OUTsurance Group Limited

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2023

OUTsurance Group Limited consolidated annual financial statements for the year ended 30 June 2023

The reports and statements set out alongside comprise the consolidated annual financial statements presented to the shareholders:

Statement of responsibility by the Board of directors

In accordance with Companies Act requirements, the directors of OUTsurance Group Limited are responsible for the preparation of the consolidated and separate annual financial statements which conform with International Financial Reporting Standards (IFRS) and, in accordance with IFRS, fairly present the financial position of the Group and Company as at the end of the financial year and the comprehensive income and cash flows for that year.

The directors are ultimately responsible for the Group and Company's system of internal control. Management enables the directors to meet these responsibilities. Standards and systems of internal control are designed and implemented by management to provide reasonable assurance as to the integrity and reliability of the consolidated and separate annual financial statements in terms of IFRS and to adequately safeguard, verify and maintain accountability for Group and Company assets. Accounting policies supported by judgements, estimates and assumptions which comply with IFRS are applied on a consistent and going concern basis.

Systems and controls include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties. Systems and controls are monitored throughout the Group and Company.

Based on the information and explanations given by management, internal audit and the Audit, Risk and Compliance Committee, the directors are of the opinion that the accounting controls are adequate and that the financial records may be relied upon for preparing the consolidated and separate annual financial statements in accordance with IFRS and maintaining accountability for the Group and Company's assets and liabilities. Nothing has come to the attention of the directors to indicate that any breakdown in the functioning of these controls, resulting in material loss to the Group and Company, has occurred during the year and up to the date of this report.

The directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the consolidated and separate annual financial statements.

It is the responsibility of the Group and Company's independent external auditors to report on the fair presentation of the consolidated and separate annual financial statements. Their unqualified report appears on pages 12 to 17.

The preparation of the audited consolidated and separate annual financial statements for the year ended 30 June 2023 was supervised by JH Hofmeyr, Chief financial officer of OUTsurance Group Limited. The audited consolidated and separate annual financial statements have been audited in compliance with section 30(2)(a) of Companies Act 71 of 2008.

The audited consolidated and separate annual financial statements for the year ended 30 June 2023 which appear on pages 18 to 182, were approved by the Board of directors on 12 September 2023 and are signed on its behalf by:

HL Bosman
Chairman
Signed: Sandton
Date: 12 September 2023

M. G. Visser.

MC Visser
Chief Executive Officer
Signed: Centurion
Date: 12 September 2023

Certificate by the Group Secretary

for the year ended 30 June 2023

As Group Secretary, I hereby confirm, in terms of section 88(2)(e) of the Companies Act of 2008, that for the year ended 30 June 2023, the Group and Company have lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act and that all such returns are true, correct and up to date.

JS Human
Group Secretary
Signed: Centurion
Date: 12 September 2023

Internal financial controls declaration

Each of the directors, whose names are stated below, hereby confirm that:

- the consolidated annual financial statements set out on page 18 to 158 and the separate annual financial statements set out on page 159 to 182 fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS
- to the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading
- internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer
- the internal financial controls are adequate and effective and can be relied upon in compiling the consolidated and separate annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls
- where we are not satisfied, we have disclosed to the audit committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls, and have taken steps to remedy the deficiencies
- we are not aware of any fraud involving directors.

M. G. Visser.

Mr Marthinus Visser
Group Chief Executive Officer
12 September 2023

JH Hofmeyr

Mr Jan Hofmeyr
Group Financial Director
12 September 2023

Report by the Audit, Risk and Compliance Committee

This report is provided by OUTsurance Group Limited's independent Audit, Risk and Compliance Committee (the Committee) for the financial year ended 30 June 2023.

The Committee discharged its responsibilities as mandated by the Board and performed its statutory duties in compliance with the Companies Act 71 of 2008 and the requirements stipulated in the Johannesburg Stock Exchange Listings Requirements (JSE LR). The Committee applied the principles to the governance role and responsibilities, as set out in the King IV™ Report on Corporate Governance for South Africa 2016 (King IV™*).

The Committee's terms of reference are aligned with the legislation and regulations as set out above.

Composition and meetings

The Committee's membership comprises seven independent non-executive directors. Brief profiles of the Committee members are available in the 2023 integrated report. The Group's Chief Executive Officer, Group Chief Financial Officer, Chief Risk Officer, Chief Audit Executive, Head of Actuarial functions, external auditors and other assurance providers attend committee meetings, by invitation in an ex-officio capacity. The heads of the Control Functions meet at least quarterly with the chairperson of the Committee. The Chief Risk Officer, Chief Audit Executive and external auditors meet independently with the Committee members as and when required.

The Committee met six times during the reporting year.

The membership and attendance at year-end are available in the 2023 integrated report.

Roles and responsibilities

The Committee is appointed by the Board and has a formally approved charter, which is updated annually, prescribing the following duties:

- nominate the appointment of the independent external auditor in accordance with the Companies Act requirements and JSE LR
- monitor, evaluate, review and approve internal audit, risk management, regulatory and compliance, financial accounting and reporting practices
- monitor, evaluate and review the functioning of the internal control environment
- monitor, evaluate and review corporate governance practices.

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In addition to the above duties, the Committee assists the Board in:

- evaluating the adequacy and efficiency of the internal control systems, accounting practices, information systems and auditing and actuarial valuation processes applied in the day-to-day management of the business of the Group
- developing its risk management strategy
- overseeing financial risk and asset-liability matching strategies of the Group
- overseeing the Group's finance systems transformation project
- evaluating the adequacy and effectiveness of the risk management system
- identifying any build-up and concentration of the various risks to which the Group is exposed
- identifying and monitoring all material risks to ensure that its decision-making capability and accuracy of its reporting are adequately maintained
- facilitating and ensuring the appropriate segmentation of duties of the risk management function from operational business line responsibilities and ensure that the segregation is observed
- introducing measures to enhance the adequacy and effectiveness of the risk management system
- overseeing the monitoring of risk management on an enterprise-wide and individual business unit basis
- the facilitation and promotion of communication and liaison between the Board, senior management, the external auditor and internal audit function concerning matters regarding effective governance
- the implementation of the Internal Financial Controls approval process to align with the reporting requirements of the JSE.

IFRS 17

A particular focus point for the Committee during the year under review is the implementation and finalisation of International Financial Reporting Standards (IFRS) 17. The Committee is comfortable with the process being followed and that disclosures made represent the best estimate of the transitional impact.

Report by the Audit, Risk and Compliance Committee *continued*

King IV

King IV includes five lines of assurance to incorporate all assurance providers to enable an effective control environment to strengthen decision-making. Horizontal assurance includes internal audit and risk and compliance while vertical assurance includes line managers, frameworks, policies, procedures and system controls. Internal audit remains a pivotal part of governance relating to assurance and King IV therefore expects the Board to apply its mind to the assurance standards expected from internal auditors.

Annual confirmations

Internal audit

Internal audit is a key independent assurance provider to the Committee and provides value by contributing insight into the activities of the company and follows a risk-based audit approach. The Committee accordingly approves the internal audit charter and the annual internal audit plan. The Chief Audit Executive is responsible for reporting on the findings of the internal audit work against the agreed internal audit plan to the Committee on a regular basis and has direct access to the Committee primarily through its chairperson.

The Committee has accordingly assessed the performance of the Chief Audit Executive and is satisfied that the internal audit function is independent and appropriately resourced, and that the Chief Audit Executive has fulfilled the obligations of the position.

During the year under review, internal audit performed a review of the adequacy and effectiveness of the Group's internal control environment. Based on the results of these reviews, internal audit confirmed to the Committee that nothing has emerged to indicate material control weakness in the governance, risk management and system of internal controls, including internal financial controls from the aspect of design, implementation or operation. This written assessment by internal audit formed the basis for the Committee's recommendation to the Board in this regard.

For the financial year ended 30 June 2023, the Remgro Internal Audit function provided assurance services for RMI Treasury Company Limited. In the upcoming 2024 financial year, OUTsurance Group's internal audit will encompass the entire Group in its scope.

Combined assurance

The Group follows a combined assurance model, which is a three-layered coordinated assurance approach to ensure the integration, coordination and alignment of risk management and assurance activities to optimise the level of risk, governance, and control oversight in the Group.

The Combined Assurance Forum (the Forum) met four times during the reporting year and is composed of, among others, the Chief Audit Executive as chairperson, Chief Risk and Compliance Officer, External Audit, Information Security Manager, and the Chief Financial Officer.

The Forum serves to support the objectives of the combined assurance model, to accomplish the philosophy behind it and maintain an effective control environment. It provides a platform for control functions and assurance providers to discuss relevant themes including emerging and material risks.

Audit committee

The Committee is accountable to fulfil the audit functions, duties and oversight for the Group. The composition, knowledge, experience, and size of the Committee complied with the requirements of Section 33 of the Insurance Act 18 of 2017 and Prudential Standard GOI 2. The Committee always includes members with technical, accounting and actuarial skills as well as experience in both long-term and short-term insurance.

In executing its mandate, the Committee co-ordinates with management, risk, compliance, internal auditors, and external auditors and obtains necessary information to perform its functions. It also ensures that adequate time and oversight is provided to all licenced entities. The Committee has access to training in respect of new technical accounting standards that impact the Group, specifically IFRS 17.

Finance function

The Committee considers the expertise and experience of the Group Chief Financial Officer and is satisfied that the appropriate requirements have been met. The Committee is also satisfied with the expertise and adequacy of the resources of the finance function and experience of the senior members of management responsible for it.

Independence of the external auditor

The Committee is satisfied that the external auditor, at all times, acted with unimpaired independence. The committee also believes that the auditor has observed the highest level of business and professional ethics. In reaching this conclusion, the committee considered the following:

- representations made by the external auditor to the audit and risk committee
- independence criteria specified by the Independent Regulatory Board for Auditors and international regulatory bodies as well as criteria for internal governance processes within the audit firms
- auditor suitability assessment in terms of paragraph 3.84(g)(iii) and section 22.15(h) of the JSE Listings Requirements
- previous appointments of the auditor
- the extent of other work undertaken by the auditor for the group.

The designated partner responsible for the audit was Mr Jorge Goncalves.

The committee meets with the auditor independently from senior management.

Report by the Audit, Risk and Compliance Committee *continued*

External audit
At the Annual General Meeting held in November 2022, shareholders approved the Committee's nomination of PricewaterhouseCoopers Inc. (PwC) as auditor of the Group and company until 30 June 2023. The company's external auditor attends all audit and risk committee meetings and the annual general meeting of shareholders and has direct access to the chairman of the audit and risk committee and the chairman of the Board. The external audit scope of work is adequately integrated with the internal audit function without restricting the scope.

The Committee, in consultation with executive management, agreed to the engagement letter, terms of engagement, audit plan and budgeted audit fees for the 2023 financial year. There is a formal procedure that governs the process whereby auditors are considered for non-audit services.

Audit rotation
The Supreme Court of Appeal recently ruled that the requirement for the Mandatory Audit Firm Rotation (MAFR) imposed by the Independent Regulatory Board for Auditors (IRBA) was ultra vires and consequently set it aside. This means there is no obligation for a company to rotate its auditors after 10 years. MAFR would have been applicable to the Group from the 2024 financial year and to comply with the requirement, the Group had already put in place measures to rotate the auditors. KPMG have been appointed as the new auditors and will take over from PwC effective 1 July 2023. This will be tabled again at the annual general meeting of shareholders in November 2023.

Regulatory environment
The Committee monitors the ever changing regulatory and legislative compliance landscape applicable to the Group's operations. Regular management reporting is conducted to monitor progress and compliance.

The Committee is satisfied with the skills and expertise of management regarding regulatory and legislative compliance.

Going concern
The Committee has assessed the going concern status of the Group and has accordingly confirmed to the Board that the Group will be a going concern for the foreseeable future.

Conclusion

The Committee will continue to discharge its duties and responsibilities as envisaged in its formal charter and in line with the principles of good corporate governance.

Mr G L Marx
Chairman
12 September 2023

Directors' report

Nature of business

Following the sale of the Group's interest in Hastings Group Consolidated, the repayment of all the Group's preference share debt and the unbundling of the Group's interests in Discovery Limited and Momentum Metropolitan Holdings Limited during the prior financial year, the OGL board of directors concluded that it would be in the best interests of shareholders not to continue with an active investment strategy. The orderly and managed transition to a structure that represents an effective listing of OHL was completed during the current financial year, when the company's shares started trading as OUTsurance Group Limited in December 2022.

As part of the transition, all OGL employees were retrenched, the lease of the head office in Rosebank was terminated and the registered address of OGL was changed to the address of the head office of OHL in Centurion.

The transition resulted in a simpler operational structure offering a single access point to OHL, an OHL management team with direct accountability to shareholders, a higher dividend payout ratio and the elimination to a large extent of the costs incurred at the OGL head office going forward.

OGL is in the process of engaging the management teams and co-shareholders of RMI Investment Managers and the AlphaCode portfolio to design the optimal future strategic outcomes for these portfolio companies and their underlying investee businesses.

During the 2023 financial year, the following restructuring and corporate actions took place:

- Firness International, a 100%-owned subsidiary of OGL, unbundled its shares in OHL to OGL;
- OGL acquired an additional 19 240 151 OHL shares, which included a transaction with the financial director, Mr Jan Hofmeyr, whereby 601 006 new OGL shares were issued to Mr Hofmeyr in exchange for 1 359 832 OHL shares held by Mr Hofmeyr. OGL's percentage shareholding in OHL increased from 89.3% to 89.8%; and
- OGL transferred its investments in Firness International Proprietary Limited, RMI Investment Managers Group Proprietary Limited, AlphaCode Proprietary Limited and RMI Investment Holdings Proprietary Limited to its 100%-owned subsidiary, RMI Treasury Company Limited in an assets for shares transaction.

The table below summarises the OGL Group's actual interest in its investee companies as at 30 June 2023 compared to 30 June 2022:

	30 June 2023	30 June 2022
OUTsurance Holdings Limited	**89.8%***	89.3%*
RMI Treasury Company Limited	**100.0%**	100.0%
RMI Asset Holdings Proprietary Limited	**100.0%**	100.0%
RMI Investment Managers Group Proprietary Limited	**100.0%**	100.0%
RMI Investment Holdings Proprietary Limited	**100.0%**	100.0%
Main Street 1353 Proprietary Limited	**51.0%**	51.0%

* *Actual interest differs from the effective interest used for financial reporting due to the consolidation of treasury shares and "deemed" treasury shares held by group companies (see note 20).*

Share capital

The classes of shares in terms of OGL's MOI are as follows:

Ordinary shares

The total authorised number of ordinary shares is 2 000 000 000, with a par value of R0.0001 per share. The total number of issued ordinary shares is 1 532 408 776 (2022: 1 531 807 770).

The unissued share capital is under the control of the board of directors until the forthcoming annual general meeting.

Preference shares

Cumulative, redeemable par value preference shares

The total authorised number of cumulative, redeemable par value preference shares is 100 000 000, with a par value of R0.0001 per share. There are no issued cumulative, redeemable par value preference shares.

Cumulative, redeemable no par value preference shares

The total authorised number of cumulative, redeemable no par value preference shares is 100 000 000. There are no issued cumulative, redeemable no par value preference shares.

Cumulative, redeemable no par value preference shares in terms of clause 7.1 of the MOI

The total authorised number of cumulative, redeemable no par value preference shares created in terms of the group's debt programme and outlined in clause 7.1 of the MOI, is 100 000 000. None of these shares have been issued to date.

Shareholder analysis

Based on information disclosed by STRATE and investigations conducted on behalf of the company, the following shareholders have an interest of 5% or more in the issued ordinary share capital of the company:

	30 June 2023	30 June 2022
Remgro Limited	**30.6%**	30.6%
Royal Bafokeng Investment Holding Company	**14.2%**	14.2%
Public Investment Corporation	**10.0%**	8.5%
Coronation Fund Managers (on behalf of clients)	*****	7.9%

* *Less than 5% for the year ended 30 June 2023.*

Earnings

Earnings attributable to ordinary shareholders for the year ended 30 June 2023 amounted to R2 915 million or 190.3 cents per share (2022: R22 396 million or 1 463.2 cents per share). Headline earnings amounted to R2 898 million or 189.2 cents per share (2022: R2 598 million or 169.7 cents per share).

Dividends

The following ordinary dividends were declared by OGL during the year under review:

- An interim dividend for the six months ended 31 December 2022 of 56.8 cents per ordinary share, declared on 22 March 2023 and paid on 17 April 2023 (31 December 2021: 23.5 cents per ordinary share, declared on 16 March 2022 and paid on 25 April 2022).
- A final dividend for the year ended 30 June 2023 of 78.0 cents per ordinary share, declared on 15 September 2023 and payable on 9 October 2023 (30 June 2022: 42.0 cents per ordinary share, declared on 21 September 2022 and paid on 24 October 2022).
- A special dividend for the year ended 30 June 2023 of 8.5 cents per ordinary share, declared on 15 September 2023 and payable on 9 October 2023.

Directorate

The directorate comprises:

Name	Date of appointment
Non-executive directors	
HL Bosman (Chairman)	2 April 2014
JJ Durand	8 December 2010
A Kekana	6 February 2013
WT Roos	8 November 2022
Independent non-executive directors	
JP Burger	30 June 2014
B Hanise	8 November 2022
AW Hedding	8 November 2022
MM Mahlare	31 March 2018
GL Marx	8 November 2022
ET Moabe	8 November 2022
MM Morobe	1 August 2014
SV Naidoo	8 November 2022
RSM Ndlovu	8 November 2022
K Pillay (lead independent)	8 November 2022
JA Teeger	31 March 2018
JE van Heerden	8 November 2022
Executive director	
MC Visser (CEO)	8 November 2022
JH Hofmeyr (FD)	8 November 2022
Alternate directors	
F Knoetze	1 April 2016
UH Lucht	3 September 2019

Messrs P Cooper, DA Frankel (alternate) and P Lagerström stepped down as directors at the annual general meeting held on 8 November 2022.

Interests of directors and officers

During the financial year, no contracts were entered into in which directors or officers of the company had an interest and which significantly affected the business of the Group. The directors had no interest in any third party or company responsible for managing any of the business activities of the Group except to the extent that they are shareholders in OGL as disclosed in this report.

Director's emoluments and service contracts

Directors' and prescribed officers' emoluments are disclosed in note 41 to the consolidated annual financial statements.

At each annual general meeting one third of the non-executive directors have to retire from office. If at the date of any annual general meeting any non-executive director has held office for a period of three years since his last election or appointment, he has to retire at such meeting. A retiring director is eligible for re-election.

The remuneration of the non-executive directors is approved annually by way of a special resolution at the annual general meeting. The company's remuneration policy is approved annually by way of an advisory ordinary resolution at the annual general meeting.

Directors' participation in group share incentive schemes

OHL has a cash-settled share scheme. Youi has an operating equity-settled share scheme.

Directors' reports *continued*

Insurance

OGL has appropriate insurance cover against crime risks as well as professional indemnity.

Company secretary and registered offices

Schalk Human is the company secretary of OGL. The address of the company secretary is that of the company's registered office. The company's registered office is 1241 Embankment Road, Zwartkop Ext 7, Centurion, 0157.

Management contract

OGL and RMB Holdings Limited (RMH) rendered management services to each other during the 2023 financial year. Mr Bosman's executive remuneration (until 30 November 2022) was paid for by OGL. OGL charged management fees to RMH according to the time spent by Mr Bosman on the affairs of each company.

Special resolutions

The following special resolutions were passed at the annual general meeting of OGL held on 8 November 2022:

- approval of non-executive directors' remuneration with effect from 1 December 2022;
- general authority to repurchase company shares;
- issue of shares, convertible securities and/or options to persons listed in section 41(1) of the Companies Act for the purposes of their participation in a reinvestment option;
- issue of shares, convertible securities and/or options to persons listed in section 41(1) of the Companies Act in connection with the settlement of eligible participants' rights under the Group's applicable share or employee incentive scheme;
- financial assistance to directors, prescribed officers and employee share scheme beneficiaries;
- financial assistance to related or inter-related companies;
- approval of the OUTsurance Listing (change of name from Rand Merchant Investment Holdings Limited to OUTsurance Group Limited); and
- approval of the amendment of the Company's MOI to give effect to the name change.

OHL passed the following special resolutions at its annual general meeting held on 8 November 2022:

- general authority to provide financial assistance to related or inter-related companies in terms of section 45 the Companies Act; and
- approval of the remuneration of non-executive directors.

Events subsequent to reporting date

Refer to note 42 to the consolidated annual financial statements.

Directors' interests in ordinary shares of OGL

Directors have disclosed the following interest in the ordinary shares of OGL at 30 June 2023:

000's	Direct beneficial	Indirect beneficial	Held by related persons	Total 2023
HL Bosman	–	1 000	–	1 000
JP Burger	–	1 184	–	1 184
JJ Durand	–	–	–	–
B Hanise	–	–	–	–
AW Hedding	–	–	–	–
JH Hofmeyr	–	621	–	621
A Kekana	–	–	–	–
F Knoetze (alternate)	–	–	–	–
UH Lucht (alternate)	–	–	–	–
MM Mahlare	–	–	–	–
GL Marx	–	–	–	–
ET Moabe	–	–	–	–
MM Morobe	–	–	–	–
SV Naidoo	–	–	–	–
RSM Ndlovu	–	–	–	–
K Pillay	–	23	–	23
WT Roos	–	–	–	–
JA Teeger	42	54	–	96
JE van Heerden	–	–	–	–
MC Visser	1	–	–	1
TOTAL INTEREST	43	2 882	–	2 925

Directors have disclosed the following interest in the ordinary shares of OGL at 30 June 2022:

000's	Direct beneficial	Indirect beneficial	Held by related persons	Total 2022
HL Bosman	–	800	–	800
JP Burger	–	1 184	–	1 184
P Cooper	795	–	3 061	3 856
JJ Durand	–	–	–	–
DA Frankel (alternate)	–	–	–	–
A Kekana	–	–	–	–
F Knoetze (alternate)	–	–	–	–
P Lagerström	–	–	–	–
UH Lucht (alternate)	–	–	–	–
MM Mahlare	–	–	–	–
MM Morobe	–	–	–	–
JA Teeger	42	54	–	96
TOTAL INTEREST	837	2 038	3 061	5 936

Since 30 June 2023 to the date of this report, the interest of directors remained unchanged.

Independent auditor's report

To the Shareholders of OUTsurance Group Limited

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of OUTsurance Group Limited (the Company) and its subsidiaries (together the Group) as at 30 June 2023, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

OUTsurance Group Limited's consolidated and separate financial statements set out on pages 18 to 182 comprise:

- the consolidated and separate statements of financial position as at 30 June 2023;
- the consolidated and separate statements of profit or loss for the year then ended;
- the consolidated and separate statements of other comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

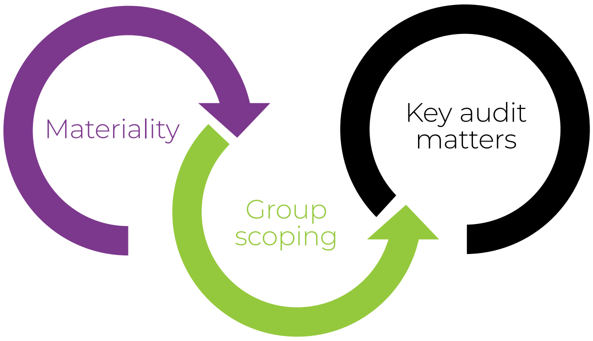
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of 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).*

Our audit approach

Overview



Overall group materiality

- R284.99 million, which represents 1% of total gross insurance premium written.

Group audit scope

- We performed a full scope audit on the financially significant component and holding company.
- For certain components we performed audits of certain account balances due to the financial significance of these accounts to the consolidated financial statements as a whole.
- We performed analytical procedures on non-significant components.

Key audit matters

- Valuation of insurance contract liabilities relating to short term and long term insurance contracts.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Independent auditor's report *continued*

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality

R284.99 million

How we determined it

1% of total gross insurance premium written.

Rationale for the materiality benchmark applied

We chose gross insurance premium written as the benchmark because, in our view, it reflects the activity levels of the Group and it is a benchmark against which the performance and growth of the Group can be consistently measured in circumstances of volatile year-on-year earnings. We chose 1% which is consistent with quantitative materiality thresholds used for profit-oriented groups in this sector.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

A full scope audit was performed on the group's financially significant component and the holding company both of which are audited by the group engagement team. For certain components we, the group engagement team, performed audits of certain account balances due to the financial significance of these accounts to the consolidated financial statements as a whole. Analytical procedures were performed on insignificant components in order to obtain sufficient appropriate audit evidence on which to base the group audit opinion.

Further audit procedures performed included analytical review procedures over the remaining balances and substantive procedures over the consolidation process. The work carried out at the component level, together with these additional procedures, provided us with sufficient evidence to express an opinion on the consolidated financial statements as a whole.

Independent auditor's report *continued*

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report in respect of the separate financial statements.

<table>
<tr><th>KEY AUDIT MATTER</th><th>HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER</th></tr>
<tr><td colspan="2">Valuation of insurance contract liabilities relating to short term and long term insurance contracts</td></tr>
<tr><td>Refer to the following accounting policies and notes to the consolidated financial statements for the disclosures as it relates to this key audit matter:
➥ Note 9: Policyholder benefits on insurance contracts net of reinsurance
➥ Note 29: Insurance contract liabilities
➥ Accounting policy 44.3: Recognition and measurement of insurance contracts

As at 30 June 2023, the Group has recognised gross insurance contract liabilities relating to its short term and long term insurance contracts amounting to R14.8 billion and R1 billion respectively. Included in these balances, the Group has recognised net outstanding claim provisions in relation to its short term and long term insurance contracts amounting to R13.5 billion and R0.7 billion respectively. In addition, a non-claim bonus provision of R0.6 billion was recognised in relation to the Group's short term insurance contract liabilities.

Significant judgement and estimation is applied in determining the value of the insurance contract liabilities to be recognised in the consolidated financial statements.

As it relates to short term insurance contract liabilities, significant judgement and estimation is applied in:
➥ the determination of the claim provision to be recognised;
➥ the unexpired premium provision on insurance contracts; and
➥ the bonus provision for non-claims bonuses on insurance contracts.

Refer to note 29.2 to the consolidated financial statements that sets out the details of the significant judgements applied in the determination of the value of the Group's short term insurance contract liabilities.</td><td>Our audit addressed the key audit matter as follows:
Through discussions with management and inspection of underlying documentation we evaluated the design and operating effectiveness of the key controls applied in the valuation of the Group's insurance contract liabilities.
As it relates to the valuation of short term insurance contract liabilities, we performed the following procedures:
With the assistance of our actuarial experts, we assessed the validity of the claims information recorded on the system (e.g. loss event, claim estimate, items insured) and the valuation of the claims, by performing the following procedures:
➥ For a sample of claims reserves, we assessed the claim values against assessor reports and traced these to claim documentation which detailed the loss event. We noted no material exceptions;
➥ For a sample of claims reserves, we compared the claims to information from the underlying policy recorded on the system in order to test whether the claims were valid claims (e.g. if the insured was covered for the loss event in the original policy and if the premium has been paid up). No material inconsistencies were identified;
➥ We tested the reasonability and appropriateness of the calculations underlying the actuarial estimates. This testing involved taking into consideration the Group's accounting policy in respect of the claims provisions. We found the underlying calculations to be reasonable;
➥ We assessed the reasonability and appropriateness of the methodology and assumptions used by management, taking into consideration historic experience, actuarial guidance and industry practice. We found the methodologies and assumptions applied by management to be in line with industry practice, actuarial guidance and consistent with historical experience; and
➥ We performed independent calculations of the claims provisions for all material classes of business segments. We found the independently recalculated claims provision, for these classes, to be within a reasonable range of our independent calculations.

With the assistance of our actuarial experts, we performed the following procedures on the provision for non-claims cash bonuses:
➥ We evaluated the appropriateness of the methodology and assumptions applied by management with reference to IFRS 4: Insurance contracts, the nature of the business, our understanding of industry practice and the Group's accounting policies. Based on our work performed, we found the methodology and assumptions applied by management to be reasonable and noted that the methodology was consistently applied from the prior year;</td></tr>
</table>

Independent auditor's report *continued*

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Valuation of insurance contract liabilities relating to short term and long term insurance contracts	
	➥ We assessed the completeness and accuracy of data used to value the provisions from a completeness and accuracy perspective. No material differences were noted; ➥ We assessed the reasonableness of the actuarial approach applied to the non-claims cash bonus, taking into account the nature of the benefit. Based on our work performed, we deemed the actuarial approach applied to be reasonable; ➥ We evaluated the reasonableness of the actuarial assumptions taking into account the actual historical experience. This included, but was not limited to: reserve rates, future payments, future premiums and loss ratios. We found the assumptions applied to be reasonable; and ➥ We reperformed the calculation of the provision for non-claims cash bonuses to obtain an independent value for the provision. We compared this to management's provision and noted no material differences.
As it relates to long term insurance contract liabilities, significant judgement and estimation is applied in the valuation of policyholder liabilities. Refer to note 29.4 that sets out the details of the significant judgements applied in the determination of the Group's long term insurance contract liabilities. We considered the valuation of insurance contract liabilities relating to short term and long term insurance contracts to be a matter of most significance to the current year audit due to the following: ➥ Significant judgement and estimation are applied by management; and ➥ The magnitude of the short term and long term insurance contract liabilities in relation to the consolidated financial statements.	As it relates to the valuation of long term insurance contract liabilities, we performed the following procedures: With the assistance of our actuarial experts, we performed the following procedures over the valuation of the long term insurance contract policyholder liabilities: ➥ We tested the appropriateness of the valuation methodology given the nature, scale and complexity of the business, consistency with the entity's accounting policies, as well as applicable actuarial guidance issued by the Actuarial Society of South Africa. We found the valuation methodology applied to be consistent with the accounting policy and in line with the guidance issued by the Actuarial Society of South Africa; ➥ We assessed the reasonability of the valuation assumptions taking into consideration experience investigations performed, expected future experience and industry trends, as well as applicable actuarial guidance issued by the Actuarial Society of South Africa. We found the assumptions applied to be reasonable; ➥ We assessed the completeness and accuracy of data used to value the provisions. No material differences were noted; ➥ We assessed the reasonableness of the analysis of surplus in respect of the valuation process. We found the analysis of surplus to be reasonable; and ➥ We assessed the final valuation results, including the model output and movements in the results from last year, which were assessed for reasonability, given our knowledge of changes over the year and explanations from management's actuarial function. Based on the procedures performed, no areas requiring additional consideration were noted.

Independent auditor's report *continued*

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "OUTsurance Group Limited Consolidated Annual Financial Statements for the year ended 30 June 2023", which includes the Directors' Report, the Report by the Audit Risk and Compliance Committee and the Certificate by the Group Secretary as required by the Companies Act of South Africa and the document titled "OUTsurance Group Limited Integrated Report for the year ended 30 June 2023". The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the consolidated and separate financial statements

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

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and 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 Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.

Independent auditor's report *continued*

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 OUTsurance Group Limited for 13 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: J Goncalves
Registered Auditor
Johannesburg, South Africa

15 September 2023

Consolidated statement of profit or loss

for the year ended 30 June

R million	Notes	**Group 2023**	Re-presented Group 2022
Gross insurance premium written	5	**28 499**	23 532
Outward reinsurance premiums		**(2 195)**	(2 314)
Net premiums		**26 304**	21 218
Gross change in provision for unearned premiums	29	**(1 582)**	(1 264)
Reinsurance relating to provision for unearned premiums	29	**(254)**	243
Earned premiums, net of reinsurance		**24 468**	20 197
Non-insurance related fee income	6	**524**	471
Investment income	7	**208**	320
Interest income on financial assets using the effective interest rate method	7	**911**	341
Net fair value gains on financial assets	8	**80**	118
Fair value gain on loss of control of subsidiary		**–**	37
Expected credit losses on financial assets	8	**(1)**	(5)
Income		**26 190**	21 479
Policyholder benefits on insurance contracts net of reinsurance	9	**(13 139)**	(11 325)
Gross policyholder benefits under insurance contracts[1]		**(13 521)**	(13 902)
Reinsurers' share of insurance contracts		**382**	2 577
Transfer to policyholder liabilities under insurance contracts	29	**(53)**	(3)
Fair value adjustment to financial liabilities		**(196)**	(147)
Marketing and administration expenses	10	**(8 047)**	(6 868)
Result of operating activities		**4 755**	3 136
Finance costs	11	**(40)**	(432)
Equity accounted earnings	21	**20**	27
Profit on change in shareholding of investments in associates	21	**7**	–
Profit on sale of associates	26	**57**	–
Impairment of investments in associates	21	**(23)**	–
Profit before taxation		**4 776**	2 731
Taxation	12	**(1 431)**	(1 027)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**3 345**	1 704
Profit for the year from discontinued operations	13	**–**	21 187
PROFIT FOR THE YEAR		**3 345**	22 891
Attributable to:			
Equity holders of the company		**2 915**	22 396
Non-controlling interests		**430**	495
PROFIT FOR THE YEAR		**3 345**	22 891
Earnings per share (continuing and discontinued operations) (cents)	14	**190.3**	1 463.2
Diluted earnings per share (continuing and discontinued operations) (cents)	14	**186.6**	1 460.4

1 *The provision for non-claims bonuses disclosed separately in the past is now included in the gross policyholder benefits under insurance contracts line to align with IFRS 17. The comparative information has been re-presented. Refer to the re-presentation of comparatives note 43 for more information.*

Consolidated statement of other comprehensive income

for the year ended 30 June

R million	Note	Group 2023	Group 2022
Profit for the year		**3 345**	22 891
Other comprehensive income for the year			
Items that may subsequently be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**597**	202
Fair value gains on other comprehensive income financial instruments	8	**47**	38
Deferred tax on fair value gains on other comprehensive income financial instruments		**(4)**	3
Share of comprehensive income of associates		**(3)**	(739)
Items that may subsequently be reclassified to profit or loss, after taxation		**(3)**	809
Reclassification of accumulated comprehensive income of discontinued operation		**–**	(1 430)
Movement on liabilities accounted for as net investment hedge		**–**	(77)
Items that will not be reclassified to profit or loss, after taxation		**–**	(41)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**637**	(496)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3 982**	22 395
Attributable to:			
Equity holders of the company		**3 450**	21 864
Non-controlling interests		**532**	531
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3 982**	22 395
Total comprehensive income from continuing operations		**3 982**	1 923
Total comprehensive income from discontinued operations		**–**	20 472

Consolidated statement of financial position

as at 30 June

R million	Notes	Group 30 June 2023	Re-presented Group 30 June 2022	Re-presented Group 1 July 2021
ASSETS				
Property and equipment[1]	17	**1 198**	1 065	1 056
Intangible assets[1]	18	**237**	236	213
Right-of-use assets[1]	19	**65**	70	104
Investments in associates[1]	21	**788**	692	29 301
Deferred income tax[1]	22	**537**	425	502
Reinsurers' share of insurance contract liabilities[1]	29	**1 537**	2 765	1 140
Deferred acquisition costs[1]	29	**980**	681	513
Financial assets[2]				
Fair value through profit or loss	23	**4 751**	3 573	4 831
Fair value through other comprehensive income	23	**6 427**	5 700	3 703
Measured at amortised cost	23	**11 267**	7 233	6 122
Derivative financial instrument	24	**9**	68	133
Insurance and other receivables	25	**6 562**	4 858	3 803
Taxation		**10**	3	25
Assets held for sale	26	**402**	503	–
Cash and cash equivalents	27	**1 675**	2 508	2 618
TOTAL ASSETS		**36 445**	30 380	54 064
EQUITY				
Share capital and premium	28	**15 452**	15 431	15 353
Other equity reserves[3]		**(3 663)**	(3 732)	(3 042)
Retained earnings[3]		**1 184**	(212)	14 927
Total shareholders' equity		**12 973**	11 487	27 238
Non-controlling interests	20	**1 528**	1 465	1 776
TOTAL EQUITY		**14 501**	12 952	29 014
LIABILITIES[1]				
Insurance contract liabilities	29	**16 401**	13 638	10 311
Derivative financial instrument	24	**81**	6	130
Investment contract liability	30	**1 231**	64	37
Preference shares		**–**	–	11 514
Lease liabilities	31	**80**	82	118
Share-based payment liability	32	**635**	297	258
Employee benefits[4]	33	**581**	630	486
Deferred income tax	22	**23**	29	270
Financial liabilities at fair value through profit or loss	34	**112**	72	125
Taxation		**362**	163	141
Insurance and other payables[4]	35	**2 367**	2 398	1 660
Liabilities directly associated with assets held for sale	26	**71**	49	–
TOTAL LIABILITIES		**21 944**	17 428	25 050
TOTAL EQUITY AND LIABILITIES		**36 445**	30 380	54 064

1 *The order of liquidity for these line items was reassessed to correctly reflect their maturity profile. Prior financial year has been updated for comparability.*

2 *The split of financial assets are presented per IFRS9 category, without a further split between debt and equity instruments to declutter the face of the consolidated statement of financial position. Comparative information was adjusted accordingly.*

3 *In the prior financial years, equity accounted earnings net of dividends received were transferred to equity accounted reserves. As a result of the change in accounting policy, only the Group's percentage of post-acquisition movement in reserves other than retained earnings are included in equity accounted reserves.*

4 *The Group's classification of provision for bonuses, accrued leave and retrenchments was changed to better reflect the nature of the accounts. These are no longer included under provisions and insurance and other payables, but under employee benefits.*

Consolidated statement of changes in equity

for the year ended 30 June

R million	Share capital	Equity accounted reserves	Share-based payments reserve[2]	Other comprehensive income reserve[2]	Transactions with non-controlling interests	Foreign currency translation reserve[2]	Retained earnings	Non-controlling interests	Total equity
BALANCE AS AT 1 JULY 2021									
Balance as previously stated	15 353	7 503	13	(180)	(3 932)	392	8 089	1 776	29 014
Change in accounting policy – Equity accounted reserves[1]	–	(6 838)	–	–	–	–	6 838	–	–
RE-PRESENTED BALANCE AS AT 1 JULY 2021	15 353	665	13	(180)	(3 932)	392	14 927	1 776	29 014
Profit for the year	–	–		–	–	–	22 396	495	22 891
Other comprehensive income for the year	–	(726)	–	41	–	153	–	36	(496)
Income of associate companies retained	–	21	–	–	–	–	(21)	–	–
Movement in treasury shares	78	3	–	–	–	–	(68)	1	14
Transactions with non-controlling interest	–	5	–	–	(248)	–	(1)	(271)	(515)
Issue of share capital to non-controlling interests by subsidiaries	–	–	–	–	–	–	–	63	63
Share-based payment reserve	–	36	1	–	–	–	(3)	–	34
Derecognition of retained earnings on loss of control of subsidiary	–	–	–	–	–	–	82	(41)	41
Reserve adjustment of associates	–	24	–	–	–	–	–	–	24
Dividends paid	–	–	–	–	–	–	(2 880)	(594)	(3 474)
Dividend in specie – unbundling of associates	–	–	–	–	–	–	(34 644)	–	(34 644)
BALANCE AS AT 30 JUNE 2022	15 431	28	14	(139)	(4 180)	545	(212)	1 465	12 952
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**2 915**	**430**	**3 345**
Other comprehensive income for the year	**–**	**(3)**	**–**	**40**	**–**	**498**	**–**	**102**	**637**
Additional shares issued	**21**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**21**
Transactions with non-controlling interest	**–**	**–**	**–**	**–**	**(473)**	**–**	**4**	**(228)**	**(697)**
Share based payment reserve	**–**	**9**	**(2)**	**–**	**–**	**–**	**(10)**	**–**	**(3)**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**(1 513)**	**(241)**	**(1 754)**
BALANCE AS AT 30 JUNE 2023	**15 452**	**34**	**12**	**(99)**	**(4 653)**	**1 043**	**1 184**	**1 528**	**14 501**
Notes	28							19	

1. In the prior financial years, equity accounted earnings net of dividends received were transferred to equity accounted reserves. As a result of the change in accounting policy, only the Group's percentage of post-acquisition movement in reserves other than retained earnings are included in equity accounted reserves.

2. The foreign currency translation reserve and share-based payments reserve were split out of other reserves and disclosed separately.

Consolidated statement of cash flows

for the year ended 30 June

R million	Notes	Group 2023	Group 2022
Cash flows from operating activities			
Cash generated from operations	37	**6 526**	3 893
Interest income		**495**	366
Dividends received		**87**	233
Cashflows on assets backing policyholder liabilities		**(171)**	(156)
Purchase of financial assets		**(12 065)**	(12 005)
Proceeds on disposal of financial assets		**8 714**	9 108
Income tax paid	38	**(1 314)**	(1 185)
Dividends received from discontinued operations		**–**	326
NET CASH GENERATED FROM OPERATING ACTIVITIES		**2 272**	580
Cash flows from investing activities			
Purchase of property and equipment		**(155)**	(95)
Disposal of property and equipment		**–**	6
Purchase of financial assets		**(1 394)**	(431)
Proceeds on disposal of financial assets		**764**	1 965
Acquisition of associates		**(79)**	(161)
Proceeds on disposal of associates (previously held for sale)		**109**	–
Proceeds on disposal of associate (discontinued operation)		**–**	14 576
Acquisition of shares of associate (discontinued operation)		**–**	(402)
NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES		**(755)**	15 458
Cash flows from financing activities[1]			
Redemption of preference share debt		**–**	(11 514)
Purchase of shares from non-controlling interest		**(653)**	(728)
Borrowings raised	36	**–**	245
Borrowings repaid	36	**–**	(245)
Repayment of lease liability		**(57)**	(43)
Cost of funding		**(16)**	(14)
Dividends paid on preference shares in issue		**–**	(511)
Dividends paid by subsidiaries to non-controlling interests		**(241)**	(594)
Cash dividends paid to shareholders		**(1 513)**	(2 880)
Proceeds on issue of shares to non-controlling interest		**–**	63
NET CASH OUTFLOW FROM FINANCING ACTIVITIES		**(2 480)**	(16 221)
Net decrease in cash and cash equivalents for the year		**(963)**	(183)
Decrease in cash due to disposal of subsidiary		**–**	(5)
Cash and cash equivalents of subsidiaries held for sale		**39**	–
Unrealised foreign currency translation adjustment on cash and cash equivalents		**91**	78
Cash and cash equivalents at the beginning of the year		**2 508**	2 618
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**1 675**	2 508

1 *The financial liabilities of the Group consist of the lease liabilities. Refer to note 31 for the reconciliation thereof.*

Notes to the consolidated annual financial statements

1. General information

OUTsurance Group Limited (OGL), a listed public company incorporated in South Africa, its subsidiaries and associates (collectively referred to as the Group) is a financial services group offering insurance and investment products. The Group has short-term insurance operations in South Africa and Australia. The South African operation also underwrites long-term insurance and provides investment products. In the current period, the Group established an Irish Company with the objective to expand its short-term insurance operations in the European Market. The Group also owns a portfolio of Fintech investments and a portfolio of investments in asset management entities.

2. Basis of preparation

The Group annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), the requirements of the Companies Act, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the IFRS interpretation committee (IFRS IC) and Financial Pronouncements as issued by the Financial Reporting Standards Council.

The annual financial statements are prepared in accordance with the going concern principle using the historical cost basis except for certain financial assets and liabilities where it adopts the fair value basis of accounting. Such financial assets and liabilities include financial assets classified as fair value through other comprehensive income, financial instruments at fair value through profit or loss, including designated, and financial instruments at amortised cost. The South African life insurance liabilities are valued based on the Financial Soundness Valuation (FSV) method as detailed in the Standard of Actuarial Practice (SAP) 104 issued by the Actuarial Society of South Africa (ASSA).

The preparation of the annual financial statements necessitates the use of estimates, assumptions and judgements that affect the reported amounts in the statement of financial position and the statement of profit or loss and other comprehensive income. Where appropriate, details of estimates are presented in the accompanying notes to the consolidated annual financial statements. All monetary information and figures presented in these annual financial statements are stated in millions of Rand (R'million), unless otherwise indicated.

Where presentation has changed from prior periods, it was changed with the objective to align the presentation of financial information between OUTsurance Group Limited (OGL) and OUTsurance Holdings Limited (OHL) to best reflect the nature of the relevant activities entered into by OGL.

All significant accounting policies are contained in note 44. Only accounting policies relating to transactions occurring in the current and prior financial year have been included.

2.1 Standards not yet effective: IFRS 17 Insurance Contracts (IFRS 17)

Of the standards that are not yet effective, management expects IFRS 17 to have a significant impact on the Group. Due to the change that IFRS 17 will bring to the measurement and disclosure of insurance contracts, the effect of applying IFRS 17 has been included below.

Note 44.24 includes a comprehensive list of new standards and interpretations to the existing standards which are not yet effective for the current financial year.

The IASB issued IFRS 17 Insurance Contracts in May 2017 as well as amendments to the standard on 25 June 2020. The effective date of IFRS 17, including the amendments, is reporting periods beginning on or after 1 January 2023 and needs to be applied retrospectively.

IFRS 4, the current accounting standard, allows insurers to use their local GAAP, whereas IFRS 17 defines clear and consistent rules that will increase the comparability of financial statements across the industry.

The transition to IFRS 17 will have an impact on the presentation of our financial statements, measurement of the insurance liabilities and on key performance indicators.

2. Basis of preparation *continued*

2.2 Project governance, status and process going forward

The Group has a dedicated IFRS 17 implementation team with the oversight of the Chief Financial Officer and the Audit and Risk Committee. The implementation team consists of actuaries, accountants, data specialists, information technology and tax experts.

The implementation team attends and participates in various industry meetings and has worked closely with the Head of Actuarial Function and the Group's external audit firm's experts to minimise the risk of any interpretation differences of the Standard.

The Group's parallel run for the comparative financial year has been implemented. The final steps of the implementation program are to finalise the tax calculation, specifically for OUTsurance Life and incorporating updates of the software that houses the calculation of the Contractual Service Margin (CSM) into the transitional results.

The key focus in preparation for the effective date is to:

- Incorporate minor calculation updates into the IFRS 17 results,
- Refine the IFRS 17 financial statement disclosures,
- Finalise the management reports and key performance indicators, and
- Obtain clearance from the Group's external auditors regarding the methodology used to determine the IFRS 17 values and disclosures.

2.3 Impact for the Group

2.3.1 Overview

The Group's IFRS 17 implementation project distinguished between the short-term and long-term insurance entities.

The majority of the insurance contracts issued by the short-term licensed entities OUTsurance and Youi have a contract boundary of less than one year and thus management elected to apply the simplified measurement model, namely the Premium Allocation Approach (PAA). For the small proportion of contracts with a contract boundary of more than one year, management tested and concluded that the contracts are eligible to apply the PAA measurement model.

OUTsurance Life Insurance Company Limited "OUTsurance Life" will measure its insurance contracts using the General Measurement Model (GMM) as the contracts all have a contract boundary of more than one year.

