*CENTRIQ LIFE INSURANCE COMPANY LIMITED*

*Registration number: 1943/016409/06*

# ANNUAL FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 31 DECEMBER 2023

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RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements for the year ended 31 December 2023 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 2023 have been prepared by Kamogelo Matabane,CA (SA), and reviewed by Terina Erasmus, CA (SA).

**REGISTERED ADDRESS**

The Oval, Second Floor
West Wing, Wanderers Office Park
52 Corlett Drive
Illovo
2196

**STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS**

The board of directors of Centriq Life 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 auditor is to express an independent opinion on the fair presentation of the annual 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 IFRS® Accouting standards.

The board is of the opinion that the Company is financially sound and operates as a going concern. The annual financial statements have been prepared on a going concern basis.

PA JENNETT
DIRECTOR
26 April 2024

ML OLIVIER
DIRECTOR
26 April 2024

**CERTIFICATION BY THE COMPANY SECRETARY**

*In terms of Section 88(2)(e) of the Companies Act, no 71 of 2008 ("the Act"), as amended, I certify that in respect of the financial year ended 31 December 2023, 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*
26 April 2024

## 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 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 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 Audit Committee and the board of directors by performing all roles and responsibilities as noted in the Risk and Financial Review Charter. 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 2023 and recommended these financial statements for approval by the Board on 26 April 2024. The RFR committee has functioned well and has performed all its duties properly.

The RFR committee considered the external auditor's independence for the financial year ended 31 December 2023 and is satisfied that the registered auditor, PricewaterhouseCoopers Inc., was independent of the Company.

The Santam Limited audit committee with the appropriate assistance from the RFR committee is satisfied that it had fulfilled its responsibilities.

**PE Speckmann**

**Chairman Centriq Risk and Financial Review Committee**

**Chairman Santam Audit Committee**

**REPORT OF THE DIRECTORS**

**1. ACTIVITIES**

The Company is incorporated in the Republic of South Africa and is authorised to transact in most classes of long term insurance primarily as a cell captive 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.

1.1.1. First party cell captive arrangements are arrangements where the risks that are being insured relate to the cell shareholders own operations or operations within the cell shareholders 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.

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 shareholders agreement however determines that the cell shareholders remain shareholder. The shareholders 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.

**1.2. Own Risk assumption**

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

**2. ADOPTION OF IFRS 17**

The Company retrospectively applied the IFRS 17 *Insurance contracts* standard from 1 January 2023 and restated comparatives for the 2022 financial period. The key impacts on the company's results are as follows:

## 2. ADOPTION OF IFRS 17 (CONTINUED)

Profit before tax for the year ended 31 December 2022 decreased under IFRS 17 compared to IFRS 4 (Dec 2022: decrease of R1.01m to R34m). Upfront fees and acquisition costs relating to certain longer-duration contracts are recognised over the coverage period of the contracts under IFRS 17 as opposed to upfront recognition under lFRS4.

## 3. OPERATING RESULT

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

| | 2023<br>R'000 | 2022<br>R'000 |
|---|---|---|
| Total assets | 5,015,472 | 2,651,758 |
| Insurance revenue | 6,615,503 | 5,253,853 |
| Investment income and net gains on financial assets | 270,368 | 86,057 |
| Total comprehensive income for the year | 53,297 | 34,022 |

## 4. SHARE CAPITAL

Ordinary share capital

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

Non-convertible redeemable preference share capital

During the current year, the following shares were issued to cell shareholders as a result of capitalization of cell captives:

| Description | Class | Number of shares | Value (R) |
|---|---|---|---|
| Preference shares | P24 | 6 | 800,000 |
| | | **6** | **800,000** |

No shares were redeemed by a cell shareholder in the current year. This is disclosed as part of Reinsurance liabilities.

## 5. DIVIDENDS

ORDINARY SHARE CAPITAL

The following dividends were declared and paid during the year.

| | 2023<br>R'000 | 2022<br>R'000 |
|---|---|---|
| Ordinary shares | 25,000,000 | 15,000,000 |

**5. DIVIDENDS (CONTINUED)**

**NON-CONVERTIBLE REDEEMABLE PREFERENCE SHARES**

The following dividends were declared and paid during the year:

| | 2023 | 2022 |
|---|---|---|
| Preference shares(Class P30) | - | 342,789,266 |
| Preference shares(Class P35) | 3,500,000 | 8,594,537 |
| Preference shares(Class P34) | 7,000,000 | 14,777,341 |
| Preference shares(Class P20) | - | 7,000,000 |
| Preference shares(Class P31) | 44,888,944 | 56,438,798 |
| Preference shares(Class P26) | - | - |
| Preference shares(Class P25) | 4,614,838 | 2,800,000 |
| Preference shares(Class P32) | - | 10,463,030 |
| Preference shares(Class P33) | 17,406,647 | 4,700,237 |
| | **77,410,429** | **447,563,209** |

The Directors of the Company hereby confirm that, in compliance with the provisions of Section 46 of the Companies Act, 2008 (the Companies Act), a solvency and liquidity test, as set out in Section 4 of the Companies Act, was performed in respect of all dividends paid on the ordinary and preference shares during the financial year ended 31 December 2023 and on the ordinary and preference shares paid subsequent to the financial year ended 31 December 2023 as disclosed in the annual financial statements for the year ended 31 December 2023.

**7. RELATED PARTIES**

Related party relationships exist between the Company and its fellow subsidiaries, the holding company and the Sanlam and Santam groups of companies. Transactions and balances with related parties are disclosed in note 17. There are no related party transactions with key management other than director's emoluments.

**8. 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.

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

The directors do not have any interest in the Company. The director's remuneration was paid by the Company's fellow subsidiary, Centriq Insurance Company Limited. Refer to note 17.

REPORT OF THE DIRECTORS (CONTINUED)

**10. 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: | |
| TC Madzinga | (appointed 01/07/2022)# |
| MP Fandeso | (appointed 01/07/2022)#^* |
| HD Nel | (appointed 15/11/2012) ^ ) (Resigned 1 July 2023) |
| PE Speckmann | (appointed 01/11/2017) #^ |
| M Matthee | (appointed 14/08/2020) (Resigned 15 May 2023) |
| DH Loxton | (appointed 01/07/2023) |
| ML Olivier | (appointed 01/07/2023)^* |
| GM Tapon-Njamo | (appointed 01/07/2023) |

**Sub-committee**
# Remuneration
^ Risk and Financial Review Committee members
* Investment

Company secretary

E Price (appointed 21/02/2013)

The Company secretary's postal and business addresses are:

40 3rd Avenue
Parktown North
2193

**11. AUDITOR**

PricewaterhouseCoopers Inc. will complete the audit for the 2023 financial year whereafter KPMG Inc. will be appointed as auditors for the 2024 financial year onwards in accordance with Section 90 (1) of the Companies Act, 2008.

**12. CORPORATE GOVERNANCE REPORT**

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

**13. 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. Please refer to page 4 for the Audit Committee Report.

**14. GOING CONCERN**

The annual financial statements have been prepared on the going concern basis. In adopting the going concern basis, the Board has reviewed the groups ongoing commitments for the next 12 months and beyond. The Boards review included the company's strategic plans and updated financial forecasts including capital position, liquidity and investment portfolios. As a result, the Board believes that the Company is well placed to meet future capital requirements and liquidity demands. Based on this review no material uncertainties that would require disclosure have been identified in relation to the ability of the company to remain a going concern for at least the next 12 months, from the date of the approval of the annual financial statements.

**13. SUBSEQUENT EVENTS**

An ordinary shareholder's dividend payable to Centriq Insurance Holdings Limited of R53,500,000 (2022: R25,000,000) was declared on 8 February 2024.Refer to note 16.

# Independent auditor's report

To the Shareholders of Centriq Life Insurance Company Limited

## Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Centriq Life Insurance Company Limited (the Company) as at 31 December 2023, and its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards and the requirements of the Companies Act of South Africa.

**What we have audited**

Centriq Life Insurance Company Limited's financial statements set out on pages 13 to 67 comprise:

- the statement of financial position as at 31 December 2023;
- 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, including material accounting policy information.

## 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 Life Insurance Company Limited Annual Financial Statements for the year ended 31 December 2023", which includes the Report of the Directors, the Report of the Audit Committee and the Certification by the 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 IFRS Accounting 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 Life Insurance Company for 14 years.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.
Director: Andrew Taylor
Registered Auditor
Johannesburg, South Africa
30 April 2024

**STATEMENT OF FINANCIAL POSITION**
**as at 31 December 2023**

| | Notes | 2023 R'000 | 2022 R'000 | 2021 R'000 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Deposit held with Cell owner | 4.1 | 29,634 | 55,556 | 89,484 |
| Deferred tax asset | 6 | 46,385 | 59,346 | 45,630 |
| Financial assets at fair value through income | | | | |
| Interest bearing investments | 5 | 2,423,307 | 1,041,293 | 642,232 |
| Structured transactions | 5 | 37,264 | 16,551 | 7,032 |
| Cash, deposits and similar securities | 5 | 1,584,569 | 870,599 | 220,270 |
| Insurance contract asset | 7.7 | 18,419 | 14,425 | 23,027 |
| Reinsurance contract assets | 7.8 | 724,430 | 460,548 | 16,347 |
| Loan and receivables | 8 | 35,367 | 29,601 | 19,377 |
| Cash and Cash equivalent | 9 | 116,097 | 103,839 | 212,591 |
| **Total assets** | | **5,015,472** | **2,651,758** | **1,275,990** |
| **EQUITY** | | | | |
| **Capital and reserves** | | | | |
| Ordinary share capital and premium | 10 | 15,000 | 15,000 | 15,000 |
| Distributable reserves | | 71,755 | 43,465 | 24,443 |
| | | 86,755 | 58,465 | 39,443 |
| **Non-controlling interest** | | | | |
| **Total equity** | | **86,755** | **58,465** | **39,443** |
| **LIABILITIES** | | | | |
| Reinsurance liability relating to cell owners | 4.2 | 29,634 | 55,556 | 89,484 |
| Insurance contract liability | 7.7 | 1,770,097 | 1,162,666 | 423,482 |
| Reinsurance contract liability | 7.8 | 2,899,292 | 1,348,453 | 666,410 |
| Trade and other payables | 11 | 27,346 | 12,269 | 52,073 |
| Current income tax liabilities | | 202,349 | 14,350 | 5,098 |
| **Total liabilities** | | **4,928,718** | **2,593,294** | **1,236,547** |
| **Total shareholders' equity and liabilities** | | **5,015,473** | **2,651,759** | **1,275,990** |

[1] *Comparative information was restated for the initial application of IFRS 17, refer to note 1.2 for additional information.*

**STATEMENT OF COMPREHENSIVE INCOME**
**for the year ended 31 December 2023**

| | Notes | 2023 R'000 | 2022 R'000 |
|---|---|---|---|
| Insurance revenue | 7.1 | 6,615,503 | 5,253,853 |
| Insurance acquisition cost recovered | 7.2 | 127,569 | 97,320 |
| Insurance service expense | 7.3 | (4,101,844) | (3,135,464) |
| Net expense from reinsurance contracts held | 7.4 | (1,920,928) | (1,646,808) |
| **Insurance service result** | | 720,300 | 568,901 |
| | | | |
| Finance income/(expenses) from insurance contracts issued | 7.5 | 115,294 | (176,876) |
| Finance (expenses)/income from reinsurance contracts held | 7.6 | (350,962) | 110,015 |
| **Net insurance finance income/(expenses)** | | (235,668) | (66,861) |
| | | | |
| **Net insurance service result** | | 484,633 | 502,039 |
| | | | |
| Interest income on fair value through income instruments | 12 | 263,629 | 91,855 |
| Other investment income/(expenses) | 12 | 456 | (588) |
| Net fair value gains/(losses) on financial assets and liabilities at fair value through income | 12 | 6,283 | (5,210) |
| **Net investment and other income** | | 270,368 | 86,057 |
| | | | |
| Expenses for marketing and administration | | (76,456) | (52,440) |
| Expenses for investment-related activities | | (4,032) | (2,021) |
| **Other operating expenses** | | (80,488) | (54,461) |
| | | | |
| **Profit before tax** | | 674,512 | 533,635 |
| | | | |
| **Total tax expense** | | (621,216) | (499,613) |
| Tax expense allocated to shareholders | 13 | (19,711) | (13,338) |
| Tax expense allocated to cell shareholders | 13 | (601,505) | (486,275) |
| | | | |
| **Profit for the period** | | 53,297 | 34,022 |
| | | | |
| **Other comprehensive income, net of tax** | | - | - |
| **Total comprehensive income for the period** | | 53,297 | 34,022 |
| | | | |
| **Attributable to** | | | |
| - equity holders of the company | | 53,297 | 34,022 |

[1] *Comparative information was restated for the initial application of IFRS 17, refer to note 1.2 for additional information.*

**STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2023

| | Share capital and Premium | Distributable reserves | Total |
|---|---|---|---|
| | R 000 | R 000 | R 000 |
| **Balance as at 1 January 2022** | 15,000 | 24,443 | 39,443 |
| Profit for the year | - | 34,022 | 34,022 |
| Other comprehensive income: | - | - | - |
| Ordinary dividends paid | - | (15,000) | (15,000) |
| **Balance as at 31 December 2022** | 15,000 | 43,465 | 58,465 |
| | | | |
| **Balance as at 1 January 2023** | 15,000 | 43,465 | 58,465 |
| Profit for the year | - | 53,290 | 53,290 |
| Other comprehensive income: | - | - | - |
| Ordinary dividends paid | - | (25,000) | (25,000) |
| **Balance as at 31 December 2023** | 15,000 | 71,755 | 86,755 |

**STATEMENT OF CASH FLOWS**

**For the year ended 31 December 2023**

| | Notes | 2023<br>R'000 | 2022<br>R'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 14 | 2,306,338 | 1,374,664 |
| Interest received | 15 | 260,331 | 90,563 |
| Taxation paid | | (420,256) | (504,074) |
| Foreign exchange gains/(losses) | | 456 | (588) |
| Purchase of investments | | (11,892,034) | (6,527,818) |
| Proceeds on investments matured and disposed | | 9,781,619 | 5,463,701 |
| **Net cash from operating activities** | | **36,454** | **(103,552)** |
| | | | |
| **CASH UTILISED IN FINANCING ACTIVITIES** | | | |
| Proceeds from issue of financial instruments to cell shareholders | | 805 | 10,800 |
| Repayment of liabilities due to cell shareholders | | - | (1,000) |
| Dividend paid to shareholders | | (25,000) | (15,000) |
| | | **(24,195)** | **(5,200)** |
| | | | |
| **Net increase/(decrease) in cash and cash equivalents** | | **12,259** | **(108,752)** |
| Cash and cash equivalents at the beginning of the year | | **103,838** | **212,591** |
| **Cash and cash equivalents at the  end of the year** | | **116,097** | **103,839** |
| | | | |
| **Cash and cash equivalents balance per statement of financial position** | | **116,097** | **103,839** |

**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, except for the application of IFRS 17. Refer to note 1.2.

**1.1 Basis of preparation**

The financial statements have been prepared in accordance with IFRS® Accounting Standards and the interpretations issued by the IFRIC ® Interpretations, 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 (R), rounded to the nearest thousand, unless otherwise stated.

**1.1.1 International Financial Reporting Standards and amendments issued but not effective for 31 December 2023 year-end**

The following new IFRSs and/or IFRICs were effective for the first time from 1 January 2023:
- IFRS 17 Insurance contracts
- Amendments to IFRS 17 Insurance contracts
- Amendments to IAS 1 Presentation of financial statements (changes in accounting estimates and errors)
- Narrow scope amendments to IAS 1 Presentation of financial statements, Practice statement 2 and IAS 8 Accounting policies (changes in accounting estimates and errors).

The adoption of these amendments to IFRS did not have a material impact, apart from the first-time application of IFRS 17 Insurance contracts and the amendments.

**1.1.2 Standards not yet effective in 2023**
- Amendment to IAS 1 Presentation of financial statements (classification of liabilities as current or non-current)
- Amendment to IFRS 16 Leases (on sale and leaseback)
- Amendment to IAS 1 Presentation of financial statements (non-current liabilities with covenants)
- Amendments to IAS 7 Statement of cash flows and IFRS 7 Financial instruments: Disclosures (on supplier finance arrangements)

The Company did not early adopt any of the IFRS standards that are not yet effective. The company does not anticipate that the adoption of the new standards will have a material impact.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**
**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### 1.2. IFRS 17 INSURANCE CONTRACTS

**Introduction**

The IASB issued IFRS 17 *Insurance contracts* in May 2017 and on 25 June 2020, the IASB issued amendments to the standard. The effective date of IFRS 17 is for annual reporting periods beginning on or after 1 January 2023. The standard needs to be applied retrospectively and therefore the comparative period FY2022 has been restated.

IFRS 17 replaces IFRS 4 Insurance contracts and provides a comprehensive model (general measurement model) for the measurement of insurance contracts, supplement by the variable fee approach for contracts with direct participation features and the premium allocation (PAA) applicable mainly for short-duration contracts.

**Transition approach**

The Company adopted IFRS 17 as of 1 January 2023 on a fully retrospective basis. Comparative information has been restated as required by the transitional provisions of IFRS 17. The change in carrying amounts of insurance and reinsurance assets and liabilities at the date of transition, has been recognised in opening retained earnings at 1 January 2022 (the comparative period).

**Impact on opening reserves on transition to IFRS 17**

| | **Distributable reserves R'000** |
|---|---|
| *Impact on reserves at the beginning of 2022* | |
| Audited as at 31/12/2021 | 24,491 |
| IFRS 17 restatement | (48) |
| Restated Audited as at 01/01/2022 | 24,443 |
| *Impact on reserves at the end of 2022* | |
| Audited as at 31/12/2022 | 44,601 |
| IFRS 17 restatement | (1,136) |
| Restated Audited as at 31/12/2022 | 43,465 |

**Introduction**

Insurance contracts are contracts under which the Company accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The Company uses judgement to assess whether a contract transfers insurance risk (i.e. if there is a scenario with commercial substance in which the company has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant.

Contracts that have a legal form of insurance but do not transfer significant insurance risk and expose the Company to financial risk are classified as investment contracts and follow financial instruments accounting

The Company uses reinsurance to mitigate its risk exposures. A reinsurance contract is issued by a reinsurer to compensate the reinsured for losses the reinsured may incur on underlying issued contracts.

**1.2.1 Classification and measurement**

The Company provides life insurance contracts via cell structures.

## 1.2. IFRS 17 INSURANCE CONTRACTS (CONTINUED)

### 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 "reinsurance contract liabilities". 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.

### Life insurance in these cell structures

Life insurance provides benefits under life policies, which include assistance are further classified into group, individual and fund.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**
**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**1.2 IFRS 17 INSURANCE CONTRACTS (CONTINUED)**

**Recognition and measurement of insurance contracts**

Groups of insurance contracts issued are initially recognised from the earliest of either the beginning of the coverage period, or the date when the first payment from the policyholder is due or actually received, if there is no due date.
The Company recognises a group of reinsurance contracts held at the beginning of the coverage period, except where the group of reinsurance contracts held provides proportionate coverage, the recognition date is not earlier than the date that any underlying insurance contract is initially recognised.

**Contract boundaries**

The Company uses the concept of contract boundary to determine what cashflows should be considered in the measurement of groups of insurance contracts. This assessment is reviewed every reporting period.

Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the group can compel the policyholder to pay premiums; or the group has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation ends when:

a) the group has the practical ability to reprice the risks of the policyholder or change the level of benefits so that the price fully reflects those risks; or
b) both of the following criteria are satisfied:
i. the company has the practical ability to reprice the contract or a portfolio of contracts so that the price fully reflects the re-assessed risk of that portfolio; and
ii. the pricing of premiums up to the date when risks are reassessed does not reflect the risks related to periods beyond the re-assessment date.
In assessing the practical ability to reprice, risks transferred from the policyholder to the company, such as insurance risk and financial risk, are considered. Other risks, such as lapse, surrender and expense risk, are not
The Company considers the legal rights and the commercial substance of the contracts in this assessment.
Cash flows outside the boundary of the insurance contract relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

For most insurance contracts issued, the company has the practical ability to reassess the risks of a policyholder and set an appropriate premium to reflect those risks on short notice. Consequently, for some insurance contracts the contract boundary will be shorter than a year. The practical ability to reprice is not removed when management makes a commercial decision to price, or not price, at a certain level.

Certain risk attaching treaty reinsurance contracts cover underlying direct business that begins during a one-year coverage period of the reinsurance contract (risk-attaching reinsurance contracts). Because of this feature, the contract boundary of these reinsurance contracts can be more than one year. Such contracts will be subjected to the PAA eligibility test, described below.

**1.2 IFRS 17 INSURANCE CONTRACTS (CONTINUED)**

The contract boundary of treaty reinsurance contracts, is equal to the coverage period of the reinsurance contract. That is, losses must occur within the treaty's cover period."

**Level of Aggregation**

IFRS 17 requires a company to determine the level of aggregation at which to apply the standard. The standard requires that when insurance contracts are valued, they are grouped together with other contracts that are managed together and that have similar risk profiles.

Portfolios are further divided into groups of insurance contracts, based on whether:
-contracts are onerous at initial recognition;
-contracts that at initial recognition have no significant possibility of becoming onerous subsequently; and
-groups of remaining contracts.

If there are facts and circumstances that indicate that a group of contracts is onerous, a loss will be recognised in profit or loss equal for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. The loss recognised for an onerous group of contracts will be rebalanced at each reporting date, with any change in the loss component recognised as an increase or reversal of losses in profit or loss. Accordingly, by the end of the coverage period of the group of contracts the loss component will be zero.

**Measurement**

IFRS 17 introduces three new measurement models :
- General measurement model (GMM): applicable to all insurance contracts issued and reinsurance contracts held.
- Premium Allocation Approach: simplification available to contracts which are of short duration or where certain eligibility criteria are met.
- Variable Fee Approach: applicable to insurance contracts with a discretionary participation feature

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

## 1.2 IFRS 17 INSURANCE CONTRACTS (CONTINUED)

### Insurance and reinsurance contracts

Insurance liabilities and assets are measured using the Premium Allocation Approach (PAA), which is the simplified measurement model applicable to contracts with a contract boundary of 12 months or less, or where the measurement of the insurance liability is not significantly different between PAA or GMM.

The Company applies the PAA to all its portfolios, except for certain portfolios which are measured at GMM.

The Company does not have contracts which meet the definition of insurance or investment contracts with discretionary participation features. The variable fee approach (VFA) measurement model is therefore not applied to insurance contracts in the company.

The carrying amount of a group of insurance contracts issued at the end of each reporting date is the sum of:
- the liability for remaining coverage ("LRC"); and
- the liability for incurred claims ("LIC"), comprising the fulfilment cash flows for past incurred claims not paid.

Where the requirements are met to measure a group of insurance contracts using the PAA, the LRC at initial recognition corresponds to premiums received less acquisition costs. However, the GMM remains applicable for the measurement of LIC.

At subsequent reporting periods, the carrying amount of the LRC is adjusted for premiums received and insurance revenue (for services provided during the period) as well as acquisition cash flows and the amortisation of acquisition cash flows. The Company does not adjust the liability for remaining coverage for insurance contracts issued (or asset for remaining coverage for reinsurance contracts held) for the effect of the time value of money as the premiums are due within one year or less from the date of initial recognition.

The LIC includes the fulfilment cash flows for incurred claims and other related expenses and the LIC is also adjusted for the time value of money where the claims settlement period is more than one year. A risk adjustment for non-financial risk is determined for the liability for incurred claims where there is uncertainty in the size of the estimate and / or the timing of the underlying cash flows.

Under GMM, the LRC of insurance contracts is measured as: fulfilment cash flows, that is, the present value of future cash flows within the contract boundary necessary to fulfil insurance obligations under the contract; plus a risk adjustment for non-financial risk and the contractual service margin (CSM) (representing unearned profit). An amount of the CSM at the end of the period is recognised in insurance revenue based on the insurance contract services provided under the group of contracts in the current period and what is expected to be provided in the future.

For reinsurance contracts, the group applies the same measurement principles as are applied to insurance contracts. The carrying amount of a group of reinsurance contracts consist of the asset for remaining coverage (ARC) and asset for incurred claims (AIC). Under PAA, the group measures the asset for remaining coverage as reinsurance premiums paid less commissions received. The fulfilment cashflows of the asset for incurred claims, comprises a best estimate of the present value of future cash flows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer, together with a risk adjustment for non-financial risk.

Where GMM is applied to reinsurance contracts, the ARC is calculated as the best estimate of future cash flows, plus a risk adjustment for non-financial risk and in place of a CSM, a net cost or net gain on purchasing reinsurance.

**1.2 IFRS 17 INSURANCE CONTRACTS (CONTINUED)**

**Insurance acquisition costs**

Insurance acquisition costs are defined as those costs related to the selling, underwriting and starting a group of insurance contracts. The Company makes the accounting policy choice to defer acquisition costs. Acquisition costs are amortised on a straight-line basis over the coverage period of the group of contracts.

Cash flows that are not directly attributable to a portfolio of insurance contracts, are recognised in expenses for marketing and administration.

**Accounting for contract modification and derecognition**

An insurance contract is derecognised when it is:
- extinguished (i.e. when the obligation specified in the insurance contract expires or is discharged or cancelled);
- the contract is modified and certain additional criteria are met.

When an insurance contract accounted for under the PAA is derecognised, adjustments to the Future Cash Flows to remove relating rights and obligations and account for the effect of the derecognition result in the following amounts being charged immediately to profit or loss:
a. if the contract is extinguished, any net difference between the derecognised part of the LRC of the original contract and any other cash flows arising from extinguishment;
b. if the contract is transferred to the third party, any net difference between the derecognised part of the LRC of the original contract and the premium charged by the third party;

c. if the original contract is modified resulting in its derecognition, any net difference between the derecognised part of the LRC and the hypothetical premium the entity would have charged had it entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification.

