINSURANCE CONTRACTS (CONTINUED)**

8.2. **REPORTING DEVELOPMENT**

	Total	2020	2019	2018	2017	2016	2015	2014	2013 and prior
Outstanding claims provision – *GROSS*									
Reporting year									
Provision raised									
- 2020	519,614	239,041	118,051	59,205	30,199	16,424	14,284	6,618	35,792
- 2019	657,880	-	326,808	175,952	67,884	25,629	22,047	10,150	29,410
- 2018	504,605	-	-	269,995	110,442	37,063	21,771	22,415	42,919
- 2017	504,582	-	-	-	304,990	71,230	34,381	41,665	52,316
- 2016	493,513	-	-	-	-	199,501	105,913	68,234	119,865
- 2015	428,393	-	-	-	-	-	157,666	115,130	155,597

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. **INSURANCE LIABILITIES AND REINSURANCE CONTRACTS (CONTINUED)**

8.2. **REPORTING DEVELOPMENT (CONTINUED)**

	Total	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013 and prior**
Outstanding claims provision– ***NET***									
Reporting year									
Provision raised									
- 2020	213,062	145,928	25,880	12,178	6,417	7,804	8,026	3,113	3,716
- 2019	266,224	-	148,510	55,851	20,570	12,660	12,574	5,576	10,483
- 2018	257,365	-	-	151,958	51,267	22,485	13,104	6,339	12,212
- 2017	316,452	-	-	-	207,213	49,353	23,240	23,149	13,497
- 2016	283,504	-	-	-	-	91,814	67,366	42,748	81,576
- 2015	294,192	-	-	-	-	-	102,830	84,976	106,386

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. DEFERRED ACQUISITION COSTS AND REINSURANCE COMMISSION REVENUE

	2020	2019
	R'000	R'000
Deferred acquisition costs		
Balance at beginning of year	**71,819**	42,873
Charged to the statement of comprehensive income	**23,908**	28,946
Balance at end of year	**95,727**	71,819
Deferred reinsurance commission revenue		
Balance at beginning of year	**80,433**	51,617
Charged to the statement of comprehensive income	**21,972**	28,837
Transfer to cell owner's interest	**(13,391)**	(21)
Portfolio transfer	**(5,669)**	-
Balance at end of year	**83,345**	80,433

10. LOANS AND RECEIVABLES INCLUDING INSURANCE RECEIVABLES

Insurance receivables		
Receivables due from contract holders and intermediaries	**570,121**	504,284
Loans and other receivables	**123,445**	109,684
Amounts due from group companies	**103,255**	82,887
Amounts due from insolvent cell shareholders	**14,328**	25,594
Sundry debtors	**5,862**	1,203
Total loans and other receivables including insurance receivables	**693,566**	613,968

Amounts due from group companies do not have fixed or determinable repayment terms and are payable on demand. No interest is charged on these amounts. A portion of the loan to Centriq Insurance Holdings (Pty) Ltd bears interest at an average of Prime less 1.5%. The remaining intercompany loans are interest free.

Insurance and other receivables are carried at amortised cost, which approximates fair value.

Applying the expected credit loss model to other loans and receivables at amortised costs did not result in material additional provisions for impairment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. CASH AND CASH EQUIVALENTS

	2020	2019
	R'000	R'000
Current accounts	**113,638**	99,092
Call and fixed deposits	**322,477**	283,136
Settlement accounts	**48,958**	110,687
Cash and cash equivalents	**485,073**	492,915

Cash and cash equivalents include cash in hand and deposits held at call with banks.

12. ORDINARY SHARE CAPITAL AND PREMIUM

Authorised share capital		
400 000 ordinary shares of 1 cent each	**4**	4
Issued share capital		
28 575 (2019: 28 575) ordinary shares of 1 cent each	-	–
Share premium	**55,000**	55,000
Ordinary share capital and premium	**55,000**	55,000

Authorised and unissued shares

Subject to the restrictions imposed by the Companies Act, the directors are authorized to issue the unissued shares for any purpose and in accordance with such rules and conditions as they see fit.

