



OLDMUTUAL

ANNUAL FINANCIAL STATEMENTS 2022

OLD MUTUAL INSURE



DO GREAT THINGS EVERY DAY

General information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Non-life insurance
Directors	Mr G Napier Ms L Bacela Mr GS Palser Ms TP Zondi Mr SC Gilbert Mr MA Scharneck Mr IG Williamson
Registered office	Wanooka Place St Andrews Road Parktown
Postal address	PO Box 1120 Johannesburg 2000
Holding company	Mutual and Federal Investments Proprietary Limited incorporated in South Africa
Ultimate holding company	Old Mutual Limited incorporated in South Africa
Auditor	Ernst & Young Inc. Chartered Accountants (SA) Registered Auditors
Group Secretary	Old Mutual Life Assurance Company (South Africa) Limited
Company registration number	1970/006619/06
Level of assurance	These financial statements have been audited in compliance with the applicable requirements of the Companies Act
Preparer	The financial statements were prepared under the supervision of: L Bacela CA (SA), Old Mutual Insure Limited Financial Director

Table of contents

	Page
Audit committee report	2
Directors' responsibilities and approval	4
Group Secretary's certification	5
Directors' report	6
Independent auditor's report	8
Statements of financial position	10
Statements of profit or loss and other comprehensive income	11
Statements of changes in equity	12
Statements of cash flows	14
Accounting policies	15
Notes to the Group and Company financial statements	37

Audit committee report

1. Composition and charter

The committee comprises three independent non-executive directors of the company. The current members are Ms TP Zondi (Chairperson), Mr GS Palser and Mr MA Scharneck.

The members have the necessary expertise to direct the committee in the execution of its duties.

The committee has a terms of reference, approved by the Board, dealing, *inter alia*, with its membership, frequency of meetings and responsibilities. The committee reviews reports from the external auditor, internal auditor and other combined assurance providers and the chairperson of the committee reports on the findings at Board meetings.

2. Role of the Audit committee

The committee fulfilled its responsibilities as required by the Companies Act, Regulatory standards and its terms of reference. The committee performed among others, the following functions:

- Reviewed the operational effectiveness of the internal controls relating to financial reporting.
- Reviewed the results of the work performed by the internal audit function on financial reporting, corporate governance, internal control and any significant investigations and management's responses.
- Considered any other relevant matters referred to it by the Board of Directors.
- Reviewed the quality of financial information included in the annual financial statements.
- Reviewed the financial statements taken as a whole to ensure they present a balanced and understandable assessment of the position, performance and future viability of the Group.
- Reviewed the external auditor's report.
- Discussed any issues and reservations arising from the external audit, and any matters the external auditor wished to discuss (in the absence, where required, of executive directors and any other person who is not a member of the committee).

3. Effectiveness of internal financial controls

The Audit committee is responsible for reviewing the effectiveness of systems of internal control, financial reporting and risk management.

During the year under review, the committee considered control deficiencies identified from the various reports reviewed by the committee in the context of the overall effectiveness of internal controls. These reports included internal and external audit reports as well as specific internal control reports from management.

Where control deficiencies were identified, management have put in place mitigating controls that have been operating effectively to ensure that the control deficiencies do not have a material impact on the financial statements.

The committee will continue to monitor and evaluate any remaining deficient controls as well as remediation plans in 2023.

4. External and internal audit

The committee ensured the appointment of a registered auditor as external auditor for the company and the independence of that external auditor who in the opinion of the Audit committee, is independent of the company. The Audit committee is satisfied that the external auditor, Ernst & Young Inc and the audit partner are independent. Ernst & Young Inc has provided assurance that its internal governance processes ensure, support and demonstrate its independence. The committee is satisfied with the quality of the external audit engagement. The report included the audit quality governance structure and the results of the monitoring of audit quality.

The committee approved the terms of engagement and remuneration for the external audit engagement.

There were no significant non-audit services performed by the external auditor in the current year.

The head of internal audit functionally reports to the chairperson of the Audit committee and the Audit committee is responsible for reviewing and approving the internal audit charter, the internal audit coverage as well as financial plans of the internal audit department. The committee has evaluated the independence of the internal audit function and is satisfied with the effectiveness of the internal audit arrangements and function.

Directors' responsibilities and approval

The Company is required in terms of the Companies Act to keep accurate and complete accounting records and the directors are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the Group and Company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditor is engaged to express an independent opinion on the financial statements.

The Group and Company financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and Company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the Board of Directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and Company and all employees are required to maintain the highest ethical standards in ensuring the Group and Company business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group and Company is on identifying, assessing, managing and monitoring all known forms of risk across the Group and Company. While operating risk cannot be fully eliminated, the Group and company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the Group's and Company's cash flow forecast, as part of the business plan, for the year to 31 December 2023 and, in light of this review and the current financial position, they are satisfied that the Group and company has or had access to adequate resources to continue in operational existence for the foreseeable future.


The external auditor is responsible for independently auditing and reporting on the Group's and Company's financial statements. The financial statements have been audited by the Group's external auditor and their report is presented on pages 8 to 9.

The financial statements set out on pages 10 to 109, which have been prepared on the going concern basis, were approved by the Board of Directors on 15 May 2023 and were signed on their behalf by:

Approval of financial statements


Gilbert, Steffen
May 15, 2023 10:01 PM SAST

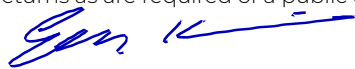
SC Gilbert
Chairman


Napier, Garth
May 15, 2023 9:52 PM SAST

G Napier
Managing Director

Group Secretary's certification

In terms of Section 88(2)(e) of the Companies Act 71 of 2008, I certify that the Group has lodged with the Commissioner all such returns as are required of a public company in terms of the Act and that all such returns are true, correct and up to date.



Kirsten, Elsabé
May 15, 2023 8:56 PM SAST

**Old Mutual Life Assurance Company (South Africa)
Limited**

Directors' report

The directors have pleasure in submitting their report on the financial statements of Old Mutual Insure Limited (the Company or the Group) for the year ended 31 December 2022.

1. Nature of business

Old Mutual Insure Limited is incorporated in South Africa with interests in the insurance industry. The activities of the Group are undertaken through the company and its principal subsidiaries and associates. The Group operates in South Africa and Mauritius.

There have been no material changes to the nature of the Group's business from the prior year, apart from the acquisition of One Financial Services Holdings Proprietary Limited in the current financial year.

2. Review of financial results and activities

The Group and company financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act. The accounting policies have been applied consistently compared to the prior year, except for the adoption of new or revised accounting standards as set out in note 2 and the change in accounting policy set out in note 46.

Full details of the financial position, results of operations and cash flows of the Group and Company are set out in these Group and company annual financial statements.

3. Share capital

Authorised	Number of shares	
	2022	2021
Ordinary shares	350,000,000	350,000,000

Issued	2022	2021	Number of shares	
	R mil	R mil	2022	2021
Ordinary shares	32	32	319,823,466	319,823,465

The company issued one ordinary share to the value of R515 million (2021:R Nil). Refer to note 21.

4. Dividends

The company's dividend policy is to consider an interim and a final dividend in respect of each financial year. At its discretion, the Board of Directors may consider a special dividend, where appropriate.

The board of directors approved a dividend for the 2022 year of R200 million (2021: RNil).

5. Directorate

The directors in office at the date of this report are as follows:

Directors	Office	Designation	Changes
Mr SC Gilbert	Chairperson	Non-executive Independent	
Mr G Napier	Managing Director	Executive	
Ms NB Manyoha	Finance Director	Executive	Resigned 31 March 2022
Ms L Bacela	Finance Director	Executive	Appointed 1 October 2022
Mr GS Palser	Lead Independent Director	Non-executive Independent	
Mr MA Scharneck		Non-executive Independent	
Ms TP Zondi		Non-executive Independent	
Mr IG Williamson		Non-executive	

6. Holding company

The Group's holding company is Mutual and Federal Investments Proprietary Limited which holds 100% (2021: 100%) of the Group's equity. Mutual and Federal Investments Proprietary Limited is incorporated in South Africa.

7. Ultimate holding company

The Group's ultimate holding company is Old Mutual Limited which is incorporated in South Africa.

8. Events after the reporting period

On 6 of January 2023, Old Mutual Insure acquired 100% of Genric Insurance Company Limited a diversified non-life insurer which focuses mainly on Accident & Health and other niche classes of insurance for a purchase consideration of R300 million.

The directors are not aware of any other material event which occurred after the reporting date and up to the date of this report which would impact the results reported in these financial statements.

9. Going concern

The directors believe that the Group and Company has adequate financial resources to continue in operation for the foreseeable future and accordingly the Group and company financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the Group and Company are in a sound financial position and have adequate cash resources to meet foreseeable cash requirements.

The directors are not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Group or Company.

10. Auditor

Ernst & Young Inc. was appointed as external auditor for the company and its subsidiaries in 2022.

11. Secretary

The Company Secretary is Old Mutual Life Assurance Company (South Africa) Limited.

Independent auditor's report

To the shareholder of Old Mutual Insure Limited

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of Old Mutual Insure Limited and its subsidiaries ("the group") and company set out on pages 10 to 109 which comprise the consolidated and separate statements of financial position as at 31 December 2022, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group and company as at 31 December 2022, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

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 are independent of the group and company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements of the group and company and 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 of the group and company and 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). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. The other information comprises the information included in the 109-page document titled "Annual Financial Statements 2022 Old Mutual Insure", which includes the Audit committee report, Directors' Report and the Group Secretary's certification as required by the Companies Act of South Africa as well as the Directors' responsibilities and approval. 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 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 company's ability to continue as a going concern.

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 and 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 and company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or the company to cease to continue as a going concern.
- 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 and separate 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.

Other Matter

The consolidated and separate financial statements of Old Mutual Insure Limited for the year ended 31 December 2021, were audited by another auditor who expressed an unmodified opinion on those statements on 31 March 2022.

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 Ernst & Young Inc. has been the auditor of Old Mutual Insure Limited for one year.

DocuSigned by:
Ernst & Young Inc.

C6CE022AECAB40D...

Ernst & Young Inc.

Registered Auditor

Per: Antoinette Malherbe
Chartered Accountant (SA)

Registered Auditor

Director

15 May 2023

102 Rivonia Road
Sandton
Gauteng
Johannesburg

Statements of financial position

as at 31 December 2022

	Notes	GROUP		COMPANY	
		2022 R million	2021 Restated R million	2022 R million	2021 Restated R million
Assets					
Goodwill	3	336	21	-	-
Intangible assets	4	366	110	165	110
Property and equipment	5	270	166	133	159
Right-of-use assets	6	249	316	244	316
Deferred tax	7	77	41	31	2
Investments in subsidiaries	8	-	-	1,560	1 182
Investments in associates	9	9	16	9	16
Loans to share trusts	10	7	7	84	84
Investments in employee share trusts	11	-	-	509	590
Non-current assets held for sale	20	-	214	-	179
Loans receivable	12	31	29	27	27
Retirement benefit asset	13	212	221	137	142
Deferred acquisition cost	14	278	246	207	178
Reinsurers' share of general insurance liabilities	22	3,268	3,822	2,042	2 778
Deposits with cedants		30	29	-	-
Investments and securities	15	6,659	7,221	2,718	3 132
Amounts due from agents and reinsurers	16	2,343	2,219	2,014	2,096
Subrogation and salvage recoveries	17	478	458	272	252
Current tax receivable		56	94	29	68
Trade and other receivables	18	663	554	410	413
Cash and cash equivalents	19	2,778	1,708	1,363	738
Total assets		18,110	17,492	11,954	12 462
Equity and liabilities					
Equity					
Equity attributable to equity holders of parent					
Share capital	21	2,312	1,797	2,312	1,797
Reserves		20	18	-	-
Retained income		2,465	2,398	2,062	2,181
		4,797	4,213	4,374	3 978
Non-controlling interest		668	388	-	-
		5,465	4,601	4,374	3 978
Liabilities					
General insurance liabilities	22	7,584	7,696	4,638	5,059
Amounts payable to cell owners	26	531	705	-	-
Lease liabilities	6	312	372	301	372
Debt instrument	23	500	500	500	500
Deferred reinsurance commission revenue	14	182	138	156	115
Amounts due to agents and reinsurers	16	1,441	1,793	1,066	1,723
Financial liabilities	28	433	304	-	-
Retirement benefit obligation	13	226	240	156	161
Share-based payment liability	24	78	80	66	73
Employee benefits	25	193	180	190	158
Deferred tax	7	62	23	-	-
Deposits owing to reinsurers		2	44	-	43
Current tax payable		7	4	-	-
Trade and other payables	27	1,094	772	507	280
Liabilities of disposal groups	20	-	40	-	-
Total liabilities		12,645	12,891	7,580	8,484
Total equity and liabilities		18,110	17,492	11,954	12,462

Statements of profit or loss and other comprehensive income

for the year ended 31 December 2022

	Notes	GROUP		COMPANY	
		2022 R million	2021 Restated R million	2022 R million	2021 Restated R million
Gross written premiums		17,155	15,816	11,657	11 031
Reinsurers premiums		(5,847)	(6,710)	(2,699)	(2 803)
Net written premiums		11,308	9,106	8,958	8 228
Gross change in provision for unearned premiums		(155)	(10)	(141)	(8)
Reinsurers' share of change in provision for unearned premiums		87	71	67	53
Net change in provision for unearned premiums		(68)	61	(74)	45
Net earned premium		11,240	9,167	8,884	8 273
Commissions received	29	1,474	1 322	846	707
Net income		12,714	10 489	9,730	8 980
Gross claims incurred		(11,232)	(5 949)	(8,052)	(3 483)
Reinsurers' share of claims incurred		4 124	442	2,183	(1 675)
Net claims incurred	30	(7,108)	(5 507)	(5,869)	(5 158)
Other income	35	65	97		
Acquisition cost	31	(2,814)	(2 575)	(2,015)	(1 949)
Expenses	32	(2,504)	(2 018)	(2,023)	(1 877)
Operating profit/(loss)		353	486	(177)	(4)
Investment income	33	282	453	328	516
Finance costs	34	(67)	(63)	(65)	(63)
(Loss)/Income from equity accounted investments		(7)	3	(7)	3
Profit before taxation		561	879	79	452
Taxation	36	(185)	(245)	5	(68)
Profit for the year from continuing operations		376	634	84	384
Discontinued operations	20	28	41	-	41
Profit for the year		404	675	84	425
Other comprehensive income:					
Items that will not be reclassified to profit or loss (net of taxation):					
Remeasurements on net defined benefit liability/asset		(7)	(16)	(3)	(6)
Items that may be reclassified to profit or loss (net of taxation):					
Exchange differences on translating foreign operations		2	(11)	-	-
Other comprehensive loss for the year net of taxation		(5)	(27)	(3)	(6)
Total comprehensive income for the year		399	648	81	419
Profit attributable to:					
Owners of the parent		275	575	84	425
Non-controlling interest		129	100	-	-
		404	675	84	425
Profit attributable to:					
Owners of the parent					
From continuing operations		247	534	84	384
From discontinued operations		28	41	-	41
		275	575	84	425
Non-controlling interest:					
From continuing operations		129	100	-	-
Total comprehensive income attributable to:					
Owners of the parent		269	548	81	419
Non-controlling interest		130	100	-	-
		399	648	81	419

