OUTsurance Holdings Limited

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2023

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

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

Statement of responsibility by the Board of directors

In accordance with Companies Act requirements, the directors of OUTsurance Holdings Limited are responsible for the preparation of the 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 period.

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 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 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 financial 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 financial statements.

It is the responsibility of the Group and Company's independent external auditors to report on the fair presentation of the financial statements. Their unqualified report appears on pages 10 to 15.

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

The financial statements for the year ended 30 June 2023 which appear on pages 16 to 168, 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

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.

Z Waterston
Group Secretary
Signed: Centurion
Date: 12 September 2023

Report by the Audit, Risk and Compliance Committee

This report is provided by OUTsurance Holdings 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.

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 the business

OUTsurance Holdings Limited (the Company) is a public company and the regulated insurance group holding company of the OUTsurance group of companies (the Group). The Group conducts insurance and investment management activities. The Group operates insurance businesses in South Africa and Australia. During the financial year the Group established a company in the Irish market with the aim to start trading as an insurance entity in December 2023. The Group sold its investment in Namibia on 5 September 2022 and its investment in Coreshares on 15 December 2022.

An organogram of the Group is provided in the 2023 integrated report.

Annual report

The Board acknowledges responsibility for the integrity of this annual report. The Board believes that this report fairly represents the performance of the Group and Company.

Group results

A general review of the financial results of the Group and Company and the operations of its major subsidiaries is provided in the Chief Financial Officer's review in the 2023 Integrated Report. The results are presented in the consolidated statement of profit or loss and other comprehensive income on page 16. A segmental analysis is provided in note 4.

Dividends

Ordinary dividends

The following ordinary cash dividends were declared:

	2023	2022
Interim (declared 17 March 2023)	**25.50**	24.70
Final (declared 12 September 2023)	**35.00**	24.00
Special (declared 4 December 2021)	**–**	82.00
	60.50	130.70

The final dividend is payable on 6 October 2023 to shareholders registered on 3 October 2023.

Ordinary share capital

Details of the holding company's authorised and issued share capital is provided in note 27 to the financial statements. There were no changes to the authorised or issued share capital during the course of the financial year.

Shareholder analysis

The shares previously held by Firness International Proprietary Limited were transferred at cost to OUTsurance Group Limited (previously known Rand Merchant Investment Holdings Limited "RMI") as a dividend in specie with effective date 31 August 2022.

The following shareholders have a beneficial interest of 5% or more in the issued share capital of the holding company:

	2023	2022
Firness International (Pty) Limited	**–**	80.3%
OUTsurance Group Limited	**89.8%**	9.0%

Firness International and RMI Asset Company are wholly owned subsidiaries of OUTsurance Group Limited.

Directors' report *continued*

Events subsequent to reporting date

The directors are not aware of any material events that have occurred between the date of the statement of financial position and the date of this report.

Directorate and prescribed officers

The following individuals were directors of OUTsurance Holdings Limited throughout the period under review:

Directors	Designation	Date appointed	Date resigned
Executive director			
Mr MC Visser	(Group CEO)	01/01/2018	
Mr JH Hofmeyr	(Group CFO)	01/11/2022	
Independent directors			
ET Moabi		29/06/2018	
B Hanise		29/06/2018	
RSM Ndlovu		28/08/2018	
GL Marx		20/08/2008	
AW Hedding		10/10/2013	
SV Naidoo		01/11/2021	
JE van Heerden		03/05/2022	
M Morobe		01/11/2022	
JA Teeger		01/11/2022	
MM Mahlare		01/11/2022	
JP Burger		01/11/2022	
K Pillay	(Lead independent)	19/02/2014	
Non-executive directors			
UH Lucht	(Alternate)	01/11/2022	
A Kekana		01/11/2022	
HL Bosman	(Chairman from 1 July 2020)	05/11/2015	
JJ Durand		01/11/2022	
F Knoetze	(Alternate)	01/11/2022	
WT Roos	(Executive director 30 April 2001 to 1 January 2018)	30/04/2001	

The following individuals were prescribed officers of the Group for the period under review:

Mr MC Visser (Group CEO)

Mr JH Hofmeyr (Group CFO)

Mr D Matthee (CEO OUTsurance Insurance Company Limited, OUTsurance Life Insurance Company Limited and OUTvest Proprietary Limited)

Please refer to the 2023 integrated report for the register of board meeting attendance.

Directors and prescribed officer emoluments

Details of director and prescribed officer remuneration, is provided in note 40 to the financial statements.

Audit, Risk and Compliance Committee report

The report of the Audit, Risk and Compliance Committee appears on pages 4 to 6.

Management by third parties

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 OUTsurance Group Limited which has management control over OUTsurance Holdings Limited.

Directors' interest in contracts

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.

Property and equipment

There is no change in the nature of the property and equipment of the Group or in the policy regarding their use during the financial year.

Insurance

The Group adequately protects itself against the occurrence of specified events. The level of insurance cover is commensurate with the size and stature of the Group.

Subsidiaries and associates

Interests in subsidiaries and associates are disclosed in note 19 and 20 of the financial statements.

The Group established a new subsidiary, OUTsurance Irish Insurance Holdings Limited (OUTsurance Ireland) on 1 December 2022, which owns 100% of the share in OUTsurance Designated Activity Company which is the operating entity of OUTsurance Ireland.

The Group purchased a further 2.64% interest in Youi Holdings Pty Limited from a minority shareholder on 5 May 2023, resulting in the Group's total interest increasing to 92.41%.

During the financial year, the Group's interest in CloudBadger diluted slightly from 48.20% to 46.02% and the Group's interest in AutoGuru diluted from 28.48% to 25.09%.

Group secretary and registered address

The Group secretary is Ms Z Waterston. The address of the Group secretary is that of the Company's registered office, being:

Business address:
1241 Embankment Road
Zwartkop Ext 7
Centurion

Postal address:
PO Box 8443
Centurion
0046

Independent auditor's report

To the Shareholders of OUTsurance Holdings 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 Holdings 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 (IFRS) and the requirements of the Companies Act of South Africa.

What we have audited

OUTsurance Holdings Limited's consolidated and separate financial statements set out on pages 16 to 167 comprise:

- the consolidated and company statements of financial position as at 30 June 2023;
- the consolidated and company statements of profit or loss and other comprehensive income for the year then ended;
- the consolidated and company statements of changes in equity for the year then ended;
- the consolidated and company 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.

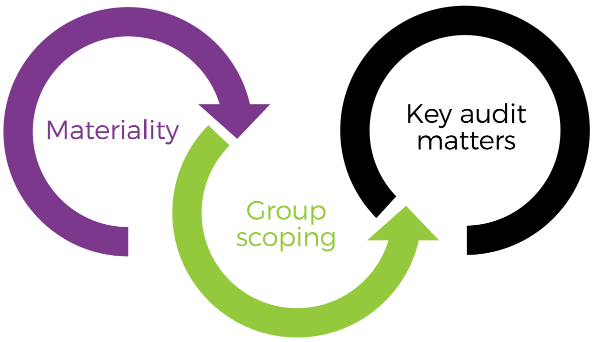
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

- Overall group materiality: R284.9 million, which represents 1% of gross insurance premiums written.

Group audit scope

- We conducted full scope audits on ten components based on their financial significance and statutory reporting requirements. Analytical review procedures were performed over the remaining 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.

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

R284.9 million

How we determined it

1% of gross insurance premiums written.

Rationale for the materiality benchmark applied

We chose gross insurance premiums written as the benchmark because, in our view, 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 companies 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.

The Group comprises twelve components. Full scope audits were carried out on two components that were identified to be financially significant components based on scoping benchmarks such as its contribution to key financial statement line items. Furthermore, full scope audits were performed on eight components due to statutory requirements. Analytical review procedures were performed on the remaining non-significant components.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed by us, as the group engagement team and component auditors from other PwC network firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole.

We assessed the reporting deliverables received from the component auditors and the impact thereof on the consolidated financial statements.

Further audit procedures were performed by the group engagement team, including 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 performed at the group level, 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.

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	
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 28, Insurance contract liabilities and critical accounting estimates and adjustments; and ➥ Accounting policies note 43.3, 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 28.2 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.	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;

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 28.4 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 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 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 Holdings Limited Consolidated Annual Financial Statements for the year ended 30 June 2023", which includes the Certificate by Group Secretary, the Report of the Audit, Risk and Compliance Committee and the Directors' report as required by the Companies Act of South Africa. 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, 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 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.

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 Holdings Limited for 25 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: J Goncalves
Registered Auditor
Johannesburg, South Africa
15 September 2023

Consolidated statement of profit or loss and other comprehensive income

for the year ended 30 June

R million	Notes	2023	Restated[1] 2022
Gross insurance premium written	5	**28 499**	23 532
Outward reinsurance premiums[1]		**(2 195)**	(2 314)
Net premiums		**26 304**	21 218
Gross change in provision for unearned premiums[1]	28	**(1 582)**	(1 264)
Reinsurance relating to provision for unearned premiums[1]	28	**(254)**	243
Earned premiums, net of reinsurance		**24 468**	20 197
Non-insurance fee related income	6	**511**	455
Investment income	7	**187**	148
Interest income on financial assets using the effective interest rate method	7	**830**	302
Net gains from fair value adjustments on financial assets[2]	8	**75**	79
Expected credit losses on financial assets[2]	8	**(1)**	(1)
Fair value gain on loss of control of subsidiary	19	**–**	37
Income		**26 070**	21 217
Policyholder benefits on insurance contracts net of reinsurance	9	**(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	28	**(53)**	(3)
Fair value adjustment to financial liabilities[3]		**(196)**	(147)
Marketing and administration expenses	10	**(7 943)**	(6 441)
Result of operating activities		**4 739**	3 301
Finance costs	11	**(16)**	(10)
Equity accounted earnings	20	**34**	2 458
Profit on change in shareholding of investment in associates	20	**7**	–
Profit on sale of associates	21	**45**	–
Reversal of impairment/(impairment) of investment in associate	20	**13**	(271)
Profit before taxation		**4 822**	5 478
Taxation	12	**(1 400)**	(958)
NET PROFIT FOR THE YEAR		**3 422**	4 520
Net profit attributable to:			
Ordinary shareholders		**3 285**	4 464
Non-controlling interest		**137**	56
NET PROFIT FOR THE YEAR		**3 422**	4 520

1 *For the year ended 30 June 2023, the change in provision for unearned premiums line was disclosed gross of the related reinsurance portion as opposed to net to better reflect the nature of the movements. Refer to note 41 for more information.*

2 *For the year ended 30 June 2023, the expected credit losses on financial assets was disclosed separately from net gains from fair value adjustments on financial assets to align presentation between OGL and OHL as it better reflect the nature of the movements. The prior financial year was updated for comparability.*

3 *Fair value adjustment to financial liabilities was moved above Marketing and administration expenses to align presentation between OGL and OHL according to the nature of the line items. The prior financial year line items were also reclassified for comparability.*

Consolidated statement of profit or loss and other comprehensive income
continued

R million	Notes	2023	2022
Profit for the year		**3 422**	4 520
Other comprehensive income/(losses) for the year			
Items that may subsequently be reclassified to profit or loss			
Exchange differences on foreign operations		**597**	202
Fair value gains/(losses) on financial assets at fair value through other comprehensive income	8	**39**	(11)
Deferred income tax relating to items that may subsequently be reclassified to profit or loss		**(4)**	3
Other comprehensive income of associate		**–**	(139)
Other comprehensive income for the year		**632**	55
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**4 054**	4 575
Net profit attributable to:			
Ordinary shareholders		**3 866**	4 486
Non-controlling interests		**188**	89
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**4 054**	4 575
Earnings attributable to shareholders			
Earnings per share (cents)			
Basic earnings per share	13	**87.88**	119.55
Diluted earnings per share	13	**86.25**	118.66

Consolidated statement of financial position

at 30 June

R million	Notes	2023	Restated[1] 2022
ASSETS			
Property and equipment[1]	16	**1 198**	1 060
Intangible assets[1]	17	**237**	235
Right-of-use assets[1]	18	**65**	66
Investment in associates[1]	20	**439**	290
Deferred income tax[1]	24	**528**	384
Reinsurers' share of insurance contract liabilities	28	**1 537**	2 765
Deferred acquisition costs	28	**980**	681
Financial assets			
Fair value through profit or loss	22	**3 735**	2 438
Fair value through other comprehensive income	22	**6 067**	5 348
Measured at amortised cost	22	**11 064**	7 011
Derivative financial instrument	23	**9**	68
Insurance and other receivables	25	**6 559**	4 856
Tax receivable		**9**	–
Assets held for sale[1]	21	**26**	29
Cash and cash equivalents	26	**1 526**	2 351
TOTAL ASSETS		**33 979**	27 582
EQUITY			
Capital and reserves attributable to equity holders			
Share capital and premium[2]	27	**2 288**	2 307
Other equity reserves[3]		**416**	124
Retained earnings		**8 978**	7 552
Total shareholders' equity		**11 682**	9 983
Non-controlling interest	19	**427**	411
TOTAL EQUITY		**12 109**	10 394
LIABILITIES			
Insurance contract liabilities	28	**16 401**	13 638
Derivative financial instrument	23	**81**	6
Investment contract liability	29	**1 231**	64
Lease liabilities	30	**80**	72
Share-based payment liability	31	**635**	297
Employee benefits	32	**581**	516
Deferred income tax[1]	24	**23**	29
Financial liabilities at fair value through profit or loss	33	**112**	72
Tax liabilities		**361**	134
Insurance and other payables	34	**2 343**	2 360
Liabilities directly associated with assets held for sale	21	**22**	–
TOTAL LIABILITIES		**21 870**	17 188
TOTAL EQUITY AND LIABILITIES		**33 979**	27 582

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

2 *Share capital and share premium were aggregated into a single line in the current reporting period to simplify the presentation of the statement of financial position and to align the presentation of reserves between OGL and OHL. The detail of the other reserves can be found in the Statement of changes in equity. Prior financial year was updated for comparability.*

3 *The other equity reserves were aggregated into a single line in the current reporting period in order to simplify the presentation of the statement of financial position and to align the presentation of reserves between OGL and OHL. The detail of the other reserves can be found in the Statement of changes in equity. Prior financial year was updated for comparability.*

Consolidated statement of changes in equity

for the year ended 30 June

R million	Share capital	Share Premium	Equity accounted reserve	Share-based payments reserve	Other reserves[1]	Transactions with non-controlling interest	Foreign Currency translation reserve	Retained earnings	Total ordinary shareholders' interest	Non-controlling interest	Total equity
Balance as at 30 June 2021	37	2 076	113	16	14	(118)	490	8 296	10 924	671	11 595
Total profit for the year	–	–	–	–	–	–	–	4 464	4 464	56	4 520
Total other comprehensive income for the year	–	–	(139)	–	(8)	–	169	–	22	33	55
Other comprehensive income for the year	–	–	(139)	–	(8)	–	202	–	55	–	55
(Loss)/profit attributable to non-controlling interests	–	–	–	–	–	–	(33)	–	(33)	33	–
Movement in treasury shares	–	194	–	–	–	–	–	–	194	–	194
Share-based payment reserve[2]	–	–	–	1	–	–	–	(3)	(2)	–	(2)
Transactions with non-controlling interests of subsidiary	–	–	–	–	–	(440)	–	(1)	(441)	(208)	(649)
Shares issued to non-controlling interest	–	–	–	–	–	–	–	–	–	4	4
Transfer to retained earnings	–	–	26	–	–	–	–	(26)	–	–	–
Derecognition of retained earnings on loss of control of subsidiary	–	–	–	–	–	–	–	90	90	(49)	41
Ordinary and special dividend paid	–	–	–	–	–	–	–	(5 268)	(5 268)	(96)	(5 364)
BALANCE AS AT 30 JUNE 2022	**37**	**2 270**	**–**	**17**	**6**	**(558)**	**659**	**7 552**	**9 983**	**411**	**10 394**
Total profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3 285**	**3 285**	**137**	**3 422**
Total other comprehensive income for the year	**–**	**–**	**–**	**–**	**35**	**–**	**546**	**–**	**581**	**51**	**632**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**35**	**–**	**597**	**–**	**632**	**–**	**632**
(Loss)/profit attributable to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**(51)**	**–**	**(51)**	**51**	**–**
Movement in treasury shares	**–**	**(19)**	**–**	**–**	**–**	**–**	**–**	**–**	**(19)**	**–**	**(19)**
Reserve adjustment of associate entities	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2**	**2**	**–**	**2**
Share-based payment reserve[2]	**–**	**–**	**10**	**(3)**	**–**	**–**	**–**	**(11)**	**(4)**	**–**	**(4)**
Transactions with non-controlling interests of subsidiary	**–**	**–**	**–**	**–**	**–**	**(296)**	**–**	**4**	**(292)**	**(151)**	**(443)**
Ordinary dividend paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1 854)**	**(1 854)**	**(21)**	**(1 875)**
BALANCE AS AT 30 JUNE 2023	**37**	**2 251**	**10**	**14**	**41**	**(854)**	**1 205**	**8 978**	**11 682**	**427**	**12 109**

1 *Included in other reserves is the comprehensive income reserve and preference share capital issued by OUTsurance Life.*

2 *The share option spread transactions and share-based payment expense lines were collapsed into the share-based payment reserve line to align the presentation between OGL and OHL by aggregating the movements relating to the share-based payment reserve together in one line.*