13. DISTRIBUTABLE RESERVES

Retained earnings	**333,571**	274,088

Regulatory capital requirements

Solvency margin

In terms of Solvency Assessment Management, all non-life insurers are required to maintain a minimum Capital Adequacy Ratio ("CAR"), which is defined as the ratio of regulatory admissible net assets to the solvency capital requirement, of 1. The Company's CAR cover, including cell capital requirements, is 2.31 (2019: 2.34).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. LIABILITIES DUE TO CELL SHAREHOLDERS

	2020 R'000	2019 R'000
Reconciliation of liabilities due to cell owners		
Balance at the beginning of year	**1,674,811**	1,322,647
Proceeds from issue of preference shares	**98,240**	109,054
Repayments of liabilities due to cell shareholders	**(577)**	(886)
Movement in amounts due to cell shareholders	**500,054**	290,823
(Decrease)/Increase in amounts due from insolvent cell shareholders	**(11,266)**	12,455
Dividends paid	**(192,974)**	(59,282)
Balance at end of year	**2,068,288**	1,674,811

During the year the Company issued 70 (2019: 40) non–convertible redeemable preference shares at par value of 1 cent each and at a premium of R 52,500,000 (2019: R 103,000,000) to entities which entered into cell arrangements with the Company. The Company also issued a further 51 (2019: 13) non-convertible redeemable preference shares at a par value of 1 cent and at a premium of R45,740,436 (2019: R6,053,509) in order to recapitalise existing cells. Furthermore, 5 (2019: 50) non–convertible redeemable preference shares at par value of 1 cent each and at a premium of R577,046 (2019: R 886,000) were redeemed and preference share dividends of R192,973,518 (2019: R59,282,203) were declared and paid.

	2020	2019
Authorised preference share capital		
30 000 non–convertible redeemable preference shares of 1 cent each	**–**	–
Issued preference share capital		
1 777 (2019: 1,661) non–convertible redeemable preference shares of 1 cent each	**–**	–

Preference share premium

	2020	2019
Balance at the beginning of the year	**351,037**	242,869
Share premium on issued share capital	**98,240**	109,054
Share premium on redeemed share capital	**(577)**	(886)
Balance as at the end of the year	**448,700**	351,037

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. **LIABILITIES DUE TO CELL SHAREHOLDERS (CONTINUED)**

Terms and conditions of preference shares

The preference shares are redeemable, non–convertible, participate in the profits and losses of the Company on the basis agreed with the preference shareholder at the time of issue, and are preferred to the ordinary share capital in respect of capital and dividends in the event of liquidation. The rights and obligations of the preference shareholders are set out in the preference shareholders' agreements with the Company.

The preference shares are issued by the Company to cell shareholders in order to provide the risk capital to underpin the insurance business written in the cell. The preference shares entitle the preference shareholder to receive dividends based on the profitability of the cell.

The preference shares are issued for an indefinite period and have no fixed redemption date. Should the preference shareholder cease to write insurance business in the cell, and once all related risks have expired, the preference shares are either redeemed or acquired by the Company.

15. **INVESTMENT CONTRACTS**

	2020	2019
	R'000	R'000
Balance at the beginning of year	**80,969**	66,571
Investment contracts issued	**392,377**	224,046
Investment contracts ceded	**(62,071)**	(43,456)
Investment contracts sold/matured	**(52,213)**	(177,500)
Ceded investment contracts matured/sold	**(1,242)**	11,308
Balance at end of year	**357,820**	80,969

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. **EMPLOYEE BENEFIT OBLIGATIONS**

	2020	2019
	R'000	R'000
Staff annual performance bonus	**30,538**	23,756
Long term employee benefit scheme	**17,184**	13,400
Leave pay provision	**4,943**	3,425
	52,665	40,581
Movement in staff bonus and share incentive scheme provision:		
Balance at beginning of year	**23,756**	14,416
Staff bonus raised during the year	**26,240**	22,797
Staff bonus utilised during the year	**(19,458)**	(13,457)
Balance at end of year	**30,538**	23,756
Movement in long-term employee benefit scheme:		
Balance at beginning of year	**13,400**	10,951
Scheme provisions raised during the year	**9,720**	7,409
Scheme provisions utilised during the year	**(5,936)**	(4,960)
Balance at end of year	**17,184**	13,400
Movement in the leave pay		
Balance at beginning of year	**3,425**	3,314
Raised during the year	**3,039**	1,249
Utilised during the year	**(1,521)**	(1,138)
Balance at end of year:	**4,943**	3,425