Statements of changes in equity

for the year ended 31 December 2022

	Share capital R million	Share premium R million	Total share capital R million
GROUP			
Balance at 1 January 2021	32	1,765	1,797
Profit for the year	-	-	-
Other comprehensive loss	-	-	-
Total comprehensive loss for the year	-	-	-
Transfer between reserves			
Total contributions by and distributions to owners of company recognised directly in equity	-	-	-
Balance at 1 January 2022	32	1,765	1,797
Profit for the year	-	-	-
Other comprehensive income/(loss)	-	-	-
Total comprehensive income/(loss) for the year	-	-	-
Issue of shares	-	515	515
Dividends	-	-	-
Acquisitions of subsidiary	-	-	-
Total contributions by and distributions to owners of company recognised directly in equity	-	515	515
Balance at 31 December 2022	32	2,280	2,312
Notes	21	21	21
	Share capital R million	Share premium R million	Total share capital R million
COMPANY			
Balance at 1 January 2021	32	1,765	1,797
Profit for the year	-	-	-
Other comprehensive loss	-	-	-
Total comprehensive income for the year	-	-	-
Balance at 1 January 2022	32	1,765	1,797
Profit for the year	-	-	-
Other comprehensive loss	-	-	-
Total comprehensive loss for the year	-	-	-
Issue of shares		515	515
Dividends			
Total contributions by and distributions to owners of company recognised directly in equity	-	515	515
Balance at 31 December 2022	32	2,280	2,312
Notes	21	21	21

Foreign currency translation reserve R million	Other non-distributable reserve R million	Total reserves R million	Retained income R million	Total attributable to equity holders of the Group/ company R million	Non-controlling interest R million	Total equity R million
(158)	10	(148)	2,016	3,665	288	3,953
-	-	-	575	575	100	675
(11)	-	(11)	(16)	(27)	-	(27)
(11)	-	(11)	559	548	100	648
187	(10)	177	(177)			
187	(10)	177	(177)	-	-	-
18	-	18	2,398	4,213	388	4,601
-	-	-	275	275	129	404
2	-	2	(8)	(6)	1	(5)
2		2	267	269	130	399
-	-	-	-	515	-	515
-	-	-	(200)	(200)	(102)	(302)
-	-	-	-	-	252	252
-	-	-	(200)	315	150	465
20	-	20	2,465	4,797	668	5,465

Retained income R million	Total equity R million
1,762	3,559
425	425
(6)	(6)
419	419
2,181	3,978
84	84
(3)	(3)
81	81
-	515
(200)	(200)
(200)	315
2,062	4,374

Statements of cash flows

for the year ended 31 December 2022

	Notes	GROUP		COMPANY	
		2022 R million	2021 R million	2022 R million	2021 R million
Cash flows generated from operating activities	37	631	826	48	(193)
Interest received (including discontinued operations)		249	254	242	165
Dividends received		52	37	320	15
Interest paid		(67)	(29)	(65)	(29)
Tax paid	38	(191)	(251)	14	(74)
Net cash generated from operating activities		674	837	559	(116)
Cash flows (used in)/generated from investing activities					
Purchase of property and equipment	5	(62)	(12)	(34)	(10)
Sale of property and equipment	5	-	5	-	3
Purchase of other intangible assets	4	(101)	(21)	(101)	(21)
Net (Purchases)/Sales of investments and securities		678	(470)	328	334
Advances (receipts) of loans receivable at amortised cost		-	36	-	35
Proceeds on sale of shares in subsidiary		202	-	202	5
Acquisition of shares in subsidiary		(474)	-	(544)	-
Contributions to retirement benefit assets		(5)	(21)	(5)	(5)
Funding of share trusts		-	-	(43)	(53)
Net cash (used in)/generated from investing activities		238	(483)	(197)	288
Cash flows used in financing activities					
Proceeds on share issue		515	-	515	-
Advancement of debt		500	-	500	-
Repayment of debt		(500)	-	(500)	-
Payment on lease liabilities		(76)	(103)	(71)	(103)
Dividends paid		(300)	-	(200)	-
Net cash used in financing activities		139	(103)	244	(103)
Total cash movement for the year		1 051	251	606	69
Cash at the beginning of the year		1 708	1 442	738	654
Effect of exchange rate movement on cash balances		19	15	19	15
Total cash at the end of the year		2 778	1 708	1 363	738

Accounting policies

Corporate information

Old Mutual Insure Limited is a public company incorporated and domiciled in South Africa.

The Group and company financial statements for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the directors on 15 May 2023.

1. Significant accounting policies

The principal accounting policies applied in the preparation of these Group and company financial statements are set out below.

1.1 Basis of preparation

The Group and company financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these financial statements and are in compliance with the Companies Act.

These financial statements comply with the requirements of the South African Institute of Chartered Accountants Financial Reporting Guides and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

The financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Rand, which is the Group presentation currency.

These accounting policies are consistent with the previous financial year, with the exception of the change in accounting policy as set out in note 46.

1.2 Consolidation

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all of its subsidiaries. Subsidiaries are entities (including structured entities) which are controlled by the Group.

The Group has control of an entity when it is exposed to or has rights to variable returns from involvement with the entity and it has the ability to affect those returns through use of its power over the entity.

The results of subsidiaries are included in the consolidated financial statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made when necessary to the financial statements of subsidiaries to bring their accounting policies in line with those of the Group.

All inter-company transactions, balances, and unrealised gains on transactions between Group companies are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the Group's interest therein, and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interest.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions and are recognised directly in the statement of changes in equity.

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the company.

Where a subsidiary is disposed of and a non-controlling shareholding is retained, the remaining investment is measured to fair value with the adjustment to fair value recognised in profit or loss as part of the gain or loss on disposal of the controlling interest. The fair value is 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, if allowed by IFRS.

Accounting policies (continued)

1. Significant accounting policies (continued)

Investments in subsidiaries in the separate financial statements

In the company's separate financial statements, investments in subsidiaries are carried at fair value.

1.3 Investment in structured entities

Special purpose vehicles are those entities directly or indirectly controlled by the Group and include share incentive trusts. To consider if control exists, consideration is given to how decisions about the relevant activities of the trusts are made. Control is assessed on a continuous basis and is reassessed as facts and circumstances change.

Special purpose vehicles are consolidated from the date on which the Group obtains control and are deconsolidated when control ceases.

Investments in special purpose vehicles in the financial statements of the company are measured at fair value through profit or loss.

1.4 Investments in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. It generally accompanies a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method for the Group and company, except when the investment is classified as held for sale in accordance with IFRS 5: Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the Statements of Financial Position at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate, less any impairment losses.

The Group's share of post-acquisition profit or loss is recognised in profit or loss, and its share of movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. Losses in an associate in excess of the Group's interest in that associate, including any other unsecured receivables, are recognised only to the extent that the Group has incurred a legal or constructive obligation to make payments on behalf of the associate.

Dividends declared by associates reduce the carrying value of the equity accounted investments in associates.

Any goodwill on acquisition of an associate is included in the carrying amount of the investment, however, a gain on acquisition is recognised immediately in profit or loss.

Profits or losses on transactions between the Group and an associate are eliminated to the extent of the Group's interest therein. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group reduces its level of significant influence or loses significant influence, the Group proportionately reclassifies the related items which were previously accumulated in equity through other comprehensive income to profit or loss as a reclassification adjustment. In such cases, if an investment remains, that investment is measured to fair value, with the fair value adjustment being recognised in profit or loss as part of the gain or loss on disposal, if allowed by IFRS.

The Group determines at each reporting date whether there is any objective evidence that the investment in associates is impaired. If this is the case, the Group calculates the amount of the impairment as the difference between the recoverable amount of the associate and its carrying value. The carrying amount of such investments is reduced to recognise any impairment in the value of individual investments.

The measurement of investments in associates for the Group and company is the same.

1.5 Property and equipment

Property and equipment are tangible assets which the Group holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Group, and the cost of the item can be measured reliably.

Property and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost can be measured reliably. Day-to-day servicing costs are included in profit or loss in the year in which they are incurred.

Owner-occupied buildings are stated at cost less impairment charges where applicable. The cost of renovations and works that are considered to have a limited useful life is included in the carrying amount of fixtures. Property revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting year.

When an item of property and equipment is revalued, the gross carrying amount is adjusted consistently with the revaluation of the carrying amount. The accumulated depreciation at that date is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

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

The decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in the revaluation reserve in equity.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the Group. Leasehold improvements are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The useful lives of items of property and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight-line	6
Motor vehicles	Straight-line	4 – 5
Office equipment	Straight-line	5
IT equipment	Straight-line	3
Leasehold improvements	Straight-line	over the lease term

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each year is recognised in profit or loss.

Impairment tests are performed on property and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

1.6 Goodwill and intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Accounting policies (continued)

1. Significant accounting policies (continued)

1.6 Goodwill and intangible assets (continued)

Intangible assets consist of internally developed computer software as well as customer and brand acquired through a business combination. Costs include employee costs of the software development team and an appropriate portion of relevant overheads.

Intangible assets are initially recognised at cost, unless as a result of a business combination where the fair value is initially recognised.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

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

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Intangible assets are amortised on a straight-line basis over their useful life ranging between two to twenty years and are expected to have a nil residual value. The amortisation method, period and residual values are reviewed at each reporting period.

Internally generated brands, customer list and items similar in substances are not recognised as intangible assets unless acquired through a business combination.

The carrying value of intangible assets is reviewed for indicators of impairment annually. If indicators of impairment exist, the particular asset is tested for impairment. An intangible asset that is not yet available for use or has an indefinite useful life is tested for impairment on an annual basis.

Amortisation is provided to write down the intangible assets, on a straight line basis as follows:

Item	Depreciation method	Average useful life
Customer and Brand	Straight-line	20
Computer software, internally generated	Straight-line	5

Goodwill arising from business combinations

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree. If, in the case of a bargain purchase, the result of this formula is negative, then the difference is recognised directly in profit or loss.

Goodwill, which has an indefinite useful life, is not subject to amortisation. The carrying amount of the asset is tested annually for impairment or whenever events occur or circumstances change to indicate that the carrying amount may not be recoverable. For the purposes of impairment assessment, goodwill is allocated to each business unit that is expected to benefit from the business combination, where it is monitored.

1.7 Financial instruments

Financial instruments held by the Group are classified in accordance with the provisions of IFRS 9.

Broadly, the classification, which is adopted by the Group, as applicable, is as follows:

Financial assets which are equity instruments are measured:

- Mandatorily at fair value through profit or loss; or
- Designated as at fair value through other comprehensive income. This designation is not available to equity instruments which are held for trading or which are contingent consideration in a business combination.

Financial assets which are debt instruments are measured at:

- Amortised cost. This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows; or
- Fair value through other comprehensive income. This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments; or
- Mandatorily at fair value through profit or loss. This classification automatically applies to all debt instruments which do not qualify as at amortised cost or at fair value through other comprehensive income; or
- Designated at fair value through profit or loss. This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch.

Financial liabilities:

- Amortised cost; or
- Mandatorily at fair value through profit or loss. This applies to contingent consideration in a business combination or to liabilities which are held for trading; or
- Designated at fair value through profit or loss. This classification option can be applied when it eliminates or significantly reduces an accounting mismatch; the liability forms part of a Group of financial instruments managed on a fair value basis; or it forms part of a contract containing an embedded derivative and the entire contract is designated as at fair value through profit or loss.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the Group are presented below:

Loans receivable at amortised cost

Classification

Amounts due from Group companies (note 12), loans to share trusts (note 10), deposits with cedants and loans receivable are classified as financial assets subsequently measured at amortised cost.

They have been classified in this manner because the contractual terms of these loans give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Group's business model is to collect the contractual cash flows on these loans.

Recognition and measurement

Loans receivable are recognised when the Group becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the loan initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Accounting policies (continued)

1. Significant accounting policies (continued)

1.7 Financial instruments (continued)

Application of the effective interest method

Interest income is calculated using the effective interest method, and is included in profit or loss in investment income.

The application of the effective interest method to calculate interest income on a loan receivable is dependent on the credit risk of the loan as follows:

- The effective interest rate is applied to the gross carrying amount of the loan, provided the loan is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.

Impairment

The Group recognises a loss allowance for expected credit losses on all loans receivable measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective loans.

The Group measures the loss allowance at an amount equal to the lifetime expected credit losses (lifetime ECL) when there has been a significant increase in credit risk since initial recognition. If the credit risk on a loan has not increased significantly since initial recognition, then the loss allowance for that loan is measured at 12 month expected credit losses (12-month ECL).

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a loan. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a loan that are possible within 12 months after the reporting date.

In order to assess whether to apply lifetime ECL or 12-month ECL, in other words, whether or not there has been a significant increase in credit risk since initial recognition, the Group considers whether there has been a significant increase in the risk of a default occurring since initial recognition rather than the evidence of a loan being credit impaired at the reporting date or of an actual default occurring.

Significant increase in credit risk

In assessing whether the credit risk on a loan has increased significantly since initial recognition, the Group compares the risk of a default occurring on the loan as at the reporting date with the risk of a default occurring as at the date of initial recognition.

The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information.

Irrespective of the outcome of the above assessment, the credit risk on a loan is always presumed to have increased significantly since initial recognition if the contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

By contrast, if a loan is assessed to have a low credit risk at the reporting date, then it is assumed that the credit risk on the loan has not increased significantly since initial recognition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increases in credit risk before the amount becomes past due.

Definition of default

For purposes of internal credit risk management purposes, the Group consider that a default event has occurred if there is either a breach of financial covenants by the counterparty, or if internal or external information indicates that the counterparty is unlikely to pay its creditors in full (without taking collateral into account).

Write-off policy

The Group writes off a loan when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Loans written off may still be subject to enforcement activities under the Group recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default, taking the time value of money into consideration.

The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. The exposure at default is the gross carrying amount of the loan at the reporting date.

An impairment gain or loss is recognised for all loans in profit or loss with a corresponding adjustment to their carrying amount through a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in the credit loss allowance.