Consolidated statement of cash flows

for the year ended 30 June

R million	Notes	2023	Restated 2022
OPERATING ACTIVITIES			
Cash generated by operations	36	**5 857**	4 215
Interest received		**478**	334
Dividends received		**68**	95
Interest paid		**(16)**	(10)
Cashflows on assets backing policyholder liabilities		**(171)**	(156)
Proceeds on disposal of financial assets[1]		**8 714**	9 108
Purchase of financial assets[1]		**(12 065)**	(12 005)
Taxation paid	37	**(1 289)**	(1 073)
Preference dividends paid	38	**(156)**	(161)
CASH INFLOW FROM OPERATING ACTIVITIES		**1 420**	347
INVESTING ACTIVITIES			
Acquisition of investment in associate	20	**(79)**	(101)
Dividends received from associate	20	**10**	5 685
Proceeds on disposal of associates		**74**	–
Property and equipment acquired to maintain and expand operations		**(155)**	(95)
Proceeds on disposal of property and equipment		**–**	1
Purchase of intangible assets		**(51)**	(101)
Proceeds on disposal on intangible assets		**–**	–
Proceeds on disposal of financial assets[2]		**306**	249
Purchase of financial assets[2]		**(100)**	(21)
CASH INFLOW FROM INVESTING ACTIVITIES		**5**	5 617
FINANCING ACTIVITIES[3]			
Purchase of shares from non-controlling interest	19	**(439)**	(665)
Shares issued to non-controlling interest		**–**	4
Purchase of treasury shares by share scheme participants	31	**228**	376
Purchase of treasury shares by share trust from share scheme participants	31	**(247)**	(183)
Repayment of lease liability		**(33)**	(33)
Borrowings raised	35	**–**	245
Borrowings repaid	35	**–**	(245)
Ordinary dividends paid[4]		**(1 854)**	(5 268)
Dividends paid to non-controlling interest[4]		**(21)**	(96)
CASH OUTFLOW FROM FINANCING ACTIVITIES		**(2 366)**	(5 865)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(941)**	99
CHANGE IN CASH AND CASH EQUIVALENTS			
Opening balance of cash and cash equivalents		**2 351**	2 179
Decrease in cash due to disposal of subsidiary		**–**	(5)
Cash and cash equivalents of subsidiaries held for sale		**25**	–
Effect of exchange rate on cash and cash equivalents		**91**	78
(Decrease)/increase in cash and cash equivalents		**(941)**	99
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	26	**1 526**	2 351

1 *Related to the management of insurance liabilities operational cash flows and regulatory capital.*
2 *Related to long-term Investments of primarily shareholder capital.*
3 *The financial liabilities of the Group consist of the lease liabilities. Refer to note 30 for the reconciliation thereof.*
4 *OHL changed its accounting policy to present ordinary dividends paid and dividends paid to non-controlling interest under financing activities as opposed to operating activities. Refer to the restatement note for more information.*

Notes to the consolidated financial statements

1. General information

OUTsurance Holdings Limited (referred to as the Company or OHL), 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 Company is an unlisted public company and a subsidiary of OUTsurance Group Limited (OGL) (previously known as Rand Merchant Investment Holdings Limited).

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. This has changed from the prior year annual financial statements where figures were presented in thousands of Rands (R'000) to align with the group reporting guidelines.

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

All significant accounting policies are contained in note 43. 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 43.24 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 period 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% – 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 to 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, however, is 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 OUTsurance 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 Retention[1] (per Risk) should not exceed 0.18% of the expected annual gross earned premium (GEP) for the particular treaty year;
- Maximum Event Retention[1] (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.

1 Maximum Event Retention (MER) is defined as the net loss after allowance for reinsurance recoveries including reinstatement premiums payable. Therefore, calculated as the shortfall between the gross claim and the top limit (if any) plus retention plus reinstatement premium.

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 period 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

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 28.5 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.

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[1]
30 June 2023				
Financial assets				
Equity securities				
Exchange traded funds	774	–	–	774
Listed NCNR preference shares[2]	191	–	–	191
Collective investment schemes	–	431	–	431
Unlisted equity	–	–	31	31
Debt securities				
Collective investment schemes	–	936	–	936
Unsecured investment in development fund	–	–	52	52
Zero-coupon deposits	–	1 047	–	1 047
Government, municipal and public utility securities	–	316	–	316
Money market securities <1 year	–	2 610	–	2 610
Money market securities >1 year	–	2 174	–	2 174
Zero-coupon deposits backing endowment policies	–	1 231	–	1 231
Convertible loan	–	–	9	9
Derivative financial instruments	–			
Foreign exchange derivative	–	9	–	9
Bond Forward[1]	–	–	–	–
	965	8 754	92	9 811
Financial liabilities				
Debt securities				
Financial liabilities at fair value through profit or loss	–	–	112	112
Investment contract liability	–	1 231	–	1 231
Derivative financial instruments				
Interest rate swaps	–	77	–	77
Foreign exchange derivative	–	4	–	4
	–	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	818	–	–	818
Listed NCNR preference shares[2]	341	–	–	341
Collective investment schemes	–	368	–	368
Unlisted equity	–	–	31	31
Debt securities				
Collective investment scheme	–	1 225	–	1 225
Unsecured investment in development fund	–	–	58	58
Zero-coupon deposits	–	785	–	785
Government, municipal and public utility securities[3]	–	282	–	282
Money market securities <1 year[3]	–	2 042	–	2 042
Money market securities >1 year[3]	–	1 789	–	1 789
Zero-coupon deposits backing endowment policies	–	64	–	64
Convertible loan	–	–	4	4
Derivative financial instruments				
Interest rate swap	–	7	–	7
Collateralised swaps	–	61	–	61
	1 159	6 623	93	7 875
Financial liabilities				
Debt securities				
Financial liabilities at fair value through profit or loss	–	–	72	72
Investment contract liability	–	64	–	64
Derivative financial instruments				
Bond forward	–	6	–	6
	–	70	72	142

1 *Amount of R397 000 was excluded due to rounding. The bond forward would be included as a level 2 instrument.*
2 *Listed, non-cumulative, non-redeemable preference shares.*
3 *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.*

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

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 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.

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

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.
- **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.

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*

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 for the period under review:

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.

- **Unsecured Investment in Development Fund:** The Group invested in the ASISA Enterprise Development Fund of which the objective is to make investments in underlying B-BBEE 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 for the year under review:

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 excluded due to rounding.*

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*

- **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 principal and interest (SPPI). The loan is measured 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 financial 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%.*

- **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 for the period under review:

R million	Year ended 30 June 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	**31**	31
Preference shares		
Listed NCNR preference shares	**191**	341
Collective investment schemes		
Collective investment schemes	**431**	368
	1 427	1 558

The Group's largest concentration of equity investments in one particular company comprises 7.3% (2022: 9.2%) 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 427 million (2022: R1 558 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 *continued*

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[1]	2023 2% decrease[1]	2022 1% increase	2022 1% decrease
Fixed rate instruments				
Cash and cash equivalents	**1**	**(1)**	1	(1)
Term deposits	**(221)**	**221**	(70)	70
Government, municipal and public utility securities	**(6)**	**7**	(4)	5
Money market securities <1 year	**(10)**	**10**	(1)	1
Money market securities >1 year	**(12)**	**13**	(3)	4
Zero-coupon deposits backing endowment policies	**25**	**(25)**	1	(1)
Convertible loan	**2**	**(2)**	1	(1)
Variable rate instruments				
Cash and cash equivalents	**30**	**(30)**	23	(23)
Collective investment schemes	**19**	**(19)**	12	(12)
Government, municipal and public utility securities	**(5)**	**6**	–	–
Money market securities <1 year	**(17)**	**18**	(9)	9
Money market securities >1 year	**(71)**	**76**	(28)	29
	(265)	**274**	(77)	80

1 *The current financial 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%.*

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: 100) 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[1]	2023 2% decrease[1]	2022 1% increase	2022 1% 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

1 *Current financial 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*

3.3.2 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 excluded 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

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)**

3. Management of risk and capital *continued*

3.3 Financial risk management *continued*

3.3.2 Market risk *continued*

Currency risk *continued*

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 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 indicates the credit quality and credit exposure of the Group's financial assets:

R million	AA	A	BBB	BB	B	Not rated	Total
At 30 June 2023							
Cash and cash equivalents	883	–	–	517	126	–	1 526
Term deposits	11 064	–	–	–	–	–	11 064
Collective investment schemes[3]	–	–	–	–	–	936	936
Unsecured investment in development fund	–	–	–	–	–	52	52
Government, municipal and public utility securities	–	–	–	306	–	10	316
Money market securities <1 year	–	–	–	2 610	–	–	2 610
Money market securities >1 year	–	–	–	2 159	15	–	2 174
Zero-coupon deposits	–	–	–	745	302	–	1 047
Zero-coupon deposits backing endowment policies	–	–	–	1 231	–	–	1 231
Reinsurers' share of insurance contract liabilities	25	1 109	10	247	–	146	1 537
Insurance and other receivables[1,2]	219	146	–	23	4	5 948	6 340
Forward exchange derivative	–	–	–	9	–	–	9
Convertible loan	–	–	–	–	–	9	9
TOTAL[3]	**12 191**	**1 255**	**10**	**7 847**	**447**	**7 101**	**28 851**

3. Management of risk and capital *continued*

3.3 Financial risk management *continued*

3.3.3 Credit risk *continued*

R million	AA	A	BBB	BB	B	Not rated	Total
At 30 June 2022							
Cash and cash equivalents	1 553	23	–	175	600	–	2 351
Term deposits	7 011	–	–	–	–	–	7 011
Collective investment schemes[3]	–	–	–	–	–	1 225	1 225
Unsecured investment in development fund	–	–	–	–	–	58	58
Government, municipal and public utility securities	–	–	–	232	37	13	282
Money market securities <1 year	–	–	–	1 206	836	–	2 042
Money market securities >1 year	2	–	–	1 443	344	–	1 789
Zero-coupon deposits	–	–	–	568	217	–	785
Zero-coupon deposits backing endowment policies	–	–	–	64	–	–	64
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	4 144	4 751
Convertible loan	–	–	–	–	–	4	4
TOTAL[3]	8 684	2 728	22	3 908	2 037	5 748	23 127

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 represents the premium receivable for business written in the current period. The credit risk of the policyholders are subject to the credit risk management processes followed at inception and renewal of the insurance policy.*

3 *The credit risk table was updated to exclude Unlisted equity and Collective investment schemes invested in equity investments which mainly 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:

	Gross exposure[1]	
R million	**Subject to 12-month ECL**	**Subject to lifetime ECL**
At 30 June 2023		
Cash and cash equivalents	**1 526**	**–**
Term deposits	**11 064**	**–**
Government, municipal and public utility securities	**306**	**10**
Money market securities <1 year	**2 610**	**–**
Money market securities >1 year	**2 174**	**–**
Insurance and other receivables[2]	**6 340**	**–**
TOTAL	**24 020**	**10**

	Gross exposure[1]	
R million	Subject to 12-month ECL	Subject to lifetime ECL
At 30 June 2022		
Cash and cash equivalents	2 351	–
Term deposits	7 011	–
Government, municipal and public utility securities	269	13
Money market securities <1 year	2 042	–
Money market securities >1 year	1 790	–
Insurance and other receivables[2]	4 751	–
TOTAL	18 214	13

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. 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
2023			
Expected credit losses			
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**	**2**	**22**

R million	12-month ECL[1]	Lifetime ECL[2]	Total
2022			
Expected credit losses			
Government, municipal and public utility securities	1	–	1
Money market securities <1 year	9	–	9
Money market securities >1 year	8	–	8
TOTAL	18	–	18

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 counter party 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 20223 (2022: nil).

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: R0 million).

R million	**30 June 2023**	**%**	30 June 2022	%
Liquid financial assets				
Realisable within 30 days[3]				
Cash and cash equivalents	**1 526**	**5.3%**	2 351	10.7%
Collective investment schemes	**1 367**	**4.8%**	1 593	7.2%
Government, municipal and public utility securities[2]	**316**	**1.1%**	282	1.3%
Money market securities[2]	**4 784**	**16.6%**	3 831	17.4%
Exchange traded funds – ordinary shares	**774**	**2.7%**	818	3.7%
Realisable between one and twelve months				
Term deposits	**11 064**	**38.5%**	7 011	31.9%
Loans and receivables[1]	**6 340**	**22.1%**	4 751	21.6%
Derivative assets	**9**	**<1%**	2	<1%
TOTAL LIQUID FINANCIAL ASSETS	**26 180**		20 639	
Illiquid assets				
Realisable in more than twelve months				
Zero-coupon deposits	**1 047**	**3.6%**	785	3.5%
Listed NCNR preference shares	**191**	**0.7%**	341	1.6%
Unsecured investment in development fund	**52**	**0.2%**	58	0.3%
Zero-coupon deposits backing endowment policies	**1 231**	**4.3%**	64	0.3%
Convertible loan	**9**	**<1%**	4	<1%
Unlisted equity	**31**	**0.1%**	31	0.1%
Derivative assets	**–**	**<1%**	61	0.3%
TOTAL ILLIQUID ASSETS	**2 561**		1 344	
TOTAL FINANCIAL ASSETS HELD	**28 741**	**100%**	21 983	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 INSURANCE CONTRACT ASSETS HELD	**1 537**		2 765	
TOTAL ASSETS (EXCLUDING NON-MONETARY ASSETS)	**30 278**		24 748	

1 *This constitutes loans and receivables classified as financial assets and includes premium debtors.*
2 *Prior financial year disclosed gross of the ECL provision.*
3 *Can be converted to cash before contractual maturity.*

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 payables	610	–	–	–	610
Trade creditors	97	–	–	–	97
Other payables	535	–	–	–	535
TOTAL LIABILITIES	14 861	256	1 281	2 669	19 067
Liquid asset coverage ratio	1.76				1.37
Financial assets coverage ratio					1.51

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
Investment contract liability	–	–	64	–	64
	11 667	45	(279)	2 269	13 702
Contractual undiscounted cash flows[1]					
Financial liabilities at fair value through profit and loss	72	–	–	–	72
Insurance payables	1 088	–	–	–	1 088
Trade creditors	31	–	–	–	31
Other payables	340	–	–	–	340
TOTAL LIABILITIES	13 198	45	(279)	2 269	15 233
Liquid asset coverage ratio	1.98				1.72
Financial assets coverage ratio					1.89

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 financial 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

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; and
- Central and consolidation adjustments: This segment relates to all the other segments within the Group that have not been specified above as well as costs that are not allocated to specific segments due to their overarching nature.

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.

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 financial year, the Group expanded its international operations into Ireland. 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 financial statements *continued*

4. Segment information *continued*

4.1 Market segmentation

R million					Short-term insurance	Long-term insurance				
	OUTsurance									
	Personal[1]	Commercial	Central[5]	Total[5]	Youi Group	OUTsurance Life	Administration services	Irish Group	Central and consolidation adjustments	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
Outward reinsurance premiums	(147)	(51)	–	(198)	(1 861)	(136)	–	–	–	(2 195)
Gross change in provision for unearned premiums[4]	(16)	(7)	–	(23)	(1 559)	–	–	–	–	(1 582)
Reinsurance relating to provision for unearned premiums[4]	–	–	–	–	(254)	–	–	–	–	(254)
Earned premium, net of reinsurance	8 559	2 380	–	10 939	12 725	804	–	–	–	24 468
Non-insurance related fee income	–	–	–	–	113	7	501	–	(110)	511
Policyholder benefits on insurance contracts net of reinsurance	(4 441)	(1 337)	–	(5 778)	(7 173)	(188)	–	–	–	(13 139)
Transfer to policyholder liabilities under insurance contracts	–	–	–	–	–	(53)	–	–	–	(53)
Fair value adjustment to financial liabilities	(180)	–	–	(180)	–	(16)	–	–	–	(196)
Marketing, acquisition and administration expenses	(1 813)	(814)	(236)	(2 863)	(4 052)	(519)	(558)	(56)	105	(7 943)
Underwriting result	2 125	229	(236)	2 118	1 613	35	(57)	(56)	(5)	3 648
Investment income on technical reserves	99	27	–	126	227	67	–	–	–	420
Operating profit/(loss)[3]	2 224	256	(236)	2 244	1 840	102	(57)	(56)	(5)	4 068
Equity accounted earnings				–	37	–	–	–	(3)	34
Profit on change in shareholding of investment in associates				–	–	–	–	–	7	7
Profit on sale of associates				–	–	–	–	–	45	45
Reversal of impairment of investment in associates				–	–	–	–	–	13	13
Operating profit including associate earnings				2 244	1 877	102	(57)	(56)	57	4 167
Net investment income on shareholder investment capital				338	111	52	3	–	151	655
Profit before tax				2 582	1 988	154	(54)	(56)	208	4 822
Normalised earnings										3 238