**Amounts recognised in the statement of comprehensive income**

Insurance revenue and insurance service expenses are recognised in the statement of comprehensive income based on the passage of time over the coverage period of a group of contracts.

The Company recognises insurance revenue based on expected premium receipts.

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

**1.2 IFRS 17 INSURANCE CONTRACTS (CONTINUED)**

**Insurance service expenses**

Insurance service expenses include the following:

a) incurred claims and benefits excluding investment components
b) other incurred directly attributable insurance service expenses;
c) amortisation of insurance acquisition cash flows;
d) changes that relate to past service (i.e. changes in the FCF relating to the LIC); and
e) changes that relate to future service (i.e. losses/reversals on onerous groups of contracts from changes in the loss components).

**Net income (expenses) from reinsurance contracts held**

The Company presents financial performance of groups of reinsurance contracts held on a net basis in net income (expenses) from reinsurance contracts held, comprising the following amounts:

a. actual incurred claims and administration expenses recoverable from the reinsurance contracts held, and other administration expenses incurred
b. reinsurance expenses related to the portion of ceded premiums recovered in the current period, recognised based on the passage of time over the coverage period of the reinsurance contracts held;
c. changes in the incurred claims for past service recoverable from the reinsurance contracts held; and
d. notional reinsurance income and expenses relating to third party cell captive arrangements.

**Insurance and reinsurance finance income or expenses**

The Company recognises all insurance finance income or expenses for the reporting period in profit or loss. The Company has therefore elected not to disaggregate insurance finance income or expenses between profit or loss and other comprehensive income.
The effect of and changes in the time value of money and financial risk form part of the insurance finance income and expenses.
Insurance finance income or expenses mainly comprises the
- the unwind of interest on the liability for incurred claims, based on current discount rates; and
- the impact on the liability for incurred claims of the effect of changes in economic assumptions.

The Company's accounting policies in terms of IFRS 17 *Insurance contracts* are summarised below. For critical accounting estimates refer to note 2.

**Premium Allocation Approach (PAA) eligibility**

The Company will apply the PAA to measure a group of insurance contracts issued or reinsurance held if, at inception of the group: the coverage period of each contract in the group of insurance contracts is one year or less; or the company reasonably expects that the PAA would produce a measurement of the liability or asset for remaining coverage for a group of insurance contracts that would not differ materially from the measurement that would be achieved by applying the requirements of the GMM.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**
**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**1.2 IFRS 17 INSURANCE CONTRACTS (CONTINUED)**

**Premium Allocation Approach (PAA) eligibility (continued)**

- Project the fulfilment cash flows of the group of contracts and take into account the time value of money where the time between providing each part of the services and the related premium is more than a year.
- Calculate the projected LRC under the PAA at each projected time period (initial recognition and subsequent measurement at the external reporting frequency, i.e. half-yearly or annually).
- Calculate the LRC under the GMM (including the CSM) at initial recognition as well as subsequent measurement.
- At each point in time (in the projection) calculate the difference between the LRC under the PAA and GMM ("the difference").
- Compare the difference to the pre-determined materiality threshold (relative measure) at each point in time.
- Where the difference does not exceed the determined threshold (at any time) then the group passes the PAA eligibility test (for the base case).
- Perform scenario testing using the above process to ensure differences remain immaterial.

Scenario testing will be performed, at least annually, by updating the projected fulfilment cash flows (best estimates and corresponding risk adjustments) under reasonably expected scenarios, which would affect cash
Relative materiality thresholds will be defined for each portfolio based on ensuring that the combined absolute impacts of all IFRS 17 groups with coverage periods longer than a year applying the PAA falls within an absolute measure of materiality for the entity for each future year.

**Unit of account**

The lowest unit of account explicitly mentioned in IFRS 17 is the contract, and there is a presumption that an insurance arrangement with the legal form of a single contract would generally be considered a single unit of account.
There might be certain cases where the legal form of a contract does not reflect the substance, and thus where separation is required for accounting purposes. In such instances, the company writes multiple risks into a single contract and has concluded that each risk within the policy document is the unit of account for IFRS 17 based on the following reasons:

- Each risk in the policy is a separate transaction and therefore a separate contract concluded with the policyholder due to the risk being acquired independently by the policyholder, independently underwritten and priced and monitored and reported on separately by management.
- Depending on when the risks were acquired and added to a policy document, the risks would expire at different times. Practically however when the earliest of the contracts renew in a policy, all risks in the policy are renewed to ease the administrative burden for the policyholder.
- The different risks covered in a policy do not have similar characteristics and have no bearing to each other in consideration of future fulfilment net cash flows.
- Fulfilment cash flows for each risk is considered independently of other risks covered in a policy.

**Discount rates**

Insurance contract liabilities are calculated by discounting expected future cash flows at a risk-free curve, plus an illiquidity premium where applicable. For the general business, the company will apply the 10-year government bond risk-free curve as at reporting date for the liability of incurred claims.
The risk-free rates are deemed appropriate given that:

- The risk-free rate adequately reflects the characteristics of the insurance contracts as the risk-free rate generally increases for longer durations. Further, any differences in characteristics between the risk-free rates and the insurance contracts should not be material given the short-term nature of the liabilities.
- The risk-free rates are consistent with current market prices as they reflect the rates provided in the market and will be the latest available rates.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**
**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**1.2 IFRS 17 INSURANCE CONTRACTS (CONTINUED)**

**Risk adjustment for non-financial risk**

The risk adjustment for non-financial risk is the compensation that the company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects an amount that an insurer would require to remove the uncertainty that future cash flows will exceed the expected value amount.

The first step in the process is to calculate a best estimate reserve, where there is an equal chance that the actual amount needed to pay future claims will be higher or lower than the calculated best estimate. The Company will aim to use a confidence level approach (Value at Risk) under IFRS 17. The risk adjustment is then calculated such that Centriq must hold technical reserves at the 75th percentile of the net ultimate loss distribution.

The CSM is a component of the carrying amount of the asset or liability for a group of insurance contracts issued which represents the unearned profit that the group expects to recognise as it provides insurance contract services. If a group of insurance contracts is not onerous at initial recognition, the CSM is measured as the equal and opposite amount of the net inflow resulting from the total of the fulfilment cash flows, any derecognised assets or liabilities for insurance acquisition or other cash flows paid before the recognition date. This results in no income or expenses arising on initial recognition. If a group of insurance contracts is onerous at initial recognition, the group immediately recognises this net outflow in profit or loss.

For groups of insurance contracts measured under the GMM, the CSM at the start of the period is explicitly accreted with interest based on the discount rates applied to the fulfilment cash flows at initial recognition.

The impact of changes in estimates of the fulfilment cash flows on the measurement of the CSM depends on whether the changes are related to current (or past) or future service:

-changes that relate to current or past service are recognised in profit or loss; and

-changes that relate to future service are recognised by adjusting the CSM within the liability for remaining coverage, including changes in the risk adjustment for non-financial risk that relate to future service. This excludes any changes which give rise to a loss on a group of insurance contracts, as well as any changes which adjust the loss recovery component on a group of reinsurance contracts.

**Foreign currency translation**

The measurement of a group of insurance contracts (including the contractual service margin) with cash flows in more than one currency, will be denominated in a single currency based on the dominant currency in which expected cash flows are generated.

### 1.3. 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.

### 1.4. 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.

#### 1.4.1 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.

#### 1.4.2. 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 nor 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.

### 1.5. 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.

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.

### 1.5. Financial assets (continued)

#### 1.5.1. Classification

**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 OCI.

**ii. Financial assets at amortised cost**

The following is classified as financial assets at amortised cost:
Other loans and receivables consisting of:
-Other receivables and prepayment; and
-Amounts due to group companies.

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.

**iii. 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 cost which is deemed to be the fair value.

#### 1.5.2. 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. Investments are initially recognised at fair value. Transaction costs are recognised in the statement of comprehensive income. Investments are derecognised when the rights to receive cash flows from the investments have expired and where the Company has also transferred substantially all the risks and rewards of expired investments 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.

**1.5. Financial assets (continued)**

**1.5.3. Determination of fair value**

The fair values of quoted investments are based on current stock exchange close prices on 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 price.

**1.5.4 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 realised, expire or are surrendered.

**1.6. Impairment**

**1.6.1 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 assets carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial assets original effective interest rate. The carrying amount of the asset was 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 could be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtors credit rating), the reversal of the previously recognised impairment loss was recognised in profit or loss.

**1.6.2 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 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 assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets 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.

**1.7. Offsetting financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when the Company has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**1.8. 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.

**1.9. 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.

**1.10. Investment contracts**

Long term insurance policies are disclosed as investment contracts in the following instances:

**1.10.1. First party cells**

First-party cells are disclosed in accordance with the requirement detailed in the accounting policy under First party (refer to accounting policy note (1.2).

**1.10.2. 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.

**1.11. Financial liabilities**

**1.11.1. 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.

**1.11.2. Derecognition of financial liabilities**

A financial liability is derecognised when it is legally extinguished.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**
**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**1.12. Other revenue**

**1.12.1.Interest income on financial assets held as investment**

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.

**1.12.3. Revenue from contracts with customers**

Revenue is recognised when services are rendered i.e. investment contract is effective and is a contracted rate 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; and
-no types of warranties or related obligations.

**2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

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 reporting 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 managements best knowledge, experience, insight and judgement of current facts at the reporting date, the actual outcome may deviate from these estimates, possibly significantly.

**2.1 Policyholder liabilities**

Best estimate liability is determined using a combination of loss ratio and discounted cashflow techniques. The loss ratios method assumptions are set with reference to historic claim experience and involve a measure of judgement. Best estimate liability for credit life, funeral, term assurance, whole life and disability products is calculated on an individual policyholder basis by projecting expected future cash flows. Economic assumptions are based on the yield curves issued by the Prudential Authority. Demographic assumptions are set using past experience analysis and expected emerging experience and standard industry tables. Expense assumptions are based on estimated policy fees. These assumptions were reviewed and signed off by the Head of Actuarial Function.

**2.1.1. Changes in assumptions**

Both loss ratio and demographic cashflow assumptions were updated in light of emerging experience and future expected experience. The yield curves used were those as at 31 December 2023.

### 2.2. 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.

### 2.3. 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 in market conditions existing at each reporting date.

**3. INSURANCE AND FINANCIAL RISK MANAGEMENT**

**3.1. Insurance risk**

**3.1.1 Objectives for risk management and controls for mitigating risk**

The Company's main insurance activity involves the provision of life insurance policies to policyholders.. The Company also assumes the risk of loss from persons that are directly subject to the risk. Most of these insurance solutions are provided by way of first and third party cell captives.

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 Insurance Act 18 of 2017 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.

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

The terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contracts are set out below.

**3.1.3. Features of contracts written**

**a) Assistance business (Individual)**

Provides a benefit in the event of death of the insured and possibly the insured's dependants. The benefit is meant to cater for the funeral expenses. The insured lives may not necessary have any common link, i.e. offered to members of the public on a voluntary basis.

**b) Assistance business (Group)**

Provides a benefit in the event of death of the insured and possibly the insured's dependants. The insured lives would necessarily have a common link, e.g. employer, church group, union, etc. Cover is often arranged on a compulsory basis, but voluntary options may be offered as well. Cover for the group is normally arranged on annually renewable terms.

**c) Life (Individual)**

Provides a benefit in the event of death, disability (as a result of injury or illness), or upon diagnosis of a defined illness (e.g. cancer) of the insured. The insured lives may not necessarily have any common link, i.e. offered to members of the public on a voluntary basis. The benefit is paid to the nominated beneficiary as stated by the insured when the policy was bought.

**3.1. Insurance risk (continued)**
**3.1.3. Features of contracts written (continued)**

**d) Life (Group)**
Provides a benefit in the event of death, disability (as a result of injury or illness), or upon diagnosis of a defined illness of a member of the group. The group will typically be an employer who arranges a scheme to cover all employees. Cover for any employee ceases upon leaving employment. The death benefit is paid to the nominated beneficiary as stated by the member when the member joined the scheme.

A scheme could also be structured to provide similar benefits to a credit holder. The benefit is based on the outstanding balance at the time of the insured event and is meant to settle the outstanding balance. For these types of schemes, cover is given on annually renewable terms.

### 3.1.4. 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:

**a) Assistance business (Individual) and Life (Individual)**

The main risks associated with these contracts are mortality and morbidity risks. These risks are on actual mortality or morbidity turning out to be higher than that assumed in the pricing. The mortality and morbidity assumptions in the pricing are based on historical experience on the said classes of contracts. Premium rates are annually renewable and this allows the Company to review the experience and adjust rates if necessary.

Geographical concentration is not a major risk under these contracts because policies are written on individual basis across the country. This ensures sufficient geographical spread, reducing the risk of several claims arising from a single event (i.e. catastrophe). Other risks such as withdrawals, new business mix and volumes, expenses and capital requirements are monitored regularly.

As for Individual business above, the main risks with these contracts relate to mortality and morbidity where higher mortality or morbidity is experienced than that assumed in the pricing. Premium rates are annually renewable, allowing the Company to review and adjust rates if necessary.