The effective date of IFRS 17 for the Group is 1 July 2023 and the standard requires that application is retrospective unless it is impracticable. The Group has applied IFRS 17 using the full retrospective approach as if IFRS 17 has always been applied to both the short-term and long-term insurance contracts and the expected impact on the 30 June 2022 results is as follows:

	Measurement model	Transition approach	Transitional impact on the NAV on 1 July 2022
GROUP		Full retrospective	2.5% to 5.5% increase in Group NAV
Subsidiaries			
OUTsurance Life	GMM		41.0% – 51.0% increase in NAV
OUTsurance	PAA		0.5% to 1.5% increase in NAV
Youi	PAA		0.0% to 1.0% increase in NAV

2. Basis of preparation *continued*

2.3 Impact for the Group *continued*

2.3.2 Impact on the statement of financial position

Management has assessed the impact of adoption of IFRS 17 on the Net Asset Value (NAV) of the insurance entities. For insurance contracts written by OUTsurance and Youi and measured under the PAA model, an estimated increase of 2.5% to 5.5% on the Group NAV, mostly arising from the effect of discounting the Liability for incurred claims (LIC), is deemed to be immaterial compared to current valuation of the short-term insurance liabilities of the Group.

The impact of applying the GMM model to the contracts written by OUTsurance Life, results in an expected 41% – 51% transitional increase in the NAV of OUTsurance Life. This transitional impact is primarily driven by the change in methodology of the Risk Adjustment (previously referred to Risk Margin) and the effect of replacing the discretionary margin of partially zeroising future profits to fully zeroising. Limiting future costs in the Liability for Remaining Coverage (LRC) calculation to only reference attributable expenses as defined by IFRS 17, also contributes the transitional impact. A range of the potential impact is provided due to the refinement of the tax calculation and expected updates in the CSM calculation engine to correctly accrue interest on the liability components.

The presentation of the statement of financial position under IFRS 17 will also change. Insurance/reinsurance contracts that are assets will be presented separately from those that are liabilities. The carrying value of the insurance contract assets and/or liabilities will be the sum of the LRC and the LIC. Furthermore, the standard requires significant reconciliations in the notes to reconcile the movements from the opening balance to closing balance of the assets and liabilities.

2.3.3 Impact on the statement of comprehensive income

Upon transition to IFRS 17, there is no significant impact on the earnings recognition for contracts measured under the PAA. Based on the assumption of a growing liability profile, the insurance service result for OUTsurance and Youi will be slightly more profitable with a corresponding increase in insurance finance expense due to the effect of discounting of claims liabilities and the corresponding unwind of the discounting.

For contracts measured under the GMM, there will be a smoother profit recognition due to the release of the contractual service margin (CSM) over the coverage period of the insurance contract. Under IFRS 17, acquisition costs are offset against the unearned profit being deferred as opposed to IFRS 4 where acquisition costs were expensed as incurred.

IFRS 17 requires a change to the consolidated statement of comprehensive income. The change is driven by the measurement criteria. Examples of these changes are that gross written premium will be replaced with insurance revenue and insurance service expense will encapsulate all the direct and attributable costs to service an insurance contract instead of policyholder benefits and operating expenses. Under IFRS 17, the financial risk included in the insurance contract will be separated from the insurance service expense and presented as insurance finance income and expense.

2.3.4 Impact of changes in the tax legislation

2.3.4.1 South Africa

National Treasury released the Draft Taxation Laws Amendment Bill, 2022 on 29 July 2022, which was subsequently promulgated in January 2023 and enacted in December 2022. This amendment, amended section 28 of the Act to cater for the implementation of IFRS 17. The changes consist of changes in terminology and a phase-in period of six years for life insurers and three years for non-life insurers. The overall tax impact for the Group is material.

For OUTsurance the impact is immaterial. There is a slight increase in taxable income due to a reduction in the previous claim expense because of the effect of discounting and historical premium debtors being netted off against insurance liabilities, which decreases the amount that is deductible for income tax purposes.

For OUTsurance Life, the impact is material due to the lower liabilities which indicates increase in historic profits. The lower liability is due to the release of the compulsory risk margins held under SAP 104, and incorporation of the CSM, which equates to unearned profits.

2.3.4.2 Australia

The Australian Government has announced it will introduce legislation to amend the tax law to align to IFRS 17 and hence allow the continued use of audited financial reporting information as the basis for tax returns. Based on the current tax rules, tax is calculated on an IFRS basis. As the IFRS basis has changed, the tax calculation will change however the impact is deemed to be immaterial.

2. Basis of preparation *continued*

2.3 Impact for the Group *continued*

2.3.5 Shareholders impact

The current dividend capacity of the Group is influenced by the liquidity profile of the insurance entities. This will continue to be the primary consideration and therefore IFRS 17 has no impact on dividends being paid.

2.4 Accounting policy choices

Classification and measurement

The Group applies IFRS 17 to all insurance contracts issued and reinsurance contracts held. An insurance contract is defined as a contract where the insurer accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder for various future loss events. Once a contract is classified as an insurance contract, no change is made. All contracts classified as insurance contracts under IFRS 4 remain insurance contracts under IFRS 17. Furthermore, there were no additional contracts that were included/excluded under the scope of IFRS 17. The services and benefits included in the insurance contracts have an insurance element and are therefore not separated.

As noted above, the Group applies PAA to its short-term contracts and the GMM to its long-term contracts. The PAA is a simplification of the GMM to determine the LRC.

Contracts are recognised at the earliest of the beginning of the coverage period of the group of contracts, the date the group receives the first payment from the policyholder, or when the group of contracts becomes onerous.

The Group does not issue any Direct Participating Contracts given that none of the contracts specify that a policyholder participates in a pool of underlying items and therefore the Variable Fee Approach is not applied.

2.5 Critical accounting estimates and judgements

2.5.1 Short-term insurance business

The PAA is applied to insurance/reinsurance contracts which at inception of the coverage period is one year or less, or the LRC measured under the PAA is not materially different from the LRC under the GMM. At initial recognition, the liability equals the premiums received. Subsequently, the liability is released over the passage of time. The majority of contracts are recognised when the Group receives the first payment as that is when coverage starts. However, onerous contracts (which are mostly products which have not yet reached scale) are recognised when the group of insurance contracts is determined to be onerous.

The PAA allows certain policy choices. One of these is to expense insurance acquisition cashflows. Management has elected to expense the insurance acquisition cash flows as incurred for contracts with a 30-day contract boundary and defer the acquisition costs over the coverage period of the contracts for contracts with a 12-month contract boundary. This policy choice was elected to defer the impact of business growth and recognise it in line with the revenue being earned under these contracts.

2.5.1.1 Unit of account and profitability

OUTsurance and Youi have determined that the unit of account is not the insurance policy per policyholder but rather the separate risk in the contract. This is based on the substance of the insurance policy, which can contain several risks being insured.

Each product is, however, deemed an insurance contract as it is a) priced separately, b) can be cancelled without cancelling other products, and c) is not dependent on another product. The underwriting of each product is done independently.

Contracts measured under the PAA are assumed to be profitable unless facts and circumstances suggest otherwise. Management monitors profitability by tracking the combined ratio to determine if a risk class is onerous.

2.5.1.2 Liability for incurred claims: Directly attributable cost included in the best estimate cash flows

IFRS 17 requires an entity to include a portion of its overhead costs that are directly attributable in fulfilling the obligations under the insurance contract in the fulfillment cash flows of the liability. The Group leveraged off its current methodology and processes to evaluate expenses and allocate all expenses as either directly attributable or non-attributable depending on the nature of the function of each expense category.

2. Basis of preparation *continued*

2.5 Critical accounting estimates and judgements *continued*

2.5.1 Short-term insurance business *continued*

2.5.1.3 Discount rate

Due to the long tail of certain claim components, OUTsurance and Youi will not elect the practical expedient available to not discount the LIC for claims that are expected to take place within 1 year from the date the claim was incurred.

The discount rate was determined using the bottom-up approach as the cash flows do not vary based on the underlying items. Under this approach, a risk-free bond yield curve was used. No illiquidity premium was added to the discount rate as there is no penalty or surrender value required to exit the insurance contract.

2.5.1.4 Treatment of the OUTbonus under PAA

OUTsurance awards a non-claims bonus (OUTbonus) to all policyholders who remain claim free within a specific period. The OUTbonus is highly interrelated to the host contract and forfeited with cancellation of the insurance policy and therefore cannot be defined as a non-distinct investment component. Because the OUTbonus is largely dependent on the claims behavior of the policyholder, its accounted for under the LIC as an unsettled claim as it relates to insurance contract services already provided.

When the underlying insurance contract is cancelled the OUTbonus is also forfeited, therefore the OUTbonus does not extend the contract boundary of the underlying contract as it can be cancelled within a month's notice. Therefore the boundary of the OUTbonus is the same as the underlying contract i.e. one month. A portion of the OUTbonus however accrues on a monthly basis due to its contractual obligation created by it and its inability to derecognise the liability before month 36 if a policyholder is claim free.

2.5.2 Life insurance business

The GMM is the default model in IFRS 17. The Group applies the GMM to all its long-term contracts written in OUTsurance Life. On initial recognition the group of insurance contracts is measured as the total of the best estimate of future cash flows, adjusted for time value of money, a risk adjustment for non-financial risk and a CSM. The CSM equals the unearned profit over the coverage period. The CSM is released to the income statement over time based on the coverage provided in the insurance contract.

2.5.2.1 Profitability groupings

For contracts under the GMM, portfolios are determined based on each unique life product. IFRS 17 requires that entities split portfolios into different profitability groups i.e., onerous, profitable and other. These groups are determined at inception and not subsequently reassessed. OUTsurance Life applies both a qualitative and quantitative assessment to determine the profitability groupings. The quantitative approach justifies the qualitative assessment and is based on a projected cashflow stress calibration methodology. Based on the outcome of the stress tests, the contract is grouped as per the grouping above.

2.5.2.2 Fulfillment cash flow and acquisition cost

Fulfillment cashflows are defined as an explicit, unbiased and probability-weighted estimate of the present value of the future cash inflows and outflows, including a risk adjustment, to fulfill the insurance contract. Cashflows, which are included should be directly attributable to the contract.

Acquisition costs are defined as directly attributable cash flows arising from the cost of selling, underwriting, and starting a portfolio of insurance contracts.

The inclusion of only directly attributable expenses is a significant change from IFRS 4. Consistent with the short-term business, management leveraged its existing approach to identify the directly attributable expenses to be included in the best estimate of fulfillment cash flows. This resulted in a decrease of the expense base included in the cash flow projections due to the non-attributable expenses now being excluded. The acquisition cash flows are also no longer expensed as incurred but deferred via the CSM under IFRS 17. The above changes are some of the key components that resulted in a reduction of the liability on transition date.

2.5.2.3 Discount rate

The discount rate was determined using the bottom-up approach as the cashflows do not vary based on the underlying items. Under this approach, the JSE bond and swap curve were used as the risk-free rate. The swap curve is used for all non-bonus cash flows with a duration of 12 years or less, whereas the bond curve is used for all non-bonus cash flows with a duration of 13 years or more. Additionally, bonus cash flows at all durations make use of the swap curve. For direct contracts, no illiquidity premium was added as there are no surrender values or exit penalties included in the contract.

2. Basis of preparation *continued*

2.5 Critical accounting estimates and judgements *continued*

2. 5. 2 Life insurance business *continued*

2.5.2.4 Risk adjustment

IFRS 17 requires an entity to adjust the best estimate of the present value of the future cash flows to reflect the compensation that the entity requires for bearing the uncertainty about the amount and timing of the cash flows. This is referred to as the risk adjustment.

IFRS 17 doesn't mandate a technique to determine the risk adjustment and only requires an entity to disclose the appropriate confidence level. For OUTsurance Life, a risk quantification has been conducted by leveraging off the South African regulatory regime's technical capital requirement standards, which is then scaled by utilising a Single Equivalent Scenario methodology in order to target a particular Value at Risk (VaR). The level of the stresses to be applied to each individual risk event is determined through an iterative process to target the confidence interval accepted by management. A confidence level ranging between 75% and 80%, depending on each underlying portfolio, was deemed appropriate after considering historical variances of actual reserves when compared to expected reserves.

Under IFRS 4, the calibration of the risk margin was done using the compulsory risk margins prescribed by SAP 104 which resulted in a confidence level of over 95%. The refined confidence levels applicable under IFRS 17 result in a significant reduction of the current reserves and is also the major driver in the transitional adjustment that increases the NAV of OUTsurance Life.

2.5.2.4 Contractual service margin

The balance of the CSM represents the profit in the group of insurance contracts that has not yet been recognised in profit or loss, because it relates to future service to be provided.

- The CSM unwinds and is recognized in profit or loss based on the quantity of benefits provided over the expected coverage period of the contract as opposed to the unwind of the unearned profits under IFRS 4.
- The quantity of benefits provided is based on the sum assured of the underlying products.
- Interest accrues on the CSM based on the locked-in yield curve as at initial recognition of the group of insurance contracts.
- Changes in estimates of the present value of future cash flows in the LRC, except those relating to the time value of money and changes in financial risk, and changes in the risk adjustment that relate to future services will adjust the balance of the CSM.

2.5.3 Reinsurance

For OUTsurance, the contract boundary for loss occurring contracts was determined to be 12 months and the PAA was applied. Reinsurance contracts associated with OUTsurance Life's contract boundary was aligned with the underlying insurance contracts and will be measured using the GMM.

The value of the liquidity premium on the reinsurance contracts for Life is deemed to be immaterial.

OUTsurance Life will calculate a weighted average recovery ratio based on the contract specific recovery ratios applicable to each underlying contract contained within the reinsurance contract as the means of systematically and rationally determining the appropriate recovery ratio to apply to the loss component of onerous contracts.

The Group has elected to present income and expense from reinsurers as a gross amount on the statement of comprehensive income.

3. Management of risk and capital

3.1 Risk management framework

The Group has an Enterprise Risk Management framework to provide reasonable assurance that the Group's risks are being prudently and soundly managed. The framework is designed according to acceptable principles on Corporate Governance and Risk Management standards. The risk management framework outlines the key risks facing the business and how these risks are monitored and mitigated.

Risk and governance oversight is provided by the OUTsurance Group Board, OUTsurance Group Audit, Risk and Compliance Committee, OUTsurance Holdings Asset, Liability and Capital Committee (ALCCO), OUTsurance Reinsurance Committee and the OUTsurance Holdings Risk Committee, the latter three being internal management committees. Risk and governance oversight for the Youi Group is provided by the Youi Holdings Board and Audit and Risk and Compliance Committees.

3.2 Insurance risk management

3.2.1 Short-term insurance

(i) Terms and conditions of insurance contracts

The Group conducts short-term insurance business in different classes of short-term insurance risk. Below is a table showing the risks and the percentage premium written per risk category:

	South Africa		Australia	
Types of insurance contract written	**Personal**	**Commercial**	**Personal**	**Commercial**
Liability	**–**	**6.2%**	**–**	**43.0%**
Miscellaneous	**<1%**	**–**	**–**	**–**
Motor	**64.8%**	**56.8%**	**53.0%**	**32.0%**
Personal accident	**–**	**<1%**	**5.2%**	**–**
Property	**34.5%**	**33.1%**	**41.0%**	**25.0%**
Transportation	**<1%**	**3.8%**	**<1%**	**–**

The personal lines segment of the business provides insurance to the general public allowing them to cover their personal possessions and property. The commercial segment of the business targets medium and small businesses in South Africa and Australia. Insurance products are sold with either a monthly or an annual premium payable by the covered party or entity. The following gives a brief explanation of each risk:

Personal accident

Provides compensation arising out of death or disability directly caused by an accident occurring anywhere in the world, provided that death or disability occurs within twelve months of this accident.

Liability

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

Miscellaneous

Provides cover relating to all other risks that are not covered more specifically under another insurance contract. This class includes pet, engineering and motor warranty products as well as certain agricultural products related to livestock.

Motor

Provides indemnity cover relating to the possession, use or ownership of a motor vehicle. The cover includes comprehensive cover, third party, fire and theft and liability to other parties.

Property

Provides indemnity relating to damage to movable and immovable property caused by perils including fire, explosion, earthquakes, acts of nature, burst geysers and pipes and malicious damage.

Transportation

Provides cover to risks relating to stock in transit.

3. Management of risk and capital *continued*

3.2 Insurance risk management *continued*

3.2.1 Short-term insurance *continued*

(ii) Insurance risks

The primary activity of the Group relates to the assumption of possible loss arising from risks to which the Group is exposed through the sale of short-term insurance products. Insurance risks to which the Group is exposed relate to property, personal accident, liability, motor, transportation, engineering and other miscellaneous perils that may result from a contract of insurance. The Group is exposed to uncertainty regarding the timing, magnitude and frequency of such potential losses.

The theory of probability forms the core base of the risk management model. Through the continuous sale of insurance products and subsequent growth in the pool of insured risks, the Group can diversify its portfolio of risks and therefore minimise the impact of variability of insurance losses affecting that portfolio. Insurance perils are unpredictable in nature, timing and extent, which expose the Group to a risk that actual future insured losses exceed their expected values.

Along with its underwriting approach, the Group also manages its insurance risk through its reinsurance programme which is structured to protect the Group against material losses to either a single insured risk, or a group of insured risks in the case of a catastrophe where there would tend to be a concentration of insured risks. The reinsurance programme also provides protection against the occurrence of multiple natural catastrophe events.

Climate risk is an emerging risk which increases the Group's insurance risk exposure to natural perils. This remains a top risk of the Group as it exposes the Group to more volatile earnings. This not only increases the cost of reinsurance but also the risk of availability of reinsurance to offload the risk; The Group can reprice for climate risk and it will remain a watch item as part of the underwriting and reinsurance strategy of the Group.

The underwriting of insurance risk and the passing on of excessive insurance risk to reinsurers is further described below.

Underwriting strategy

The Group aims to diversify the pool of insured perils through writing a balanced portfolio of insurance risks over a large geographical area. Products are priced using statistical regression techniques which identify risk factors through correlations identified in past loss experiences. Risk factors would typically include factors such as age of the insured person, past loss experiences, past insurance history, type and value of asset covered, security measures taken to protect the asset, major use of the covered item, and so forth. Risks are priced and accepted on an individual basis. Insurance premiums charged for a certain pool of risks are adjusted frequently according to the normalised loss ratios experienced on that pool of risks.

Insurance risk is monitored within the Group on a daily basis to ensure that risks accepted by the Group for its own account are within the limits set by the Board of directors. Exception reporting is used to identify areas of concentration of risk so that management is able to consider the levels adopted in the reinsurance programme covering that pool of risk.

Risks are rated individually by programmes loaded onto the computer system based on information captured by staff for each risk. Conditions and exclusions are also automatically set at an individual risk level. Individual risks are only automatically accepted up to predetermined thresholds which vary by risk type. Risks with larger exposure than the thresholds are automatically referred and underwritten individually by the actuarial department. These limits are set at a substantially lower level than the reinsurance retention limits. No risks which exceed the upper limits of the reinsurance programme can be accepted without the necessary facultative cover being arranged. Non-claims bonuses which reward customers for not claiming also form part of the Group's Southern African underwriting strategy.

Multi-claimants are also monitored and managed by tightening conditions of cover or ultimately cancelling cover.

3. Management of risk and capital *continued*

3.2 Insurance risk management *continued*

3.2.1 Short-term insurance *continued*

(ii) Insurance risks *continued*

Reinsurance strategy

The Group reinsures a portion of the risk it assumes through its reinsurance programme in order to control the exposure of the Group to losses arising from insurance contracts and in order to protect the profitability of the Group and its capital. A suite of treaties is purchased in order to limit losses suffered from individual and aggregate insurance risks.

- **OUTsurance Insurance Company Limited (OUTsurance):**

OUTsurance makes use of two non-proportional reinsurance arrangements in order to mitigate risk.

Risk excess-of-loss (XL) cover is utilised for the property and liability risk classes. The deductible, layer limits and number of reinstatements for each layer vary based on class and are governed by the OUTsurance Reinsurance Policy. Additionally, advice from OUTsurance's reinsurance broker and internal investigations is considered. For property risks, any risk in excess of the risk XL top limit of R150 million will be placed facultatively. The same is true for liability risks over R50 million. The following key measures define OUTsurance's risk appetite when determining reinsurance for single large losses:

- Maximum Event Retention1 (per Risk) should not exceed 0.18% of the expected annual gross earned premium (GEP) for the particular treaty year;
- Maximum Event Retention1 (multiple Risks) should not exceed 2% of the expected annual GEP for the particular treaty year; and
- The probability of an insufficient number of reinstatements for each layer should be less than 0.5% (1-in-200 year return period).

Limits are also placed on exposure to individual counterparties based on credit rating and jurisdiction equivalency.

Restatement premiums are payable to the extent that reinsurance cover for catastrophe events is utilised, on a pro-rata basis.

Catastrophe XL cover is utilised to help manage accumulation risk. The key classes exposing OUTsurance to catastrophe risk include property, motor and engineering of which property is the primary contributor. The deductible, layer limits and number of reinstatements are determined following intensive catastrophe modelling conducted both internally and by OUTsurance's reinsurance broker in conjunction with consideration of the OUTsurance Reinsurance Policy. The following key measures define OUTsurance's risk appetite when determining reinsurance for catastrophes:

- Maximum Event Retention (per catastrophe) should not exceed 2% of the expected annual GEP for the particular treaty year. Catastrophe cover attaches at a R100 million deductible;
- Maximum Event Retention (multiple catastrophes) should not exceed 5% of the expected annual GEP for the particular treaty year; and
- The probability of an insufficient number of reinstatements for each layer should be less than 0.5% (1-in-200 year return period).

Limits are also placed on exposure to individual counterparties based on credit rating and jurisdiction equivalency.

Refer to note 3.2.2 (ii) for detail on the reinsurance strategy of OUTsurance Life.

3. Management of risk and capital *continued*

3.2 Insurance risk management *continued*

3.2.1 Short-term insurance *continued*

(ii) Insurance risks *continued*

Reinsurance strategy *continued*

- **Youi Pty Limited (Youi)**

Youi makes use of proportional and non-proportional reinsurance arrangements in order to mitigate risk.

Individual risk reinsurance is purchased up to the maximum sums insured via quota share and risk XL reinsurance.

Quota Share reinsurance is purchased for:

- New South Wales Comprehensive Third Party Motor (NSW CTP) – 80% is ceded to reinsurers; and
- South Australia Comprehensive Third Party Motor (SA CTP) – 50% is ceded to reinsurers.
- Blue Zebra Personal Lines – 10% ceded to reinsurers (FY23), expiring at 30 June 2023.
- Blue Zebra Commercial Lines – 25% ceded to reinsurers (FY23), expiring at 30 June 2023.

Risk XL cover is utilised for the property and liability risk classes. The deductible, layer limits and number of reinstatements for each layer vary based on class and are governed by the Youi Reinsurance Strategy and Reinsurance Management Strategy. Additionally, advice from Youi's broker and internal investigations is considered.

For individual property (Youi and BZI), no risk exceeded the risk XL top limit of A$8.5 million cover. The same is true for liability risks, with no risk exceeding A$20 million (Youi) or A$30 million (BZI Home and Motor). No facultative cover was used. The following key measures define Youi's risk appetite when determining reinsurance for single large losses:

- MER (per risk) may not exceed A$1 million;
- Per risk XL cover is purchased to protect Youi's net retention under the New South Wales and South Australia CTP quota share;
- Multiple reinstatements are purchased or negotiated amounts payable in advance to minimise the possibility of insufficient cover for a frequency of losses. Unlimited reinstatements are provided for liability classes (including CTP);
- Because the property per risk programme is relatively small, limits are not placed on exposure to individual counterparties other than insomuch as Youi aims to use more than one reinsurer on any one contract; and
- On the long tail liability contract reinsurer participations are monitored by credit rating and APRA authorisation status.

Catastrophe XL reinsurance is utilised to help manage accumulation risk. The key classes exposing Youi to catastrophe risk include property, SME commercial property and motor. Property is the primary contributor. The deductible, layer limits and number of reinstatements are determined following intensive catastrophe modelling conducted by Youi's broker AON and take into consideration the guidelines set by the regulator for the company's capital adequacy assessment. The following key measures define Youi's risk appetite when determining reinsurance for catastrophes:

- Maximum event retention (per catastrophe) should not exceed A$41.25 million for the financial year ending 30 June 2023;
- Sufficient Catastrophe cover is purchased to cover the Company up to its 1:200 year event as determined by the aforementioned exposure analysis. In purchasing reinsurance, Youi buys additional cover above the 1:200 level as a buffer against, for example, greater than anticipated growth, modelling uncertainty and post loss inflation;
- A single reinstatement is negotiated for payment upon use for the catastrophe programme with an additional reinstatement purchased behind the first layer as a capital protection against a frequency of losses;
- Limits are also placed on exposure to individual counterparties by layer and over the whole programme reinsurer participations are monitored by credit rating and APRA authorisation status; and
- Youi Manages volatility through the purchase of underlying third and fourth events.

The Group only enters into reinsurance agreements with reinsurers which have credit ratings above a certain threshold as approved by the Board in the Group's Reinsurance Policy. Credit rating scales are defined in note 3.3.3.

3. Management of risk and capital *continued*

3.2 Insurance risk management *continued*

3.2.1 Short-term insurance *continued*

(ii) Insurance risks *continued*

Concentrations of risk and mitigating policies

Risk concentrations are monitored by means of exception reporting. When large risks are underwritten individually, the impacts which they could have on risk concentrations are considered before they are accepted. Marketing efforts are also coordinated to attract business from a wide geographical spread. Risks which could lead to an accumulation of claims as the result of a single event are declined due to inadequate diversification and overall pool of risk covered. Attention is paid to attract large numbers of relatively small independent risks which would lead to very stable and predictable claims experience.

The South African operation is exposed to a concentration of insurance risk in terms of sum assured in Gauteng (2023: 47.5%; 2022: 48.2%), Western Cape (2023: 23.5%; 2022: 22.8%) and KwaZulu-Natal (2023: 10.4%; 2022: 10.6%). The Australian operation (including BZI) is exposed to a concentration of insurance risk in terms of sum insured in Queensland (2023: 20.4%; 2022: 23.1%), New South Wales (2023: 27.8%; 2022: 28%) and Victoria (2023: 34.9%; 2022: 33.5%). The concentration risk which arises in each insurance entity is mitigated through the catastrophe excess of loss programme entered into by that entity.

Exposure to catastrophes and policies mitigating this risk

Catastrophe modelling is performed to determine the impact of different types of catastrophe events (including natural disasters) in different geographical areas, at different levels of severity and at different times of the day. Catastrophe limits are set so as to render satisfactory results to these simulations. The catastrophe cover is also placed with reinsurers with a reputable credit rating and cognisance is taken of the geographical spread of the other risks underwritten by the reinsurers in order to reduce correlation of our exposure with the balance of their exposure. These reinsurance models are run at least annually to take account of changes in the portfolio and to take the latest potential loss information into account.

Profit sharing arrangements

A profit sharing arrangement, which is executory in nature, exists between the OUTsurance Insurance Company Limited (OUTsurance) and FirstRand Bank Limited. In terms of this profit sharing arrangement, a portion of the operating profit generated on the Homeowners' insurance business referred by FirstRand Bank Limited businesses is paid to FirstRand Bank Limited by way of a bi-annual preference dividend. Where operating losses arise, OUTsurance remains liable for such losses in full, but these losses may be offset against future profit distributions.

3.2.2 Long-term insurance

(i) Terms and conditions of insurance contracts

The Group conducts long-term insurance business on various classes of long-term insurance risk. Products are only sold to the South African retail market. The types of insurance and investment products sold are as follows:

Insurance products

- Underwritten Life;
- Life Protector; and
- Funeral Plan.

Investment products

- Endowment.

The following gives a brief explanation of each product:

Underwritten Life

The Underwritten Life insurance product is a fully underwritten product and covers the following insurance risks:

- Death cover;
- Disability cover;
- Critical illness cover; and
- Family funeral cover.

In the event of a valid death, permanent disability (occupational disability), or critical illness claim, OUTsurance Life pays the contractual sum assured.

3. Management of risk and capital *continued*

3.2 Insurance risk management *continued*

3.2.2 Long-term insurance *continued*

(i) Terms and conditions of insurance contracts *continued*

Life Protector

The Life Protector product is a limited underwritten product. This product is in run-off and covers the following insurance risks:

- Death cover;
- Disability cover;
- Critical illness cover;
- Retrenchment cover;
- Temporary disability cover;
- Family funeral cover; and
- Premium waiver.

In the event of a valid death, permanent disability (occupational disability) or critical illness claim, OUTsurance Life pays the contractual sum assured. In the event of a valid temporary disability or retrenchment claim, OUTsurance Life undertakes to pay the policyholder a monthly instalment of a specified percentage of the sum assured as well as the premium for the specified period.

Funeral Plan

The OUTsurance Funeral Plan product is a limited underwritten product and provides the following cover:

- Death cover;
- Stillborn benefit;
- Premium waiver; and
- Repatriation benefit.

Endowment

OUTsurance Life offers a linked endowment policy with a term of five years, which is structured as a life insurance policy. This is a pure investment product and the investment risk is referenced to a zero-coupon deposit issued by a large South African bank.

(ii) Insurance risks

The primary activity of OUTsurance Life relates to the assumption of loss arising from risks to which it is exposed through the sale of long-term insurance products. It is exposed to uncertainty regarding primarily the timing, frequency and to a lesser extent, the magnitude of such potential losses.

The theory of probability forms the core base of the risk management model. Through the continuous sale of insurance products and subsequent growth in the pool of insured risks, OUTsurance Life can diversify its portfolio of risks and therefore minimise the impact of variability of insurance losses affecting that portfolio.

Along with its underwriting approach OUTsurance Life also manages its insurance risk through its quota share and excess of loss reinsurance programme which is structured to protect it against material losses on single insured risks.

The underwriting of insurance risk and the passing on of excessive insurance risk to reinsurers is further described below.

Refer to note 29.5 for a sensitivity analysis of policyholder liabilities.

3. Management of risk and capital *continued*

3.2 Insurance risk management *continued*

3.2.2 Long-term insurance *continued*

(ii) Insurance risks *continued*

Mortality and morbidity risk

Mortality risk is the risk of loss arising due to actual death rates on life insurance business being higher than expected. Morbidity risk is the risk of loss arising due to policyholder health related claims being higher than expected.

The following processes and procedures are in place to manage mortality and morbidity risk:

- Premium rates are differentiated by factors which historical experience has shown are significant determinants of mortality and morbidity claims experience, such as medical history and condition, age, gender, smoker status and HIV status;
- The expertise of reinsurers is used for pricing where adequate claims history is not available; and
- Reinsurance arrangements are put in place to reduce the mortality and morbidity exposure per individual policy and provide cover in catastrophic events.

Underwriting experience risk

There is a risk that actual mortality and morbidity experience is higher than expected. This could arise as a result of the number of claims or the value of the claims being higher than expected within a period. Selection risk is the risk that worse than expected risks are attracted and charged inadequate premiums. There is also a risk that the number of claims can increase due to the emergence of a new disease or pandemic. Underwriting experience risk is managed through:

- Product design and pricing

  Rating factors are applied to different premium rates to differentiate between different levels of risk. Amongst other, premiums are differentiated by age, gender, smoking status and medical history. Premium rates are approved and reviewed by the Head of Actuarial Function.

- Underwriting

  Underwriting ensures that only insurable risks are accepted and that premiums accurately reflect the unique circumstances of each risk. The Group has developed an advanced medical underwriting system which captures detailed information regarding the customers' medical history and condition which is used for premium adjustments and to indicate where further underwriting is required by experienced medical underwriters. To verify the accuracy of customer data, all new customers are subject to various medical tests. Quality audits are performed on the underwriting process to ensure underwriting rules are strictly followed.

- Reinsurance

  OUTsurance Life's quota share and XL reinsurance programme mitigates claims volatility and risk accumulation. Reinsurers also assist with pricing and product design decisions.

  OUTsurance Life makes use of proportional reinsurance in order to mitigate risk given its growing nature and exposure to multiple product lines in the early stages of development. The percentage ceded varies based on product and is determined based on various factors including maturity of the line of business as well as inherent risk exposure for each line. Certain lines of business employ surplus reinsurance over and above conventional quota share reinsurance in order to introduce an upper bound to the risk exposure faced on large policies.

  There are two Key Risk Indicators (KRI's) that define the risk appetite for OUTsurance Life:

Risk type	**Key Risk Indicator**
Appropriate Cover	Single Risk Loss (net of Reinsurance) should be less than 5% of net monthly premiums.
Counterparty Default Risk	Exposure to counterparties with a Credit Quality Step (CQS) higher than 6.

  In order to assess the exposure that OUTsurance Life has to a single large loss, the retained exposures of the biggest risks are measured and compared to the earned monthly premium net of reinsurance.

  The CQS of the participating reinsurers is determined in line with the Credit Rating Methodology. The risk appetite for reinsurer counterparties is currently a CQS of 6 and this is monitored on a quarterly basis.

- Experience monitoring

  Experience investigations are conducted and corrective action is taken where adverse experience is noted.

Notes to the consolidated annual financial statements *continued*

3. Management of risk and capital *continued*

3.2 Insurance risk management *continued*

3.2.2 Long-term insurance *continued*

(ii) Insurance risk *continued*

Lapse risk

Policyholders have the right to cancel their policies at any given time during the policy duration. There is a risk of financial loss and reduced future profitability due to the lapse experience being higher than expected. Lapse risk is managed by ensuring:

- Appropriate product design and pricing;
- Providing high quality service; and
- Continuous experience monitoring.

Modelling and data risk

Modelling risk is the risk that discounted cash flow models used to calculate actuarial liabilities and valuations do not accurately project the policy cash flows into the future. Data risk is the risk that the data which is used by the above models is inaccurate relative to actual experience.

Modelling risk is mitigated by way of employing specialist actuarial software which is widely used by industry participants. The services of the Head of Actuarial Function are also employed to ensure models are accurately set up. Risk is further mitigated through periodic third line reviews.

Data risk is managed by using internal systems and data warehouse technology. Data reports are readily available and frequently used and reviewed by management to track performance and verify experience variables.

Expense risk

Expense risk is the risk that actual expenses are higher than the budgeted expenses on which premium rates are calculated. Expenses are monitored on a monthly basis against budgeted expenses. Any deviation from budget is investigated, reported and remedial action taken where necessary.

Higher than expected inflation is one potential cause of a deviation between actual and budgeted expenses. The Group therefore introduced an inflation linked derivative structure as part of the asset-liability matching strategy, where bond forward asset instruments are purchased to mitigate this risk. The aim is to provide protection against volatility in real cash flows (expenses) arising from changes in the inflation curve.

Non-claims bonus risk

Non-claims bonus risk is the risk that the future contractual bonus payments are higher than assumed in the calculation of the policyholder liability (lapse risk) or that the investment return received is lower than expected (economic risk). A decrease in the lapse rate will result in an increase in the non-claims bonus risk. This risk is managed by applying an appropriate lapse assumption to allow for uncertainty.

A decrease in interest rates would result in a lowering of the investment return achieved on the assets backing the bonus liabilities, increasing the economic risk. This risk is mitigated by a zero-coupon deposits matching strategy, where the investment return on the zero-coupon deposit matches the required investment return in both timing and amount.

Interest rate risk

Interest rate risk is managed by an asset-liability matching strategy which is executed by the use of interest rate derivative structures which are partially collateralised.

Profit sharing arrangements

A profit sharing arrangement, which is executory in nature, has been entered into between OUTsurance Life and Shoprite Investments Limited. In terms of this profit sharing arrangement, a portion of the operating profit generated on the funeral insurance business distributed through the Shoprite distribution network is paid to Shoprite Investments Limited by way of an annual preference dividend. Operating losses incurred are for OUTsurance Life's account. This contract is executory in nature.

3. Management of risk and capital *continued*

3.3 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including equity price risk, interest rate risk and currency risk), credit risk and liquidity risk.

3.3.1 Financial instruments measured at fair value

The table below analyses financial instruments carried at fair value, by level of fair value hierarchy. The different levels are based on the extent that quoted prices are used in the calculation of the fair value of the financial instruments. These levels are defined as follows:

- Level 1 – fair value is based on quoted market prices (unadjusted) in active markets for identical instruments as measured on reporting date.
- Level 2 – fair value is determined through inputs, other than quoted prices included in Level 1 that are observable for the assets and liabilities, either directly (prices) or indirectly (derived from prices).
- Level 3 – fair value is determined through valuation techniques which use significant unobservable inputs.

The following table presents the Group's financial assets and liabilities that are measured at fair value:

R million	Level 1	Level 2	Level 3	Total
30 June 2023				
Financial assets				
Equity securities				
Exchange traded funds	774	–	–	774
Listed non-cumulative, non-redeemable preference shares	191	–	–	191
Collective investment schemes	–	431	–	431
Unlisted shares	–	–	401	401
Debt securities				
Money market securities <1 year	–	3 436	–	3 436
Money market securities >1 year	–	2 174	–	2 174
Zero-coupon deposits backing endowment policies	–	1 231	–	1 231
Zero-coupon deposits	–	1 047	–	1 047
Collective investment schemes	–	936	–	936
Government, municipal and public utility securities	–	316	–	316
Other fixed rate debt securities	–	–	180	180
Unsecured investment in development fund	–	–	52	52
Convertible loan	–	–	9	9
Derivative financial instruments				
Foreign exchange derivative	–	9	–	9
Bond Forward[1]	–	–	–	–
TOTAL FINANCIAL ASSETS	965	9 580	642	11 187
Financial liabilities				
Debt securities				
Investment contract liability	–	1 231	–	1 231
Financial liabilities at fair value through profit or loss	–	–	112	112
Derivative financial instruments				
Interest rate swaps	–	77	–	77
FEC instrument	–	4	–	4
TOTAL FINANCIAL LIABILITIES	–	1 312	112	1 424

3. Management of risk and capital *continued*

3.3 Financial risk management *continued*

3.3.1 Financial instruments measured at fair value *continued*

R million	Level 1	Level 2	Level 3	Total[1]
30 June 2022				
Financial assets				
Equity securities				
Exchange traded funds	817	–	–	817
Listed non-cumulative, non-redeemable preference shares	341	–	–	341
Collective investment schemes	–	368	–	368
Unlisted shares	–	–	393	393
Debt securities				
Money market securities <1 year	–	2 786	–	2 786
Money market securities >1 year	–	1 790	–	1 790
Collective investment schemes	–	1 225	–	1 225
Zero-coupon deposits	–	785	–	785
Government, municipal and public utility securities	–	281	–	281
Zero-coupon deposits backing endowment policies	–	64	–	64
Other fixed rate debt securities	–	–	360	360
Unsecured investment in development fund	–	–	58	58
Convertible loan	–	–	4	4
Derivative financial instruments				
Collateralised swaps	–	61	–	61
Interest rate swap	–	7	–	7
TOTAL FINANCIAL ASSETS	1 158	7 367	815	9 340
Financial liabilities				
Debt securities				
Investment contract liability	–	64	–	64
Financial liabilities at fair value through profit or loss	–	–	72	72
Derivative financial instruments				
Bond forward	–	6	–	6
TOTAL FINANCIAL LIABILITIES	–	70	72	142

1 Due to rounding, an amount of R397 000 was excluded. The bond forward would be included as a level 2 instrument.

There were no transfers between levels during the year ended 30 June 2023.

The fair values of the above instruments were determined as follows:

The table below analyses the movement of the total level 3 financial assets as at 30 June:

R million	2023	2022
Opening balance at 1 July	**815**	807
Fair value movement	**13**	(12)
Disposals (sales and redemptions)	**(186)**	(186)
Additions in the current year	**–**	219
Reclassification on investment becoming an associate	**–**	(13)
CLOSING BALANCE AT 30 JUNE	**642**	815

3. Management of risk and capital *continued*

3.3 Financial risk management *continued*

3.3.1 Financial instruments measured at fair value *continued*

Level 1

The fair value of financial instruments traded in an active market is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The listed preference share investments comprise instruments which are listed on a securities exchange. The fair values of these investments are calculated based on the quoted closing prices of the individual investments on reporting date. These instruments are included in Level 1 and comprise mainly equity and debt instruments classified as trading securities. The investment in the exchange traded funds track the performance of the top fifty companies listed on the JSE.

Level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are market observable, the instrument is included in Level 2.

Level 2 instruments comprise the following, with a description of their valuation techniques provided:

- **Collective investment schemes:** These instruments are fair valued monthly by multiplying the number of units held by the closing market price which is based on the most recently available observable inputs.
- **Zero-coupon deposits:** These instruments are not traded actively during a financial reporting period. The Group uses zero-coupon deposits to offset the interest rate risk inherent in some of the life insurance products underwritten by OUTsurance Life. The counterparties to these deposits are the large South African banks. The zero-coupon deposits have been structured to allow for the payment of the notional initial deposit to be spread over the specified term to enable cash flow matching. The maturity dates of the accreting zero-coupon deposits are long-term, with maturity dates at the various trading dates not exceeding 15 years. The fair values of the accreting zero-coupon deposits are determined monthly based on observable market inputs. To determine the fair values of the accreting zero-coupon deposits, a risk-free Swap Yield Curve produced every business day by the Johannesburg Securities Exchange is referenced. The instruments are designated at fair value through profit or loss, with both the interest accrual and fair value accounted for in profit or loss. The entire balance of the zero-coupon deposits is exposed to credit risk, refer to note 3.3.3. The zero-coupon deposit has specifically remained classified as fair value through profit or loss under the 'accounting mismatch' rule as these financial assets have specifically been acquired to match the non-claims bonus portion of the policyholder liability.
- **Government, municipal and public utility securities and money market securities:** The fair value of money market instruments and government, municipal and public utility securities is determined based on observable market inputs. These instruments consist of fixed and floating rate notes held in segregated portfolios and are typically listed on the JSE Interest Rate Market. These listed instruments are not as actively traded as Level 1 instruments. The fair value of these instruments is determined by using market observable inputs. The fair value yield, term-to-maturity, coupon payments and maturity value are used to discount the expected cash flows of these instruments to their present value in determining the fair value at the financial year-end.
- **Zero-coupon deposits backing endowment policies and the investment contract liability backing the asset:** These instruments relate to a linked endowment policy. The fair value is based on the quoted interest rates provided in each contract. The Group invests the underlying asset relating to these endowment policies with an external third party. As such the asset and liability are designed to set off against each other.
- **Foreign exchange derivative contracts:** The fair value of the foreign exchange derivatives is measured on a mark to market basis using the current exchange rate, the volatility of the underlying currency and the risk-free rate at reporting date. The risk-free rate is the issuer's chosen government bond yield which matches the term of the derivative.
- **Interest rate swaps:** These swap arrangements consists of fixed for floating instruments. The fixed leg is priced at a fixed percentage plus a contractually agreed basis point adjustment and the floating leg is priced at 3 month JIBAR.

3. Management of risk and capital *continued*

3.3 Financial risk management *continued*

3.3.1 Financial instruments measured at fair value *continued*

Level 2 *continued*

- **Collateralised swaps:** The fair value of collateralised swap arrangement, whereby the R2 048 government bond serves as collateral and is the underlying, is determined in the same manner as other money market instruments described above.

- **Bond forward contract:** The fair value of the bond forward contract is derived from the fair value of the underlying bonds which are linked to the CPI index. The fair value of these bonds is calculated in the same manner as the other government and money market securities described above.

The Group makes use of an interest rate swap, collateralised swap and bond forward arrangement to manage the interest rate risk contained in the non-bonus policyholder liability. Refer to note 3.3.2 for further information with regards to how this arrangement manages interest rate risk.

Whilst the above instruments are not traded on an active market, the variable inputs relating to their valuation are readily available in the marketplace. The remaining inputs have been contractually agreed and are reflective of market related terms and conditions.

Level 3
If one or more of the significant inputs are not based on observable market data, the instrument is included in Level 3. The financial instruments at fair value through profit or loss represent the following:

- **Unlisted equity:** The fair value of the equity investment is determined based on standard valuation techniques where the net asset value of the issuer, is a key input. Unlisted equity relates to a convertible preference share with Blue Zebra Insurance. The preference share is redeemable solely at the discretion of the issuer.

The table below analyses the movement of the convertible preference share with Blue Zebra Insurance as at 30 June:

R million	2023	2022
Opening balance at 1 July	**31**	42
Redemption	**(3)**	(13)
Foreign exchange difference	**3**	2
CLOSING BALANCE AT 30 JUNE	**31**	31

The movements in the fair value of the preference share were immaterial in the current and prior financial year.

The 12.2% (2022: 12.5%) shareholding held in Prodigy is carried at fair value of R360 million (2022: R351 million). Prodigy is a US based fintech platform that enables financing for international postgraduate students. The fair value is based on a present value calculation taking into account unobservable inputs of similar companies. These unobservable inputs in the calculation of the fair value of Prodigy includes a discount rate used of 14.7% (2022: 14.1%), and other inputs of significance being the loan book growth, the fee earned on loan book and disbursements. The higher the discount rate the lower the fair value of the shares held. The fair value is very sensitive to loan growth and fee earned on loan book assumptions, for instance, an increase or decrease by 1% per annum would increase or decrease the fair value by 11% (2022: 10%) and should the disbursement growth increase or decrease by 10 basis points, the fair value would increase or decrease by 9.5% (2022: 7.5%). The investment is also exposed to currency risk.

The table below analyses the movement of the unlisted equity investment in Prodigy as at 30 June:

R million	2023	2022
Opening balance at 1 July	**352**	324
Fair value adjustment through other comprehensive income	**8**	28
CLOSING BALANCE AT 30 JUNE	**360**	352

3. Management of risk and capital *continued*

3.3 Financial risk management *continued*

3.3.1 Financial instruments measured at fair value *continued*

Level 3 *continued*

- **Unsecured Investment in Development Fund:** The Group invested in the ASISA Enterprise Development Fund of which the objective is to make investments in underlying BBBEE development entities. The nature of the underlying debt and equity investments are high risk, small- and medium sized businesses which are exposed to start-up, scale and macro-economic risk. As such gains and losses which could arise from the underlying investments are material, relative to the size of the Group's investment in the fund.

The investment is fair valued by multiplying the number of units held by the closing price of R80.03 (2022: R99.40) per unit as valued by the fund. A 20% positive or negative change in the value of the underlying investments is deemed to be a reasonable expected range of potential fluctuation of the Group's investment and will result in the following fair value of the fund.

R million	Current	20% increase in fair value	20% decrease in fair value
30 June 2023			
Fair value	**52**	**62**	**42**
30 June 2022			
Fair value	58	70	47

The table below analyses the movement of the unsecured investment in development fund as at 30 June:

R million	2023	2022
Opening balance at 1 July	**58**	44
Additional investments[1]	**–**	13
Fair value adjustments	**(6)**	1
CLOSING BALANCE AT 30 JUNE	**52**	58

1. *An amount of R109 000 was rounded out.*

- **Convertible loan:** This is a loan with AutoGuru Australia Pty Limited (AutoGuru) which is convertible to ordinary shares at the option of the Group. The only significant unobservable inputs in the calculation are the current fair value of the AutoGuru shares, as this is an unlisted private company, and the underlying interest rate. Due to the fact that the loan is convertible into shares of AutoGuru, the Group is also exposed to equity price risk. The contractual features of the loan introduces equity risk to unquoted share prices. This risk is unrelated to a basic lending arrangement and therefore does not give rise to contractual cash flows that are solely payments of principle and interest (SPPI). The loan is fair value through profit or loss.