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments are classified as financial assets subsequently measured at amortised cost (note 18).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Group's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

Trade and other receivables are recognised when the Group becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Impairment

The Group recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

The Group measures the loss allowance for trade and other receivables at an amount equal to the lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

Accounting policies (continued)

1. Significant accounting policies (continued)

1.7 Financial instruments (continued)

Measurement and recognition of expected credit losses

The Group makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

The customer base is widespread and does not show significantly different loss patterns for different customer segments, accordingly the loss allowance is calculated on a collective basis for all trade and other receivables in totality.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in the credit loss allowance.

Write-off policy

The Group writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the Group recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Investments in equity instruments

Classification

Investments in equity instruments are presented in note 15. They are classified as mandatorily at fair value through profit or loss. As an exception to this classification, the Group may make an irrevocable election, on an instrument by instrument basis, and on initial recognition, to designate certain investments in equity instruments as at fair value through other comprehensive income.

The designation as at fair value through other comprehensive income is never made on investments which are either held for trading or contingent consideration in a business combination.

Recognition and measurement

Investments in equity instruments are recognised when the Group becomes a party to the contractual provisions of the instrument. The investments are measured, at initial recognition, at fair value. All other transaction costs are recognised in profit or loss.

Investments in equity instruments are subsequently measured at fair value with changes in fair value recognised either in profit or loss or in other comprehensive income (and accumulated in equity in the reserve for valuation of investments), depending on their classification.

Dividends received on equity investments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in investment income (note 33).

Impairment

Investments in equity instruments are not subject to impairment provisions.

Trade and other payables

Classification

Trade and other payables (note 27), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the Group becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

Trade and other payables expose the Group to liquidity risk and possibly to interest rate risk. Refer to note 42 for details of risk exposure and management thereof.

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost.

Debt instrument

Debt instruments issued by the Group comprise subordinated debt instruments held at amortised cost. Interest accruals are recognised as finance costs in the statement of profit or loss and other comprehensive income.

Periodic re-estimation of cash flows to reflect the movements in the market rates of interest will alter the effective interest rate. A floating-rate financial liability is recognised initially at an amount equal to the principal payable on maturity, re-estimating the future interest payments has no significant effect on the carrying amount of the liability.

Derecognition

Financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The Group derecognises financial liabilities when, and only when, the Group obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Reclassification

Financial assets

The Group only reclassifies affected financial assets if there is a change in the business model for managing financial assets. If a reclassification is necessary, it is applied prospectively from the reclassification date. Any previously stated gains, losses or interest are not restated.

The reclassification date is the beginning of the first reporting period following the change in business model which necessitates a reclassification.

Financial liabilities

Financial liabilities are not reclassified.

Accounting policies (continued)

1. Significant accounting policies (continued)

1.8 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of each financial reporting year.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

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

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

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income or equity, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

Withholding tax on dividends and invoices is measured at the amount expected to be paid to the relevant tax authorities in the country from which dividend income or services rendered originates. The tax rates and tax laws used to compute the amount are those that are enacted when the dividend was declared.

1.9 Leases

The Group assesses whether a contract is, or contains a lease, at the inception of the contract.

A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is, or contains a lease, management determines whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the Group has the substantially right to all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgements and sources of estimation uncertainty section of these accounting policies.

Group as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the Group is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense (note 32) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated to each lease component on the basis of the relative stand-alone prices of the lease components and the aggregate stand-alone price of the non-lease components (where non-lease components exist).

However as an exception to the preceding paragraph, the Group has elected not to separate the non-lease components for leases of land and buildings.

Details of leasing arrangements where the Group is a lessee are presented in note 6 Leases (Group as lessee).

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed lease payments, including in-substance fixed payments, less any lease incentives;
- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable rentals that do not depend on an index or rate are not included in the measurement of the lease liability (or right-of-use asset). The related payments are recognised as an expense in the period incurred and are included in operating expenses.

The lease liability is presented as a separate line item on the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs (note 34).

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when:

- there has been a change to the lease term, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change in the assessment of whether the Group will exercise a purchase, termination or extension option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- a lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised payments using a revised discount rate.

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 recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Accounting policies (continued)

1. Significant accounting policies (continued)

1.9 Leases (continued)

Right-of-use assets

Right-of-use assets are presented as a separate line item on the Statements of Financial Position.

Lease payments included in the measurement of the lease liability comprise the following:

- the initial amount of the corresponding lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred;
- any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the Group incurs an obligation to do so, unless these costs are incurred to produce inventories; and
- less any lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of the lease term and useful life of the underlying asset. However, if a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of a lease.

For right-of-use assets which are depreciated over their useful lives, the useful lives are determined consistently with items of the same class of property and equipment. Refer to the accounting policy for property and equipment for details of useful lives.

The useful life and depreciation method of each asset are reviewed at the end of each reporting year.

If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Each part of a right-of-use asset with a cost that is significant in relation to the total cost of the asset is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

1.10 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets and disposal groups are classified as held for distribution to owners when the entity is committed to distribute the asset or disposal Group to the owners. This condition is regarded as met only when the distribution is highly probable and the asset or disposal Group is available for immediate distribution in its present condition, provided the distribution is expected to be completed within one year from the classification date.

Non-current assets or disposal groups held for sale (distribution to owners) are measured at the lower of their carrying amount and fair value less costs to sell (distribute).

A non-current asset is not depreciated or amortised while it is classified as held for sale (held for distribution to owners), or while it is part of a disposal Group classified as such.

Investments in subsidiaries which are held for sale are accounted for in accordance with IFRS 5: Non-current Assets Held for Sale and Discontinued Operations in the Group.

1.11 Impairment of non-financial assets

The Group assesses at the end of each financial reporting year whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the Group also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period; and
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value-in-use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Each unit or Group of units to which the goodwill is so allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment as defined by paragraph 5 of IFRS 8: Operating Segments before aggregation.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit; and
- then, to the other assets of the unit, *pro rata* on the basis of the carrying amount of each asset in the unit.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.12 Share capital and equity

Ordinary shares are recognised and classified as 'share capital' in equity. Incremental costs directly attributable to the issue of ordinary shares are recognised in equity as a deduction from the proceeds, net of taxation. Transaction costs of an equity transaction are accounted for as a deduction from the proceeds to the extent that they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

1.13 Share-based payments

Cash-settled share-based payments

Services received in a share-based payment transaction are recognised when the services are received. A corresponding increase in a liability is recognised if the services were acquired in a cash-settled share-based payment transaction.

When the services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they are recognised as expenses.

For cash-settled share-based payment transactions, the services acquired and the liability incurred are measured at the fair value of the liability. Until the liability is settled, the fair value of the liability is re-measured at each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

Accounting policies (continued)

1. Significant accounting policies (continued)

1.13 Share-based payments (continued)

Vesting conditions, other than market conditions, are not taken into account when estimating the fair value of cash-settled share-based payments at the measurement dates. These vesting conditions are taken into account by adjusting the number of awards included in the measurement of the liability arising from the transaction.

Market conditions and non-vesting conditions are taken into account when estimating the fair value of the cash-settled share-based payment.

If the share-based payments granted do not vest until the counterparty completes a specified period of service, the Group accounts for those services as they are rendered by the counterparty during the vesting period, or on a straight-line basis over the vesting period.

If the share-based payments vest immediately the services received are recognised in full.

In circumstances where the Group is involved in a share-based payment transaction among entities in the Group, the following is applied in the entity's separate financial statements:

- Where the Group settles the share-based payment transaction and another entity in the Group receives the goods or services, the entity recognises the transaction as an equity settled share-based payment transaction only if (1) it is settled in the entity's own equity instruments or (2) the entity has no obligation to settle share-based payments. In all other circumstances, the transaction is recognised as a cash settled share-based payment transaction.

Equity-settled share-based payments

As an exception, when the Group is obligated, in terms of tax legislation, to withhold an amount of employees' tax associated with an equity-settled share-based payment transaction (thus creating a net settlement feature), the full transaction is still accounted for as an equity-settled share-based payment transaction.

1.14 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

When employees are paid retention bonuses in terms of the retention bonus plan and these beneficiaries are subject to retention periods, the cost associated with the retention bonus plan are recognised in the statement of profit or loss and other comprehensive income over the retention period.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

The Group contributes a fixed percentage of salary in respect of members of the defined contribution pension plans and this cost is recognised as an expense in profit or loss. The Group has no constructive obligation to pay further contributions to the fund if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method for a fund closed to new entrants and with less than 5% of the Group's employees participating in the fund.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the fund up to the end of each financial reporting year where the interim valuation is performed at an earlier date.

Past service costs are recognised as an expense at the earlier of the following dates:

- when the plan amendment or curtailment occurs; and
- when the Group recognises related restructuring cost or termination benefits.

Actuarial gains and losses are recognised in the year in which they arise, in other comprehensive income.

The amount recognised in the statements of financial position represents the present value of the defined benefit obligation reduced by the fair value of plan assets and adjusted for the asset ceiling. The asset is the lower of the present value of the available refund and reduction in future contribution to the plan and the surplus in the plan.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates:

- when the entity can no longer withdraw the offer of those benefits; and
- when the entity recognises costs for a restructuring which involves the payment of termination benefits.

Post-employment benefits

The Group provides post-retirement medical benefits to qualifying employees who joined the Group prior to 15 March 1999 by way of subsidising medical scheme contributions. The expected costs of these benefits are assessed in accordance with advice of qualified actuaries on an annual basis, using the projected unit credit method. The last valuation was performed at 31 December 2022. Service costs are recognised in profit or loss. Actuarial gains or losses are recognised in other comprehensive income.

1.15 Provisions, commitments and contingencies

Provisions are recognised when:

- the Group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken;
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Transactions are classified as contingencies where the Group's obligations depend on uncertain future events.

Items are classified as commitments where the Group commits itself to future transactions with external parties.

Contingent assets and contingent liabilities are not recognised.

Accounting policies (continued)

1. Significant accounting policies (continued)

1.16 Insurance contracts

Classification

Insurance contracts are classified into two main categories, namely general insurance and cell insurance. General insurance provides benefits under general insurance policies, which include engineering, marine, guarantee, liability, miscellaneous, motor, accident and health, property and transportation, or a contract comprising a combination of any of those policies. General insurance contracts are further classified into the following categories:

- Personal insurance, consisting of insurance provided to individuals and their personal property.
- Commercial insurance, providing cover on the assets and liabilities of business enterprises.
- Corporate insurance, providing cover on the assets of business enterprises where the value of the assets exceed a limit of R250 000 000.
- Credit guarantees.

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. Insurance risk is risk, other than financial risk, transferred from the holder of the contract to the issuer. The Group defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that is significantly more than the benefits payable if the insured event did not occur.

Premiums

Premiums exclude value added taxation and any other foreign indirect taxes. Premiums are earned from the date of attachment of risk, spread over the indemnity period by using an unearned premium provision, based on the pattern of risks underwritten and are recognised in profit or loss. This includes premiums received in terms of inward reinsurance arrangements. All premiums are shown before deduction of commission payable to intermediaries.

Premiums on reinsurance assumed are included in gross written premiums as if this was direct business taking into account the product classification of the reinsured business and are recognised in profit or loss.

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, and an appropriate risk margin.

Adjustments to the amounts of claims provisions established in prior years are reflected in profit or loss for the period in which the adjustments are made and disclosed separately, if material.

The ultimate cost of the reported claims may vary as a result of future developments or better information becoming available about the current circumstances.

Case estimates are therefore reviewed regularly and updated if new information becomes available.

The provisions for the notified claims are initially estimated at a gross level. Each notified claim is assessed on a separate, case-by-case basis with due regard to the specific circumstances, information available from the insured and/or loss adjuster and past experience with similar claims. The provision for each notified claim includes value added taxation, where applicable.

Claims incurred but not yet reported (IBNR)

The IBNR provision is initially estimated at a gross level and incorporates future developments on the case estimates of notified claims (claims incurred but not enough reported or "IBNER") and claims reported after the reporting date (true IBNR claims). The IBNR provision consists of a best-estimate reserve and an explicit risk margin.

Salvage and subrogation reimbursements

Some insurance contracts permit the Group to sell property acquired in settling a claim (salvage). The Group also has the right to pursue third parties for payment on some or all costs (subrogation). After the occurrence of a cause of loss or payment of an indemnity the insured, at the request of the Group, remains obligated to take all reasonable steps, including legal proceedings, in order to obtain recoveries from whatever source. Any salvage and subrogation collected by the insured or the Group shall be shared in proportion to their respective interests.

Estimates of salvage and subrogation receivables are initially recognised as a separate asset only when the reimbursement has a high probability of certainty and movements in the asset are subsequently recognised in profit or loss.

Unexpired risk provision

Provision is made for unexpired risks arising where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the reporting date exceeds the unearned premium provision in relation to such policies after the deduction of any deferred acquisition costs. Movements in the unexpired risk provision are recognised in profit or loss.

The net liability recognised for insurance contracts is tested for adequacy by discounting current estimates of all future contractual cash flows and comparing this amount to the carrying value of the total insurance liability net of deferred acquisition costs. Where a shortfall is identified, an additional provision is made and the Group recognises the deficiency in profit or loss for the year.

Unearned premium provision

The provision for unearned premiums represents the portion of the current year's premiums that relate to risk periods extending into the following year. The Group raises provisions for unearned premiums on a basis that reflects the underlying risk profile of its insurance contracts. An unearned premium provision is created at the commencement of each insurance contract and is then released as the risk under the contract expires. The majority of the Group's insurance contracts have an even risk profile. Movement in the gross and reinsured earned premium provision is recognised in profit or loss.

No-claims bonus

Included in the unearned premium provision is a provision made for probable future no claims cash bonus payments. The probability of paying out the provision is calculated based on claim frequency and lapse assumptions and based on the total number of event-free months.

A no-claims bonus is paid to policyholders based on a fixed calculation as per endorsements that form part of the insurance contract. The no-claims bonus is determined over a fixed period and is calculated as a percentage of premium. The no-claims bonus becomes payable after the agreed cash-back period of the policy, provided the contract endorsements have been met and that there is confirmation that no claim will be payable in respect of insurable transactions concluded during the period. A provision is made for unpaid bonuses at each reporting date and movements in the provision are recognised in profit or loss.

Low-claims bonus

Included in the unearned premium provision is a provision made for probable future low-claims cash bonus payments. The probability of paying out the provision is calculated based on the loss ratio assumptions in a particular underwriting year. The bonuses are paid upon the policyholder achieving a lower loss ratio in a particular underwriting year as agreed in the policy documentation.