Geographical concentration risk is possible, especially where employer groups are concerned. Several claims could result from a single catastrophic event because the insured lives are located in the same area. This risk is mitigated by buying an appropriate level of catastrophe reinsurance.

Other risks such as withdrawals, new business mix and volumes, expenses and capital requirements are monitored regularly.

### 3.1.5. Underwriting strategy

It is the Company's philosophy to accept only those risks that yield an acceptable rate of return on the capital exposed to risk and to an extent that limits the exposure to loss to an acceptable amount and where required, within regulated prudential limits. The net retention is therefore based on individual small occurrences exposing the Company mainly to attritional losses and reinsuring individual large loss, catastrophe and volatility exposures. All exposures in excess of the Company's individual risk appetite are either mitigated by client capital through cell captive arrangements or reinsurance.

**3.1. Insurance risk(continued)**

**3.1.5. Underwriting strategy (continued)**

Policy and claims administration for volume business is generally outsourced to independent administrators and the Company performs regular actuarial evaluations of the risk written through these arrangements. The evaluations include reviewing the pricing, individual risk exposures and accumulation risk exposures to ensure that the particular facility is able to produce the required return on capital. The Company generally purchases excess of loss reinsurance cover on a per loss basis for each facility to ensure that the Company is not adversely exposed to large individual losses.

The Company uses a balance of traditional insurance underwriting expertise and actuarial input to price its underwriting risk. Outsourced underwriting risk is further monitored by regular reviews by the client service teams, audits and detailed contractual mandates.

**3.1.6. Reinsurance strategy**

The Company reinsures a portion of the risks it underwrites in order to control its exposure to losses and to protect capital resources.

The Company also 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 reinsurers credit rating as allocated by recognised rating agencies. The risk exposure is fairly sensitive to the reinsurers 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.

**3.1.7. Concentration 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.

**3.1.8. Pricing risk**

For third party cells and underwriting management agencies, 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.

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.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**
**3. INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTINUED)**

**3.1. Insurance risk(continued)**

### 3.1.9. Sensitivity analysis

The loss ratio method of reserving may be sensitive to the assumptions applied and a sensitivity analysis has been conducted to assess the impact. A 1% change in claims could result in approximately a 0.4% change in overall gross policyholder liabilities.
For the policyholder liabilities, where discounted cash flow techniques were used, the following interest rate shocks were applied:

a) 50% increase- resulted in approximately a 1.3% decrease in gross policyholder liabilities.

b) 35% decrease resulted in approximately a 1.6% increase in gross policyholder liabilities.

The impact of these shocks on the Company's profitability is insignificant.

### 3.1.10. Claims development

In terms of IFRS 17: Insurance Contracts, an insurer should disclose claims run-off information where uncertainty exists about the amount and timing of claims payments not resolved within one year. Generally, most of the Company's business is short-tailed i.e. any claim is generally settled within 12 months of the date of loss, and the claim benefit amounts are fixed. Consequently, detailed claims run-off information is not presented.

## 3.2. Financial risk

### 3.2.1. 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.

| **Financial and insurance assets** | **2023<br>R'000** | **2022<br>R'000** |
|---|---|---|
| Interest bearing investments | 2,423,307 | 1,041,293 |
| Structured transactions | 37,264 | 16,551 |
| Cash, deposits and similar securities | 1,584,569 | 870,599 |
| **Total investments** | **4,045,140** | **1,928,443** |
| Cash and cash equivalents | 116,097 | 103,839 |
| **Total financial assets** | **4,161,237** | **2,032,282** |
| **Insurance and other assets** | | |
| Loan and receivables | 35,367 | 29,601 |
| Deposit held with Cell owner | 29,634 | 55,556 |
| **Total Insurance and other assets** | **807,850** | **560,130** |
| **Total financial and insurance assets** | **4,969,087** | **2,592,412** |

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**
**3. INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTINUED)**

**3.2. Financial risk (continued)**

**3.2.1. Risk management framework (continued)**

| Insurance liabilities | 2023<br>R'000 | 2022<br>R'000 |
|---|---|---|
| Reinsurance liability relating to cell owners | 29,634 | 55,556 |
| Trade and other payables | 27,346 | 12,269 |
| **Total Insurance liabilities** | **4,726,369** | **2,578,944** |

**3.2.2.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.

**3.2.3. 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 to 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.

**3.2.4. Price risk**

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.

**3.2.5.Interest rate risk**

Interest rate risk arises primarily from the Company's investments in long-term debt and fixed income securities, which are exposed to fluctuations in interest rates. Exposure to interest rate risk is monitored and managed by the Investment Committee. The fair value of amounts due to cells is 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**3. INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTINUED)**

### 3.2. Financial risk (continued)

#### 3.2.5.Interest rate risk (continued)

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 R1,575,382 (2022: R1,236,945) or a decrease of R1,589,163 (2022: R1,413,614) respectively of which approximately R196,923 (2022: R 175,248) is attributable to profit before tax.

#### 3.2.6. Sensitivities

The following table presents information on how reasonably possible changes in assumptions made by the Company with regard to underwriting risk variables impact Conventional and Alternative risk transfer insurance liabilities, profit or loss and equity. These contracts are measured under the PAA and, thus, only the LIC component of insurance liabilities is sensitive to possible changes in underwriting risk variables.

| | LIC at 31 December 2023 | Impact on LIC | Impact on profit before income tax | Impact on equity |
|---|---|---|---|---|
| **Insurance contract liabilities** | 372,109 | | | |
| Undiscounted LIC Best Estimate | 360,092 | | | |
| Undiscounted LIC Risk adjustment | 13,103 | | | |
| Discounting | (1,086) | | | |
| **Reinsurance contract assets** | (179,025) | | | |
| Undiscounted AIC Best Estimate | (173,126) | | | |
| Undiscounted AIC Risk adjustment | (6,430) | | | |
| Discounting | 531 | | | |
| **Net insurance contract liabilities** | 193,084 | | | |
| | **Change in** | | | |
| **Expected loss ratio** | +10% | | | |
| Insurance contract liabilities | | 36,009 | 1,270 | 927 |
| Reinsurance contract assets | | (17,313) | (1,042) | (760) |
| **Net insurance contract liabilities** | | 18,696 | 228 | 167 |
| Discount Rates | +1% | | | |
| Insurance contract liabilities | | 3,732 | 2,044 | 1,492 |
| Reinsurance contract assets | | (1,796) | (1,782) | (1,301) |
| **Net insurance contract liabilities** | | 1,936 | 262 | 190 |

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**
**3. INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTINUED)**

**3.2.6. Sensitivities (continued)**

| | LIC at 31 December 2022 | Impact on LIC | Impact on profit before income tax | Impact on equity |
|---|---|---|---|---|
| **Insurance contract liabilities** | 292,524 | | | |
| Undiscounted LIC BEexcluding | 282,271 | | | |
| Undiscounted LIC RA | 11,289 | | | |
| ULAE | - | | | |
| Discounting | (1,036) | | | |
| **Reinsurance contract assets** | (125,802) | | | |
| Undiscounted AIC BE | (121,490) | | | |
| Undiscounted AIC RA | (4,758) | | | |
| Discounting | 446 | | | |
| **Net insurance contract liabilities** | 166,722 | | | |
| | **Change in assumption** | | | |
| **Expected loss ratio** | +10% | | | |
| Insurance contract liabilities | | 28,227 | 28,227 | 20,606 |
| Reinsurance contract assets | | (12,149) | (12,149) | (8,869) |
| **Net insurance contract liabilities** | | 16,078 | 16,078 | 11,737 |
| **Discount Rates** | +1% | | | |
| Insurance contract liabilities | | 2,936 | 2,936 | 2,143 |
| Reinsurance contract assets | | (1,262) | (1,262) | (922) |
| **Net insurance contract liabilities** | | 1,674 | 1,674 | 1,221 |

**3.2.7.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;
-reinsurance contracts

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 clients 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:

1. A credit risk analysis is performed per client to assess the level of exposure that the Company faces.

2. 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.

**3.2.7.Credit risk (continued)**

**a) 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.

**b) 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. The solvency of all new and existing cells are monitored by management on a monthly basis.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**
**3. INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTINUED)**

**3.2.7.Credit risk (continued)**

**c) Impairment history**

**31 December 2023**

| | Credit rating | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **AA-** | **A** | **A-** | **A+** | **B** | **B-** | **B+** | **BB-** | **BB** | **Not rated** | **Carring Value in SOFI** |
| Interest bearing investments | - | - | - | - | 7,684 | - | 114,486 | 238,604 | 2,062,533 | - | 2,423,307 |
| Structured transactions | - | - | - | - | - | - | - | - | 37,264 | - | 37,264 |
| Cash, deposits and similar securities | - | - | - | - | - | - | - | - | 1,584,569 | - | 1,584,569 |
| Cash and cash equivalent | - | - | - | - | - | - | - | 82,041 | 34,056 | - | 116,097 |
| Loan and receivables | - | - | - | - | - | - | - | 26,937 | - | 8,430 | 35,367 |
| **Total** | - | - | - | - | 7,684 | - | 114,486 | 347,582 | 3,718,422 | 8,430 | 4,196,604 |

**31 December 2022**

| | Credit rating | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **AA-** | **A** | **A-** | **A+** | **B** | **B-** | **B+** | **BB-** | **BB** | **Not rated** | **Carring Value in SOFI** |
| Interest bearing investments | - | - | - | - | 6,252 | - | 39,625 | 34,216 | 961,200 | - | 1,041,293 |
| Structured transactions | - | - | - | - | - | - | - | 1,514 | 15,037 | - | 16,551 |
| Cash, deposits and similar securities | - | - | - | - | 4,029 | | 23,268 | 66,947 | 776,355 | - | 870,599 |
| Cash and cash equivalent | 342 | - | - | 35,159 | - | - | 17,723 | 35,450 | 15,165 | - | 103,838 |
| Loan and receivables | - | - | - | - | - | - | - | - | - | 29,601 | 29,601 |
| **Total** | 342 | - | - | 35,159 | 10,281 | - | 80,616 | 138,126 | 1,767,757 | 29,601 | 2,061,882 |

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**
**3. RISK AND CAPITAL MANAGEMENT (CONTINUED)**

**3.2.7. Credit risk (continued)**
**c) Impairment history (continued)** 4

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.

| 31 December 2023 | Neither past due nor impaired | Financial assets that are past due but not impaired | | | | Financial assets that have been impaired | Impairment | Carrying value |
|---|---|---|---|---|---|---|---|---|
| | | 0-3 months | 3-6 months | 6 months – 1 year | Greater than 1 year | | | |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Interest bearing investments | 2,423,307 | - | - | - | - | - | - | 2,423,307 |
| Investment Funds | 37,264 | - | - | - | - | - | - | 37,264 |
| Cash, deposits and similar securities | 1,584,569 | - | - | - | - | - | - | 1,584,569 |
| Loans and receivables | 35,367 | - | - | - | - | - | - | 35,367 |
| Cash and cash equivalents | 116,097 | - | - | - | - | - | - | 116,097 |
| | 4,896,287 | 41,888 | 1,278 | - | - | - | - | 4,939,453 |

| 31 December 2022 | Neither past due nor impaired | Financial assets that are past due but not impaired | | | | Financial assets that have been impaired | Impairment | Carrying value |
|---|---|---|---|---|---|---|---|---|
| | | 0-3 months | 3-6 months | 6 months – 1 year | Greater than 1 year | | | |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Interest bearing investments | 1,041,293 | - | - | - | - | - | - | 1,041,293 |
| Investment Funds | 16,551 | - | - | - | - | - | - | 16,551 |
| Cash, deposits and similar securities | 870,599 | - | - | - | - | - | - | 870,599 |
| Loans and receivables | 29,601 | - | - | - | - | - | - | 29,601 |
| Cash and cash equivalents | 103,839 | - | - | - | - | - | - | 103,839 |
| | 2,536,565 | 366 | (75) | - | - | - | - | 2,536,856 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
3. INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTINUED)

**3.2. Financial risk (continued)**

**3.2.8. 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 realisation of Financial and Insurance assets recognised at reporting date:

| | Within 1 year R'000 | 2 to 5 years R'000 | >5 years R'000 | Total R'000 |
|---|---|---|---|---|
| **31 December 2023** | | | | |
| **Financial assets at fair value through profit and loss** | | | | |
| Deposit held with cell owner | 14,546 | 15,088 | - | 29,634 |
| Interest bearing investments | 1,125,827 | 1,283,026 | 14,454 | 2,423,307 |
| Structured transactions | 12,989 | 23,516 | 759 | 37,264 |
| Cash, deposits and similar securities | 1,355,564 | 229,005 | - | 1,584,569 |
| Cash and Cash equivalent | 116,097 | - | - | 116,097 |
| Insurance contract asset | 18,418 | - | - | 18,418 |
| Reinsurance contract assets | 298,664 | 219,190 | 206,576 | 724,430 |
| Loan and receivables | 35,367 | - | - | 35,367 |
| **Total Financial assets at fair value through profit and loss** | **2,977,472** | **1,769,825** | **221,789** | **4,969,086** |

| | Within 1 year R'000 | 2 to 5 years R'000 | >5 years R'000 | Total R'000 |
|---|---|---|---|---|
| **31 December 2022** | | | | |
| **Financial assets at fair value through profit and loss** | | | | |
| Deposit held with cell owner | 55,556 | - | - | 55,556 |
| Interest bearing investments | 150,363 | 890,930 | | 1,041,293 |
| Structured transactions | 16,551 | - | - | 16,551 |
| Cash, deposits and similar securities | 870,599 | - | - | 870,599 |
| Cash and Cash equivalent | 103,839 | - | - | 103,839 |
| Insurance contract asset | 97,137 | 3,733 | 370 | 101,240 |
| Reinsurance contract assets | 175,347 | 97,569 | 202,841 | 475,757 |
| Loan and receivables | 29,601 | - | - | 29,601 |
| **Total Financial assets at fair value through profit and loss** | **1,498,993** | **992,232** | **203,211** | **2,694,436** |