  The fair value is determined based on a present value calculation taking into account the term to maturity, underlying interest rate and the share price of AutoGuru. The fair value of R9.4 million (2022: R3.7 million) at 30 June 2023 is derived from an interest rate of 10.0% (2022: 7.4%) and an increase of 69% in the fair value of the AutoGuru share price. This interest rate has been contractually agreed and is adjusted for the prevailing Band Bill Swap Rate (BBSR) applicable at valuation date. A 2% movement in the interest rate would result in the following fair value being recognised at 30 June 2023:

R million	Current	2% increase in interest rate[1]	2% decrease in interest rate
30 June 2023			
Fair value	**9**	**11**	**7**

R million	Current	1% increase in interest rate	1% decrease in interest rate
30 June 2022			
Fair value	4	4	3

1 *Current year interest rate sensitivity was performed on a 2% increase and decrease to better reflect the potential change in the current economic environment. The movement in the interest rates supports potential changes of more than 1%.*

3. Management of risk and capital *continued*

3.3 Financial risk management *continued*

3.3.1 Financial instruments measured at fair value *continued*

Level 3 *continued*

- **Financial liabilities at fair value through profit and loss:** The valuation of this financial instrument is based on the underwriting results of the insurance contracts written in terms of the FirstRand Bank Limited homeowners and the Shoprite funeral profit sharing arrangement and represents the accrued profit related to these arrangements.

  Profits arising out of the profit-sharing arrangements accrue on a monthly basis and are distributed as preference dividends bi-annually to FirstRand Bank Limited. Profits arising out of the funeral profit sharing arrangement accrue on a monthly basis and are distributed as preference dividends annually to Shoprite Investment Limited. The significant unobservable input in the calculation of the preference dividends is the underwriting results of the profit-sharing arrangements which are measured in accordance with the Group's accounting policies for measuring insurance contracts. Should the profit of the profit-sharing arrangement increase or decrease by 10%, for instance, the preference dividend will also increase or decrease by 10%.

  No assumptions or adjustments or any other inputs are made to the profits before or after distribution. Distribution of the profits arising are made in the form of preference dividends.

  The table below analyses the movement of the Level 3 debt security as at 30 June:

R million	2023	2022
Opening balance at 1 July	**72**	86
Preference dividend paid	**(156)**	(161)
Profit accrued	**196**	147
CLOSING BALANCE AT 30 JUNE	**112**	72

The profit or loss of these profit-sharing arrangements is sensitive to:

- premiums earned for the pool of business;
- claims ratio of the pool of business;
- expense ratio of the pool of business; and
- investment income on this pool of business.

3. Management of risk and capital *continued*

3.3 Financial risk management *continued*

3.3.2 Market risk

Market risk is the risk that the value of a financial instrument may fluctuate as a result of changes in the market price. Investments valued at fair value are therefore subject to changes in value due to market fluctuations, which may impact on the net income during those financial years in which such fluctuations occur. Market risk therefore comprises equity price risk, interest rate risk and currency risk.

Equity price risk
Equity price risk is the risk that the price of an equity instrument will fluctuate due to market forces rather than as a direct result of some other market risk such as currency or interest rate risk.

The Group is exposed to equity price risk because of the listed equity investments held by the Group and classified on the statement of financial position as fair value through profit or loss. The Group's objective is to earn competitive relative returns by investing in a diverse portfolio of high-quality, liquid securities. The Group's holdings are diversified across companies and concentration in any one company is limited by parameters established by management which is influenced by solvency capital requirements. The Group's ALCCO actively monitors equity assets owned by the Group as well as the concentration of these holdings.

R million	2023	2022
Ordinary shares		
Equity traded funds	**774**	818
Unlisted equity	**410**	393
Preference shares		
Listed NCNR preference shares	**191**	341
Collective investment schemes		
Collective investment schemes	**431**	368
	1 806	1 920

The Group's largest concentration of equity investments in one particular company comprises 20.4% (2022: 18.3%) of the total assets subject to equity risk. Unlisted equity relates to a convertible preference share with Blue Zebra Insurance. The preference share is redeemable solely at the discretion of the issuer.

At 30 June 2023, the Group's total equity securities were recorded at their fair value of R1 806 million (2022: R1 920 million). A hypothetical decrease or increase of 10% in each individual unit price would decrease or increase profit or loss with a R142.7 million (2022: R155.8 million) before tax.

Interest rate risk
Interest rate risk is the risk that the value or the future cash flow of a financial instrument will fluctuate as a result of a change in market interest rates.

The Group's financial assets are exposed to interest rate risk as a significant portion of the Group's assets are invested in interest rate sensitive debt and money market securities. The risk attached to these securities is managed according to pre-specified risk levels based on a mandate with the fund managers. Risk exposure to movements in yields is specified as a maximum value per interest rate point move per million rand invested. These levels are approved annually by the Board of directors and the Group ALCCO.

The Group's exposure to interest rate risk is R20 914 million (2022: R15 602 million), which consists of fixed rate instruments of R13 823 million (2022: R7 889 million) and variable rate instruments of R7 091 million (2022: R7 713 million).

3. Management of risk and capital *continued*

3.3 Financial risk management *continued*

3.3.2 Market risk

Interest rate risk *continued*

An increase or decrease of 2% in the market interest rate would result in the following changes in profit or loss and other comprehensive income before tax of the Group

R million	2023 2% increase	2023 2% decrease	2022 2% increase	2022 2% decrease
Fixed rate instruments				
Cash and cash equivalents	**1**	**(1)**	2	(2)
Term deposits	**(221)**	**221**	(140)	140
Government, municipal and public utility securities	**(6)**	**7**	(9)	9
Money market securities <1 year	**(10)**	**10**	(3)	3
Money market securities >1 year	**(12)**	**13**	(6)	6
Zero-coupon deposits backing endowment policies	**25**	**(25)**	2	(2)
Convertible loan	**2**	**(2)**	2	(2)
Variable rate instruments				
Cash and cash equivalents	**33**	**(33)**	47	(47)
Collective investment schemes	**19**	**(19)**	24	(24)
Government, municipal and public utility securities	**(5)**	**6**	–	–
Money market securities <1 year	**–**	**1**	(3)	3
Money market securities >1 year	**(71)**	**76**	(56)	58
	(246)	**254**	(132)	134

The Group's asset portfolio, consisting of the zero-coupon deposits, used to match regulatory long-term policyholder liabilities is exposed to interest rate risk. At 30 June 2023, the carrying value and fair value of this portfolio was R1 046.9 million (2022: R785.2 million). The Group also utilises derivative financial instruments to reduce the impact of the interest rate risk contained in the policyholder liabilities. A 200 (2022: 200) basis point shift in the market yield curve would result in the following changes in the capital value of this portfolio:

R million	2023 2% increase	2023 2% increase	2022 2% increase	2022 2% decrease
Zero-coupon deposits	**(155)**	**179**	(78)	84
Derivative financial instruments – Interest rate swap	**206**	**(234)**	89	(95)
Derivative financial instruments – Bond forward	**(67)**	**89**	(28)	32
Derivative financial instruments – Collateralised swap	**(25)**	**57**	(27)	40
	(41)	**91**	(44)	61

3. Management of risk and capital *continued*

3.3 Financial risk management *continued*

3.3.2 Market risk *continued*

Currency risk

Currency risk arises on financial instruments that are denominated in a currency other than its functional currency.

Translation risk arises as a result of movements between the functional currencies of foreign subsidiaries and the Group's reporting currency.

The Group's exposure to translation risk is mainly in respect of foreign investments made in line with the long-term strategy approved by the Board for seeking international diversification of investments to expand its income stream. The Group has investments in foreign subsidiaries and associates whose net assets are exposed to currency translation risk, primarily the Australian Dollar and Euro.

The foreign exchange profits or losses arising from the translation of the Group's foreign subsidiaries statements of financial position from their functional currencies into rand are recognized in the foreign currency translation reserve (FCTR). The movement in exchange rates therefore have no impact on profit. The FCTR is realised in profit and loss on disposal of the foreign companies.

The Group's exposure to currency risk due to transactions denominated in foreign currency is immaterial.

The table below sets out the balances of financial instruments denominated in a foreign currency.

	2023		2022	
	A$ million	**R million**	A$ million	R million
At 30 June 2023				
Convertible loan to AutoGuru[1]	**1**	**9**	–	4
Foreign bank account	**2**	**20**	2	7

1 *Amount of A$331 000 was omitted due to rounding in the prior financial year.*

Exchange rates:	
Closing rate at 30 June 2023	12.56
Closing rate at 30 June 2022	11.24

3. Management of risk and capital *continued*

3.3 Financial risk management *continued*

3.3.2 Market risk *continued*

Currency risk *continued*

Foreign exchange derivatives

The Group utilises derivative financial instruments to reduce the impact of the currency risk contained in its open foreign currency exposures. The Company undertakes transactions involving derivative financial instruments with other financial institutions.

The Group has entered into foreign derivative contracts to economically hedge its exposure against the volatility of the Rand against the Australian Dollar (AUD) and the Euro (EUR). The AUD derivative instrument is to exercise on a call option for additional shares in Youi from a minority shareholder and the Euro derivative instrument is for an additional capital investment in OUTsurance Irish Insurance Holdings Limited to fund its minimum capital requirement for obtaining its insurance license.

The table below sets out the Forward Exchange Contracts (FEC's) entered into by the Group:

R million	FEC currency	FEC weighted average strike price	Foreign currency contract amount	Current Rand Exposure	Fair value as at 30 June 2023
At 30 June 2023					
AUD FEC	**AUD**	**12.37**	**8**	**99**	**2**
EUR FEC	**EURO**	**20.74**	**20**	**415**	**(4)**

The table below sets out the Collar option agreement entered into by the Group:

R million	FEC currency	Weighted average strike price	Notional amount	Fair value as at 30 June 2023
At 30 June 2023				
EUR Collar	**EURO**	**21.75**	**50**	**7**

3.3.3 Credit risk

Credit risk is the risk that a financial asset may not be realisable due to the inability or unwillingness of the issuer of such an instrument to discharge its contractual obligations over the expected life of the financial instrument. The key areas where the Group is exposed to credit risk are:

- Cash and cash equivalents;
- Loans and receivables at amortised cost;
- Derivative financial instruments;
- Financial assets measured at FVOCI and FVPL;
- Reinsurers' share of insurance contract liabilities.

The Group limits its counterparty exposures from its money market and preference share investment operations by investing in entities with a minimum credit rating and ensuring counterparty diversification. The credit quality of the Group's counterparties as well as the exposure to credit risk is monitored by the Group's ALCCO against a set Board investment mandate. The mandate is informed by the prudential regulatory capital requirements of each entity.

Notes to the consolidated annual financial statements *continued*

3. Management of risk and capital *continued*

3.3 Financial risk management *continued*

3.3.3 Credit risk *continued*

The table below provides information on the credit risk exposure by credit ratings as at 30 June (if available):

R million	AA	A	BBB	BB	B	Not rated	Total
30 June 2023							
Term deposits	11 064	–	–	–	–	–	11 064
Cash and cash equivalents	883	–	–	666	126	–	1 675
Insurance and other receivables[1,2]	219	146	–	23	4	5 948	6 340
Reinsurers' share of insurance contract liabilities	25	1 109	10	247	–	146	1 537
Money market securities <1 year	–	–	–	3 436	–	–	3 436
Money market securities >1 year	–	–	–	2 159	15	–	2 174
Zero-coupon deposits backing endowment policies	–	–	–	1 231	–	–	1 231
Zero-coupon deposits	–	–	–	745	302	–	1 047
Government, municipal and public utility securities	–	–	–	306	–	–	306
Forward exchange derivative	–	–	–	9	–	–	9
Collective investment schemes	–	–	–	–	–	936	936
Preference share investment	–	–	–	–	–	203	203
Other fixed rate debt securities	–	–	–	–	–	180	180
Unsecured investment in development fund	–	–	–	–	–	52	52
Convertible loan	–	–	–	–	–	9	9
TOTAL[4]	12 191	1 255	10	8 822	447	7 474	30 199

Notes to the consolidated annual financial statements *continued*

3. Management of risk and capital *continued*

3.3 Financial risk management *continued*

3.3.3 Credit risk *continued*

The table below provides information on the credit risk exposure by credit ratings as at 30 June (if available):

R million	AA	A	BBB	BB	B	Not rated	Total
30 June 2022							
Term deposits	7 011	–	–	–	–	–	7 011
Cash and cash equivalents	1 554	23	–	331	600	–	2 508
Reinsurers' share of insurance contract liabilities	96	2 188	18	159	–	304	2 765
Insurance and other receivables[1,2]	22	517	4	61	3	4 251	4 858
Money market securities >1 year	2	–	–	1 444	344	–	1 790
Money market securities <1 year	–	–	–	1 951	836	–	2 787
Zero-coupon deposits	–	–	–	568	217	–	785
Government, municipal and public utility securities[3]	–	–	–	232	37	13	282
Zero-coupon deposits backing endowment policies	–	–	–	64	–	–	64
Collective investment schemes	–	–	–	–	–	1 225	1 225
Other fixed rate debt securities	–	–	–	–	–	360	360
Preference share investment	–	–	–	–	–	222	222
Unsecured investment in development fund	–	–	–	–	–	58	58
Convertible loan	–	–	–	–	–	4	4
TOTAL[4]	8 685	2 728	22	4 810	2 037	6 437	24 719

1 *This excludes receivables classified as non-financial assets, such as prepayments and indirect tax receivables.*

2 *The majority of the insurance and other receivables not rated relates to premium debtors that are backed by a corresponding unearned premium reserve liability. The premium debtors are subject to the credit risk management processes applied when a policyholder's credit risk is assessed at inception.*

3 *Not included in the prior financial year.*

4 *The credit risk table was updated to exclude Unlisted equity which exposes the Group to equity risk. Prior financial year was updated for comparability.*

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial asset in the table above.

Where available, the Group utilises the credit ratings per counterparty as provided by each of the major credit rating agencies to determine the credit quality of a specific instrument. Where the instrument credit rating is not available, the credit rating of the counterparty as provided by the major credit ratings agencies is utilised.

In instances where the credit rating for the counterparty is not available, the Group utilises the credit rating provided by a service provider amended to take into account the credit risk appetite of the Group. The internal methodology of the service provider provides a credit rating which assesses the counterparty's credit quality based on its financial standing. This methodology has been approved by the Group's ALCCO. Should the service provider not provide a credit rating, the counterparty is shown as unrated.

3. Management of risk and capital *continued*

3.3 Financial risk management *continued*

3.3.3 Credit risk *continued*

The ratings are defined as follows:

Long-term ratings

AAA	Highest credit quality. The ratings denote the lowest expectation of credit risk, 'AAA' ratings are assigned only in the case of exceptionally strong capacity or payment of financial commitments.
AA	Very high credit quality. 'AA' ratings denote expectations of very low credit risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
A	High credit quality. 'A' ratings denote expectations of low credit risk. The capacity for payment of financial commitments is considered strong. The capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.
BBB	Good credit quality. 'BBB' rating indicates a low expectation of credit risk. They indicate adequate capacity for timely payment of financial commitments. Changes in circumstances or in economic conditions are more likely to impair this capacity than is the case for higher ratings.
BB	Speculative quality. 'BB' ratings indicate that there is a possibility of credit risk developing, particularly as the result of adverse economic change over time; however, business or financial alternatives may be available to allow financial commitments to be met. Securities rated in this category are not investment grade.
B	Highly speculative. 'B' rating indicate that material default risk is present, but a limited margin of safety remains. Financial commitments are currently being met, however capacity for continued payment is vulnerable to deterioration in the business and economic environment.

Impairment of financial assets

Calculation of Expected Credit Losses (ECL)

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

ECL reflects the Group's own expectations of credit losses discounted to its present value. However, when considering all reasonable and supportable information that is available without undue cost or effort in estimating ECL, the Group also considers observable market information about the credit risk of the particular financial instrument or similar financial instruments.

The ECL loss allowances are measured on either of the following bases:

- 12-month ECL: ECL that results from possible default events within the 12 months after the reporting date; and
- Lifetime ECL: ECL that result from all possible default events over the expected life of a financial instrument.

3. Management of risk and capital *continued*

3.3 Financial risk management *continued*

3.3.3 Credit risk *continued*

Impairment of financial assets *continued*

Calculation of ECL *continued*

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

- Financial assets that are determined to have low credit risk at the reporting date; and
- Financial assets where credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Exposures are assessed on a per instrument type basis unless there is sufficient evidence that one or more events associated with an exposure could have a detrimental impact on future cash flows. Where such evidence exists, the exposure is assessed on an individual instrument basis. Financial assets are also grouped according to the type of financial asset. The Group makes use of estimates of PDs, LGDs and EADs to calculate the ECL balance for financial assets.

Depending on the relevant information available, PDs are based on historic default rate factors and linked to national scale credit ratings assigned to the issuing parties.

LGDs are derived from a free cash flow (FCF) forecast taking into account the interest rate spreads attached to the instruments. The FCF is discounted at the discount rates provided by the regulating authority which takes the current and expected macro-economic conditions into account. The LGD represents losses expected on default, taking into account the mitigating effect of collateral, its expected value when realised and the time value of money.

EADs are determined with reference to expected amortisation schedules, historical payment patterns and taking into account credit conversion factors as applicable for undrawn or revolving facilities.

The market risk capital calculation prescribed under the current regulatory regime is used as a reference point in the above calculations.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk. The ECL calculation of a financial instrument takes into account both the contractual and available behavioural repayment patterns over the relevant estimation period.

The gross carrying amount of instruments subject to ECL is written off or reduced when there is no reasonable expectation of recovering a financial instrument in its entirety or a portion thereof.

Significant increase in credit risk and default

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers quantitative and qualitative information based on the Group's historical experience, credit assessment and forward-looking information. The Group's assessment of a significant increase in credit risk subsequent to initial recognition is performed through credit quality assessments of the debt instruments as well as that of the issuing party throughout the financial year. This includes the use of market indicators.

The credit quality of debt instruments is assessed on a monthly basis by means of ensuring that the credit rating of an individual instrument has not deteriorated to a point where it breaches the Group's investment policy. The Group's investment policy allows for investments to be made in high quality debt instruments. If the investment policy is breached, the impact on the ECL will be assessed.

The assessment described above is part of the Group's ongoing monitoring of its investment portfolios. When making a quantitative assessment, the Group uses the change in the PD occurring over the expected life of the financial instrument. This requires a measurement of the PD at initial recognition and at the reporting date.

The Group deems that a significant increase in credit risk arises when a debtor is 30 days past due in making a contractual payment.

A financial asset is in default when the financial asset is credit-impaired or if the financial asset is 90 days past due.

3. Management of risk and capital *continued*

3.3 Financial risk management *continued*

3.3.3 Credit risk *continued*

Impairment of financial assets *continued*

Forward looking information

The yield curves and discount rates utilised to project the forward rate spreads on the financial instruments takes macro-economic conditions into account. Macro-economic market conditions are based on the expectations of the debt market such as economic, political and market liquidity risks. These yield curves and discount rates are utilised to calculate the present value of future cash flows taking into account the unsystematic risk for future periods. This, coupled with the credit outlook attached to a specific financial instrument, is utilised to calculate the PD and LGD based on the formulas prescribed by the current regulatory regime.

Analysis of credit risk and allowance for ECL

The following table sets out information about the credit quality of financial assets at 30 June 2023 where it carries credit risk. The total carrying amounts represent the maximum exposure to credit risk at the reporting date:

R million	Gross exposure[1] Subject to 12-month ECL	Gross exposure[1] Subject to lifetime ECL
At 30 June 2023		
Cash and cash equivalents	**1 675**	**–**
Term deposits	**11 064**	**–**
Other debt securities measured at amortised costs	**–**	**203**
Government, municipal and public utility securities	**306**	**10**
Money market securities <1 year	**3 436**	**–**
Money market securities >1 year	**2 174**	**–**
Insurance and other receivables[2]	**419**	**–**
TOTAL	**19 074**	**213**

R million	Gross exposure[1] Subject to 12-month ECL	Gross exposure[1] Subject to lifetime ECL
At 30 June 2022		
Cash and cash equivalents	2 508	–
Term deposits	7 011	–
Other debt securities measured at amortised costs	–	251
Government, municipal and public utility securities	268	13
Money market securities <1 year	2 804	–
Money market securities >1 year	1 790	–
Insurance and other receivables[2]	198	–
TOTAL	14 579	264

1 The allowance for ECL has been reclassified to net off against the FVOCI reserve as opposed to the carrying value of the financial asset at fair value through OCI. The prior financial year amount is deemed to be immaterial and thus this adjustment is applied prospectively.

2 Insurance receivables are not subject to ECL and have therefore been excluded from this amount. ECL on other receivables is immaterial.

3. Management of risk and capital *continued*

3.3 Financial risk management *continued*

3.3.3 Credit risk *continued*

Analysis of credit risk and allowance for ECL *continued*

The loss allowance for debt investments at FVOCI in 30 June 2023, is recognised in profit or loss and reduces the fair value loss otherwise recognised in OCI.

R million	**12-month ECL[1]**	**Lifetime ECL[2]**	**Total**
At 30 June 2023			
Expected credit losses			
Other debt securities measured at amortised costs	**–**	**30**	**30**
Government, municipal and public utility securities	**1**	**2**	**3**
Money market securities <1 year	**10**	**–**	**10**
Money market securities >1 year	**9**	**–**	**9**
TOTAL	**20**	**32**	**52**

R million	12-month ECL[1]	Lifetime ECL[2]	Total
At 30 June 2022			
Expected credit losses			
Other debt securities measured at amortised costs	–	30	30
Government, municipal and public utility securities	1	3	4
Money market securities <1 year	9	–	9
Money market securities >1 year	8	–	8
TOTAL	18	33	51

1 *Financial assets subject to 12-month ECL have an investment grade credit rating of AA to BB.*
2 *Financial assets subject to lifetime ECL have a sub-investment grade of B and lower.*

The movement in the ECL balance is directly linked to the growth in the segregated portfolio.

The counterparty exposure changed slightly from the prior financial year, with a decrease of 1.8% (2022: 7.0% increase) to banking counterparties and a 9.4% increase (2022: 6.0% decrease) in exposure to corporate counterparties. The total government exposure decreased with 9.5% (2022: 1.0% decrease).

Reinsurance credit exposures

Under the terms of reinsurance agreements, reinsurers agree to reimburse the ceded amount in the event that the gross claim is paid. However, the Group remains liable to its policyholders regardless of whether the reinsurer meets the obligations it has assumed. Consequently, the Group is exposed to credit risk. The Group reviews its reinsurance agreements on an annual basis and ensures the appropriate credit quality of any reinsurer prior to renewing or entering an agreement. The Group's reinsurer's credit ratings are measured on an international scale. Reinsurance credit exposures are determined using the incurred loss model which was adopted when IFRS 4 came into effect. No reinsurer was past due or impaired at 30 June 2023 (2022: nil).

Notes to the consolidated annual financial statements *continued*

3. Management of risk and capital *continued*

3.3 Financial risk management *continued*

3.3.4 Liquidity risk

Liquidity risk is the risk that the Group, although solvent, is not able to settle its obligations as they fall due because of insufficient liquid assets in the Group. To ensure that the Group's operating entities are able to meet their liabilities when they fall due, the liquidity profile of the various statements of financial position are actively managed with a defined investment mandate. The table below provides a liquidity profile of the Group's financial and insurance contract assets. The liquidity profile assumes that instruments can be traded or settled in the ordinary course of business and in markets with sufficient liquidity. The effects of discounting are considered to be immaterial. The Group has access to a revolving credit facility of R1 billion to provide liquidity to share incentive schemes as market maker where the Group exercises its pre-emptive rights to acquire shares. At 30 June 2023 no funds were drawn from this facility (2022: Rnil).

R million	**30 June 2023**	**%**	30 June 2022	%
Liquid financial assets				
Realisable within 30 days[1]				
Cash and cash equivalents	**1 675**	**5.5%**	2 508	10.5%
Collective investment schemes	**1 367**	**4.5%**	1 593	6.7%
Government, municipal and public utility securities	**316**	**1.0%**	281	1.2%
Money market securities	**5 610**	**18.4%**	4 643	19.4%
Exchange traded funds – ordinary shares	**774**	**2.5%**	817	3.4%
Realisable between one and twelve months				
Term deposits	**11 064**	**36.3%**	7 011	29.3%
Loans and receivables[2]	**6 343**	**20.8%**	4 753	19.9%
Other debt securities measured at amortised costs	**102**	**>1%**	–	0.0%
Derivative assets	**9**	**>1%**	2	>1%
TOTAL LIQUID FINANCIAL ASSETS	**27 260**		21 608	
Illiquid financial assets				
Realisable in more than twelve months				
Zero-coupon deposits	**1 047**	**3.4%**	785	3.3%
Listed non-cumulative, non-redeemable preference shares	**191**	**>1%**	341	1.4%
Unsecured investment in development fund	**52**	**>1%**	69	>1%
Zero-coupon deposits backing endowment policies	**1 231**	**4.0%**	64	>1%
Convertible loan	**9**	**>1%**	4	>1%
Unlisted equity	**401**	**1.3%**	393	1.6%
Other debt securities measured at amortised costs	**101**	**>1%**	223	>1%
Other fixed rate debt securities	**180**	**>1%**	360	1.5%
Derivative assets	**–**	**>1%**	60	>1%
TOTAL ILLIQUID FINANCIAL ASSETS	**3 212**		2 299	
TOTAL FINANCIAL ASSETS	**30 472**	**100%**	23 907	100%
Reinsurers' share of insurance contract liabilities				
Realisable within 30 days	**175**		660	
Realisable between one and twelve months	**531**		1 663	
Realisable after more than twelve months	**831**		442	
TOTAL REINSURERS CONTRACT ASSETS HELD	**1 537**		2 765	
TOTAL ASSETS (EXCLUDING NON-MONETARY ASSETS)	**32 009**		26 672	

1 *Can be converted to cash before contractual maturity.*
2 *This constitutes loans and receivables classified as financial assets and includes premium debtors.*

3. Management of risk and capital *continued*

3.3 Financial risk management *continued*

3.3.4 Liquidity risk *continued*

Maturity profile of liabilities

The table below shows the expected liquidity profile of the Group's liabilities and shows the liquid asset coverage ratio which indicates how many times the liabilities are covered by liquid assets. This ratio is actively managed in accordance with the investment and statement of financial position management mandate of each Group entity.

Timebands are structured based on the timing of when the insurance liabilities are due in the normal course of business.

It is expected that the non-life insurance contract liabilities in the 0 – 12 month time band will realise as follows:

- 50% within 0 – 3 months;
- 27% within 4 – 6 months; and
- 23% within 7 – 12 months.

R million	0 – 12 months	13 – 36 months	37 – 60 months	>60 months	Total
At 30 June 2023					
Expected discounted cash flows					
Insurance contract liabilities – life	(311)	(671)	(349)	2 300	969
Insurance contract liabilities – non-life	13 814	919	388	311	15 432
Unearned premium provision	9 699	–	–	–	9 699
Claims and non-claim bonus provision	4 115	919	388	311	5 733
Derivative financial instruments	4	8	11	58	81
Investment contract liability	–	–	1 231	–	1 231
	13 507	256	1 281	2 669	17 713
Contractual undiscounted cash flows[1]					
Financial liabilities at fair value through profit and loss	112	–	–	–	112
Insurance and other payables	1 242	–	–	–	1 242
	1 354	–	–	–	1 354
Other liabilities					
Share-based payment liability	635	–	–	–	635
Employee benefit	581	–	–	–	581
Insurance and other payables	1 125	–	–	–	1 125
	2 341	–	–	–	2 341
TOTAL LIABILITIES	17 202	256	1 281	2 669	21 408
Liquid asset coverage ratio	1.58				1.27
Financial assets coverage ratio					1.42

1 *The effect of discounting does not have a significant effect on the contractual undiscounted cash flow due to the short-term maturity profile.*

Tax liabilities are excluded from the current financial year liquidity analysis due to their nature not being that of a financial liability.

3. Management of risk and capital *continued*

3.3 Financial risk management *continued*

3.3.4 Liquidity risk *continued*

Maturity profile of liabilities *continued*

R million	0 – 12 months	13 – 36 months	37 – 60 months	>60 months	Total
At 30 June 2022					
Expected discounted cash flows					
Insurance contract liabilities – life	(190)	(646)	(463)	2 127	828
Insurance contract liabilities – non-life	11 857	691	120	142	12 810
Derivative financial instruments	6	–	–	–	6
Investment contract liability	64	–	–	–	64
	11 737	45	(343)	2 269	13 708
Contractual undiscounted cash flows[1]					
Financial liabilities at fair value through profit and loss	72	–	–	–	72
Insurance and other payables	2 360	–	–	–	2 360
Guarantee liability	28	–	–	–	28
	2 460	–	–	–	2 460
Other liabilities					
Share-based payment liability	297	–	–	–	297
Employee benefit	630	–	–	–	630
Taxation	163	–	–	–	163
Insurance and other payables	38	–	–	–	38
	1 128	–	–	–	1 128
TOTAL LIABILITIES	15 325	45	(343)	2 269	17 296
Liquid asset coverage ratio	1.41				1.25
Financial assets coverage ratio					1.38

1 *The effect of discounting does not have a significant effect on the contractual undiscounted cash flow due to the short-term maturity profile.*

3.4 Capital management

- Capital adequacy risk is the risk that there are insufficient reserves to provide for variations in actual future experience that is worse than what has been assumed in conducting insurance business and to facilitate growth and strategic objectives.
- The Group's objectives when managing capital are:
- to comply with the regulatory solvency capital requirements for each entity and the Group;
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- to provide an adequate return for shareholders by pricing insurance commensurately with the level of risk; and
- to retain sufficient surplus capital to facilitate future growth and strategic expansion.

3. Management of risk and capital *continued*

3.4 Capital management *continued*

The Group and its insurance entities assess the solvency capital requirement as follows:

- Non-life underwriting risk: The risk that arises from insurance obligations for short-term insurance business and includes reserve, premium, catastrophe and lapse risk.
- Life underwriting risk: The risk that arises from insurance obligations for long-term insurance business and includes lapse, mortality, morbidity, catastrophe and expense risks.
- Market risk: The risk of loss arising from movements in market prices on the value of the insurer's assets and liabilities or of loss arising from the default of the insurer's counterparties.
- Operational risk: The risk of loss arising from inadequate or failed internal processes, people and systems, or from external events.

In each country in which the Group operates, the local insurance regulator specifies the minimum amount and the type of capital that must be held by each of the subsidiaries in addition to their insurance liabilities.

The Group and its insurance entities set a target solvency coverage multiple of the regulated minimum for each jurisdiction and the Group in aggregate to act as a buffer against uncertainty. These target multiples are derived from considering the unique risk characteristics of each entity and the Group in aggregate. These risk characteristics include the impact of stress and scenario tests, the level and variability of profits and the accepted risk appetite. The target multiple is maintained at all times throughout the year. The Group target multiple for 2023 and 2022 was set as the weighted average of the target SCR's of each entity.

Qualifying regulatory capital or own funds consists of retained earnings, contributed share capital and distributable reserves.

The table below summarises the Solvency Coverage Ratio for each of the regulated Group companies and the actual solvency achieved:

Solvency coverage ratio[1]	Jurisdiction	**2023**	**Target[2]**	2022	Target[2]
Group		**2.2**	**1.5**	2.2	1.6
Short-term insurance					
OUTsurance Insurance Company Limited	South Africa	**1.6**	**1.3**	1.7	1.3
Youi Holdings Group	Australia	**2.3**	**1.9**	2.3	2.0
Long-term insurance					
OUTsurance Life Insurance Company Limited	South Africa	**3.2**	**1.5**	3.0	1.3 – 1.7

1 Solvency Coverage Ratio, which is defined as the ratio of regulatory admissible net assets to the solvency capital requirement.
2 The target ratio is before foreseeable dividends.

The regulated solvency capital requirements for the various regulated entities are calculated as follows:

Group and South African operations

The Financial Soundness for Insurers and Financial Soundness for Groups prudential standards prescribes certain measures by which insurers and Groups measure their eligible own funds and prescribe the manner in which the solvency capital requirement (SCR) needs to be calculated. The Group and solo entities apply the standard formula approach to determine the SCR.

The prescribed SCR is the level of eligible own funds required to ensure the value of assets will exceed technical provisions and other liabilities at a 99.5% level of certainty over a one-year time horizon. The SCR is calculated based on the following key risk categories:

- Non-life underwriting risk;
- Life underwriting risk;
- Market risk; and
- Operational risk.

3. Management of risk and capital *continued*

3.4 Capital management *continued*

Group and South African operations *continued*

OUTsurance Holdings Limited and its subsidiaries are regulated as an insurance group. The deduction and aggregation method is used to assess capital adequacy on a group-wide basis. This method sums the solo capital requirements and aims to calculate the relevant adjustments to avoid double or multiple gearing of capital. Excess or deficits of capital existing at the level of each entity, including entities in other jurisdictions in the group, i.e. on a solo basis, are aggregated (net of intragroup transactions) in order to measure the own funds surplus (or deficit) at a Group level.

Australian operations – Short-term insurance operations

The Australian Prudential Regulation Authority (APRA) regulates the capital requirements of Australian entities which are licensed general insurers calculated in accordance with Prudential Standards GPS 110 Capital Adequacy. The prudential capital requirement (PCR) is equal to the sum of the prescribed capital amount (PCA) and any supervisory adjustment determined by APRA.

The PCA is calculated in accordance with the Standard Method as the sum of:

- Insurance risk charge;
- Insurance concentration risk charge;
- Asset risk charge;
- Asset concentration risk charge;
- Operational risk charge; and
- Less aggregation benefit.

4. Segment information

Following the sale of the Group's interest in Hastings Group Consolidated, the repayment of all the Group's preference share debt and the unbundling of the Group's interests in Discovery Limited and Momentum Metropolitan Holdings Limited during the prior financial year, the OGL board of directors concluded that it would be in the best interests of shareholders not to continue with an active investment strategy. As a result of this strategic change, the prior year reported segments, that was based on the underlying investments previously held, have been adjusted to align with OHL's product based segments. The prior financial year market segmentation information includes Hastings Group Consolidated, Discovery Limited and Momentum Metropolitan Holdings Limited under discontinued operations.

For management purposes, the Group is organised into business units based on product offering. Consequently the Group has the following operating segments:

- Personal insurance: This segment provides short-term insurance products to individuals. Personal insurance business is conducted in OUTsurance Insurance Company Limited and Youi Holdings Pty Limited;
- Commercial insurance: This segment provides short-term insurance products to small and medium sized businesses. Commercial insurance business is conducted in OUTsurance Insurance Company Limited;
- OUTsurance Central: This is the central cost incurred by OUTsurance that is not allocated to the OUTsurance personal and commercial segments;
- Life insurance: This segment provides long-term insurance products to individuals. Life insurance business is conducted in OUTsurance Life Insurance Company Limited;
- Administration services: This segment provides contact centre services to Youi Group and external third parties and earns inter-segment license fees on the core insurance technology of the Group;
- Central and new business development: This segment relates to all the other segments within the OHL Group that have not been specified above as well as costs that are not allocated to specific segments due to their overarching nature; and
- Treasury and consolidation entries: This segment relates to non-insurance related investments and OGL consolidation entries.

For risk classes included in the Personal and Commercial insurance segments refer to note 3.2.1(i). For insurance products issued in the Life insurance segment refer to note 3.2.2(i).

The information in the segment report is presented on the same basis as reported to and managed by management. It is aggregated based on the qualitative and quantitative significance of the business units. Reporting adjustments are those accounting reclassifications and entries required to produce IFRS compliant results. Specific details of these adjustments are included as footnotes. The Group's total earnings is managed on a normalised basis, which most appropriately reflects the economic performance of the Group.

The material revenue of the Group is derived from gross written premiums for insurance policies issued.

For purpose of segmental reporting, the Group accounts for inter-segment revenue gross in the segment note and eliminates the inter-segment values in the central and consolidation adjustments column. The inter-segment revenue consists of license fees and administration fees for call centre services to the value of R110.2 million (2022: R89.1 million). Given the nature of the operations there is no single external customer that provides 10% or more of the Group's revenues.

During the year, the Group expanded its international operations into Ireland. Due to the current value of the operation it was grouped with new business development for market segmentation purposes. Ireland is in the process of obtaining an insurance license and will issue short term insurance products to individuals similarly to OUTsurance and Youi Group.

Notes to the consolidated annual financial statements *continued*

4. Segment information *continued*

4.1 Market segmentation

	Short-term insurance					Long-term insurance						
	OUTsurance											
R million	Personal[1]	Commercial	Central	Total	Youi Group	OUTsurance Life	Administration services	Irish Group	Central and consolidation adjustments	OHL Group Total	Treasury Company and consolidation entries	OGL Group Total
Segment income statement information												
Year end 30 June 2023												
Gross written premium	8 722	2 438	–	11 160	16 399	940	–	–	–	28 499	–	28 499
Outward reinsurance premiums	(147)	(51)	–	(198)	(1 861)	(136)	–	–	–	(2 195)	–	(2 195)
Gross change in provision for unearned premiums	(16)	(7)	–	(23)	(1 559)	–	–	–	–	(1 582)	–	(1 582)
Reinsurance relating to provision for unearned premiums	–	–	–	–	(254)	–	–	–	–	(254)	–	(254)
Earned premium, net of reinsurance	8 559	2 380	–	10 939	12 725	804	–	–	–	24 468	–	24 468
Non-insurance related fee income	–	–	–	–	113	7	501	–	(110)	511	13	524
Policyholder benefits on insurance contracts net of reinsurance	(4 441)	(1 337)	–	(5 778)	(7 173)	(188)	–	–	–	(13 139)	–	(13 139)
Transfer to policyholder liabilities under insurance contracts	–	–	–	–	–	(53)	–	–	–	(53)	–	(53)
Fair value adjustment to financial liabilities	(180)	–	–	(180)	–	(16)	–	–	–	(196)	–	(196)
Marketing, acquisition and administration expenses[2]	(1 813)	(814)	(236)	(2 863)	(4 052)	(519)	(558)	(56)	105	(7 943)	(104)	(8 047)
Underwriting result	2 125	229	(236)	2 118	1 613	35	(57)	(56)	(5)	3 648	(91)	3 557
Investment income on technical reserves	99	27	–	126	227	67	–	–	–	420	–	420

Notes to the consolidated annual financial statements *continued*

4. Segment information *continued*

4.1 Market segmentation *continued*

R million	Personal[1]	Commercial	Central	Total	Youi Group	OUTsurance Life	Administration services	Irish Group	Central and consolidation adjustments	OHL Group Total	Treasury Company and consolidation entries	OGL Group Total
	Short-term insurance					Long-term insurance						
	OUTsurance											
Operating profit/(loss)[3]	2 224	256	(236)	2 244	1 840	102	(57)	(56)	(5)	4 068	(91)	3 977
Equity accounted earnings				–	37	–	–	–	(3)	34	(14)	20
Profit on change in shareholding of investment in associates				–	–	–	–	–	7	7	–	7
Profit on sale of associates				–	–	–	–	–	45	45	12	57
Reversal of impairment/(impairment) of investment in associate				–	–	–	–	–	13	13	(36)	(23)
Operating profit/(loss) including associate earnings				2 244	1 877	102	(57)	(56)	57	4 167	(129)	4 038
Net investment income on shareholder investment capital				338	111	52	3	–	151	655	83	738
Profit/(loss) before tax				2 582	1 988	154	(54)	(56)	208	4 822	(46)	4 776
Taxation										(1 400)	(31)	(1 431)
Profit/(loss) after tax										3 422	(77)	3 345
Normalised earnings										3 238	(363)	2 875

Notes to the consolidated annual financial statements *continued*

4. Segment information *continued*

4.1 Market segmentation *continued*

	Short-term insurance					Long-term insurance						
	OUTsurance											
R million	Personal[1]	Commercial	Central	Total	Youi Group	OUTsurance Life	Administration services	Central and consolidation adjustments	OHL Group Total	Treasury Company and consolidation entries	Discontinued operations	OGL Group Total
Segment income statement information												
Year end 30 June 2022												
Gross written premium	8 161	2 092	–	10 253	12 481	798	–	–	23 532	–	–	23 532
Outward reinsurance premiums	(170)	(70)	–	(240)	(1 980)	(94)	–	–	(2 314)	–	–	(2 314)
Gross change in provision for unearned premiums	(10)	(9)	–	(19)	(1 245)	–	–	–	(1 264)	–	–	(1 264)
Reinsurance relating to provision for unearned premiums	–	–	–	–	243	–	–	–	243	–	–	243
Earned premium, net of reinsurance	7 981	2 013	–	9 994	9 499	704	–	–	20 197	–	–	20 197
Non-insurance related fee income	–	–	–	–	82	–	425	(52)	455	16	–	471
Policyholder benefits on insurance contracts net of reinsurance	(4 091)	(1 209)	–	(5 300)	(5 778)	(247)	–	–	(11 325)	–	–	(11 325)
Transfer to policyholder liabilities under insurance contracts	–	–	–	–	–	(3)	–	–	(3)	–	–	(3)
Fair value adjustment to financial liabilities	(140)	–	–	(140)	–	(7)	–	–	(147)	–	–	(147)
Marketing, acquisition and administration expenses[2]	(1 668)	(765)	(94)	(2 527)	(3 206)	(372)	(432)	96	(6 441)	(427)	–	(6 868)
Underwriting result	2 082	39	(94)	2 027	597	75	(7)	44	2 736	(411)	–	2 325
Investment income on technical reserves	64	18	–	82	24	32	–	–	138	–	–	138

Notes to the consolidated annual financial statements *continued*

4. Segment information *continued*

4.1 Market segmentation *continued*

	Short-term insurance					Long-term insurance						
	OUTsurance											
R million	Personal[1]	Commercial	Central	Total	Youi Group	OUTsurance Life	Administration services	Central and consolidation adjustments	OHL Group Total	Treasury Company and consolidation entries	Discontinued operations	OGL Group Total
Operating profit/(loss)[3]	2 146	57	(94)	2 109	621	107	(7)	44	2 874	(411)	–	2 463
Equity accounted earnings				–	10	–	–	2 448	2 458	(2 431)	–	27
Impairment of investment in associates				–	–	–	–	(271)	(271)	271	–	–
Fair value gain on loss of control of subsidiary				–	–	–	–	37	37	(37)	–	–
Operating profit/(loss) including associate earnings				2 109	631	107	(7)	2 258	5 098	(2 608)	–	2 490
Net investment income on shareholder investment capital				328	(33)	36	2	47	380	(139)	–	241
Profit/(loss) before tax				2 437	598	143	(5)	2 305	5 478	(2 747)	–	2 731
Taxation									(958)	(69)	–	(1 027)
Profit/(loss) for the year from continuing operations									4 520	(2 816)	–	1 704
Profit for the period from discontinued operations									–	–	21 187	21 187
Discovery									–	–	15 388	15 388
Momentum Metropolitan									–	–	701	701
Hastings									–	–	5 098	5 098
Profit/(loss) for the year									4 520	(2 816)	21 187	22 891
Normalised earnings/(loss)									2 316	(543)	1 181	2 954

1 *Includes the Homeowners cover book sourced from the FirstRand Bank Limited.*

2 *Marketing, acquisition and administration expenses include amortisation and depreciation. These items are not deemed material for management decision making.*

3 *Operating profit in the segment report differs from operating profit on the face of the statement of comprehensive income due to investment income being split between investment income on technical reserves and net investment income on shareholder investment capital in the segment report. Only investment income on technical reserves is included in operating profit in the segment report when results are reviewed by the Chief operating decision maker.*

4. Segment information *continued*

4.2 Geographical segmentation

A summary of the Group's assets, liabilities and equity are shown below:

	South Africa					Australia	Ireland[1]	
R million	OUTsurance[1]	OUTsurance Life	Administration service[3]	Treasury, central and unallocated consolidation adjustments	South Africa Total	Youi Group	Irish Group	Group Total
Segment statement of financial position information								
Year end 30 June 2023								
Segment assets								
Property and equipment	164	–	12	194	370	783	45	1 198
Financial assets	5 677	2 872	–	2 532	11 081	11 373	–	22 454
Cash and cash equivalents	182	185	8	354	729	863	83	1 675
Other assets	952	321	239	323	1 835	9 268	15	11 118
TOTAL SEGMENT ASSETS	6 975	3 378	259	3 403	14 015	22 287	143	36 445
Segment equity								
Share capital	25	435	100	13 123	13 683	1 601	168	15 452
Retained earnings	3 184	422	35	(5 488)	(1 847)	3 087	(56)	1 184
Other reserves and non-controlling interests	27	4	–	(3 366)	(3 335)	1 189	11	(2 135)
TOTAL SEGMENT EQUITY	3 236	861	135	4 269	8 501	5 877	123	14 501
Segment liabilities								
Insurance contract liabilities	2 084	969	–	–	3 053	13 348	–	16 401
Other liabilities	1 655	1 548	124	(866)	2 461	3 062	20	5 543
TOTAL SEGMENT LIABILITIES	3 739	2 517	124	(866)	5 514	16 410	20	21 944
TOTAL SEGMENT EQUITY AND LIABILITIES	6 975	3 378	259	3 403	14 015	22 287	143	36 445

1 *During the current financial year the Group expanded its footprint into the European market and established a 100% owned subsidiary in Ireland.*

2 *The CODM does not consider OUTsurance Personal, Commercial and Central separately when considering the financial position.*

3 *At 30 June 2023 OUTvest is held for sale and was therefore moved from the administration services geographical segment to the unallocated and consolidation adjustments geographical segment in the current financial year. The prior financial year was updated for comparability.*

4. Segment information *continued*

4.2 Geographical segmentation *continued*

R million	South Africa					Australia	
	OUTsurance	OUTsurance Life	Administration service	Treasury, central and unallocated consolidation adjustments	South Africa Total	Youi Group	Group Total
Segment statement of financial position information							
Year end 30 June 2022							
Segment assets							
Property and equipment	143	–	1	213	357	708	1 065
Financial assets	4 947	1 356	–	3 002	9 305	7 269	16 574
Cash and cash equivalents	362	176	20	396	954	1 554	2 508
Other assets	959	263	222	502	1 946	8 287	10 233
TOTAL SEGMENT ASSETS	6 411	1 795	243	4 113	12 562	17 818	30 380
Segment equity							
Share capital	25	435	100	12 415	12 975	2 456	15 431
Retained earnings	3 107	302	53	(5 418)	(1 956)	1 744	(212)
Other reserves and non-controlling interests	(5)	11	–	(2 284)	(2 278)	11	(2 267)
TOTAL SEGMENT EQUITY	3 127	748	153	4 713	8 741	4 211	12 952
Segment liabilities							
Insurance contract liabilities	2 026	828	–	–	2 854	10 784	13 638
Other liabilities	1 258	219	90	(600)	967	2 823	3 790
TOTAL SEGMENT LIABILITIES	3 284	1 047	90	(600)	3 821	13 607	17 428
TOTAL SEGMENT EQUITY AND LIABILITIES	6 411	1 795	243	4 113	12 562	17 818	30 380

4. Segment information *continued*

4.2 Geographical segmentation *continued*

The reconciliation of normalised earnings and headline earnings attributable to ordinary shareholders as per note 15 is presented in the table below:

R million	2023	2022
Normalised earnings as per the segment report	**2 875**	2 954
Adjustment for:		
Group treasury shares	**24**	(8)
Amortisation of intangible assets relating to business combinations	**(4)**	(128)
Fair value adjustments on derivative financial instruments	**3**	–
Restructuring costs	**–**	(352)
Economic assumption adjustments net of discretionary margin and interest rate derivative	**–**	81
Remeasurement gain on retained interest in CloudBadger	**–**	53
Unrealised (gains)/losses on foreign exchange contracts not designated as a hedge	**–**	15
Transaction costs related to VitalityLife interest rate derivatives	**–**	(12)
Time value of money movement of swap contract in VitalityLife	**–**	11
Adjustments for iSabelo	**–**	(8)
Finance costs – Convertible preference shares	**–**	(5)
Deferred tax raised on assessed losses	**–**	(3)
HEADLINE EARNINGS AS PER NOTE 15	**2 898**	2 598

5. Gross insurance premium written

R million	2023	2022
Short-term insurance		
Premium written	**27 539**	22 717
Policyholder fees written	**20**	17
	27 559	22 734
Long-term insurance		
Premium received	**930**	787
Policyholder fees received	**10**	11
	940	798
GROSS INSURANCE PREMIUM WRITTEN	**28 499**	23 532

6. Non-insurance related fee income

R million	2023	2022
Government grant received	**69**	59
Commission income	**74**	34
Fees received from investment advice and investment administration services	**15**	4
Fees received from contact centre services	**353**	320
Software subscription fees	**–**	38
Other income	**13**	16
TOTAL NON-INSURANCE RELATED FEE INCOME	**524**	471

The Group qualifies for a job-creation incentive associated with call centre activities of Youi offshored to South Africa. The incentive is accounted for based on the actual incentive qualified for during the year under review. In order to satisfy the requirements of the grant a minimum number of jobs must be created and maintained for previously unemployed individuals.