4. Segment information *continued*

4.1 Market segmentation *continued*

	Short-term insurance					Long-term insurance			
	OUTsurance								
R million	Personal[1]	Commer-cial	Central[5]	Total[5]	Youi Australia Group Personal	OUTsurance Life	Admini-stration services	Central and cons-olidation adjust-ments	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
Outward reinsurance premiums	(170)	(70)	–	(240)	(1 980)	(94)	–	–	(2 314)
Gross change in provision for unearned premiums[4]	(10)	(9)	–	(19)	(1 245)	–	–	–	(1 264)
Reinsurance relating to provision for unearned premiums[4]	–	–	–	–	243	–	–	–	243
Earned premium, net of reinsurance	7 981	2 013	–	9 994	9 499	704	–	–	20 197
Non-insurance related fee income	–	–	–	–	82	–	425	(52)	455
Policyholder benefits on insurance contracts net of reinsurance	(4 091)	(1 209)	–	(5 300)	(5 778)	(247)	–	–	(11 325)
Transfer to policyholder liabilities under insurance contracts	–	–	–	–	–	(3)	–	–	(3)
Fair value adjustment to financial liabilities	(140)	–	–	(140)	–	(7)	–	–	(147)
Marketing, acquisition and administration expenses	(1 668)	(765)	(94)	(2 527)	(3 206)	(372)	(432)	96	(6 441)
Underwriting result	2 082	39	(94)	2 027	597	75	(7)	44	2 736
Investment income on technical reserves	64	18	–	82	24	32	–	–	138
Operating profit/(loss)[3]	2 146	57	(94)	2 109	621	107	(7)	44	2 874
Equity accounted earnings				–	10	–	–	2 448	2 458
Profit on change in shareholding of investment in associates				–	–	–	–	(271)	(271)
Profit on sale of associates				–	–	–	–	37	37
Operating profit including associate earnings				2 109	631	107	(7)	2 258	5 098
Net investment income on shareholder investment capital				328	(33)	36	2	47	380
Profit before tax				2 437	598	143	(5)	2 305	5 478
Normalised earnings									2 316

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 *For the financial year ended 30 June 2023, the change in provision for unearned premiums line was disclosed gross of the related reinsurance portion as opposed to net. The reinsurance portion was included in the outward reinsurance premiums line. The prior period outward reinsurance premium line was restated to exclude the reinsurance portion related to the change in provision for unearned premiums. Refer to note 41 for more detail.*

5 *The segment report was updated to include a Central and Total column under the OUTsurance heading. These columns were included to provide the CODM better insights into the core driver of the Group, being OUTsurance. The June 2022 segment report was updated for comparability. The restatement had no impact on net income, profit after tax, earnings per share or headline earnings per share. It also has no impact on the statements of financial position, changes in equity or cash flows.*

4. Segment information *continued*

4.2 Geographical segmentation

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

R million	Southern Africa				Australia	Ireland[2]	
	OUTsurance	OUTsurance Life	Administration service[1]	Central and consolidation adjustments	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	783	45	1 198
Financial assets	5 677	2 872	–	944	11 373	–	20 866
Other assets	952	321	239	(406)	9 268	15	10 389
Cash and cash equivalents	182	185	8	205	863	83	1 526
TOTAL SEGMENT ASSETS	6 975	3 378	259	937	22 287	143	33 979
Segment Equity							
Share capital	25	435	100	(41)	1 601	168	2 288
Retained earnings	3 184	422	35	2 306	3 087	(56)	8 978
Other reserves and non-controlling interests	27	4	–	(388)	1 189	11	843
TOTAL SEGMENT EQUITY	3 236	861	135	1 877	5 877	123	12 109
Segment liabilities							
Insurance contract liabilities	2 084	969	–	–	13 348	–	16 401
Other liabilities	1 655	1 548	124	(940)	3 062	20	5 469
TOTAL SEGMENT LIABILITIES	3 739	2 517	124	(940)	16 410	20	21 870
TOTAL SEGMENT EQUITY AND LIABILITIES	6 975	3 378	259	937	22 287	143	33 979

1 *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. Prior financial year was updated for comparability.*

2 *During the current financial year the Group expanded its foreign direct investment into the European market and established a 100% owned subsidiary in Ireland.*

Notes to the consolidated financial statements *continued*

4. Segment information *continued*

4.2 Geographical segmentation *continued*

R million	Southern Africa: OUTsurance	OUTsurance Life	Administration services[1]	Central and consolidation adjustments[1]	Australia: Youi Group	Group total
Segment statement of financial position information						
Year end 30 June 2022						
Segment assets						
Property and equipment	143	–	1	208	708	1 060
Financial assets	4 947	1 356	–	1 225	7 269	14 797
Other assets	959	263	222	(357)	8 287	9 374
Cash and cash equivalents	362	176	20	239	1 554	2 351
TOTAL SEGMENT ASSETS	6 411	1 795	243	1 315	17 818	27 582
Segment Equity						
Share capital	25	435	100	(709)	2 456	2 307
Retained earnings	3 107	302	53	2 346	1 744	7 552
Other reserves and non-controlling interests	(5)	11	–	518	11	535
TOTAL SEGMENT EQUITY	3 127	748	153	2 155	4 211	10 394
Segment liabilities						
Insurance contract liabilities	2 026	828	–	–	10 784	13 638
Other liabilities	1 258	219	90	(840)	2 823	3 550
TOTAL SEGMENT LIABILITIES	3 284	1 047	90	(840)	13 607	17 188
TOTAL SEGMENT EQUITY AND LIABILITIES	6 411	1 795	243	1 315	17 818	27 582

1 *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. Prior financial year was updated for comparability.*

Normalised earnings are adjusted for non-operational items related to the Group's historic indirect investment in the Hastings Group as well as other items related to corporate transactions and managing the Group's capital investments.

Reconciliation of IFRS earnings to headline earnings attributable to ordinary shareholders as per note 14.

R million	2023	2022
Normalised earnings per segment report	**3 238**	2 316
Remeasurement gain on retained interest in CloudBadger	**–**	58
Hastings restructuring costs	**–**	(17)
Amortisation of intangible assets related to MS1353	**–**	(31)
Fair value adjustments on derivative financial instruments	**3**	–
HEADLINE EARNINGS ATTRIBUTABLE TO ORDINARY SHAREHOLDERS PER NOTE 14	**3 241**	2 326

Notes to the consolidated financial statements *continued*

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
	28 499	23 532

6. Non-insurance related income

R million	2023	2022
Government grant received	**69**	59
Commission income	**74**	34
Fees received from investment advice and administration services	**15**	4
Fees received from contact centre services	**353**	320
Software subscription fees	**–**	38
	511	455

The Group qualifies for a job-creation incentive associated with call centre activities of Youi and Hastings offshored to South Africa. The incentive is accounted for based on the actual incentive qualified for during the financial 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

R million	2023	2022
Investment income:	**187**	148
Interest income – financial assets at fair value through profit or loss	**108**	53
Dividends – listed equities	**67**	73
Dividends – unlisted equities[1]	**12**	22
Interest income on financial assets using the effective interest rate method	**830**	302
Interest income – financial assets measured at amortised cost	**372**	74
Interest income – financial assets at fair value through other comprehensive income	**458**	228
	1 017	450

1 Dividends received on unlisted equities were split out in the current financial year to better reflect the nature of the underlying investment. Unlisted equities relate to an unlisted unit trust with an underlying investment in equities. Prior financial year was updated for comparability.

8. Net gains/(losses) from fair value adjustments on financial assets

R million	Fair value designated through profit or loss	Fair value through other comprehensive income	Total
2023			
Net realised loss on financial assets	**–**	**(7)**	**(7)**
Net unrealised fair value gain	**82**	**–**	**82**
Net gain/(loss) from fair value adjustments on financial assets before ECL	**82**	**(7)**	**75**
Expected credit loss	**–**	**(1)**	**(1)**
Net gain/(loss) from fair value adjustments on financial assets before OCI	**82**	**(8)**	**74**
Fair value gain on financial assets at fair value through other comprehensive income	**–**	**39**	**39**
	82	**31**	**113**
2022			
Net realised gain/(loss) on financial assets	4	(2)	2
Net unrealised fair value gain	77	–	77
Net gain/(loss) from fair value adjustments on financial assets before ECL	81	(2)	79
Expected credit loss	–	(1)	(1)
Net gain/(loss) from fair value adjustments on financial assets before OCI	81	(3)	78
Fair value losses on financial assets at fair value through other comprehensive income	–	(11)	(11)
	81	(14)	67

Refer to note 3.3.1 for the fair value hierarchy of financial instruments measured at fair value, for 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.

Notes to the consolidated financial statements *continued*

9. Policyholder benefits on insurance contract net of reinsurance

	2023			2022		
R million	**Gross**	**Reinsurance**	**Net**	Gross	Reinsurance	Net
Short-term insurance						
Claims 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 28 for the breakdown of the gross movement in the claims provisions for both short-term and long-term insurance.

Notes to the consolidated financial statements *continued*

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	**67**	61
Computer and office equipment	**54**	45
Furniture and fittings	**7**	16
Motor vehicles	**12**	14
Amortisation		
Purchased computer software	**8**	5
Internally generated computer software	**26**	24
TOTAL DEPRECIATION AND AMORTISATION	**174**	165
Employee benefits		
Salaries excluding retirement funding	**3 851**	3 361
Medical aid contributions	**166**	152
Retirement funding	**299**	261
Service cost relating to employee benefits	**–**	7
Share-based payments	**436**	163
Other staff expenses	**36**	31
TOTAL EMPLOYEE BENEFITS	**4 788**	3 975
Other disclosable items		
Audit fees	**24**	21
External audit fees	**19**	15
Other fees/services	**5**	6
Short-term lease expenditure	**–**	1
Loss on sale of property, plant and equipment	**1**	1
Loss on write down of intangible asset	**14**	–
Research and development costs relating to internally generated intangible assets	**–**	9
Consulting and legal fees for professional services	**163**	142
Investment fees paid	**11**	10
Foreign exchange loss/(profit)	**10**	(24)
Acquisition costs net of movement in deferred acquisition expenses[1]	**450**	292
Marketing and management expenses	**2 308**	1 849
TOTAL OTHER DISCLOSABLE EXPENSES	**2 981**	2 301
TOTAL MARKETING AND ADMINISTRATION EXPENSES	**7 943**	6 441

1 Acquisition expenses include both standard commission and spotter fees. Refer to note 28.1 for the gross movement of the acquisition costs deferred and the acquisition costs amortised.

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**	3
	16	10

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 year taxation was calculated at 28% and the current year taxation is calculated at 27%. The Australian tax rate remained unchanged at 30%.

R million	**2023**	2022
South African normal taxation[1]		
Current taxation		
Current year	**(875)**	(775)
Prior year over/(under) provision	**–**	2
Deferred taxation		
Current year	**62**	–
Deferred tax rate change	**–**	1
Withholding taxation incurred	**(1)**	(4)
Foreign tax on investments	**–**	–
Australian normal taxation[1]		
Current taxation		
Current year	**(631)**	(316)
Deferred taxation		
Current year	**45**	134
Deferred taxation rate change	**–**	–
TOTAL TAXATION CHARGE	**(1 400)**	(958)
%		
Tax rate reconciliation[2]		
Effective Tax Rate	**29.04**	17.49
Non-temporary differences	**(1.79)**	10.64
Fair value adjustment	**0.40**	(1.24)
Non-taxable income	**0.09**	0.14
Other permanent differences	**(0.11)**	0.15
Capital gains tax	**0.09**	0.01
Foreign tax rate differential	**(1.33)**	(0.25)
Exempt dividends	**0.35**	0.30
Equity accounted earnings	**0.19**	12.51
Fair value adjustments to financial liabilities	**(1.11)**	(0.76)
Loss on loss of control of subsidiary	**–**	(0.11)
Change in shareholding of investment in associates	**0.03**	–
Non-allowable expenses	**(0.39)**	(0.11)
Assessment adjustment	**0.18**	0.11
Withholding taxation incurred	**–**	(0.06)
Reversal of deferred tax asset	**–**	(0.11)
Assessed loss utilised	**–**	0.01
Deferred tax rate change	**–**	0.03
Deferred tax asset not utilised	**(0.43)**	(0.11)
STANDARD INCOME TAXATION RATE IN SOUTH AFRICA	**27.00**	28.00

1 *Taxation has been split between geographical operations in the current financial year in order to provide additional disclosure relevant to the different tax jurisdictions applicable to the Group. Prior financial year figures were updated for comparability.*

2 *The tax rate reconciliation has been updated to be shown in percentage terms to better reflect the movement from the South African tax rate to the effective tax rate.*

13. Earnings per share

In terms of IAS 33, the Group has elected to disclose earnings per share. 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.

13.1 Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares in issue during the financial year, excluding the average number of ordinary shares held by the Group as treasury shares.

	2023	2022
Earnings attributable to ordinary shareholders (R million)	**3 285**	4 464
Weighted average number of shares in issue (full amount)	**3 738 079 502**	3 734 042 543
Basic earnings per share (cents)	**87.88**	119.55

13.2 Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The options that have been issued to key personnel that have not yet vested or have not yet been exercised by the holders of those options have a potential dilutive effect on the earnings per share for the Group. Earnings dilution results from the Group's share incentive schemes as disclosed in note 31.

	2023	2022
Earnings attributable to ordinary shareholders (R million)	**3 285**	4 464
Diluted earnings attributable to the Youi Group (R million)	**(19)**	(3)
TOTAL DILUTED EARNINGS ATTRIBUTABLE TO ORDINARY SHAREHOLDERS (R MILLION)	**3 266**	4 461
Weighted average number of shares in issue (full amount)	**3 738 079 502**	3 734 042 543
Dilution impact of share incentive scheme (full amount)	**48 721 224**	25 440 434
Diluted weighted average number of shares in issue (full amount)	**3 786 800 726**	3 759 482 977
Diluted earnings per share (cents)	**86.25**	118.66

Refer to note 31 for information on the share-based payments that were taken into account to determine the dilution above.

14. Headline earnings per share

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

Headline earnings reconciliation:

	2023		2022	
R million	**Gross**	**Net**	Gross	Net
IFRS earnings attributable to ordinary shareholder		**3 285**		4 464
Adjusted for:				
(Reversal of impairment)/impairment of investments in associate	**(13)**	**(13)**	271	271
Profit on change in shareholding of investment in associates	**(7)**	**(7)**	–	–
Loss on loss of control of subsidiary	**–**	**–**	21	21
Profit on sale of investment in associate	**(45)**	**(35)**	–	–
Profit on sale of underlying investment in associate	**–**	**–**	(2 431)	(2 431)
Loss on sale of property and equipment	**1**	**1**	1	1
Loss on write-off of intangible asset	**14**	**10**	–	–
Headline earnings attributable to ordinary shareholders		**3 241**		2 326
Weighted average number of shares in issue (full amount)		**3 738 079 502**		3 734 042 543
Headline earnings per share – basic (cents)		**86.70**		62.28
Headline earnings attributable to ordinary shareholders		**3 241**		2 326
Diluted headline earnings attributable to Youi Group		**(19)**		(3)
Diluted headline earnings attributable to ordinary shareholders		**3 222**		2 323
Diluted weighted average number of shares in issue (full amount)		**3 786 800 726**		3 759 482 977
Headline earnings per share – diluted (cents)		**85.09**		61.78

The net headline earnings amounts reflected above are after the effects of taxation and non-controlling interest.

15. Dividend per share

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.

R million	**2023**	2022
Total dividends paid during the year	**(1 854)**	(5 268)
Total dividends paid gross of treasury shares	**1 881**	5 356
Total dividends paid on treasury shares	**(27)**	(88)
Total dividends declared	**2 298**	4 965
Total dividends declared – interim	**969**	938
Total dividends declared – special	**–**	3 115
Total dividends declared – final[1]	**1 329**	912
Number of ordinary shares in issue (full amount)	**3 798 908 308**	3 798 908 308
Dividends declared per share (cents)	**60.50**	130.70
Dividend paid per share (cents)[2]	**49.50**	141.00

1 *The final dividend declared relates to profits earned in the financial year ending 30 June but is declared in the following financial year.*

2 *Gross of treasury shares.*

16. 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	**865**	**12**	**155**	**24**	**4**	**1 060**
Additions	**–**	**46**	**100**	**9**	**–**	**155**
Disposals	**–**	**–**	**(1)**	**–**	**–**	**(1)**
Foreign exchange difference	**78**	**3**	**2**	**1**	**(1)**	**83**
Depreciation charge	**(37)**	**–**	**(54)**	**(7)**	**(1)**	**(99)**
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.*

R million	Land and buildings	Assets under construction[1]	Computer equipment	Furniture fittings and office equipment	Motor vehicles	Total
Year ended 30 June 2022						
Opening net book amount	869	–	128	29	4	1 030
Additions	–	12	71	11	1	95
Disposals	–	–	(1)	–	–	(1)
Reclassification[2]	–	–	1	–	–	1
Foreign exchange difference	33	–	1	–	–	34
Depreciation charge	(37)	–	(45)	(16)	(1)	(99)
Derecognition of carrying amount on loss of control of subsidiary[3]	–	–	–	–	–	–
CLOSING NET BOOK AMOUNT	865	12	155	24	4	1 060
At 30 June 2022						
Cost	1 140	12	520	106	9	1 787
Accumulated depreciation	(275)	–	(365)	(82)	(5)	(727)
NET BOOK AMOUNT	865	12	155	24	4	1 060

1 *Assets under construction represents the solar panel installation project that the Group is still in the process of completing at year end.*
2 *Computer hardware which was capitalised against computer software, was reclassified, to computer equipment as part of property and equipment.*
3 *Due to rounding, the figures relating to computer equipment and furniture and fittings were excluded.*

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 39 for the current and non-current analysis of property and equipment.