The Financial assets at fair value through profit and loss that have been allocated in the 1 to 5 years maturity classification based on the contractual maturity date can be sold immediately.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**
**3. INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTINUED)**

### 3.2. Financial risk (continued)

### 3.2.8. Liquidity risk (continued)

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

| | Within 1 year R'000 | 2 to 5 years R'000 | >5 years R'000 | Total R'000 |
|---|---|---|---|---|
| **31 December 2023** | | | | |
| Reinsurance liability relating to cell owners | 14,546 | 15,088 | | 29,634 |
| Insurance contract liability | 544,384 | 631,055 | 594,658 | 1,770,097 |
| Reinsurance contract liability | 2,900,700 | (1,235) | (174) | 2,899,292 |
| Trade and other payables | 27,346 | | | 27,346 |
| | **3,486,976** | **644,908** | **594,484** | **4,726,369** |

| | Within 1 year R'000 | 2 to 5 years R'000 | >5 years R'000 | Total R'000 |
|---|---|---|---|---|
| **31 December 2022** | | | | |
| Reinsurance liability relating to cell owners | 26,139 | 29,417 | - | 55,556 |
| Insurance contract liability | 1,162,666 | - | - | 1,162,666 |
| Reinsurance contract liability | 1,348,453 | - | - | 1,348,453 |
| Trade and other payables | 12,269 | - | - | 12,269 |
| | **2,549,527** | **29,417** | **-** | **2,578,944** |

### 3.2.9. Fair value estimation

The table below 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 asse or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for assets or liability that are not based on observable market data (unobservable inputs

| **31 December 2023** | Level 1 R'000 | Level 2 R'000 | Level 3 R'000 | Total R'000 |
|---|---|---|---|---|
| Financial assets at fair value through profit or loss | | 2,460,571 | | 2,460,571 |
| Cash, deposits and similar securities | | 1,584,569 | | 1,584,569 |
| Total financial asset | - | **4,045,140** | - | **4,045,140** |

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**
**3. INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTINUED)**

**3.2. Financial risk (continued)**

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

| 31 December 2022 | Level 1 R'000 | Level 2 R'000 | Level 3 R'000 | Total R'000 |
|---|---|---|---|---|
| Financial assets at fair value through profit or loss | - | 1,057,844 | - | 1,057,844 |
| Cash, deposits and similar securities | - | 870,599 | - | 870,599 |
| Total financial asset | **-** | **1,928,443** | **-** | **1,928,443** |

**3.2.10. Legal risk**

Legal risk is the risk that the Company will be exposed to contractual obligations which have not been provided for. The risk arises from the uncertainty of the enforceability, through legal or judicial processes, of the obligations of the Company's clients and counterparties, including contractual provisions intended to reduce credit and product exposure by providing for the netting of mutual obligations. 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.

**3.2.11. 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.

**3.2.12. 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.

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 (Underwriting Managing Agent)/Non-mandated intermediary performs binder functions relating to the insurance products sold. This operational risk is mitigated by contracting the UMAs/Non-mandated insurance products sold. This operational risk is mitigated by contracting the UMAs/Non-mandated 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.

**3.2. Financial risk (continued)**

### 3.2.13. Capital management

The Company's capital management philosophy is to maximise the return on shareholder's capital within an appropriate risk framework. Two sources of capital are used in the business, being ordinary shareholder capital and preference shareholder capital. 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. In accordance with the Insurance Act, a life insurer is required to maintain an amount of capital as determined by its Head of Actuarial function. In calculating this capital, the Head of Actuarial function applies guidelines as set by the Actuarial Society of South Africa taking cognisance of the minimum requirements set in the Insurance Act. An actuarial valuation is carried out at the end of every financial year to determine the required capital. At 31 December 2023, the solvency capital required (SCR) was 2,727.1m (2022:R2,165.7m) as per statutory requirements. Eligible own funds (EOFs) of R2,791.9m (2022: R2,204.6m), were held to back the capital requirement, resulting in a healthy solvency ratio of 1.02 (2022: 1.02).

**NOTES TO THE FINANCIAL STATEMENTS**

**4. RECONCILIATOIN OF DEPOSIT WITH CELL OWNER AND REINSURANCE RELATING TO CELL OWNER**

**4.1. Reconciliation of deposit with cell owner**

| | 2023 R'000 | - Non-current debt securities (>12 months) | - Current debt securities (<12 months) | 2022 R'000 | - Non-current debt securities (>12 months) | - Current debt securities (<12 months) |
|---|---|---|---|---|---|---|
| Opening balance | 55,556 | 29,417 | 26,139 | 89,484 | 89,484 | - |
| Opening balance adjustment | - | - | - | - | - | - |
| **Opening balance total** | **55,556** | **29,417** | **26,139** | **89,484** | **89,484** | **-** |
| Movement for the period | (25,922) | - | (25,922) | (33,928) | (33,928) | |
| | **29,634** | **29,417** | **217** | **55,556** | **55,556** | **-** |

**4.2 Reconciliation of reinsurance liability relating to cell owners**

| | 2023 R'000 | - Non-current debt securities | - Current debt securities (<12 | 2022 R'000 | - Non-current debt securities | - Current debt securities (<12 |
|---|---|---|---|---|---|---|
| Opening balance | 55,556 | 29,417 | 26,139 | 89,484 | 89,484 | - |
| **Opening balance total** | **55,556** | **29,417** | **26,139** | **89,484** | **89,484** | **-** |
| Impact of discounting (unwinding) | 358 | - | 358 | 3,891 | 3,891 | - |
| Exits during the period (lapses and death) | 3,799 | - | 3,799 | 5,202 | 5,202 | - |
| Repayments | (29,967) | - | (29,967) | (41,433) | (41,433) | - |
| Impact of change in basis | (112) | - | (112) | (1,588) | (1,588) | - |
| **At the end of the year** | **29,634** | **29,417** | **217** | **55,556** | **55,556** | **-** |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS**

**Investments**

| | 2023 | - Non-current (>12 months) | - Current (<12 months) | 2022 | - Non-current (>12 months) | - Current (<12 months) |
|---|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| **Interest bearing investments** | | | | | | |
| Government interest bearing investments: Third Party | 313,301 | 61,314 | 251,987 | 182,172 | 182,172 | - |
| Corporate interest bearing investments: Third party | 2,110,006 | 1,236,166 | 873,840 | 859,121 | 859,121 | - |
| **Total Interest bearing investments** | **2,423,307** | **1,297,480** | **1,125,827** | **1,041,293** | **1,041,293** | **-** |
| Collateral securities | 0 | 0 | 0 | 16,551 | 16,551 | - |
| Structured notes: Third party | 37,264 | 24,276 | 12,989 | - | - | - |
| **Total Investment Funds** | **37,264** | **24,276** | **12,989** | **16,551** | **16,551** | **-** |
| Cash, deposits and similar securities: Third party | 1,584,569 | 229,005 | 1,355,564 | 870,599 | - | 870,599 |

| | 2023 | 2022 |
|---|---|---|
| **The movement in investments is as follows:** | **R'000** | **R'000** |
| Balance at beginning of year | 1,928,443 | 869,536 |
| Additions | 11,892,034 | 6,527,818 |
| Sales and redemptions | (9,781,619) | (5,463,701) |
| Fair value realised gain | (3,769) | (3,386) |
| Fair value unrealised gain | 10,051 | (1,824) |
| **Balance at end of year** | **4,045,140** | **1,928,443** |

## 6. DEFERRED TAXATION

| | 2023 | 2022 |
|---|---|---|
| | R'000 | R'000 |
| Balance at beginning of year | 59,346 | 45,630 |
| Statement of comprehensive income charge | (12,961) | 13,716 |
| **Balance at end of year** | **46,385** | **59,346** |
| Comprising: | | |
| Opening Balance | 59,346 | 45,630 |
| Unrealised investment gains | (2,714) | 476 |
| Temporary difference allowance claimed (s24j) | - | 840 |
| Provisions | (639) | 747 |
| IFRS 17 transition Phase in amount | (9,608) | 11,653 |
| | **46,385** | **59,346** |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 7. Insurance and reinsurance contracts

### 7.1 Insurance and reinsurance contracts

| | 2023<br>R'000 | 2022<br>R'000 |
|---|---|---|
| **7.1. Insurance contracts issued** | | |
| **Life insurance** | | |
| Premium allocation approach | 595,802 | 533,485 |
| **Contracts measured under the General measurement model** | | |
| CSM recognised for serviced provided | 1,441,850 | 394,918 |
| Change in risk adjustment for non-financial risk for risk expired | 421,639 | 146,545 |
| Expected incurred claims and other insurance service expenses | 4,156,212 | 4,178,905 |
| **Total insurance revenue** | 6,615,503 | 5,253,853 |
| | | |
| **7.2.Insurance acquisition cost recovered** | | |
| Recovery of insurance acquisition cash flows | 127,569 | 97,320 |
| | 127,569 | 97,320 |
| **7.3.Insurance Service Expenses** | | |
| Incurred claims and other directly attributable expenses | (3,592,115) | (2,707,812) |
| Attributable expenses | (238,555) | (188,142) |
| Risk adjustment for non-financial risk | (1,362) | (8,001) |
| Insurance acquisition cash flows amortisation | (269,812) | (231,509) |
| **Total Insurance Service Expenses** | (4,101,844) | (3,135,464) |
| | | |
| **7.4 Net expense from reinsurance contracts held** | | |
| **Reinsurance expenses – contracts measured under the GMM** | | |
| Amounts relating to changes in assets for remaining coverage | | |
| Expected incurred claims and other expenses recovery | (4,283,781) | (4,276,225) |
| Change in the risk adjustment for non-financial risk for the risk expired | (1,441,850) | (146,545) |
| CSM recognised for the services received | (421,639) | (394,918) |
| **Reinsurance expenses – contracts measured under the PAA** | | |
| Reinsurance expenses - contracts measured under the PAA | (369,235) | (344,178) |
| Other directly attributable expenses recovered | 454,849 | 357,506 |
| Incurred claims recovered | 4,140,728 | 3,157,552 |
| **Net expense from reinsurance contracts held** | (1,920,928) | (1,646,808) |
| | | |
| **7.5 Finance income/(expense) from insurance contracts issued** | | |
| Interest accreted to insurance contracts using current financial assumptions | 249,415 | 122,457 |
| Effect of changes in interest rates and other financial assumptions | 258,321 | (79,203) |
| Effect of measuring changes in estimates as current rates and adjusting the CSM at rates on initial recognition | (392,442) | (220,130) |
| **Total Finance income/(expense) from insurance contracts issued** | 115,294 | (176,876) |
| | | |
| **7.6 Net reinsurance finance (expenses)/income** | | |
| Interest accreted to reinsurance contracts using current financial assumptior | (517,639) | 75,818 |
| Effect of changes in interest rates and other financial assumptions | 166,677 | 34,196 |
| **Total Net reinsurance finance (expenses)/income** | (350,962) | 110,015 |