7. Investment income and Interest income on financial assets using the effective interest rate method

R million	2023	2022
Investment income:	208	320
Interest – financial assets at fair value through profit or loss	108	131
Dividends – listed equities	67	97
Dividends – unlisted equities[1]	14	22
Dividends – other financial assets	19	70
Interest income on financial assets using the effective interest rate method	911	341
Interest – financial assets measured at amortised cost	453	113
Interest – financial assets at fair value through other comprehensive income	458	228
TOTAL INVESTMENT INCOME	1 119	661

1 *Dividends received on unlisted equities (previously disclosed as dividends on other financial assets) were split out in the current year to better reflect the nature of the underlying investment. Unlisted equities relate to an unlisted unit trust which invests in an equity portfolio. The prior financial year was updated for comparability.*

8. Net gains from fair value adjustments on financial assets and expected credit losses on financial assets

R million	Fair value designated though profit or loss	Fair value through other comprehensive income	Total
2023			
Net realised loss on financial assets	–	(7)	(7)
Net unrealised fair value gain	87	–	87
Net gain/(loss) from fair value adjustments on financial assets	87	(7)	80
Expected credit loss	–	(1)	(1)
Effect on profit or loss	87	(8)	79
Fair value gain on financial assets at fair value through other comprehensive income	–	47	47
EFFECT ON TOTAL COMPREHENSIVE INCOME	87	39	126

R million	Fair value designated though profit or loss	Fair value through other comprehensive income	Amortised cost	Total
2022				
Net realised gain/(loss) on financial assets	79	(2)	–	77
Net unrealised fair value gain	41	–	–	41
Net gain/(loss) from fair value adjustments on financial assets	120	(2)	–	118
Expected credit loss[1]	–	(1)	(4)	(5)
Effect on profit or loss	120	(3)	(4)	113
Fair value gain on financial assets at fair value through other comprehensive income	–	38	–	38
EFFECT ON TOTAL COMPREHENSIVE INCOME	120	35	(4)	151

1 *Expected credit loss on financial assets at amortised cost is net of a R5 million reversal credit.*

Refer to note 3.3.1 for the fair value hierarchy of financial instruments measured at fair value, which provides more information on what instruments were measured using quoted market prices and what measurement techniques were used for instruments that do not have quoted market prices.

9. Policyholder benefits on insurance contract net of reinsurance

	2023			2022		
R million	**Gross**	**Reinsurance**	**Net**	Gross	Reinsurance	Net
Short-term insurance						
Claim paid	**(12 928)**	**1 514**	**(11 414)**	(11 259)	1 091	(10 168)
Change in claims provisions	**348**	**(1 285)**	**(937)**	(1 700)	1 322	(378)
Non-claims bonuses on insurance contracts	**(601)**	**–**	**(601)**	(532)	–	(532)
	(13 181)	**229**	**(12 952)**	(13 491)	2 413	(11 078)
Long-term insurance						
Life claims	**(294)**	**149**	**(145)**	(371)	160	(211)
Disability claims	**(10)**	**2**	**(8)**	(9)	2	(7)
Retrenchment claims	**(1)**	**–**	**(1)**	(1)	–	(1)
Critical illness claims	**(11)**	**2**	**(9)**	(12)	2	(10)
Non-claims bonuses on insurance contracts	**(24)**	**–**	**(24)**	(18)	–	(18)
	(340)	**153**	**(187)**	(411)	164	(247)
TOTAL CLAIMS INCURRED	**(13 521)**	**382**	**(13 139)**	(13 902)	2 577	(11 325)

Refer to note 29 for the breakdown of the gross movement in the claims provisions for both short-term and long-term insurance.

10. Marketing and administration expenses

The following expenses have been included in the statement of profit or loss and other comprehensive income under marketing and administration expenses:

R million	2023	2022
Depreciation		
Buildings	**(75)**	(80)
Computer and office equipment	**(55)**	(45)
Furniture and fittings	**(7)**	(16)
Motor vehicles	**(11)**	(14)
Amortisation		
Purchased computer software	**(8)**	(5)
Internally generated computer software	**(26)**	(24)
TOTAL DEPRECIATION AND AMORTISATION	**(182)**	(184)
Employee benefits		
Salaries excluding retirement funding	**(3 886)**	(3 419)
Medical aid contributions	**(166)**	(153)
Retirement funding	**(299)**	(263)
Severance expense	**–**	(165)
Service cost relating to employee benefits	**–**	(7)
Share-based payments	**(436)**	(276)
Other staff expenses	**(36)**	(30)
TOTAL EMPLOYEE BENEFITS	**(4 823)**	(4 313)
Other disclosable items		
Audit fees	**(32)**	(27)
External audit fees	**(22)**	(21)
Other fees/services	**(10)**	(6)
Short-term lease expenditure	**(1)**	(1)
Loss on sale of property and equipment	**(1)**	(1)
Loss on write down of property and equipment	**(14)**	(1)
Research and development costs relating to internally generated intangible assets	**–**	(9)
Consulting and legal fees for professional services	**(182)**	(169)
Investment fees paid	**(11)**	(11)
Foreign exchange (loss)/profit	**(10)**	24
Acquisition costs net of movement in deferred acquisition expenses[1]	**(450)**	(292)
Marketing and management expenses	**(2 341)**	(1 884)
TOTAL OTHER DISCLOSABLE EXPENSES	**(3 042)**	(2 371)
TOTAL MARKETING AND ADMINISTRATION EXPENSES	**(8 047)**	(6 868)

1 *Acquisition expenses include both standard commission and spotter fees. Refer to note 29.1 for the gross movement of the acquisition costs deferred and the acquisition costs amortised.*

Notes to the consolidated annual financial statements *continued*

11. Finance costs

R million	2023	2022
Interest paid – operational financing	–	–
Interest paid on revolving credit facility	(5)	(7)
Interest charge on lease liabilities	(11)	(7)
Interest expense relating to modification to financial asset	(24)	–
Dividends on redeemable preference shares	–	(418)
TOTAL FINANCE COSTS	(40)	(432)

12. Taxation

During the prior financial year, the Minister of Finance announced the change in the corporate tax rate from 28% to 27% in the Budget speech on 23 February 2022, on which date it was deemed to be substantively enacted. It was effective for years of assessment ending on or after 31 March 2023. Therefore, the prior financial year taxation was calculated at 28% and the current year taxation is calculated at 27%. The Australian tax rate is 30% (2022: 30%).

R million	2023	2022
Continuing operations		
South African normal taxation		
Current taxation		
Current year	(894)	(833)
Prior year over provision	20	–
Deferred taxation		
Current year	30	(1)
Prior year over provision	–	26
Deferred tax rate change	–	1
Withholding taxation incurred	(1)	(4)
Securities transfer tax	–	(36)
Australian normal taxation		
Current taxation		
Current year	(631)	(316)
Prior year over provision	–	2
Deferred taxation		
Current year	45	134
TOTAL TAXATION CHARGE	(1 431)	(1 027)
PROFIT BEFORE TAXATION (CONTINUING OPERATIONS)	4 776	2 731

12. Taxation *continued*

The tax on the group's profit before taxation differs from the theoretical amount that would arise using the basic tax rate of South Africa as follows:

%	2023	2022
Tax rate reconciliation		
Effective tax rate	**29.96**	37.61
Non-temporary differences	**(2.32)**	(8.12)
Fair value adjustment	**0.45**	(2.62)
Non-taxable income[1]	**1.19**	1.83
Finance costs not deductible	**(0.20)**	(4.28)
Other permanent differences	**0.11**	0.29
Capital gains tax	**0.09**	(0.43)
Foreign tax rate differential	**(1.34)**	(0.50)
Profit on change of shareholding of investment in associates	**0.04**	–
Equity accounted earnings	**0.12**	2.95
Fair value adjustments to financial liabilities	**(1.11)**	(1.51)
Expected credit losses	**(0.01)**	(0.05)
Impairment of investment in associates	**(0.13)**	–
Loss due to loss of control of subsidiary	**–**	(0.21)
Expenses not deductible due to the large portion of dividends received in a holding company structure	**(1.53)**	(3.59)
Prior year over provision	**0.43**	0.32
Securities transfer tax	**–**	(1.32)
Withholding taxation incurred	**–**	(0.13)
Reversal of deferred tax asset[2]	**(0.64)**	(0.21)
Assessed loss utilised	**–**	0.03
Deferred tax rate change	**–**	0.05
Deferred tax asset not recognised	**–**	(0.23)
Deferred tax asset not utilised	**(0.43)**	–
STANDARD INCOME TAXATION RATE IN SOUTH AFRICA	**27.00**	28.00

1 *Non-taxable income mainly comprises dividend income and grants received that are exempt.*

2 *The Group settled its retrenchment liability during the current financial year. The cash settlement had no tax benefit due to the apportionment of expenses accrued or paid not being deductible and therefore the prior financial year deferred income tax asset raised was reversed.*

R million	2023	2022
Discontinued operations		
South African normal taxation		
Current taxation		
Current year	**–**	(45)
PROFIT BEFORE TAXATION (DISCONTINUED OPERATIONS)	**–**	21 232

%	2023	2022
Tax rate reconciliation		
Effective tax rate	**–**	0.21
Associates equity accounted using after taxation profits	**–**	1.32
Gain on distribution	**–**	18.94
Profit on sale of Hastings	**–**	5.95
Reclassification of accumulated comprehensive income to the income statement	**–**	1.88
Transaction costs not subject to taxation	**–**	(0.09)
Capital gains tax on distribution to disqualified shareholders	**–**	(0.21)
STANDARD INCOME TAXATION RATE IN SOUTH AFRICA	**–**	28.00

13. Profit for the year from discontinued operations

R million	2023	2022
Unbundling of Discovery and Momentum Metropolitan	–	16 089
Sale of Hastings	–	5 098
PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS	–	21 187

On 20 September 2021 OGL announced its intention to unbundle its shareholdings in Discovery and Momentum Metropolitan. At the time it was envisaged that a rights issue of approximately R6.5 billion would be required before the unbundling could be finalised to reduce debt to a level that would be appropriate for the reduced size of the statement of financial position post-unbundling. On 8 December 2021 OGL announced the sale of the group's shareholding in Hastings. The sales proceeds were utilised to repay all the preference share debt and therefore negated the need for a rights issue prior to the unbundling of Discovery and Momentum Metropolitan.

Hastings represented a major geographical area of operation and both Discovery and Momentum Metropolitan represented major lines of business. The results of all these investee companies were therefore treated as discontinued operations in the OGL Group results. The results of Hastings were equity accounted until 8 December 2021, the effective date of the sale. The results of Discovery and Momentum Metropolitan were also equity accounted until 8 December 2021, the date on which the unbundling of these assets met the accounting definition of being highly probable. At this date, Discovery and Momentum Metropolitan were classified as held for distribution.

On 25 April 2022, OGL finalised the unbundling of its shareholdings in Discovery and Momentum Metropolitan.

Unbundling of Discovery and Momentum Metropolitan

R million	2022
Equity-accounted earnings up to 8 December 2021	862
Discovery	716
Momentum Metropolitan	146
Gain on distribution	14 365
Discovery	13 796
Momentum Metropolitan	569
Reclassification of accumulated comprehensive income to the income statement	961
Discovery	926
Momentum Metropolitan	35
Transaction costs	(99)
PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS DUE TO THE UNBUNDLING OF DISCOVERY AND MOMENTUM METROPOLITAN	16 089

13. Profit for the year from discontinued operations *continued*

Gain on distribution

R million	Discovery	Momentum Metropolitan	Total
OGL's effective interest in at acquisition net asset value	4 083	6 142	10 225
Notional goodwill	1 031	153	1 184
Cost price of investment	5 114	6 295	11 409
OGL's effective interest in post-acquisition movement in net asset value	8 622	(14)	8 608
Group carrying value as at 8 December 2021	13 736	6 281	20 017
Additional acquisition of shares	402	–	402
Dividend received after reclassification to assets held for distribution	–	(140)	(140)
Group carrying value prior to unbundling	14 138	6 141	20 279
Market value as at opening price on 20 April 2022, the first date OGL shareholders could trade their Discovery and Momentum Metropolitan shares	27 934	6 710	34 644
GAIN ON DISTRIBUTION (MARKET VALUE LESS GROUP CARRYING VALUE)	13 796	569	14 365

R million	2022
Sale of Hastings	
Equity-accounted earnings up to 8 December 2021	137
Profit on sale of investment in Hastings	4 513
Reclassification of accumulated comprehensive income to the income statement	468
Transaction costs	(20)
PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS DUE TO THE SALE OF HASTINGS	5 098
Profit on sale of investment in Hastings	
OGL's effective interest in at acquisition net asset value	3 365
Hastings dividend forming part of acquisition price	(216)
Notional goodwill	5 613
Cost price of investment	8 762
OGL's effective interest in post-acquisition movement in net asset value	1 301
Group carrying value as at 8 December 2021	10 063
Proceeds on sale of Hastings	14 576
PROFIT ON SALE OF HASTINGS (PROCEEDS LESS GROUP CARRYING VALUE)	4 513

14. Earnings per share

Earnings per share is calculated by dividing the earnings attributable to shareholders by the weighted number of ordinary shares in issue during the year.

R million	2023	2022
Continuing and discontinued operations		
Earnings attributable to ordinary shareholders	**2 915**	22 396
Weighted average number of ordinary shares in issue (full amount)	**1 531 812 710**	1 530 544 951
Earnings per share (cents)	**190.3**	1 463.2
Earnings attributable to ordinary shareholders	**2 915**	22 396
Dilutory impact on earnings	**(56)**	(44)
DILUTED EARNINGS ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	**2 859**	22 352
Weighted average number of ordinary shares in issue (full amount)	**1 531 812 710**	1 530 544 951
Diluted earnings per share (cents)	**186.6**	1 460.4
Continuing operations		
Earnings attributable to ordinary shareholders	**2 915**	1 440
Weighted average number of ordinary shares in issue (full amount)	**1 531 812 710**	1 530 544 951
Earnings per share (cents)	**190.3**	94.1
Earnings attributable to ordinary shareholders	**2 915**	1 440
Dilutory impact on earnings	**(56)**	(32)
DILUTED EARNINGS ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	**2 859**	1 408
Weighted average number of ordinary shares in issue (full amount)	**1 531 812 710**	1 530 544 951
Diluted earnings per share (cents)	**186.6**	92.0

Notes to the consolidated annual financial statements *continued*

15. Headline earnings per share

Headline earnings per share is calculated by dividing the adjusted earnings attributable to shareholders by the weighted number of ordinary shares in issue during the year.

Headline earnings reconciliation

R million	2023 Gross	2023 Net	2022 Gross	2022 Net
Headline earnings reconciliation				
Earnings attributable to ordinary shareholders		**2 915**		22 396
Adjustments for:				
– Profit on disposal of equity accounted investments	**(47)**	**(38)**	(4 780)	(4 780)
– Impairments of investments in associates	**17**	**17**	–	–
– Loss on write-down of intangible asset	**13**	**9**	–	–
– Profit on dilution of equity accounted investments	**(6)**	**(6)**	(38)	(38)
– Loss on disposal of property and equipment	**1**	**1**	1	1
– Gain on distribution of associates	**–**	**–**	(15 272)	(15 227)
– Intangible assets and other impairments	**–**	**–**	206	206
– Loss of control of subsidiary	**–**	**–**	19	19
– Impairment of owner occupied building below cost	**–**	**–**	9	17
– Adjustments within equity accounted earnings	**–**	**–**	4	4
HEADLINE EARNINGS ATTRIBUTABLE TO ORDINARY SHAREHOLDERS		**2 898**		2 598

R million	2023	2022
Continuing and discontinued operations		
Headline earnings attributable to ordinary shareholders	**2 898**	2 598
Weighted average number of ordinary shares in issue (full amount)	**1 531 812 710**	1 530 544 951
Headline earnings per share (cents)	**189.2**	169.7
Headline earnings attributable to ordinary shareholders	**2 898**	2 598
Dilutory impact on earnings	**(41)**	(32)
DILUTED HEADLINE EARNINGS ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	**2 857**	2 566
Weighted average number of ordinary shares in issue (full amount)	**1 531 812 710**	1 530 544 951
Diluted headline earnings per share (cents)	**186.5**	167.6
Continuing operations		
Headline earnings attributable to ordinary shareholders	**2 898**	1 454
Weighted average number of ordinary shares in issue (full amount)	**1 531 812 710**	1 530 544 951
Headline earnings per share (cents)	**189.2**	95.0
Headline earnings attributable to ordinary shareholders	**2 898**	1 454
Dilutory impact on earnings	**(41)**	(17)
DILUTED HEADLINE EARNINGS ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	**2 857**	1 437
Weighted average number of ordinary shares in issue (full amount)	**1 531 812 710**	1 530 544 951
Diluted headline earnings per share (cents)	**186.5**	93.9

16. Dividend per share

R million	2023	2022
Total dividends paid during the year	**1 513**	2 880
Total dividends declared relating to the profit for the year	**2 196**	1 003
Number of issued shares for the year	**1 532 408 776**	1 531 807 770
Dividend declared per share – Normal (cents)	**134.8**	65.5
Dividend declared per share – Special (cents)	**8.5**	142.0
TOTAL DIVIDEND	**143.3**	207.5

Notes to the consolidated annual financial statements *continued*

17. Property and equipment

R million	Land and buildings	Assets under contruction[1]	Computer equipment	Furniture fittings and office equipment	Motor vehicles	Total
Year ended 30 June 2023						
Opening net book amount	868	12	156	25	4	1 065
Additions	–	46	100	9	–	155
Disposals	–	–	(1)	–	–	(1)
Foreign exchange differences	79	3	2	–	(2)	82
Depreciation charge	(41)	–	(55)	(7)	–	(103)
CLOSING NET BOOK AMOUNT	906	61	202	27	2	1 198
At 30 June 2023						
Cost	1 231	61	632	120	9	2 053
Accumulated depreciation	(325)	–	(430)	(93)	(7)	(855)
NET BOOK AMOUNT	906	61	202	27	2	1 198

1 Assets under construction represents the following: solar panel and ventilation system installation in the South African Group and fit-out works in the new office space of the Irish Group.

17. Property and equipment *continued*

R million	Land and buildings[1]	Assets under Construction[2]	Computer equipment[3]	Furniture fittings and office equipment[3]	Motor vehicles	Total
Year ended 30 June 2022						
Opening net book amount	892	–	130	30	4	1 056
Additions	–	12	71	11	1	95
Disposals	(6)	–	(1)	–	–	(7)
Reclassification[4]	(6)	–	1	–	–	(5)
Foreign exchange differences	33	–	–	–	–	33
Depreciation charge	(45)	–	(45)	(16)	(1)	(107)
CLOSING NET BOOK AMOUNT	868	12	156	25	4	1 065
At 30 June 2022						
Cost	1 155	12	522	107	9	1 805
Accumulated depreciation	(287)	–	(366)	(82)	(5)	(740)
NET BOOK AMOUNT	868	12	156	25	4	1 065

1 *Includes leasehold improvements with a carrying value of R7 million.*
2 *Assets under construction represents the solar panel installation project that the Group is still in the process of completing at year end.*
3 *In the prior financial year, computer equipment and furniture, fittings, and office equipment were presented as a single line (furniture, fittings and equipment). These different classes of equipment have been presented separately to better reflect the nature of the accounts.*
4 *Computer hardware which was capitalised against computer software, was reclassified, to computer equipment as part of property and equipment.*

Land and buildings assets are utilised by the Group in the normal course of operations to provide services. The South African head office is situated in Centurion, Gauteng. The Australian head office for the Youi Group is situated on the Sunshine Coast. Both these properties are owner-occupied.

Information regarding land and buildings is kept at the respective Companies' registered offices. This information will be open for inspection in terms of section 20 of the Companies Act.

Refer to note 40 for the current and non-current analysis of property and equipment.

Notes to the consolidated annual financial statements *continued*

18. Intangible assets

Internally developed software relates to a project to redevelop the core insurance technology of the Group's insurance operations and the banking platform developed by CloudBadger. These intangible assets will be amortised once the software development is substantially completed and used in production.

R million	**Internally developed computer software**	**Purchased computer software**	**Computer software under devlopment[1]**	**Other**	**Total**
Year ended 30 June 2023					
Opening net book amount	**121**	**17**	**96**	**2**	**236**
Additions	**1**	**12**	**38**	**–**	**51**
Disposals	**–**	**(1)**	**(4)**	**(2)**	**(7)**
Reclassification[2]	**107**	**–**	**(107)**	**–**	**–**
Foreign exchange differences[3]	**5**	**–**	**–**	**–**	**5**
Write-off[4]	**(14)**	**–**	**–**	**–**	**(14)**
Amortisation charge	**(26)**	**(8)**	**–**	**–**	**(34)**
CLOSING NET BOOK AMOUNT	**194**	**20**	**23**	**–**	**237**
At 30 June 2023					
Cost	**240**	**159**	**23**	**–**	**422**
Accumulated amortisation	**(46)**	**(139)**	**–**	**–**	**(185)**
NET BOOK AMOUNT	**194**	**20**	**23**	**–**	**237**

1 Computer software under development relates to specific modules of the new policy administration system and the financial administration system still being developed.

2 There was a reclassification from computer software under development to internally developed software.

3 Due to rounding, the figure relating to purchased computer software was excluded.

4 Stratos F2F was written off towards the end of the financial year due to the discontinuation of the F2F business in OUTsurance Life. The cost and accumulated amortisation were R17.5 million and R3.1 million respectively.

R million	Internally developed computer software	Purchased computer software	Computer software under devlopment[1]	Other	Total
Year ended 30 June 2022					
Opening net book amount	117	17	71	8	213
Additions	43	6	52	–	101
Reclassification[2]	–	(1)	–	–	(1)
Settlements	–	–	–	1	1
Transfer of software under development	27	–	(27)	–	–
Service cost (amortisation)	–	–	–	(6)	(6)
Foreign exchange differences	2	–	–	–	2
Derecognition of carrying amount on loss of control of subsidiary	(44)	–	–	(1)	(45)
Amortisation charge	(24)	(5)	–	–	(29)
CLOSING NET BOOK AMOUNT	121	17	96	2	236
At 30 June 2022					
Cost	143	140	96	188	567
Accumulated amortisation	(22)	(123)	–	(186)	(331)
NET BOOK AMOUNT	121	17	96	2	236

1 Computer software under development relates to specific modules of the new policy administration system and the financial administration system still being developed. In the prior financial year the Group disclosed computer software under development as part of internally developed computer software, to align with OHL, computer software under development is disclosed separately.

2 Computer hardware which was capitalised against computer software, was reclassified to computer equipment as part of property and equipment.

19. Right-of-use assets

R million	Properties[1,2]	Motor vehicles[3]	Total
Year ended 30 June 2023			
Opening net book amount	**67**	**3**	**70**
Additions	**13**	**21**	**34**
Depreciation	**(34)**	**(11)**	**(45)**
Renewals	**–**	**3**	**3**
Foreign currency differences	**1**	**2**	**3**
CLOSING NET BOOK AMOUNT	**47**	**18**	**65**
At 30 June 2023			
Cost	**65**	**47**	**112**
Accumulated depreciation	**(18)**	**(29)**	**(47)**
CLOSING NET BOOK AMOUNT	**47**	**18**	**65**

1 Property leases relate to the use of regional offices by OHL. The OGL lease came to an end on 31 December 2022.

2 Two property leases lapsed during the year, and therefore the related right-of-use asset with a cost of R50.9 million and an accumulated depreciation of R50.6 million were derecognised.

3 Leased motor vehicles are for the use of operational staff.

R million	Properties[1]	Motor vehicles[2]	Total
Year ended 30 June 2022			
Opening net book amount	93	11	104
Additions	49	5	54
Depreciation	(35)	(13)	(48)
Terminations/cancellations	(41)	–	(41)
Foreign currency differences	1	–	1
CLOSING NET BOOK AMOUNT	67	3	70
At 30 June 2022			
Cost	117	32	149
Accumulated depreciation	(50)	(29)	(79)
CLOSING NET BOOK AMOUNT	67	3	70

1 Property leases relate to the use of office space by OGL and the use of regional offices by OHL.

2 Leased motor vehicles are for the use of operational staff.

20. Subsidiaries

The following companies are subsidiaries of OGL as at 30 June 2023:

Subsidiary	Nature of business	Country of Incorporation	Issued ordinary shares 2023 R million	Issued ordinary shares 2022 R million	Effective holdings 2023 %	Effective holdings 2022 %
Directly held by the company:						
Main Street 1353 Proprietary Limited	Holdings company	South Africa	**6 131**	6 131	**100**	100
OUTsurance Holdings Limited[2]	Holdings company	South Africa	**2 288**	2 307	**91.4**	90.9
RMI Asset Holdings Proprietary Limited	Holdings company	South Africa	**11 726**	11 726	**100**	100
RMI Treasury Company Limited	Holdings company	South Africa	**8 691**	7 276	**100**	100
Indirectly held via OUTsurance Holdings Limited:						
OUTsurance Designated Activity Company[1]	Short-term Insurer	Ireland	**150**	–	**100**	–
OUTsurance Insurance Company Limited	Short-term Insurer	South Africa	**25**	25	**100**	100
OUTsurance International Holdings Proprietary Limited	Holdings company	South Africa	**2 214**	1 709	**100**	100
OUTsurance Irish Insurance Holdings Ltd[1]	Holdings company	Ireland	**168**	–	**100**	–
OUTsurance Life Insurance Company Limited	Long-term insurer	South Africa	**435**	435	**100**	100
OUTsurance Properties Proprietary Limited	Property company	South Africa	**38**	38	**100**	100
OUTsurance Shared Services Proprietary Limited	Service company	South Africa	**100**	100	**100**	100
OUTvest Nominees RF Proprietary Limited[3,4]	Nominee	South Africa	**–**	–	**100**	100
OUTvest Proprietary Limited[3]	Online digital advice and administration services	South Africa	**193**	193	**100**	100
Youi Holdings Proprietary Limited	Holdings company	Australia	**1 522**	1 522	**92.6**	90.0
Youi New Zealand Proprietary Limited	Administration company	New Zealand	**34**	34	**92.6**	90.0
Youi Properties Proprietary Limited[4]	Property company	Australia	**–**	–	**92.6**	90.0
Youi Proprietary Limited (Australia)	Short-term Insurer	Australia	**2 365**	1 849	**92.6**	90.0

Notes to the consolidated annual financial statements *continued*

20. Subsidiaries *continued*

Subsidiary	Nature of business	Country of Incorporation	Issued ordinary shares 2023 R million	Issued ordinary shares 2022 R million	Effective holdings 2023 %	Effective holdings 2022 %
Indirectly held via RMI Treasury Company Limited:						
AlphaCode Proprietary Limited	Holdings company	South Africa	**37**	37	**100**	100
Firness International Proprietary Limited	Holdings company	South Africa	**1 874**	1 874	**100**	100
RMI Investment Holdings Proprietary Limited	Holdings company	South Africa	**823**	823	**100**	100
RMI Invest One Proprietary Limited	Holdings company	South Africa	**24**	24	**100**	100
RMI Invest Two Proprietary Limited	Holdings company	South Africa	**238**	238	**100**	100
RMI Invest Three Proprietary Limited	Holdings company	South Africa	**496**	796	**100**	100
RMI Invest Four Proprietary Limited	Holdings company	South Africa	**65**	65	**100**	100
RMI Invest Five Proprietary Limited[4]	Holdings company	South Africa	**–**	–	**100**	100
RMI Invest Six Proprietary Limited[4]	Holdings company	South Africa	**–**	–	**100**	100
RMI Investment Managers Group Proprietary Limited	Holdings company	South Africa	**719**	719	**100**	100
Indirectly held via RMI Investment Managers Group Proprietary Limited:						
RMI Investment Managers Affiliates 1 Proprietary Limited	Holdings company	South Africa	**248**	248	**100**	100
RMI Investment Managers Affiliates 2 Proprietary Limited[5]	Holdings company	South Africa	**389**	389	**51**	51
RMI Investment Managers Affiliates 2B Proprietary Limited[5]	Holdings company	South Africa	**157**	157	**35.7**	35.7

1 *During the current financial year the Group expanded its footprint into the European market and established a 100% owned subsidiary in Ireland, OUTsurance Irish Insurance Holdings Limited (OUTsurance Irish Holdings), and its 100% owned subsidiary, OUTsurance Designated Activity Company (OUTsurance DAC), the operational entity. The Group invested the initial start-up capital in OUTsurance Irish Holdings in December 2022 and is expecting the Irish operations to start trading as a licensed insurance entity in the next financial year.*

2 *Effective holding after consolidation of share trust.*

3 *In June 2023, management committed to a plan to sell its 100% share in OUTvest as it no longer fits the strategic direction of the Group. Accordingly, the assets and liabilities of OUTvest have been classified as held for sale with an effective date of 30 June 2023.*

4 *Due to rounding, the amount relating to issued ordinary capital was excluded.*

5 *The assets and liabilities of RMI Investment Managers Affiliates 2 Proprietary Limited and RMI Investment Managers Affiliates 2B Proprietary Limited were reclassified to assets held for sale on 30 June 2022.*

All subsidiaries are included in the consolidation. The proportion of voting rights in subsidiaries does not differ from the proportion of ordinary shares held.

20. Subsidiaries *continued*

Effective interest in subsidiaries

There is a difference between the effective and actual holdings in associates and subsidiaries as a result of the consolidation by such entities of:

- Treasury shares held by them; and
- Shares held in them by their share incentive trusts.

The effective interest held can be compared to the actual interest held by OGL in the statutory share capital of the companies as follows:

	Interest held			
	2023		**2022**	
%	**Effective**	**Actual**	Effective	Actual
OHL	**91.4**	**89.8**	90.9	89.3
RMI Treasury Company Limited	**100**	**100**	100	100
RMI Investment Managers Group	**100**	**100**	100	100

Financial results, financial position and cash flows of significant subsidiaries

The results, financial position and cash flows for the year ended 30 June 2023 and 30 June 2022 for OUTsurance Holdings Limited consolidated is presented in the tables that follows.

RMI Treasury Company Limited, effective on 31 August 2022, acquired the shares of AlphaCode Proprietary Limited, Firness International Limited, RMI Investment Holdings Proprietary Limited and RMI Investment Managers Group Proprietary Limited previously held by OGL. As a result of this share exchange transaction, the financial results, financial position and cash flows for the year ended 30 June 2023 are presented in the tables that follows. In the prior financial year the Group presented RMI Investment Managers Group consolidated separately but following the consolidation of RMI Investment Managers Group by RMI Treasury Company Limited during the current financial year, the current financial year results are not separately presented as it is included in RMI Treasury Company Limited consolidated.

The results, financial position and cash flows of Main Street 1353 Proprietary Limited and RMI Asset Holdings as at 30 June 2023 and 30 June 2022 are immaterial and are therefore not separately presented.

20. Subsidiaries *continued*

Effective interest in subsidiaries *continued*

R million	2023	2022
OUTsurance Holdings Limited consolidated		
Financial year: 30 June		
Year used for consolidation: 30 June		
Number of shares held	**3 410 159 495**	3 390 919 344
Equity shares at cost	**9 588**	9 354
Net profit for the year	**3 422**	4 520
Results for the year ended 30 June		
Income statement		
Gross insurance premium written	**28 499**	23 532
Outward reinsurance premiums	**(2 195)**	(2 314)
Net premiums	**26 304**	21 218
Gross change in provision for unearned premiums	**(1 582)**	(1 264)
Reinsurance relating to provision for unearned premiums	**(254)**	243
Earned premiums, net of reinsurance	**24 468**	20 197
Non-insurance fee related income	**511**	455
Investment income	**187**	148
Interest income on financial assets using the effective interest rate method	**830**	302
Net gains from fair value adjustments on financial assets	**75**	79
Expected credit losses on financial assets	**(1)**	(1)
Fair value gain on loss of control of subsidiary	**–**	37
Income	**26 070**	21 217
Policyholder benefits on insurance contracts net of reinsurance	**(13 139)**	(11 325)
Gross policyholder benefits under insurance contracts	**(13 521)**	(13 902)
Reinsurers' share of insurance contracts	**382**	2 577
Transfer to policyholder liabilities under insurance contracts	**(53)**	(3)
Fair value adjustment to financial liabilities	**(196)**	(147)
Marketing and administration expenses	**(7 943)**	(6 441)
Result of operating activities	**4 739**	3 301
Finance costs	**(16)**	(10)
Equity accounted earnings	**34**	2 458
Profit on change in shareholding of investment in associates	**7**	–
Profit on sale of associates	**45**	–
Reversal of impairment/(impairment) of investment in associate	**13**	(271)
Profit before taxation	**4 822**	5 478
Taxation	**(1 400)**	(958)
Profit for the year from continuing operations	**3 422**	4 520
Profit for the year from discontinued operations	**–**	–
PROFIT FOR THE YEAR	**3 422**	4 520
Financial position as at 30 June		
Current assets	**28 051**	23 596
Non-current assets	**5 928**	3 986
Current liabilities	**(17 310)**	(14 905)
Non-current liabilities	**(4 560)**	(2 283)
Cash flows for the year ended 30 June		
Cash inflow from operating activities	**1 420**	347
Cash inflow from investing activities	**5**	5 617
Cash outflow from financing activities	**(2 366)**	(5 865)

Notes to the consolidated annual financial statements *continued*

20. Subsidiaries *continued*

R million	2023
RMI Treasury Company Limited consolidated	
Financial year: 30 June	
Year used for consolidation: 30 June	
Number of shares held	27 623
Equity shares at cost	8 691
Loss for the year	(8)
Results for the year ended 30 June	
Income statement	
Non-insurance fee related income	6
Investment income	1
Interest income on financial assets using the effective interest rate method	61
Marketing and administration expenses	(34)
Result of operating activities	34
Equity accounted earnings	(10)
Profit on sale of associates	12
Reversal of impairment/(impairment) of investment in associate	(29)
Profit before taxation	7
Taxation	(15)
Profit for the year from continuing operations	(8)
Profit for the year from discontinued operations	–
PROFIT FOR THE YEAR	(8)
Financial position as at 30 June	
Current assets	1 252
Non-current assets	740
Current liabilities	(61)
Non-current liabilities	–
Cash flows for the year ended 30 June	
Cash inflow from operating activities	36
Cash inflow from investing activities	36
Cash outflow from financing activities	(25)

20. Subsidiaries *continued*

Effective interest in subsidiaries *continued*

R million	2022
RMI Investment Managers Group consolidated	
Financial year: 30 June	
Year used for consolidation: 30 June	
Number of shares held	149 485
Equity shares at cost	719
Net profit for the year	21
Results for the year ended 30 June	
Income statement	
Non-insurance fee related income	5
Investment income	1
Interest income on financial assets using the effective interest rate method	10
Net gains from fair value adjustments on financial assets	1
Marketing and administration expenses	(25)
Result of operating activities	(8)
Equity accounted earnings	32
Profit on sale of associates	–
Profit before taxation	24
Taxation	(3)
Profit for the year from continuing operations	21
Profit for the year from discontinued operations	–
PROFIT FOR THE YEAR	21
Financial position as at 30 June	
Current assets	218
Non-current assets	627
Current liabilities	(50)
Non-current liabilities	–
Cash flows for the year ended 30 June	
Cash inflow from operating activities	78
Cash outflow from investing activities	(126)
Cash outflow from financing activities	56

20. Subsidiaries *continued*

Reconciliation of non-controlling interest:

R million	Non-controlling interest relating to: OUTsurance Holdings Limited 8.6%	Youi Holdings Proprietary Limited 7.4%	RMI Investment Managers Group Proprietary Limited[1] 30.0% – 49%	Total
At 30 June 2023				
Opening balance of non-controlling interest	**909**	**411**	**145**	**1 465**
Profit attributable to non-controlling interests	**293**	**137**	**–**	**430**
FCTR attributable to non-controlling interest	**51**	**51**	**–**	**102**
Transactions with non-controlling interests	**(77)**	**(151)**	**–**	**(228)**
Dividends paid	**(171)**	**(21)**	**(49)**	**(241)**
CLOSING BALANCE OF NON-CONTROLLING INTEREST	**1 005**	**427**	**96**	**1 528**

R million	Non-controlling interest relating to: OUTsurance Holdings Limited 9.1%	Youi Holdings Proprietary Limited 10.0%	RMI Investment Managers Group Proprietary Limited[1] 30.0% – 49%	CloudBadger Proprietary Limited 34.8%	Total
At 30 June 2022					
Opening balance of non-controlling interest	995	625	110	46	1 776
Profit/(loss) attributable to non-controlling interests	438	57	1	(1)	495
Non-controlling interest in other reserves	194	–	–	–	194
FCTR attributable to non-controlling interest	–	33	–	–	33
Shares issued to non-controlling interest	–	–	–	4	4
Derecognition due to loss of control of subsidiary	–	–	–	(49)	(49)
Transactions with non-controlling interests	–	(208)	37	–	(171)
Movement in treasury shares	(223)	–	–	–	(223)
Dividends paid	(495)	(96)	(3)	–	(594)
CLOSING BALANCE OF NON-CONTROLLING INTEREST	909	411	145	–	1 465

1 *Non-controlling interest relating to RMI Investment Managers Group Proprietary Limited relates to its 51%-held subsidiary, RMI Investment Managers Affiliates 2 Proprietary Limited and 30% shareholding held by RMI Investment Managers Affiliates 2 Proprietary Limited in RMI Investment Managers Affiliates 2B Proprietary Limited.*

20. Subsidiaries *continued*

Derecognition of CloudBadger Proprietary Limited (CloudBadger) on loss of control

During the prior financial year, a non-controlling third party investor exercised its option to acquire additional shares in CloudBadger. This resulted in the dilution of the Group's shareholding in CloudBadger to 48.2%, resulting in the Group and the third party investor having an equal amount of shares in CloudBadger.

Although the Group and the third party investor have an equal shareholding in CloudBadger, the third party controls the operating activities of CloudBadger through a service agreement which represents the entire revenue stream of CloudBadger. The Group still retains significant influence though representation on the board of CloudBadger. The Group lost control of CloudBadger on 1 May 2022.

The table below shows the summary of the net asset value being derecognised as at 1 May 2022:

R million	2022
Assets	
Property and equipment[1]	–
Intangible assets	44
Restraint of trade	1
Financial assets at fair value through profit or loss	30
Deferred income tax	8
Receivables and prepayments	11
Cash and cash equivalents	5
TOTAL ASSETS DERECOGNISED ON LOSS OF CONTROL	99
Liabilities	
Share-based payment liability	48
Tax liabilities[1]	–
Employee benefits	2
Payables and provisions	3
TOTAL LIABILITIES DERECOGNISED ON LOSS OF CONTROL	53
NET ASSET VALUE AS AT DATE OF DISPOSAL	46
Loss on disposal	
Group's dilution of interest	21
Net cash outflow on dilution of CloudBadger	5

1 Due to rounding, these amounts were excluded.

Involvement with unconsolidated structured entities

One of the Group's subsidiaries, OUTvest (Pty) Limited (OUTvest), offers an online advice and investment platform which works exclusively with designed investment portfolios which include four collective investment schemes offered by Coreshares Index Tracker Managers (Coreshares). OUTsurance Insurance Company Limited (OUTsurance) was invested, on behalf of OUTvest, in these four collective investment schemes during the year under review. The Group have no control over these collective investment schemes as the Group has no input into the investment mandates for these collective investment schemes which is controlled and overseen by the Coreshares management company. The Group did not provide any financial support to these unconsolidated structured entities.

20. Subsidiaries *continued*

Transactions with non-controlling interest

OUTsurance Holdings Limited

During the current year, on 28 June 2023, OGL issued 601 006 ordinary shares (3 369 cents per ordinary share) in exchange for 1 359 832 OHL issued ordinary shares (1 489 cents per ordinary share) held indirectly by the financial director. OGL's shareholding in OHL increased by 0.04% from 89.73% to 89.77% as result of this transaction and the results of OHL were consolidated in line with the updated percentage holding from the effective date.

The effect of the transaction on equity attributable to owners of OHL as at 28 June 2023 is summarised as follows:

R million	2023
Carrying amount of the 8.67% non-controlling interest before the sale	**1 009**
Carrying amount of the 0.04% non-controlling interest acquired	**4**
Company shares exchanged for the non-controlling interest	**(20)**
Excess of consideration exchanged and recognised in the transaction with non-controlling interest reserve	**(16)**

Youi Holdings Proprietary Limited (Youi Holdings)

During the current year, on 5 May 2023, OHL purchased 54 687 500 Youi Holdings ordinary shares from a minority shareholder in May 2023. The purchase price per share was A$0.658 and fixed at R12.55, R12.26 and R12.33 per Australian Dollar with three FEC instruments respectively. The exchange rate on payment date was R12.24. OHL's effective ownership in Youi Holdings increased from 89.8% to 92.44% as a result of this transaction and the results of Youi Holdings were consolidated in line with the updated percentage holding from the effective date.

OHL has a call option to purchase another 2.64% in Youi Holdings from the same shareholder in October 2023. The fair value of the call option is deemed to be immaterial.

During the prior financial year, OHL exercised its call option to purchase 109 375 000 Youi Holdings ordinary shares from a minority shareholder. The option was exercised on 5 August 2021 and was paid on 26 October 2021. The strike price per share was A$0.55 and fixed at R10.71 per Australian Dollar with an FEC instrument. The exchange rate on payment date was R11.06. OHL's effective ownership in Youi Holdings increased from 84.5% to 89.8% as a result of this transaction and the results of Youi Holdings were consolidated in line with the updated percentage holding from the effective date. The effective percentage of 5.3% purchased from the non-controlling interest differs from the 5.1% previously disclosed in the prior year financial statements due to share movements that took place after the initial calculation and before the transaction was finalised. The additional shares were funded from OHL's retained earnings as well as its revolving credit facility.

The effect of the transaction on equity attributable to owners of Youi Holdings as at 5 May 2023 (2022: 5 August 2021) is summarised as follows:

R million	2023	2022
Carrying amount of the 10.2% (2022: 15.5%) non-controlling interest before the sale	**550**	597
Carrying amount of the 2.64% (2022: 5.3%) non-controlling interest acquired	**144**	204
Consideration paid for the non-controlling interest	**(439)**	(665)
Excess of consideration exchanged and recognised in the transaction with non-controlling interest reserve	**(295)**	(461)

21. Investment in associates

	Number of shares		% of equity	
	2023	2022	**2023**	2022
The following companies are associates of the Group as at 30 June 2023:				
AutoGuru Australia Proprietary Limited	**3 379 974**	3 379 974	**25.1**	28.5
CloudBadger Technologies Proprietary Limited	**400 000**	400 000	**46.0**	48.2
Entersekt Proprietary Limited	**128 467**	128 467	**25.8**	25.8
Merchant Capital Advisory Services Proprietary Limited	**333 430**	333 430	**21.2**	21.2
Polar Star Management	**155 000**	155 000	**25.0**	25.0
Sancreed Proprietary Limited (Guidepost)	**122 839**	122 839	**42.5**	45.5
The following companies are associates of the Group as at 30 June 2023 but are included under assets held for sale:				
Ethos Private Equity Proprietary Limited	**7 689**	23 520	**19.2**	18.1
Granate Asset Management Proprietary Limited	**10 020**	10 020	**30.0**	30.0
Northstar Asset Management Proprietary Limited	**16 216**	16 216	**30.0**	30.0
Perpetua Investment Managers Proprietary Limited	**300**	300	**15.0**	15.0
Royal Investment Managers Proprietary Limited	**1 764 342**	1 764 342	**50.0**	50.0
Sentio Capital Management Proprietary Limited	**284**	284	**30.0**	30.0
Truffle Capital Proprietary Limited	**8 940**	8 940	**38.1**	38.1

The following companies were associates of the Group but were disposed during the current or prior financial year:

- CoreShares Holdings Proprietary Limited (classified as held for sale during the prior financial year and sold in December 2022).
- OUTsurance Insurance Company of Namibia Limited (classified as held for sale during the prior financial year and sold in September 2022).

21. Investment in associates *continued*

R million	2023	2022
Investment in associates		
RMI Investment Managers Group associates	**219**	212
AlphaCode associates	**162**	219
CloudBadger Proprietary Limited	**143**	123
Blue Zebra Insurance Proprietary Limited	**247**	127
AutoGuru Australia Proprietary Limited	**17**	11
INVESTMENT IN ASSOCIATES	**788**	692
Reconciliation of investment in associates		
Opening balance	**692**	29 301
Additional acquisition of associates	**79**	161
Equity-accounted earnings for the year from continuing operations	**20**	27
Dividends received for the year from continuing operations[1]	**(10)**	(59)
Share of associates' other reserves	**9**	835
Foreign exchange adjustments	**14**	–
Impairment of investment in associate	**(23)**	–
Profit on change in shareholding of investment in associates	**7**	–
Sale of associate	**–**	(10 063)
Unbundling of associates	**–**	(20 017)
Dilution of investment in subsidiary to investment in associate	**–**	123
Equity-accounted earnings for the year from discontinued operations[1]	**–**	1 023
Dividends received for the year from discontinued operations	**–**	(186)
Treasury shares	**–**	(11)
Transfer to non-current assets held for sale	**–**	(442)
CLOSING BALANCE	**788**	692

1 *In the prior financial year the amount for dividends received from continuing operations reflected the amount for equity-accounted earnings from discontinued operations and vice versa. In the current financial year the comparatives have been updated.*

The Group assesses whether there is an indicator for impairment of its associate investments on an annual and performs an impairment assessment if such an indicator exists. The assessments are based on discounted cash flow models with company forecasts used as inputs. These forecasts can be adjusted to allow for our own assessment of expected performance.

There are no contingent liabilities relating to the Group's investment in associates.

CloudBadger Proprietary Limited

During the current year, the Group's ownership in CloudBadger decreased from 48.2% to 46.0% as a result of ordinary shares issued by the associate. The Group did not acquire any of the ordinary shares issued which gave rise to the dilution of ownership to 46.0% resulting in the Group recognizing a profit on change in shareholding of R4 million. CloudBadger is a banking platform service company operating in South Africa.