Notes to the consolidated financial statements *continued*

17. Intangible assets

Internally developed software relates to a project to redevelop the core insurance technology of the Group's insurance operations. 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 development[1]	Total
Year ended 30 June 2023				
Opening net book amount	**121**	**17**	**97**	**235**
Additions	**1**	**12**	**38**	**51**
Disposals	**–**	**(1)**	**(6)**	**(7)**
Reclassification[2]	**107**	**–**	**(107)**	**–**
Foreign exchange difference[4]	**5**	**–**	**1**	**6**
Writeoff[3]	**(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 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.

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

R million	Internally developed computer software	Purchased computer software	Computer software under development[1]	Total
Year ended 30 June 2022				
Opening net book amount	117	17	72	206
Additions	43	6	52	101
Reclassification[2]	–	(1)	–	(1)
Transfer of software under development	27	–	(27)	–
Foreign exchange difference	2	–	–	2
Derecognition of carrying amount on loss of control of subsidiary	(44)	–	–	(44)
Amortisation charge	(24)	(5)	–	(29)
CLOSING NET BOOK AMOUNT	121	17	97	235
At 30 June 2022				
Cost	143	140	97	380
Accumulated amortisation	(22)	(123)	–	(145)
NET BOOK AMOUNT	121	17	97	235

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

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

Notes to the consolidated financial statements *continued*

18. Right-of-use assets

R million	Properties[1]	Motor vehicles[2]	Total
Year ended 30 June 2023			
Opening net book amount	**63**	**3**	**66**
Additions	**13**	**21**	**34**
Depreciation	**(30)**	**(11)**	**(41)**
Renewals	**–**	**3**	**3**
Terminations/cancellations[3]	**–**	**–**	**–**
Foreign exchange difference	**1**	**2**	**3**
CLOSING NET BOOK AMOUNT	**47**	**18**	**65**
At 30 June 2023			
Cost	**65**	**47**	**112**
Accumulated depreciation	**(18)**	**(29)**	**(47)**
NET BOOK AMOUNT	**47**	**18**	**65**

1 *Property leases relate to the use of regional offices.*
2 *Vehicle leases are for use by operational staff.*
3 *Two property leases lapsed during the financial year, and therefore the related right-of-use asset with a cost of R50.9 million and an accumulated depreciation of R50.6 million was derecognised.*

R million	Properties[1]	Motor vehicles[2]	Total
Year ended 30 June 2022			
Opening net book amount	37	12	49
Additions	49	4	53
Depreciation	(24)	(13)	(37)
Terminations/cancellations[3]	–	–	–
Foreign exchange difference	1	–	1
CLOSING NET BOOK AMOUNT	63	3	66
At 30 June 2022			
Cost	98	32	130
Accumulated depreciation	(35)	(29)	(64)
NET BOOK AMOUNT	63	3	66

1 *Property leases relate to the use of regional offices.*
2 *Vehicle leases are for use by operational staff.*
3 *Due to rounding, an amount of R409 000 relating to Properties was excluded.*

Notes to the consolidated financial statements *continued*

19. Subsidiaries

The Company had the following subsidiaries at 30 June 2023:

Subsidiary	Nature of business	Country of Incorporation	Issued ordinary capital **2023 R million**	Issued ordinary capital 2022 R million	Effective holdings **2023**	Effective holdings 2022
OUTsurance Insurance Company Limited	Short-term insurer	South Africa	**25**	25	**100%**	100%
OUTsurance Life Insurance Company Limited	Long-term insurer	South Africa	**435**	435	**100%**	100%
OUTsurance International Holdings (Pty) Limited	Holdings company	South Africa	**2 214**	1 709	**100%**	100%
OUTsurance Shared Services (Pty) Ltd	Service company	South Africa	**100**	100	**100%**	100%
OUTvest Nominees RF (Pty) Limited[1,2]	Nominee	South Africa	**–**	–	**100%**	100%
OUTvest (Pty) Limited[2]	Online digital advice and administration services	South Africa	**193**	193	**100%**	100%
Youi NZ Pty Limited	Administration company	New Zealand	**34**	34	**92.6%**	90.0%
Youi Holdings Pty Limited	Holdings company	Australia	**1 522**	1 522	**92.6%**	90.0%
Youi Pty Limited (Australia)	Short-term insurer	Australia	**2 365**	1 849	**92.6%**	90.0%
Youi Properties Pty Limited[1]	Property company	Australia	**–**	–	**92.6%**	90.0%
OUTsurance Properties (Pty) Limited	Property company	South Africa	**38**	38	**100%**	100%
OUTsurance Irish Insurance Holdings Ltd[3]	Holding Company	Ireland	**168**	–	**100%**	0.0%
OUTsurance Designated Activity Company[3]	Short-term Insurer	Ireland	**150**	–	**100%**	0.0%

1 *Amounts of R1 000 relating to OUTvest Nominees and R10 000 relating to Youi Properties issued ordinary capital was excluded due to rounding.*

2 *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 investment in OUTvest has been classified as held for sale with an effective date of 30 June 2023.*

3 *During the current financial year, the Group expanded its foreign direct investment 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.*

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

In the previous 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.

Notes to the consolidated financial statements *continued*

19. Subsidiaries *continued*

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

Derecognition of CloudBadger on loss of control

R million	2022
ASSETS	
Deferred income tax	8
Intangible assets	44
Property and equipment[1]	–
Financial assets	–
Fair value through profit or loss	30
Receivables and prepayments	11
Restraint of trade	1
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
Total loss on disposal	
Group's dilution of interest	21
NET CASH OUTFLOW ON DISPOSAL OF CLOUDBADGER	5

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

The carrying amount of the assets and liabilities relating to CloudBadger were derecognised on 1 May 2022.

The total non-controlling interest for the financial year is R427.4 million (2022: R411.0 million) which is attributable to the minority shareholders of Youi Holdings. The NCI of CloudBadger, which was a subsidiary until it became an associate in the prior financial year on 1 May 2022, was also included in the table below. Refer to note 4 for further details surrounding Youi Holding's financial performance.

Reconciliation of non-controlling interest:

	Youi Holdings		CloudBadger	
R million	**2023**	2022	**2023**	2022
Opening balance of non-controlling interest	**411**	625	**–**	46
Profit/(loss) attributable to non-controlling interest	**137**	57	**–**	(1)
Shares issued to non-controlling interest	**–**	–	**–**	4
Derecognition of non-controlling interest on loss of control of subsidiary	**–**	–	**–**	(49)
Foreign currency translation reserve attributable to non-controlling interest	**51**	33	**–**	–
Dividends paid	**(21)**	(96)	**–**	–
Equity transactions with non-controlling interests	**(151)**	(208)	**–**	–
CLOSING BALANCE OF NON-CONTROLLING INTEREST	**427**	411	**–**	–

19. Subsidiaries *continued*

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 financial 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.

Transactions with non-controlling interest:

The Group 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. The Group'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.

The Group 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.

In the prior financial year, the Group 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. The Group'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 with the Group's retained earnings as well as its revolving credit facility.

The effect of the equity attributable to owners of Youi Holdings as at 30 June is summarised as follows:

R million	**2023**
Carrying amount of the 10.2% NCI before the sale	**550**
Carrying amount of the 2.64% NCI acquired	**144**
Consideration paid for the minority shareholding	**(439)**
Excess of consideration paid and recognised in the transactions with NCI reserve	**(295)**

R million	2022
Carrying amount of the 15.5% NCI before the sale	597
Carrying amount of the 5.3% NCI acquired	204
Consideration paid for the minority shareholding	(665)
Excess of consideration paid and recognised in the transactions with NCI reserve	(461)

20. Investment in associates

R million	2023	2022
Investment in associate		
Main Street 1353 (Pty) Limited	**32**	29
CloudBadger (Pty) Limited	**143**	123
Blue Zebra Insurance Pty Ltd	**247**	127
AutoGuru Australia Pty Limited	**17**	11
	439	290
Reconciliation of investment in associate		
Opening balance	**290**	3 716
Recognition of investment in associate on loss of control of subsidiary	**–**	123
Investment in subsidiary at cost	**–**	86
Loss on loss of control of a subsidiary	**–**	(21)
Revaluation gain of retained interest on recognition of associate	**–**	58
Ordinary shares purchased in associate	**79**	114
Foreign exchange difference	**14**	3
Equity accounted earnings	**34**	2 458
Reversal of impairment/(impairment) of investment in associate	**13**	(271)
Reversal of gain on bargain purchase in MS1353	**–**	(249)
Reversal of impairment/(impairment) of AutoGuru	**13**	(22)
Associates classified as held for sale	**–**	(29)
Profit on change in shareholding of investment in associates	**7**	–
Share of equity accounted reserve of associate	**10**	(139)
Reserve adjustment of associate entities	**2**	–
Dividends received from associates	**(10)**	(5 685)
CLOSING BALANCE	**439**	290

The Group assesses whether there is an indicator for impairment of its associate investments on an annual basis 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.

Investment in Mainstreet 1353 (Pty) Ltd (MS1353)

The Group owns a 49% interest in MS1353.

During the previous financial year the Group's associate, MS1353 sold its 199 939 120 shares in Hastings Group Holdings plc (Hastings) for 342.6 pence per share. This constituted 30% of the issued shares in Hastings and equated to a total of R14.6 billion. This resulted in a profit on sale of MS1353's share in Hastings of R4.9 billion.

The sale consideration was utilised to settle the funding of R3.1 billion in MS1353, which related to the Hastings interest, resulting in net proceeds of R11.5 billion. The net proceeds were paid out in the form of a special dividend to the Company and RMI Asset Holdings Proprietary Limited (RMI AssetCo), being the shareholders of MS1353, in proportion to their shareholding of 49% (R5.7 billion) and 51% (R5.9 billion), respectively.

The Company's effective shareholding in MS1353 has not changed, however in the previous financial year the Group recognised an impairment of investment in associate due to the underlying investment in Hastings being sold and the remaining operating activities in MS1353 ceasing. The impairment was associated with the balance of the original "gain on bargain purchase" which was recognised as a derivative gain upon acquisition of the interest in MS1353 in 2017. This gain was originally R750 million and was impaired in previous periods by a total of R501 million. The remaining balance of R249 million was written off to bring the investment in associate balance in line with the Company's share of the remaining net asset value (NAV) in MS1353 of R55 million.

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

20. Investment in associates *continued*

Investment in Mainstreet 1353 (Pty) Ltd (MS1353) *continued*

The following table provides a reconciliation of the material movements of the Group's investment in MS1353 relating to the sale of Hastings in the prior financial year:

R million	2022
Opening balance	3 627
Share of earnings from associate	2 450
Earnings from MS1353 excl. profit from sale	36
Profit from sale of Hastings	2 431
Funding exit costs	(17)
Dividend received from associate	(5 660)
NAV adjustments of MS1353	(139)
FCTR movement	(123)
Currency derivative movement	(16)
Impairment of associate	(249)
CLOSING BALANCE	29

Investment in Blue Zebra Insurance Pty Ltd (BZI)

The Group's subsidiary, 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.

Other associates

Investment in AutoGuru Australia Pty 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.

Associates held for sale

Associates classified as held for sale in the prior financial year related to the investments in Coreshares and OUTsurance Namibia. Please refer to note 21 for more information.

20. Investment in associates *continued*

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

	CloudBadger		Blue Zebra Insurance		MS1353		AutoGuru	
R million	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Statement of financial position								
Current assets	**104**	93	**852**	281	**66**	60	**25**	13
Non-current assets	**52**	55	**143**	117	**–**	–	**21**	50
Current liabilities	**(16)**	(4)	**(684)**	(215)	**–**	(1)	**(56)**	(46)
Non-current liabilities	**–**	(52)	**(18)**	(18)	**–**	–	**(12)**	(7)
EQUITY	**140**	92	**293**	165	**66**	59	**(22)**	10
Statement of profit and loss and other comprehensive income								
Revenue	**64**	46	**346**	193	**–**	5 119	**69**	56
After tax profit or loss	**8**	(2)	**129**	47	**7**	4 999	**(42)**	(13)
Closing balance of cash and cash equivalents	**13**	3	**297**	193	**66**	58	**14**	5

20. Investment in associates *continued*

Reconciliation of carrying value:

	CloudBadger		Blue Zebra Insurance		OUTsurance Namibia		Main Street	
R million	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
% of ownership[1]	**46.0%**	**48.2%**	**36.9%**	**34.2%**	**0%**	**49.0%**	**49.0%**	**49.0%**
Nature of business	**Banking platform services**		**Insurance underwriting agency**		**Insurance company**		**Investment entity**	
Place of business	**South Africa**		**Australia**		**Namibia**		**South Africa**	
Opening net assets	**92**	92	**165**	123	**–**	95	**59**	6 894
Profit for the period[3]	**8**	–	**129**	47	**–**	9	**7**	4 999
Other comprehensive (loss)/income	**–**	–	**–**	–	**–**	–	**–**	(284)
Foreign currency adjustments	**–**	–	**24**	7	**–**	–	**–**	–
Dividend	**–**	–	**(25)**	(12)	**–**	(52)	**–**	(11 550)
Ordinary shares issued	**12**	–	**–**	–	**–**	–	**–**	–
Share-based payment reserve movement	**24**	–	**–**	–	**–**	–	**–**	–
Other adjustments to net asset value	**4**	–	**–**	–	**–**	–	**–**	–
CLOSING NET ASSETS	**140**	92	**293**	165	**–**	52	**66**	59
Interest in associates[1]	**64**	44	**108**	56	**–**	25	**32**	29
Preference shares	**–**	–	**–**	–	**–**	–	**–**	–
Notional goodwill[2]	**79**	79	**131**	68	**–**	–	**–**	–
Foreign currency translation reserve attributable to notional goodwill[2]	**–**	–	**10**	3	**–**	–	**–**	–
Investment in associate held for sale	**–**	–	**–**	–	**–**	(25)	**–**	–
Other reserves[3]	**–**	–	**–**	–	**–**	–	**–**	–
CARRYING VALUE	**143**	123	**249**	127	**–**	–	**32**	29

1 *The percentage of ownership has been rounded to one decimal for disclosure purposes, where the actual ownership percentage is at least two decimals. This will have an immaterial 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.*

3 *Amount relating to CloudBadger in the prior financial year was excluded due to rounding.*

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

Refer to note 39 for the current and non-current analysis of investments in associates.

21. Assets held for sale

Investment in OUTsurance Insurance Company of Namibia Ltd (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 Namibia approved the sale of the associate and as a result the Group disposed of its 49% interest. The approval date is deemed to be the effective disposal date.

Investment in Coreshares Holdings (Pty) Limited (Coreshares)

On 1 May 2022, management committed to a plan to sell it's 27.7% investment in Coreshares. Accordingly, the investment in Coreshares was classified as held for sale with an effective date of 1 May 2022. The conclusion of the sale was dependent upon the pending approval of the FSCA. 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 approved the sale of Coreshares and as a result the Group disposed of its interest in the associate. The approval date is deemed to be the effective disposal date.

Investment in OUTvest (Pty) Limited (OUTvest) and its subsidiary OUTvest Nominees RF (Pty) Limited (OUTvest Nominees)

The Group is has commenced a disposal process of 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 it's carrying value which is the lower of carrying value and fair value less costs to sell.

21. Assets held for sale *continued*

The carrying amount of the associates and subsidiary held for sale is as follows:

R million	2023	2022
Investment in associates held for sale		
OUTsurance Insurance Company of Namibia Limited	–	26
Coreshares Holdings (Pty) Limited	–	3
Investment in subsidiary held for sale		
OUTvest (Pty) Limited	4	–
TOTAL ASSETS HELD FOR SALE	4	29

Reconciliation of carrying amount of subsidiary held for sale:

	OUTvest (Pty) Limited	
R million	2023	2022
ASSETS		
Loans and receivables	1	–
Cash and cash equivalents	25	–
TOTAL ASSETS RELATING TO SUBSIDIARY HELD FOR SALE	26	–
LIABILITIES		
Share-based payment liability	3	–
Employee benefits	2	–
Other payables	17	–
TOTAL LIABILITIES RELATING TO SUBSIDIARY HELD FOR SALE	22	–

Reconciliation of associates held for sale:

R million	OUTsurance Namibia 2022	Coreshares 2022	Total 2022
Opening balance	48	5	53
Share of earnings from associates	4	(2)	2
Dividend received from associates	(26)	–	(26)
CLOSING BALANCE	26	3	29

The following profit relating to the sale of these investments has been:

R million	OUTsurance Namibia 2023	Coreshares 2023	Total 2023
Sales proceeds	62	12	74
Profit on sale of associate	36	9	45

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.

Coreshares was acquired by a third party and therefore the disposal proceeds related to the Group's proportion shareholding in Coreshares was 27.7% of the purchase consideration as defined in the sales agreement.