Reinsurance

The Group cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the transfer of its risks. Only reinsurance agreements that give rise to a significant transfer of insurance risk are accounted for as reinsurance contracts. Reinsurance agreements that do not transfer significant insurance risk are accounted for as financial assets.

Reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders.

Accounting policies (continued)

1. Significant accounting policies (continued)

1.16 Insure contracts (continued)

A separate calculation is carried out to determine the estimated reinsurers' share of insurance liabilities. The calculation of these reinsurance recoveries considers the type of risk underwritten, the year the gross claim occurred and therefore under which reinsurance contract the recovery will be made, the size of the claim and whether the claim was an isolated incident or forms part of a catastrophe reinsurance claim. The asset is then estimated using similar methods to those used to estimate the gross provision. There is no risk margin added to the best estimate of reinsurance IBNR provisions, consistent with the treatment of other insurance assets.

Amounts recoverable under reinsurance contracts are recognised in the same year as the related claim and are assessed for impairment at each reporting date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. Movements in reinsurance assets are accounted for in profit or loss.

Acquisition cost and deferred acquisition costs

Acquisition costs comprise all direct and indirect costs arising from the conclusion of insurance contracts.

Deferred acquisition costs represent the proportion of acquisition costs incurred in order to secure new contracts and renewing of existing contracts and are deferred over the period in which the related premiums are earned, and recognised as an asset.

Acquisition costs relevant for the financial period (including the movement in deferred acquisition costs) are recognised in profit or loss. All other costs are recognised as expenses when incurred.

Commission income

Commission income comprises commissions earned in respect of reinsurance contracts. Commission income is recognised on the effective commencement or renewal date of the reinsurance contract. A portion of the income is deferred when further servicing is required to be rendered. The amount deferred represents an amount which will cover the expected future servicing costs, together with a reasonable profit thereon, and is recognised as a liability. Deferred income is recognised in profit or loss evenly over the period of the policy. Where commission income is earned on an indemnity basis, provision is made for the potential repayment of commissions.

Agents' and reinsurers' balances

Agents' and reinsurers' balances are measured at transaction price when due, and the Group is of the opinion that the carrying values of these receivables are a reasonable approximation of fair value. The amounts include amounts due to and from agents, brokers and insurance contract holders.

Portfolio impairment allowance

Included in the agents' and reinsurance balances are a portfolio impairment allowance and specific allowances for possible losses.

A loss allowance is recognised for amounts due from agents and reinsurers and is monitored at the end of each reporting period. In addition to the loss allowance, amounts due from agents and reinsurers are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Amounts due from agents and reinsurers which have been written off are not subject to enforcement activities.

The Group measures the loss allowance for amounts due from agents and reinsurers by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on amounts due from agents and reinsurers is determined as the lifetime expected credit losses on amounts due from agents and reinsurers. These lifetime expected credit losses are estimated using a provision matrix. The provision matrix has been developed by making use of past default experience of debtors but also incorporates forward-looking information and general economic conditions of the industry as at the reporting date.

Deposits with reinsurers and cedants

Deposits with reinsurers and cedants are cash held by the Group on behalf of reinsurers and cedants.

Cell insurance

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

First party cell captive arrangements, where the cell owner insures their own risk. First party cell captive arrangements are accounted for as financial liabilities.

Third party cell captive arrangements where the cell owner provides the opportunity to its own client base to purchase branded insurance products. The insurance company is the principal to the insurance contract, although the business is underwritten on behalf of the cell owner and is accounted for in terms of IFRS4.

The shareholder's agreement, however, determines that the cell owner remains responsible for the solvency of the cell captive arrangements. In substance, the insurance company therefore reinsures this business to the cell owner as the cell owner remains responsible for the solvency of the cell captive arrangement.

The cell shareholder's interest represents the cell shareholder's funds, in respect of the insurance business conducted in the cell structures, held by the insurer and is included in amounts payable to cell owners. The carrying value of amounts payable to cell owners is the consideration received for preference shares plus the accumulated funds in respect of business conducted in the cells less repayment to cell owners.

Investment in insurance third-party cell captive

The group has entered into third party arrangements with Guardrisk Insurance Company Limited, Old Mutual Alternative Risk Transfer Limited and ABSA Insurance Risk Management Services Limited . The Group concluded that its cell captive arrangement does not satisfy the criteria to be deemed a separate entity and accordingly is not subject to consolidation. The cell captive arrangement is considered to have transferred significant insurance risk to the Group due to the contractual requirement imposed on the Group to maintain the solvency of the cell. The cell captive arrangement therefore meets the definition of an insurance contract contained in IFRS 4.

1.17 Investment returns

Investment returns comprises interest, dividends, as well as net fair value gains or losses on financial assets held at fair value through profit or loss. Interest income is presented separately from fair value movements.

Investment income is accounted for as follows:

- interest income is recognised in profit or loss as it accrues, using the effective interest method;
- dividend income is recognised in profit or loss when the right to receive payment is established; and
- net unrealised and realised profits and losses on financial assets held at fair value through profit or loss comprise of gains and losses on disposal or revaluation of assets to fair values and are recognised in profit or loss.

1.18 Finance cost

Finance costs are recognised in profit or loss in the period they are incurred using the effective interest method.

1.19 Translation of foreign currencies

Functional and presentation currency

The consolidated financial statements are presented in Rand which is the Group's presentation currency. The functional currency of the separate financial statements of the Group entities are in Rand, except for Old Mutual Holdings (Mauritius) Limited and its subsidiaries which are presented in United States Dollar.

Accounting policies (continued)

1. Significant accounting policies (continued)

1.19 Translation of foreign currencies (continued)

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rand, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of each financial reporting year:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

In circumstances where the Group receives or pays an amount in foreign currency in advance of a transaction, the transaction date for purposes of determining the exchange rate to use on initial recognition of the related asset, income or expense is the date on which the Group initially recognised the non-monetary item arising on payment or receipt of the advance consideration.

If there are multiple payments or receipts in advance, the Group determines a date of transaction for each payment or receipt of advance consideration.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised in other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised in other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Rand by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

Investments in subsidiaries and associates as foreign operations

The results and financial position of a foreign operation are translated into the functional currency using the following procedures:

- assets and liabilities for each reporting date presented are translated at the closing rate at the date of that reporting date; and
- income and expenses for each item of profit or loss are translated at exchange rates at the dates of the transactions.

Exchange differences arising on a monetary item that forms part of a net investment in a foreign operation are recognised initially to other comprehensive income and accumulated in the translation reserve. Such exchange differences are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation.

1.20 Distributions to participants from share trusts

Distributions from share trusts are recognised when the participant's shares vest and minimum service requirements are met.

1.21 Inventory

Inventory comprises merchandise for resale and consumables. Inventory is measured at the lower of cost and net realisable value, and is classified as a current asset as it is expected to be sold within the group's normal operating cycle.

Cost is calculated on the weighted-average basis and includes expenditure incurred in acquiring the inventory and bringing it to its existing location and condition, including distribution costs, and is stated net of relevant purchase incentives. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Obsolete, redundant and slow-moving items are identified on a regular basis and are written down to their estimated net realisable values

The carrying amount of inventories sold is recognised as an expense in the period in which the related revenue is recognised.

1.22 Revenue from contracts with customers

Revenue is measured at the fair value consideration received or receivable and is stated net of related rebates and discounts granted.

Revenue from the sale of goods comprises retail sales to customers, and is defined as turnover. All turnover is stated exclusive of Value Added Tax. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and trade discounts.

Turnover is recognised when persuasive evidence exists that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing involvement with the goods from the group's management, and the turnover can be measured reliably. Discounts are recognised as a reduction of revenue as the sales are recognised. The group does not grant discounts subsequent to the effective sale.

Revenue from services rendered, commissions and fitments, is recognised based on the stage of completion by reference to the services performed to date as a percentage of the total services to be performed.

1.23 Significant judgements and sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed periodically. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected, i.e. not retrospectively.

Impairment testing

The Group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determine the recoverable amount by performing value-in-use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.

Valuation of insurance policy liabilities and assets

Claims incurred

The Group's estimates for reported and unreported claims are periodically reviewed and updated, and adjustments resulting from these reviews are reflected in profit or loss. The process relies upon the assumption that past experience, adjusted for the effect of current developments and likely trends, is an appropriate basis for predicting future events as set out in note 22.

Accounting policies (continued)

1. Significant accounting policies (continued)

1.23 Significant judgements and sources of estimation uncertainty (continued)

Incurred but not reported claims (IBNR)

The IBNR provision comprises the Group's estimate at the best estimate plus the undiscounted cost of settling all claims incurred but not yet reported at the reporting date and related claims handling expenses. A margin is added to allow for uncertainty. The assumptions used in the calculation are set out in note 22.

Subrogation and salvage recoveries

An asset is raised for expected subrogation and salvage recoveries that have occurred, whether reported or based on past experience. The ultimate amounts recovered will vary as a result of subsequent information and events and may result in significant adjustments to the amounts estimated. The methods used to determine the expected amounts are reviewed regularly by management. The assumptions used in the calculation are set out in note 22.

Defined post-employment benefits

Assumptions are made regarding the discount rates, inflation rates and retirement ages in calculating the Group's post-retirement medical benefits. Details of these assumptions, which require judgement, are set out in note 13.

Share-based payment liability

The judgement applied in valuing the cash-settled share-based payment liability for employees relates to the assumption of the expected employee attrition and the associated vesting that is expected for each tranche of shares issued as set out in note 24.

Leases

Judgement is applied on whether the Group is reasonably certain to exercise extension options in the lease contract. Please refer to note 6.

Investment in subsidiaries

The Old Mutual Insure Capital Management committee approves the assumptions and inputs applied, which required judgement, in the fair value calculations relating to investments in subsidiaries, associates, unlisted shares and share trusts.

Observable market data is used as inputs to the extent that it is available. The valuation model used to determine the value of the subsidiaries is sensitive to the inputs (the projected business plans) as well as the assumptions (risk-adjusted discount rates) used. Judgement is applied in deriving these inputs and assumptions as set out in note 3.

Notes to the financial statements

2. New Standards and Interpretations

2.1 Standards and interpretations not yet effective

The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2022 or later periods:

IFRS 17: Insurance contracts

IFRS 17 'Insurance Contracts' (IFRS 17) is a comprehensive new accounting standard for insurance contracts that governs recognition, measurement, presentation and disclosure. It was initially published by the IASB in May 2017, and will replace IFRS 4 'Insurance Contracts' (IFRS 4) that was issued in 2005.

Whereas IFRS 4 allowed insurers to use existing local practice for the measurement of insurance liabilities, IFRS 17 provides for a comprehensive and consistent approach to insurance contracts. The new standard will affect the financial statements and key performance indicators of all entities in the Group that issue insurance contracts such as property & casualty insurance.

IFRS 17 introduces a measurement model for insurance contracts based on the estimates of the present value of future cash flows that are expected to arise as the Group fulfils the contracts, an explicit risk adjustment for non-financial risk (together these represent the fulfilment cash flows) and a contractual service margin (CSM).

The calculation of the estimates of the present value of future cash flows is largely similar between IFRS 4 and IFRS 17, with the main measurement difference relating to the calculation and release of margins over time (i.e. compulsory and discretionary margins for prudence applied under IFRS 4 vs Risk Adjustment and CSM required under IFRS 17).

The default model is the General Measurement Model (GMM), which is mainly used for measuring life risk (including reinsurance) and annuity contracts. However IFRS 17 also makes provision for a simplified approach (the Premium Allocation Approach (PAA)), mainly for short-duration contracts which are mostly within the property and casualty businesses.

Regardless of the measurement model used, the basic revenue recognition principle of IFRS 17 is that profit is recognised over the lifetime of a group of insurance contracts, as services are provided, but losses are recognised immediately if the group of insurance contracts is onerous. No profit is recognised on initial recognition.

Under IFRS 17, the discount rate used to reflect the time value of money in the fulfilment cash flows must be based on the characteristics of the liability.

On transition, IFRS 17 requires the standard to be applied either retrospectively (full or modified retrospective approaches) or using the fair value approach. The Group has applied the full retrospective approach in instances where reliable and accurate data and actuarial models are available. For certain groups of contracts issued, the modified retrospective approach and the fair value approach were applied.

The standard is effective for reporting periods starting on or after 1 January 2023. As such, the 30 June 2023 interim financial statements will be the first interim results, and the 31 December 2023 annual financial statements the first annual results, presented on an IFRS 17 basis.

Estimated impact of the adoption of IFRS 17

The Group, as at transition date for IFRS 17, has applied the fully retrospective approach and the PAA measurement model was used for all portfolios. The Group estimates that, based on assessments undertaken to date, the impact of initial application of IFRS 17 on the consolidated financial statements will be in the region of R15 million to R25 million decrease to the Group's total equity, and a R5 million to R10 million decrease in the Company's equity at 1 January 2022.

Total equity as at 31 December 2021 under IFRS 4 was R4.3 billion for the Group and R4 billion for the Company. The change in equity is not material, representing less than a 1% change.

The impact on Group equity as a result of transition to IFRS 17 arises because of the different requirements of IFRS 17 compared to the accounting policies and actuarial methodologies used under IFRS 4. The differences include the removal of discretionary margins that were allowed under IFRS 4 but not under IFRS 17, the requirement to set up a Risk Adjustment under IFRS 17 (noting that these liabilities will be released into profit over time as service is provided and as risk expires, respectively) and the treatment of onerous business under IFRS 17.

Notes to the financial statements (continued)

2. New Standards and Interpretations (continued)

2.1 Standards and interpretations not yet effective (continued)

While IFRS 17 does result in changes to the timing of profit recognition, the Group's profits are estimated to be at a similar level initially for business impacted by IFRS 17. The Group will provide restated comparative information for 2022 together with its interim and annual financial statements for 2023. This restated comparative information will include the impact on the IFRS 17 financial statements of assumption and model changes made as at 31 December 2022.

This estimated impact is preliminary. The Group continues to refine the new accounting processes, systems and controls required for the application of IFRS 17. In addition, new accounting policies, assumptions, judgments and estimates will be subject to change until the Group finalises its 2023 Interim financial statements that will be the first set of financial statements that include IFRS 17 as the insurance contract standard.

IFRS 17 Implementation Programme

In 2017 the Old Mutual Group instituted an implementation programme under the sponsorship of the Chief Financial Officer, who chaired a steering committee consisting of senior finance, actuarial and information technology executives from impacted business areas. Each major IFRS 17 focus area (i.e. Group, Old Mutual Africa Regions and Old Mutual Insure) was also governed by a delivery committee, which consisted of senior finance and actuarial managers who made decisions on scope, design and enablement for their relevant focus areas. IFRS 17 Projects were also mobilised in segments and countries during 2019, each with their own governance and decision-making forums. All decisions relating to the interpretation of the standard (i.e. policies and methodologies) were made by a Technical Review Committee, which consisted of actuarial and finance subject matter experts across the Group. Ratification of major decisions was done by the steering committee. Programme resources include a mix of dedicated and shared internal technical experts, as well as external consultants where appropriate.