The Company operates a defined contribution retirement plan. A defined contribution retirement plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognised as employee benefit expenses when they are due. Pre–paid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. INSURANCE AND OTHER PAYABLES

	2020	2019
	R'000	R'000
Insurance payables		
Payables under reinsurance contracts	**182,910**	163,419
Insurance payables	**149,839**	147,279
	332,749	310,698

The carrying amounts of insurance payables are considered to equal their fair values, due to their short-term nature.

Other payables

	2020	2019
Accruals	**599,250**	542,077
Sundry creditors	**82,885**	81,461
Amounts due to group companies	**16,792**	27,167
	698,927	650,705
Total insurance and other payables	**1,031,676**	961,403

Accruals

Included in accruals is the accrual for policyholder bonus which consists of a contractual bonus made in respect of cell captives and contingency policies. The amount raised in respect of accruals is expected to be settled within the next financial year.

The carrying amounts of other payables are considered to be the same as their fair values, due to their short-term nature.

Other amounts due to group companies are unsecured and do not have fixed or determinable settlement dates, however it is the practice of the Company to settle them on a monthly basis.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. EXPENSES FOR MARKETING AND ADMINISTRATION

	2020	2019
	R'000	R'000
Audit fees	**2,976**	2,673
Depreciation charges	**1,011**	1,349
Depreciation charge of right-of-use-assets	**2,939**	2,939
Amortisation of intangible assets	**900**	986
Loss/(Profit) on disposal of property and equipment	**29**	(18)
Impairment of debtors	**10,304**	10,759
Administration and management fees	**123,063**	120,470
Salary related expenses	**87,505**	76,406
Defined contribution plan expenses	**5,505**	5,251
Directors remuneration – paid to executive directors	**12,483**	10,352
Directors remuneration – paid to non-executive directors	**690**	438
Other expenses	**15,741**	18,043
	263,146	249,648

Please refer to note 31, Related parties for the detailed disclosure on directors remuneration.

19. INVESTMENT INCOME AND NET GAINS/(LOSSES) ON FINANCIAL ASSETS

Net fair value gains/(losses) on financial assets through profit and loss	**94,744**	(27,831)
Net realised losses on financial assets	**(39,182)**	(17,730)
Dividend income – quoted	**6,479**	4,854
Interest income on financial assets held as investment		
Quoted	**157,732**	151,518
Unquoted	**313,214**	326,636
Interest income: Intercompany loans	**3,847**	3,911
Interest income: Other	**18**	219
	536,852	441,577

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. INCOME ON REINSURANCE CONTRACTS CEDED

	2020 R'000	2019 R'000
Commission received for reinsurance business ceded	**366,154**	351,984
Movement in deferred commission revenue	**(21,972)**	(28,837)
	344,182	323,147

21. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue from contracts with customers

The Company derives revenue by providing insurance services at a point in time through the following solutions:

Management fee		
Cell captive insurance	**3,191**	1,479
Alternative Risk Transfer	**4,554**	2,944
	7,745	4,423

22. NET INSURANCE BENEFITS AND CLAIMS

Claims paid	**(1,142,358)**	(1,153,254)
Increase in incurred but not reported provision	**(283,708)**	(77,195)
Increase in outstanding claims provision	**103,572**	(153,275)
Policyholder bonuses	**(234,537)**	(253,738)
Insurance claims and loss adjustment expenses	**(1,557,031)**	(1,637,462)
Recoveries from reinsurers	**966,034**	870,303
Reinsurance portion of incurred but not reported provision	**309,772**	19,369
Reinsurance portion of outstanding claims provision	**(87,912)**	125,184
Insurance claims and loss adjustment expenses recovered from reinsurers	**1,187,894**	1,014,856
Net insurance benefits and claims	**(369,137)**	(622,606)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. EXPENSES FOR THE ACQUISITION OF INSURANCE CONTRACTS