Notes to the consolidated financial statements *continued*

22. Financial assets

The Group financial assets are summarised below:

R million	2023	2022
Mandatorily measured at fair value designated through profit or loss	**2 636**	1 595
Debt securities		
Zero-coupon deposits backing endowment policies	**1 231**	64
Convertible loan	**9**	4
Equity securities		
Listed NCNR preference shares	**191**	341
Exchange traded funds	**774**	818
Collective investment schemes	**431**	368
Designated at fair value through profit or loss	**1 099**	843
Debt securities		
Zero-coupon deposits	**1 047**	785
Unsecured investment in development fund	**52**	58
Fair value through other comprehensive income	**6 067**	5 348
Debt securities		
Government, municipal and public utility securities	**316**	282
Money market securities <1year	**2 610**	2 042
Money market securities >1 year	**2 174**	1 789
Expected credit loss	**–**	(21)
Collective investment schemes	**936**	1 225
Equity securities		
Unlisted equity	**31**	31
Amortised cost	**11 064**	7 011
Debt securities		
Term deposits	**11 064**	7 011
TOTAL FINANCIAL ASSETS	**20 866**	14 797

22. Financial assets *continued*

The table below provides a breakdown of the movement of the equity and debt securities:

R million	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Total
Year ended 30 June 2023				
Movement Analysis				
Balance at beginning of year	**2 438**	**5 348**	**7 011**	**14 797**
Additions (purchases and issues)	**1 410**	**4 024**	**8 041**	**13 475**
Dividends reinvested	**11**	**–**	**–**	**11**
Interest reinvested	**44**	**416**	**–**	**460**
Disposals (sales and redemptions)	**(306)**	**(3 764)**	**(4 957)**	**(9 027)**
Unrealised fair value adjustments	**107**	**18**	**–**	**125**
Transfer from derivative financial instruments[1]	**–**	**3**	**–**	**3**
Foreign exchange difference	**31**	**1**	**969**	**1 001**
Reclassification of expected credit loss to OCI reserve[3]	**–**	**21**	**–**	**21**
BALANCE AT THE END OF THE YEAR	**3 735**	**6 067**	**11 064**	**20 866**
Year ended 30 June 2022				
Movement Analysis				
Balance at beginning of year	2 451	3 379	5 810	11 640
Additions (purchases and issues)	288	5 066	6 917	12 271
Interest reinvested in collective investment schemes	–	22	–	22
Disposals (sales and redemptions)	(249)	(3 060)	(6 022)	(9 331)
Unrealised fair value adjustments	(65)	(11)	–	(76)
Transfer to derivative financial instruments[1]	–	(7)	–	(7)
Foreign exchange difference	13	3	306	322
Reclassification on investment becoming an associate[2]	–	(13)	–	(13)
Derecognition of financial asset on loss of control of subsidiary	–	(30)	–	(30)
Expected credit loss	–	(1)	–	(1)
BALANCE AT THE END OF THE YEAR	2 438	5 348	7 011	14 797

1 *The interest rate swaps included in the Group's fixed income portfolios have been transferred to the derivative financial instruments.*
2 *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 20 for more information.*
3 *The allowance for ECL was 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.*

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 39 for the current and non-current analysis of investment securities.

22. Financial assets *continued*

22.1 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.

23. 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.

23. 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**	(4)
Additions (purchases and issuings)	**55**	(97)
Disposals	**(148)**	18
Fair value adjustments	**(38)**	138
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 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.

24. 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.

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. The prior financial year closing deferred tax balances were therefore calculated at 27%.

		Movement			
R million	Opening balance[4]	Profit or loss	Other comprehensive income	Equity[1]	Closing balance
At 30 June 2023					
Deferred tax assets					
Provision relating to staff costs[3]	176	104	–	19	299
Other provisions[3]	28	(3)	–	3	28
Insurance liabilities provisions[3]	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	11	1	–	1	13
Special transfer credit	19	1	–	–	20
Expected loss adjustment	6	–	–	–	6
Other	–	6	–	1	7
Assessed loss	–	6	–	–	6
Total before adjustment relating to offset	678	196	(4)	76	946
Adjustment relating to offset[2]	(294)				(418)
TOTAL DEFERRED TAX ASSETS	384				528
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[2]	294				418
TOTAL DEFERRED TAX LIABILITIES	(29)				(23)

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

2 *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.*

3 *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.*

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 year.*

24. Deferred income tax *continued*

R million	Opening balance	Profit or loss	Other comprehensive income	Equity[1]	Closing balance
		Movement			
At 30 June 2022					
Deferred tax assets					
Provision relating to staff costs[3]	139	36	–	4	179
Other provisions[3]	27	(1)	–	1	27
Insurance liabilities provisions[3]	248	146	–	14	408
Fair value adjustments	21	(5)	3	–	19
Service costs on employee benefits	3	(5)	–	–	(2)
Operating lease charges	16	–	–	–	16
Allowances on fixed and intangible assets	6	11	–	–	17
Special transfer credit	20	–	–	–	20
Expected loss adjustment	6	–	–	–	6
Pretrade 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	486	178	3	11	678
Adjustment relating to offset[2]	(228)				(294)
TOTAL DEFERRED TAX ASSETS	258				384
Deferred tax liabilities					
Fair value adjustments	(83)	(21)	–	(2)	(106)
Investment in Associates	–	(3)	–	–	(3)
Deferred acquisition costs	(176)	(35)	–	(8)	(219)
Prepayments	(11)	5	–	–	(6)
Operating lease charges	–	4	–	–	4
Effect of change in statutory tax rate for companies	–	7	–	–	7
Total before adjustment relating to offset	(270)	(43)	–	(10)	(323)
Adjustment relating to offset[2]	228	–	–	–	294
TOTAL DEFERRED TAX LIABILITIES	(42)				(29)

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

2 *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.*

3 *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.*

24. Deferred income tax *continued*

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 39 for the current and non-current analysis of deferred taxation.

25. Insurance and other receivables

R million	2023	2022
Receivables arising from insurance and reinsurance contracts		
Due from policyholders[2]	**5 341**	3 874
Due from agents, brokers and intermediaries[2]	**487**	142
Due from reinsurers	**315**	644
Other receivables		
Fees receivable from contact centre services	**33**	27
Interest receivable[1]	**158**	27
Other receivables and prepayments	**225**	142
TOTAL RECEIVABLES	**6 559**	4 856

1 *Interest receivable from contact centre services is presented separately in the current financial year to better reflect the nature of the items included the 'Other receivables and prepayments' balance. The prior financial year was updated for comparability.*

2 *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.*

Insurance receivables are recognised and carried at the contractual amount less any allowance for uncollectible amounts. Non-insurance 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 40 for further details thereof.

Since insurance and other receivables have short-term maturities, the carrying amount approximates the fair value. Refer to note 39 for the current and non-current analysis of insurance and other receivables.

26. 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	**1 479**	2 112
Short-dated money market instruments	**47**	239
	1 526	2 351

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.

27. Share capital and premium

Upon consolidation, shares owned by the OUTsurance Holdings Limited Share Trust are accounted for as treasury shares and are eliminated against share capital and share premium. The unissued shares of the Company are under the control of the directors until the forthcoming annual general meeting.

No shares were issued in the current or prior financial year.

R million	2023	2022
Authorised share capital		
3 999 998 000 (2022: 3 999 998 000) ordinary shares at R0.01 each	**40**	40
1 000 "A" variable rate, cumulative, redeemable preference shares with no par or nominal value	**–**	–
1 000 "A" variable rate, non-cumulative, non-redeemable preference shares with no par or nominal value[1]	**–**	–
Issued ordinary share capital (fully paid up)		
Opening balance of ordinary shares in issue: 3 798 908 308 at R0.01 each	**38**	38
Treasury shares held by the OUTsurance Holdings Share Trust 66 156 569 (2022: 66 465 719)	**(1)**	(1)
CLOSING BALANCE OF ORDINARY SHARES IN ISSUE: 3 798 908 308 AT R0.01 EACH	**37**	37

1 Amount of R10 000 in the current and prior financial year was excluded due to rounding.

R million	2023	2022
Share premium		
Ordinary shares		
Issued share premium	**2 617**	2 617
Treasury shares held by the OUTsurance Holdings Share Trust	**(366)**	(347)
CLOSING BALANCE	**2 251**	2 270
TOTAL SHARE CAPITAL AND PREMIUM	**2 228**	2 307

28. 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 financial statements *continued*

28. Insurance contract liabilities *continued*

28.1 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

28. Insurance contract liabilities *continued*

28.1 Analysis of movement in short-term insurance contract liabilities *continued*

	2023			2022		
R million	Gross	Reinsurance	Net	Gross	Reinsurance	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

28.2 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.

28. Insurance contract liabilities *continued*

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

Claims provisions *continued*

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.

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 the prior financial year, 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 table below demonstrates what the balance of the claims liability would have been if the confidence interval varied.

28. Insurance contract liabilities *continued*

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

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's 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.

28. Insurance contract liabilities *continued*

28.3 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

28. Insurance contract liabilities *continued*

28.3 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

28. Insurance contract liabilities *continued*

28.4 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 financial 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.

28. Insurance contract liabilities *continued*

28.4 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.

28.5 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%)

28. Insurance contract liabilities *continued*

28.5 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%)

29. 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 on linked endowment product	**(14)**	(4)
Interest accrued on linked endowment product	**42**	3
BALANCE AT END OF THE YEAR	**1 231**	64

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

30. Lease liabilities

R million	**2023**	2022
Balance at beginning of the year	**72**	54
Cash movements		
Lease payments	**(44)**	(36)
Non-cash movements		
New leases entered into and lease extensions during the year	**38**	49
Interest	**11**	3
Foreign exchange difference	**3**	2
BALANCE AT THE END OF THE YEAR	**80**	72

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	40	48	2	90

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 not committed to any short-term leases and the total commitment at that date was Rnil (2022: R1.8 million).

Low-value leases are immaterial.

31. Share based payments

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.

31. Share based payments *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 financial 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.

31. Share based payments *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 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.

Notes to the consolidated financial statements *continued*

31. Share based payments *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
TOTAL 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 has been excluded due to rounding.*

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 financial year Divisional incentive scheme is due to the vesting period being incorporated in the calculation of the liability. 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.*

31. Share based payments *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	**14.95**	**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.

31. Share based payments *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[1]/notional unit	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 share[1]/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.

31. Share based payments *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 ending 30 June was as follows:

	2023	2022
Number of treasury 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 treasury 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.*

31. Share based payments *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 treasury 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 treasury 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	**14.95**	R11.82
Exercise price range	**14.95**	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%

31. Share based payments *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. 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**	265
Non-discretionary bonus liability	**44**	42
Discretionary bonus liability	**238**	209
TOTAL LIABILITY	**581**	516
Intellectual property bonus asset[1]	**–**	–
TOTAL ASSET	**–**	–
Reconciliation of leave pay liability		
Opening balance	**265**	240
Charge for the year	**169**	109
Liability utilised	**(154)**	(93)
Derecognition of carrying amount on loss of control of subsidiary	**–**	(2)
Foreign exchange difference	**20**	11
Reclassification to liabilities directly associated with assets held for sale	**(1)**	–
CLOSING BALANCE	**299**	265
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 liability		
Opening balance	**209**	183
Charge for the year	**228**	108
Liability utilised	**(208)**	(86)
Foreign translation difference	**10**	4
Reclassification to liabilities directly associated with assets held for sale	**(1)**	–
CLOSING BALANCE	**238**	209
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[1]	**–**	–

1 *Due to rounding, the figure relating to intellectual property bonus asset has been excluded.*

Refer to note 39 for the current and non-current analysis of employee benefits.

33. 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 financial 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
	112	72

Refer to note 3.3.1 for a reconciliation of the opening and closing balance.
Refer to note 39 for the current and non-current analysis of shareholders for preference dividends.

34. 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	**518**	340
Indirect tax on debtors	**619**	520
Indirect tax liability	**158**	74
Stamp duty payable	**154**	108
Payroll provisions and accruals	**187**	199
TOTAL PAYABLES	**2 343**	2 360

The carrying amount of payables approximates the fair value. Refer to note 39 for the current and non-current analysis of payables

35. Financial liabilities at amortised cost

R million	2023	2022
Movement Analysis		
Balance at beginning of year	–	–
Drawdown of loan facility	–	245
Repayment of loan facility	–	(245)
BALANCE AT END OF 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 drawndown.

During the prior financial year, there was an amount drawndown 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, applicable to the new financial year, increased to R1.350 billion in the next financial year with the interest rate changing to JIBAR plus a margin of 145bps.

36. Reconciliation of cash generated by/(utilised in) operations

The table below provides a reconciliation of cash generated by operations:

R million	2023	2022
Comprehensive income for the year before tax	**4 822**	5 478
Adjustments for:		
Depreciation	**140**	136
Amortisation of intangibles	**34**	29
Change in ROUA and lease liability[1]	**(3)**	–
Equity accounted earnings from associate	**(34)**	(2 458)
Share-based payments – equity settled schemes	**3**	(2)
Net fair value adjustments on financial assets	**(74)**	(78)
Transactions with non-controlling interest	**–**	16
(Reversal of impairment)/Impairment of associate	**(13)**	271
Loss on loss of control of subsidiary	**–**	21
Remeasurement gain on recognition of CloudBadger as on associate	**–**	(58)
Profit on change in shareholding of investment in associates	**(7)**	–
Profit on sale of associate	**(45)**	–
Loss on disposal of fixed assets	**1**	1
Fair value adjustment on financial liabilities	**196**	147
Provision for non-claims bonuses on insurance contracts for the year	**601**	532
Non-claims bonuses on insurance contracts paid	**(537)**	(521)
Finance costs	**16**	10
Interest received	**(478)**	(333)
Interest reinvested in financial assets	**(460)**	(22)
Dividends received	**(68)**	(95)
Dividends reinvested in financial assets	**(11)**	–
Change in unearned premium provision	**2 659**	1 241
Change in deferred acquisition costs	**(299)**	(168)
Change in claims reserves	**1 215**	448
Change in policyholder liability under long-term insurance contracts	**53**	3
Employee benefit service cost	**–**	7
Increase in share-based payment liability	**341**	24
Increase in employee benefits[2]	**67**	52
Translation differences	**(558)**	(168)
Cash generated by operations before working capital changes	**7 561**	4 513
Change in working capital	**(1 704)**	(298)
Increase in receivables[2]	**(1 704)**	(1 119)
Increase in payables[2]	**–**	821
CASH GENERATED BY OPERATIONS	**5 857**	4 215

1 Prior financial year amount of R409 000 was excluded due to rounding.

2 Differences to movements in the relevant notes in the financial statements are due to derecognition of balances relating to the subsidiary held for sale.

37. Taxation paid

The table below provides a recalculation of tax cash flow paid:

R million	**2023**	2022
Taxation payable – opening balance	**(134)**	(114)
Charge to profit or loss	**(1 400)**	(958)
Adjustment for deferred tax charge	**(107)**	(135)
Derecognition on loss on loss of control of subsidiary[1]	**–**	–
Taxation payable – closing balance	**352**	134
TAXATION PAID	**(1 289)**	(1 073)

1 *Prior financial year amount of R60 000 was excluded due to rounding.*

38. 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)

39. 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]	439	–	439
Deferred income tax[1]	528	29	499
Reinsurers' share of insurance contract liabilities	1 537	706	831
Deferred acquisition costs	980	980	–
Financial assets			
Fair value through profit or loss	3 735	1 205	2 530
Fair value through other comprehensive income	6 067	6 036	31
Amortised cost	11 064	11 064	–
Derivative financial instruments – assets	9	9	–
Insurance and other receivables	6 559	6 461	98
Tax receivable	9	9	–
Assets held for sale	26	26	–
Cash and cash equivalents	1 526	1 526	–
TOTAL ASSETS	33 979	28 051	5 928
LIABILITIES[2]			
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	361	361	–
Liabilities directly associated with assets held for sale	22	22	–
Insurance and other payables	2 343	2 343	–
TOTAL LIABILITIES	21 870	17 310	4 560

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 for comparibility.*

2 *Total shareholders equity was removed from the above note to align OGL and OHL. This is a better reflection of the intended disclosure, which is to show the split between current and non-current assets and liabilities, and is not applicable to equity.*

39. Current/non-current split of amounts recognized on the statement of financial position *continued*

R million	Carrying amount	Current	Non-current
30 June 2022			
ASSETS			
Property and equipment[1]	1 060	–	1 060
Intangible assets[1]	235	–	235
Right-of-use assets[1]	66	–	66
Investment in associates[1]	290	–	290
Deferred income tax[1]	384	21	363
Reinsurers' share of insurance contract provisions	2 765	2 323	442
Deferred acquisition costs	681	681	–
Fair value through profit or loss	2 438	1 186	1 252
Fair value through other comprehensive income	5 348	5 317	31
Amortised cost	7 011	7 011	–
Derivative financial instruments – assets	68	8	60
Insurance and other receivables	4 856	4 670	186
Non-current assets held for sale	29	29	–
Cash and cash equivalents	2 351	2 351	–
TOTAL ASSETS	27 582	23 597	3 985
LIABILITIES[2]			
Insurance contract liabilities	13 638	11 667	1 971
Derivative financial instrument	6	6	–
Investment contract liability	64	–	64
Lease liabilities	72	27	45
Share-based payment liability	297	93	204
Employee benefits	516	479	37
Deferred income tax[1]	29	4	25
Financial liabilities at fair value though profit or loss	72	72	–
Tax liabilities	134	134	–
Insurance and other payables	2 360	2 360	–
TOTAL LIABILITIES	17 188	14 842	2 346

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 for comparibility.

2 Total shareholders equity was removed from the above note to align OGL and OHL. This is a better reflection of the intended disclosure, which is to show the split between current and non-current assets and liabilities, and is not applicable to equity.

40. Related party transactions

The Group defines related parties as:

- The parent company, OUTsurance Group Limited (OGL) formerly Rand Merchant Investment Holdings Limited (RMIH). OGL has two wholly owned subsidiaries Firness International (Pty) Limited and RMI Asset Company (Pty) Limited.
- Associate companies of the parent company which include Main Street 1353 (Proprietary) Limited, Coreshares Index Tracker Managers (RF) (Proprietary) Limited, Cloudbadger Technologies (Proprietary) Limited and AutoGuru Australia (Proprietary) Limited. Discovery Holdings Limited and Momentum Metropolitan Holdings Limited were also associates until April 2022 when these entities were unbundled from OGL.
- Key management personnel such as the OUTsurance Holdings Limited Board of directors, the OUTsurance Holdings executive committee.