Blue Zebra Insurance Proprietary Limited (BZI)

The Group's subsidiary, Youi Holdings Proprietary Limited (Youi Holdings) obtained an associate investment in BZI, which is an insurance underwriting agency operating in Australia.

On 26 May 2023, Youi Holdings purchased an additional 2.73%, to the value of R79 million in BZI, thereby increasing its interest from 34.2% to 36.9%. Due to the nature of the underwriting relationship that Youi has with BZI, the BZI platform plays a strategic role as an intermediated channel to market in Australia.

During the prior financial year, Youi Holdings exercised its full 30% call option BZI, thereby increasing its interest from 4.2% to 34.2%. As a result, Youi gained significant influence over BZI and the investment was reclassified from a financial asset at fair value through other comprehensive income (FVOCI) to an interest in an associate.

Notes to the consolidated annual financial statements *continued*

21. Investment in associates *continued*

Investment in AutoGuru Australia Proprietary Limited (AutoGuru)

The Group owns a 25.09% (2022: 28.48%) share in the ordinary shares of AutoGuru. AutoGuru is an online car service booking platform operating in Australia.

During the current financial year, AutoGuru's share price increased significantly from the prior financial year as per the Discounted Cash Flow valuation model. This, coupled with the additional capital investments in AutoGuru and the improved performance of the Company, indicated the potential for the reversal of impairment at year end. However, due to AutoGuru not being fully cash generative as at 30 June 2023, the reversal of impairment was limited to the proportion that AutoGuru's share price increased from the prior financial year to the current financial year. This resulted in a recoverable amount of R15.6 million and a reversal of impairment of R13.2 million at 30 June 2023.

During the prior financial year due to AutoGuru not performing as per management's expectation, an impairment of R22.4 million was recognised based on the value in use calculation, resulting in a recoverable amount of R11.2 million.

The table below provides a summary of the financial information of the associates held within the Group:

R million	**RMI Investment Managers Group associates**	**AlphaCode associates**	**CloudBadger Proprietary Limited**	**Blue Zebra Insurance Proprietary Limited**	**AutoGuru Australia Proprietary Limited**
At 30 June 2023					
Statement of financial position					
Current assets	**37**	**545**	**104**	**852**	**25**
Non-current assets	**207**	**182**	**52**	**143**	**21**
Current liabilities	**(16)**	**(155)**	**(16)**	**(684)**	**(56)**
Non-current liabilities	**(3)**	**(323)**	**–**	**(18)**	**(12)**
EQUITY	**225**	**249**	**140**	**293**	**(22)**
Statement of profit and loss and other comprehensive income					
Revenue	**111**	**608**	**64**	**346**	**69**
After tax profit or loss	**43**	**(76)**	**8**	**129**	**(42)**
Closing balance of cash and cash equivalents	**20**	**91**	**13**	**297**	**14**

R million	RMI Investment Managers Group associates	AlphaCode associates	CloudBadger Proprietary Limited	Blue Zebra Insurance Proprietary Limited	AutoGuru Australia Proprietary Limited
At 30 June 2022					
Statement of financial position					
Current assets	34	602	93	281	13
Non-current assets	154	166	55	117	50
Current liabilities	(16)	(156)	(4)	(215)	(46)
Non-current liabilities	(5)	(302)	(52)	(18)	(7)
EQUITY	167	310	92	165	10
Statement of profit and loss and other comprehensive income					
Revenue	150	332	46	193	56
After tax profit or loss	74	(96)	(2)	47	(13)
Closing balance of cash and cash equivalents	19	175	3	193	5

Notes to the consolidated annual financial statements *continued*

21. Investment in associates *continued*

The table below provides a reconciliation of the carrying value of the associates held within the Group:

R million	RMI Investment Managers Group associates	AlphaCode associates	CloudBadger Proprietary Limited	Blue Zebra Insurance Proprietary Limited
At 30 June 2023				
% of ownership[1]	**25.0%**	**21.2% – 42.5%**	**46.0%**	**36.9%**
Nature of business	**Asset Management**	**Fintech**	**Banking platform services**	**Insurance underwriting agency**
Place of business	**South Africa Cayman Islands**	**South Africa United States of America**	**South Africa**	**Australia**
Opening net assets	**167**	**310**	**92**	**165**
Profit/(loss) for the period	**47**	**(33)**	**8**	**129**
Other comprehensive income/(loss)	**–**	**(28)**	**–**	**–**
Foreign currency adjustments	**11**	**–**	**–**	**24**
Dividend	**–**	**–**	**–**	**(25)**
Ordinary shares issued	**–**	**–**	**24**	**–**
Share-based payment reserve movement	**–**	**–**	**12**	**–**
Other adjustments to net asset value	**–**	**–**	**4**	**–**
CLOSING NET ASSETS	**225**	**249**	**140**	**293**
Interest in associates[1]	**56**	**52**	**64**	**108**
Notional goodwill[2]	**163**	**110**	**79**	**131**
Foreign currency translation reserve attributable to notional goodwill[2]	**–**	**–**	**–**	**8**
CARRYING VALUE	**219**	**162**	**143**	**247**

R million	RMI Investment Managers Group associates	AlphaCode associates	CloudBadger Proprietary Limited	Blue Zebra Insurance Proprietary Limited
At 30 June 2022				
% of ownership[1]	25.0%	21.2% – 45.5%	48.2%	34.2%
Nature of business	Asset Management	Fintech	Banking platform services	Insurance underwriting agency
Place of business	South Africa Cayman Islands	South Africa United States of America	South Africa	Australia
Opening net assets	104	106	92	123
Profit/(loss) for the period	79	44	–	47
Other comprehensive income/(loss)	–	(3)	–	–
Foreign currency adjustments	7	(13)	–	7
Dividend	(23)	–	–	(12)
Ordinary shares issued	–	171	–	–
Share-based payment reserve movement	–	(9)	–	–
Other adjustments to net asset value	–	14	–	–
CLOSING NET ASSETS	167	310	92	165
Interest in associates[1]	42	74	44	56
Notional goodwill[2]	170	145	79	68
Foreign currency translation reserve attributable to notional goodwill[2]	–	–	–	3
CARRYING VALUE	212	219	123	127

1 *The percentage of ownership have been rounded to one decimal for disclosure purposes, where the actual ownership percentage is at least two decimals. This will have a slight impact on the interest in associates value being recalculated.*

2 *For the notional goodwill on Cloudbadger, R58.0 million relates to the remeasurement to the fair value of our retained investment in CloudBadger on the date of loss of control.*

AutoGuru is deemed to have an immaterial carrying value and is therefore not shown in the above table.

22. Deferred income tax

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The Minister of Finance announced the change in the corporate tax rate from 28% to 27% in the Budget speech on 23 February 2022, on which date it was deemed to be substantively enacted. It was effective for years of assessment ending on or after 31 March 2023. The prior financial year closing deferred tax balances were therefore calculated at 27%.

R million	Opening Balance[4]	Movement: Profit or loss	Movement: Other comprehensive income	Movement: Equity[1]	Closing Balance
At 30 June 2023					
Deferred tax assets					
Provision relating to staff costs	208	72	–	19	299
Other provisions[2]	28	(3)	–	3	28
Insurance liabilities provisions[2]	408	79	–	51	538
Fair value adjustments	17	(2)	(4)	–	11
Service costs on employee benefits	(3)	–	–	1	(2)
Operating lease charges	16	4	–	–	20
Allowances on fixed and intangible assets	17	1	–	1	19
Special transfer credit	19	1	–	–	20
Expected loss adjustment	9	–	–	–	9
Other	–	6	–	1	7
Assessed loss	–	6	–	–	6
Total before adjustment relating to offset	720	164	(4)	75	955
Adjustment relating to offset[1]	(294)				(418)
TOTAL DEFERRED TAX ASSETS	426				537
Deferred tax liabilities					
Fair value adjustments	(98)	(21)	–	(1)	(120)
Investment in associates	(3)	(8)	–	(1)	(12)
Deferred acquisition costs	(219)	(56)	–	(26)	(301)
Prepayments	(7)	(3)	–	(1)	(11)
Operating lease charges	4	(1)	–	–	3
Total before adjustment relating to offset	(323)	(89)	–	(29)	(441)
Adjustment relating to offset[1]	294				418
BALANCE AT THE END OF THE YEAR	(29)				(23)

1 *Included in the equity movement is the movement in the FCTR on the deferred tax balances where applicable.*
2 *Other provisions and insurance liabilities provisions are presented separately from provisions relating to staff costs in the current financial year to better reflect the nature of the items included in the deferred tax asset balance. The prior financial year was updated for comparability.*
3 *The adjustment relating to offset relates to the reclassification of the balance from the underlying companies to disclose the net position per legal entity as the Group does not have a legal right of offset of the underlying companies.*
4 *The opening deferred tax balances in the current financial year incorporated the change in the tax rate, and were therefore calculated at 27%, as well as the derecognition of subsidiary to associate, both of which were disclosed in separate lines in the prior financial year.*

22. Deferred income tax *continued*

R million	Opening Balance	Movement: Profit or loss	Movement: Other comprehensive income	Movement: Equity[1]	Closing Balance
At 30 June 2022					
Deferred tax assets					
Provision relating to staff costs	151	56	–	4	211
Other provisions[2]	27	(1)	–	1	27
Insurance liabilities provisions[2]	248	146	–	14	408
Fair value adjustments	20	(5)	3	–	18
Service costs on employee benefits	14	(16)	–	–	(2)
Operating lease charges	16	1	–	–	17
Allowances on fixed and intangible assets	6	17	–	–	23
Special transfer credit	20	–	–	–	20
Expected loss adjustment	6	3	–	–	9
Pre-trade expenditure	–	2	–	–	2
Effect of change in statutory tax rate for companies	–	(6)	–	–	(6)
Derecognition of subsidiary to associate	–	–	–	(8)	(8)
Total before adjustment relating to offset	508	197	3	11	719
Adjustment relating to offset[3]	(6)				(294)
TOTAL DEFERRED TAX ASSETS	502				425
Deferred tax liabilities					
Fair value adjustments	(90)	(14)	–	(2)	(106)
Investment in associates	–	(3)	–	–	(3)
Deferred acquisition costs	(175)	(35)	–	(8)	(218)
Prepayments	(11)	4	–	–	(7)
Operating lease charges	–	4	–	–	4
Effect of change in statutory tax rate for companies	–	7	–	–	7
Total before adjustment relating to offset	(276)	(37)	–	(10)	(323)
Adjustment relating to offset[3]	6				294
BALANCE AT THE END OF THE YEAR	(270)				(29)

1 *Included in the equity movement is the movement in the FCTR on the deferred tax balances where applicable.*

2 *Other provisions and insurance liabilities provisions are presented separately from provisions relating to staff costs in the current financial year to better reflect the nature of the items included in the deferred tax asset balance. The prior financial year was updated for comparability.*

3 *The adjustment relating to offset relates to the reclassification of the balance from the underlying companies to disclose the net position per legal entity as the Group does not have a legal right of offset of the underlying companies.*

The Group reviews the carrying amount of deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

The following deferred tax assets were not recognised:

- An amount of R209 million (2022: R209 million) which relates to the individual policyholder tax fund in OUTsurance Life Insurance Company. For the foreseeable future there will not be sufficient profits in the individual policyholder fund to raise a deferred tax asset as the deductible expenses exceed its taxable income.
- An amount of R7 million which relates to OUTsurance DAC, the Group's start-up subsidiary who does not have sufficient future taxable profits at this stage.

The unrecognised deferred tax assets do not have an expiry date.

Refer to note 40 for the current and non-current analysis of deferred taxation.

23. Financial assets

R million	2023	2022
Measured at fair value through profit or loss	**2 646**	1 604
Debt securities		
Zero-coupon deposits backing endowment policies	**1 231**	64
Convertible loan	**9**	4
Equity securities		
Listed perpetual preference shares	**191**	340
Exchange traded funds	**774**	818
Collective investment schemes	**431**	368
Unlisted shares	**10**	10
Designated at fair value through profit or loss	**2 105**	1 969
Debt securities		
Money market securities	**826**	766
Zero-coupon deposits	**1 047**	785
Unsecured investment in development fund	**52**	58
Other fixed rate debt securities	**180**	360
Fair value through other comprehensive income	**6 427**	5 700
Debt securities		
Government, municipal and public utility securities	**316**	281
Money market securities <1 year	**2 610**	2 043
Money market securities >1 year	**2 174**	1 789
Expected credit loss	**–**	(21)
Collective investment schemes	**936**	1 225
Equity securities		
Unlisted equity	**391**	383
Amortised cost	**11 267**	7 233
Debt securities		
Term deposits	**11 064**	7 011
Preference share investment[1]	**203**	222
TOTAL FINANCIAL ASSETS	**22 445**	16 506

1 In the prior financial year the Group presented preference share investment as part of term deposits. To align with OHL, the prior year amount was split out to separately disclose term deposits and the preference share investment.

Notes to the consolidated annual financial statements *continued*

23. Financial assets *continued*

R million	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Total
Year ended 30 June 2023				
Movement Analysis				
Opening balance	**3 573**	**5 700**	**7 233**	**16 506**
Additions (purchases and issues)	**1 510**	**4 024**	**8 041**	**13 575**
Dividends reinvested	**11**	**–**	**12**	**23**
Interest reinvested	**102**	**416**	**–**	**518**
Disposals (sales and redemptions)	**(602)**	**(3 764)**	**(4 964)**	**(9 330)**
Unrealised fair value adjustments	**126**	**26**	**–**	**152**
Transfer from derivative financial instruments[1]	**–**	**3**	**–**	**3**
Foreign exchange difference	**31**	**1**	**969**	**1 001**
Modification	**–**	**–**	**(24)**	**(24)**
Reclassification of expected credit loss to OCI reserve[2]	**–**	**21**	**–**	**21**
CLOSING BALANCE	**4 751**	**6 427**	**11 267**	**22 445**
Year ended 30 June 2022				
Movement Analysis				
Opening balance	4 831	3 703	6 122	14 656
Additions (purchases and issues)	592	5 055	6 917	12 564
Dividends reinvested	–	–	15	15
Interest reinvested	79	22	5	106
Disposals (sales and redemptions)	(1 810)	(3 049)	(6 129)	(10 988)
Unrealised fair value adjustments	(86)	18	–	(68)
Transfer to derivative financial instruments[1]	–	(7)	–	(7)
Foreign exchange difference	12	2	307	321
Reclassification on investment becoming an associate[3]	–	(13)	–	(13)
Derecognition of financial asset on loss of control of subsidiary	–	(30)	–	(30)
Expected credit loss	–	(1)	(4)	(5)
Reclassification to assets classified as held for sale	(45)	–	–	(45)
CLOSING BALANCE	3 573	5 700	7 233	16 506

1 *The interest rate swaps included in the Group's fixed income portfolios have been transferred to the derivative financial instruments.*

2 *The allowance for ECL has been reclassified to net off against the FVOCI reserve as opposed to the carrying value of the financial asset at fair value through OCI. The prior financial year amount is deemed to be immaterial and thus this adjustment is applied prospectively.*

3 *In the prior financial year Youi exercised its Put Option to purchase an additional 30% in Blue Zebra Insurance. The existing 4% equity investment was derecognised and included as part of the cost of the investment in associate. Refer to note 21 for more information.*

A register of investments is available for inspection at the registered office of the Group.

Refer to note 3.3.1 for information relating to the fair value of investment securities. Refer to note 40 for the current and non-current analysis of investment securities.

23. Financial assets *continued*

Critical accounting estimates – ECL

In determining the ECL allowances for financial instruments carrying credit risk, the following significant judgements and estimates were considered:

- Judgement was applied in identifying the qualitative and quantitative triggers and thresholds used to identify significant increases in credit risk since initial recognition of the financial assets. Depending on the availability of reasonable and supportable information without undue cost or effort, significant increases in credit risk are identified through, amongst others, market curve movements, credit quality of the instrument and issuing party, and portfolio assessments.
- The Group applies judgement in identifying default and credit-impaired financial assets. In making this judgement, the Group considers whether the balance is in legal review, debt review or under administration or expert judgement. Financial assets are credit impaired when one or more events with a detrimental impact on the expected cash flows have taken place.
- Management relies on the discount rates observed on the zero-coupon bond curve as published by the Johannesburg Stock Exchange to discount all cash flows to their present value. These discount rates are considered to be reflective of the current market conditions as well as those expected in the future.
- Management deems the instrument type aggregation to be the most appropriate manner to calculate the allowance for ECL taking undue costs and effort into account.

24. Derivative financial instruments

The Group utilises derivative financial instruments for the following:

- to reduce the impact of the interest rate risk contained in the policyholder liabilities in its long-term insurance business;
- to reduce the impact of the currency risk contained in its open foreign currency exposures; and
- to provide price certainty related to future equity investments.

The Group undertakes transactions involving derivative financial instruments with other financial institutions. Management has established limits commensurate with the credit quality of the institutions with which it deals and manages the resulting exposures such that a default by any individual counterparty is unlikely to have a materially adverse impact on the Group.

R million	**2023**	2022
Derivative assets	**9**	68
Derivative liabilities	**(81)**	(6)
NET DERIVATIVE FINANCIAL INSTRUMENTS	**(72)**	62

The following table presents the detailed breakdown of the Group's derivative financial instruments outstanding at year-end and that are subject to enforceable master netting arrangements as at 30 June:

R million	**Gross assets**	**Gross liabilities**	**Net derivatives**
At 30 June 2023			
Interest rate swap	**1 058**	**(1 135)**	**(77)**
Effect of assets relating to the floating rate swap	**1 022**	**(36)**	**986**
Effect of liability relating to the fixed rate swap	**36**	**(1 099)**	**(1 063)**
Foreign exchange derivatives			
AUD FEC	**2**	**–**	**2**
EUR FEC	**–**	**(4)**	**(4)**
EUR Collar	**21**	**(14)**	**7**
TOTAL[1]	**1 081**	**(1 153)**	**(72)**

1 *The current value of the Bond forward of R397 000 was excluded due to rounding.*

24. Derivative financial instruments *continued*

R million	Gross assets	Gross liabilities	Net derivatives
At 30 June 2022			
Interest rate swap	919	(912)	7
Effect of assets relating to the floating rate swap	919	–	919
Effect of liability relating to the fixed rate swap	–	(912)	(912)
Collateralised swap	61	–	61
Bond forward	–	(6)	(6)
TOTAL	980	(918)	62

R million	Net derivatives 2023	2022
Movement analysis of derivative asset and liability		
Opening balance	**62**	3
Additions (purchases and issuings)	**55**	(91)
Disposals	**(148)**	28
Fair value adjustments	**(38)**	115
Transfer to/(from) financial assets[1]	**(3)**	7
CLOSING BALANCE	**(72)**	62

1 *These are interest rate swaps included in the Group's fixed income portfolios which are transferred between financial assets and derivatives in line with the movements in the portfolio.*

The entire R77.0 million (2022: R7.1 million) net position of the derivative financial liability related to the interest rate swap, which is recoverable in more than 12 months from reporting date. In the prior financial year, R7.1 million was recoverable within 12 months from reporting date. The collateralised swap is recoverable in more than 12 months.

The collateralised swap arrangement is intended to match payments due to policyholders in the future, after a specified date. The collateralised swap is set to cover policyholder cash flows from year 13 onward. The market value of the collateralised swap is Rnil in 2023 (2022: R60.5 million).

The Bond forward contract has a fair value of R0.4 million which is exercisable within 12 months of reporting date. The interest on the underlying bonds is linked to inflation and which is intended to offset the Group's exposure to inflation risk.

Foreign exchange derivatives

The Group utilises derivative financial instruments to reduce the impact of the currency risk contained in its open foreign currency exposures. The Group undertakes transactions involving derivative financial instruments with other financial institutions.

The Group has entered into foreign derivative contracts to economically hedge its exposure against the volatility of the Rand against the Australian Dollar (AUD) and the Euro. The AUD derivative instrument is on a call option for additional shares in Youi from a minority shareholder and the Euro derivative instrument is for an additional capital investment in OUTsurance Irish Insurance Holdings Limited to fund its minimum capital requirement for obtaining its insurance license.

25. Insurance and other receivables

R million	2023	2022
Receivables arising from insurance and reinsurance contracts		
Due from policyholders[1]	**5 341**	3 874
Due from agents, brokers and intermediaries[1]	**487**	142
Due from reinsurers	**315**	644
Other receivables		
Fees receivable from contact centre services	**33**	27
Interest receivable[2]	**158**	27
Other receivables and prepayments	**228**	144
TOTAL INSURANCE AND OTHER RECEIVABLES	**6 562**	4 858

1 *Due from agents, brokers and intermediaries represents premiums collected by the BZI broker channel. This has been split out from the due from policyholders line. The prior financial year was updated for comparability.*

2 *Interest receivable is presented separately in the current financial year to better reflect the nature of the items included in the 'Other receivables and prepayments' balance. The prior financial year was also updated accordingly.*

Insurance receivables are recognised and carried at the contractual amount less any allowance for uncollectible amounts. Other receivables are carried at amortised cost using the effective interest method.

Included in other receivables and prepayments are amounts due by related parties. Refer to note 41 for further details thereof.

Since insurance and other receivables have short-term maturities, the carrying amount approximates the fair value. Refer to note 40 for the current and non-current analysis of insurance and other receivables.

26. Assets held for sale/liabilities directly associated with assets held for sale

OUTvest Proprietary Limited (OUTvest) and its subsidiary OUTvest Nominees RF Proprietary Limited (OUTvest Nominees)

The Group is in the process of selling its shares in OUTvest due to the subsidiary no longer fitting into the strategy of the Group. At June 2023, management has committed to a plan to sell its 100% share in OUTvest and is currently in the process of identifying potential buyers. Accordingly, the investment in OUTvest has been classified as held for sale with an effective date of 30 June 2023. The investment in OUTvest is valued at 30 June 2023 at its carrying value which is the lower of carrying value and fair value less costs to sell.

RMI Investment Managers Group

On 1 May 2022, management committed to a plan to sell certain of its associates indirectly held by RMI Investment Managers Group as well as assets and liabilities directly associated with these associates. Accordingly, the RMI Investment Managers Group associates has been classified as held for sale with an effective date of 1 May 2022. These assets are valued as at 30 June at their carrying value which is the lower of carrying value and fair value less costs to sell. The carrying value of the investment in associates may be reduced with any dividend payments between 1 May 2022 and the completion of the transaction.

The associates included as held for sale comprises Ethos Private Equity Proprietary Limited, Granate Asset Management Proprietary Limited, Northstar Asset Management Proprietary Limited, Perpetua Investment Managers Proprietary Limited, Royal Investment Managers Proprietary Limited, Sentio Capital Management Proprietary Limited and Truffle Capital Proprietary Limited. CoreShares Holdings Proprietary Limited was sold during the current financial year.

26. Assets held for sale/liabilities directly associated with assets held for sale *continued*

OUTsurance Insurance Company of Namibia Limited (OUTsurance Namibia)

In December 2021, management committed to a plan to sell its 49% associate shareholding in OUTsurance Namibia to FirstRand Namibia as it no longer fitted into the strategic direction of the Group. Accordingly, the investment in OUTsurance Namibia was classified as held for sale in the prior financial year with an effective date of 31 December 2021. On this date no significant changes to the sales plan was expected. The sale was expected to be finalised once final regulatory approval had been obtained. The investment in associate was valued at 30 June 2022 at its carrying value which was the lower of carrying value and fair value less costs to sell.

During the current financial year, the Competition Commission of South Africa and the Competition Commission of Namibia approved the sale of Coreshares and OUTsurance Namibia respectively and as a result the Group disposed of its interest in these associates. The approval date is deemed to be the effective disposal date.

R million	**2023**	2022
Assets held for sale	**402**	503

Reconciliation of assets held for sale:

R million	**RMI Investment Managers Group associates**	**OUTvest**	**Total**
At 30 June 2023			
Investment in associates	**290**	**–**	**290**
Financial assets			
Fair value through profit or loss	**68**	**–**	**68**
Insurance and other receivables	**2**	**1**	**3**
Deferred income tax	**2**	**–**	**2**
Cash and cash equivalents	**14**	**25**	**39**
ASSETS HELD FOR SALE	**376**	**26**	**402**

R million	RMI Investment Managers Group associates	OUTsurance Namibia	Total
At 30 June 2022			
Investment in associates	417	25	442
Financial assets			
Fair value through profit or loss	45	–	45
Insurance and other receivables	4	–	4
Deferred income tax	2	–	2
Cash and cash equivalents	10	–	10
ASSETS HELD FOR SALE	478	25	503

Reconciliation of investment in associates held for sale:

R million	**RMI Investment Managers Group associates**	**OUTsurance Namibia**	**Total**
At 30 June 2023			
Opening balance	**417**	**25**	**442**
Dividends received for the year	**(60)**	**–**	**(60)**
Asset-for-share transaction	**(40)**	**–**	**(40)**
Cash-for-share transaction	**(27)**	**(25)**	**(52)**
CLOSING BALANCE	**290**	**–**	**290**

26. Assets held for sale/liabilities directly associated with assets held for sale *continued*

R million	RMI Investment Managers Group associates	OUTsurance Namibia	Total
At 30 June 2022			
Opening balance	396	47	443
Additional acquisition of associates	33	–	33
Equity-accounted earnings for the year (up to classification as held for sale)	30	3	33
Dividends received for the year	(27)	(25)	(52)
Impairments	(15)	–	(15)
CLOSING BALANCE	417	25	442

R million	**2023**	2022
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS HELD FOR SALE	**71**	49

Reconciliation of liabilities directly associated with assets held for sale:

	2023		2022
R million	**RMI Investment Managers Group associates**	**OUTvest**	RMI Investment Managers Group associates
Financial liabilities at fair value through profit or loss	**39**	**–**	39
Share-based payment liabilities	**–**	**3**	–
Employee benefit liabilities	**9**	**2**	8
Other payables	**1**	**17**	2
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS HELD FOR SALE	**49**	**22**	49

Reconciliation of profit on sale of associates:

R million	**RMI Investment Managers Group associates**	**OUTsurance Namibia**	**Total**
At 30 June 2023			
Proceeds in cash	**47**	**62**	**109**
Proceeds other than cash	**40**	**–**	**40**
Carrying value of associate sold	**(67)**	**(25)**	**(92)**
PROFIT ON SALE OF ASSOCIATE	**20**	**37**	**57**

In April 2023 Ethos Private Equity Proprietary Limited ("Ethos") concluded an agreement whereby The Rohatyn Group ("TRG"), a USA based asset management firm, acquired shares in Ethos. The result of how the share exchange was structured, is that Ethos via RMI Investment Managers Group Proprietary Limited ("RMI Investment Managers") remain an associate, an asset that form part of the Group's assets held for sale as at 30 June 2023 and 30 June 2022. As a result of the share exchange the Group via its shareholding in RMI Investment Managers accounted for a consideration of R24 million in cash and R40 million in shares (financial assets). This transaction had no impact on the Group's profit or loss.

Coreshares was acquired by a third party and therefore the disposal proceeds related to the Group's proportion shareholding in Coreshares was 54.4% of the purchase consideration as defined in the sales agreement.

The disposal proceeds relating to OUTsurance Namibia were 49% of the aggregate of the value of the in-force book plus the NAV of OUTsurance Namibia at 31 December 2021. The NAV component was reduced with the dividend payments made after 31 December 2021 and before the completion of the transaction in September 2022.

27. Cash and cash equivalents

Included in money market investments are deposits with a term of maturity of less than three months. The carrying value of cash and cash equivalents approximates the fair value.

R million	**2023**	2022
Cash at bank and on hand	**1 628**	2 269
Short-dated money market instruments	**47**	239
	1 675	2 508

Included in the cash and cash equivalents note is restricted cash balances relating to cash back and demand deposits to the value of R24.5 million (2022: R24.5 million). These deposits secure specific assets and are therefore not available for general use by the other entities within the Group.

28. Share capital and premium

R million	**Number of shares after treasury shares**	**Ordinary share capital[1]**	**Share premium**	**Total**
At 30 June 2023				
Opening balance	**1 531**	**–**	**15 431**	**15 431**
Ordinary shares issued	**1**	**–**	**21**	**21**
SHARE CAPITAL AND PREMIUM	**1 532**	**–**	**15 452**	**15 452**

R million	Number of shares after treasury shares	Ordinary share capital[1]	Share premium	Treasury shares	Total
At 30 June 2022					
Opening balance	1 529	–	15 431	(78)	15 353
Movement in treasury shares	2	–	–	78	78
SHARE CAPITAL AND PREMIUM	1 531	–	15 431	–	15 431

1 *Due to rounding, the amounts were excluded.*

Ordinary shares

The total authorised number of ordinary shares is 2 000 000 000, with a par value of R0.0001 per share. The total number of issued ordinary shares increased by 601 006 during the year to 1 532 408 776 as at 30 June 2023 (2022: 1 531 807 770). The unissued share capital is under the control of the board of directors until the forthcoming annual general meeting.

28. Share capital and premium *continued*

Preference shares

The total authorised number of cumulative, redeemable, par value preference shares is 100 000 000 with a par value of R0.0001 per share. The issued number of par value preference shares is nil (2022: nil).

The total authorised number of cumulative, redeemable, no par value preference shares is 100 000 000 with a par value of R0.0001 per share. The issued number of no par value preference shares is nil (2022: nil).

The company created a new class of 100 000 000 authorised, cumulative, redeemable, no par value preference shares in the 2016 financial year in terms of its debt programme. None of these preference shares have been issued yet.

OGL had no issued preference shares as at 30 June 2023. If any of these preference shares would be issued, it would be classified as debt.

Million	2023	2022
Number of treasury shares held at 30 June	–	–
Weighted number of treasury shares held during the year	–	1
The treasury shares are eliminated from the weighted number of shares in issue for the purposes of calculating earnings and headline earnings per share:		
Weighted number of issued shares	1 532	1 532
Less: Weighted number of treasury shares	–	(1)
WEIGHTED NUMBER OF SHARES IN ISSUE	**1 532**	1 531

29. Insurance contract liabilities

The table below provides an overview of the Group's liability which arises from insurance contracts:

	2023			2022		
R million	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Short term insurance contracts						
Claims provisions	5 114	(1 033)	4 081	5 004	(2 138)	2 866
Unearned premium provision	9 700	(257)	9 443	7 252	(468)	6 784
Insurance contract non-claims bonuses provision	618	–	618	554	–	554
Long term insurance contracts						
Policyholder liabilities	969	(247)	722	828	(159)	669
CLOSING BALANCE	**16 401**	**(1 537)**	**14 864**	13 638	(2 765)	10 873

Notes to the consolidated annual financial statements *continued*

29. Insurance contract liabilities *continued*

29.1 Analysis of movement in short-term insurance contract liabilities

R million	2023 Gross	2023 Reinsurance	2023 Net	2022 Gross	2022 Reinsurance	2022 Net
Analysis of movement in claims provision						
Opening balance	**5 004**	**(2 138)**	**2 866**	3 181	(763)	2 418
Current year	**4 085**	**(589)**	**3 496**	4 442	(1 921)	2 521
Claims incurred	**12 686**	**(687)**	**11 999**	12 587	(2 380)	10 207
Claims paid	**(9 600)**	**158**	**(9 442)**	(9 153)	568	(8 585)
Claims handling expenses raised	**645**	**–**	**645**	593	–	593
Risk margins raised	**354**	**(60)**	**294**	415	(109)	306
Prior year	**(4 433)**	**1 874**	**(2 559)**	(2 741)	600	(2 141)
Claims incurred	**(610)**	**420**	**(190)**	(230)	23	(207)
Claims paid	**(3 328)**	**1 356**	**(1 972)**	(2 105)	523	(1 582)
Claims handling expenses released	**(104)**	**–**	**(104)**	(98)	–	(98)
Risk margins released	**(391)**	**98**	**(293)**	(308)	54	(254)
Foreign exchange movement	**458**	**(180)**	**278**	122	(54)	68
CLOSING BALANCE	**5 114**	**(1 033)**	**4 081**	5 004	(2 138)	2 866

R million	2023 Gross	2023 Reinsurance	2023 Net	2022 Gross	2022 Reinsurance	2022 Net
Analysis of movement in unearned premium provision (UPP)						
Opening balance	**7 252**	**(468)**	**6 784**	5 744	(201)	5 543
UPP raised	**16 862**	**(1 861)**	**15 001**	12 937	(2 257)	10 680
UPP earned	**(15 280)**	**2 115**	**(13 165)**	(11 673)	2 014	(9 659)
Foreign exchange difference	**866**	**(43)**	**823**	244	(24)	220
CLOSING BALANCE	**9 700**	**(257)**	**9 443**	7 252	(468)	6 784
Analysis of movement in insurance contract non-claims bonuses						
Opening balance	**554**	**–**	**554**	543	–	543
Charge to profit or loss	**601**	**–**	**601**	532	–	532
Non-claims bonuses paid during the year	**(537)**	**–**	**(537)**	(521)	–	(521)
CLOSING BALANCE	**618**	**–**	**618**	554	–	554

R million	2023	2022
Analysis of movement in deferred acquisition costs (DAC)		
Opening balance	**681**	513
DAC raised	**1 827**	1 379
DAC charged to statement of profit or loss	**(1 617)**	(1 239)
Foreign exchange differences	**89**	28
CLOSING BALANCE	**980**	681

29. Insurance contract liabilities *continued*

29.2 Critical accounting estimates and adjustments relating to short-term insurance

Claims provisions

Each claim is recorded at a detailed level such that the various components making up the total claim amount can be separated out and projected. The estimation of provisions requires the subdivision of the data into groups of claims exhibiting similar characteristics. However, a balance needs to be obtained between the additional accuracy of having more homogenous groupings and having sufficient data for a credible analysis.

Once claims have been appropriately mapped, various methodologies are applied to determine the expected ultimate claim amount. Methodologies will differ depending on the company, claim type and cash-flow type. In summary, the following methodologies are used:

- Development Factor Method (DFM);
- Cape Cod Method (CC);
- Bornhuetter-Ferguson Method (BF);
- Loss Ratio Method (LR); and
- Holding incurred amounts.

In essence, each method attempts to predict the progression of claims incurred and/or reported through a combination of various development factors, loss ratios and dependency factors. The method chosen depends on the materiality and data credibility of the various sub-classes as well as correlations between various sub-classes. When determining the various sub-components of the calculation it is assumed at a high level that past claims development can be used as a reasonable guide for future expected claim development. Additionally, it is assumed, in some cases, that the earliest loss year is fully run-off and/or can be estimated with confidence. Where it is not fully run-off, a tail factor is assumed. In all cases judgement is applied in order to appropriately allow for expected future experience.

Allocated loss adjustment expenses (ALAE) for costs directly attributable to claims are loaded on claims explicitly and included in the analysis of claims data. An unallocated loss adjustment expense (ULAE) for costs indirectly attributable to claims management is also allowed for by expressing total claims-related management expenses as a proportion of gross claims paid, for the 12 months preceding the calibration date.

The inherent uncertainty in future projections requires an additional layer of protection known as a risk margin in order to meet future obligations with a satisfactory level of confidence. The risk margin is calibrated to at least the 75th percentile in any given time period in accordance with our accounting policy. Insurer-specific parameters (ISPs) are used in order to determine the risk margin held above the best estimate for the motor and property classes of business. For smaller classes standardised reserve risk factors are used.

Management is of the view that the claims experience has stabilised following the Covid-19 pandemic. No explicit or implicit adjustments to reserves raised are therefore deemed necessary henceforth.

Substantial improvements were made within the salvage and third-party recoveries areas to best reflect the latest operational processes, supporting the negative reserves raised.

On salvages, focus was placed on ensuring system estimates were reflective of the management process improvements introduced to this area of the business. The increased operational focus also resulted in salvages being closed out faster which was captured in the reserving exposure.

With regards to the third-party recoveries' reserves, granularity was improved in the setting of the actuarial assumptions, following a detailed analysis of changes in the recovery experience observed from differing sources. Management recognises the impact of the improvements on reducing the reserve variability, and a reduction was made in the confidence interval at which the risk margin is set. This confidence interval for the South African operations decreased from the 90th percentile in 2022 to the 85th percentile in 2023.

The catastrophe reserve raised following the Kwazulu-Natal floods occurring in the latter half of the prior financial year saw a significant release as the majority of claims were finalised. OUTsurance has paid out R484.2 million with a remaining reserve of R1.8 million at 30 June 2023. 97.1% of reinsurance recoveries due from reinsurers participating in the catastrophe excess of loss program, have been received.

During the course of the 2023 financial year, there were no single large events sizeable enough to breach the catastrophe excess-of-loss deductible. Smaller events included widespread rainstorms across various provinces during the month of December as well as the Gauteng Earthquake and the Western Cape Floods which occurred during June 2023, with a combined estimated loss of R148.4 million.

29. Insurance contract liabilities *continued*

29.2 Critical accounting estimates and adjustments relating to short-term insurance *continued*

Claims provisions *continued*

The impact of escalating claims cost inflation as well as litigation cost inflation was closely considered throughout the reserving exercise and continues to be reflective of emerging trends.

The Australian operations had a better natural peril claims experience in comparison to prior year's, due to significantly less natural perils claims and no large single catastrophe events in excess of the retention level. The improved claims experience was slightly offset with the increase in the non-event loss ratio, largely due to high claims inflation in the Motor and Home portfolios. The effective quota share in Youi on the BZI portfolio has reduced from 35% to 10% due to the higher cost of reinsurance.

The confidence interval for the Australian operations was calibrated at the 75th percentile.

The below table demonstrates what the balance of the claims liability would have been if the confidence interval varied.

The table below shows the claims reserve balance at various confidence intervals. The sensitivity below is done on a gross basis for the South African business and whereas it is net of the proportional reinsurance for the Australian operations.

	South African Short-term operations		Australian Short-term operations	
R million	**2023**	2022	**2023**	2022
70th Percentile	**–**	–	**3 101**	2 011
75th Percentile	**–**	–	**3 146**	2 043
80th Percentile	**913**	909	**3 196**	2 080
85th Percentile	**937**	934	**–**	–
90th Percentile	**967**	965	**–**	–
95th Percentile	**1 011**	1 011	**–**	–

The table below illustrates the prior financial year claims, including risk margin, as a percentage of the total claims provision balance as at 30 June. The development of prior financial year claims does not have a material impact on the Group:

	2023	2022
South African operations	**15%**	9%
Australian operations	**8%**	13%

Unearned Premium Provision (UPP) on insurance contracts

Premium income (per policy, date, product type, etc.) is captured on the system and an UPP is calculated automatically according to the 365th method. The 365th method assumes a uniform distribution to the exposure of risk over an annual period. This method places an appropriate value on the liabilities concerned according to the incidence of risk for the policies covered. The only exception to the above is the Contractor's All Risk Engineering risks (CAS risks), where an earnings curve is deployed and utilised due to the fact that the exposure may be up to three years. The CAS book is very small and comprises an immaterial portion of the book.

Bonus provision for non-claims bonuses on insurance contracts

The provision for non-claims cash bonuses is determined with reference to the contractual obligation per the contract of insurance adjusted for expected future claims and client cancellations based on historical experience. The provision takes account of the various types of no-claims bonuses available to clients. A risk margin is added to the best estimate of the future liability to allow for the uncertainty relating to future claims and cancellation experience. The risk margin is calibrated to ensure that the provision is at least sufficient at the 75th percentile of the ultimate cost distribution.

29. Insurance contract liabilities *continued*

29.3 Analysis of movement in long-term insurance contract liabilities

The policyholder liability represents the present value of the expected cash outflow to existing policyholders at measurement date. The policyholder liability is calculated by present valuing the expected future cash flows derived from the best estimates of the variables which influence these cash flows.

R million	Gross policyholder liability	Reinsurers' share of policyholder liability	Net policyholder liability	Negative rand reserve	Net policyholder liability incl negative rand reserve
2023					
Analysis of change in policyholder liabilities					
Opening balance					
Policyholder Liability	960	(121)	839	(220)	619
Claims provision	88	(38)	50	–	50
	1 048	(159)	889	(220)	669
Transfer to policyholder liabilities under insurance contract					
Unwind of discount rate and release of profits	131	16	147	–	147
Experience variance	8	(1)	7	–	7
Modelling methodology changes	16	–	16	–	16
Change in non-economic assumptions	35	(50)	(15)	–	(15)
Change in economic assumptions	(81)	15	(66)	–	(66)
New business	56	(55)	1	–	1
Change in claims provision	13	(13)	–	–	–
Change in negative rand reserve	–	–	–	(36)	(36)
COVID-19 adjustment	(1)	–	(1)	–	(1)
	177	(88)	89	(36)	53
Closing balance					
Policyholder Liability	1124	(196)	928	(256)	672
Claims provision	101	(51)	50	–	50
	1 225	(247)	978	(256)	722

29. Insurance contract liabilities *continued*

29.3 Analysis of movement in long-term insurance contract liabilities *continued*

R million	Gross policyholder liability	Reinsurers' share of policyholder liability	Net policyholder liability	Negative rand reserve	Net policyholder liability incl negative rand reserve
2022					
Analysis of change in policyholder liabilities					
Opening balance					
Policyholder Liability	966	(143)	823	(212)	611
Claims provision	89	(35)	54	–	54
	1 055	(178)	877	(212)	665
Transfer to policyholder liabilities under insurance contract					
Unwind of discount rate and release of profits	57	32	89	–	89
Experience variance	19	(3)	16	–	16
Change in non-economic assumptions	(7)	4	(3)	–	(3)
Change in economic assumptions	(125)	13	(112)	–	(112)
New business	10	(7)	3	–	3
Change in claims provision	(1)	(3)	(4)	–	(4)
Change in negative rand reserve	–	–	–	(8)	(8)
COVID-19 adjustment	40	(17)	23	–	23
	(7)	19	12	(8)	4
Closing balance					
Policyholder Liability	960	(121)	839	(220)	619
Claims provision	88	(38)	50	–	50
	1 048	(159)	889	(220)	669

29. Insurance contract liabilities *continued*

29.4 Critical accounting estimates and adjustments relating to long-term insurance claims

Policyholder liabilities

The following compulsory margins were applied in the valuation of the policyholder liability at 30 June 2023:

Assumption	Margin	
Investment return	0.25%	increase/decrease[1]
Mortality	7.5%	increase
Morbidity	10%	increase
Disability	10%	increase
Retrenchment	15%	increase
Expenses	10%	increase
Expense inflation	10%	increase of estimated escalation rate
Lapses	25%	increase/decrease[1] on best estimate

1 Depending on which change increases the liability.

In addition to the above compulsory margins, discretionary margins may be added to protect against future possible adverse experience. A discretionary margin is added to allow for the zerorisation of negative rand reserves over and above the allowance of negative rand reserves calibrated to the costs directly attributable to acquiring a policy.

Demographic assumptions

The best estimate assumptions in respect of dread disease & disability, mortality and retrenchment rates were set taking into consideration the rates provided by the reinsurers, actual past experience and modified by expected future trends. These rates have further been reviewed and approved by the Head of Actuarial Function.

Over the past year only 2% of the prior year's Covid-19 margin was utilised. As such all explicit Covid-19 margins have been released as at June 2023. A slight adjustment to the mortality rates has been made to cater for the potential long-term impacts of Covid-19 and will continue to be monitored closely in the coming years.

Economic assumptions

Investment return

The Group calculates its investment return assumption using a full yield curve as opposed to using a point estimate on the underlying yield curve. The comparative point estimate of the current yield curve at the estimated discounted mean term at the valuation date is 12.3% (2022: 11.5%).

Inflation

The Group calculates its inflation assumption using a full inflation curve as opposed to using a point estimate on the underlying inflation curve, derived from nominal and real curves. The comparative point estimate of the current inflation curve at the estimated discounted mean term at the valuation date is 7.1% (2022: 7.9%).

Taxation

The tax position is taken into account and the taxation rates, consistent with that position and the likely future changes in that position, are allowed for.

29. Insurance contract liabilities *continued*

29.4 Critical accounting estimates and adjustments relating to long-term insurance claims *continued*

Claims provisions

In addition to the discounted cash flow liability, a claims provision was held. This claims provision includes an estimate of outstanding claims as at year end, as well as an estimate of incurred but not yet reported claims calculated using a claims runoff model based on recent experience and best estimates.

Negative rand reserve

The level of day one profits allowed in the form of negative rand reserves not zerorised is determined with reference to the costs directly attributable to acquiring a policy. The negative rand reserve is then run off (amortised) over a linear amortisation period of 4 years, which is closely aligned to the Discounted Payback Period.

29.5 Sensitivity of policyholder liability

The following sensitivities are provided on insurance risk assumptions:

Assumption	Margin	
Lapses	10%	increase/decrease
Investment return	1%	increase/decrease
Mortality/Morbidity/Disability	5% – 10%	increase/decrease
Retrenchment	5% – 10%	increase/decrease
Expenses	10%	increase/decrease

Insurance risk sensitivities are applied as a proportional percentage change to the assumptions made in the measurement of policyholder liabilities and the impact is reflected as the change in policyholder liabilities.

Each sensitivity is applied in isolation with all other assumptions left unchanged.

The sensitivities shown in the table below are based on the assumption that negative reserves, amounting to R1 170.7 million (2022: R1 092.9 million), are not eliminated in order to derive sensitivity scenarios which are more closely aligned with economic reality.

No elimination of negative rand reserves	Change in variable	Increase/ (decrease) in policyholder liabilities R million	Increase/ (decrease) in policyholder liabilities %
At 30 June 2023			
Lapses	+10%	31	4%
	-10%	(31)	(4%)
Investment return	+1%	(19)	(2%)
	-1%	33	4%
Mortality/Morbidity/Disability/Retrenchment	+10%	172	23%
	-10%	(175)	(23%)
Mortality/Morbidity/Disability/Retrenchment	+5%	86	11%
	-5%	(87)	(12%)
Expenses	+10%	64	8%
	-10%	(64)	(8%)

29. Insurance contract liabilities *continued*

29.5 Sensitivity of policyholder liability *continued*

No elimination of negative rand reserves	Change in variable	Increase/ (decrease) in policyholder liabilities R million	Increase/ (decrease) in policyholder liabilities %
At 30 June 2022			
Lapses	+10%	13	3%
	-10%	(11)	(2%)
Investment return	+1%	(53)	(11%)
	-1%	78	16%
Mortality/Morbidity/Disability/Retrenchment	+10%	179	38%
	-10%	(182)	(38%)
Mortality/Morbidity/Disability/Retrenchment	+5%	90	19%
	-5%	(91)	(19%)
Expenses	+10%	54	11%
	-10%	(54)	(11%)

30. Investment contract liability

The investment contract liability relates to linked endowment products sold by OUTsurance Life. The balance and the movements on the liability equally offsets against the investment contract asset held, with a third party.

R million	2023	2022
Balance at beginning of the year	**64**	37
Investment contract receipts	**1 139**	28
Fair value adjustments	**(14)**	(4)
Interest income	**42**	3
BALANCE AT END OF THE YEAR	**1 231**	64

The investment contract liability relates to the endowment products sold by the Group.

31. Lease liabilities

R million	2023	2022
Balance at beginning of the year	**82**	118
Cash movements		
Lease payments	**(54)**	(43)
Non-cash movements		
New leases entered into and lease extensions during the year	**38**	48
Termination of leases	**–**	(51)
Interest	**11**	8
Foreign exchange differences	**3**	2
BALANCE AT THE END OF THE YEAR	**80**	82

The following table summarises the contractual maturity dates for lease liabilities. The maturity analysis is represented on an undiscounted contractual cash flow basis.