	2020 R'000	2019 R'000
Commission paid	**(345,065)**	(349,904)
Movement in deferred acquisition costs	**23,908**	28,946
	(321,157)	(320,958)

24. FINANCE COSTS

	2020 R'000	2019 R'000
Interest expense in respect of reinsurance deposits withheld	**(327)**	(5,699)
Interest expense in respect of lease liability	**(561)**	(846)
Interest paid - SARS	**(1)**	-
	(889)	(6,545)

25. INCOME TAX EXPENSE

	2020 R'000	2019 R'000
Normal taxation	**(203,630)**	(152,132)
Current period	**(204,627)**	(154,292)
Prior period	**997**	2,160
Other taxes		-
Deferred taxation	**(21,460)**	11,464
Current period	**(21,499)**	13,624
Prior period	**39**	(2,160)
Total taxation as per statement of comprehensive income	**(225,090)**	(140,668)
Income tax recovered from cell shareholders [1]	**194,793**	113,166
Normal taxation	**167,628**	121,793
Deferred taxation	**27,165**	(8,627)
Total tax expense attributable to shareholders	**(30,297)**	(27,502)
Profit before taxation per statement of comprehensive income	**307,718**	212,828
Adjustment for income tax recovered from cell shareholders [1]	**(194,793)**	(113,166)
Total profit before tax attributable to shareholders	**112,925**	99,662

[1] The Company incurs taxation on behalf of cell shareholders which are fully recovered from these parties.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. **INCOME TAX EXPENSE (CONTINUED)**

	2020	2019
	R'000	R'000
Reconciliation of taxation rate (%)	**%**	%
Normal South African taxation rate	**28.00**	28.00
Adjusted for:		
Exempt income	**(0.10)**	(0.39)
Other permanent differences	**(0.02)**	-
Previous years' over provision	**(0.88)**	
Losses from cells utilised	**(0.15)**	(0.10)
Disallowed expenses	**(0.02)**	0.09
Effective rate	**26.83**	27.60

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. CASH GENERATED FROM OPERATIONS

	2020 R'000	2019 R'000
Profit before tax	**307,718**	212,828
Adjustments for:		
Non–cash items	**5,440**	6,102
– Amortisation of intangible asset	**900**	986
– Depreciation	**3,950**	4,288
– Loss/(Profit) on disposal of property and equipment	**29**	(18)
– Finance cost: Lease liability	**561**	846
Finance costs	**328**	5,699
Lease payments made	**(3,636)**	(3,499)
Investment income and net gains/(losses) on financial assets	**(536,852)**	(441,577)
Other operating cash flows	**1,164,740**	1,269,032
–Increase in reinsurance contracts	**(234,693)**	(204,338)
–Increase in deferred acquisition costs	**(23,908)**	(28,946)
–Increase in loans and receivables including insurance receivables	**(79,598)**	19,632
–Increase in insurance contract liabilities	**845,005**	1,154,460
–Increase in deferred reinsurance acquisition income	**2,912**	28,816
–Increase in provision for employee obligations	**12,084**	11,900
–Increase in insurance and other payables	**70,273**	29,114
–Increase in investment contracts	**276,851**	14,398
–Movement in amounts due to cell shareholders	**295,814**	243,996
Cash generated from operations	**937,738**	1,048,585

27. TAXATION PAID

Tax receivable – opening balance	**6,492**	4,736
Tax expense	**(36,002)**	(30,339)
Tax expense allocated to cell shareholders	**(167,628)**	(121,793)
Tax payable/(receivable) – closing balance	**15,211**	(6,492)
	(181,927)	(153,888)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. **CONTINGENCIES**

The Company, like all other insurers, is subject to litigation in the normal course of its business. At year end the Company was not aware of litigation against it.

29. **SUBSEQUENT EVENTS**

An ordinary shareholder's dividend payable to Centriq Insurance Holdings Limited of R14 368 536 was declared on 11 February 2021.