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**7. INSURANCE AND REISURANCE CONTRACTS (CONTINUED)**

**7.7 Movements in carrying amounts of insurance liabilities and assets as at 31 December 2023**

| | PAA | | | GMM | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Liability for remaining coverage | | | | Liability for incurred claims | | |
| **Insurance contracts - general measurement model** | **Excluding loss-recovery component R'000** | **Present Value of Future Cash** | **Risk Adjustment for Non-Financial** | **Excluding loss component R'000** | **Loss Component R'000** | **Risk Adjustment for Non-Financial Risk R'000** | **Contractual Service Margin R'000** | **Present Value of Future Cash Flows R'000** | **Risk Adjustment for Non-Financial Risk R'000** | **Total R'000** |
| **Life insurance** | | | | | | | | | | |
| **Net insurance contract liabilities at the beginning of the period** | (64,448) | 167,932 | 6,655 | (3,976,433) | - | 672,963 | 4,223,636 | 113,302 | 4,634 | 1,148,241 |
| Opening insurance contract assets | (66,885) | 50,629 | 1,832 | - | - | - | - | - | - | (14,425) |
| Opening insurance contract liabilities | 2,437 | 117,303 | 4,823 | (3,976,433) | - | 672,963 | 4,223,636 | 113,302 | 4,634 | 1,162,666 |
| | | | | | | | | | | |
| **Movements recognised in the statement of comprehensive income:** | | | | | | | | | | |
| **Insurance revenue** | (595,802) | - | - | (4,283,781) | - | (421,639) | (1,441,850) | - | - | (6,743,072) |
| Insurance revenue | (595,802) | | | (4,408,542) | - | (421,639) | (1,441,850) | - | - | (6,867,833) |
| Premium adjustments | | | | 124,761 | | | | | | 124,761 |
| | - | | | | | | | | | - |
| | | | | | | | | | | |
| **Insurance service expenses** | 128,183 | 383,021 | 122 | 141,629 | - | - | - | 3,447,649 | 1,693 | 4,102,297 |
| Incurred claims and other insurance services expenses | | 496,020 | 180 | | | | | 3,561,369 | 1,751 | 4,059,320 |
| Amortisation of insurance acquisition cash flows | 128,183 | | | 141,629 | | | | | | 269,812 |
| Changes to liabilities for incurred claims | | (112,999) | (58) | | | | | (113,720) | (58) | (226,835) |
| | | | | | | | | | | |
| Insurance finance income and expenses | - | 15,931 | | (701,474) | | 166,677 | 392,443 | 11,129 | | (115,294) |
| Changes that relate to future services | - | | | | | | | | | - |
| **Total movements recognised in the statement of comprehensive income** | (467,619) | 398,952 | 122 | (4,843,626) | - | (254,962) | (1,049,407) | 3,458,778 | 1,694 | (2,756,068) |
| **Insurance contract cash flow movements:** | | | | | | | | | | |
| Premiums received | 574,418 | | | 6,816,533 | | | | | | 7,390,951 |
| Claims and other insurance service expenses paid | - | (373,389) | | | | | | (3,406,570) | | (3,779,960) |
| Insurance acquisition cash flows paid | (126,372) | | | (125,114) | | | | | | (251,486) |
| **Total insurance contract cash flows** | 448,046 | (373,389) | - | 6,691,419 | - | - | - | (3,406,570) | - | 3,359,505 |
| Contracts transferred on acquisition/(disposal) of subsidiaries | - | | | | | | | | | |
| Changes Related to Future Service: New Contracts | - | | | (3,018,118) | | 811,713 | 2,206,405 | | | - |
| Changes Related to Future Service Model and Non-Financial Assumption Changes | - | | | (2,204,367) | | 266,310 | 1,938,057 | | | - |
| **Net insurance contract liabilities at the end of the period** | (84,021) | 193,495 | 6,777 | (7,351,125) | - | 1,496,024 | 7,318,691 | 165,510 | 6,328 | 1,751,678 |
| | | | | | | | | | | |
| Closing insurance contract assets | (88,729) | 67,849 | 2,461 | | | | | | | (18,419) |
| Closing insurance contract liabilities | 4,708 | 125,647 | 4,315 | (7,351,125) | | 1,496,023 | 7,318,691 | 165,510 | 6,328 | 1,770,097 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**7. INSURANCE AND REISURANCE CONTRACTS (CONTINUED)**

**7.7 Movements in carrying amounts of insurance liabilities and assets as at 31 December 2022**

| | PAA | | | GMM | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Asset for remaining coverage | Asset for incurred claims | | Liability for remaining coverage | | | Liability for incurred claims | | |
| **Insurance contracts - general measurement model** | Excluding loss-recovery R'000 | Present Value of Future Cash Flows | Risk Adjustment for Non-Financial Risk | Excluding loss component R'000 | Risk Adjustment for Non-Financial Risk R'000 | Contractual Service Margin R'000 | Present Value of Future Cash Flows R'000 | Risk Adjustment for Non-Financial Risk R'000 | Total R'000 |
| **Life insurance** | | | | | | | | | |
| **Net insurance contract liabilities at the beginning of the period** | (42,199) | 113,429 | 1,641 | (2,750,926) | 395,600 | 2,613,667 | 67,596 | 1,647 | 400,455 |
| Opening insurance contract assets | (48,801) | 34,629 | 595 | (121,057) | 13,530 | 68,614 | 28,984 | 479 | (23,027) |
| Opening insurance contract liabilities | 6,602 | 78,800 | 1,046 | (2,629,869) | 382,070 | 2,545,053 | 38,612 | 1,168 | 423,482 |
| **Movements recognised in the statement of comprehensive income:** | | | | | | | | | |
| **Insurance revenue** | (533,485) | - | - | (4,276,225) | (146,545) | (394,918) | - | - | (5,351,173) |
| Insurance revenue | (533,485) | | | (3,417,301) | (146,545) | (394,918) | - | - | (4,492,249) |
| Premium adjustments | - | | | (858,924) | - | - | - | - | (858,924) |
| **Insurance service expenses** | 119,372 | 299,473 | 5,014 | 112,137 | - | - | 2,596,481 | 2,988 | 3,135,465 |
| Incurred claims and other insurance services expenses | - | 388,701 | 6,508 | - | - | - | 2,637,588 | 3,035 | 3,035,832 |
| Amortisation of insurance acquisition cash flows | 119,372 | (89,228) | (1,494) | 112,137 | - | - | - | - | 140,787 |
| Changes to liabilities for incurred claims | | - | - | | | | (41,107) | (47) | (41,154) |
| Insurance finance income and expenses | - | 7,408 | | (61,243) | 5,577 | 220,130 | 5,004 | - | 176,876 |
| Changes that relate to future services | - | | | - | - | - | - | - | - |
| **Total movements recognised in the statement of comprehensive income** | (414,113) | 306,881 | 5,014 | (4,225,331) | (140,968) | (174,788) | 2,601,485 | 2,988 | (2,038,832) |
| **Insurance contract cash flow movements:** | | | | | | | | | |
| Premiums received | 502,390 | | | 5,315,047 | - | - | - | - | 5,817,437 |
| Claims and other insurance service expenses paid | - | (252,378) | | - | - | - | (2,555,779) | - | (2,808,157) |
| Insurance acquisition cash flows paid | (110,526) | | | (112,137) | - | - | - | - | (222,663) |
| **Total insurance contract cash flows** | 391,864 | (252,378) | - | 5,202,910 | - | - | (2,555,779) | - | 2,786,617 |
| Contracts transferred on acquisition/(disposal) of subsidiaries | - | | | - | - | - | - | - | - |
| Changes Related to Future Service: New Contracts | - | | | (1,209,703) | 222,691 | 987,014 | - | - | 2 |
| Changes Related to Future Service Model and Non-Financial Assumption Changes | - | | | (993,383) | 195,640 | 797,743 | - | - | 0 |
| **Net insurance contract liabilities at the end of the period** | (64,448) | 167,932 | 6,655 | (3,976,433) | 672,963 | 4,223,636 | 113,302 | 4,634 | 1,148,241 |
| Closing insurance contract assets | (66,885) | 50,629 | 1,832 | - | - | - | - | - | (14,425) |
| Closing insurance contract liabilities | 2,437 | 117,303 | 4,823 | (3,976,433) | 672,963 | 4,223,636 | 113,302 | 4,634 | 1,162,666 |

**7.8 Movements in carrying amounts of reinsurance assets and liabilities as at 31 December 2023**

**7.8.1 Reinsurance contracts - general measurement model**

| | PAA | | | Reinsurance contracts - general measurement model | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | GM Asset for remaining Coverage | | | Liability for incurred claims | | |
| **Reinsurance contracts - general measurement model** | **PAA: Asset for remaining Coverage Excluding loss-recovery component R'000** | **PAA: Asset for Incurred Claims PAA: Best Estimate R'000** | **PAA: Asset for Incurred Claims Adjustment R'000** | **GM: BE Excluding loss component R'000** | **GM: Risk Adjustment LRC R'000** | **Contractual Service Margin R'000** | **Present Value of Future Cash Flows R'000** | **Risk Adjustment for Non-Financial Risk R'000** | **Total R'000** |
| **Life insurance** | | | | | | | | | |
| **Net reinsurance contract liabilities at the end of the period** | **14,699** | **(41,537)** | **(1,648)** | **1,097,184** | **(198,432)** | **(1,243,106)** | **(79,507)** | **(3,111)** | **(455,458)** |
| Opening reinsurance contract assets | 13,183 | (42,347) | (1,691) | 1,075,881 | (196,662) | (1,227,362) | (78,471) | (3,084) | **(460,553)** |
| Opening reinsurance contract liabilities | 1,516 | 810 | 43 | 21,303 | (1,770) | (15,744) | (1,036) | (27) | **5,095** |
| Net expenses from reinsurance contracts | 34,273 | - | - | 3,430,460 | 125,919 | 408,362 | - | - | **3,999,014** |
| Claims recovered | - | (78,283) | 837 | - | - | - | (3,421,548) | (2,102) | **(3,501,096)** |
| Adjustments to incurred claims | - | 41,690 | (452) | - | - | - | 79,749 | 49 | **121,036** |
| **Net income/expenses from reinsurance contracts held** | **34,273** | **(36,593)** | **385** | **3,430,460** | **125,919** | **408,362** | **(3,341,799)** | **(2,053)** | **618,954** |
| Investment return allocated to third party cell owners | - | - | - | - | - | - | - | - | - |
| Reinsurance finance income and expenses | - | - | - | 201,020 | (49,533) | (116,685) | (8,164) | - | **26,638** |
| **Total movements recognised in the statement of comprehensive income** | **34,273** | **(36,593)** | **385** | **3,631,480** | **76,386** | **291,677** | **(3,349,963)** | **(2,053)** | **645,592** |
| **Reinsurance contract cash flow movements:** | | | | | | | | | - |
| Premiums paid (net of ceding commissions) | (27,636) | - | - | (4,216,011) | - | - | - | - | **(4,243,647)** |
| Claims recovered and other reinsurance service income received | - | 38,328 | - | - | - | - | 3,296,676 | - | **3,335,004** |
| **Total reinsurance contract cash flows** | **(27,636)** | **38,328** | | **(4,216,011)** | **-** | **-** | **3,296,676** | **-** | **(908,643)** |
| Changes Related to Future Service | - | - | - | 1,542,300 | (319,744) | (1,222,556) | - | - | **-** |
| **Net reinsurance contract liabilities at the end of the period** | **21,336** | **(39,802)** | **(1,263)** | **2,054,953** | **(441,790)** | **(2,173,985)** | **(132,794)** | **(5,164)** | **(718,509)** |
| Closing reinsurance contract assets | 16,412 | (38,174) | (1,275) | 2,021,841 | (439,103) | (2,148,577) | (130,433) | (5,121) | **(724,430)** |
| Closing reinsurance contract liabilities | 4,924 | (1,628) | 12 | 33,112 | (2,687) | (25,408) | (2,361) | (43) | **5,921** |

**7.8 Movements in carrying amounts of reinsurance assets and liabilities as at 31 December 2023 (continued)**

**7.8.2 In substance reinsurance Asset/Liability reconciliation (Third party cell) - Non-Life**

| | In substance reinsurance Asset/Liability reconciliation (Third party cell) - Non-Life | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Liability for remaining coverage | | | Liability for incurred claims | | |
| **Reinsurance contracts - general measurement model** | **PAA: Asset for remaining Coverage Excluding loss-recovery R'000** | **PAA: Asset for Incurred Claims PAA: Best Estimate R'000** | | **GM: BE Excluding loss component R'000** | **GM: Risk Adjustment LRC** | **Contractual Service Margin R'000** | **Present Value of Future Cash Flows R'000** | **Risk Adjustment for Non-Financial Risk R'000** | **Total R'000** |
| **Life insurance** | | | | | | | | | |
| **Net reinsurance contract liabilities at the end of the period** | **372,277** | **-** | | **4,426,141** | **(474,530)** | **(2,980,529)** | **-** | **-** | **1,343,359** |
| Opening reinsurance contract assets | - | - | | - | - | - | - | - | - |
| Opening reinsurance contract liabilities | **372,277** | **-** | | **4,426,141** | **(474,530)** | **(2,980,529)** | **-** | **-** | **1,343,359** |
| **Net transfer from insubstance reinsurance contracts (premium, net of commission)** | **248,684** | **-** | | **483,063** | **295,720** | **1,033,487** | **-** | **-** | **2,060,954** |
| - Contracts under the fully retrospective approach | **248,684** | **-** | | **483,063** | **295,720** | **1,033,487** | **-** | **-** | **2,060,954** |
| **Reinsurance income** | **-** | **(134,833)** | | **-** | **-** | **-** | **(622,273)** | **-** | **(757,106)** |
| Claims recovered - current service | **-** | **(90,434)** | | **-** | **-** | **-** | **(67,118)** | **-** | **(157,552)** |
| Other Reinsurance services expenses | **-** | **(44,399)** | | **-** | **-** | **-** | **(555,155)** | **-** | **(599,554)** |
| **Net income/expenses from reinsurance contracts held** | **248,684** | **(134,833)** | | **483,063** | **295,720** | **1,033,487** | **(622,273)** | **-** | **1,303,848** |
| Investment return allocated to third party cell owners | **29,173** | **-** | | **206,284** | **-** | **-** | **-** | **-** | **235,457** |
| Reinsurance finance income and expenses | **-** | **(15,757)** | | **392,902** | **(117,144)** | **(275,758)** | **104,625** | **-** | **88,868** |
| **Total movements recognised in the statement of comprehensive income** | **277,857** | **(150,590)** | | **1,082,249** | **178,576** | **757,729** | **(517,648)** | **-** | **1,628,173** |
| **Investment component** | **(150,590)** | **150,590** | **-** | **(517,648)** | **-** | **-** | **517,648** | **-** | **-** |
| Capital contribution | **800** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **800** |
| Redemption of capital contribution | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Dividends paid | **(16,666)** | **-** | **-** | **(62,295)** | **-** | **-** | **-** | **-** | **(78,961)** |
| Changes Related to Future Service | **-** | **-** | **-** | **3,680,183** | **(758,278)** | **(2,921,906)** | **-** | **-** | **-** |
| **Net reinsurance contract liabilities at the end of the period** | **483,679** | **-** | | **8,608,630** | **(1,054,232)** | **(5,144,706)** | **0** | **-** | **2,893,371** |
| Closing reinsurance contract assets | **-** | **-** | | **-** | **-** | **-** | **-** | **-** | **-** |
| Closing reinsurance contract liabilities | **483,679** | **-** | | **8,608,630** | **(1,054,232)** | **(5,144,706)** | **-** | **-** | **2,893,371** |