Work on the finalisation of key policy and methodology decisions is complete.

Actuarial modelling development was completed in 2022. The Group also undertook a number of dry run and user acceptance testing exercises during 2022.

Design of disclosures continued in 2022, as did related build and enhancements to reporting and disclosure tools.

Group assurance roles are fulfilled by Group Internal Audit as well as second line internal control functions. Group assurance on policy and methodology decisions is complete. Group assurance on transition methodology, approaches and results, as well as new modelling and reporting solutions is substantially complete. Group assurance on the process control environment across the Group was initiated in 2021, continued throughout 2022 and will be complete in early 2023. The decisions and Group assurance results to date were considered by external audit in their planning and risk assessments for the 2023 year end audit and their observations to date were communicated to both the Audit Committee for consideration as the Group finalises the implementation of IFRS 17.

2.2 Standards and interpretations effective and not yet effective and not material to the Group

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
· Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 1	1 January 2022	The impact of the amendment was not material
· Reference to the Conceptual Framework: Amendments to IFRS 3	1 January 2022	The impact of the amendment was not material
· Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 9	1 January 2022	The impact of the amendment was not material
· Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16	1 January 2022	The impact of the amendment was not material
· Onerous Contracts - Cost of Fulfilling a Contract: Amendments to IAS 37	1 January 2022	The impact of the amendment was not material
· Deferred tax related to assets and liabilities arising from a single transaction - Amendments to IAS 12	1 January 2023	Unlikely there will be a material impact
· Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023	Unlikely there will be a material impact
· Definition of Accounting Estimate (Amendments to IAS 8)	1 January 2023	There is a possibility that the change in definition to accounting estimate, could impact certain disclosure and presentation aspects of our financial statements. We do not believe that the introduction of this standard will have any impact on measurement of financial transactions.
· Classification of Liabilities as Current or Non-Current - Amendment to IAS 1	1 January 2024	Unlikely there will be a material impact as the group reports in order of liquidity
· Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024	Unlikely there will be a material impact
· Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined	Unlikely there will be a material impact

Notes to the financial statements (continued)

3. Goodwill

Group	2022			2021		
	Cost R million	Accumulated impairment R million	Carrying value R million	Cost R million	Accumulated impairment R million	Carrying value R million
Goodwill	336	–	336	21	–	21

Reconciliation of goodwill – Group – 2022

	Opening balance R million	Additions through business combinations R million	Total R million
Goodwill	21	315	336

Reconciliation of goodwill – Group – 2021

	Opening balance R million	Total R million
Goodwill	21	21

The goodwill relates to a 100% equity stake in Sintelum Proprietary Limited, 51% equity stake in One Financial Services Holdings Proprietary Limited and 51% equity stake in Primak Insurance Brokers Proprietary Limited and Versma Bestuurdienste Proprietary Limited. The value of goodwill is reviewed annually for indicators of impairment. The Group uses a discounted cash flow methodology to make this assessment. Cash flows are projected over a three-year period, with a growth rate of 4.55% (2021: 4.7%) and discounted at a rate between 18.22% and 19.0% (2021: 17.5%). There were no indicators of impairment of goodwill in 2022 (2021: Nil).

Notes to the financial statements (continued)

5. Property and equipment

Group	2022			2021		
	Cost R million	Accumulated depreciation R million	Carrying value R million	Cost R million	Accumulated depreciation R million	Carrying value R million
Buildings	90	–	90	–	–	–
Furniture and fixtures	125	(65)	60	85	(44)	41
Motor vehicles	14	(7)	7	6	(5)	1
IT equipment	666	(579)	87	631	(534)	97
Leasehold improvements	48	(22)	26	40	(13)	27
Total	943	(673)	270	762	(596)	166

Company	2022			2021		
	Cost R million	Accumulated depreciation R million	Carrying value R million	Cost R million	Accumulated depreciation R million	Carrying value R million
Furniture and fixtures	76	(49)	27	76	(38)	38
Motor vehicles	2	(2)	–	2	(2)	–
IT equipment	620	(540)	80	597	(503)	94
Leasehold improvements	48	(22)	26	40	(13)	27
Total	746	(613)	133	715	(556)	159

Reconciliation of property and equipment – Group – 2022

	Opening balance R million	Additions R million	Disposals R million	Additions through business combination R million	Depreciation R million	Impairment loss R million	Closing balance R million
Buildings	–	3	–	87	–	–	90
Furniture and fixtures	41	8	–	23	(12)	–	60
Motor vehicles	1	5	–	2	(1)	–	7
IT equipment	97	39	–	4	(53)	–	87
Leasehold improvements	27	6	–	–	(7)	–	26
	166	61	–	116	(73)	–	270

5. Property and equipment (continued)

Reconciliation of property and equipment – Group – 2021

	Opening balance R million	Additions R million	Disposals R million	Other changes, movements R million	Depreciation R million	Impairment loss R million	Closing balance R million
Buildings	1	–	(1)	–	–	–	–
Furniture and fixtures	54	1	–	(1)	(13)	–	41
Motor vehicles	6	–	(4)	–	–	(1)	1
IT equipment	141	8	–	(1)	(51)	–	97
Leasehold improvements	30	3	–	–	(6)	–	27
	232	12	(5)	(2)	(70)	(1)	166

Reconciliation of property and equipment – Company – 2022

	Opening balance R million	Additions R million	Disposals R million	Depreciation R million	Impairment loss R million	Closing balance R million
Buildings	–	–	–	–	–	–
Furniture and fixtures	38	–	–	(11)	–	27
Motor vehicles	–	–	–	–	–	–
IT equipment	94	27	–	(41)	–	80
Leasehold improvements	27	6	–	(7)	–	26
	159	33	–	(59)	–	133

Reconciliation of property and equipment – Company – 2021

	Opening balance R million	Additions R million	Disposals R million	Depreciation R million	Impairment loss R million	Closing balance R million
Buildings	1	–	(1)	–	–	–
Furniture and fixtures	50	–	–	(12)	–	38
Motor vehicles	3	–	(2)	–	(1)	–
IT equipment	134	7	–	(47)	–	94
Leasehold improvements	30	3	–	(6)	–	27
	218	10	(3)	(65)	(1)	159

Buildings

	GROUP		COMPANY	
	2022 R million	2021 R million	2022 R million	2021 R million
Property represents regional offices carried at cost				
Erf 5962, Walmer, Port Elizabeth, purchased on 20 November 2017	4	–	–	–
Section 24 of SS19/248, Ridge 7, Umhlanga Rocks, purchased on 30 September 2019	28	–	–	–
Erf 35, 12 Culross Road, Bryanston, purchased on 28 February 2020	55	–	–	–
Erf 974, Redhouse, Port Elizabeth, purchased on 31 May 2022	3	–	–	–
	90	–	–	–

The properties in Umhlanga Rocks and Bryanston are encumbered in favour of Investec Bank Limited.

Notes to the financial statements (continued)

6. Leases (Group as lessee)

The Group leases several assets, including buildings, office equipment and motor vehicles. The lease of Wanooka Place makes up the majority of the right-of-use asset, which has a lease term of seven years beginning on 1 July 2019.

All future cashflows to which the lessee is potentially exposed to are reflected in the measurement of lease liabilities.

Details pertaining to leasing arrangements, where the Group is the lessee are presented below:

Net carrying amounts of right-of-use assets

The carrying amounts of right-of-use assets are as follows:

	GROUP		COMPANY	
	2022 R million	2021 R million	2022 R million	2021 R million
Leasehold property	220	286	215	286
Office equipment	-	2	-	2
Motor vehicles	29	28	29	28
	249	316	244	316

Additions to and (disposals of) to right-of-use assets

	GROUP		COMPANY	
	2022 R million	2021 R million	2022 R million	2021 R million
Leasehold property	3	-	(1)	-
Office equipment	(1)	(4)	(1)	(4)
Motor vehicles	13	11	13	11
	15	7	11	7

Depreciation recognised on right-of-use assets

Depreciation recognised on each class of right-of-use assets, is presented below. It includes depreciation which has been expensed in the total depreciation charge in profit or loss (note 32).

	GROUP		COMPANY	
	2022 R million	2021 R million	2022 R million	2021 R million
Leasehold property	69	74	70	74
Office equipment	1	2	1	2
Motor vehicles	12	11	12	11
	82	87	83	87
Other disclosures				
Interest expense on lease liabilities	29	34	28	34
Expenses on short-term leases included in operating expenses	3	2	3	2
Variable lease payments not included in the measurement of lease liabilities included in operating expenses	89	48	46	48

Lease liabilities

Lease liabilities have been disclosed separately on the statements of financial position.

6. Leases (Group as lessee) (continued)

The maturity analysis of undiscounted lease liabilities is as follows:

	GROUP		COMPANY	
	2022 R million	2021 R million	2022 R million	2021 R million
Within one year	111	90	111	90
Two to five years	500	444	500	444
	611	534	611	534
Lease liabilities	312	372	301	372

7. Deferred tax

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the accounting standards allow for net settlement.

	GROUP		COMPANY	
	2022 R million	2021 R million	2022 R million	2021 R million
Deferred tax liability				
Investments	(26)	(60)	(9)	(32)
Provisions	-	-	(12)	(16)
Business combinations	(48)	-	-	-
Property and Equipment	-	(18)	-	(17)
Netted against assets	12	55	21	65
Total deferred tax liability	(62)	(23)	-	-
Deferred tax asset				
Share grant	20	32	20	32
Right-of-use asset/lease liability	16	17	15	16
Provisions	13	6	-	-
Retirement benefits	24	28	5	5
Investments	7	-	-	-
Property and Equipment	2	-	2	-
Netted against liabilities	(12)	(55)	(21)	(65)
Other temporary differences	1	4	4	4
Deferred tax balance from temporary differences other than unused tax losses	71	32	25	(8)
Tax losses available for set off against capital gains	6	9	6	10
Total deferred tax asset	77	41	31	2
Total net deferred tax asset	15	18	31	2

Notes to the financial statements (continued)

7. Deferred tax (continued)

	GROUP		COMPANY	
	2022 R million	2021 R million	2022 R million	2021 R million
Reconciliation of deferred tax asset				
At the beginning of the year	18	55	2	30
Increase/(decrease) in share grants and share schemes	(12)	2	(12)	1
Increase in other provisions and impairments	7	17	4	16
Movement in Retirement Benefits	(4)	-	-	-
Decrease in prepayments	-	(6)	-	(6)
Temporary differences arising from property and equipment	20	15	19	15
Increase/(decrease) in capital gains taxation	-	9	-	1
Temporary difference arising from business combination	(48)	-	-	-
Decrease in investments and securities	41	(40)	22	(21)
(Decrease)/increase in cashback, salvages and subrogation	-	(17)	-	(17)
Movement in leases	(1)	5	-	5
Movement in Other Temporary Differences	(4)	-	(4)	-
Prior year adjustment	(2)	(22)	-	(22)
	15	18	31	2

8. Investments in subsidiaries

The following table lists the entities which are controlled by the Group, either directly or indirectly through subsidiaries:

Group

Name of company	Held by	Nature of business	% holding 2022	% holding 2021
Mutual and Federal Risk Financing Limited	Old Mutual Insure Limited	Cell Captive insurer	100	100
Credit Guarantee Insurance Corporation of Africa Limited	Old Mutual Insure Limited	Credit insurer	75	75
Cougar Investment Holdings Company Limited	Old Mutual Insure Limited	Investment holding	–	100
Elite Risk Acceptances Proprietary Limited	Old Mutual Insure Limited	Non-mandated intermediary	100	100
Sintelum Proprietary Limited	Old Mutual Insure Limited	Underwriting management agency	100	100
Old Mutual Holdings (Mauritius) Limited	Old Mutual Insure Limited	Investment holding	100	100
Old Mutual Reinsurance (Mauritius) Limited	Old Mutual Holdings (Mauritius) Limited	Reinsurer	100	100
Old Mutual Business Services (Mauritius) Limited	Old Mutual Holdings (Mauritius) Limited	Business services	100	100
Old Mutual Speciality Insurance (Mauritius) Limited	Old Mutual Holdings (Mauritius) Limited	Insurer	100	100
One Financial Services Holdings Proprietary Limited	Old Mutual Insure Limited	Cell Captive owner	51	–
Primak Insurance Brokers Proprietary Limited	Old Mutual Insure Limited	Brokerage	51	–
Versma Bestuurdienste Proprietary Limited	Old Mutual Insure Limited	Administrator	51	–

Notes to the financial statements (continued)

8. Investments in subsidiaries (continued)

The following table lists the entities which are controlled directly by the company, and the carrying amounts of the investments in the company's separate financial statements:

Company

Name of company	% holding 2022	% holding 2021	Carrying amount 2022 R million	Carrying amount 2021 R million
Mutual and Federal Risk Financing Limited	100	100	116	138
Credit Guarantee Insurance Corporation of Africa Limited	75	75	805	910
Cougar Investment Holdings Company Limited	0	100	-	-
Elite Risk Acceptances Proprietary Limited	100	100	16	11
Sintelum Proprietary Limited	100	100	133	123
Old Mutual Holdings (Mauritius) Limited	100	100	1	-
ONE Financial Services Holdings Proprietary Limited	51	-	460	-
Primak Insurance Brokers Proprietary Limited	51	-	17	-
Versma Bestuurdienste Proprietary Limited	51	-	12	-
			1,560	1,182

The investment in Cougar Investment Holdings Company Limited has been classified as held for sale (refer note 20). The group acquired Primak Insurance Brokers Proprietary Limited and Versma Bestuurdienste Proprietary Limited entities during the year for a combined consideration of R29 million. The consideration has been allocated based on the individual company's net asset value.