Principal shareholders

The Group is ultimately controlled by OGL. At the reporting date, OGL owned 89.8% (2022: 89.3%) of OUTsurance Holdings Limited, with the OUTsurance Holdings Share Trust owning 1.7% (2022: 1.7%), OUTsurance Equity Trust 0.5% (2022: 1.1%) and management 8.0% (2022: 7.9%) of the issued share capital.

Subsidiaries

Details of investments in subsidiaries are disclosed in note 19.

Transactions between the OHL Group 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 20.

40. Related party transactions *continued*

For the financial year under review, the OUTsurance Holdings Group entered into arms-length transactions with related parties:

R million	2023	2022
Transactions with related parties		
OUTsurance Group Limited[1]		
Ordinary dividends paid	**1 683**	–
Discovery Health		
Medical aid premiums paid	**–**	122
Momentum Metropolitan		
Medical aid premiums paid	**–**	8
Pension fund contribution	**–**	107
Group life premiums paid	**–**	12
Disability fee paid	**–**	12
Firness International (Pty) Limited[1]		
Ordinary dividends paid	**–**	4 301
Main Street 1353 (Pty) Limited		
Dividend received	**–**	(5 660)
OUTsurance Insurance Company of Namibia Limited[2]		
Dividend received	**(4)**	(25)
Administration fees received	**–**	(20)
Blue Zebra Insurance (Pty) Ltd		
Dividend received	**(10)**	(1)
Commissions paid[5]	**85**	18
Discovery Holdings Limited		
Investment income received	**–**	(4)
Year end balances with related parties		
Coreshares Index Tracker Managers (RF) Pty Ltd		
Collective Investment Scheme	**154**	142
AutoGuru Australia (Pty) Limited		
Convertible loan	**9**	4
Blue Zebra Insurance (Pty) Ltd		
Commissions payable[5]	**66**	23
Key management personnel		
Remuneration		
Salaries and bonuses	**148**	107
Non-executive directors fees	**8**	6
Non-executive directors fees subsidiaries	**10**	9
Other short-term employee benefits	**7**	6
Share-based payments expense for the year[3]	**126**	78
	299	206
Insurance related transactions		
Premiums received	**3**	1
Claims paid[4]	**–**	–
Year end balances with key management personnel		
Share-based payment liability[3]	**198**	88

1 *The shares previously held by Firness International Proprietary Limited were transferred at cost to OUTsurance Group Limited as a dividend in specie in the current financial year.*

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 *Prior financial year was updated to present the expense for the financial period 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 *An amount of R399 000 (2022: R346 000) was excluded due to rounding.*

5 *Amounts relating to Blue Zebra Insurance (Pty) Ltd in it's capacity as a broker channel were included in the current financial year. The prior financial year was updated for comparability.*

In the previous 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.

Insurance transactions are conducted at arm's length.

Notes to the consolidated financial statements *continued*

40. Related party transactions *continued*

Remuneration

Prescribed officers' and directors' emoluments for the financial year ended 30 June is as follows:

R'000[1]	Services as directors	Cash package	Performance related bonus	Other benefits	Benefit derived from share incentive scheme	Total
2023						
Non-executive directors						
AW Hedding	577	–	–	–	–	577
B Hanise	577	–	–	–	–	577
GL Marx	741	–	–	–	–	741
HL Bosman[2]	466	4 527	–	321	–	5 314
K Pillay	718	–	–	–	–	718
ME Ramathe[3]	151	–	–	–	–	151
SV Naidoo	577	–	–	–	–	577
JE van Heerden	577	–	–	–	–	577
RSM Ndlovu	527	–	–	–	–	527
ET Moabi	650	–	–	–	–	650
WT Roos	367	–	–	–	–	367
J Durand[4]	537	–	–	–	–	537
J Burger[4]	556	–	–	–	–	556
M Morobe[4]	384	–	–	–	–	384
J Teeger[4]	351	–	–	–	–	351
A Kekana[4]	325	–	–	–	–	325
M Mahlare[4]	325	–	–	–	–	325
UH Lucht[5]	16	–	–	–	–	16
Executive directors and prescribed officers						
Executive directors						
MC Visser	–	6 785	7 493	–	5 876	20 154
JH Hofmeyr	–	5 678	5 700	–	6 617	17 995
Prescribed officers						
DH Matthee	–	5 849	6 148	–	4 649	16 646
TOTAL	8 422	22 839	19 341	321	17 142	68 065

1 *Directors remuneration has been rounded to R'000 to better present the fees paid to each director.*
2 *There were no directors fees paid to representative companies until December 2022.*
3 *Retired 1 November 2022.*
4 *Appointed 1 December 2022 also including OGL portion for quarter 1 and 2.*
5 *Alternative to Jannie Durand.*

40. Related party transactions *continued*

Remuneration *continued*

R'000[1]	Services as directors	Cash package	Performance related bonus	Other benefits	Benefit derived from share incentive scheme	Severance pay	Total
2022							
Non-executive directors							
AW Hedding	636	–	–	–	–	–	636
JJT Madavo[3]	422	–	–	–	–	–	422
G Marx	803	–	–	–	–	–	803
K Pillay	800	–	–	–	–	–	800
PR Pretorius[4]	141	–	–	–	–	–	141
H Bosman[2]	–	10 652	–	1 373	89 138[7]	71 893[8]	173 056
T Moabi	710	–	–	–	–	–	710
M Ramathe	471	–	–	–	–	–	471
B Hanise	636	–	–	–	–	–	636
R Ndlovu	574	–	–	–	–	–	574
WT Roos	328	–	–	–	–	–	328
SV Naidoo[5]	281	–	–	–	–	–	281
JE van Heerden[6]	94	–	–	–	–	–	94
Executive directors and prescribed officers	–	–	–	–	–	–	–
Executive directors	–	–	–	–	–	–	–
MC Visser	–	6 347	6 690	–	1 206	–	14 243
Prescribed officers	–	–	–	–	–	–	–
JH Hofmeyr	–	5 020	5 291	–	2 463	–	12 774
DH Matthee	–	5 020	5 291	–	955	–	11 266
TOTAL	5 896	27 039	17 272	1 373	93 762	71 893	217 235

1 *Directors remuneration has been rounded to R'000 to better present the fees paid to each director.*
2 *No directors fees paid to representative companies. All payments to H Bosman are paid by OGL.*
3 *JJT Madavo retired 03 May 2022.*
4 *PR Pretorius retired 16 November 2021.*
5 *SV Naidoo was appointed 01 November 2021.*
6 *JE van Heerden was appointed 03 May 2022.*
7 *Includes pro-rated awards of R41 million previously vested awards exercised in 2022 of R32 million and vested awards payable in November 2022 of R16 million.*
8. *Severance pay paid by OGL related to the listing transition of OGL.*

40. Related party transactions *continued*

Directors' and prescribed officers' participation in Group share incentive schemes

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**	Gain realised – Rand
MC Visser	Group	9.52	2019/09/01	3	2022/09/01	Cash	2 418 000	(2 418 000)	–	**–**	5 875 740
	Group	9.47	2020/09/01	3	2023/09/01	Cash	2 901 600	–	–	**2 901 600**	–
	Group	10.55	2021/09/01	3	2024/09/01	Cash	2 901 600	–	–	**2 901 600**	–
	Group	11.95	2022/09/01	3	2025/09/01	Cash	–	–	2 901 600	**2 901 600**	–
	Total Group									**8 704 800**	
DH Matthee	Group	9.52	2019/09/01	3	2022/09/01	Cash	1 913 000	(1 913 000)	–	**–**	4 648 590
	Group	9.47	2020/09/01	3	2023/09/01	Cash	2 295 600	–	–	**2 295 600**	
	Group	10.55	2021/09/01	3	2024/09/01	Cash	2 295 600	–	–	**2 295 600**	–
	Group	11.95	2022/09/01	3	2025/09/01	Cash	–	–	2 295 600	**2 295 600**	–
	Total Group									**6 886 800**	
JH Hofmeyr	Group	9.52	2019/09/01	3	2022/09/01	Cash	1 579 347	(1 579 347)	–	**–**	3 837 813
	Group	9.47	2020/09/01	3	2023/09/01	Cash	1 946 488	–	–	**1 946 488**	
	Group	10.55	2021/09/01	3	2024/09/01	Cash	2 295 600	–		**2 295 600**	–
	Group	11.95	2022/09/01	3	2025/09/01	Cash	–	–	2 295 600	**2 295 600**	–
	Total 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.*

40. Related party transactions *continued*

Directors' and prescribed officers' participation in Group share incentive schemes *continued*

OUTsurance Holdings share incentive schemes *continued*

	DIS Incentive Unit				
	OUTsurance Business	OUTsurance Life	Youi Commercial and BZI	Youi CTP	**Total intrinsic value**
Issue date	2019/07/01	2019/07/01	2019/07/01	2019/07/01	
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	16.00	17.50	
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.

41. Restatement of comparatives

R million	Amount as previously reported	Amount as restated	Difference	Explanation for restatement
30 June 2022				
Consolidated statement of profit or loss and other comprehensive income				
Change in provision for unearned premiums – Gross	(1 021)	(1 264)	(243)	To better reflect the nature of the change in provision for unearned premiums line, the movement has been grossed up in the current and prior period.
Change in provision for unearned premiums – Reinsurance	–	243	243	
	(1 021)	(1 021)	–	
30 June 2022				
Consolidated cash flow statement				OHL has reclassified ordinary dividends paid and dividends paid to non-controlling interest as financing activities in the consolidated cash flow statement, due to these dividends paid being subject to regulatory capital available for distribution. By classifying these dividends paid under financing activities it better reflects the actual cash flows generated from operating activities by the Group.
Reclassification of dividends paid.				
Cash (outflow)/inflow from operating activities	(5 018)	347	5 365	
Cash outflow from financing activities	(500)	(5 865)	(5 365)	Prior financial year has been restated for comparability.

42. Events after the reporting period

There are no 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.

43. 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.

43.1 Consolidated financial statements

The consolidated 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.

43.1.1 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 financial statements from the date that control commences until the date that control ceases.

43.1.2 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

43.1.3 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.

43.1.4 Separate financial statements

Interests in subsidiary companies in the separate financial statements are shown at cost less any required impairment. In the separate financial statements, investments in subsidiaries and associates are carried at cost, which includes transaction costs, less impairment. The carrying amounts of these investments are reviewed annually for impairment.

Interests in associates are accounted for at cost less any impairment in the separate financial statements. The carrying amounts are reviewed annually for impairment.

43. Summary of significant accounting policies *continued*

43.1 Consolidated financial statements *continued*

43.1.5 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.

43.1.6 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.

43.2 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.

43. Summary of significant accounting policies *continued*

43.3 Recognition and measurement of insurance contracts

43.3.1 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.

Premiums

Gross premiums written comprise the premiums on insurance contracts entered into during the financial 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.

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.

Unearned premium provision

All short-term insurance contracts have even risk profiles. The provision for unearned premiums represents the proportion of the current financial year's premiums written that relate to risk periods extending into the following financial 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.

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.

43. Summary of significant accounting policies *continued*

43.3 Recognition and measurement of insurance contracts *continued*

43.3.1 Short-term insurance *continued*

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.

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.

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.

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.

43. Summary of significant accounting policies *continued*

43.3 Recognition and measurement of insurance contracts *continued*

43.3.1 Short-term insurance *continued*

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.

43.3.2 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.

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 28.4.

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 28.4.

Refer to note 28.5 for the calculation basis and the specific assumptions used to calculate the policyholder liabilities.

Premiums

Gross premiums comprise the premiums as received on insurance contracts during the financial 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.

43. Summary of significant accounting policies *continued*

43.3 Recognition and measurement of insurance contracts *continued*

43.3.2 Long-term insurance *continued*

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.

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.

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.

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 financial 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.

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.

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.

43. Summary of significant accounting policies *continued*

43.3 Recognition and measurement of insurance contracts *continued*

43.3.3 Deferred acquisition costs

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.

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.

43.4 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 43.3 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.

43. Summary of significant accounting policies *continued*

43.5 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.

43.6 Foreign Currency

43.6.1 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 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.

43.6.2 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.

43.6.3 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 financial 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.

43. Summary of significant accounting policies *continued*

43.7 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.

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.

Owner-occupied properties

Owner-occupied properties are held by the Group for use in the supply of services or, for its own administration purposes.

43.8 Intangible assets

43.8.1 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.

43. Summary of significant accounting policies *continued*

43.8 Intangible assets *continued*

43.8.1 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.

43.9 Leases

43.9.1 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.

43.9.2 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.

43. Summary of significant accounting policies *continued*

43.9 Leases *continued*

43.9.2 Lease liabilities *continued*

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.

43.9.3 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.

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.

43.9.5 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.

43.9.6 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.

43.10 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 financial 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.

43. Summary of significant accounting policies *continued*

43.11 Financial instruments

43.11.1 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.

43. Summary of significant accounting policies *continued*

43.11 Financial instruments *continued*

43.11.1 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.

43.11.2 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.

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.

Equity instruments

Interest income, calculated using the effective interest rate method, and impairments 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.

43.11.3 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.

43. Summary of significant accounting policies *continued*

43.11 Financial instruments *continued*

43.11.4 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.

43.11.5 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.

43.11.6 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.

43. Summary of significant accounting policies *continued*

43.11 Financial instruments *continued*

43.11.6 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.

43.11.7 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.

43. Summary of significant accounting policies *continued*

43.11 Financial instruments *continued*

43.11.6 Impairment *continued*

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.

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.

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.

43.12 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.

43.13 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.

43.14 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.

43. Summary of significant accounting policies *continued*

43.15 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.

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.

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.

43.16 Other reserves

Other reserves recognised by the Group include:

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.

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.

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.

Equity accounted reserve

This is the Group's proportionate share of the associates equity reserves.

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.

43. Summary of significant accounting policies *continued*

43.17 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 financial year, using tax rates substantively enacted at the reporting date. Adjustments to provisions made for tax payable in previous financial 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 financial years, are charged or credited to the current financial 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.

43. Summary of significant accounting policies *continued*

43.18 Employee benefits

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.

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 financial 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.

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.

43.19 Share-based payments

The Group operates both equity and cash-settled share incentive schemes.

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.

43. Summary of significant accounting policies *continued*

43.19 Share-based payments *continued*

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.

43.20 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.

43.21 Investment income

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.

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.

43.22 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:

Income from investment advice and investment administration services

Ongoing advice and administration fees are calculated and recognised as revenue on a daily basis.

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.

Income from contact centre services

Ongoing support call centre administration fees are calculated and recognised as revenue on a daily basis.

43.22.1 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.

43. Summary of significant accounting policies *continued*

43.23 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.

43.24 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*
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.*

43. Summary of significant accounting policies *continued*

43.25 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.*
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.*

43. Summary of significant accounting policies *continued*

43.25 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
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 Holdings Limited separate annual financial statements for the year ended 30 June 2023

The reports and statements set out below comprise the separate financial statements presented to the shareholders:

Separate statement of profit or loss and other comprehensive income

for the year ended 30 June

R million	Notes	**2023**	2022
Investment income	4	**2 059**	7 695
Impairment loss on investment in subsidiary	8	**(16)**	(140)
Fair value gain on loss of control of subsidiary	8	**–**	37
Income		**2 043**	7 592
Marketing and administration expenses	5	**(6)**	(4)
Result of operating activities		**2 037**	7 588
Reversal of impairment loss/(impairment loss) on investment in associates	9	**6**	(3 334)
Profit on sale of associates	10	**46**	–
Finance costs	6	**(6)**	(20)
Profit before taxation		**2 083**	4 234
Taxation	7	**(34)**	(18)
NET PROFIT FOR THE YEAR		**2 049**	4 216

During the current and previous year, there were no items that affected other comprehensive income and therefore the reconciliation of other comprehensive income has not been disclosed.