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**7. INSURANCE AND REINSURANCE CONTRACTS (CONTINUED)**

**7.8 Movements in carrying amounts of reinsurance assets and liabilities as at 31 December 2023 (continued)**

**7.8.3 Total of Reinsurance contracts - general measurement model and In substance reinsurance**

| Reinsurance contracts - general measurement model | Total | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Liability for remaining coverage | | | Liability for incurred claims | | |
| | PAA: Asset for remaining Coverage Excluding loss-recovery R'000 | PAA: Asset for Incurred Claims PAA: Best Estimate R'000 | PAA: Asset for Incurred Claims Adjustment R'000 | GM: BE Excluding loss component R'000 | GM: Risk Adjustment LRC | Contractual Service Margin R'000 | Present Value of Future Cash Flows R'000 | Risk Adjustment for Non-Financial Risk R'000 | Total R'000 |
| **Life insurance** | | | | | | | | | |
| **Net reinsurance contract liabilities at the end of the period** | 386,976 | (41,537) | (1,648) | 5,523,325 | (672,962) | (4,223,635) | (79,507) | (3,111) | 887,901 |
| Opening reinsurance contract assets | 13,183 | (42,347) | (1,691) | 1,075,881 | (196,662) | (1,227,362) | (78,471) | (3,084) | (460,553) |
| Opening reinsurance contract liabilities | 373,793 | 810 | 43 | 4,447,444 | (476,300) | (2,996,273) | (1,036) | (27) | 1,348,454 |
| **Movements recognised in the statement of comprehensive income:** | | | | | | | | | |
| Net expenses from reinsurance contracts | 34,273 | - | - | 3,430,460 | 125,919 | 408,362 | - | - | 3,999,014 |
| Claims recovered - current service | - | (168,717) | 837 | - | - | - | (3,488,665) | (2,102) | (3,658,647) |
| Adjustments to incurred claims | - | 41,690 | (452) | - | - | - | 79,749 | 49 | 121,036 |
| Other Reinsurance services expenses | - | (44,399) | - | - | - | - | (555,155) | - | (599,554) |
| **Net income/expenses from reinsurance contracts held** | 34,273 | (171,426) | 385 | 3,430,460 | 125,919 | 408,362 | (3,964,071) | (2,053) | (138,151) |
| **Net transfer from insubstance reinsurance contracts (premium, net of commission)** | | | | | | | | | |
| Contracts under the fully retrospective approach | 248,684 | - | - | 483,063 | 295,720 | 1,033,487 | - | - | 2,060,954 |
| Investment return allocated to third party cell owners | 29,173 | - | - | 206,284 | - | - | - | - | 235,457 |
| Reinsurance finance income and expenses | - | (15,757) | - | 593,922 | (166,677) | (392,443) | 96,461 | - | 115,506 |
| **Total movements recognised in the statement of comprehensive income** | 312,130 | (187,183) | 385 | 4,713,729 | 254,962 | 1,049,406 | (3,867,610) | (2,053) | 2,273,766 |
| | | | | | | | | | - |
| **Investment component** | (150,590) | 150,590 | - | (517,648) | - | - | 517,648 | - | - |
| Capital contribution | 800 | | | | | | | | 800 |
| Redemption of capital contribution | - | | | | | | | | - |
| Dividends paid | (16,666) | - | - | (62,295) | - | - | - | - | (78,961) |
| **Reinsurance contract cash flow movements:** | | | | | | | | | - |
| Premiums paid (net of ceding commissions) | (27,636) | - | - | (4,216,011) | - | - | - | - | (4,243,647) |
| Claims recovered and other reinsurance service income received | - | 38,328 | - | - | - | - | 3,296,676 | - | 3,335,004 |
| **Total reinsurance contract cash flows** | (27,636) | 38,328 | - | (4,216,011) | - | - | 3,296,676 | - | (908,643) |
| Transfer to third party cell insurance contracts | | | | | | | | | - |
| Changes Related to Future Service: New Contracts | - | - | - | 5,222,484 | (1,078,023) | (4,144,462) | - | - | (1) |
| Changes Related to Future Service Model and Non-Financial Assumption Changes | - | - | - | - | - | - | - | - | - |
| **Net reinsurance contract liabilities at the end of the period** | 505,014 | (39,802) | (1,263) | 10,663,584 | (1,496,023) | (7,318,691) | (132,792) | (5,164) | 2,174,863 |
| Closing reinsurance contract assets | 16,413 | (38,174) | (1,275) | 2,021,841 | (439,103) | (2,148,577) | (130,434) | (5,121) | (724,430) |
| Closing reinsurance contract liabilities | 488,601 | (1,628) | 12 | 8,641,743 | (1,056,920) | (5,170,114) | (2,359) | (43) | 2,899,292 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. INSURANCE AND REINSURANCE CONTRACTS (CONTINUED)

### 7.8 Movements in carrying amounts of reinsurance assets and liabilities as at 31 December 2022

### 7.8.1 Reinsurance contracts - premium allocation approach and general measurement model

| | PAA | | | Reinsurance contracts - general measurement model | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | GM Asset for remaining Coverage | | | Liability for incurred claims | | |
| | PAA: Asset for remaining Coverage | PAA: Asset for Incurred Claims | PAA: Asset for Incurred Claims | | | | | | |
| **Reinsurance contracts - general measurement model** | Excluding loss-recovery component R'000 | PAA: Best Estimate R'000 | PAA: Risk Adjustment R'000 | GM: BE Excluding loss component R'000 | GM: Risk Adjustment LRC R'000 | Contractual Service Margin R'000 | Present Value of Future Cash Flows R'000 | Risk Adjustment for Non-Financial Risk R'000 | Total R'000 |
| **Life insurance** | | | | | | | | | |
| **Net reinsurance contract liabilities at the end of the period** | 11,962 | (23,022) | (526) | 1,041,593 | (114,788) | (774,519) | (27,830) | (1,086) | 111,784 |
| Opening reinsurance contract assets | 3,923 | (19,915) | (354) | - | - | - | - | - | (16,346) |
| Opening reinsurance contract liabilities | 8,039 | (3,107) | (172) | 1,041,593 | (114,788) | (774,519) | (27,830) | (1,086) | 128,130 |
| | | | | | | | | | |
| **Movements recognised in the statement of comprehensive income:** | | | | | | | | | |
| **Reinsurance expenses** | 55,015 | (78,025) | (1,123) | 2,685,121 | 44,519 | 102,858 | (2,457,797) | (2,023) | 348,545 |
| Net expenses from reinsurance contracts | 55,015 | - | | 2,685,121 | 44,519 | 102,858 | - | - | 2,887,513 |
| Claims recovered | - | (78,025) | (1,123) | - | | - | (2,457,797) | (2,023) | (2,538,968) |
| | - | - | | - | - | - | - | - | - |
| **Reinsurance income** | - | - | | - | - | - | - | - | - |
| Other directly attributable expenses | - | - | | - | - | - | - | - | - |
| Claims recovered | - | - | | - | - | - | - | | |
| Other Reinsurance services expenses | - | - | | - | - | - | - | | |
| | | | | | | | | | |
| **Net income/expenses from reinsurance contracts held** | 55,015 | (78,025) | (1,123) | 2,685,121 | 44,519 | 102,858 | (2,457,797) | (2,023) | 348,545 |
| | | | | | | | | | |
| Investment return allocated to third party cell owners | | | | | | | | | |
| Reinsurance finance income and expenses | - | (1,288) | | 15,846 | (1,540) | (65,154) | (2,464) | - | (54,600) |
| | | | | | | | | | |
| **Total movements recognised in the statement of comprehensive income** | 55,015 | (79,313) | (1,123) | 2,700,967 | 42,979 | 37,704 | (2,460,261) | (2,023) | 293,945 |
| | | | | | | | | | |
| **Investment component** | - | - | - | - | - | - | - | - | - |
| Capital contribution | - | - | | - | - | - | - | - | - |
| Redemption of capital contribution | - | - | | - | - | - | - | - | - |
| Dividends paid | - | - | | - | - | - | - | - | - |
| **Reinsurance contract cash flow movements:** | | | | | | | | | - |
| Premiums paid (net of ceding commissions) | (52,277) | - | | (3,278,289) | - | - | - | - | (3,330,566) |
| Claims recovered and other reinsurance service income received | - | 60,798 | | - | - | - | 2,408,585 | - | 2,469,383 |
| **Total reinsurance contract cash flows** | (52,277) | 60,798 | | (3,278,289) | - | - | 2,408,585 | - | (861,183) |
| Transfer to third party cell insurance contracts | - | - | | - | - | - | - | - | - |
| Changes Related to Future Service: New Contracts | - | - | | 336,323 | (65,565) | (270,758) | - | - | - |
| Changes Related to Future Service Model and Non-Financial Assumption Changes | - | - | | 296,591 | (61,058) | (235,533) | - | - | - |
| **Net reinsurance contract liabilities at the end of the period** | 14,699 | (41,537) | (1,649) | 1,097,185 | (198,432) | (1,243,106) | (79,507) | (3,109) | (455,456) |
| | | | | | | | | | |
| Closing reinsurance contract assets | 13,183 | (42,347) | (1,691) | 1,075,881 | (196,662) | (1,227,362) | (78,471) | (3,082) | (460,548) |
| Closing reinsurance contract liabilities | 1,516 | 810 | 42 | 21,304 | (1,770) | (15,744) | (1,036) | (27) | 5,095 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. INSURANCE AND REINSURANCE CONTRACTS (CONTINUED)

7.8 Movements in carrying amounts of reinsurance assets and liabilities as at 31 December 2022 (continued)

7.8.2 In substance reinsurance Asset/Liability reconciliation (Third party cell) - Non-Life

| | In substance reinsurance Asset/Liability reconciliation (Third party cell) - Non-Life | | | | | | |
|---|---|---|---|---|---|---|---|
| | PAA: Asset for remaining Coverage | PAA: Asset for Incurred Claims | Liability for remaining coverage | | | Liability for | |
| Reinsurance contracts - general measurement model | Excluding loss-recovery component R'000 | PAA: Best Estimate R'000 | GM: BE Excluding loss component R'000 | GM: Risk Adjustment LRC R'000 | Contractual Service Margin R'000 | Present Value of Future Cash Flows R'000 | Total R'000 |
| **Life insurance** | | | | | | | |
| **Net reinsurance contract liabilities at the end of the period** | 322,648 | - | 2,335,592 | (280,811) | (1,839,148) | - | 538,281 |
| Opening reinsurance contract assets | - | - | - | | - | - | - |
| Opening reinsurance contract liabilities | 322,648 | - | 2,335,592 | (280,811) | (1,839,148) | - | 538,281 |
| **Net transfer from insubstance reinsurance contracts (premium, net of commission)** | 204,650 | - | 1,318,111 | 102,026 | 292,059 | - | 1,916,846 |
| - Contracts under the fully retrospective approach | 204,650 | - | 1,318,111 | 102,026 | 292,059 | - | 1,916,846 |
| **Reinsurance income** | - | (133,533) | - | - | - | (485,050) | (618,583) |
| Claims recovered - current service | - | (101,075) | - | - | - | (31,233) | (132,308) |
| Other Reinsurance services expenses | - | (32,458) | - | - | - | (453,817) | (486,275) |
| **Net income/expenses from reinsurance contracts held** | 204,650 | (133,533) | 1,318,111 | 102,026 | 292,059 | (485,050) | 1,298,263 |
| Investment return allocated to third party cell owners | - | - | 48,394 | - | - | - | 48,394 |
| Reinsurance finance income and expenses | 18,116 | (5,770) | 159,012 | (4,037) | (154,975) | (116,155) | (103,809) |
| **Total movements recognised in the statement of comprehensive income** | 222,766 | (139,302) | 1,525,517 | 97,989 | 137,084 | (601,205) | 1,242,848 |
| **Investment component** | (139,302) | 139,302 | (601,205) | - | - | 601,205 | - |
| Capital contribution | 10,800 | - | - | - | - | - | 10,800 |
| Redemption of capital contribution | (1,000) | - | - | - | - | - | (1,000) |
| Dividends paid | (43,635) | - | (403,937) | - | - | - | (447,572) |
| **Reinsurance contract cash flow movements:** | - | - | - | - | - | - | - |
| Changes Related to Future Service | - | - | 1,570,173 | (291,708) | (1,278,465) | - | (0) |
| **Net reinsurance contract liabilities at the end of the period** | 372,277 | - | 4,426,140 | (474,531) | (2,980,529) | - | 1,343,357 |
| Closing reinsurance contract assets | - | - | - | - | - | - | - |
| Closing reinsurance contract liabilities | 372,277 | - | 4,426,140 | (474,530) | (2,980,529) | - | 1,343,358 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**7. INSURANCE AND REINSURANCE CONTRACTS (CONTINUED)**