30. **GOING CONCERN**

The current outbreak of coronavirus (COVID-19) has significantly affected entities and economic activity around the world. Management considered various aspects as part of the assessment for future likely impact including operational cost, investment results and the effect on going concern. Although we expect reduced investment returns the company is well diversified in terms of income streams and we don't foresee the short term volatility in investment markets to impact our going concern assessment.

In order to assess the potential impact that COVID-19 (and associated events) may have on the Company, management has performed a sensitivity analysis based on a low impact and a high impact basis for the Company.

Both scenarios assume the most significant impact in 2021, with a progressively lower impact for 2022 and 2023 as we expect the economy to recover from the impact of the pandemic. Sensitivities include, but are not limited to, the adjustment of the following key items in a range approach with low impact and high impact shocks indicated:

- Underwriting profits
- Fee income
- Investment spread
- Investment income from shareholder capital
- Potential undercapitalised cells.

We anticipate to meet the budgeted profit after tax for 2021 on the expected basis and on a worst case scenario, profit after tax is expected to be below budget by R32million. In both scenarios, the capital coverage will remain above 100% and the Company remains a going concern for the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. RELATED PARTY TRANSACTIONS

Transactions with related parties

During the year the Company entered into various insurance and non–insurance transactions with related parties in the Sanlam and Santam Groups. Related parties as defined are:

31.1. Parent and Ultimate Holding Company

Centriq Insurance Holdings Limited is the direct holding company of Centriq Insurance Company Limited with a 100% (2019: 100%) shareholding of the issued ordinary shares. Centriq Insurance Holdings Limited's parent is Santam Limited who holds 100% (2019: 100%) of the issued ordinary shares. The ultimate holding company is Sanlam Limited with a 59.6% (2019: 61.5%) shareholding in Santam Limited.

31.2. Fellow subsidiaries

The following companies are fellow subsidiaries:

- Nova Risk Partners Limited
- Centriq Life Insurance Company Limited
- Beyonda Group (Pty) Ltd
- Ground Up Risk Partners (Pty) Ltd
- Cenviro Solutions (Pty) Ltd
- Premium Finance Partners (Pty) Ltd
- Insure Group Managers Finance (Pty) Ltd (acquired: 1 June 2020)

31.3. Key Management

Key management is defined as:

- Directors and executive committee members of Centriq Insurance Holdings Limited
- Directors and executive committee members of Centriq Insurance Company Limited
- A list of the directors of the Company is on page 10 of the annual financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. **RELATED PARTY TRANSACTIONS (CONTINUED)**

31.4. **Other interests**

	2020	2019
	R'000	R'000
Santam Limited and all its subsidiaries.		
Balances with related parties		
(i) Trade and other payables	**16,792**	27,167
– Cenviro Solutions (Pty) Ltd	**6,422**	8,394
– Beyonda Group (Pty) Ltd	**2,805**	1,729
– Santam Structured Reinsurance Limited PCC	**6,827**	2,090
– Sanlam Limited	**14**	-
– Santam Limited	**724**	14,916
– Sanlam Health Solutions (Pty) Ltd	**-**	38

Amounts due to group companies

Amounts due to group companies are unsecured and do not have fixed or determinable settlement dates, however it is the practice of the Company to settle them on a monthly basis. Reinsurance payables are payable in terms of the underlying reinsurance contract.

The movement in amounts due to Cenviro Solutions (Pty) Ltd is as follows:		
Balance at beginning of year	**8,394**	4,301
Management, administration fees and profit commission payable to Cenviro Solutions (Pty) Ltd	**46,717**	33,509
Payments made	**(48,689)**	(29,416)
Balance at end of year	**6,422**	8,394

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. **RELATED PARTY TRANSACTIONS (CONTINUED)**