R million	Within 1 year	1–5 years	More than 5 years	Total
30 June 2023				
Lease liability	**37**	**44**	**–**	**81**

R million	Within 1 year	1–5 years	More than 5 years	Total
30 June 2022				
Lease liability	50	48	2	100

The expense relating to payments not included in the measurement of the lease liability is as follows:

R million	2023	2022
Short-term leases	**–**	1

Short-term leases are leases that have a duration of 12 months or less from date of inception. At 30 June 2023, the Group was committed to short-term leases and the total commitment at that date was Rnil million (2022: R1.8 million).

Low-value leases are immaterial.

32. Share-based payment liability

The various Group share schemes are as follows:

- OUTsurance Holdings cash-settled share scheme
- Youi Holdings equity-settled share scheme
- Divisional Incentive cash-settled Scheme

The purpose of these schemes is to attract, incentivise and retain managers within the Group by exposing them to growth in the Group's equity value and providing them with an option to acquire shares.

Description and valuation methodology of the schemes

OUTsurance Holdings Limited cash-settled share scheme

In terms of the current trust deed, 12% of the issued share capital of the company is potentially available to employees under the scheme. The OUTsurance Holdings Share Trust and employees currently hold 10.23% (2022: 9.62%) of the shares in OUTsurance Holdings Limited.

Under the cash-settled scheme, participants receive notional shares which have a value equal to the market value of an OUTsurance Holdings Limited ordinary share if the employee is still under the employment of the Group. Participants will receive the after-tax gain in the market value over the vesting period of three years as a cash payment. Participants of this scheme have the option to purchase one ordinary share for each vested notional share from the OUTsurance Holdings Share Trust at the ruling market price on the date of purchase.

Valuation methodology

The cash-settled scheme issuances are valued using a Black-Scholes option pricing model with all notional shares (share appreciation rights) vesting in one tranche at the end of year three. The scheme is cash-settled and will thus be repriced at each reporting date.

Market data consists of the following:

- In the prior financial year, OUTsurance Holdings Limited's (OHL) 'expected volatility' was derived with reference to similar listed peers and the volatility of OUTsurance Group Limited (OGL) (previously known as Rand Merchant Investment Holdings Limited), the listed parent company of the Group. Considering the changes in the OGL Group and OHL now representing the material part of OGL, the volatility is now derived with reference to the volatility of OGL only.
- The 'risk-free interest rate' input is derived from government bonds with a remaining term equal to the term of the option being valued.

Dividend data consists of the following:

- The dividend growth assumption is based on the historic annual dividend paid on OUTsurance Holdings Limited ordinary shares.

Employee statistic assumptions:

- The number of rights granted is reduced by the actual staff turnover at year end. This turnover is then assumed to be constant over the period of the grant and used to estimate the expected number of rights which will vest on the vesting date.

Measurement of the share price:

- In the prior financial year, OHL ordinary shares were not traded in an active market and therefore the fair value of the investment in OHL's ordinary shares were calculated using a discounted cash flow model (DCF). From December 2022, when OGL became a listed entity, the fair value of the investment in OHL's shares has been based off the Volume Weighted Average Price (VWAP) of the OGL share price.
- The VWAP is calculated using the cumulative 15-day value traded, divided by the cumulative 15-day volume. The daily change in the 15-day VWAP is applied to the indexed price. The indexed price was the share price as at 30 June 2022 calculated using the DCF methodology.

32. Share-based payment liability *continued*

Description and valuation methodology of the schemes *continued*

Youi Holdings Pty Limited equity-settled share scheme *continued*

Valuation methodology *continued*

Prior financial year modification of the share option scheme:

- Following the payment of a special dividend in December 2021 of 82 cents per share, the strike price of all open OUTsurance Share Options in issue was reduced by 82 cents to align shareholder and option holder returns. This reduction in the strike price resulted in an increase in the total value of the share-based liability of R77.3 million for the 2022 year. This increase was recognised in total in December 2021 to match it to the recognition of the profit on sale of Hastings flowing through from Main Street.

There was no modification of the share option scheme in the current financial year.

Youi Holdings Pty Limited equity-settled share scheme

In terms of the plan rules, 15% of the issued share capital of the company is available under the plan for the granting of options to employees. Scheme participants currently own 7.6% (2022: 10.2%) of the issued ordinary shares of Youi Holdings Pty Limited.

Valuation methodology

A share-based payment expense is recognised based on the measurement of the fair value of employee services received. The fair value of share options is determined at grant date and expensed over the vesting period. The fair value of options at grant date is determined by the use of the Black-Scholes option pricing model.

The 'option duration' is the number of years before the options expire. Market data consists of the following:

- Since Youi Holdings Pty Limited is not listed, 'expected volatility' is derived with reference to the internal market for Youi share prices. The volatility reflects an historic period matching the duration of the option.
- The 'risk-free interest rate' input is derived from government bonds with a remaining term equal to the term of the option being valued.

Dividend data consists of the following:

- 'Dividend growth' is based on the best estimate of expected future dividends.
- The average 'annual employee turnover' estimates the number of participants in the option schemes that will leave before the options have vested.

Divisional Incentive cash-settled Scheme

With effect 1 July 2019, a new Divisional Incentive Scheme (DIS) was implemented with the objective to incentivise senior management based on the success of new and emerging business units which are in the South African and Australian operations. These new and emerging business units include OUTsurance Business, OUTsurance Life, OUTvest and Youi Business and are considered to be growth catalysts for the Group over the next decade. The Youi incentive scheme was launched during the previous financial year.

The scheme is designed to closely align management and shareholders by mirroring an equity participation in these business units.

The mechanics of the DIS are as follows:

- The DIS is exposed to the net economic value created by the Business Unit. This gain is calculated as the difference between increase in the valuation of the Business Unit and a capital charge levied, on a cumulative basis, on the valuation of the Business Unit at 1 July 2019. The capital charge is referenced to weighted average cost of capital and reduced for any dividend distributions deemed to have been made from the business unit. Subsequent capital contributions also attract the capital charge.
- Notional Incentive Units have been created to reference individual participation in each of the Business Units. These Notional Incentive Units are valued bi-annually in accordance with the net measurement above. The Notional Incentive Units are valued by means of a Black-Scholes option pricing model. The eventual strike price at each of the vesting dates is variable in nature. In order to derive this value a Monte Carlo simulation has been designed to create a normal distribution of eventual strike prices. The normal distribution allows for a mean value of the eventual strike prices to be estimated which was included in the Black-Scholes option pricing model.

32. Share-based payment liability *continued*

Description and valuation methodology of the schemes *continued*

Divisional Incentive cash-settled scheme *continued*

The scheme vests as follows:

- 50% of the Notional Incentive Units vest on the 5th anniversary
- 25% of the Notional Incentive Units vest on the 6th anniversary
- 25% of the Notional Incentive Units vest on the 7th anniversary

Participants may elect to defer the exercise of the vested Notional Incentive Units up the 10th anniversary of the DIS.

Upon exercise, participants will receive either OUTsurance Holdings or Youi Holdings ordinary shares depending on the gain released and their participation in the Business Units.

These shares will be held for a year before it can be disposed of at the ruling market value of the shares on date of disposal. The following conditions apply:

- Minimum Group and Company normalised earnings hurdles as vesting conditions.
- The DIS allows for the claw-back of vested gains where warranted by the conduct of the participants.

The scheme is accounted for as a cash-settled scheme for the purposes of IFRS 2 at a Group level. This accounting approach results in the cost of the scheme being expensed through profit or loss over the lifetime thereof. A corresponding liability is recognised until settlement.

The respective subsidiaries participating in the DIS are allocated the cost associated with the Business Units represented by such entities.

To determine the IFRS 2 charge, the following input assumptions were used for the Business Units:

	2023			
	OUTsurance Business	**OUTsurance Life/OUTvest**	**Youi CTP**	**Youi BZI**
Risk-free rate[1]	**9.21% – 10.73%**	**9.21% – 10.73%**	**3.91% – 4.46%**	**3.91% – 4.46%**
Volatility	**22%**	**22%**	**30%**	**30%**
Dividend yield	**0%**	**0%**	**0%**	**0%**
Employee exit rate	**10%**	**10%**	**10%**	**10%**

	2022			
	OUTsurance Business	OUTsurance Life/OUTvest	Youi CTP	Youi BZI
Risk-free rate[1]	7.78% – 11.07%	7.78% – 11.07%	3.08% – 4.00%	3.08% – 4.00%
Volatility	22%	22%	30%	30%
Dividend yield	0%	0%	0%	0%
Employee exit rate	10%	10%	10%	10%

1 *The vesting date that is being calculated will determine which risk-free rate is used within the disclosed range.*

32. Share-based payment liability *continued*

Description and valuation methodology of the schemes *continued*

Consolidated view of share-based payment liability and movement for the year

R million	2023	2022
Cash settled share-based payment liability	**635**	297
Reconciliation of cash settled share-based payment liability		
Opening balance	**297**	224
Transfer from share-based payment reserve	**–**	(3)
Charge to profit or loss for the year	**431**	163
Liability settled	**(95)**	(39)
Derecognition of share-based payment liability on loss of control of subsidiary	**–**	(48)
Derecognition of share-based payment liability on subsidiary being classification as held for sale	**(3)**	–
Foreign exchange difference[1]	**5**	–
CLOSING BALANCE	**635**	297

1 The prior financial year foreign exchange difference was rounded out.

The charge to profit or loss for share-based payments is as follows:

R million	2023	2022
Equity settled share scheme[1]		
Youi Holdings equity-settled scheme	**5**	6
CHARGE TO STATEMENT OF CHANGES IN EQUITY	**5**	6
Cash settled share schemes		
Youi Holdings Divisional Incentive cash-settled scheme	**104**	1
OUTsurance Holdings cash-settled scheme	**352**	152
OUTsurance Holdings Divisional Incentive cash-settled scheme[2]	**(25)**	(1)
CloudBadger cash-settled scheme[3]	**–**	11
CHARGE TO STATEMENT OF PROFIT OR LOSS	**431**	163

1 Refer to the Statement of Changes in Equity for a reconciliation of the opening and closing balances.
2 The positive movement in the current year Divisional incentive scheme is due to the vesting period being incorporated in the calculation of the liability. The prior financial year impact is deemed to be immaterial
3 The prior financial year only includes the expense relating to the 10 months that CloudBadger was a subsidiary of the Group.

32. Share-based payment liability *continued*

Share options

	2023	
	OUTsurance Holdings cash-settled scheme	**Youi Holdings equity-settled scheme**
Number of options in force at the beginning of the year	149 073 835	92 499 996
Adjustment to number of options in force at the beginning of the year	175 000	–
	149 248 835	92 499 996
Number of options/notional units granted during the year	73 536 300	27 600 000
Range of strike prices of options/notional units granted during the year	R11.95 – R15.19	A$0.60
Number of options delivered during the year	(38 530 347)	(14 631 668)
Number of options cancelled/forfeited during the year	(8 245 000)	(10 083 332)
Number of options/notional units in force at the end of the year	176 009 788	95 384 996
Range of strike prices/notional units of closing balance	R9.45 to R15.19	A$0.42 to A$0.66
Price per ordinary share[1]/notional unit	R14.95	A$0.42 to A$0.66
Number of scheme participants	210	47
Weighted average remaining vesting period (years)	1.15	1.39

1 *The market value of the ordinary shares for OUTsurance Holdings scheme is based on the 15 day-weighted VWAP shareprice as at the end of the financial year and the market value for the Youi Holdings equity settled scheme resets six monthly on 1 July and 1 January each year.*

	2023			
	OUTsurance Holdings Divisional Incentive cash-settled scheme			
	OUTsurance Business	**OUTsurance Life/OUTvest**	**Youi CTP**	**Youi BZI**
Number of options in force at the beginning of the year	980 000	990 000	850 000	810 000
	980 000	990 000	850 000	810 000
Number of options/notional units granted during the year	50 000	60 000	180 000	190 000
Number of options cancelled/forfeited during the year	(65 000)	(90 000)	(70 000)	(40 000)
Number of options/notional units in force at the end of the year	965 000	960 000	960 000	960 000
Intrinsic value per unit	(R92.84)	(R23.22)	A$2.30	A$13.26
Price per notional unit[1]	R389.84	R188.56	A$7.22	A$26.43
Number of scheme participants	45	34	21	19
Weighted average remaining vesting period (years)	2.00	2.00	2.00	2.00

1 *The market value of ordinary shares resets six monthly on 1 July and 1 January each year.*

32. Share-based payment liability *continued*

Share options *continued*

	2022	
	OUTsurance Holdings cash-settled scheme	Youi Holdings equity-settled scheme
Number of options in force at the beginning of the year	125 926 035	85 333 334
Number of options/notional units granted during the year	64 361 800	26 600 000
Range of strike prices of options/notional units granted during the year	R10.25 – R11.82	A$0.55
Number of options delivered during the year	(28 855 000)	(7 183 338)
Number of options cancelled/forfeited during the year	(12 359 000)	(12 250 000)
Number of options/notional units in force at the end of the year	149 073 835	92 499 996
Range of strike prices/notional units of closing balance	R9.52 – R11.82	A$0.407 – A$0.546
Price per ordinary share/notional unit[1]	R11.82	A$0.407 – A$0.546
Number of scheme participants	194	43
Weighted average remaining vesting period (years)	1.63	1.39

	2022			
	OUTsurance Holdings Divisional Incentive cash-settled scheme			
	OUTsurance Business	OUTsurance Life/OUTvest	Youi CTP	Youi BZI
Number of options in force at the beginning of the year	1 000 000	995 000	930 000	890 000
Number of options/notional units granted during the year	–	–	30 000	30 000
Number of options cancelled/forfeited during the year	(20 000)	(5 000)	(110 000)	(110 000)
Number of options/notional units in force at the end of the year	980 000	990 000	850 000	810 000
The intrinsic value per unit	(R60.90)	(R5.18)	A$1.57	A$1.45
Price per ordinary share1/notional unit	R344.37	R160.74	A$2.22	A$1.08
Number of scheme participants	27	27	17	15
Weighted average remaining vesting period (years)	2.75	2.75	2.75	2.75

1 *The market value of ordinary shares resets six monthly on the 1 July and 1 January each year.*

32. Share-based payment liability *continued*

Share options *continued*

OUTsurance Holdings Share Trust

OUTsurance Holdings Limited shares are issued to the Trust on the share option grant date. The number of shares presented below is shown as the full amount. This has changed from the prior year financial statements where shares were shown in thousands ('000) to align with the group reporting guidelines. The Trust's investment in OUTsurance Holdings Limited for the year ended 30 June was as follows:

	2023	2022
Number of OHL shares and market value		
Number of shares in portfolio at the beginning of the year	**66 465 719**	63 446 710
Number of shares purchased during the year	**18 772 724**	25 464 587
Number of shares released during the year	**(19 081 874)**	(22 445 578)
NUMBER OF SHARES HELD IN PORTFOLIO AT THE END OF THE YEAR	**66 156 569**	66 465 719
Market value per share held in portfolio at year-end (Rand)[1]	**14.95**	11.82
Market value of portfolio at year-end	**989 040 707**	785 624 799
Cost price of OHL shares		
Cost price of shares held in portfolio at the beginning of the year (R million)	**348**	542
Cost price of shares purchased during the year (R million)	**247**	183
Cost price of shares released during the year (R million)	**(228)**	(376)
COST PRICE OF SHARES HELD IN PORTFOLIO AT THE END OF THE YEAR	**367**	349
Loans to the share trust		
Value of loans made to the trust at the beginning of the year (R million)	**348**	542
Value of loans made to the trust at the end of the year (R million)	**367**	349

1 *From December 2022, the market value of ordinary shares has been based on the Volume Weighted Average Price (VWAP) of the OGL share price.*

32. Share-based payment liability *continued*

Share options *continued*

Youi Holdings Share Trust

Youi Holdings shares are issued to the Trust on the share option grant date. The Trust's investment in Youi Holdings for the year ended 30 June was as follows:

	2023	2022
Number of Youi shares and market value		
Number of shares in portfolio at the beginning of the year (full number)	**4 551 582**	7 213 250
Number of shares purchased during the year (full number)	**4 500 400**	675 000
Number of shares released during the year (full number)	**(4 048 334)**	(3 336 668)
NUMBER OF SHARES HELD IN PORTFOLIO AT THE END OF THE YEAR (FULL NUMBER)	**5 003 648**	4 551 582
Market value per share held in portfolio at year-end (A$)	**0.658**	0.564
Market value of portfolio at year-end (A$ million)	**3**	3
Cost price of Youi shares		
Cost price of shares held in portfolio at the beginning of the year (A$ million)	**2**	4
Cost price of shares purchased during the year (A$ million)	**3**	–
Cost price of shares released during the year (A$ million)	**(2)**	(2)
COST PRICE OF SHARES HELD IN PORTFOLIO AT THE END OF THE YEAR (A$ MILLION)	**3**	2
Loans to the share trust		
Value of loans made to the trust at the beginning of the year (A$ million)	**2**	4
Value of loans made to the trust at the end of the year (A$ million)	**3**	2

Share scheme expenditure

The following assumptions were applied in determining the OUTsurance cash-settled share-based payment liability:

	OUTsurance Holdings cash-settled scheme	
	2023	2022
Share price	**R14.95**	R11.82
Exercise price range	**R14.95**	R11.82
Remaining duration	**0 to 3 years**	0 to 3 years
Expected volatility	**22.26%**	22.00%
Risk free interest rate	**9.51%**	9.01%
Dividend yield	**3.75%**	4.50%

32. Share-based payment liability *continued*

Share scheme expenditure *continued*

The inputs to the share option pricing model to determine the fair value of Youi equity settled grants were as follows:

	Youi Holdings equity-settled scheme	
	2023	2022
Share price	**A$0.66**	A$0.55
Exercise price	**A$0.66**	A$0.55
Remaining duration	**3**	2
Expected volatility	**12.40%**	13.00%
Risk free interest rate	**3.90%**	0.26%
Annual employee turnover	**7.00%**	0.00%
Dividend yield	**7.06%**	6.23%

The following assumptions were applied in the calculation of the DIS units:

	2023			
	Divisional incentive cash-settled scheme			
	OUTsurance Business	**OUTsurance Life/OUTvest**	**Youi CTP**	**Youi BZI**
Fair value per notional unit	**R389.84**	**R188.56**	**A$7.22**	**A$26.43**
Exercise price	**R497.00 – R949.60**	**R217.92 – R448.71**	**A$7.54 – A$9.13**	**A$14.97 – A$27.98**
Remaining duration	**3 – 5 years**	**3 – 5 years**	**3 – 5 years**	**3 – 5 years**
Expected volatility	**22.00%**	**22.00%**	**30.00%**	**30.00%**
Risk free interest rate	**9.21% – 10.73%**	**9.21% – 10.73%**	**3.91% – 4.46%**	**3.91% – 4.46%**
Dividend yield (0% yield as cost of capital charge will be reduced by dividends distributed)	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Annual employee turnover	**10.00%**	**10.00%**	**10.00%**	**10.00%**

	2022			
	Divisional incentive cash-settled scheme			
	OUTsurance Business	OUTsurance Life/OUTvest	Youi CTP	Youi BZI
Fair value per notional unit	R344.37	R160.74	A$2.22	A$1.08
Exercise price	R446.09 – R852.36	R214.61 – R442.26	A$2.36 – A$2.94	A$1.15 – A$1.43
Remaining duration	3 – 5 years	3 – 5 years	3 – 5 years	3 – 5 years
Expected volatility	22.00%	22.00%	30.00%	30.00%
Risk free interest rate	7.78% – 11.07%	7.78% – 11.07%	3.08% – 4.00%	3.08% – 4.00%
Dividend yield (0% yield as cost of capital charge will be reduced by dividends distributed)	0.00%	0.00%	0.00%	0.00%
Annual employee turnover	10.00%	10.00%	10.00%	10.00%

32. Share-based payment liability *continued*

OGL management ownership participation structure

The aim of the structure is to align the interests of management with those of shareholders and establish a long-term focus. The IFRS 2 liability as at 30 June 2023 was Rnil (2022: Rnil).

Description of the scheme

The purpose of this scheme was to provide participants, including executive directors with the opportunity to participate in the creation of the long-term value in the fintech and asset management portfolios after OGL has been compensated for the capital it had provided.

Vesting occurs on day one and the structure has no exercise period. There are no further performance conditions attached other than the valuation methodology.

Monetisation of the structure occur after 10 years through a put option to OGL, (only available for 365 days) or through the realisation of the underlying investment, whichever occurs first. The remuneration committee has discretion concerning:

- the allocation per individual participant;
- the hurdle rate per individual participant per individual allocation;
- good leaver principles if a participant should leave before the monetisation of the underlying investment; and
- the maximum exposure provided to the participants.

Valuation methodology

(i) Underlying investments are valued using market accepted valuation methodologies like discounted cash flow models where a discount rate is determined taking into account specific risks of the underlying investments or a price/earnings methodology where a market-related ratio is applied. Investments can be valued using a combination of valuation methodologies dependent on the nature of the underlying investment.

(ii) A value per share is determined by dividing the value of the underlying investment by the number of shares.

(iii) A cost per share is calculated by taking the capital amount injected and accruing the hurdle rate. This amount is divided by the number of shares.

(iv) The value of the liability is the value per share minus the cost per share, multiplied by the total number of shares. An increase in the liability results in a share-based payment expense in profit or loss and a decrease in the liability results in a negative share-based payment expense in profit or loss.

Number	**2023**	2022
Number of shares issued at the beginning of the year	**33 165**	33 165
Number of shares issued to participants at the end of the year	**33 165**	33 165

The shares have a cumulative value of Rnil as at 30 June 2023 (2022: Rnil).

33. Employee benefits

Uncertainty exists relating to the timing and extent of cash flows from the leave pay provision. The outstanding balance represents the current value of leave due to employees in the employ of companies within the Group.

The value of the discretionary bonus is determined through employees' performance which is linked to a balanced scorecard that is approved by the Remuneration Committee of the Group. The balanced scorecard is determined for each business unit annually.

The intellectual property bonuses are recognised as current service costs over a range of retention periods from six months to two years. The balance of the intellectual property bonuses are recognised as an employee benefit asset.

R million	**2023**	2022
Leave pay liability	**299**	272
Non-discretionary bonus liability	**44**	42
Discretionary bonus liability	**238**	209
Retrenchment liability	**–**	107
TOTAL LIABILITY[1]	**581**	630
Intellectual property bonus asset[2]	**–**	–
TOTAL ASSET[1]	**–**	–
Reconciliation of leave pay liability		
Opening balance	**272**	249
Charge for the year	**169**	109
Liability utilised	**(161)**	(94)
Derecognition of carrying amount on loss of control of subsidiary	**–**	(2)
Foreign translation difference	**20**	11
Reclassification to liabilities directly associated with assets held for sale	**(1)**	(1)
CLOSING BALANCE	**299**	272
Reconciliation of non-discretionary bonus liability		
Opening balance	**42**	39
Charge for the year	**85**	82
Liability utilised	**(83)**	(79)
Derecognition of carrying amount on loss of control of subsidiary[1]	**–**	–
CLOSING BALANCE	**44**	42
Reconciliation of discretionary bonus liability		
Opening balance	**209**	198
Charge for the year	**228**	115
Liability utilised	**(208)**	(100)
Foreign translation difference	**10**	3
Reclassification to liabilities directly associated with assets held for sale	**(1)**	(7)
CLOSING BALANCE	**238**	209
Reconciliation of retrenchment liability		
Opening balance	**107**	–
Charge for the year	**(1)**	5
Liability transferred from share-based payment liabilities	**–**	107
Liability utilised	**(106)**	(5)
CLOSING BALANCE	**–**	107
Reconciliation of intellectual property bonus asset		
Opening balance	**–**	8
Settlements	**–**	–
Service cost for the year	**–**	(7)
Derecognition of carrying amount on loss of control of subsidiary	**–**	(1)
CLOSING BALANCE[2]	**–**	–

1 *The Group's classification of provision for bonuses, accrued leave and retrenchments was changed to better reflect the nature of the accounts. These are no longer included under provisions and insurance and other payables.*

2 *Due to rounding, the amount relating to intellectual property bonus asset has been excluded.*

Refer to note 40 for the current and non-current analysis of employee benefits.

Notes to the consolidated annual financial statements *continued*

34. Financial liabilities at fair value through profit and loss

Financial liabilities at fair value through profit or loss relate to the preference shares issued by OUTsurance and OUTsurance Life for the profit sharing arrangements. Profits arising from these arrangements are distributed by way of bi annual preference dividends payable bi-annually in February and August by OUTsurance and annually in August by OUTsurance Life. The preference dividend attributable to the profit share for the year is recognised in profit or loss as a fair value adjustment to the liability. The portion of the unpaid preference dividend at 30 June is recognised as a financial liability at fair value through profit or loss.

R million	**2023**	2022
Shareholders for preference dividends on profit share arrangement	**112**	72

Refer to note 3.3.1 for a reconciliation of the opening and closing balance.

Refer to note 40 for the current and non-current analysis of shareholders for preference dividends.

35. Insurance and other payables

R million	**2023**	2022
Insurance related payables		
Due to intermediaries	**9**	7
Due to reinsurers	**587**	1 078
Other payables	**14**	3
Non-insurance related payables		
Trade creditors	**97**	31
Other payables and accruals	**542**	377
Indirect tax on debtors	**619**	520
Indirect tax liability	**158**	75
Stamp duty payable	**154**	108
Third party payroll provisions and accruals	**187**	199
TOTAL INSURANCE AND OTHER PAYABLES[1]	**2 367**	2 398

1 The Group's classification of provision for bonuses, accrued leave and retrenchments was changed to better reflect the nature of the accounts. These are no longer included under provisions and insurance and other payables, but under employee benefits.

The carrying amount of payables approximates the fair value. Refer to note 40 for the current and non-current analysis of payables.

36. Financial liabilities at amortised costs

R million	**2023**	2022
Movement Analysis		
Opening balance for the year	**–**	–
Drawdown of loan facility	**–**	245
Repayment of loan facility	**–**	(245)
CLOSING BALANCE FOR THE YEAR	**–**	–

The Group has a revolving credit facility in place to assist with additional funding for strategic investments of the Group. The amount available under the revolving credit facility for the current and prior financial year was R1 billion.

The interest charged on any drawdown of the facility is calculated on the relevant quarterly JIBAR plus a margin of 160bps. Interest is split and payable equally to each lender.

A commitment fee is charged on the available facility and interest is charged at a rate per annum compounded quarterly on the amount drawdown.

During the prior financial year, there was an amount drawdown and repaid in the same year. No drawdowns have been made in the current financial period.

The revolving credit facility was revised and the amount available under the new facility increased to R1.350 billion with the interest rate changing to JIBAR plus a margin of 145bps.

37. Cash flows from operating activities

R million	2023	2022
Reconciliation of profit before taxation to cash generated from operations:		
Profit before taxation (including profit from discontinued operations)	**4 776**	23 963
Adjusted for:		
Profit on sale of associate	**(57)**	(4 513)
Gain on distribution of associates	**–**	(14 365)
Recycling of OCI to the income statement	**–**	(1 430)
Loss on sale of property and equipment	**1**	1
Foreign currency movements	**(690)**	(289)
Equity accounted earnings – Continuing operations	**(20)**	(27)
Equity accounted earnings – Discontinued operations	**–**	(1 023)
Depreciation – Property and equipment	**103**	107
Depreciation – Right of use asset	**45**	48
Amortisation of intangible assets	**34**	29
Service cost relating to intellectual property	**–**	6
Intellectual property bonuses paid	**(44)**	(102)
Provisions	**(49)**	22
Share option expenses	**429**	275
Cash paid in terms of share option liability	**(95)**	(80)
Investment income	**(1 119)**	(661)
Finance costs	**51**	440
Termination of leases	**–**	(11)
Net fair value losses on assets at fair value through profit or loss	**(12)**	41
Fair value adjustment to financial liabilities	**40**	(14)
Purchase of treasury shares of subsidiary by share scheme participants	**228**	376
Purchase of treasury shares of subsidiary by share trust from share scheme participants	**(247)**	(183)
Other non-cash items	**22**	(75)
Changes in insurance balances		
Gross provision for unearned premiums	**2 448**	1 508
Reinsurers' share of provisions for unearned premiums	**211**	(267)
Provision for cash bonus on insurance contracts	**601**	532
Cash bonus paid on insurance contracts	**(537)**	(521)
Insurance contracts	**1 268**	450
Deferred acquisition costs	**(299)**	(168)
Investment contracts	**1 167**	27
Changes in working capital		
Current receivables and prepayments	**(1 698)**	(1 059)
Current payables and provisions	**(31)**	856
CASH GENERATED FROM OPERATIONS	**6 526**	3 893

38. Taxation paid

R million	2023	2022
Taxation payable – opening balance	**(160)**	(116)
Charge to profit or loss	**(1 431)**	(1 072)
Adjustment for deferred tax charge	**(75)**	(157)
Taxation payable – closing balance	**352**	160
TAXATION PAID	**(1 314)**	(1 185)

39. Preference dividends paid

R million	2023	2022
Preference dividends unpaid at the beginning of the year	(72)	(86)
Preference dividend charged to the statement of profit or loss in respect of profit share arrangements	(196)	(147)
Preference dividend unpaid at the end of the year	112	72
PREFERENCE DIVIDEND PAID	(156)	(161)

40. Current/non-current split of amounts recognised on the statement of financial position

The analysis shows the current/non-current split of assets and liabilities based on the expected contractual maturities thereof. Items classified as current have expected or contractual maturities within the next twelve months. Non-current items are expected or will legally mature in longer than twelve months. Equity instruments are considered to have no contractual maturity.

R million	Carrying amount	Current	Non-current
30 June 2023			
ASSETS			
Property and equipment[1]	1 198	–	1 198
Intangible assets[1]	237	–	237
Right of use assets[1]	65	–	65
Investment in associates[1]	788	–	788
Reinsurers' share of insurance contract liabilities	1 537	706	831
Deferred acquisition costs	980	980	–
Financial assets			
Fair value through profit or loss	4 751	2 211	2 540
Fair value through other comprehensive income	6 427	6 036	391
Amortised cost	11 267	11 167	100
Derivative financial instruments – assets	9	9	–
Deferred income tax[1]	537	29	508
Insurance and other receivables	6 562	6 464	98
Tax receivable	10	10	–
Assets held for sale	402	402	–
Cash and cash equivalents	1 675	1 675	–
TOTAL ASSETS	36 445	29 689	6 756
LIABILITIES			
Insurance contract liabilities	16 401	13 503	2 898
Derivative financial instrument	81	4	77
Investment contract liability	1 231	–	1 231
Lease Liability	80	36	44
Share-based payment liability	635	340	295
Employee benefits	581	581	–
Deferred income tax[1]	23	8	15
Financial liabilities at fair value though profit or loss	112	112	–
Tax liabilities	362	361	1
Liabilities directly associated with assets held for sale	71	71	–
Insurance and other payables	2 367	2 367	–
TOTAL LIABILITIES	21 944	17 383	4 561

1 *The order of liquidity for these line items was amended and aligned between OGL and OHL to correctly reflect their maturity profile in the Statement of financial position. The above note was updated accordingly.*

40. Current/non-current split of amounts recognised on the statement of financial position *continued*

R million	Carrying amount	Current	Non-current
30 June 2022			
ASSETS			
Property and equipment[1]	1 065	–	1 065
Intangible assets[1]	236	–	236
Right of use assets[1]	70	5	65
Investment in associates[1]	692	–	692
Reinsurers' share of insurance contract liabilities	2 765	2 323	442
Deferred acquisition costs	681	681	–
Financial assets			
Fair value through profit or loss	3 573	1 952	1 621
Fair value through other comprehensive income	5 700	5 317	383
Amortised cost	7 233	7 011	222
Derivative financial instruments – assets	68	8	60
Deferred income tax[1]	425	21	404
Insurance and other receivables	4 858	4 672	186
Tax receivable	3	3	–
Assets held for sale	503	503	–
Cash and cash equivalents	2 508	2 508	–
TOTAL ASSETS	30 380	25 004	5 376
LIABILITIES			
Insurance contract liabilities	13 638	11 667	1 971
Derivative financial instrument	6	6	–
Investment contract liability	64	64	–
Lease Liability	82	36	46
Share-based payment liability	297	93	204
Employee benefits	630	593	37
Deferred income tax[1]	29	4	25
Financial liabilities at fair value though profit or loss	72	72	–
Tax liabilities	163	163	–
Liabilities directly associated with assets held for sale	49	49	–
Insurance and other payables	2 398	2 398	–
TOTAL LIABILITIES	17 428	15 145	2 283

1 *The order of liquidity for these line items was amended and aligned between OGL and OHL to correctly reflect their maturity profile in the Statement of financial position. The above note was updated accordingly.*

41. Related party transactions

The Group defines related parties as:

- The principal shareholders are Remgro Limited and Royal Bafokeng Holdings Proprietary Limited (2022: Remgro Limited and Royal Bafokeng Holdings Proprietary Limited). Details of major shareholders are disclosed in the directors' report.
- Key management personnel such as the OUTsurance Group Limited Board of directors, the OUTsurance Holdings executive committee.

Subsidiaries

Details of investments in subsidiaries are disclosed in note 20.

Transactions between OUTsurance Group Limited and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

Associates

Details of investments in associates are disclosed in note 21.

Notes to the consolidated annual financial statements *continued*

41. Related party transactions *continued*

For the year under review, the OUTsurance Group Limited entered into arms-length transactions with related parties:

R million	2023	2022
Transactions with related parties		
Principal shareholders		
Dividends paid	**678**	1 290
Dividends in specie distributed	**–**	15 523
Associates		
Income statement effect:		
RMI Investment Managers Group associates		
Dividend received	**60**	27
Blue Zebra Insurance Proprietary Limited		
Dividend received	**10**	1
Commission paid[5]	**(85)**	(18)
Hastings Group Holdings plc[1]		
Dividend received	**–**	216
Discovery Health[1]		
Medical aid premiums paid	**–**	(122)
Momentum Metropolitan Holdings Limited[1]		
Dividend received	**–**	140
Medical aid premiums paid	**–**	(8)
Pension fund contribution	**–**	(107)
Group life premiums paid	**–**	(12)
Disability fee paid	**–**	(12)
OUTsurance Insurance Company of Namibia Limited[2]		
Dividend received	**4**	25
Administration fees received	**–**	20
Discovery Limited[1]		
Investment income received	**–**	4
Key management personnel		
Remuneration		
Salaries and bonuses	**148**	123
Non-executive directors fees	**9**	6
Non-executive directors fees subsidiaries	**10**	9
Other short-term employee benefits	**7**	6
Share-based payments expense for the year[2]	**126**	79
Value of share appreciation rights vesting	**–**	89
Severance expense	**–**	72
	300	384
Insurance related transactions		
Premiums received	**3**	1
Claims paid[2]	**–**	–
Year end balances with key management personnel		
Share-based payment liability[3]	**198**	**88**
Transactions of OGL's key management with associates of the Group		
Opening balance of investment products	**–**	794
Investment products with associate unbundled as it is no longer a related party	**–**	(794)
Year end balances with related parties		
Unsecured loan to associate net of ECL of R0.3 million (2022: R0.3 million)	**4**	4
Coreshares Index Tracker Managers (RF) Pty Ltd		
Collective Investment Scheme	**154**	142
Blue Zebra Insurance Proprietary Limited		
Commission payable[5]	**(66)**	(23)
Autoguru Australia (Pty) Limited		
Convertible loan	**9**	4

1 *Hastings (sold), Discovery (unbundled) and Momentum (unbundled) were considered related parties for a portion of the prior financial year until it was sold/unbundled.*

2 *OUTsurance Insurance Company of Namibia Limited was considered a related party for a portion of the current financial year until it was sold in September 2022.*

3 *The prior financial year was updated to present the expense for the financial year as opposed to the value of the share-based payment liability as at 30 June 2022. The share-based payment liability is presented separately under the year end balances with key management personnel.*

4 *Current and prior financial year amounts rounded out.*

5 *Amounts relating to Blue Zebra Insurance Proprietary Limited in its capacity as a broker channel were included in the current financial year. The prior financial year was updated for comparability.*

41. Related party transactions *continued*

During the prior financial year OUTsurance International (Pty) Ltd (OUTsurance International) issued a guarantee to the Common Wealth Bank of Australia for the loan obtained by the Youi ESOP trust to fund the shares issued to employees. OUTsurance International has full recourse against employees who default on their loan repayments. As part of the guarantee OUTsurance International also provided a cash collateral in advance to the value of 20% of the loan facility amount. The cash collateral is included in cash and cash equivalents. The fair value of the guarantee of R6.7 million is deemed to be immaterial.

All related party transactions are entered into on an arm's length basis.

Remuneration

Prescribed officers' and directors' emoluments for the year ended 30 June is as follows:

R'000[1]	Services as directors	Cash package	Performance related bonus	Other benefits[7]	Benefit derived from share incentive scheme	Total
2023						
Non-executive directors						
HL Bosman[2,3]	466	4 527	–	321	–	5 314
JJ Durand[3,6]	537	–	–	–	–	537
JP Burger	556	–	–	–	–	556
P Cooper[4]	106	–	–	–	–	106
DA Frankel[4]	106	–	–	–	–	106
B Hanise[5]	577	–	–	–	–	577
AW Hedding[5]	577	–	–	–	–	577
A Kekana[6]	325	–	–	–	–	325
F Knoetze (alternate)	–	–	–	–	–	–
P Lagerström[4]	173	–	–	–	–	173
UH Lucht (alternate)[6]	16	–	–	–	–	16
MM Mahlare	325	–	–	–	–	325
GL Marx[5]	741	–	–	–	–	741
ET Moabi[5]	650	–	–	–	–	650
MM Morobe	384	–	–	–	–	384
SV Naidoo[5]	577	–	–	–	–	577
RSM Ndlovu[5]	527	–	–	–	–	527
K Pillay[5]	718	–	–	–	–	718
ME Ramathe[5]	151	–	–	–	–	151
WT Roos[5]	367	–	–	–	–	367
JA Teeger	351	–	–	–	–	351
JE van Heerden[5]	577	–	–	–	–	577
Executive directors and prescribed officers						
Executive directors						
MC Visser[2]	–	6 785	7 493	–	5 876	20 154
JH Hofmeyr[2]	–	5 678	5 700	–	6 617	17 995
Prescribed officer						
DH Matthee[5]	–	5 849	6 144	–	4 649	16 642
TOTAL	**8 807**	**22 839**	**19 337**	**321**	**17 142**	**68 446**

1 Directors remuneration has been rounded to R'000 to better present the fees paid to each director.
2 Mr Bosman is no longer an executive director effective from 30 November 2022. Messrs Visser and Hofmeyr were appointed as executive directors on 8 November 2022.
3 Mr Bosman replaced Mr Durand as chairman effective from 1 December 2022.
4 Resigned on 8 November 2022.
5 Appointed on 8 November 2022.
6 Directors' fees for services rendered by Mr Durand was paid to Remgro and for Mr Lucht and Ms Kekana were paid to Royal Bafokeng for their time spent on the OGL Board.
7 'Other benefits' comprise pension fund, provident fund and medical aid contributions.

41. Related party transactions *continued*

Remuneration *continued*

Schedule of directors' emoluments paid for services rendered to OGL in respect of the year ended 30 June 2022:

R'000	Services as director	Cash package	Other benefits[1]	SARs exer-cised during the year	Fair value of vested instru-ments	Fair value of unves-ted pro-rated instru-ments	Sever-ance payment	Total 2022
Executive								
HL Bosman[2]	–	10 652	1 373	31 878	16 347	40 915	71 893	173 058
– Paid by OGL	–	11 873	1 530	–	–	–	–	13 403
– Recovered from RMH	–	(1 221)	(157)	–	–	–	–	(1 378)
– Value of share appreciation rights vesting	–	–	–	31 878	16 347	40 915	–	89 140
– Severance payment	–	–	–	–	–	–	71 893	71 893
Non-executive								
JJ Durand[3]	622	–	–	–	–	–	–	622
JP Burger	411	–	–	–	–	–	–	411
P Cooper	293	–	–	–	–	–	–	293
SEN De Bruyn[4]	162	–	–	–	–	–	–	162
LL Dippenaar[5]	205	–	–	–	–	–	–	205
DA Frankel (alternate)	293	–	–	–	–	–	–	293
PK Harris[4]	114	–	–	–	–	–	–	114
A Kekana[3]	293	–	–	–	–	–	–	293
F Knoetze (alternate)	–	–	–	–	–	–	–	–
P Lagerström	477	–	–	–	–	–	–	477
UH Lucht (alternate)	22	–	–	–	–	–	–	22
MM Mahlare	293	–	–	–	–	–	–	293
MM Morobe	406	–	–	–	–	–	–	406
RT Mupita[3,4]	114	–	–	–	–	–	–	114
O Phetwe[4]	114	–	–	–	–	–	–	114
JA Teeger	367	–	–	–	–	–	–	367
TOTAL	4 186	10 652	1 373	31 878	16 347	40 915	71 893	177 244

1 *'Other benefits' comprise pension fund, provident fund and medical aid contributions.*
2 *Mr Bosman's executive remuneration is paid for by OGL. A portion of his remuneration is recovered from RMH.*
3 *Directors' fees for services rendered by Messrs Durand and Mupita and Ms Kekana were paid to Remgro, MTN and Royal Bafokeng respectively for their time spent on the OGL board.*
4 *Resigned on 24 November 2021.*
5 *Resigned on 14 March 2022.*
6 *There were no other services rendered by non-executive directors to OGL.*

41. Related party transactions *continued*

Remuneration *continued*

The impact of Mr Bosman's remuneration on the statement of profit or loss is outlined below:

R'000	Total amount 30 June 2022	Amount accrued in prior years[1]	Amount included in 30 June 2022 expenses
Cash package	10 652	–	10 652
Other benefits	1 373	–	1 373
Instruments exercised during the year	31 878	9 211	22 667
Fair value of vested instruments[2]	16 347	5 489	10 858
Fair value of unvested pro-rated instruments[2]	40 915	6 026	34 889
Severance payment	71 893	–	71 893
TOTAL	173 058	20 726	152 332

1 *The value of share appreciation rights vesting in the following year have been included in the disclosure of Mr Bosman's total remuneration in prior years.*

2 *The total of these amounts of R57 262 was payable to Mr Bosman on his last day of employment being 30 November 2022. This amount has been provided for in the statement of financial position as at 30 June 2022.*

Directors' participation in OGL'S share schemes

OGL share appreciation rights

R'000	Strike price (cents)	Vesting date	Balance 1 July 2021 000's	Issued 000's	Exercised 000's	Exercised (payable on 30 November 2022 000's	Balance 30 June 2022 000's	Benefit derived R000's
HL Bosman	2 874	02/04/2017	631	–	(631)	–	–	10 626
HL Bosman	2 874	02/04/2018	631	–	(631)	–	–	10 626
HL Bosman	2 874	02/04/2019	631	–	(631)	–	–	10 626
HL Bosman	4 125	14/09/2018	27	–	–	(27)	–	240
HL Bosman	4 125	14/09/2019	27	–	–	(27)	–	240
HL Bosman	4 125	14/09/2020	26	–	–	(26)	–	239
HL Bosman	4 341	14/09/2019	167	–	–	(167)	–	1 688
HL Bosman	4 341	14/09/2020	167	–	–	(167)	–	1 688
HL Bosman	4 341	14/09/2021	167	–	–	(167)	–	1 688
HL Bosman	3 992	19/09/2020	179	–	–	(179)	–	2 511
HL Bosman	3 992	19/09/2021	180	–	–	(180)	–	2 511
HL Bosman	3 992	18/03/2022	180	–	–	(180)	–	2 256
HL Bosman	3 947	14/09/2021	249	–	–	(249)	–	5 542
HL Bosman	3 947	18/03/2022	249	–	–	(249)	–	4 859
HL Bosman	3 947	18/03/2022	250	–	–	(250)	–	3 885
HL Bosman	3 091	18/03/2022	130	–	–	(130)	–	4 349
HL Bosman	3 091	18/03/2022	130	–	–	(130)	–	3 258
HL Bosman	3 091	18/03/2022	131	–	–	(131)	–	2 592
HL Bosman	2 937	18/03/2022	355	–	–	(355)	–	6 125
HL Bosman	2 937	18/03/2022	355	–	–	(355)	–	4 568
HL Bosman	2 937	18/03/2022	355	–	–	(355)	–	3 622
HL Bosman	3 598	18/03/2022	–	547		(547)	–	2 375

41. Related party transactions *continued*

Remuneration *continued*

Directors' participation in OGL'S share schemes *continued*

OGL share appreciation rights *continued*
The below table sets out the nil cost options awarded to the CEO:

Participant	Strike price (cents)	Vesting date	Balance 1 July 2021 000's	Issued 000's	Exercised 000's	Exercised (payable on 30 November 2022 000's	Balance 30 June 2022 000's	Benefit derived R000's
HL Bosman	–	18/03/2022	–	288	–	(288)	–	3 026

OGL management ownership participation structure

Participant	Investment	Number of shares	Percentage of investment	Hurdle rate	Value R000's
HL Bosman	RMI IM	2 484	1.4%	Prime	–
HL Bosman	RMI Invest One (Merchant Capital)	389	3.51%	Prime	–
HL Bosman	RMI Invest Two (Entersekt)	513	3.71%	Prime	–
HL Bosman	RMI Invest Three (Prodigy)	1 787	3.67%	Prime	–
HL Bosman	RMI Invest Four (Guidepost)	485	3.64%	Prime	–
HL Bosman	AlphaCode (Luno)	370	3.65%	Prime	–

41. Related party transactions *continued*

Remuneration *continued*

Directors' and prescribed officers' participation in Group share incentive schemes *continued*

OUTsurance Holdings share incentive schemes

		Strike price Rand	Issue date	Vesting period (years)	Final exercise date	Settlement type	Opening balance – 1 July 2022 Number of notional shares/ options	Exercised during the financial year	Granted in current year	**Closing balance – 30 June 2023 Number of notional shares/ options**	Amount settled – Rand
MC Visser	OHL Group	9.52	2019/09/01	3	2022/09/01	Cash	2 418 000	(2 418 000)	–	**–**	5 875 740
	OHL Group	9.47	2020/09/01	3	2023/09/01	Cash	2 901 600	–	–	**2 901 600**	–
	OHL Group	10.55	2021/09/01	3	2024/09/01	Cash	2 901 600	–	–	**2 901 600**	–
	OHL Group	11.95	2022/09/01	3	2025/09/01	Cash	–	–	2 901 600	**2 901 600**	–
	Total OHL Group									**8 704 800**	
DH Matthee	OHL Group	9.52	2019/09/01	3	2022/09/01	Cash	1 913 000	(1 913 000)	–	**–**	4 648 590
	OHL Group	9.47	2020/09/01	3	2023/09/01	Cash	2 295 600	–	–	**2 295 600**	
	OHL Group	10.55	2021/09/01	3	2024/09/01	Cash	2 295 600	–	–	**2 295 600**	–
	OHL Group	11.95	2022/09/01	3	2025/09/01	Cash	–	–	2 295 600	**2 295 600**	–
	Total OHL Group									**6 886 800**	
JH Hofmeyr	OHL Group	9.52	2019/09/01	3	2022/09/01	Cash	1 579 347	(1 579 347)	–	**–**	3 837 813
	OHL Group	9.47	2020/09/01	3	2023/09/01	Cash	1 946 488	–	–	**1 946 488**	
	OHL Group	10.55	2021/09/01	3	2024/09/01	Cash	2 295 600	–		**2 295 600**	–
	OHL Group	11.95	2022/09/01	3	2025/09/01	Cash	–	–	2 295 600	**2 295 600**	–
	Total OHL Group									**6 537 688**	
	Youi Holdings	A$0.45	01/07/2028 – 01/07/2019	3 – 5	2024/09/01	Equity	5 250 000	(300 000)	–	**4 950 000**	623 381
	CloudBadger Technologies	99.88	2019/07/01	1 – 4	2023/09/01	Equity	19 600[1]	(9 100)	–	**10 500**	2 155 734

1 *The opening number of options was updated to reflect the appropriate 2022 closing balance.*

41. Related party transactions *continued*

Remuneration *continued*

Directors' and prescribed officers' participation in Group share incentive schemes *continued*

OUTsurance Holdings share incentive schemes *continued*

	DIS Incentive Unit				
Issue date	OUTsurance Business 2019/07/01	OUTsurance Life 2019/07/01	Youi Commercial and BZI 2019/07/01	Youi CTP 2019/07/01	**Total intrinsic value**
DIS unit value at issue date	–	–	–	–	
Vesting term	5 – 7 years	5 – 7 years	5 – 7 years	5 – 7 years	
Latest exercise date	2029/07/01	2029/07/01	2029/07/01	2029/07/01	
DIS intrinsic unit value at 30 June 2023	(92.84)	(23.22)	149.00	26.00	
DIS intrinsic unit value at 30 June 2022	(60.90)	5.18	16.30	17.65	
DIS intrinsic unit value at 30 June 2021	(27.90)	(16.31)	14.87	13.86	
Executive interest – current intrinsic value					
MC Visser					
Number of units	75 000	75 000	75 000	75 000	
30 June 2023 intrinsic value – Rand	(6 960 000)	(1 741 500)	11 175 962	1 947 327	**4 421 788**
DH Matthee					
Number of units	125 000	125 000	25 000	25 000	
30 June 2023 intrinsic value – Rand	(11 600 000)	(2 902 500)	3 725 321	649 109	**(10 128 071)**
JH Hofmeyr					
30 June 2023 intrinsic value – Rand	75 000	75 000	75 000	75 000	
Intrinsic value – Rand	(6 960 000)	(1 741 500)	11 175 962	1 947 327	**4 421 788**

The above individuals have been granted rights to participate in the Divisional Incentive Scheme as follows:

- MC Visser
  - 7.5% participation in the OUTsurance Business and OUTsurance Life/OUTvest schemes.
  - 7.5% participation in the Youi schemes.
- JH Hofmeyr
  - 7.5% participation in the OUTsurance Business and OUTsurance Life/OUTvest schemes.
  - 7.5% participation in the Youi schemes.
- DH Matthee
  - 12.5% participation in the OUTsurance Business and OUTsurance Life/OUTvest schemes.
  - 2.5% participation in the Youi schemes.