**7.8 Movements in carrying amounts of reinsurance assets and liabilities as at December 2022 (continued)**

**7.8.3 Total of Reinsurance contracts - premium allocation approach, general measurement model**

| | Total | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | PAA: Asset for remaining Coverage | PAA: Asset for Incurred Claims | PAA: Asset for Incurred Claims | GMM: Liability for remaining coverage | | | GMM: Liability for incurred claims | | |
| **Reinsurance contracts - general measurement model** | Excluding loss-recovery component R'000 | PAA: Best Estimate R'000 | PAA: Risk Adjustment | GM: BE Excluding loss component R'000 | GM: Risk Adjustment LRC R'000 | Contractual Service Margin R'000 | Present Value of Future Cash Flows R'000 | Risk Adjustment for Non-Financial Risk R'000 | Total R'000 |
| **Life insurance** | | | | | | | | | |
| **Net reinsurance contract liabilities at the end of the period** | 334,610 | (23,022) | (526) | 3,377,185 | (395,599) | (2,613,667) | (27,830) | (1,086) | 650,064 |
| Opening reinsurance contract assets | 3,923 | (19,915) | (354) | - | - | - | - | - | (16,347) |
| Opening reinsurance contract liabilities | 330,687 | (3,107) | (172) | 3,377,185 | (395,599) | (2,613,667) | (27,830) | (1,086) | 666,410 |
| | - | - | - | - | - | - | - | - | |
| **Movements recognised in the statement of comprehensive income:** | | | | | | | | | |
| **Reinsurance expenses** | 259,665 | (179,099) | (1,123) | 4,003,232 | 146,545 | 394,918 | (2,489,030) | (2,023) | 2,133,085 |
| Net expenses from reinsurance contracts | 259,665 | - | - | 4,003,232 | 146,545 | 394,918 | - | - | 4,804,360 |
| Claims recovered | - | (179,099) | (1,123) | - | - | - | (2,489,030) | (2,023) | (2,671,275) |
| | - | - | - | - | - | - | - | - | - |
| **Reinsurance income** | - | (133,533) | - | - | - | - | (485,050) | - | (618,582) |
| Other directly attributable expenses | - | (32,458) | - | - | - | - | (453,817) | - | (486,275) |
| | - | - | - | - | - | - | - | - | |
| **Net income/expenses from reinsurance contracts held** | 259,665 | (211,557) | (1,123) | 4,003,232 | 146,545 | 394,918 | (2,942,847) | (2,023) | 1,646,810 |
| | - | - | - | - | - | - | - | - | |
| Investment return allocated to third party cell owners | - | - | - | 48,394 | - | - | - | - | 48,394 |
| Reinsurance finance income and expenses | 18,116 | (7,058) | - | 174,858 | (5,577) | (220,130) | (118,619) | - | (158,409) |
| **Total movements recognised in the statement of comprehensive income** | 277,781 | (218,615) | (1,123) | 4,226,484 | 140,968 | 174,788 | (3,061,466) | (2,025) | 1,536,793 |
| **Investment component** | (139,302) | 139,302 | - | (601,205) | - | - | 601,205 | - | - |
| Capital contribution | 10,800 | - | - | - | - | - | - | - | 10,800 |
| Redemption of capital contribution | (1,000) | - | - | - | - | - | - | - | (1,000) |
| Dividends paid | (43,635) | - | - | (403,937) | - | - | - | - | (447,572) |
| **Reinsurance contract cash flow movements:** | - | - | - | - | - | - | - | - | - |
| Premiums paid (net of ceding commissions) | (52,277) | - | - | (3,278,289) | - | - | - | - | (3,330,567) |
| Claims recovered and other reinsurance service income received | - | 60,798 | - | - | - | - | 2,408,585 | - | 2,469,382 |
| **Total reinsurance contract cash flows** | (52,277) | 60,798 | - | (3,278,289) | - | - | 2,408,585 | - | (861,183) |
| Transfer to third party cell insurance contracts | - | - | - | - | - | - | - | - | - |
| Changes Related to Future Service | - | - | - | 2,203,088 | (418,331) | (1,784,756) | - | - | - |
| **Net reinsurance contract liabilities at the end of the period** | 386,977 | (41,537) | (1,649) | 5,523,325 | (672,963) | (4,223,635) | (79,507) | (3,111) | 887,899 |
| | - | - | - | - | - | - | - | - | |
| Closing reinsurance contract assets | 13,183 | (42,347) | (1,691) | 1,075,881 | (196,662) | (1,227,362) | (78,471) | (3,082) | (460,551) |
| Closing reinsurance contract liabilities | 373,794 | 810 | 42 | 4,447,444 | (476,300) | (2,996,273) | (1,036) | (29) | 1,348,452 |

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**8. LOANS AND RECEIVABLES**

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| Loans and other receivables | 2,582 | 2,106 |
| Amounts due from group companies | - | (10) |
| Prepayment | 4,148 | 2,680 |
| Claim Float | 28,637 | 24,825 |
| | **35,367** | **29,601** |

**9. CASH AND CASH EQUIVALENTS**

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| Bank and cash balances | 116,097 | 103,839 |

**10. ORDINARY SHARE CAPITAL**

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| Authorised | | |
| - 136 000 000 (2022: 136 000 000) ordinary shares of 50 cents ea | 68,000 | 68,000 |
| - 30 000 (2022: 30 000) class B ordinary shares of 50 cents each 15 | 15 | 15 |
| Issued | | |
| -30 000 000 (2022: 30 000 000) ordinary shares of 50 cents each | 15,000 | 15,000 |

The unissued shares are under the control of the directors until the next annual general meeting.

**11. TRADE AND OTHER PAYABLES**

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| Trade and other payables | 10,646 | 1,703 |
| Accrued Expenses | 906 | 3,022 |
| Sundry creditors | 15,794 | 7,544 |
| | **27,346** | **12,269** |

**12.NET INVESTMENT AND OTHER INCOME**

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| Interest income | 261,588 | 90,168 |
| Interest income SARS | - | 5 |
| Interest income Current Accounts | 2,041 | 1,682 |
| Realised gain on disposal of investments | (3,769) | (3,386) |
| Unrealised gain on revaluation of investments | 10,052 | (1,824) |
| Foreign exchange loss | 456 | (588) |
| | 270,368 | 86,057 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 13. TAXATION EXPENSE

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| Normal taxation | 608,255 | 513,329 |
| Current period | 608,236 | 512,472 |
| Prior period | 19 | 857 |
| Deferred taxation current year | 12,961 | (13,716) |
| Total taxation as per statement of comprehensive income | 621,216 | 499,613 |
| | | |
| Income tax recovered from cell shareholders | (601,505) | (486,275) |
| Normal Tax | (601,505) | (486,275) |
| Total tax expense attributable to shareholders | 19,711 | 13,338 |
| | | |
| Profit before taxation per statement of comprehensive income | 674,512 | 533,635 |
| Adjustment for income tax recovered from cell shareholders | (601,505) | (486,275) |
| Total profit before tax attributable to shareholders | 73,007 | 47,360 |

## 14. CASH GENERATED FROM OPERATIONS

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| **CASH GENERATED FROM OPERATIONS** | | |
| **Profit before tax** | 674,512 | 533,635 |
| Adjustments for: | | |
| Investment income, realised and fair value gains | (267,871) | (94,569) |
| | | |
| **Changes in working capital** | 1,899,703 | 1,826,554 |
| Insurance contract assets | (3,994) | (8,602) |
| Reinsurance contract assets | (263,882) | 444,201 |
| Loans and receivables | (5,766) | 10,224 |
| Insurance contract liabilities | 607,431 | 738,491 |
| Reinsurance contract liabilities | 1,550,839 | 682,043 |
| Trade and other payables | 15,075 | (39,804) |
| **Cash generated from operations** | **2,306,344** | **2,265,620** |

## 15. INCOME TAX PAID

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| Amounts charged to profit or loss | (621,216) | (499,613) |
| Movement in deferred taxation | 12,961 | (13,716) |
| Movement in taxation liability | 187,999 | 9,254 |
| | (420,256) | (504,075) |

## 16. SUBSEQUENT EVENTS

An ordinary shareholders dividend payable to Centriq Insurance Holdings Limited of R53,500,000 (2022: R25,000,000) was declared on 8 February 2024.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**
**17. RELATED PARTY TRANSACTIONS**

**17.1 Parent and ultimate holding company:**

Centriq Insurance Holdings Limited is the direct holding company of Centriq Life Insurance Company Limited with a 100% (2022: 100%) shareholding of the issued ordinary shares. Centriq Insurance Holdings Limited's parent is Santam Limited who holds 100% (2022: 100%) of the issued ordinary shares. The ultimate holding company is Sanlam Limited with a 62.6% (2022:62.2%) shareholding in Santam Limited.

**17.2 Fellow subsidiaries**

The following companies are fellow subsidiaries:

-Centriq Insurance Company Limited
-Beyonda Group (Pty) Ltd
-Ground Up Risk Partners (Pty) Ltd
-Cenviro Solutions (Pty) Ltd
-Premium Finance Company (Pty) Ltd, who holds interest in:
'-Broker Funding Solutions (Pty) Ltd
'-Specialised Credit Solutions (Pty) Ltd

**17.3 Key management**

Key management is defined as:

Directors and executive committee members of Centriq Insurance Holdings Limited; and

Directors and executive committee members of Centriq Life Insurance Company Limited.

A list of directors of the Company can be found on page 8 of the annual financial statements.

**17.4 Amounts due from/(to) group companies**

Amounts due from/ (to) group companies do not have fixed or determinable repayment terms, however in practice the accounts are settled on a monthly basis. No interest is charged on these amounts.

**Other interests**

| | **2023 R'000** | **2022 R'000** |
|---|---|---|
| Centriq Insurance Company Limited | | |
| - Management Fees paid | 32,781 | 24,648 |
| Sanlam Investment Managers | | |
| - Asset Management Fees paid | 4,032 | 2,021 |
| Santam Structured Life Limited (SSLL) | | |
| Reinsurance premiums | 44,189 | 36,814 |
| Reinsurance claims paid | (24,014) | (19,462) |
| Movement on RI Policyholder liabilities | 7,218 | (12,387) |
| | 27,393 | 4,965 |

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**
**17. RELATED PARTY TRANSACTIONS (CONTINUED)**
**17.4 Amounts due from/(to) group companies (continued)**

Balances with related parties:

| | 2023<br>R'000 | 2022<br>R'000 |
|---|---|---|
| Amount owed to Centriq Insurance Company Limited | - | - |
| Amount owed to Sanlam Development Markets (SDM) | (498,845) | (38,645) |
| Amount owed by SDM | 26,937 | 21,424 |
| Amount owed to SSLL | (4,894) | (7,612) |
| Reinsurance asset SDM | 130,865 | 2,497 |
| Reinsurance asset SSLL | (10,618) | 19,151 |

Movement on balances with related parties:

| | 2023<br>R'000 | 2022<br>R'000 |
|---|---|---|
| Centriq Insurance Company Limited: | | |
| Balance at the beginning of the year | - | (2,152) |
| Net (advance)/repayment during the year | 32,781 | 26,800 |
| Current year management fee raised | (32,781) | (24,648) |
| | - | - |

Sanlam Developing Markets:

| | 2023<br>R'000 | 2022<br>R'000 |
|---|---|---|
| Balance at the beginning of the year | (384,645) | (272,102) |
| Reinsurance premiums payable | 877,265 | - |
| Reinsurance receivables | (3,295,829) | (2,408,585) |
| Net payments/receipts during the year | 3,302,054 | 3,065,332 |
| | 498,845 | 384,645 |

Santam Structured Life Limited:

| | 2023<br>R'000 | 2022<br>R'000 |
|---|---|---|
| Balance at the beginning of the year | 23,858 | (8,123) |
| Reinsurance premiums payable | (44,189) | (36,814) |
| Reinsurance receivables | 24,014 | 19,462 |
| Payments during the year | (8,576) | 1,617 |
| | (4,894) | (23,858) |