31.4. **Other interests (continued)**

	2020	2020
	R'000	R'000
The movement in amounts due to Beyonda Group (Pty) Ltd is as follows:		
Balance at beginning of year	**1,729**	763
Management and administration fees payable to Beyonda Group (Pty) Ltd	**13,505**	12,644
Payments made	**(12,429)**	(11,678)
Balance at end of year	**2,805**	1,729
The movement in amounts due to Santam Structured Reinsurance Limited PCC is as follows:		
Balance at beginning of year	**2,090**	1,651
Reinsurance payable to Santam Structured Reinsurance Limited PCC	**25,767**	11,649
Reinsurance recoveries received	**23,451**	21,281
Payments made	**(44,481)**	(32,491)
Balance at end of year	**6,827**	2,090
The movement in amounts due to Sanlam Limited is as follows:		
Balance at beginning of year	**-**	5,437
Operating expenses paid by Sanlam Limited	**74,329**	61,469
Payments made	**(74,315)**	(66,906)
Balance at end of year	**14**	-
The movement in amounts due to Sanlam Health Solutions (Pty) Ltd is as follows:		
Balance (receivable)/payable at beginning of year	**38**	(235)
Interest, management and Outsource fees paid to Sanlam Health Solutions (Pty) Ltd	**3,280**	2,127
Payments made	**(3,318)**	(1,854)
Balance payable /(receivable) at end of year	**-**	38

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. **RELATED PARTY TRANSACTIONS (CONTINUED)**

31.4. **Other interests (continued)**

	2020	2019
	R'000	R'000
The movement in amounts due to Santam Limited is as follows:		
Balance at beginning of year	**14,916**	12,089
Net reinsurance amounts raised	**30,413**	26,536
Operating expenses paid by Santam Limited	**6,544**	4,771
Amounts paid	**(51,149)**	(28,480)
Balance at end of year	**724**	14,916
(ii) Loans and receivable	**103,255**	82,887
- Balances owed by Centriq Insurance Holdings Limited	**103,255**	71,428
- Balances owed by Centriq Life Insurance Company Limited	**-**	11,459

Amounts due from Centriq Insurance Holdings Limited

A portion of the amount due from Centriq Insurance Holdings Limited bears interest at an average of Prime less 1.5%. The remaining portion of the loan account is interest free.

	2020	2019
The movement in amounts due by Centriq Insurance Holdings Limited is as follows:		
Balance at beginning of year	**71,428**	53,031
Net advances made to Centriq Insurance Holdings Limited	**27,980**	14,486
Interest on loan account	**3,847**	3,911
Balance at end of year	**103,255**	71,428

	2020	2019
The movement in amounts due from Centriq Life Insurance Company Limited is as follows:		
Balance at beginning of year	**11,459**	3,415
Payments received	**(27,445)**	(3,415)
Current year management fee	**15,986**	11,459
Balance at end of year	**-**	11,459

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. **RELATED PARTY TRANSACTIONS (CONTINUED)**

31.4. **Other interests (continued)**

The following assets and liabilities are as a result of the reinsurance contracts entered into with related parties

	2020 R'000	2019 R'000
(iii) Reinsurance contracts		
Recoverable from Santam Limited	**112,181**	85,990
– Claims reported and loss adjustment expenses	**56,676**	53,560
– Claim incurred but not reported	**11,867**	9,285
– Unearned premiums	**43,638**	23,145
Recoverable from Santam Structured Reinsurance Limited PCC	**7,278**	7,799
– Claims reported and loss adjustment expense	**553**	553
– Claims incurred but not reported	**3,605**	3,380
– Reinsurance deposits withheld	**3,120**	3,866
Recoverable from Santam Namibia Limited - reinsurance inward	**56,918**	54,531
– Claims reported and loss adjustment expenses	**700**	700
– Unearned premiums	**52,074**	48,742
– Trade accrual	**4,144**	5,089
Recoverable from Santam Limited – reinsurance inward	**8,222**	8,853
– Unearned premiums	**7,837**	8,679
– Trade accrual	**385**	174
(iv) Deferred reinsurance commission		
Payable to Santam Limited	**9,561**	4,475

All the transactions with related parties have been conducted at arm's length. The details of transactions with related parties are as follows:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. **RELATED PARTY TRANSACTIONS (CONTINUED)**