42. Events after the reporting period, contingencies and commitments

Events after the reporting period

Dividend

The board of directors approved the declaration of an ordinary dividend of 78.0 cents per share and a special dividend of 8.5 cents per share on 15 September 2023, payable on 9 October 2023. This is a non-adjusting event.

Assets held for sale

The agreement to sell, subject to Competition Commissioner approval, of the RMI Investment Managers Group's assets and liabilities classified as held for sale was concluded in September 2023. This is a non-adjusting event.

There are no other matters which are material to the financial affairs of the Group that occurred between the reporting date and date of the approval of the financial statements.

Contingent liabilities and contingent assets

OGL guaranteed a liability of one of its associates, limited to a maximum amount of R28 million (2022: R28 million). This associate has been sold during the current financial year and as a result the guarantee lapsed. The Group has no other contingent liabilities and contingent assets in place.

Commitments

Details of the Group's obligations in respect of leases can be found in note 31.

43. Re-presentation of comparatives

R million	Amount as previously reported	Amount as re-presented	Difference	Explanation for re-presentation
30 June 2022				
Consolidated statement of profit or loss				
Gross claims paid	(13 352)	(13 902)	(550)	The provision for non-claims bonuses disclosed separately in the past is now included in the gross policyholder benefits under insurance contracts line to align with IFRS 17. The comparative information has been re-presented.
Provision for non-claims bonuses	(550)	–	550	
Consolidated statement of financial position				
Insurance and other payables	2 777	2 398	(379)	The Group's classification of provision for bonuses, accrued leave and retrenchments was changed to better reflect the nature of the accounts. These are no longer included under provisions and insurance and other payables, but under employee benefits.
Employee benefits	251	630	379	
Financial assets				The split of financial assets are presented per IFRS9 category, without a further split between debt and equity instruments to declutter the face of the consolidated statement of financial position. Comparative information was adjusted accordingly.
Equity securities				
– fair value through profit or loss	1 536			
– fair value through other comprehensive income	383			
Debt securities				
– fair value through profit or loss	2 037			
– fair value through other comprehensive income	5 317			
– amortised cost	7 233			
Financial assets				
Fair value through profit or loss		3 573		
Fair value through other comprehensive income		5 700		
Measured at amortised cost		7 233		
Statement of changes in equity				
Retained earnings	125	(212)	(337)	In the prior financial years, equity accounted earnings net of dividends received were transferred to equity accounted reserves. As a result of the change in accounting policy, only the Group's percentage of post-acquisition movement in reserves other than retained earnings are included in equity accounted reserves.
Equity accounted reserves	(309)	28	337	
Other reserves	420	(139)	(559)	The foreign currency translation reserve and share-based payments reserve were split out of other reserves and disclosed separately.
Foreign currency translation reserve	–	545	545	
Share-based payments reserve	–	14	14	

44. Summary of significant accounting policies

The accounting policies were consistent with that of the prior financial year, unless where stated under the relevant accounting policy.

44.1 Consolidated annual financial statements

The consolidated annual financial statements include the assets and liabilities of the holding company and all of its subsidiary companies. The results of the OUTsurance Holdings Share Trust are also fully consolidated.

44.1.1 Subsidiary companies

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated annual financial statements from the date that control commences until the date that control ceases.

44.1.2 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated annual financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

44.1.3 Non-controlling interest

Non-controlling interest can be measured at either:

- the proportionate share in the fair value of the identifiable net assets of the subsidiary at acquisition date; or
- fair value at acquisition date.

This measurement choice is applied at acquisition date per business combination transaction.

Non-controlling interest is presented in the group statement of financial position within equity, separately from the equity of the owners of the company. Profit or loss and each component of other comprehensive income are attributed to the owners of the group and to the non-controlling interests in proportion to their relative holdings even if this results in the non-controlling interest having a deficit balance.

Non-controlling interests are treated as equity participants of the subsidiary company. Therefore, all transactions of the Group with non-controlling interests in their capacity as owners, where there is no change in control, are treated as transactions within equity. In such transactions, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity in the "Transactions with non-controlling interests" reserve and attributed to the owners of the Group. Gains and losses on disposals to non-controlling interests are also recorded in equity.

44. Summary of significant accounting policies *continued*

44.1 Consolidated annual financial statements *continued*

44.1.4 Separate annual financial statements

Interests in subsidiary companies in the company financial statements are shown at cost less any required impairment. In OGL's separate financial statements, investments in subsidiaries and associates are carried at cost, which includes transaction costs, less impairment.

Interests in associates are accounted for at cost less any impairment in the company financial statements. The carrying amounts are reviewed annually for impairment.

44.1.5 Associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Significant influence is the power to participate in the financial and operating policy decisions of the investee, without having control. The indicators that the group use in this assessment is representation on the board of directors of the investee, participation in policy-making processes, including participation in decisions about dividends and other distributions, material transactions with the investee company, interchange of managerial personnel and provision of essential technical information.

Investments in associates are accounted for using the equity method of accounting, from the effective date of acquisition to the effective date of disposal. The investment is initially recognised at cost. For acquisition of an associate in stages the Group follow a cost approach by accumulating the cost of all purchases (including transaction costs), to determine the amount of the investment. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss. The Group assesses at each reporting period whether there is objective evidence that an associate or joint venture is impaired. If such evidence of impairment exists, the entire carrying amount, including the goodwill, is tested for impairment in terms of IAS 36.

The Group's share of its associates' earnings is recognised in profit or loss and its share of associates' other comprehensive movements is accounted for in the group's other comprehensive income. The group's share of associates' movement in other equity is accounted for directly in equity. The cumulative post acquisition movements are adjusted against the carrying amount of the investment.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments were made to the accounting policies of associates to ensure consistency with the policies adopted by the Group.

44.1.6 Changes in ownership interest

When the group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

44.2 Classification of insurance contracts

Contracts issued by the Group are governed by the relevant insurance legislation of the country in which the Group operates. Contracts under which the Group accepts significant insurance risk from another party (the policyholder), by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary, are classified as insurance contracts.

The classification of contracts is performed at the inception of each contract. The classification of the contract at inception remains the classification of the contract for the remainder of its lifetime unless the terms of the contract change to such an extent that it necessitates a change in classification.

44. Summary of significant accounting policies *continued*

44.3 Recognition and measurement of insurance contracts

44.3.1 Short-term insurance

Short-term insurance provides benefits under short-term policies, typically one year or less, under which the Group accepts significant insurance risks from the policyholder if the policyholder incurs losses relating to uncertain future events such as mechanical breakdown of equipment, theft, fire, weather-related events, fraud, third party claims, accidents etc.

44.3.1.1 Premiums

Gross premiums written comprise the premiums on insurance contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are disclosed gross of commission to intermediaries and exclude Value Added Tax. Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance business assumed. The earned portion of premiums received is recognised as revenue. Premiums relating to a future accounting period are included in unearned premium provision and are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten. Outward reinsurance premiums are recognised as an expense in accordance with the pattern of indemnity received.

Gross premium includes insurance related fee income which relates to policy fees and take-on fees charged in the ordinary course of the underwriting of short-term insurance policies.

44.3.1.2 Premium receivable

Premium receivable constitutes premiums for which the collection date has passed but the premium has not yet been received.

The majority of the premium receivable balance relates to premiums under a one-year contract boundary for which a corresponding unearned premium provision has been raised.

The balance of premiums receivable for collections due, after eliminating the premium debtor referred to above (with the corresponding unearned premium reserve), is immaterial. The Group has formalised procedures in place to collect or recover these amounts. Full impairment is made for non-recoverability as soon as management is uncertain as to the recovery.

44.3.1.3 Unearned premium provision

All short-term insurance contracts have even risk profiles. The provision for unearned premiums represents the proportion of the current year's premiums written that relate to risk periods extending into the following year, computed separately for each insurance contract using the 365th method. The only exception to the 365th method is CAS risks, where an earnings curve is deployed and utilised due to the fact that the exposure may be up to three years.

44.3.1.4 Insurance contract claims incurred

Claims incurred consist of claims and claims handling expenses paid during the financial year together with the movement in the provision for outstanding claims. Claims outstanding comprise provisions for the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not. Estimates are calculated based on the most recent cost experience of similar claims and includes an appropriate risk margin for unexpected variances between the actual cost and the estimate. Where applicable, deductions are made for salvage and other recoveries. Salvage proceeds are generated upon the successful salvage of damaged insured items after the settlement of the underlying claim. Recoveries are settlements from third parties as a result of involvement in a claim incident for which the third party is responsible. Recoveries are disclosed net of liabilities where the Group settles a third-party claim on behalf of the customer, where the customer is responsible for causing a loss to a third party. Whilst the directors consider that the gross provisions for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided.

Adjustments to the amounts of claims provisions established in prior financial years are reflected in the financial statements for the period in which the adjustments are made and disclosed separately.

44. Summary of significant accounting policies *continued*

44.3 Recognition and measurement of insurance contracts *continued*

44.3.1 Short-term insurance *continued*

44.3.1.5 Claims provisions

Provision is made for the estimated final costs of:

- claims notified but not settled at year end, using the best information available at that time; and
- claims incurred at year end but not reported until after that date (IBNR), using historical experience and the best information available at the time.

Estimates provide for inflation, claims handling expenses as well as a risk margin to allow for the uncertainty in the development of such claims estimates.

Claims handling expenses include all costs directly attributable to the administration of an insurance claim and includes the cost of claims assessments.

44.3.1.6 Commission and insurance related fee income

Insurance related fee income is linked to specific actions such as the inception and renewal of policies and the collection of premiums and is recognised when these actions have been fulfilled in the course of providing and administering insurance products. Commission income relates to commission earned on the placement of reinsurance treaties and is recognised on the placement of these treaties and is recognised in profit or loss over the period of the related direct insurance business assumed.

44.3.1.7 Reinsurance

The Group cedes reinsurance in the normal course of business to limit its net loss potential through the diversification of its risks. Reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders. Premiums ceded and claims reimbursed are presented separately from the gross amounts. Only reinsurance agreements that give rise to a significant transfer of insurance risk are accounted for as reinsurance contracts. Amounts recoverable under such reinsurance contracts are recognised in the same financial year as the related claim. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after initial recognition, that the Group may not recover all amounts due and that the impact of the event on the amounts that the Group will receive from the reinsurer can be measured. Objective evidence that a reinsurance asset is impaired includes observable data that comes to the attention of the Group about the following events:

- Significant financial difficulty of the reinsurer;
- A breach of contract, such as a default or delinquency in payments; or
- It is becoming probable that the reinsurer will enter bankruptcy or other financial reorganisation.

Reinsurance assets are held on the statement of financial position in connection with outstanding claims provisions at the amount of the expected recovery that will be made once the outstanding claim is finalised.

44.3.1.8 Liabilities adequacy test for unexpired risk liabilities

At the end of the reporting period, the adequacy of the unearned premium liabilities is assessed against the present value of the expected future cash flows resulting from potential future claims relating to unexpired periods of insurance contracts in force at the end of the reporting period, plus an additional risk margin to reflect the inherent uncertainty of the central estimate (liability adequacy test).

If the unearned premium liabilities, less deferred acquisition costs, are deficient, then the resulting deficiency is recognised immediately in profit or loss. Reinsurance is taken into account, where appropriate.

The deficiency is recognised first by writing off any deferred acquisition costs and thereafter any excess is recognised as unexpired risk liabilities in the statement of financial position.

44. Summary of significant accounting policies *continued*

44.3 Recognition and measurement of insurance contracts *continued*

44.3.1 Short-term insurance *continued*

44.3.1.9 Non-claims bonuses on insurance contracts

The Group provides for its contractual obligation per the contract of insurance to pay a non-claims bonus to a customer in the event that the customer remains claim free for a specified period of time. To derive the best estimate of the expected future cash flows, the non-claims bonus percentage per the contract of insurance is adjusted for the following factors:

- The bonus percentage is reduced to allow for the probability that the customer may claim (and hence forfeit eligibility for the OUTbonus) over the OUTbonus cycle.
- The bonus percentage is reduced to allow for the probability that the customer will cancel during the OUTbonus cycle.
- A risk margin is added to allow for the uncertainty relating to the above claims and lapse assumptions.
- Where the impact of discounting is considered to be material, the expected future obligation is discounted to the present value using an appropriate discount rate reflecting the time value of money.

44.3.2 Long-term insurance

Benefits are provided under long-term policies for life protector, underwritten life and funeral plan. Benefits are recorded as an expense when they are incurred.

44.3.2.1 Policyholder liabilities

Long-term insurance contracts are valued in accordance with the Financial Soundness Valuation (FSV) method as detailed in the Standard of Actuarial Practice (SAP) 104 issued by the Actuarial Society of South Africa (ASSA).

The FSV basis is a prospective, discounted cash flow basis calculated as the difference between the present value of future benefit payments and expenses and the present value of future premiums and investment income. The liability is based on assumptions of the best estimate of future experience, plus compulsory margins as prescribed by SAP 104. In addition to the compulsory margins, discretionary margins may be added to protect against possible future adverse experience.

Discretionary margins are specifically allowed for to zerorise negative reserves which may arise from the FSV calculation. Such a margin is allowed for after allowing for the acquisition costs as described in note 29.4.

The zerorisation of negative reserves ensures that profit and risk margins allowed for in premium income are not recognised before it is probable that future economic benefits will flow to the entity.

The compulsory and discretionary margins allowed for in the measurement of the liability are contained in note 29.4.

Refer to note 29.5 for the calculation basis and the specific assumptions used to calculate the policyholder liabilities.

44.3.2.2 Premiums

Gross premiums comprise the premiums as received on insurance contracts during the year. Premiums are disclosed before the deduction of commission.

Gross premium includes insurance related fee income which relates to policy fees and take-on fees charged in the ordinary course of the underwriting of long-term insurance policies.

44. Summary of significant accounting policies *continued*

44.3 Recognition and measurement of insurance contracts *continued*

44.3.2 Long-term insurance *continued*

44.3.2.3 Reinsurance

The Group cedes reinsurance in the normal course of business to limit its net loss potential through the diversification of its risks. Reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders. Premiums ceded and claims reimbursed are presented separately from the gross amounts. Only reinsurance agreements that give rise to a significant transfer of insurance risk are accounted for as reinsurance contracts. Amounts recoverable under such reinsurance contracts are recognised in the same year as the related claim. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after initial recognition, that the Group may not recover all amounts due and that the impact of the event on the amounts that the Group will receive from the reinsurer can be measured.

Reinsurance assets are held on the statement of financial position in connection with outstanding claims provisions at the amount of the expected recovery that will be made once the outstanding claim is finalised.

44.3.2.4 Insurance related fee income

Insurance related fee income is recognised when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the company and the contractual conditions for the rendering of the related service have been met. Insurance related fee income represents annual policy fees and where applicable, cancellation fees. This income is recognised when these actions have been fulfilled in the course of providing and administering insurance products.

44.3.2.5 Insurance contract claims incurred and outstanding

Insurance contract claims incurred relate to claims payments on long-term insurance contracts, which include death, disability, critical illness and retrenchment, and is charged to profit or loss on notification of a claim. The estimated liability for compensation owed to policyholders is based on the sum assured. Claims which have been reported but which are outstanding at the reporting date are recognised in insurance contract liabilities. Reinsurance recoveries are accounted for in the same period as the related claim.

Incurred but not reported claims is a provision made in the policyholders' liabilities under insurance contracts, on the statement of financial position, for the estimated cost at the end of the year for claims incurred but not reported at that date. These liabilities are not discounted due to the short-term nature of the outstanding claims.

44.3.2.6 Liability adequacy test

At each reporting date the adequacy of the insurance liabilities is assessed. If that assessment shows that the carrying amount of its insurance liabilities (as measured under the FSV basis) net of any related intangible present value of acquired in-force business (PVIF) assets is inadequate in light of the estimated future cash flows (based on the best estimate basis underlying the FSV basis, but excluding compulsory margins as described in SAP 104 as well as any additional discretionary margins), the deficiency is recognised immediately in profit or loss.

44.3.2.7 Non-claims bonuses on insurance contracts

The expected non-claims cash bonuses to be paid in the future to policyholders on fulfilment of certain claims-related conditions are taken into account in the FSV per SAP 104.

44. Summary of significant accounting policies *continued*

44.3 Recognition and measurement of insurance contracts *continued*

44.3.3 Deferred acquisition costs

44.3.3.1 Short-term insurance contracts

Directly attributable acquisition costs include advertising and other selling and underwriting costs incurred in generating insurance premium revenue. These acquisition costs are deferred as a deferred acquisition cost (DAC) asset and are amortised systematically over the contractual term of the policy.

Acquisition costs, which are all deferred, are recognised as an asset. The amount of the asset is limited to the amount by which the related unearned premiums exceed the present value of future expected claims plus settlement and policy maintenance costs relating to the policies in force at the reporting date. Where a shortfall exists, the DAC asset is written down and any remaining excess is recognised as unexpired risk liabilities in the statement of financial position.

Acquisition costs on policies with an effective contractual term of one month or less are expensed as incurred.

44.3.3.2 Long-term insurance contracts

Acquisition costs represent all costs directly attributable to the underwriting and acquiring of long-term insurance contracts. These costs are expensed as incurred.

The level of day one profits allowed in the form of negative rand reserves not zerorised is determined with reference to the costs directly attributable to acquiring a policy. The amount of directly attributable acquisition costs calculated is compared to the negative reserve available on each individual policy. Where the amount of directly attributable acquisition costs is greater than the negative reserve available on the policy, the available negative reserve is recognised in full. Where the amount of directly attributable acquisition costs is less than the negative reserve, the negative reserve recognised is limited to the amount of directly attributable acquisition costs.

44.4 Accounting for profit sharing arrangements

A profit sharing arrangement has been entered into between OUTsurance and FirstRand Bank Limited. In terms of this profit sharing arrangement, ninety percent of the operating profit generated on the homeowners' insurance business referred by FirstRand Bank Limited businesses is paid to FirstRand Bank Limited by way of a bi-annual preference dividend. Operating losses incurred are for the Group's account. The Group however, retains the right to offset such losses against future profits generated in the determination of any preference dividends to be paid to the preference shareholder.

These shareholders for preference share dividends are accounted for as a financial liability on the face of the statement of financial position. The profit attributable to the preference shareholder is the fair value movement and the payment of a dividend is treated as a partial settlement of the liability. No reference is made to future profit estimates as these profit-sharing arrangements are executory in nature, i.e. the other party has certain performance obligations to satisfy in order to share in the profit.

The profitability of the profit sharing business is reviewed on a monthly basis to ensure that the Group is not exposed to uneconomical risks over which it has no day-to-day management control.

The policy for the recognition and measurement of insurance contracts applied to the profit sharing arrangements is similar to the policy under 42.3 above.

A profit sharing arrangement has been entered into between the OUTsurance Life and Shoprite Investments Limited. In terms of this profit sharing arrangement, a portion of the operating profit generated on the funeral insurance business distributed through the Shoprite distribution network is paid to Shoprite Investments Limited by way of an annual preference dividend. Operating losses incurred are for the Group's account.

44. Summary of significant accounting policies *continued*

44.5 Segment reporting

The Group's products and services are managed by various business units along geographical lines and product categories. The segment information is presented by each distinct revenue-generating area representing groups of similar products, consistent with the way the Group manages the business. Given the nature of operations, there are no major single customers within any of the segments.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers when making operating decisions and for allocating resources and assessing performance. The chief operating decision maker has been identified as the group executive committee ("EXCO"). Segments with a majority of revenue earned from charges to external customers and whose revenue, results or assets are 10% or more of all the segments, are reported separately. Certain reporting adjustments are provided separately to reconcile to IFRS reported earnings.

44.6 Foreign currency

44.6.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

The consolidated annual financial statements are presented in South African Rand (R), which is the functional and presentation currency of OUTsurance Holdings Limited.

None of the Group entities operate in a hyperinflationary environment.

44.6.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated to South African Rand using the rates of exchange ruling at the financial year-end. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

44.6.3 Group companies

- assets and liabilities for each reporting date presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at the average exchange rate for the year. If this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction date, the income and expenses are translated at the transaction date rate;
- all resulting exchange differences are recognised as a separate component of other comprehensive income (foreign currency translation reserve); and
- items that are recognised directly in equity are translated using the historical rate.

When a foreign operation is partially disposed of or sold, and control is lost, the Group's portion of the cumulative amount of the exchange differences that were recorded in other comprehensive income are reclassified to profit or loss when the gain or loss on disposal is recognised. For partial disposals where control is retained, the Group re-attributes the proportionate share of the cumulative exchange differences, recognised in other comprehensive income to the non-controlling interest of the foreign operation.

44. Summary of significant accounting policies *continued*

44.7 Property and equipment

Property and equipment is carried at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of property and equipment.

Gains or losses on disposals are determined by comparing sales proceeds with the carrying amount of the asset, and are included in profit or loss. Repairs and renewals are charged to profit or loss when the expenditure is incurred.

44.7.1 Depreciation

Depreciation is calculated using the straight-line method to allocate historical cost to the residual values over the estimated useful lives, as follows:

Building fixtures and owner occupied property	between 20 and 50 years
Computer equipment	2 to 11 years
Fittings and office equipment	5 to 13 years
Motor vehicles	5 years
Land is not depreciated	

Annual reviews of the residual values and useful lives of the assets are conducted in order to evaluate the continued appropriateness of the above policy. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is immediately written down to its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs of disposal and value in use.

44.7.2 Owner-occupied properties

Owner-occupied properties are held by the Group for use in the supply of services or, for its own administration purposes.

44.8 Intangible assets

44.8.1 Computer software development costs

Costs associated with research activities and maintaining computer software are recognised as an expense as incurred.

Costs that are directly attributable to identifiable software products controlled by the Group are recognised as intangible assets if certain criteria are met. These costs comprise of all directly attributable costs necessary to create, produce and prepare the asset for its intended use.

Development costs are recognised as an intangible asset when all of the following criteria are met:

- The technical feasibility of the development can be demonstrated.
- The Group is able to demonstrate its intention and ability to complete and use the software.
- It can be demonstrated how the software product will generate probable future economic benefits.
- It can be demonstrated that adequate technical, financial and other resources to complete the development and to use or sell the software product are available.
- The expenditure attributable to the software product during its development can be reliably measured.

Development costs that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs are recognised as assets from the point where the recognition criteria above are satisfied, and are amortised once the asset is ready for use, on a straight line basis over the expected useful life.

The carrying amount of intangible assets are reviewed for impairment if there is an indication of impairment.

44. Summary of significant accounting policies *continued*

44.8 Intangible assets *continued*

44.8.1 Computer software development costs *continued*

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

Amortisation is calculated using the straight-line method to allocate historical cost to the residual values over the estimated useful lives as follows:

Purchased computer software	2 to 7 years
Internally generated computer software	5 to 10 years

The amortisation charge is reflected in marketing and administration expenses in profit or loss.

44.8.2 Goodwill

Goodwill on acquisitions of subsidiaries or businesses is disclosed separately. Goodwill on acquisitions of associates is included in investments in associates.

For the purposes of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (CGU), or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value-in-use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

44.9 Leases

44.9.1 General

Agreements where the counterparty retains control of the underlying asset are classified as leases.

Leases are recognised as a right-of-use asset with a corresponding lease liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest (the incremental borrowing rate) on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Periods covered by an option to extend the lease is included if the Group is reasonably certain to exercise that option taking into account, among others, the remaining term of the original lease, refurbishments, changing technology and cost-saving initiatives. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis discounted using the lessee's incremental borrowing rate.

The incremental borrowing rate utilised by the Group for the various lease assets is as follows:

- Properties – a risk-free rate with a market risk premium/spread added to it.
- Vehicles – the prime lending rate.
- Equipment – the prime lending rate.

In determining the incremental borrowing rate, the expiry date of each individual lease contract is considered in setting the forward risk-free rate applicable on the date of the termination of the lease to valuation date.

44. Summary of significant accounting policies *continued*

44.9 Leases *continued*

44.9.2 Lease liabilities

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments, but excluding payments for service components), less any lease incentives receivable;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease liability is measured using the effective interest method. It is remeasured:

- when there is a change in future lease payments arising from a change in an index or rate;
- if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The group accounts for a lease modification as a separate lease if the modification increases the scope of the lease by adding the right to use one or more underlying assets and the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

44.9.3 Right-of-use assets

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and adjusted for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

44.9.3.1 Depreciation

Subsequent to initial measurement, a right-of-use asset is depreciated on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset should this term be shorter. However, if ownership of the underlying asset transfers to the group at the end of the lease term, the right-of-use assets are depreciated on a straight-line basis over the remaining economic life of the asset.

This depreciation is recognised as part of general marketing and administration expenses.

44.9.4 Short-term leases and low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

44.9.5 Derecognition

When the Group or lessor terminates or cancels a lease, the right-of-use asset and lease liability are derecognised. On derecognition of the right-of-use asset and lease liability, any difference is recognised as a derecognition gain or loss together with termination or cancellation costs in profit or loss.

44.10 Impairment review – Non financial assets

A periodic review of the carrying amount of the Group's assets is conducted and, where there are indications that the value of an asset may be impaired, an impairment loss is recognised. The carrying amounts of subsidiaries and associates are reviewed annually and written down for impairment where necessary.
An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. The difference between the carrying amount and the recoverable amount is charged to profit or loss for the year in which the impairment is identified, to reduce the carrying amount of such impaired asset to its estimated recoverable amount. Should an event occur after the recognition of an impairment, which increases the recoverable amount of the previously impaired asset, the impairment of the asset, or a portion thereof, is reversed through profit or loss. The adjusted carrying value may not exceed what the carrying value would have been had the impairment not been recognised before.

44. Summary of significant accounting policies *continued*

44.11 Financial instruments

44.11.1 General

The Group recognises a financial asset or a financial liability on its statement of financial position when and only when, it becomes a party to the contractual provisions of the instrument.

Regular way purchases and sales of financial assets are recognised and derecognised, as applicable, on trade-date being the date on which the group commits to purchase or sell the asset.

The Group classifies its financial assets in the following measurement categories:
- financial assets at fair value through profit or loss (FVPL);
- financial assets at fair value through other comprehensive income (FVOCI); and
- financial assets at amortised cost.
- Financial liabilities are classified in the following categories:
- financial liabilities at fair value through profit or loss (FVPL); and
- financial liabilities at amortised cost.

Management determines the classification of its financial instruments at initial recognition. Financial assets are not reclassified subsequent to their initial recognition, unless the Group changes its business model for managing financial assets. In such a case, all affected financial assets are reclassified prospectively from the reclassification date.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus, in the case of an asset not at fair value through profit or loss, the transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

The Group assesses the business model in which a financial asset is held at a portfolio level. Information considered in determining the applicable business model includes:
- policies and objectives for the relevant portfolio;
- how the performance and risks of the portfolio are managed, evaluated and reported to management; and
- the frequency, volume and timing of sales in prior periods, sales expectation for future periods, and the reasons for such sales.

The contractual cash flow characteristics of financial assets are assessed with reference to whether the cash flows represent solely payments of principal and interest (SPPI).

Principal is defined as the fair value of the financial asset on initial recognition. However, the principal may change over time, e.g. on repayment of the principal. Interest is defined as consideration primarily for the time value of money, the credit risk of the principal outstanding, other basic lending risks and costs and a profit margin.

In assessing whether contractual cash flows are SPPI compliant, contractual terms that could change the contractual cash flows so that it would not meet the condition for SPPI are considered, including:
- contingent events that could change the amount or timing of cash flows;
- leverage features;
- prepayment and extension features;
- non-recourse arrangements; and
- features that modify the time value of money (e.g. periodic reset of interest rates).

A prepayment feature meets the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and interest, which may include compensation for early termination of the contract.

44. Summary of significant accounting policies *continued*

44.11 Financial instruments *continued*

44.11.1 General *continued*

For a financial asset acquired at a premium or discount to its contractual nominal amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued contractual interest (which may include compensation for early termination of the contract) is considered SPPI compliant if the fair value of the prepayment feature is insignificant on initial recognition.

Equity instruments are instruments that meet the definition of equity from the issuer's perspective i.e. instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Group subsequently measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends are recognised in profit or loss when the Group's right to receive payments is established.

44.11.2 Financial instruments at fair value through other comprehensive income (FVOCI)

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets cash flows represent solely payments of principal and interest, are measured at FVOCI, if these financial assets are not designated at FVPL.

44.11.2.1 Debt instruments

Interest income, calculated using the effective interest rate method, foreign exchange gains and losses and impairments are recognised in profit or loss. Other movements in the carrying amount are taken through OCI. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified to profit or loss.

44.11.2.2 Equity instruments

Interest income, calculated using the effective interest rate method, and impairment are recognised in profit or loss. Other movements, including foreign exchange gains and losses in the carrying amount are taken through, OCI. When the equity instrument is derecognised, the cumulative gain or loss previously recognised in OCI is transferred within equity.

Financial assets classified as FVOCI comprise various debt investments in money market and capital market instruments, including government bonds, collective investment schemes and unlisted equity.

44.11.3 Financial instruments at fair value through profit or loss (FVPL)

Financial assets not classified at amortised cost or FVOCI are measured at FVPL. In addition, on initial recognition the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Net gains or losses, including any interest or dividend income and foreign exchange gains and losses are recognised in profit or loss.

Financial assets classified as FVPL comprise:

- Collective investment schemes
- Unsecured loans
- Ordinary shares
- Debt instruments
- NCNR preference shares
- Zero-coupon deposits
- Derivative financial instruments

Financial liabilities designated at fair value through profit or loss comprise preference shares held in terms of a profit-sharing arrangements as these are managed on a fair value basis. Net gains and losses including interest expense and foreign exchange gains and losses are recognised in profit or loss, unless they arise from derivatives designated as hedging instruments in net investment hedges.

44. Summary of significant accounting policies *continued*

44.11 Financial instruments *continued*

44.11.4 Financial instruments measured at amortised cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost using the effective interest method, if these financial assets are not designated at FVPL.

Interest income, foreign exchange gains and losses and impairments are recognised in profit or loss. Any gain or loss arising on derecognition is recognised directly in profit or loss.

Financial assets classified as amortised cost comprise:

- Redeemable preference shares
- Other receivables
- Term deposits
- Loan facility
- Cash and cash equivalents

Financial liabilities are measured at amortised cost using the effective interest method. Net gains and losses including interest expense and foreign exchange gains and losses are recognised in profit or loss as part of finance cost. Any gain or loss arising on derecognition is recognised directly in profit or loss.

44.11.5 Derivatives

Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The Group uses derivatives for the following reasons:

- to offset the interest rate risk inherent in some of the life insurance products underwritten by the Group. The Group has elected not to apply hedge accounting to the asset-liability matching strategy;
- to offset the exchange rate exposure inherent in certain Group cross-border transactions;
- to offset the equity price risk contained in certain future acquisition of associates; and
- to enter into an option contract with a third party for the exchange of a fixed number of shares for a fixed monetary amount of cash.

44.11.6 Net investment hedge accounting

In the prior financial year, the Group's exposure to foreign operations included its holding in Hastings, an associate in the UK. The Group has applied net investment hedging of the foreign currency risk associated with the foreign currency operation by formally designating derivatives and foreign currency dominated financial liabilities ('hedging instruments') as net investment hedges. The gain or loss on the hedging instruments that are determined to be effective hedges of the net investment are recognised in other comprehensive income and included with the foreign exchange differences arising on translation of the results and financial position of the foreign operation. These amounts were recognised in the statement of profit or loss upon the disposal of the foreign operation. The ineffective portion was accounted for in profit or loss in prior years.

44.11.7 Impairment

The Group recognises loss allowances for expected credit losses (ECL) on:

- financial assets measured at amortised cost
- debt investments measured at FVOCI
- financial guarantee contracts
- loan commitments

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

- financial assets that are determined to have low credit risk at the reporting date;
- financial assets where credit risk has not increased significantly since initial recognition; and
- financial assets which are callable on demand or within a period of 12 months from reporting date.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument. 12-month ECL are the portion of ECL that results from default events that are possible within the 12 months after the reporting date. In all cases, the maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

44. Summary of significant accounting policies *continued*

44.11 Financial instruments *continued*

44.11.7 Impairment *continued*

At each reporting date, the Group assesses whether financial assets measured at amortised cost and FVOCI are credit impaired. The Group writes off a financial instrument when the entity has no reasonable expectation of recovery of the outstanding balance of the instrument. Determining when to write off financial assets is a matter of judgement and incorporates both quantitative and qualitative information. Evidence that a financial asset is credit-impaired includes:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- a restructuring of an amount due to the Group on terms that would not otherwise be considered by the Group;
- it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

A financial asset that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In assessing whether an investment in sovereign debt is credit-impaired, the Group considers the following factors:

- the market's assessment of creditworthiness as reflected in the bond yields;
- the rating agencies' assessment of credit-worthiness;
- the country's ability to access the capital markets for new debt issuance;
- the probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness; and
- the international support mechanisms in place to provide the necessary support as 'lender of last resort' to the country as well as the intention, communicated in public statements, of governments and agencies to access those mechanisms, including an assessment of the depth of the mechanisms and the capacity to fulfil the required criteria.

Loss allowances for ECL on financial assets measured at amortised cost is deducted from the gross carrying amount of the financial assets. Loss allowances for ECL on debt investments measured at FVOCI is recognised in OCI and does not reduce the carrying amount of the financial asset in the statement of financial position.

The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospects of recovery by the Group. Financial assets that are written off may still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

44.11.8 Derecognition

The Group derecognises a financial asset:

- when the contractual rights to the asset expires; or
- where there is a transfer of the contractual rights to receive the cash flows of the financial asset in a transaction in which:
  - substantially all of the risks and rewards of ownership of the financial asset are transferred; or
  - the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group derecognises a financial liability when it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires. A substantial modification of the terms and conditions of an existing financial liability or part of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new one.

The group only considers quantitative indicators in assessing whether there is a modification or extinguishment. On derecognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and the amount paid for it is included in profit or loss.

44. Summary of significant accounting policies *continued*

44.11 Financial instruments *continued*

44.11.8 Derecognition *continued*

44.11.8.1 Modifications

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the group recalculates the gross carrying amount of the financial asset and recognises a modification gain or loss in profit or loss. The gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate or, when applicable, the revised effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

44.11.8.2 Measurement of fair value

The fair value of financial instruments traded in an organised financial market is measured at the closing price for financial assets and financial liabilities. The fair value of the financial instruments that are not traded in an organised financial market is determined using a variety of methods and assumptions that are based on market conditions and risk existing at reporting date, including independent appraisals and discounted cash flow methods. Fair values represent an approximation of possible value, which may differ from the value that will finally be realised.

44.12 Cash and cash equivalents

Cash and cash equivalents include cash on hand and short-term deposits held with banks. All balances included in cash and cash equivalents have a maturity date of less than three months from the date of acquisition.

Short-term deposits with banks are considered to be instruments which are highly liquid and have maturity dates of not more than three months from the reporting date. Short-term deposits which cannot be accessed within this period are classified as financial assets.

44.13 Provisions

The Group recognises provisions when it has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Where applicable, a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability is used to determine the present value.

44.14 Contingent liabilities

The Group discloses a contingent liability where:

- it has a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise; or
- it is not probable that an outflow of resources will be required to settle an obligation; or
- the amount of the obligation cannot be measured with sufficient reliability.

44. Summary of significant accounting policies *continued*

44.15 Share capital

Ordinary shares are classified as equity when there is no obligation to transfer cash or other assets. Ordinary shares and non-redeemable non-cumulative preference shares together with share premium are classified as equity. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of taxation.

44.15.1 Treasury shares

Where the OUTsurance Holdings Share Trust purchases the Group's equity share capital, the consideration paid is deducted from total shareholders' equity as treasury shares until they are reissued or cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

On consolidation, the cost of the shares acquired is deducted from equity. Subsequently, any proceeds on the re-issue or cancellation of these shares is recognised directly in shareholders' equity.

Any net income in relation to treasury shares is eliminated in the Group's results. Dividends paid in respect of treasury shares are similarly eliminated in the Group's results.

44.15.2 Dividends paid

Dividends payable on ordinary shares are recognised in equity in the period in which there is unconditional certainty that the dividend will become payable, which would include approval of the dividend declaration by the Group's Board of directors, regardless of whether the formalities of the payment thereof have been finalised. Dividends declared after the reporting date are not recognised but disclosed as a post reporting date event.

44.15.3 Distribution of non-cash assets

A dividend payable is recognised when the distribution is appropriately authorised and is no longer at the discretion of the entity. The Group measures the liability to distribute the non-cash assets as a dividend to owners at the fair value of the asset to be distributed. The carrying amount of the dividend payable is remeasured at the end of each reporting period and on the date of settlement, with changes recognised in equity as an adjustment to the distribution. The difference between the carrying amount of the dividend payable and the fair value of the assets on the date of settlement is recognised in profit or loss for the period.

Distributions of non-cash assets under common control are specifically excluded from the scope of IFRIC 17 and are measured at the carrying amount of the assets to be distributed.

44.16 Other reserves

Other reserves recognised by the Group include:

44.16.1 Comprehensive income reserve

The Group has certain debt investments (from the segregated portfolios) measured at FVOCI. For these investments, changes in fair value are accumulated within the FVOCI reserve within equity. The accumulated changes in fair value are transferred to profit or loss when the investment is derecognised or impaired.

44.16.2 Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income, as described in the accounting policies, and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

44.16.3 Share based payments reserve

The share-based payments reserve is used to recognise:

- the grant date fair value of options issued to employees but not exercised;
- the grant date fair value of shares issued to employees;
- the grant date fair value of deferred shares granted to employees but not yet vested; and
- the issue of shares held by Employee Share Trust to employees.

44.16.4 Equity accounted reserve

This is the Group's proportionate share of the associates equity reserves.

44. Summary of significant accounting policies *continued*

44.16 Other reserves *continued*

44.16.5 Transactions with non-controlling interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

44.17 Current and deferred income tax

The income tax expense for the period comprises current and deferred tax. Current tax comprises tax payable as calculated on the basis of the expected taxable income for the year, using tax rates substantively enacted at the reporting date. Adjustments to provisions made for tax payable in previous years as a result of a change in the estimated amount payable, or to the extent that actual assessments differ from the provision created in prior years, are charged or credited to the current year profit or loss.

Deferred tax is provided using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. 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. Where a different tax rate will be applicable to the tax year in which such assets or liabilities are realised, those tax rates are used to determine deferred income tax.

On 23 February 2022, the Minister of Finance announced the reduction of the corporate tax rate from 28% to 27% for companies with years of assessment ending on or after 31 March 2023.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The deduction of short-term insurance provisions is limited for the purposes of calculating taxable income in that assessable losses cannot be created through those deductions. These provisions are however recognised in full for accounting purposes and, to the extent that accounting losses arise, deferred tax assets are created as these will be reversed upon the release of such short-term insurance provisions.

Deferred tax assets relating to the carry-forward of unused tax losses are recognised in profit or loss to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilised.

Taxation in respect of South African life insurance operations is determined using the five fund method applicable to life insurance companies. The taxation of life insurers in South Africa was amended to introduce a separate tax fund for risk products sold in tax periods beginning on or after 1 January 2016. From 1 July 2016, OUTsurance Life has allocated all risk products to the risk fund.

Indirect taxes comprise Value Added Tax. All transactions are accounted for net of the relevant Value Added Tax component.

Tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or changes in equity.

44. Summary of significant accounting policies *continued*

44.18 Employee benefits

44.18.1 Short-term employee benefits

The undiscounted cost of all short-term employee benefits is recognised during the period in which the employee renders the related service. The provision for employee entitlements to salaries and annual leave represents the amount which the Group has as a present obligation to pay, resulting from employees' services provided up to the reporting date. The provision is calculated at undiscounted amounts based on current salary rates. A provision for employee benefits in respect of their annual leave entitlement from past service is recognised in full.

Employees may elect to adopt a remuneration structure to allow for a non-discretionary bonus. Non-discretionary bonuses are provided for at reporting date.

44.18.2 Post-employment benefits

The Group's employees contribute to the OUTsurance Insurance Company Limited defined pension and provident contribution funds. Under defined contribution plans, the legal or constructive obligation of the Group is limited to the contributions made to the plan, thus benefits received by the employee is determined by the contributions made to the plan together with investment returns arising from the contributions.

The pension plans are funded by payments from employees. The amount paid in respect of defined pension and provident contribution fund plans during the year is charged to profit or loss and is included in employment cost. The Group has no further payment obligations once contributions have been made.

44.18.3 Intellectual property bonuses

In terms of the intellectual property bonus plan, employees are paid intellectual property bonuses based on management's discretion. The beneficiaries under the plan, which included executive directors, executive management, senior and middle management employed on a full-time basis, are subject to retention periods and amounts would need to be repaid should the employee be in breach of the retention period. The intellectual property bonuses are recognised as current service costs over retention periods ranging from six months to two years and are straight lined over the period of the contract.

44.19 Share-based payments

The Group operates both equity and cash-settled share incentive schemes.

44.19.1 Equity-settled share-based payment transactions

The Group operates an equity-settled share-based compensation plan for employees of the Youi Holdings Group.

The Group expenses the fair value of the employee services received in exchange for the granting of the options, over the vesting period of the options, as employee costs, with a corresponding credit to equity. The total value of the services received is calculated with reference to the fair value of the options on grant date.

The fair value of the options is determined excluding non-market vesting conditions. These vesting conditions are included in the assumptions of the number of options expected to vest. At each reporting date, the Group revises its estimate of the number of options expected to vest. The Group recognises the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Amounts recognised for services received if the options granted do not vest because of failure to satisfy a vesting condition, are reversed through profit or loss.

The proceeds received net of any attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Notes to the consolidated annual financial statements *continued*

44. Summary of significant accounting policies *continued*

44.19 Share-based payments *continued*

44.19.2 Cash-settled share-based payment transactions

The Group operates the following cash-settled share-based payment schemes:

- a compensation plan for employees of OUTsurance, OUTsurance Life and CloudBadger for notional shares (share appreciation rights); and
- a Divisional Incentive Scheme for Notional Incentive Units to incentivise senior management based on the success of new and emerging business units which are in the South African and Australian operations.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit for the year.

44.20 Share trust

The OUTsurance Holdings share incentive scheme is operated through a Share Trust. The Share Trust is considered to be a structured entity of the Group and therefore consolidated. All shares issued to the Share Trust are issued against the Share Trust loan which is measured at fair value.

44.21 Investment income

44.21.1 Interest

Interest income is recognised in profit or loss as investment income for instruments measured at amortised cost using the effective interest method. Interest on cash and cash equivalents is recognised as earned.

44.21.2 Dividends

Dividends are recognised in investment income when the right to receive payment is legally established. This is on the 'last day to trade' for listed shares and on the 'date of declaration' for unlisted shares. In the case of certain cumulative prime rate linked preference share investments, dividends are accrued for using the effective interest method regardless of the status of their declaration. This accounting treatment is consistent with the provisions of the agreements governing such investments.

44.22 Non-insurance related income

The Group derives it's main source of revenue from gross written premiums as referred to in note 5. Other immaterial sources of revenue within the Group, disclosed as 'Non-insurance related income' in note 6, are as follows:

44.22.1 Income from investment advice and investment administration services

Ongoing advice and administration fees are calculated and recognised as revenue on a daily basis.

44.22.2 Income from software subscription fees

CloudBadger is a software-as-a-service business providing modern financial services software. The business earns software subscription revenue and related project fees on a monthly basis.

44.22.3 Income from contact centre services

Ongoing support call centre administration fees are calculated and recognised as revenue on a daily basis.

44.22.4 Recognition of non-insurance related income

Ongoing advice and administration fees in OUTvest fees are calculated and recognised as revenue in terms of IFRS 15 on a daily basis. The fees are recognised on an earned basis calculated as a percentage of the assets under management, measured at a client level.

Software subscription fees in CloudBadger and administration fees in OUTsurance shared services are calculated and recognised as revenue in terms of IFRS 15 on a monthly basis.

44. Summary of significant accounting policies *continued*

44.23 Government grants

Grants from the Government are recognised at fair value when there is a reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants relating to costs are recognised in profit over the period necessary to match them with the costs they are intended to compensate.