Subsidiaries with material non-controlling interests

The following information is provided for subsidiaries with non-controlling interests which are material to the reporting company. The summarised financial information is provided prior to intercompany eliminations:

Summarised statements of financial position

	CREDIT GUARANTEE INSURANCE CORPORATION OF AFRICA LIMITED		ONE FINANCIAL SERVICES HOLDINGS PROPRIETARY LIMITED	
	2022 R million	2021 R million	2022 R million	2021 R million
Assets				
Non-current assets	684	810	493	-
Current assets	3,043	2,891	97	-
Total assets	3,727	3,701	590	-
Liabilities				
Non-current liabilities	358	403	130	-
Current liabilities	1,805	1,770	64	-
Total liabilities	2,163	2,173	194	-
Total net assets	1,564	1,528	396	-

8. Investments in subsidiaries (continued)

Summarised statement of profit or loss and other comprehensive income

	CREDIT GUARANTEE INSURANCE CORPORATION OF AFRICA LIMITED		ONE FINANCIAL SERVICES HOLDINGS PROPRIETARY LIMITED	
	2022 R million	2021 R million	2022 R million	2021 R million
Revenue	1037	948	412	–
Other income and expenses	(416)	(395)	(368)	–
Profit before tax	621	553	44	–
Tax expense	(181)	(159)	(15)	–
Profit after tax	440	394	29	–
Other comprehensive loss	6	(7)	–	–
Total comprehensive income	446	387	29	–

Summarised statement of cash flows

	CREDIT GUARANTEE INSURANCE CORPORATION OF AFRICA LIMITED		ONE FINANCIAL SERVICES HOLDINGS PROPRIETARY LIMITED	
	2022 R million	2021 R million	2022 R million	2021 R million
Cash flows from/(used in) operating activities	463	(139)	39	–
Cash flows (used in)/from investing activities	(2)	1	(26)	–
Cash flows from financing activities	(400)	–	(15)	–
Net increase/(decrease) in cash and cash equivalents	61	(138)	(2)	–
Dividend paid to non-controlling interest	100	–	–	–

Notes to the financial statements (continued)

9. Investments in associates

The following table lists all of the associates in the Group:

Group and Company

Name of company	Held by	% ownership interest 2022	% ownership interest 2021	Carrying amount 2022 R million	Carrying amount 2021 R million
Merx Underwriting Managers Proprietary Limited	Old Mutual Insure Limited	25	45	9	16

10. Loans to share trusts

	GROUP		COMPANY	
	2022 R million	2021 R million	2022 R million	2021 R million
Schedule of loans to share trusts				
The Mutual and Federal Management Incentive Trust	–	–	63	63
The Mutual and Federal Development Trust	–	–	14	14
The Mutual and Federal Management Incentive Trust (Namibia)	7	7	7	7
	7	7	84	84

The loans have no interest and no fixed repayment terms and are secured by the underlying ordinary Old Mutual Limited shares held by each of the trusts.

11. Investments in employee share trusts

Interest in employee share trusts

The Mutual and Federal Management Incentive Trust, The Mutual and Federal Senior Black Management Trust, Old Mutual Insure Employee Incentive Trust and Old Mutual Insure Broad-based Black Economic Empowerment Employee Trust (the employee share trusts) were set up for the benefit of employees. The Mutual and Federal Development trust was set up for the primary objective to provide or secure finance for black brokers wishing to develop brokerage business to service the non-life insurance market in South Africa. Legally all shares are held by the trusts. The Statement of Financial Positions of the employee share trusts are set out below:

Company

Name of trust	Carrying amount 2022	Carrying amount 2021
The Mutual and Federal Management Incentive Trust	146	163
The Mutual and Federal Senior Black Management Trust	119	126
The Mutual and Federal Development Trust	42	45
Old Mutual Insure Employee Incentive Trust	63	76
Old Mutual Insure Broad-based Black Economic Empowerment Trust	139	180
	509	590

11. Investments in employee share trusts (continued)

Summarised financial information of employee share trusts

2022

Summarised statement of financial position

Assets	Investment in Old Mutual Limited shares*	Other assets	Total assets
	R million	R million	R million
The Mutual and Federal Management Incentive Trust	32	182	214
The Mutual and Federal Senior Black Management Trust	114	12	126
The Mutual and Federal Development Trust	22	48	70
Old Mutual Insure Employee Incentive Trust	59	7	66
Old Mutual Insure Broad-based Black Economic Empowerment Trust	122	18	140
	349	267	616

Liabilities	Loan from Old Mutual Insure Limited	Other liabilities	Total liabilities
	R million	R million	R million
The Mutual and Federal Management Incentive Trust	(63)	(5)	(68)
The Mutual and Federal Senior Black Management Trust	–	(7)	(7)
The Mutual and Federal Development Trust	(14)	(14)	(28)
Old Mutual Insure Employee Incentive Trust	–	(3)	(3)
Old Mutual Insure Broad-based Black Economic Empowerment Trust	–	(1)	(1)
	(77)	(30)	(107)

* The closing market value per Old Mutual Limited share was R10.46.

2021

Summarised statement of financial position

Assets	Investment in Old Mutual Limited shares*	Investment in Quilter Plc shares*	Investment in Nedbank shares*	Other assets	Total assets
	R million	R million	R million	R million	R million
The Mutual and Federal Management Incentive Trust	40	85	46	57	228
The Mutual and Federal Senior Black Management Trust	27	3	3	98	131
The Mutual and Federal Development Trust	28	22	12	12	74
Old Mutual Insure Employee Incentive Trust	80	–	1	3	84
Old Mutual Insure Broad-based Black Economic Empowerment Trust	170	–	1	12	183
	345	110	63	182	700

Notes to the financial statements (continued)

11. Investments in employee share trusts (continued)

Liabilities	Loan from Old Mutual Insure Limited R million	Other liabilities R million	Total liabilities R million
The Mutual and Federal Management Incentive Trust	(63)	(2)	(65)
The Mutual and Federal Senior Black Management Trust	–	(5)	(5)
The Mutual and Federal Development Trust	(14)	(15)	(29)
Old Mutual Insure Employee Incentive Trust	–	(8)	(8)
Old Mutual Insure Broad-based Black Economic Empowerment Trust	–	(3)	(3)
	(77)	(33)	(110)

* The closing market value per Old Mutual Limited share was R13.04, Nedbank Limited was R175.02 and Quilter Plc was R31.68.

Valuation techniques and inputs

The value of these employee trusts is calculated using net asset value, as the net asset value approximates fair value. The listed ordinary Old Mutual Limited shares are the main asset in these trusts. The fair value of the shares is obtained from an active market. Please refer to note 43 for further information on the fair value hierarchy.

12. Loans receivable

Loans receivable are presented at amortised cost, which is net of loss allowance, as follows:

	GROUP		COMPANY	
	2022 R million	2021 R million	2022 R million	2021 R million
Grodidge Mahura Investments Proprietary Limited The loan is interest free and has no repayment terms. It was issued as part of the Enterprise Social Development Programme of the trust.	2	2	–	–
Business Loans The loans are interest free with fixed repayment terms. The loans were issued as part of the COVID relief programme to small businesses.	26	26	26	26
Shareholders loans to minority shareholders The loan is unsecured and bears interest at 13.5%.	2	–	–	–
EBM Project Proprietary Limited The loan is unsecured and bears interest prime plus 2%.	1	1	1	1
	31	29	27	27

13. Retirement benefits

Defined benefit plan

Defined benefit plan obligation

The Group has an obligation to staff employed before 15 March 1999 for post-retirement medical aid subsidies in respect of retired and existing employees. Per this plan the Group has an obligation in respect of the post-retirement medical aid cost of the following members:

- Current continuation members (i.e. members who retired from the service of the employer or whose service was terminated by the employer on account of age, ill-health or other disability, and dependants of members who have died in service or after retirement).
- Future continuation members (i.e. current in-service members who are eligible for an employer subsidy that are employees of Old Mutual Insure Limited Group and joined prior to 15 March 1999).

This defined benefit plan exposes the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

The obligation is calculated in accordance with Advisory Practice Note 301 of the Actuarial Society of South Africa and uses the projected unit credit method. The valuation date is 31 December 2022.

Defined benefit plan asset

The defined benefit plan is administered by a single medical fund that is legally separated from the Group.

There is no asset ceiling applicable to the defined benefit plan asset, and there were no plan amendments, curtailments or settlements.

The Group has provided for this liability towards the retired members by purchasing a Group annuity policy from Old Mutual Life Assurance Company (South Africa) Limited (OMLACSA), with the medical scheme being the beneficiary of the policy. The annuity policy is effectively an insurance policy with the following characteristics:

- The annuity guarantees the present value of the liability using the consumer price index as the base for the escalating benefits in respect of existing retirees only;
- The policy will take on the liability in respect of the in-service members employed before 15 March 1999 and members of the designated fund, as and when they retire; and
- The company will take on the shortfall between the actual subsidy increases and the CPI escalation that is declared each year; and to cater for the above shortfalls, additional premiums will be payable by the company in the future.

Carrying value

	GROUP		COMPANY	
	2022 R million	2021 R million	2022 R million	2021 R million
Present value of the defined benefit obligation	(226)	(240)	(156)	(161)
Fair value of plan assets	212	221	137	142
	(14)	(19)	(19)	(19)
Reconciliation of defined benefit obligation				
Opening balance	(240)	(234)	(161)	(163)
Current service cost	(2)	(2)	(1)	(1)
Interest cost	(23)	(21)	(16)	(15)
Actuarial gain/(loss)	19	(2)	7	3
Benefits paid	20	19	15	15
	(226)	(240)	(156)	(161)

Notes to the financial statements (continued)

13. Retirement benefits (continued)

	GROUP		COMPANY	
	2022 R million	2021 R million	2022 R million	2021 R million
Reconciliation of plan assets				
Opening balance	221	206	142	144
Interest return	22	20	14	13
Actuarial loss	(16)	(7)	(9)	(5)
Benefits paid	(20)	(19)	(15)	(15)
Contributions received	5	21	5	5
	212	221	137	142
Asset allocation				
Equity	5.63%	9.96%	–	–
Property	0.47%	1.21%	–	–
Bonds	14.08%	9.89%	–	–
Cash and Money Market	4.57%	8.94%	2.00%	2.00%
Foreign assets	10.33%	4.64%	–	–
Insurance policy	63.03%	63.45%	98.00%	98.00%
Alternative assets	1.89%	1.91%	–	–
	100%	100%	100%	100%
Key assumptions used				
Discount rates – in service members	11.78%	11.20%	11.80%	11.20%
Discount rates – continuation members	10.52%	10.00%	10.50%	10.00%
Medical inflation rate – in service members	7.99%	7.80%	8.00%	7.80%
Medical inflation rate – continuation members	7.22%	7.30%	7.20%	7.30%
Expected investment return	10.75%	10.20%	10.70%	10.10%
Retirement ages	62–65	62–65	62	62

Mortality rates of in service members are in accordance with SA 85 – 90 (Light) ultimate table and mortality rates of continuation members are in accordance with PA90, adjusted for the company's experience and mortality improvements.

Sensitivity analysis

The impact on profit or loss for the Group when the discount rate is increased by 1% is an increase of R17 million (2021: R19 million), when the discount rate is decreased by 1%, a decrease of R21 million (2021: R22 million), when the medical inflation rate is increased by 1%, a decrease of R23 million (2021: R24 million) and when the medical inflation rate is decreased by 1%, an increase of R21 million (2021: R21 million).

The impact on profit or loss for the company when the discount rate is increased by 1% is an increase of R11 million (2021: R12 million), when the discount rate is decreased by 1%, a decrease of R14 million (2021: R14 million), when the medical inflation rate is increased by 1%, a decrease of R15 million (2021: R15 million) and when the medical inflation rate is decreased by 1%, an increase of R14 million (2021: R13 million).

14. Deferred acquisition cost and deferred reinsurance commission revenue

Analysis of movements

	GROUP		COMPANY	
	2022 R million	2021 Restated R million	2022 R million	2021 R million
Deferred acquisition cost				
Balance at the beginning of the year	246	243	178	177
Change in the statement of comprehensive income	32	3	29	1
Foreign exchange	-	-	-	-
Balance at the end of the year	278	246	207	178
Deferred reinsurance commission revenue				
Balance at the beginning of the year	138	188	115	123
Change in the statement of comprehensive income	44	(50)	41	(8)
Balance at the end of the year	182	138	156	115

Notes to the financial statements (continued)

15. Investments and securities

Investments and securities held by the Group and company are as follows:

	GROUP		COMPANY	
	2022 R million	2021 R million	2022 R million	2021 R million
Mandatorily at fair value through profit or loss:				
Listed shares	754	1,028	373	419
The fair value of the listed ordinary shares is based on a quoted market price in an active market of an identical instrument. The Protected Equity Portfolio comprises two components: a protective derivative overlay portfolio and an underlying equity tracker portfolio that is intended to be passively managed relative to the SWIX benchmark. R500 million has been invested in an underlying tracker portfolio and a protective derivative structure to limit downside risk.				
Unlisted shares	19	9	19	9
The carrying value of the unlisted ordinary shares is based on a valuation of their net assets and where appropriate, an adjustment for systemic and non-systemic risk.				
Unlisted empowerment private equity fund	2	129	2	129
The unlisted empowerment private equity fund represents black economic empowerment development investment policies with the Old Mutual Investment Group Proprietary Limited.				
Unit trusts	1,674	1,566	–	–
The unit trust represents an investment in collective schemes to diversify the pool of assets. The average interest on the unit trust earned during the year was 5.43% (2021: 3.77%) for the Group.				
Unlisted money market funds	4,166	4,489	2,280	2,575
The average interest on money market instruments earned during the year was 6.16% (2021: 4.54%) for the Group and 5.70% (2021: 4.27%) for the company.				
Preference shares	44		44	
Preference shares are held with Letsema and have a preference share coupon rate of 72% of the prime interest rate.				
	6,659	7,221	2,718	3,132

Unconsolidated structured entities

The Group has investments in collective schemes to diversify its pool of assets. These vehicles are financed through the issue of units to investors. Some schemes are managed entities in the Old Mutual Limited Group, which generate fees from managing the assets on behalf of third party investors. The carrying value of the interest held by the Group in the unit trusts, is R937 million (2021: R855 million) which equates to 5.69% (2021: 4.86%) of the value of the total unit trust.

The Group has an investment in an unlisted empowerment private equity fund, fully invested in Consol Holdings Limited. The carrying value of the interest held by the Group in the equity fund was sold during the 2022 period. The interest held in the prior year was R129 million which equated to 5.95% of the value of the total fund.

These investments are therefore not considered to be structured entities that would need to be included in the Group consolidation. The maximum exposure to loss is the carrying value amount of the Group interest in its unconsolidated structured entities. The Group has no further obligations to cover any other losses of its unconsolidated structured entities.

Notes to the financial statements (continued)

18. Trade and other receivables

	GROUP		COMPANY	
	2022 R million	2021 Restated R million	2022 R million	2021 Restated R million
Financial instruments:				
Trade receivables	427	264	243	171
Trade receivables – related parties	–	2	11	23
Loss Allowance	(47)	–	(47)	–
Trade receivables at amortised cost	380	266	207	194
Accrued interest	29	20	25	24
Insurance recoveries	40	107	36	107
Non-financial instruments:				
VAT	105	77	88	18
Insurance cell receivables	54	–	–	–
Prepayments	55	84	54	70
Total trade and other receivables	663	554	410	413

Exposure to credit risk

Please refer to note 42 for market and credit risk disclosure.