31.4. **Other interests (continued)**

	2020 R'000	2019 R'000
(v) Purchases of services		
Administration and consulting services – Santam Limited	**8,165**	4,426
Administration services – Centriq Life Insurance Company Limited	**(15,986)**	(9,964)
Administration services – Sanlam Limited	**697**	326
Asset management services – Sanlam Investment Managers (Pty) Ltd	**16,088**	9,362
	8,964	4,150
(vi) Insurance contracts		
Interest paid to cells	**2,239**	2,584
– Admiral Liability Acceptances (Pty) Ltd	**849**	1,210
– Emerald Underwriting Managers (Pty) Ltd	**481**	599
– Sanlam Health Solutions (Pty) Ltd	**781**	775
– Cenviro Solutions (Pty) Ltd	**128**	-
Management and Outsourced fees received	**25,140**	22,541
– Beyonda Group (Pty) Ltd	**2,738**	2,701
– Sanlam Health Solutions (Pty) Ltd	**4,060**	2,901
– Cenviro Solutions (Pty) Ltd	**18,344**	16,939
– Vantage Insurance Acceptances (Pty) Ltd	**(2)**	-
Claims administration fees paid	**31,157**	26,512
– Beyonda Group (Pty) Ltd	**10,767**	9,942
– Cenviro Solutions (Pty) Ltd	**20,384**	16,570
– Vantage Insurance Acceptances (Pty) Ltd	**6**	-
Reinsurance inwards – Santam Namibia Limited	**5,869**	32,244
– Premium income	**6,389**	32,773
– Management and administration fees paid	**(520)**	(529)
– Interest allocated to client	**(2,168)**	(3,904)
– Performance bonus	**2,168**	3,904

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. **RELATED PARTY TRANSACTIONS (CONTINUED)**

31.4. **Other interests (continued)**

(vi) Insurance contracts (continued)

	2020	2019
	R'000	R'000
Reinsurance inwards – Santam Limited	**(3,623)**	(7,436)
– Premium income	**2,235**	5,049
– Claims paid	**(5,678)**	(12,048)
– Management and administration fees paid	**(292)**	(251)
– Commission paid	**112**	(186)
– Interest allocated to client	**(212)**	(376)
– Performance bonus	**212**	376
Investment fees paid	**7,997**	5,261
– Cenviro Solutions (Pty) Ltd	**7,997**	5,261
Net Settlement received	**446**	-
– Vantage Insurance Acceptances (Pty) Ltd	**446**	-
Reinsurance premiums ceded	**142,588**	143,456
– Santam Limited	**82,574**	98,641
– Santam Structured Reinsurance Limited PCC	**60,014**	44,815
Reinsurance claims and loss adjustment expenses recovered	**63,815**	58,328
– Santam Limited	**53,784**	45,843
– Santam Structured Reinsurance Limited PCC	**10,031**	12,485
Reinsurance commission received	**48,480**	49,440
– Santam Limited	**24,267**	28,788
– Santam Structured Reinsurance Limited PCC	**24,213**	20,652

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. **RELATED PARTY TRANSACTIONS (CONTINUED)**

31.4. **Other interests (continued)**

(vii) Other

	2020	2019
	R'000	R'000
Dividends paid	**23,145**	28,400
– Centriq Insurance Holdings Limited	**23,145**	28,400
Interest received	**3,847**	3,911
– Centriq Insurance Holdings Limited	**3,847**	3,911
Insurance premium paid	**-**	25
– Nova Risk Partners Limited	**-**	25
Liabilities due to cell shareholders	**52,277**	37,429
– Admiral Liability Acceptances (Pty) Ltd	**18,583**	17,971
– Emerald Underwriting Managers (Pty) Ltd	**6,403**	6,057
– Sanlam Health Solutions (Pty) Ltd	**24,980**	11,284
– Cenviro Solutions (Pty) Ltd	**2,311**	2,117
Debt securities - Unquoted		
– Sanlam Capital Markets		
Market value	**56,413**	46,587
Investment income – unquoted	**3,576**	3,051
Directors emoluments (executive)	**12,483**	10,352
Directors emoluments (non-executive)	**690**	438
Key management (excluding directors)	**22,766**	18,490

31. RELATED PARTY TRANSACTIONS (CONTINUED)

31.4. Other interests (continued)

(viii) Remuneration paid to executive directors

Detailed remuneration disclosure per director is available upon request.