44.24 Amendments to published standards effective in the current year

During the year new accounting standards, interpretations and amendments were adopted by the Group for the first time, including:

NUMBER	EFFECTIVE DATE	EXECUTIVE SUMMARY AND IMPACT ON THE GROUP
A number of narrow-scope amendments to IFRS 3, IAS 37 and some annual improvements on IFRS 9 and IFRS 16 (effective 1 January 2022)	Annual periods beginning on or after 1 January 2022 (Published May 2020)	Amendments to IFRS 3, 'business combinations' update a reference in IFRS 3 to the conceptual framework for financial reporting without changing the accounting requirements for business combinations. *The Group did not enter into any business combination however, the updated definition of an asset and liability as amended in the conceptual framework has been applied in the financial statements from 2018.* Amendments to IAS 37, 'provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making. *This assessment has been performed on contracts out of scope of IFRS 17 as IFRS 17 has its own recognition and measurement criteria for onerous contracts. The amendment did not have a material impact on the Group.* Annual improvements make minor amendments to IFRS 9, 'Financial instruments' and the Illustrative Examples accompanying IFRS 16, 'Leases'. *IFRS 9 – The amendment did not have a material impact on the Group as it is applied in specific transactions.* *IFRS 16 – The amendment did not have a material impact on the Group*

44. Summary of significant accounting policies *continued*

44.24 Amendments to published standards effective in the current year *continued*

NUMBER	EFFECTIVE DATE	EXECUTIVE SUMMARY AND IMPACT ON THE GROUP
Amendment to IAS 12 – International tax reform – pillar two model rules	Annual periods beginning on or after 1 January 2022	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies. *The amendment will not have a material impact on the Group.*

44.25 Standards, amendments, and interpretations published that are not yet effective and have not been early adopted:

The following new standards and interpretations to the existing standards are not yet effective for the current financial year. The Group has not early adopted these standards and therefore implementation date is effective date, unless otherwise stated.

NUMBER	EFFECTIVE DATE	EXECUTIVE SUMMARY AND IMPACT ON THE GROUP
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8.	Annual periods beginning on or after 1 January 2023 (Published February 2021)	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies. *The Group is in process of re-assessing and refining its accounting policies to only disclose the relevant and material policies applicable to the Group.*
Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction	Annual periods beginning on or after 1 January 2023 (Published May 2021)	These amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences *With the current assessment performed, this amendment will not impact the Group. This will however be considered in the continuous deferred tax calculation.*

44. Summary of significant accounting policies *continued*

44.25 Standards, amendments, and interpretations published that are not yet effective and have not been early adopted: *continued*

NUMBER	EFFECTIVE DATE	EXECUTIVE SUMMARY AND IMPACT ON THE GROUP
Amendment to IAS 1 – Non-current liabilities with covenants	Annual periods beginning on or after 1 January 2024 (Published January 2020 and November 2022)	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions. *The group currently does not have any current liabilities with debt covenants. However, this will be considered once effective and applicable to the Group*
Amendment to IAS 12 – International tax reform – pillar two model rules	The deferred tax exemption and disclosure of the fact that the exception has been applied, is effective immediately. The other disclosure requirements are effective annual periods beginning on or after 1 January 2023. (Published May 2023)	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies. *The amendment will not have a material impact on the* Group.
IFRS S1, 'General requirements for disclosure of sustainability-related financial information	Reporting periods beginning on or after 1 January 2024. This is subject to endorsement of the standards by local jurisdictions. (Published June 2023)	This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain. *The Group is in the process of assessing the impact of the S1 requirements. It is expected that there will be additional disclosure required.*
IFRS S2, 'Climate-related disclosures'	Reporting periods beginning on or after 1 January 2024. This is subject to endorsement of the standards by local jurisdictions. (Published June 2023)	This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities. *The Group is in the process of assessing the impact of the S2 requirements. It is expected that there will be additional disclosure required.*

OUTsurance Group Limited separate annual financial statements for the year ended 30 June 2023

The reports and statements set out alongside comprise the separate annual financial statements presented to the shareholders:

Separate statement of profit or loss

for the year ended 30 June

R million	Note	**Company 2023**	Company 2022
Revenue – Investment income	4	**2 691**	10 720
Interest income on financial assets using the effective interest rate method	4	**16**	23
Fair value gain		**5**	53
Fee and other income		**6**	13
Net income		**2 718**	10 809
Impairment of subsidiaries	11	**(11)**	(17 384)
Impairment of investment in associate	12	**(7)**	–
Expected credit loss expense	13	**–**	(10)
Marketing and administration expenses	5	**(69)**	(403)
Profit/(loss) before finance costs and taxation		**2 631**	(6 988)
Finance costs	6	**(24)**	(5)
Profit/(loss) before taxation		**2 607**	(6 993)
Taxation	7	**(21)**	(10)
Profit/(loss) for the year from continuing operations		**2 586**	(7 003)
Profit for the year from discontinued operations	8	**–**	34 284
Profit for the year		**2 586**	27 281
Attributable to:			
Equity holders of the company		**2 586**	27 281

Separate statement of other comprehensive income

for the year ended 30 June

R million	**Company 2023**	Company 2022
Profit for the year	**2 586**	27 281
Other comprehensive income for the year	**–**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2 586**	27 281
Attributable to:		
Equity holders of the company	**2 586**	27 281

Separate statement of financial position

as at 30 June

R million	Note	**Company 2023**	Company 2022
Assets			
Property and equipment	9	**–**	5
Right-of-use asset	10	**–**	5
Investment in subsidiaries	11	**12 668**	12 445
Investment in associate	12	**2**	9
Financial assets			
Fair value through profit or loss	13	**190**	367
Measured at amortised cost	13	**202**	222
Other receivables		**9**	10
Deferred income tax	14	**8**	41
Tax receivable		**1**	–
Cash and cash equivalents	15	**33**	64
TOTAL ASSETS		**13 113**	13 168
Equity			
Share capital and premium	16	**15 452**	15 432
Accumulated loss	17	**(2 356)**	(3 429)
TOTAL EQUITY		**13 096**	12 003
Liabilities			
Employee benefit liability	18	**–**	108
Lease liability	19	**–**	10
Loan from subsidiary	20	**–**	977
Trade and other payables	21	**17**	45
Tax liability		**–**	25
TOTAL LIABILITIES		**17**	1 165
TOTAL EQUITY AND LIABILITIES		**13 113**	13 168

Separate statement of changes in equity

for the year ended 30 June

R million	Share capital	Share premium	Retained income/ (Accumulated loss)	Total equity
BALANCE AS AT 30 JUNE 2021	–	15 432	6 814	22 246
Total comprehensive income for the year	–	–	27 281	27 281
Dividends paid	–	–	(2 880)	(2 880)
Dividend in specie	–	–	(34 644)	(34 644)
BALANCE AS AT 30 JUNE 2022	–	15 432	(3 429)	12 003
Total comprehensive income for the year	–	–	2 586	2 586
Issue of ordinary shares	–	20	–	20
Dividends paid	–	–	(1 513)	(1 513)
BALANCE AS AT 30 JUNE 2023	**–**	**15 452**	**(2 356)**	**13 096**
Notes	16	16	17	

Separate statement of cash flows

for the year ended 30 June

R million	Note	**Company 2023**	Company 2022
Cash flows from operating activities			
Cash utilised by operations	22	**(81)**	(302)
Dividends received		**1 708**	5 233
Interest received		**10**	23
Settlement of derivative asset		**–**	133
Acquisition of derivative asset		**–**	(6)
Share-based payment liability settled		**–**	(46)
Employee benefit liability settled		**(108)**	–
Taxation paid	23	**(14)**	(54)
Taxation refund	23	**–**	3
NET CASH GENERATED FROM OPERATING ACTIVITIES		**1 515**	4 984
Cash flows from investing activities			
Investment in debt securities		**–**	(206)
Proceeds on sale of debt securities		**6**	183
Proceeds on sale of equity securities[1]		**–**	95
Proceeds on repayment of amortised cost assets		**8**	3
Proceeds on leasehold improvement refund		**–**	6
Subscription for additional shares in subsidiary		**–**	(2 905)
Shares acquired in dividend-in-specie distribution		**–**	(402)
Purchase of additional shares in subsidiary[1]		**(37)**	(64)
Subscription for shares in associate		**–**	(9)
NET CASH OUTFLOWS FROM INVESTING ACTIVITIES		**(23)**	(3 299)
Cash flows from financing activities			
Loan from subsidiary – advancement		**2**	987
Loan from subsidiary – repayment		**(2)**	(10)
Repayment of lease liability		**(10)**	(7)
Dividends paid to shareholders		**(1 513)**	(2 880)
NET CASH OUTFLOWS FROM FINANCING ACTIVITIES		**(1 523)**	(1 910)
Net decrease in cash and cash equivalents for the year		**(31)**	(225)
Cash and cash equivalents at the beginning of the year		**64**	289
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**33**	64

1 *The company acquired shares in OHL to the value of R214 million which was settled partly through off-setting debt securities amounting to R177 million and cash amounting to R37 million.*

Notes to the separate annual financial statements
for the year ended 30 June

1. General information

OUTsurance Group Limited (the Company) (Formerly Rand Merchant Investment Holdings Limited) is a listed company incorporated and domiciled in South Africa.

2. Basis of preparation

The Company's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), the requirements of the Companies Act 71 of 2008, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the IFRS interpretations committee (IFRS IC) and Financial Pronouncements as issued by the Financial Reporting Standards Council.

The financial statements are prepared in accordance with the going concern principle using the historical cost basis, except for certain financial assets and liabilities where it adopts the fair value basis of accounting. The preparation of the financial statements necessitates the use of estimates, assumptions and judgements that affect the reported amounts in the statement of financial position and the statement of profit or loss and other comprehensive income. Where appropriate, details of estimates are presented in the accompanying notes to the separate annual financial statements. All monetary information and figures presented in these financial statements are stated in millions of Rand (R million), unless otherwise indicated.

3. Financial risk management

The company is exposed to various financial risks in connection with its current operating activities, such as market risk, credit risk and liquidity risk.

Market risk

The risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and equity risk.

Currency risk

Currency risk is the risk that the value of the financial instrument denominated in a currency other than the functional currency may fluctuate due to changes in the foreign currency exchange rate between the functional currency and the currency in which such instrument is denominated.

The company had no exposure to currency risk at 30 June 2023.

Interest rate risk

Interest rate risk is when the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The table below reflects the company's exposure to interest rate risk. An increase or decrease in the market interest rate would result in the following changes in the profit before taxation of the company:

R million	**Company 2023**	Company 2022
Unlisted debt securities – 200 bps increase	**4**	7
Unlisted debt securities – 200 bps decrease	**(4)**	(7)
Cash and cash equivalents – 200 bps increase	**1**	1
Cash and cash equivalents – 200 bps decrease	**(1)**	(1)

Equity risk

Equity risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The company's equity investment of R10 million (2022: R10 million) is not exposed to any market related fluctuations and as a result equity risk is considered immaterial.

3. Financial risk management *continued*

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The key areas where the company is exposed to credit risk are:

- Other receivables; and
- Cash and cash equivalents.

Significant concentrations of credit risk, if applicable, are disclosed in the financial statements. The credit exposure to any one counterparty is managed by the board of directors and by setting transaction/exposure limits, which are reviewed at each board and audit and risk committee meeting. The creditworthiness of existing and potential clients is monitored by the board.

The table below provides information on the credit risk exposure by credit ratings at year-end:

R million	BB	Not rated	Total
30 June 2023			
Other receivables	**–**	**9**	**9**
Cash and cash equivalents	**33**	**–**	**33**
TOTAL	**33**	**9**	**42**
30 June 2022			
Other receivables	–	10	10
Cash and cash equivalents	64	–	64
TOTAL	64	10	74

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial asset in the tables above.

Where available, the company utilises the credit ratings per counterparty as provided by each of the major credit rating agencies to determine the credit quality of a specific instrument. Where the instrument credit rating is not available, the credit rating of the counterparty as provided by the major credit ratings agencies is utilised.

In instances where the credit rating for the counterparty is not available, the company utilises the credit rating provided by a service provider amended to take into account the credit risk appetite of the company. The internal methodology of the service provider provides a credit rating which assesses the counterparty's credit quality based on its financial standing. Should the service provider not provide a credit rating, the counterparty is shown as unrated. The ratings disclosed are long-term international scale, local currency ratings.

Long-term investment grade:

BB Speculative quality. 'BB' ratings indicate that there is a possibility of credit risk developing, particularly as the result of adverse economic change over time; however, business or financial alternatives may be available to allow financial commitments to be met. Securities rated in this category are not investment grade.

OGL has evaluated the expected credit loss (ECL) on its cash and cash equivalents and loan commitments and concluded that the amount is immaterial.

Not rated – The credit exposure for the assets listed above is considered acceptable by the board even though certain assets do not have a formal rating.

Liquidity risk and asset liability matching

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company's liabilities are matched by appropriate assets and it has significant liquid resources to cover its obligations. The company's liquidity and ability to meet such calls are monitored quarterly at the board meetings.

Notes to the separate annual financial statements *continued*

3. Financial risk management *continued*

R million	Call to 6 months	7–12 months	more than 1 year/no contractual maturity	Total
30 June 2023				
Assets				
Financial assets measured at fair value through profit or loss	**–**	**–**	**190**	**190**
Financial assets measured at amortised cost	**–**	**103**	**99**	**202**
Other receivables	**9**	**–**	**–**	**9**
Cash and cash equivalents	**33**	**–**	**–**	**33**
TOTAL ASSETS	**42**	**103**	**289**	**434**
30 June 2023				
Liabilities				
Trade and other payables	**17**	**–**	**–**	**17**
TOTAL LIABILITIES	**17**	**–**	**–**	**17**
30 June 2022				
Assets				
Financial assets measured at fair value through profit or loss	–	–	367	367
Financial assets measured at amortised cost	–	–	222	222
Other receivables	10	–	–	10
Cash and cash equivalents	64	–	–	64
TOTAL ASSETS[1]	74	–	589	663
30 June 2022				
Liabilities				
Employee benefit liabilities	64	44	–	108
Loan from subsidiary	977	–	–	977
Trade and other payables	45	–	–	45
TOTAL LIABILITIES[1]	1 086	44	–	1 130

1 In the prior financial year, the non-financial assets and liabilities were included. The current financial year comparatives have been updated to exclude these non-financial assets and liabilities.

3. Financial risk management *continued*

Financial instruments measured at fair value

The table below analyses financial instruments carried at fair value, by level of fair value hierarchy. The different levels are based on the extent that quoted prices are used in the calculation of the fair value of the financial instruments. These levels are defined as follows:

Level 1 – fair value is based on quoted market prices (unadjusted) in active markets for identical instruments as measured at the reporting date.

Level 2 – fair value is determined from inputs other than quoted prices that are observable for the asset or liability, either directly (for example prices) or indirectly (for example derived from prices).

Level 3 – fair value is determined from inputs for the asset or liability that are not based on observable market data.

R million	**Level 1**	**Level 2**	**Level 3**	**Total carrying amount**
30 June 2023				
Financial assets measured at fair value through profit or loss				
Unlisted equity securities	**–**	**–**	**10**	**10**
Unlisted debt securities	**–**	**–**	**180**	**180**
TOTAL FINANCIAL ASSETS VALUED AT FAIR VALUE	**–**	**–**	**190**	**190**

R million	**Company 2023**	Company 2022
Reconciliation of movement in level 3 assets		
Balance at the beginning of the year	**367**	382
Additions in the current year	**–**	206
Disposals (sales and redemptions)	**(183)**	(183)
Fair value movement	**19**	38
Dividends received from the OUTsurance Equity Trust	**(5)**	(31)
Dividends received from the OUTsurance Equity Trust 2	**(8)**	(26)
Dividends received from the OUTsurance Equity Trust 3	**–**	(19)
BALANCE AT THE END OF THE YEAR	**190**	367

The level 3 financial assets at fair value through profit or loss mainly represent loans to the OUTsurance Equity Trust, OUTsurance Equity Trust 2 and OUTsurance Equity Trust 3, the values of which are not significantly sensitive to an increase or decrease in the counterparty credit rating due to the collateralised nature of these transactions. Dividends received on OHL shares held by these trusts were recorded as part settlement.

3. Financial risk management *continued*

Financial instruments measured at fair value *continued*

R million	Level 1	Level 2	Level 3	Total carrying amount
30 June 2022				
Financial assets measured at fair value through profit or loss				
Unlisted equity securities	–	–	10	10
Unlisted debt securities	–	–	357	357
TOTAL FINANCIAL ASSETS VALUED AT FAIR VALUE	–	–	367	367

The fair values of the above instruments were determined as follows:

Level 1

The fair value of financial instruments traded in an active market is based on quoted market prices at statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. If all significant inputs required to fair value an instrument are market observable, the instrument is included in level 2.

Level 3

The debt securities at fair value through profit or loss are repaid in the form of dividends received from the OUTsurance Equity Trusts (which are funded by the dividends received on the OUTsurance shares held by the trusts). The fair value movement on these loans are calculated with reference to the funding rate incurred by OGL to fund these loans to the OUTsurance Equity Trusts.

Notes to the separate annual financial statements *continued*

4. Revenue – Investment income and Interest income on financial assets using the effective interest method

R million	Company 2023	Company 2022
Revenue – Investment income	**2 691**	10 720
Dividend income from subsidiary – Cash	**1 695**	5 014
Dividend income from subsidiary – Dividend in specie	**977**	5 623
Dividend income from investment in OUTsurance Equity Trust	**5**	31
Dividend income from investment in OUTsurance Equity Trust 2	**8**	26
Dividend income from investment in OUTsurance Equity Trust 3	**–**	19
Dividend income from financial assets	**6**	7
Interest income on financial assets using the effective interest rate method	**16**	23
TOTAL INVESTMENT INCOME	**2 707**	10 743

5. Marketing and administration expenses

R million	Company 2023	Company 2022
Expenses by nature:		
Directors' remuneration		
– Services rendered	**(2)**	(4)
– Cash package and other benefits	**(5)**	(12)
– Share appreciation rights	**–**	(57)
– Severance expense	**–**	(72)
	(7)	(145)
Personnel costs		
– Cash package and other benefits	**(12)**	(88)
– Severance expense	**–**	(93)
	(12)	(181)
Professional fees and regulatory compliance cost	**(14)**	(24)
Printing costs	**(4)**	(4)
Depreciation		
– Property and equipment	**(3)**	(8)
– Right-of-use asset	**(5)**	(11)
Audit fees	**(6)**	(4)
Management fee	**(1)**	–
Other expenses	**(17)**	(26)
TOTAL MARKETING AND ADMINISTRATION EXPENSES	**(69)**	(403)
Audit fees		
Statutory audit – current year	**(3)**	(4)
Statutory audit – prior year	**(3)**	–
TOTAL AUDIT FEES	**(6)**	(4)

Notes to the separate annual financial statements *continued*

6. Finance costs

R million	Company 2023	Company 2022
Modification loss on financial assets measured at amortised cost	**(24)**	–
Interest charge related to IFRS 16	**–**	(5)
TOTAL FINANCE COSTS	**(24)**	(5)

7. Taxation

The Minister of Finance announced the change in the corporate tax rate from 28% to 27% in the Budget speech on 23 February 2022, on which date it was deemed to be substantively enacted. It was effective for years of assessment ending on or after 31 March 2023. Therefore, the prior financial year taxation was calculated at 28% and the current financial year taxation is calculated at 27%.

R million	Company 2023	Company 2022
SA normal taxation		
Current taxation		
– Current year	**(2)**	(37)
– Prior year over provision	**14**	–
Deferred taxation		
– Current year	**(33)**	27
TOTAL TAXATION	**(21)**	(10)
The taxation on the company's profit before taxation differs from the theoretical amount that would arise using the basic rate of taxation in South Africa as follows:		
Profit/(loss) before taxation	**2 607**	(6 933)
	%	%
Effective tax rate	**0.81**	(0.15)
Dividend income not subject to taxation	**27.93**	(42.93)
Capital gains tax	**–**	0.17
Expected credit loss expense	**–**	0.04
Impairments	**(0.20)**	69.61
Expenses not deductible due to the large portion of dividends received in a holding company structure	**(1.00)**	1.26
Prior year over provision	**(0.54)**	–
Standard income taxation rate in South Africa	**27.00**	28.00

Notes to the separate annual financial statements *continued*

8. Profit for the year from discontinued operations

On 20 September 2021, the company announced its intention to unbundle its shareholdings in Discovery Holdings Limited and Momentum Metropolitan Holdings Limited. At the time it was envisaged that a rights issue of approximately R6.5 billion would be required before the unbundling could be finalised to reduce debt to a level that would be appropriate for the reduced size of the statement of financial position post unbundling. On 8 December 2021, the company announced the sale of the group's shareholding in Hastings Group Consolidated. The sales proceeds were utilised to repay all the preference share debt held by the group and therefore negated the need for a rights issue prior to the unbundling of Discovery Holdings Limited and Momentum Metropolitan Holdings Limited. Therefore, 8 December is also the date the unbundling of Discovery and Momentum Metropolitan met the accounting definition of being highly probable.

On 23 March 2022, the company acquired Discovery Holdings Limited and Momentum Metropolitan Holdings Limited shares through a dividend-n-specie transaction from its subsidiary RMI Asset Holdings Proprietary Limited and subsequently on 20 April 2022 concluded a Dividend in specie distribution to its shareholders whereby the shares held in Discovery Holdings Limited and Momentum Metropolitan Holdings Limited were transferred to the shareholders of the company.

R million	Discovery Holdings Limited	Momentum Metropolitan Holdings Limited	Total 2022
Dividend in specie received from RMI Asset Holdings Proprietary Limited on 23 March 2022	28 938	7 018	35 956
Additional shares acquired	402	–	402
Carrying value on 20 April 2022	29 340	7 018	36 358
Market value on 20 April 2022 distributed	27 934	6 710	34 644
Loss on dividend in specie distribution	(1 406)	(308)	(1 714)
Dividend income – Cash	–	140	140
Dividend income – Dividend in specie	28 938	7 018	35 956
Transaction costs	(27)	(26)	(53)
Capital gains tax	(50)	5	(45)
PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS	27 455	6 829	34 284

9. Property and equipment

R million	Leasehold improve-ments	Furniture, fittings and equipment	Total
30 June 2023			
Net book value at the beginning of the year	**4**	**1**	**5**
Disposals	**(1)**	**(1)**	**(2)**
Depreciation	**(3)**	**–**	**(3)**
NET BOOK VALUE AT THE END OF THE YEAR	**–**	**–**	**–**
Cost	**–**	**–**	**–**
Accumulated depreciation	**–**	**–**	**–**
NET BOOK VALUE AT THE END OF THE YEAR	**–**	**–**	**–**
30 June 2022			
Net book value at the beginning of the year	24	2	26
Tenant installation refund	(6)	–	(6)
Reclassification to right-of-use asset	(6)	–	(6)
Depreciation	(8)	(1)	(9)
NET BOOK VALUE AT THE END OF THE YEAR	4	1	5
Cost	15	2	17
Accumulated depreciation	(11)	(1)	(12)
NET BOOK VALUE AT THE END OF THE YEAR	4	1	5

10. Right-of-use asset

R million	Company 2023	Company 2022
Property lease		
Net book value at the beginning of the year	**5**	56
Additions	**–**	–
Reclassification from leasehold improvements	**–**	6
Terminations/cancellations	**–**	(46)
Depreciation	**(5)**	(11)
NET BOOK VALUE AT THE END OF THE YEAR	**–**	5
Cost	**–**	19
Accumulated depreciation	**–**	(14)
NET BOOK VALUE AT THE END OF THE YEAR	**–**	5

During the prior financial year the company entered into an agreement with its landlord to terminate its lease effective from 31 December 2022.

11. Investments in subsidiaries

R million	Company 2023	Company 2022
Unlisted subsidiaries		
Ordinary shares at cost		
OUTsurance Holdings Limited	**9 588**	9 354
RMI Treasury Company Limited	**8 691**	7 276
RMI Asset Holdings Proprietary Limited	**11 726**	11 726
RMI Investment Managers Group Proprietary Limited	**–**	591
RMI Investment Holdings Proprietary Limited	**–**	823
Main Street 1353 Proprietary Limited	**58**	58
AlphaCode Proprietary Limited	**–**	1
TOTAL INVESTMENTS IN SUBSIDIARIES AT COST	**30 063**	29 829
Impairment balance		
RMI Treasury Company Limited	**(5 670)**	(5 670)
RMI Asset Holdings Proprietary Limited	**(11 725)**	(11 714)
IMPAIRMENT BALANCE AT THE END OF THE YEAR	**(17 395)**	(17 384)
CARRYING VALUE OF SUBSIDIARIES AT THE END OF THE YEAR	**12 668**	12 445
Reconciliation of investment in subsidiaries:		
Balance at the beginning of the year	**12 445**	21 467
Investment in:		
Additional shares in OUTsurance Holdings Limited		
– Asset-for-share transaction (28 June 2023)	**20**	–
– Previously held by OUTsurance Equity Trust	**214**	–
– Previously held by OUTsurance Equity Trust 3	**–**	64
Investment in:		
Subscription for additional shares in RMI Treasury Company Limited		
– Asset-for-share transaction (07 September 2022)	**1 415**	–
– Cash consideration (02 November 2021)	**–**	400
– Cash consideration (14 December 2021)	**–**	2 500
Investment in:		
Subscription for additional shares in RMI Investment Holdings Proprietary Limited		
– Cash consideration (19 May 2022)	**–**	5
(Asset-for-share transfer to RMI Treasury Company Limited)/Dividend in specie from RMI Asset Holdings Proprietary Limited		
Transfer of shares:		
– OUTsurance Holdings Limited	**–**	3 925
– RMI Investment Managers Group Proprietary Limited	**(591)**	591
– RMI Investment Holdings Proprietary Limited	**(823)**	818
– Main Street 1353 Proprietary Limited	**–**	58
– AlphaCode Proprietary Limited	**(1)**	1
Impairment during the year		
– RMI Treasury Company Limited	**–**	(5 670)
– RMI Asset Holdings Proprietary Limited	**(11)**	(11 714)
BALANCE AT THE END OF THE YEAR	**12 668**	12 445

11. Investments in subsidiaries *continued*

The company previously recorded its 100% investment in Firness International Proprietary Limited as part of its investment at cost in OUTsurance Holdings Limited. Following the company's corporate restructuring transaction, effective on 31 August 2022, the shares held in OUTsurance Holdings Limited by Firness International Proprietary Limited was transferred at cost to the company.

On 7 September 2022, the company subscribed to 2 123 newly issued shares by RMI Treasury Company Limited. In exchange for these shares acquired, the company transferred its shares held in AlphaCode Proprietary Limited, Firness International Proprietary Limited, RMI Investment Holdings Proprietary Limited and RMI Investment Managers Group Proprietary Limited to RMI Treasury Company Limited. The value of this transaction amounted to R1 415 million.

Management performs an impairment assessment of its subsidiary investments on an annual basis. Management considers each underlying investment by comparing the carrying value at year-end to the net asset value of the subsidiary and where the carrying value of the investment exceeds the net asset value, that amount is considered for impairment.

The net asset value of RMI Asset Holdings Proprietary Limited as at 30 June 2023 was lower than the cost price of the investment in subsidiary by an amount of R11 million (2022: R11 714 million) and as a result an impairment loss for this amount was recognised in profit or loss.

	Company 2023	Company 2022
OUTsurance Holdings Limited		
Number of shares held directly	**3 410 159 495**	340 254 489
Number of shares held indirectly via Firness International Proprietary Limited	**–**	3 050 664 855
Total shares held	**3 410 159 495**	3 390 919 344
% of equity[1]	**91.4**	90.9
Principal place of business	**Centurion**	Centurion
RMI Treasury Company Limited		
Number of shares	**27 623**	25 500
% of equity	**100.0**	100.0
Principal place of business	**Centurion**	Rosebank
RMI Asset Holdings Proprietary Limited		
Number of shares	**44 604**	44 604
% of equity	**100.0**	100.0
Principal place of business	**Centurion**	Rosebank
Main Street 1353 Proprietary Limited		
Number of shares held directly	**5 100**	5 100
Number of shares held via OUTsurance Holdings Limited	**4 900**	4 900
% of equity	**100.0**	100.0
Principal place of business	**Centurion**	Rosebank

1. After consolidation of share trust.

12. Investments in associate

R million	**Company 2023**	Company 2022
Unlisted associate		
Ordinary shares at cost	**9**	9
Impairment of investment in associate	**(7)**	–
	2	9
Additiv Proprietary Limited		
Number of shares	**400**	400
% of equity	**40.8**	40.8
Principal place of business	**Centurion**	Rosebank
Additiv Capital Proprietary Limited		
Number of shares	**500**	500
% of equity	**33.0**	33.0
Principal place of business	**Centurion**	Rosebank

With the change in the group's strategy to not further pursue new investment opportunities, the Additiv initiative was stopped and the value of the investment was impaired to the underlying net asset value of Additive.

13. Financial assets

R million	**Company 2023**	Company 2022
Measured at fair value through profit or loss		
Equity securities		
Unlisted investments	**10**	10
Debt securities		
Unlisted investments	**180**	357
BALANCE AT THE END OF THE YEAR	**190**	367
The unlisted debt securities carried at fair value through profit or loss include an investment in the OUTsurance Equity Trust, OUTsurance Equity Trust 2 and OUTsurance Equity Trust 3.		
Balance at the beginning of the year	**357**	372
Additions	**–**	206
Disposals	**(183)**	(183)
Fair value movement	**19**	38
Dividends received from the OUTsurance Equity Trust	**(5)**	(31)
Dividends received from the OUTsurance Equity Trust 2	**(8)**	(26)
Dividends received from the OUTsurance Equity Trust 3	**–**	(19)
TOTAL UNLISTED DEBT SECURITIES AT THE END OF THE YEAR	**180**	357
Measured at amortised cost		
Balance at the beginning of the year	**222**	–
Preference share investments acquired through dividend in specie	**–**	230
Dividend income earned	**12**	5
Receipts	**(8)**	(3)
Expected credit loss raised	**–**	(10)
Modification[1]	**(24)**	–
BALANCE AT THE END OF THE YEAR	**202**	222

1 The prevailing interest rate and repayment term of the preference share investment were modified during the current financial year resulting in a modification expense effect on profit or loss.

Notes to the separate annual financial statements *continued*

14. Deferred income tax

R million	**Company 2023**	Company 2022
Deferred taxation asset		
Financial assets	**8**	9
Employee benefit liability	**–**	30
Other	**–**	2
BALANCE AT THE END OF THE YEAR	**8**	41
Reconciliation of movement		
Balance at the beginning of the year	**41**	14
Deferred taxation (debit)/credit in the income statement	**(33)**	27
BALANCE AT THE END OF THE YEAR	**8**	41

15. Cash and cash equivalents

R million	**Company 2023**	Company 2022
Cash at bank and on hand	**33**	64

Cash and cash equivalents represent current accounts and call deposits. The fair value approximates the carrying value.

16. Share capital and share premium

	Number of shares	Ordinary share capital R million	Share premium R million	Total R million
Share capital and share premium as at 30 June 2021	1 531 807 770	–	15 432	15 432
Movement in the current year	–	–	–	–
Share capital and share premium as at 30 June 2022	1 531 807 770	–	15 432	15 432
Additional shares issued during the year	601 006	–	20	20
Share capital and share premium as at 30 June 2023	**1 532 408 776**	**–**	**15 452**	**15 452**

Ordinary shares

The total authorised number of ordinary shares is 2 000 000 000, with a par value of R0.0001 per share. The total number of issued ordinary shares increased by 601 006 during the year to 1 532 408 776 as at 30 June 2023 (2022: 1 531 807 770). The unissued share capital is under the control of the board of directors until the forthcoming annual general meeting.

Preference shares

The total authorised number of cumulative, redeemable, par value preference shares is 100 000 000 with a par value of R0.0001 per share. The issued number of par value preference shares is nil (2022: nil).

The total authorised number of cumulative, redeemable, no par value preference shares is 100 000 000. The issued number of no par value preference shares is nil (2022: nil).

The company created a new class of 100 000 000 authorised, cumulative, redeemable, no par value preference shares in the 2016 financial year. None of these preference shares have been issued yet.

Notes to the separate annual financial statements *continued*

17. Accumulated loss

R million	**Company 2023**	Company 2022
Accumulated loss	**2 356**	3 429

18. Employee benefit liability

R million	**Company 2023**	Company 2022
Balance at the beginning of the year	**108**	10
Transfer from share based payment liability	**–**	104
Expense reversed	**–**	4
Utilised during the year	**(108)**	(10)
BALANCE AT THE END OF THE YEAR	**–**	108

19. Lease liability

R million	**Company 2023**	Company 2022
Balance at the beginning of the year	**10**	64
Cash movement		
Lease payments	**(10)**	(7)
Non-cash movements		
Termination of leases	**–**	(52)
Interest	**–**	5
BALANCE AT THE END OF THE YEAR	**–**	10

During the prior financial year the company entered into an agreement with its landlord to terminate its lease effective from 31 December 2022.

The following table summarises the contractual maturity dates for lease liabilities. The maturity analysis is represented on a discounted contractual cash flow basis.

	Within 1 year	1 – 5 years	More than 5 years	Total
30 June 2022				
Lease liability	10	–	–	10

20. Loan from subsidiary

R million	**Company 2023**	Company 2022
RMI Treasury Company Limited		
Balance at the beginning of the year	**977**	–
Loan distributed as dividend	**(977)**	–
Loan received	**2**	987
Loan repaid	**(2)**	(10)
BALANCE AT THE END OF THE YEAR	**–**	977

The loan of R977 million was settled through dividend in specie distribution on 19 August 2022.

Notes to the separate annual financial statements *continued*

21. Trade and other payables

R million	**Company 2023**	Company 2022
Trade and other payables	**17**	45

22. Cash utilised by operations

R million	**Company 2023**	Company 2022
Reconciliation of profit before taxation to cash generated from operations:		
Profit for the year	**2 586**	27 281
Taxation		
Continuing operations	**21**	10
Discontinued operations	**–**	45
	2 607	27 336
Adjusted for:		
Dividend income received	**(1 714)**	(5 237)
Dividend in specie income	**(977)**	(41 579)
Interest income	**(16)**	(23)
Fair value gain	**(5)**	(53)
Share option expense	**–**	112
Impairments	**11**	17 384
Expected credit loss expense	**–**	10
Loss on dividend in specie distribution	**–**	1 714
Depreciation charge	**8**	19
Finance costs	**24**	5
Other non-cash income and expenses	**8**	(8)
Changes in working capital		
Other receivables	**1**	(2)
Trade and other payables	**(28)**	20
TOTAL CASH UTILISED BY OPERATIONS	**(81)**	(302)

23. Taxation (paid)/refund

R million	**Company 2023**	Company 2022
Taxation per statement of financial position at the beginning of the year	**(25)**	3
Charge to continuing operations	**(21)**	(10)
Charge to discontinued operations	**–**	(45)
Adjustment for deferred tax charge	**33**	(27)
Taxation refund	**–**	3
Taxation per statement of financial position at the end of the year	**(1)**	25
TAXATION PAID	**(14)**	(51)

Notes to the separate annual financial statements *continued*

24. Dividend per share

R million	Company 2023	Company 2022
Total dividends paid during the year	**1 513**	2 880
Total dividends declared relating to the earnings for the year	**2 196**	3 224
Number of ordinary shares in issue	**1 532 408 776**	1 531 807 770
Dividend declared per share (cents)		
– Interim	**56.8**	23.5
– Final	**78.0**	42.0
– Special	**8.5**	142.0
TOTAL DIVIDEND PER SHARE DECLARED	**143.3**	207.5

25. Related parties

Principal shareholders

Details of major shareholders are disclosed in the directors' report. The principal shareholders are Remgro Limited and Royal Bafokeng Holdings Proprietary Limited.

Key management personnel

Only OGL's directors are key management personnel. Information on directors' emoluments and their shareholding in the company appears in note 41 to the consolidated annual financial statements and in the directors' report respectively.

Subsidiaries and associates

Details of investments in subsidiaries and associates are disclosed in note 20 and note 21.

The following companies are subsidiaries of OGL:

- AlphaCode Proprietary Limited (100% held via RMI Treasury Company Limited)
- Main Street 1353 Proprietary Limited (51% held directly and 49% held via OUTsurance Holdings Limited)
- OUTsurance Holdings Limited (89.77%)
- RMI Asset Holdings Proprietary Limited (100%)
- RMI Investment Holdings Proprietary Limited (100% held via RMI Treasury Company Limited)
- RMI Invest One Proprietary Limited (100% held via RMI Investment Holdings Proprietary Limited)
- RMI Invest Two Proprietary Limited (100% held via RMI Investment Holdings Proprietary Limited)
- RMI Invest Three Proprietary Limited (100% held via RMI Investment Holdings Proprietary Limited)
- RMI Invest Four Proprietary Limited (100% held via RMI Investment Holdings Proprietary Limited)
- RMI Invest Five Proprietary Limited (100% held via RMI Investment Holdings Proprietary Limited)
- RMI Invest Six Proprietary Limited (100% held via RMI Investment Holdings Proprietary Limited)
- RMI Investment Managers Affiliates 1 Proprietary Limited (100% held via RMI Investment Managers Group Proprietary Limited)
- RMI Investment Managers Affiliates 2 Proprietary Limited (51% held via RMI Investment Managers Group Proprietary Limited)
- RMI Investment Managers Affiliates 2B Proprietary Limited (70% held via RMI Investment Managers Affiliates 2 Proprietary Limited)
- RMI Investment Managers Group Proprietary Limited (100% held via RMI Treasury Company Limited)
- RMI Treasury Company Limited (100%)

Additiv Proprietary Limited and Additiv Capital Proprietary Limited are associates of OGL.

25. Related parties *continued*

R million	**Company 2023**	Company 2022
Related party transactions		
Transactions of OGL and its subsidiary companies with:		
Principal shareholders		
Dividends paid	**678**	1 290
Dividend in specie distributed	**–**	15 523
Key management personnel		
Salaries and other benefits	**5**	16
Value of share appreciation rights vesting	**–**	89
Severance expense	**–**	72
Subsidiaries		
Income statement effect:		
– Dividends received	**1 695**	10 638
– Dividend in specie received	**977**	41 579
– Fee and other income	**1**	3
– Management fee expense	**1**	–
– Financial guarantee contract credit	**–**	12
– Impairment loss	**11**	17 384
Effect on the statement of financial position:		
– Loan payable to subsidiary	**–**	977
– Other receivables from subsidiaries	**3**	2

The financial guarantee contract credit in the previous year relates to the fair value of financial guarantees provided to certain subsidiaries of OGL in relation to external funding raised by these subsidiaries. The financial guarantee balance was reversed following the settlement of OGL's group debt.

R million	**Company 2023**	Company 2022
Associates		
Income statement effect:		
– Dividends received	**–**	140
– Fee and other income	**–**	3
– Interest income	**–**	1
– Enterprise Supplier Development expense	**–**	11
– Fair value loss	**–**	1 714
Effect on the statement of financial position:		
– Loan receivable from associate	**4**	4

All related party transactions are entered into on an arm's length basis.

26. Post reporting date event

The board of directors approved the following transactions:

OGL declared an ordinary dividend of 78.0 cents per share and a special dividend of 8.5 cents per share on 15 September 2023, payable on 9 October 2023. This is a non-adjusting event.

27. Current/non-current split of assets and liabilities

R million	Current	Non-current	Total
30 June 2023			
Assets			
Investment in subsidiaries	**–**	**12 668**	**12 668**
Investment in associate	**–**	**2**	**2**
Financial assets measured at fair value through profit or loss	**–**	**190**	**190**
Financial assets measured at amortised cost	**103**	**99**	**202**
Other receivables	**9**	**–**	**9**
Deferred taxation	**–**	**8**	**8**
Tax receivable	**1**	**–**	**1**
Cash and cash equivalents	**33**	**–**	**33**
TOTAL ASSETS	**146**	**12 967**	**13 113**
Liabilities			
Trade and other payables	**17**	**–**	**17**
TOTAL LIABILITIES	**17**	**–**	**17**
30 June 2022			
Assets			
Property and equipment	–	5	5
Right-of-use assets	5	–	5
Investment in subsidiaries	–	12 445	12 445
Investment in associate	–	9	9
Financial assets measured at fair value through profit or loss	–	367	367
Financial assets measured at amortised cost	–	222	222
Other receivables	10	–	10
Deferred taxation	32	9	41
Cash and cash equivalents	64	–	64
TOTAL ASSETS	111	13 057	13 168
Liabilities			
Employee benefit liability	108	–	108
Lease liability	10	–	10
Loan from subsidiary	977	–	977
Trade and other payables	45	–	45
Tax liability	25	–	25
TOTAL LIABILITIES	1 165	–	1 165

Shareholder information

	As at 30 June 2023			As at 30 June 2022		
	Number of shareholders	**Shares held (000's)**	**%**	Number of shareholders	Shares held (000's)	%
Analysis of shareholding						
Financial Securities Limited (Remgro)	**1**	**469 449**	**30.6**	1	469 449	30.6
Royal Bafokeng Holdings Proprietary Limited	**2**	**216 935**	**14.2**	2	216 935	14.2
Public Investment Corporation	**5**	**153 923**	**10.0**	5	129 492	8.5
Coronation Fund Managers (on behalf of clients)			*****	1	121 209	7.9
Total of shareholders holding more than 5%	**8**	**840 307**	**54.8**	9	937 805	61.2
Other	**24 440**	**692 102**	**45.2**	23 217	594 003	38.8
TOTAL	**24 448**	**1 532 409**	**100.00**	23 226	1 531 808	100.0
Shareholder type						
Corporates		**686 384**	**44.8**		686 384	44.8
Unit trusts		**274 258**	**17.9**		302 763	19.8
Pension funds		**194 244**	**12.7**		188 169	12.3
Private investors		**43 360**	**2.8**		39 141	2.5
Insurance companies and banks		**42 819**	**2.8**		45 900	3.0
Other		**291 344**	**19.0**		269 451	17.6
TOTAL		**1 532 409**	**100.0**		1 531 808	100.0
Public and non-public shareholders						
Public	**24 439**	**843 100**	**55.0**	23 219	839 488	54.8
Non-public	**9**	**689 309**	**45.0**	7	692 320	45.2
– Corporates	**3**	**686 384**	**44.8**	3	686 384	44.8
– Directors and associates	**6**	**2 925**	**0.2**	4	5 936	0.4
Total	**24 448**	**1 532 409**	**100.0**	23 226	1 531 808	100.0
Geographic ownership						
South Africa		**1 339 312**	**87.4**		1 391 856	90.9
International		**193 097**	**12.6**		139 952	9.1
TOTAL		**1 532 409**	**100.0**		1 531 808	100.0

** Less than 5% for the year ended 30 June 2023.*

The information above is extracted from the shareholder analysis provided by Orient Capital Limited.

Glossary

Actuarial Practice Note (APN) 107
The guidance note on embedded value financial disclosures of South African long-term insurers issued by the Actuarial Society of South Africa.

Adjusted net worth (ANW)
Excess value of all assets attributed to covered business but not required to back the liabilities of covered business.

AlphaCode associates
The fintech associates held via RMI Investment Holdings Proprietary Limited.

Annualised premium income
Annualised premium value of all new client policies incepted during the period under review. This measure excludes the renewal of existing client policies.

Claims ratio
Net incurred claims including non-claims bonus costs divided by net earned premium. The Group claims ratio measure includes policyholder liability transfers relating to long-term insurance business.

Combined ratio
Net incurred claims (including non-claims bonuses) plus total operating expenses plus profit share distributions divided by net earned premium. This ratio provides a measure of the surplus generated from the Group's insurance activities. The Group's combined ratio is calculated inclusive of other revenue items in addition to net earned premium.

Cost-to-income ratio
Total operating expenses divided by insurance income. Insurance income includes net earned premium, reinsurance commissions earned and government grants. Total operating expenses excludes profit share distributions to FirstRand Limited relating to the Homeowners Cover product. The Group's cost-to-income ratio is measured inclusive of the revenue and cost of OUTsurance Shared Service and CloudBadger, which are non-insurance activities.

Cost of required capital (CoRC)
The present value, at the risk discount rate, of the projected release of the required capital allowing for investment returns on the assets supporting the projected required capital.

Covered business
Business regulated by the Prudential Authority as long-term insurance business.

Embedded value (EV) of covered business
The present value of earnings from covered business attributable to shareholders, excluding any value that may be attributed to future new business.

Consists of:
> Adjusted net worth, plus
> Value of in-force covered business, less
> The cost of required capital.

Free surplus
ANW less the required capital attributed to covered business.

Normalised earnings
Normalised earnings adjustments are applied where the Group believes that certain transactions create a mismatch between the Group's accounting and economic performance. Normalised earnings is therefore considered to most accurately reflect the Group's economic performance.

Normalised ROE
Normalised earnings divided by average normalised ordinary shareholders equity.

OGL
OUTsurance Group Limited.

OHL
OUTsurance Holdings Limited.

Present value of new business premiums
The discounted value, using a risk-adjusted discount rate, of expected future premiums on new recurring premium business.

Profitability of new covered business
Ratio of the net value of new business to present value of new business premiums (gross of reinsurance).

Solvency capital requirement (SCR) / Required capital
The amount of regulatory capital required as determined by the local regulatory authorities.

Underwriting results
Net earned premium less net claims loss, management and administrator expenses

Value of in-force covered business (PVIF)
The discounted value of the projected stream of after tax shareholder profits arising from existing in-force covered business.

Value of new business
Present value of the expected after-tax shareholder cash flows less cost of required capital arising at the point of sale in respect of new covered business contracts sold in the reporting period.

Weighted number of ordinary shares
Weighted number of ordinary shares in issue during the reporting period.

Our corporate information

OUTsurance Group Limited (OGL)
(formerly Rand Merchant Investment Holdings Limited (RMI))

Registration number: 2010/005770/06
JSE ordinary share code: OUT
ISIN code: ZAE000314084

Directors

Chairman:	HL Bosman
Lead Independent:	K Pillay
Independent:	AW Hedding, B Hanise, ET Moabi, GL Marx, JA Teeger, JE van Heerden, JP Burger, MM Mahlare, MM Morobe, RSM Ndlovu, SV Naidoo
Non-executive:	A Kekana, JJ Durand, WT Roos
Executive:	MC Visser *(CEO)*, JH Hofmeyr *(CFO)*
Alternates:	F Knoetze, UH Lucht

During the year ended 30 June 2023, Messrs Cooper, Frankel and Lagerström stepped down as directors. Messrs Hedding, Hofmeyr (CFO), Marx, Ndlovu, Pillay (lead independent), Roos and Visser (CEO) and Mses Hanise, Moabi, Van Heerden and Naidoo were appointed as directors. Mr Bosman succeeded Mr Durand as chairman.

Secretary and registered office

JS Human

Physical address:	1241 Embankment Road, Zwartkop Ext 7, Centurion, South Africa, 0157
Postal address:	PO Box 8443, Centurion, South Africa, 0046
Contact:	investorrelations@out.co.za
Web address:	https://group.outsurance.co.za/

Sponsor
(in terms of JSE Listings Requirements)

Rand Merchant Bank
(a division of FirstRand Bank Limited)

Physical address: 1 Merchant Place, Corner of Fredman Drive and Rivonia Road, Sandton, 2196

Transfer secretaries

Computershare Investor Services Proprietary Limited

Physical address:	Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
Postal address:	Private Bag X9000, Saxonwold, 2132
Telephone:	+27 11 370 5000
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