Separate statement of financial position

at 30 June

R million	Notes	2023	2022
ASSETS			
Deferred income tax	14	**–**	–
Investment in subsidiaries	8	**2 935**	2 483
Investment in associates	9	**168**	162
Financial assets at fair value through other comprehensive income	11	**936**	1 225
Loans and receivables	12	**380**	391
Assets held for sale	10	**37**	28
Cash and cash equivalents	13	**40**	4
TOTAL ASSETS		**4 496**	4 293
EQUITY			
Capital and reserves attributable to equity holders			
Share capital and premium[1]	15	**2 655**	2 655
Retained earnings		**1 803**	1 634
TOTAL EQUITY		**4 458**	4 289
LIABILITIES			
Tax liability	19	**5**	1
Other payables	17	**33**	3
TOTAL LIABILITIES		**38**	4
TOTAL EQUITY AND LIABILITIES		**4 496**	4 293

1 *Share capital and share premium were collapsed into a single line in the current reporting period to simplify the presentation of the statement of financial position and to align the presentation of reserves between OGL and OHL. The detail of the other reserves can be found in the Statement of changes in equity. The prior year was updated for comparability.*

Separate statement of changes in equity

for the year ended 30 June

R million	Share capital	Share premium	Retained earnings	Total
Balance as at 30 June 2021	38	2 617	2 774	5 429
Total profit for the year	–	–	4 216	4 216
Ordinary dividend paid	–	–	(5 356)	(5 356)
BALANCE AS AT 30 JUNE 2022	38	2 617	1 634	4 289
Total profit for the year	**–**	**–**	**2 049**	**2 049**
Ordinary dividend paid	**–**	**–**	**(1 880)**	**(1 880)**
BALANCE AS AT 30 JUNE 2023	**38**	**2 617**	**1 803**	**4 458**

Separate statement of cash flows

for the year ended 30 June

R million	Notes	2023	2022
OPERATING ACTIVITIES			
Cash generated by/(utilised in) operations	18	**54**	(71)
Interest received		**2**	25
Dividends received		**1 970**	7 651
Interest paid		**(6)**	(20)
Taxation paid	19	**(30)**	(11)
Ordinary dividends paid		**(1 880)**	(5 356)
CASH INFLOW FROM OPERATING ACTIVITIES		**110**	2 218
INVESTING ACTIVITIES			
Purchase of additional shares in subsidiary		**(505)**	(618)
Proceeds on liquidation of subsidiary[1]		**–**	15
Proceeds on disposal of associates[2]		**74**	–
Proceeds on disposal of financial assets		**757**	566
Purchase of financial assets		**(381)**	(1 772)
CASH OUTFLOW FROM INVESTING ACTIVITIES		**(55)**	(1 809)
FINANCING ACTIVITIES			
Repurchase of redeemable preference shares		**–**	(600)
Sale of treasury shares to share scheme participants	12	**228**	376
Purchase of treasury shares by share trust from share scheme participants	12	**(247)**	(183)
Borrowings repaid	16	**–**	(245)
Borrowings raised	16	**–**	245
Cash outflow from financing activities		**(19)**	(407)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**36**	2
CHANGE IN CASH AND CASH EQUIVALENTS			
Opening balance of cash and cash equivalents		**4**	2
Increase in cash and cash equivalents		**36**	2
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	13	**40**	4

1 During the previous period Youi SA was liquidated. Refer to note 8 for further information.
2 During the period under review, Coreshares and OUTsurance Namibia were sold.

Notes to the separate financial statements

1. General information

OUTsurance Holdings Limited (the Company) is an unlisted company incorporated and domiciled in South Africa and is a subsidiary of OUTsurance Group Limited (Formerly Rand Merchant Investment Holdings Limited).

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 consolidated financial statements. All monetary information and figures presented in these financial statements are stated in millions of Rand (R million), unless otherwise indicated. The presentation has changed from the prior year financial statements where figures were presented in R'000, to align with the group reporting guidelines.

3. Management of risk and capital

3.1 Risk management framework

The Company has developed an Enterprise Risk Management framework to provide reasonable assurance that the Company'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.

3.2 Financial risk management

The Company's activities expose it to a variety of financial risks: market risk including interest rate risk, credit risk and liquidity risk.

Financial risk is the risk of a possible future change in one or more of a specified interest rate or credit rating linked to the underlying financial instrument.

3.2.1 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.

3. Management of risk and capital *continued*

3.2 Financial risk management *continued*

3.2.1 Financial instruments measured at fair value *continued*

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

R million	**Level 2**	**Total**
At 30 June 2023		
Debt securities		
Collective investment schemes	**936**	**936**
TOTAL	**936**	**936**

R million	Level 2	Total
At 30 June 2022		
Debt securities		
Collective investment schemes	1 225	1 225
TOTAL	1 225	1 225

The Company invested its surplus capital from the sale of Hastings in the prior financial year through its investment in MS1353 in the prior financial year in Money Market funds to maximise the return on the surplus capital.

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

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 comprises of 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.

3.2.2 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 interest rate risk.

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 Company's financial assets are exposed to interest rate risk as a significant portion of the Company's assets are invested in interest rate sensitive cash instruments. 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's ALCCO.

The Company's exposure to interest rate risk is R975.5 million (2022: R1 229.4 million), which consists of variable rate instruments.

3. Management of risk and capital *continued*

3.2 Financial risk management *continued*

3.2.2 Market risk *continued*

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 before tax of the Company:

R million	2023 2% increase[1]	2023 2% decrease[1]	2022 2% increase	2022 2% decrease
Variable rate instruments				
Cash and cash equivalents[2]	**1**	**(1)**	–	–
Collective investment scheme	**19**	**(19)**	12	(12)
	20	**(20)**	12	(12)

1 *Current financial 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 over the last year supports potential changes of more than 1%.*

2 *Amount of R43 000 in the prior financial year was excluded due to rounding.*

3.2.3 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 instrument to discharge its contractual obligations over the expected life of the financial instrument. The key areas where the Company is exposed to credit risk are:

- Financial instruments;
- Cash and cash equivalents; and
- Amounts due from debtors.

The credit quality of the Company'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.

The table below indicates the credit quality and credit exposure of the Company's financial assets:

R million	BB	B	Not rated	Total
At 30 June 2023				
Loans and receivables[1]	**–**	**–**	**380**	**380**
Collective investment schemes	**–**	**–**	**936**	**936**
Cash and cash equivalents	**40**	**–**	**–**	**40**
TOTAL	**40**	**–**	**1 316**	**1 356**
At 30 June 2022				
Loans and receivables[1]	–	–	391	391
Collective investment scheme	–		1 225	1 225
Cash and cash equivalents	4	–	–	4
TOTAL	4	–	1 616	1 620

1 *This constitutes receivables classified as financial assets.*

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 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.

3. Management of risk and capital *continued*

3.2 Financial risk management *continued*

3.2.3 Credit risk *continued*

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. 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.

The ratings are defined as follows:

Long-term 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

The expected credit loss on intercompany receivables/loans are immaterial as there has been no history of default and has sufficient net asset values to cover the outstanding value.

While cash and cash equivalents are also subject to the expected credit loss model of IFRS 9, the impairment loss was immaterial.

The shares owned by the share trust serve as collateral to the loan and due to the current market value exceeding the outstanding loan balance the impairment loss is insignificant.

3.2.4 Liquidity risk

Liquidity risk is the risk that the Company, although solvent, is not able to settle its obligations as they fall due because of insufficient liquid assets in the Company. To ensure that the Company is able to meet its liabilities when they fall due, the liquidity profile of the statement of financial position is actively managed with a defined investment mandate. The table below provides a liquidity profile of the Company's financial 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.

	30 June 2023		30 June 2022	
	R million	**%**	R million	%
Liquid financial assets				
Realisable within 30 days				
Cash and cash equivalents	**40**	**2.9%**	4	0.3%
Collective investment schemes	**936**	**69.1%**	1 225	75.6%
Realisable between one and twelve months				
Other receivables[1]	**380**	**28.0%**	391	24.1%
TOTAL LIQUID FINANCIAL ASSETS	**1 356**		1 620	
TOTAL FINANCIAL ASSETS HELD	**1 356**	**100%**	1 620	100%

1 This constitutes receivables classified as financial assets.

3. Management of risk and capital *continued*

3.2 Financial risk management *continued*

3.2.4 Liquidity risk *continued*

Maturity profile of liabilities

The table below shows the expected liquidity profile of the Company'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 tracked in accordance with the investment and statement of financial position management mandate of the Company. The effects of discounting are considered to be immaterial.

R million	0 – 12 months	Total
At 30 June 2023		
Other liabilities		
Other payables	**33**	**33**
TOTAL LIABILITIES	**33**	**33**
Liquid asset coverage ratio	**41.09**	**41.09**
Financial assets coverage ratio		**41.09**

R million	0 – 12 months	Total
At 30 June 2022		
Other liabilities		
Other payables	3	3
TOTAL LIABILITIES	3	3
Liquid asset coverage ratio[1]	540.00	540.00
Financial assets coverage ratio[1]		540.00

1 *The change to the liquid and financial asset coverage ratios in the prior financial year is due to the rounding adjustment made to the Company's financial statements.*

4. Investment income

R million	2023	2022
Investment income		
Dividends from subsidiaries and associates[1]	**1 970**	7 651
Investment income on financial assets using the effective interest rate method	**2**	25
Interest – other financial assets	**87**	19
	2 059	7 695

1 *Includes dividend received from associate held for sale of R4.0 million.*

5. 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
Audit fees	**3**	–
External audit fees[1]	**3**	–
Consulting and legal fees for professional services	**1**	2
Marketing and management expenses	**2**	2
TOTAL MARKETING AND ADMINISTRATION EXPENSES	**6**	4

1 Amount of R316 000 in the prior financial year was excluded due to rounding.

6. Finance costs

R million	**2023**	2022
Interest paid	**–**	15
Commitment fee	**6**	5
	6	20

7. 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.

The decreased tax rate of 27% was applied to the temporary difference that was realised when the new rate was effective in the current year of assessment. The effect of the new rate decrease resulted in a net deferred tax asset of R0.2 million being recognised. This was related to fair value adjustments.

The impact of the change in tax rate was recognised in tax expense in profit or loss, as there are no items previously recognised outside profit or loss.

R million	2023	2022
South African normal taxation		
Current tax	**(34)**	(12)
TOTAL NORMAL TAXATION CHARGE	**(34)**	(12)
Deferred tax		
Deferred tax rate change	**–**	(6)
TOTAL DEFERRED TAXATION CHARGE	**–**	(6)
TOTAL TAXATION CHARGE	**(34)**	(18)
The tax on the Company's profit before taxation differs from the theoretical amount that would arise using the basic tax rate of South Africa as follows:		
%		
Tax rate reconciliation[1]		
Effective Tax Rate	**1.63**	0.4
Non-temporary differences		
Securities transfer tax	**(0.02)**	(0.1)
Exempt dividends	**25.53**	50.6
Impairment loss on subsidiary	**(0.20)**	(0.9)
Remeasurement gain of investment in subsidiary	**–**	0.4
Reversal of impairment/(impairment) on associates	**0.07**	(22.1)
Loss on loss of control of subsidiary	**–**	(0.1)
Capital gains tax	**0.12**	–
Non allowable expenses	**(0.13)**	–
Reversal of deferred tax	**–**	(0.1)
Deferred tax rate change	**–**	(0.1)
STANDARD INCOME TAXATION RATE IN SOUTH AFRICA	**27.0**	28.0

1 The presentation of the tax rate reconciliation has been changed to better align to Group presentation and industry practice. In the prior financial year, the relationship between the tax expense and accounting profit was explained through a numerical reconciliation between tax expense and the product of the accounting profit multiplied by the standard income taxation rate in South Africa. In the current financial year, the relationship is explained through a numerical reconciliation between the average effective tax rate and the applicable statutory tax rate.

8. Subsidiaries

R million	2023	2022
OUTsurance Insurance Company Ltd		
Ordinary shares at cost	**148**	142
Capitalised share-based payments	**–**	6
	148	148
OUTsurance International Holdings (Pty) Ltd		
Ordinary shares at cost	**1 709**	1 169
Issue of ordinary shares	**505**	540
	2 214	1 709
OUTsurance Life Insurance Company Ltd		
Ordinary shares at cost	**435**	435
	435	435
OUTsurance Properties (Pty) Ltd		
Ordinary shares at cost	**38**	38
	38	38
Youi (Pty) Ltd[1]		
Ordinary shares at cost	**–**	15
Liquidation dividend	**–**	(15)
	–	–
OUTsurance Shared Services (Pty) Ltd		
Ordinary shares at cost	**100**	50
Issue of ordinary shares	**–**	50
	100	100
OUTvest (Pty) Ltd[2]		
Ordinary shares at cost	**53**	165
Issue of ordinary shares	**–**	28
Impairment	**(16)**	(140)
Assets held for sale	**(37)**	–
	–	53
CloudBadger Technologies (Pty) Ltd		
Ordinary shares at cost	**–**	86
Loss on the loss of control of subsidiary	**–**	(21)
Remeasurement gain of retained interest	**–**	58
Derecognition of subsidiary to associate	**–**	(123)
TOTAL INVESTMENT IN SUBSIDIARY COMPANIES	**2 935**	2 483

1 *Youi (Pty) Ltd was liquidated in the prior financial year.*

2 *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 Company. The investment in OUTvest has therefore been classified as held for sale with an effective date of 30 June 2023.*

8. Subsidiaries *continued*

Impairment of OUTvest

As part of management's annual impairment assessment of the recoverability of the investment in subsidiaries, the investment in OUTvest was impaired to the recoverable amount, which is the higher of fair value less cost to sell or the value-in-use.

For the impairment of OUTvest in the current financial year, the recoverable amount was determined as the fair value less cost to sell. The fair value was determined based on the expected market compensation on the existing assets under management and the unearned revenue on the current in-force endowment products. The fair value will be classified as level 2 on the fair value hierarchy.

For the impairment of OUTvest in the prior financial year, the recoverable amount was determined as the value-in-use. The projected cash flows were done over a period of 5 years based on the board approved budgets and took into account the growth in AUM due to expected expansion of distribution channels into account.

Investment in CloudBadger

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

Although the Company 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 Company still retains significant influence though representation on the board of CloudBadger. The Company lost control of CloudBadger on 1 May 2022.

Investment in Ireland

During the current financial year the Group expanded its foreign direct investment 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.

8. Subsidiaries *continued*

Impairment of subsidiary *continued*

Summarised financial information on subsidiaries with non-controlling interests

	Youi Holdings		CloudBadger	
R million	**2023**	2022	**2023**	2022
Statement of financial position				
Current assets	**19 772**	13 701	**–**	–
Non-current assets	**2 514**	1 466	**–**	–
Current liabilities	**(2 714)**	(2 282)	**–**	–
Non-current liabilities	**(349)**	(326)	**–**	–
Technical provisions	**(13 348)**	(8 349)	**–**	–
EQUITY	**5 875**	4 210	**–**	–
Statement of profit or loss and other comprehensive income				
Gross written premium	**16 399**	12 481	**–**	–
After tax comprehensive income/(loss)	**1 401**	417	**–**	(3)
Cash flow statement				–
Cash (outflow)/inflow from operating activities	**(726)**	42	**–**	–
Cash outflow from investing activities	**(99)**	(140)	**–**	–
Cash (outflow)/inflow from financing activities	**(10)**	29	**–**	–
Effect of exchange rates on cash and cash equivalents	**144**	77	**–**	–
(Decrease)/increase in cash and cash equivalents	**(691)**	8	**–**	–
Opening balance of cash and cash equivalents	**1 554**	1 546	**–**	–
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	**863**	1 554	**–**	–

The details of subsidiary companies are as follows:

			Effective holdings	
Subsidiary	Nature of business	Country of Incorporation	**2023**	2022
OUTsurance Insurance Company Limited	Short-term insurer	South Africa	**100%**	100%
OUTsurance International Holdings (Pty) Limited	Holdings company	South Africa	**100%**	100%
OUTsurance Life Insurance Company Limited	Long-term insurer	South Africa	**100%**	100%
OUTsurance Properties (Pty) Limited	Property company	South Africa	**100%**	100%
Youi Holdings Pty Limited	Holdings company	Australia	**92.6%**	90.0%
Youi Pty Limited (Australia)	Short-term insurer	Australia	**92.6%**	100%
OUTsurance Shared Services (Pty) Ltd	Service company	South Africa	**100%**	100%
OUTvest (Pty) Limited	Online digital advice and administration services	South Africa	**100%**	100%
OUTvest Nominees RF (Pty) Limited	Nominee	South Africa	**100%**	48.2%
Youi NZ Pty Limited	Administration company	New Zealand	**92.6%**	90.0%
Youi Properties Pty Limited	Property company	Australia	**92.6%**	0.0%
OUTsurance Irish Insurance Holdings Ltd[1]	Holdings company	Ireland	**100%**	0.0%
OUTsurance Designated Activity Company[1]	Short-term insurer	Ireland	**100%**	0.0%

1 *During the current financial year the Group expanded its foreign direct investment 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.*

The OUTsurance Holdings Share Trust is controlled by OUTsurance Holdings Limited.

Refer to note 20 for the current and non-current analysis of investments in subsidiaries.

Notes to the separate financial statements *continued*

9. Investment in associates

Investment in Mainstreet 1353 (Pty) Ltd (MS1353)

The Company owns a 49% interest in Main Street 1353 (Pty) Ltd (MS1353) which in turn has an associate investment in Hasting Group Holdings plc (Hastings).

During the previous financial year the Company's associate, MS1353 sold its 199 939 120 shares in Hastings for 342.6 pence per share. This constituted 30% of the issued shares in Hastings, which equated to a total of R14.6 billion.

This resulted in a profit on sale of MS1353's share in Hastings of R4.9 billion.

The sale consideration was utilised to settle the funding of R3.1 billion in MS1353, which related to the Hastings interest, resulting in net proceeds of R11.5 billion. The net proceeds were paid out in the form of a special dividend to the Company and RMI Asset Holdings Proprietary Limited (RMI AssetCo), being the shareholders of MS1353, in proportion to their shareholding of 49% (R5.7 billion) and 51% (R5.9 billion), respectively.

The Company's effective shareholding in MS1353 has not changed, however in the previous financial year the Company recognised an impairment of investment in associate due to the underlying investment in Hastings being sold and the remaining operating activities in MS1353 ceasing. The impairment was associated with the balance of the original "gain on bargain purchase" which was recognised as a derivative gain upon acquisition of the interest in MS1353 in 2017. This gain was originally R750 million and was impaired in previous periods by a total of R501 million. The remaining balance of R249 million was written off to bring the investment in associate balance in line with the Company's share of the remaining NAV in MS1353 of R55 million.