A loss allowance of R47 million (2021: R nil) has been recognised in the current year. A loss allowance is recognised for all trade receivables, in accordance with IFRS 9: Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Trade receivables which have been written off are not subject to enforcement activities.

The Group's historical credit loss experience does not show significantly different loss patterns for different customer segments.

19. Cash and cash equivalents

	GROUP		COMPANY	
	2022 R million	2021 Restated R million	2022 R million	2021 Restated R million
Cash and cash equivalents consist of:				
Bank balances	2,641	1,707	1212	737
Short-term deposits	137	1	151	1
	2,778	1,708	1363	738

20. Discontinued operations and non-current assets held for sale

The Group has decided to sell Cougar Investment Holding Company Limited, the subsidiary will be sold as part of the Old Mutual Limited strategy to consolidate all their holdings in African countries into Old Mutual Africa Holdings Limited.

	GROUP		COMPANY	
	2022 R million	2021 Restated R million	2022 R million	2021 R million
Profit or loss				
Revenue	-	152	-	-
Expenses	-	(1)	-	-
Net profit before tax	-	151	-	-
Tax	-	(4)	-	-
Net profit after tax	-	147	-	-
Gains/(losses) on measurement to fair value less cost to sell	28	(106)	-	41
	28	41	-	41
Assets and liabilities				
Non-current assets held for sale				
Investment in subsidiaries	-	-	-	179
	-	-	-	179
Assets of disposal Groups				
Other assets	-	214	-	-
	-	214	-	179
Liabilities of disposal Groups				
Other liabilities – deferred tax	-	40	-	-
Equity				
Other	-	174	-	-
	-	174	-	-

21. Share capital

	GROUP		COMPANY	
	2022 R million	2021 R million	2022 R million	2021 R million
Authorised				
350,000,000 Ordinary shares of 10 cents each	35	35	35	35
Issued				
319,823,465 Ordinary shares of 10 cent each	32	32	32	32
Share premium	2,280	1,765	2,280	1,765
	2,312	1,797	2,312	1,797

Mutual & Federal Investments Proprietary Limited subscribed for 1 ordinary no par value share of the issued share capital of the company at a subscription price R515 million during the year.

Notes to the financial statements (continued)

22. General insurance liabilities

	2022			2021 *Restated		
	Gross R million	Reinsurance R million	Net R million	Gross R million	Reinsurance R million	Net R million
Group						
Unearned premiums	1,744	(708)	1,036	1,589	(621)	968
Outstanding claims (including incurred but not reported (IBNR))	5,840	(2,560)	3,280	6,107	(3,201)	2,906
	7,584	(3,268)	4,316	7,696	(3,822)	3,874
Company						
Unearned premiums	1,142	(593)	549	1,001	(526)	475
Outstanding claims (including incurred but not reported (IBNR))	3,496	(1,449)	2,047	4,058	(2,252)	1,806
	4,638	(2,042)	2,596	5,059	(2,778)	2,281

Analysis of movements in outstanding claims including IBNR:

	2022			2021 *Restated		
	Gross R million	Reinsurance R million	Net R million	Gross R million	Reinsurance R million	Net R million
Group						
Balance at the beginning of the year	6,107	(3,201)	2,906	9,560	(6,179)	3,381
Current year claims incurred	12,684	(3,217)	9,467	10,024	(4,087)	5,937
Change in previous years' claims estimates	(1033)	(905)	(1,938)	(4,054)	3,645	(409)
Current year claims paid net of subrogation	(8,856)	1,953	(6,903)	(6,463)	2,270	(4,193)
Previous years' claims paid net of subrogation	(3,062)	2,810	(252)	(2,960)	1,150	(1,810)
Balance at the end of the year	5,840	(2,560)	3,280	6,107	(3,201)	2,906
Company						
Balance at the beginning of the year	4,058	(2,252)	1,806	7,353	(5,253)	2,100
Current year claims incurred	8,993	(1,422)	7,571	6,469	(1,957)	4,512
Change in previous years' claims estimates	(662)	(761)	(1,423)	(3,279)	3,633	354
Current year claims paid	(6,703)	1,328	(5,375)	(4,076)	628	(3,448)
Previous years' claims paid	(2,190)	1,658	(532)	(2,409)	697	(1,712)
Balance at the end of the year	3,496	(1,449)	2,047	4,058	(2,252)	1,806

22. General insurance liabilities (continued)

Analysis of movements in unearned premiums and unexpired risk reserve:

	2022			2021 *Restated		
	Gross R million	Reinsurance R million	Net R million	Gross R million	Reinsurance R million	Net R million
Group						
Balance at the beginning of the year	1,589	(621)	968	1,599	(550)	1,049
Written premium	17,155	(5,847)	11,308	15,816	(6,710)	9,106
Earned premium	(17,000)	5,760	(11,240)	(15,826)	6,639	(9,187)
Balance at the end of the year	1,744	(708)	1,036	1,589	(621)	968
Company						
Balance at the beginning of the year	1,001	(526)	475	993	(473)	520
Written premium	11,657	(2,699)	8,958	11,031	(2,803)	8,228
Earned premium	(11,516)	2,632	(8,884)	(11,023)	2,750	(8,273)
	1,142	(593)	549	1,001	(526)	475

Assumptions

Actuarial methods that are applied in accordance with applicable actuarial standards are used to estimate the incurred but not enough reported claims (IBNR) and there are underlying assumptions within these methods. These include the assumption that the claims experience follows statistical distribution which gives a reasonable guide for the future development of claims where applicable. Judgement is applied where needed, but the methods and assumptions are reviewed by the second line Head of the Actuarial Function for reasonability. During the year, key changes in assumptions were made to the liability portfolio where ultimate loss ratio assumptions were reduced from 45% to approximately 33% to align with recent experience.

COVID-19 business interruption claims have been assessed/quantified by loss adjusters using information provided by the policyholders. Where no information was provided by the policyholder, calculations that are primarily based on granular exposure assessments and assumptions on how COVID-19 has impacted businesses including loss adjuster expenses were used.

Insurance contract liability estimates are now subject to less uncertainty relative to the estimates raised in the prior year. This is because majority of the claims have been thoroughly assessed and the claim estimates are now based on actual losses suffered by policyholders as determined by loss adjusters. Materially different outcomes to those assumed are not expected.

Business interruption claims estimates sensitivity analysis

A number of sensitivity and scenario tests were conducted in order to determine the potential variability in the eventual outcome of business interruption claims. The key variables tested included: claim amounts; number of additional valid claims still to be submitted by clients; and reinsurance recoveries, allowing for aggregation of claims over time.

In December 2022, after several months of intense negotiation with the CAT XOL lead reinsurer, a reduced recovery of 90% was accepted for their total share across all impacted treaties.

The resulting net reserve estimates is not expected to change materially, but may be impacted by reinsurance adjustment premiums if the gross claims change significantly.

Notes to the financial statements (continued)

22. General insurance liabilities (continued)

There are several BI claims being evaluated by the legal team however the majority are within the loss occurrence date and future movements will be absorbed by the reinsurance treaties resulting in a zero net impact. There is one outstanding claim where the loss occurrence date is being evaluated by the legal team. A data reserve has been held to cover the potential impact.

IBNR reserve sensitivity analysis for other classes of business

The analysis was conducted for the material insurance contract types including Motor and Property (Commercial division segment only). The IBNR provision is derived by taking into account the way in which historical claims develop to their final settled cost over time. The sensitivity analysis was performed to test the effect of using more or fewer historical years to estimate the IBNR provision. These are set out in the table below.

For the Motor Commercial and Property Commercial contracts, the sensitivity analysis is performed on the weighted averages (i.e. the number of historical periods to which the development pattern is based) used for the incurred claims projection. For the Motor Personal contracts the sensitivity analysis is calculated on the weighted averages used for the paid claims projection.

Gross best estimate IBNR reserve assumptions

	COMPANY	
	2022	2021
	Increase/ (decrease) in profit or loss R million	Increase/ (decrease) in profit or loss R million
Motor commercial gross of salvages and recoveries		
Incurred claims projection – using the weighted average of the most recent year with a decay factor of 0.5	(0.04)	–
Incurred claims projection – using the weighted average of the two most recent years with a decay factor of 0.25	0.83	
Incurred claims projection – using the weighted average of the two most recent years with a decay factor of 0.75	(1.70)	
Incurred claims projection – using the weighted average of the three most recent years	–	(3.00)
Incurred claims projection – using the weighted average of the three most recent years with a decay factor of 0.5	(0.12)	
Incurred claims projection – using the weighted average of the four most recent years	–	(3.00)
Incurred claims projection – using the weighted average of the five most recent years	–	(1.00)
Motor personal gross of salvages and recoveries		
Incurred claims projection – using the weighted average of the most recent year with a decay factor of 0.5	(13.45)	
Incurred claims projection – using the weighted average of the two most recent years with a decay factor of 0.25	1.37	
Incurred claims projection – using the weighted average of the two most recent years with a decay factor of 0.75	(4.28)	
Incurred claims projection – using the weighted average of the two most recent years	–	(3.00)
Incurred claims projection – using the weighted average of the three most recent years with a decay factor of 0.5	2.21	
Incurred claims projection – using the weighted average of the three most recent years	–	(5.00)
Incurred claims projection – using the weighted average of the four most recent years	–	5.00
Property commercial net of salvages and recoveries		

22. General insurance liabilities (continued)

	COMPANY	
	2022	2021
	Increase/ (decrease) in profit or loss R million	Increase/ (decrease) in profit or loss R million
Incurred claims projection – using the weighted average of the two most recent years with a decay factor of 0.25	2.37	–
Incurred claims projection – using the weighted average of the two most recent years with a decay factor of 0.75	0.17	
Incurred claims projection – using the weighted average of the three most recent years		2.00
Incurred claims projection – using the weighted average of the three most recent years with a decay factor of 0.75	(0.08)	
Incurred claims projection – using the weighted average of the four most recent years		2.00
Incurred claims projection – using the weighted average of the five most recent years with a decay factor of 0.75	(5.50)	–
Property personal net of salvages and recoveries		
Incurred claims projection – using the weighted average of the two most recent years with a decay factor of 0.25	(0.79)	–
Incurred claims projection – using the weighted average of the two most recent years with a decay factor of 0.75	(0.08)	–
Incurred claims projection – using the weighted average of the three most recent years with a decay factor of 0.5	1.95	–
Incurred claims projection – using the weighted average of the five most recent years with a decay factor of 0.75	(0.37)	–

Sensitivity analysis for the salvage and recovery asset

The below table indicates the sensitivity analyses that have been performed on the significant assumptions made for the most material classes of business contributing to the salvage and recovery asset. In 2022 there was a change in the methodology in the calculation of the sensitivity of the salvage and recovery asset.

Salvage and recovery asset assumptions

	COMPANY	
	2022	2021
	Increase/ (decrease) in profit or loss R million	Increase/ (decrease) in profit or loss R million
Motor commercial (commercial non schemes) recovery and salvage asset		
Incurred claims projection – using the weighted average of the most recent year	(1.49)	–
Incurred claims projection – using the weighted average of the two most recent years	(4.00)	(2.00)
Incurred claims projection – using the weighted average of the three most recent years	0.38	4.00
Motor personal (personal non schemes) recovery and salvage asset		
Incurred claims projection – using the weighted average of the most recent year	(7.22)	
Incurred claims projection – using the weighted average of the two most recent years	(4.53)	(6.00)
Incurred claims projection – using the weighted average of the three most recent years	(0.28)	5.00
Incurred claims projection – using the weighted average of the five most recent years	–	2.00

Recovery ratio represents the amount the company expects to recover from third parties expressed as a percentage of the corresponding claims.

For the Motor Commercial and Motor Personal contracts, the recovery sensitivity calculation was performed on the recovery ratio assumption for the 2021 year.

Analysis of cumulative claims

Notes to the financial statements (continued)

22. General insurance liabilities (continued)

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

ESTIMATE OF CUMULATIVE CLAIMS GROSS OF REINSURANCE – 2022

Reporting year	Total R million	2022 R million	2021 R million	2020 R million	2019 R million	2018 R million	2017 and prior R million
Group							
At end of year	55,695	12,684	10,024	12,586	10,602	9,799	–
One year later	39,366	–	9,695	11,248	9,803	8,620	–
Two years later	29,581	–	–	11,187	9,761	8,633	–
Three years later	18,216	–	–	–	9,592	8,624	–
Four years later	8,594	–	–	–	–	8,594	–
Five years later	–	–	–	–	–	–	59,011
	110,763	12,684	9,695	11,187	9,592	8,594	59,011
Cumulative payments	(104,923)	(8,856)	(8,940)	(10,454)	(9,361)	(8,445)	(58,867)
Estimated balance to pay	5,840	3,828	755	733	231	149	144
Company							
At end of year	36,524	8,993	6,469	7,657	7,075	6,330	–
One year later	25,287	–	6,386	6,901	6,415	5,585	–
Two years later	18,746	–	–	6,737	6,416	5,593	–
Three years later	11,834	–	–	–	6,212	5,622	–
Four years later	5,535	–	–	–	–	5,535	–
Five years later	–	–	–	–	–	–	47,830
	81,694	8,993	6,386	6,737	6,213	5,535	47,830
Cumulative payments	(78,198)	(6,703)	(5,934)	(6,321)	(6,083)	(5,422)	(47,735)
Estimated balance to pay	3,496	2,290	452	416	130	113	95

22. General insurance liabilities (continued)

ESTIMATE OF CUMULATIVE CLAIMS NET OF REINSURANCE - 2022

Reporting year	Total R million	2022 R million	2021 R million	2020 R million	2019 R million	2018 R million	2017 and prior R million
Group							
At end of year	35,348	9,466	5,937	7,422	6,611	5,912	–
One year later	23,246	–	6,053	5,926	5,956	5,311	–
Two years later	16,064	–	–	4,854	6,077	5,133	–
Three years later	10,978	–	–	–	5,748	5,230	–
Four years later	5,175	–	–	–	–	5,175	–
Five years later	–	–	–	–	–	–	45,210
	76,506	9,466	6,053	4,854	5,748	5,175	45,210
Cumulative payments	(73,747)	(6,902)	(5,116)	(5,252)	(5,710)	(5,118)	(45,128)
Estimated balance to pay	3,280	2,564	937	(398)	38	57	82
Company							
At end of year	29,225	7,571	4,512	6,515	5,666	4,961	–
One year later	19,591	–	4,654	5,348	5,050	4,539	–
Two years later	14,222	–	–	4,365	5,223	4,634	–
Three years later	9,383	–	–	–	4,910	4,473	–
Four years later	4,412	–	–	–	–	4,412	–
Five years later	–	–	–	–	–	–	41,118
	67,030	7,571	4,654	4,365	4,910	4,412	41,118
Cumulative payments	(64,984)	(5,375)	(4,713)	(4,507)	(4,943)	(4,375)	(41,071)
Estimated balance to pay	2,046	2,196	(59)	(142)	(33)	37	47