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

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

R million	**2023**	2022
Investment in associates		
Main Street 1353 (Pty) Limited	**27**	27
CloudBadger	**124**	124
AutoGuru[1]	**17**	11
	168	162
Reconciliation of investment in associate		
Opening balance	**162**	3 399
Impairment of investment in associate	**–**	(3 334)
AutoGuru	**–**	(28)
Mainstreet	**–**	(3 306)
Reversal of impairment	**6**	–
Associates classified as held for sale[2]	**–**	(28)
Coreshares		(23)
OUTsurance Insurance Company of Namibia Limited	**–**	(5)
Recognition of investment in associate on loss of control of subsidiary	**–**	124
	168	162

1 *The investment in AutoGuru was impaired by R27.8 million during the prior financial year due to the entity under performing against management's expectation. The performance of the investment in AutoGuru improved during the current financial year and a portion of the previously recognised impairment was reversed. The impairment amount reversed is R5.5 million.*

2 *During the prior financial year OUTsurance Namibia and Coreshares were classified as held for sale. Refer to note 10 for further details.*

9. Investment in associates *continued*

R million	MS1353 2023	MS1353 2022	AutoGuru 2023	AutoGuru 2022	CloudBadger 2023	CloudBadger 2022
Statement of financial position						
Current assets	**66**	60	**25**	13	**104**	93
Non-current assets	**–**	–	**21**	50	**52**	55
Current liabilities	**–**	(1)	**(56)**	(46)	**(16)**	(4)
Non-current liabilities	**–**	–	**(12)**	(7)	**–**	(52)
EQUITY	**66**	59	**(22)**	10	**140**	92
Statement of profit or loss and other comprehensive income						
Revenue	**–**	5 119	**69**	56	**64**	46
After tax profit or loss	**7**	4 999	**(42)**	(13)	**8**	(2)
Closing balance of cash and cash equivalents	**66**	58	**13**	5	**13**	3

Refer to note 20 for the current and non-current analysis of investments in associates.

Impairment of associate

During the previous financial year, AutoGuru was not performing as per management's expectation and as a result the carrying value of the investment in AutoGuru was assessed for further impairment by determining if this value was within the value-in-use range calculated with reference to an applicable Discounted Cash Flow valuation model. This impairment test resulted in a R27.8 million reduction in the carrying value of the investment in AutoGuru and recoverable amount of R11.2 million at 30 June 2022.

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 previous financial year to the current financial year. This resulted in a recoverable amount of R16.6 million and a reversal of impairment of R5.5 million at 30 June 2023.

10. Assets held for sale

Investment in OUTsurance Insurance Company of Namibia Ltd (Outsurance Namibia)

In the previous financial year, the Company owned a 49% share in the ordinary shares of OUTsurance Insurance Company of Namibia Ltd (OUTsurance Namibia), a company incorporated and domiciled in 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 Company. The investment in OUTsurance Namibia was therefore 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 were 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 Namibia has approved the sale of the associate and as a result the Company disposed of its associate 49% interest. The approval date is deemed to be the effective disposal date.

Investment in Coreshares Holding (Pty) Limited (Coreshares)

On 1 May 2022, management committed to a plan to sell it's 27.7% investment in Coreshares. The investment in Coreshares therefore was classified as held for sale with an effective date of 1 May 2022. The conclusion of the sale was dependent upon the pending approval of the FSCA. The investment in associate was valued at 30 June 2022 at its carrying value which is the lower of carrying value and fair value less costs to sell.

During the current financial year, the Competition Commission of South Africa has approved the sale of Coreshares and as a result the Company disposed of its associate interest in the associate. The approval date is deemed to be the effective disposal date.

Investment in OUTvest (Pty) Limited (OUTvest) and its subsidiary OUTvest Nominees RF (Pty) Limited (OUTvest Nominees)

The Company is in the process of selling its shares in OUTvest due to the subsidiary no longer fitting into the strategy of the Company. 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. The investment in OUTvest has therefore 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.

R million	2023	2022
Investment in associate held for sale		
OUTsurance Insurance Company of Namibia Limited	–	5
Coreshares Holdings (Pty) Limited	–	23
Investment in subsidiary held for sale		
OUTvest (Pty) Limited	37	–
TOTAL ASSETS HELD FOR SALE	**37**	28

The following profit relating to the sale of these investments has been recognised:

	Outsurance Namibia	Coreshares	Total
R million	2023	2023	2023
Sales proceeds	62	12	74
Profit/(loss) on sale of associate	57	(11)	46

The disposal proceeds relating to OUTsurance Namibia were 49% of the aggregate of the value of the in-force book plus the net asset value (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.

Coreshares was acquired by a third party and therefore the disposal proceeds related to the Company's proportion shareholding in Coreshares were 27.7% of the purchase consideration as defined in the sales agreement.

Notes to the separate financial statements *continued*

11. Financial assets

The Company's financial assets comprise of money market collective investment schemes and are summarised below:

R million	2023	2022
Measured at fair value through other comprehensive income		
Collective investment schemes	**936**	1 225
TOTAL FINANCIAL ASSETS	**936**	1 225

The table below provides a breakdown of the movement of financial assets:

R million	Fair value through other comprehensive income	Total
Year ended 30 June 2023		
Movement Analysis		
Balance at beginning of year	**1 225**	**1 225**
Additions (purchases and issues)	**381**	**381**
Interest reinvested in collective investment schemes	**87**	**87**
Disposals (sales and redemptions)	**(757)**	**(757)**
BALANCE AT THE END OF THE YEAR	**936**	**936**
Year ended 30 June 2022		
Movement Analysis		
Balance at beginning of year	–	–
Additions (purchases and issues)	1 772	1 772
Interest reinvested in collective investment schemes	19	19
Disposals (sales and redemptions)	(566)	(566)
BALANCE AT THE END OF THE YEAR	1 225	1 225

The decrease in the investment in the money market collective investment scheme relates to the additional investment in OUTsurance International for which the capital was applied to buy shares in OUTsurance Irish Holdings and additional share purchase in Youi from minority shareholders.

Due to the short-term nature of the underlying money market instruments, there were no fair value adjustments to the financial assets at fair value through other comprehensive income as their carrying amount approximates their fair value.

12. Loans and receivables

R million	2023	2022
Other receivables		
Loan accounts with group companies	**5**	37
Loan to share trust	**367**	348
Other receivables	**8**	6
TOTAL RECEIVABLES	**380**	391

Other receivables are carried at amortised cost. Where the effects of discounting are deemed material, the receivables are reflected at the discounted amounts.

12. Loans and receivables *continued*

The carrying amount of loans and receivables approximates the fair value.

Refer to related party note 21 for further details of the loan accounts with group companies.

Refer to note 20 for the current and non-current analysis of loans and receivables.

Included in the loans and receivables is the loan advanced by the Company to the OUTsurance Holdings Share Trust to enable transactions relating to the remuneration scheme. This loan is interest free.

The table below provides a reconciliation of the movement of the loan to the share trust:

R million	2023	2022
Opening balance	**348**	541
Sale of treasury shares to share scheme participants	**(228)**	(376)
Purchase of treasury shares by share trust from share scheme	**247**	183
CLOSING BALANCE	**367**	348

13. Cash and cash equivalents

R million	2023	2022
Cash at bank and on hand	**40**	4
	40	4

The carrying value of cash and cash equivalents approximates the fair value. Refer to note 20 for the current and non-current analysis of cash and cash equivalents.

14. Deferred taxation

In the previous 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.

The decreased tax rate of 27% was applied to the temporary difference that realised when the new rate was effective in the current year of assessment. The effect of the new rate decrease resulted in an adjustment to the opening deferred tax asset in the prior financial year of R0.2 million being recognised.

The impact of the change in tax rate was recognised in tax expense in profit or loss, as there was no items previously recognised outside profit or loss.

The deferred tax charge for the prior financial year related to the reversal of the deferred tax asset balance. The balance arose due to the cumulative prior year impairments to the investment in AutoGuru. At 30 June 2022 the recoverability of the deferred tax asset was assessed and was concluded that it is was no longer probable that the Company would have future taxable profits relating to AutoGuru that could be used to absorb this deferred tax asset. Therefore the balance of the deferred tax asset was reduced to zero.

		Movement	
R million	Opening Balance	Profit or loss	Closing Balance
At 30 June 2023			
Deferred tax assets			
Fair value adjustments	–	–	–
TOTAL DEFERRED TAX ASSETS	–	–	–
At 30 June 2022			
Deferred tax assets			
Fair value adjustments	6	(6)	–
Rate change	–	–	–
TOTAL DEFERRED TAX ASSETS	6	(6)	–

The Company 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.

Refer to note 20 for the current and non-current analysis of deferred taxation.

Notes to the separate financial statements *continued*

15. Share capital and premium

	2023 R	2022 R
Authorised share capital		
3 999 998 000 (2022: 3 999 998 000) ordinary shares at R0.01 each	**40**	40
1 000 variable rate non cumulative non-redeemable preference shares of R0.01 each[1]	**–**	–
1 000 "A" variable rate, cumulative redeemable preference shares with no par or nominal value	**–**	–
Issued ordinary share capital (fully paid up)		
3 798 908 308 (2022: 3 798 908 308) ordinary shares at R0.01 each	**38**	38
CLOSING BALANCE	**38**	38
Issued preference share capital		
60 "A" cumulative, redeemable preference shares	**–**	–

R million	2023	2022
Ordinary share premium		
Opening balance	**2 617**	2 617
	2 617	2 617

1 *Current and prior financial year amount has been excluded due to rounding.*

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

Refer to note 20 for the current and non-current analysis of share capital.

Dividends per share paid by the Company are as follows:

	2023	2022
Final (declared 31 August 2021)	**24.00**	34.30
Special (declared 4 December 2021)	**–**	82.00
Interim (declared 1 March 2022)	**25.50**	24.70
	49.50	141.00

16. Financial liabilities at amortised cost

The table below provides a breakdown of the movement of the financial liabilities at amortised cost:

R million	2023	2022
Movement Analysis		
Balance at beginning of year	–	–
Drawdown of loan facility	–	245
Repayment of loan facility	–	(245)
Balance at the end of the year	–	–

The Company has a revolving credit facility in place to assist with additional funding for strategic investments of the Company. 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 drawndown.

During the prior financial year, there was an amount drawndown and repaid in the same year. No drawdowns have been made in the current financial year. 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.

The Company issued a subordinate loan commitment to OUTvest (Pty) Ltd on 30 June 2023 to the amount of R20 million to continue to support OUTVest with its operating capital until OUTvest has been sold.

Notes to the separate financial statements *continued*

17. Other payables

R million	2023	2022
Other payables	**3**	2
Loan account with group companies	**30**	1
TOTAL PAYABLES	**33**	3

Refer to note 20 for the current and non-current analysis of payables.

18. Reconciliation of cash generated/(utilised) by operations

R million	2023	2022
Profit for the year before tax	**2 083**	4 234
Adjustments for:		
Impairment loss on investment in subsidiary	**16**	140
(Reversal of Impairment)/impairment loss on investment in associate	**(6)**	3,334
Gain on revaluation of retained interest in subsidiary	**–**	(58)
Loss on the loss of control of subsidiary	**–**	21
Interest reinvested	**(87)**	(19)
Interest received	**(2)**	(25)
Dividends received	**(1 970)**	(7 651)
Finance costs	**6**	20
Profit on sale of associate	**(46)**	–
Cash utilised by operations before working capital changes	**(6)**	(4)
Change in working capital	**60**	(67)
Decrease/(increase) in receivables	**30**	(26)
Increase/(decrease) in payables	**30**	(41)
CASH GENERATED/(UTILISED) BY OPERATIONS	**54**	(71)

Notes to the separate financial statements *continued*

19. Taxation paid

R million	2022	2021
Taxation payable – opening balance[1]	**(1)**	–
Charge to profit or loss	**(34)**	(18)
Adjustment for deferred tax charge	**–**	6
Taxation payable – closing balance	**5**	1
TAXATION PAID	**(30)**	(11)

1 *Amount of R10 000 in the prior financial year was excluded due to rounding.*

20. 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			
Investment in subsidiaries	**2 935**	**–**	**2 935**
Investment in associates	**168**	**–**	**168**
Financial assets at fair value through other comprehensive income	**936**	**936**	**–**
Loans and receivables	**380**	**380**	**–**
Assets held for sale	**37**	**37**	**–**
Cash and cash equivalents	**40**	**40**	**–**
TOTAL ASSETS	**4 496**	**1 393**	**3 103**
LIABILITIES[1]			
Tax liabilities	**5**	**5**	**–**
Other payables	**33**	**33**	**–**
TOTAL LIABILITIES	**38**	**38**	**–**

1 *Total shareholders equity was removed from the above note to align OGL and OHL. This is a better reflection of the intended disclosure, which is to show the split between current and non-current assets and liabilities, and is not applicable to equity.*

20. 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			
Investment in subsidiaries	2 483	–	2 483
Investment in associates	162	–	162
Financial assets			
Fair value through other comprehensive income	1 225	1 225	–
Loans and receivables	391	391	–
Assets held for sale	28	28	–
Cash and cash equivalents	4	4	–
TOTAL ASSETS	4 293	1 648	2 645
LIABILITIES[1]			
Tax liabilities	1	1	–
Insurance and other payables	3	3	–
TOTAL LIABILITIES	4	4	–

1 Total shareholders equity was removed from the above note to align OGL and OHL. This is a better reflection of the intended disclosure, which is to show the split between current and non-current assets and liabilities, and is not applicable to equity.

21. Related party transactions

The Company defines related parties as:

- The ultimate parent company, OUTsurance Group Limited (OGL) (formerly Rand Merchant Investment Holdings Limited (RMIH)).
- Associate and subsidiary companies of the parent company and the ultimate parent company which includes Main Street 1353 Proprietary Limited, CloudBadger Technologies Proprietary Limited, Firness International (Pty) Limited, RMI Asset Company (Pty) Limited, RMI Treasury Company Proprietary Limited, and AutoGuru Australia Pty Ltd. Discovery Holdings Limited and Momentum Metropolitan Holdings Limited were also associates until April 2022 when these entities were unbundled from OGL.
- Key management personnel such as the OUTsurance Holdings Limited Board of directors and the OUTsurance Holdings executive committee.

Principal shareholders

The Company is ultimately controlled by OGL. At the reporting date, OGL owned 89.8% (2022: 89.3%) of OUTsurance Holdings Limited, with the OUTsurance Holdings Share Trust owning 1.7% (2022: 1.7%), OUTsurance Equity Trust 0.5% (2022: 1.1%) and management 8.0% (2022: 7.9%) of the issued share capital.

Subsidiaries

Details of investments in subsidiaries are disclosed in note 8.

Associates

Details of investments in associates are disclosed in note 9.

Key management personnel

Details of key management remuneration are disclosed in the OUTsurance Holdings Ltd Group financial statements. For the financial year under review, the Company entered into the following transactions with related parties.

21. Related party transactions *continued*

Principal shareholders *continued*

Key management personnel

Details of key management remuneration are disclosed in the OUTsurance Holdings Ltd Group financial statements. For the financial year under review, the Company entered into the following transactions with related parties.

R million	2023	2022
Transactions with related parties		
OUTsurance Group Limited		
Ordinary dividends paid	**1 683**	4 774
OUTsurance Insurance Company Ltd		
Ordinary dividends received	**(1 777)**	(1 726)
Special dividends received	**–**	(150)
OUTsurance Insurance Company of Namibia Limited		
Ordinary dividends received	**(4)**	(25)
OUTsurance Holdings Share Trust		
Ordinary dividends received	**(27)**	(35)
Ordinary dividends paid	**27**	35
Special dividends received	**–**	(53)
Special dividends paid	**–**	53
Main Street 1353 (Pty) Limited		
Ordinary dividend received	**–**	(5 660)
OUTsurance International Holdings (Pty) Ltd		
Ordinary dividend received	**(162)**	–
Youi (South Africa) (Pty) Ltd[1]		
Ordinary dividends received	**–**	(2)
Return of capital	**–**	(15)
Year end balances with related parties		
OUTsurance Holdings Share Trust		
Loan to Share Trust	**367**	348
OUTsurance Insurance Company Ltd		
Payables	**(30)**	(1)
OUTsurance Shared Services (Pty) Ltd		
Receivables	**–**	37
OUTsurance Designated Activity Company		
Receivable	**6**	–

1 *Management discontinued selling policies in Youi SA since 2015 and successfully transferred all of the in-force Life insurance products to OUTsurance Life. Youi SA was liquidated during the previous financial period after the FAIS license was voluntarily surrendered. A total dividend of R16.9 million was received, of which R15.0 million represented a return of capital and the amount exceeding the initial cost of investment in subsidiary of R1.9 million was included in dividend income as a return on capital.*

The Company has provided security to OUTsurance Insurance Company Ltd in the event of default by OUTsurance Properties (Pty) Ltd. The terms of security states that the Company will pledge a portion of its shareholding in OUTsurance Properties (Pty) Ltd calculated with reference to the outstanding loan and shares held in OUTsurance Properties (Pty) Ltd at default date. This constitutes a financial guarantee of which the fair value is immaterial.

22. Events after the reporting period

No matters which are material to the financial affairs of the Company occurred between the reporting date and date of the approval of the financial statements.

23. Summary of significant accounting policies

The financial statements of OUTsurance Holdings Ltd are prepared according to the same accounting policies used in preparing the consolidated financial statements of the OUTsurance Holdings Ltd Group.

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.

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, M 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

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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
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OUT SURANCE

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