ESTIMATE OF CUMULATIVE CLAIMS GROSS OF REINSURANCE – 2021 *Restated

Reporting year	Total R million	2021 R million	2020 R million	2019 R million	2018 R million	2017 R million	2016 and prior R million
Group							
At end of year	52,424	10,024	12,586	10,602	9,799	9,413	–
One year later	38,891	–	11,248	9,803	8,620	9,220	–
Two years later	27,540	–	–	9,761	8,633	9,146	–
Three years later	17,809	–	–	–	8,624	9,185	–
Four years later	9,238	–	–	–	–	9,238	–
Five years later	–	–	–	–	–	–	50,218
	99,113	10,024	11,248	9,761	8,624	9,238	50,218
Cumulative payments	(93,005)	(6,462)	(9,873)	(9,169)	(8,347)	(9,121)	(50,033)
Estimated balance to pay	6,108	3,562	1,375	592	277	117	185
Company							
At end of year	33,761	6,469	7,657	7,075	6,330	6,231	–
One year later	25,061	–	6,901	6,415	5,585	6,160	–
Two years later	18,120	–	–	6,416	5,593	6,111	–
Three years later	11,747	–	–	–	5,622	6,126	–
Four years later	6,200	–	–	–	–	6,200	–
Five years later	–	–	–	–	–	–	41,755
	73,363	6,469	6,901	6,416	5,622	6,200	41,755
Cumulative payments	(69,305)	(4,076)	(6,119)	(5,992)	(5,412)	(6,120)	(41,586)
Estimated balance to pay	4,058	2,393	782	424	210	80	169

Notes to the financial statements (continued)

22. General insurance liabilities (continued)

ESTIMATE OF CUMULATIVE CLAIMS NET OF REINSURANCE – 2021 *Restated

Reporting year	Total R million	2021 R million	2020 R million	2019 R million	2018 R million	2017 R million	2016 and prior R million
Group							
At end of year	32,326	5,937	7,422	6,611	5,912	6,444	–
One year later	22,562	–	5,926	5,956	5,311	5,369	–
Two years later	16,612	–	–	6,077	5,133	5,402	–
Three years later	10,564	–	–	–	5,230	5,334	–
Four years later	5,507	–	–	–	–	5,507	–
Five years later	–	–	–	–	–	–	40,300
	68,977	5,937	5,926	6,077	5,230	5,507	40,300
Cumulative payments	(66,071)	(4,193)	(5,566)	(5,688)	(5,014)	(5,413)	(40,197)
Estimated balance to pay	2,906	1,744	360	389	216	94	103
Company							
At end of year	27,278	4,512	6,515	5,666	4,961	5,580	–
One year later	19,587	–	5,348	5,050	4,539	4,650	–
Two years later	10,354	–	–	5,223	4,634	497	–
Three years later	9,087	–	–	–	4,473	4,614	–
Four years later	4,791	–	–	–	–	4,791	–
Five years later	–	–	–	–	–	–	36,536
	60,883	4,512	5,348	5,223	4,473	4,791	36,536
Cumulative payments	(59,077)	(3,448)	(5,201)	(4,954)	(4,309)	(4,721)	(36,444)
Estimated balance to pay	1,806	1,064	147	269	164	70	92

23. Debt instrument

	GROUP		COMPANY	
	2022 R million	2021 R million	2022 R million	2021 R million
Unsecured subordinated callable floating rate note	500	500	500	500

The JSE Securities Exchange granted the company approval for the listing of its unsecured subordinated callable notes programme during November 2017. The programme allows for the listing of R1 billion in notes. Following the approval being obtained, the company issued notes to the value of R500 million to investors in November 2017. The notes are 10-year notes, not callable for the first five years, and are priced at JIBAR plus 209 bps.

A multi-issuer Domestic Medium Term Note (DMTN) programme to the value of R25 billion was registered in March 2020, with Old Mutual Limited, OMLACSA and Old Mutual Insure as issuers. Old Mutual Limited will have the option to issue both senior and subordinated notes, whilst OMLACSA and Old Mutual Insure can only issue subordinated notes. The notes issued under the previous Old Mutual Insure R1 billion programme and the OMLACSA R10 billion programme were transferred to the DMTN programme. The alignment of the terms and conditions across subordinated debt issuances and the introduction of Old Mutual Limited as an issuer are the main benefits of the new programme. All future issuances will be under the new programme.

The listed debt was redeemed on 22 November 2022 in accordance with the provisions of the terms and conditions of Old Mutual Insure's Multi Issuer Note Programme.

Old Mutual Capital Holdings Proprietary Limited provided unsecured subordinated debt of R500 million to the Company. This was issued as a 5-year floating rate note with a rate applied of 3m Jibar with a spread of 155bps.

Notes to the financial statements (continued)

24. Share-based payment liability (continued)

Group and company	The Mutual and Federal Management Incentive Trust	The Mutual and Federal Senior Black Management Trust	Old Mutual Insure Employee Incentive Trust	Old Mutual Insure Broad-Based Black Economic Empowerment Employee Trust
	At 1 January 2021	591,720	1,586,633	4,141,895
Number of shares granted	–	–	2,457,910	3,958,545
Number of shares vested/settled	(501,157)	(857,704)	(1,064,750)	(1,096,371)
Number of shares forfeited due to resignations	(96,300)	(169,417)	(282,414)	(806,610)
Number of shares reinstated	5,737	2,963	–	–
At 31 December 2021	–	562,475	5,252,641	11,842,937
Number of shares granted	–	–	2,225,256	1,877,285
Number of shares vested/settled	–	(355,976)	(1,944,249)	(2,606,440)
Number of shares forfeited due to resignations	–	(53,394)	(410,170)	(1,571,913)
Number of shares transferred between trusts*	–	(5,050)	173,048	(85,382)
Total number of shares in issue at 31 December 2021	–	148,055	5,296,526	9,456,487

* Shares transferred between trust within the Group as well as transfer of shares from the holding company due to staff movement.

The fair value of the ordinary Old Mutual Limited shares at 31 December 2022 was R10.46 (2021: R13.04).

The share price at grant date was used to determine the fair value of the RSPs. Expected dividends were not considered when the fair value of the RSPs were determined as the holders of the RSPs are entitled to dividends throughout the vesting period of the shares. Dividends are received by the share trust and then paid directly to the holders of the RSPs, the payment of dividends is offset against the dividend income.

25. Employee benefits

	GROUP		COMPANY	
	2022 R million	2021 R million	2022 R million	2021 R million
Leave accrual	54	66	53	54
Bonus accrual	139	114	137	104
	193	180	190	158

26. Amounts payable to cell owners

	GROUP		COMPANY	
	2022 R million	2021 Restated R million	2022 R million	2021 R million
Retained income reserve	450	577	–	–
Preference shares	81	128	–	–
Transfer to financial liabilities	–	–	–	–
	531	705	–	–
Reconciliation of amounts payable to cell owners				
Balance at the beginning of the year	705	1,029	–	–
Capital contribution	10	27	–	–
Underwriting and investment income attributable to cell owners	(106)	91	–	–
Reclassification to financial liabilities	–	(304)	–	–
Dividend payment to cell owners	(78)	(138)	–	–
Balance at the end of the year	531	705	–	–

Notes to the financial statements (continued)

29. Commissions received

	GROUP		COMPANY	
	2022 R million	2021 Restated R million	2022 R million	2021 Restated R million
Commissions received from reinsurers	1,518	1272	887	699
Change in deferred reinsurance revenue liability	(44)	50	(41)	8
	1,474	1,322	846	707

30. Net claims incurred

	GROUP		COMPANY	
	2022 R million	2021 Restated R million	2022 R million	2021 Restated R million
Gross claims incurred	12,364	6,760	8,784	4,124
Subrogation and salvages recoveries	(1,132)	(811)	(732)	(641)
	11,232	5,949	8,052	3,483
Reinsurers' share of claims incurred	(4,124)	(442)	(2,183)	1,675
	7,108	5,507	5,869	5,158
Gross claims incurred				
Claims paid	11,918	9,422	8,893	7,011
Change in provision for outstanding claims	(268)	(3,452)	(562)	(3,455)
Claims administration expenses	714	790	453	568
	12,364	6,760	8,784	4,124
Subrogation and salvage recoveries				
Subrogation and salvage recoveries received	(1,112)	(696)	(712)	(526)
Change in provision for subrogation and salvage recoveries	(20)	(115)	(20)	(115)
	(1,132)	(811)	(732)	(641)
Reinsurers' share of claims incurred				
Claims paid	(4,763)	(3,420)	(2,985)	(1,325)
Change in provision for outstanding claims	639	2,978	802	3,000
	(4,124)	(442)	(2,183)	1,675

Notes to the financial statements (continued)

33. Investment income

	GROUP		COMPANY	
	2022 R million	2021 Restated R million	2022 R million	2021 R million
Dividend income				
Group entities				
Subsidiaries – Local	–	–	300	–
Equity instruments at fair value through profit or loss:				
Unlisted investments – Local	52	37	20	15
Total dividend income	52	37	320	15
Interest income				
Investments in financial assets:				
Bank and other cash	158	110	48	33
Investments and securities	257	208	130	132
Fair value gains and losses:				
Subsidiaries	–	–	(165)	180
Investments and securities	(90)	124	(84)	83
Old Mutual Limited shares	(63)	85	8	–
Share trusts	–	–	(17)	83
Other financial assets	(96)	(98)	–	–
Disposal of investment	64	(13)	88	(10)
Total interest income and fair value changes	230	416	8	501
Total investment income	282	453	328	516

34. Finance costs

	GROUP		COMPANY	
	2022 R million	2021 R million	2022 R million	2021 R million
Lease liabilities	29	34	28	34
Interest paid on debt instrument	37	29	37	29
Other interest paid	1	–	–	–
Total finance costs	67	63	65	63

35. Other income

	GROUP		COMPANY	
	2022 R million	2021 R million	2022 R million	2021 R million
Net loss from insurance contracts issued after tax	8	–	–	–
Other income	8	–	–	–
Management fees earned by cell captive	49	97	–	–
	65	97	–	–

Notes to the financial statements (continued)

37. Cash (used in)/generated from operations

	GROUP		COMPANY	
	2022 R million	2021 R million	2022 R million	2021 R million
(Loss)/profit before taxation	561	879	79	452
Adjustments for:				
Depreciation and amortisation	214	226	188	221
Gains on foreign exchange	(32)	(25)	(24)	(15)
Income from equity accounted investments	7	(3)	7	(3)
Dividends paid to employees by share incentive trusts	9	30	-	-
Interest income	(415)	(256)	(178)	(165)
Fair value losses	185	(157)	153	(336)
Employee trust fair value movement	-	-	52	-
Fair value losses included in discontinued operations	-	107	-	-
Movements in net insurance contract provisions	(87)	(196)	307	(478)
Non-cashflow movement in IFRS 2 liability	58	42	52	48
Bad debt allowance	30	1	6	(4)
Net cost on retirement benefit asset	3	-	3	-
Reclassification of sale of associate	(23)	-	(23)	-
Reclassification of dividends received	(52)	(37)	(320)	(15)
Reclassification of finance costs	67	63	65	63
Increase/(decrease) employee benefit provisions	13	75	32	70
Changes in working capital:				
(Increase)/decrease trade and other receivables	(108)	(10)	3	(16)
(Increase)/decrease amounts due to/from agents and reinsurers	(476)	137	(575)	144
Increase/(decrease) trade and other payables	322	(100)	227	(37)
Increase/(decrease) amounts payable to cell owners	347	203	-	-
Decrease in deposits with reinsurers	(42)	(121)	(43)	(128)
Other	50	(32)	38	6
	631	826	48	(193)

38. Tax paid

	GROUP		COMPANY	
	2022 R million	2021 R million	2022 R million	2021 R million
Balance at beginning of the year	90	59	68	34
Current tax for the year recognised in profit or loss	(232)	(220)	(25)	(40)
Transfer to discontinued operations	-	-	-	-
Balance at end of the year	(49)	(90)	(29)	(68)
	(191)	(251)	14	(74)

39. Related parties

Relationships

Ultimate holding company	Old Mutual Limited
Holding company	Mutual and Federal Investments Proprietary Limited
Subsidiaries	Refer to note 8
Employee share trusts	Refer to note 11
Associates	Refer to note 9
Fellow subsidiaries	Old Mutual Emerging Markets Proprietary Limited
	Old Mutual Life Assurance Company (South Africa) Limited
	Old Mutual Investment Group Limited
	Old Mutual Direct Holdings Limited
	Old Mutual Capital Holdings Proprietary Limited
	Old Mutual Short-term Insurance (Botswana) Limited
	Old Mutual Short-term Insurance (Namibia) Limited
	Personal Financial Advice Limited

Notes to the financial statements (continued)

39. Related parties (continued)

Related party balances and transactions

	GROUP		COMPANY	
	2022 R million	2021 R million	2022 R million	2021 R million
Loan accounts – Owing (to)/by related parties				
Mutual and Federal Management Incentive Trust	–	–	63	63
Mutual and Federal Development Trust	–	–	14	14
Mutual and Federal Management Incentive Trust (Namibia)	7	7	7	7
Old Mutual Capital Holdings (Pty) Ltd	(505)	–	(505)	–
Amounts included in trade receivables/(trade payables) regarding related parties				
Old Mutual Limited Group entities	(124)	(127)	(124)	(127)
Old Mutual Short-term Insurance (Botswana) Limited	(3)	2	(3)	2
Old Mutual Short-term Insurance (Namibia) Limited	–	(21)	–	(21)
Mutual and Federal Risk Financing Limited	–	–	8	19
Sintelum (Proprietary) Limited	–	–	1	1
Elite Risk Acceptances (Proprietary) Limited	–	–	2	1
Post-retirement medical aid asset				
Old Mutual Life Assurance Company (South Africa) Limited	212	221	137	142
Value of shares held				
Mutual and Federal Management Incentive Trust	32	40	–	–
Mutual and Federal Senior Black Management Trust	114	27	–	–
Old Mutual Insure Employee Incentive Trust	59	80	–	–
Old Mutual Insure Broad-based Black Economic Empowerment Trust	122	170	–	–
Mutual and Federal Development Trust	22	28	–	–
Dividends (paid to)/received from related parties				
Old Mutual Limited	(200)	–	(200)	–
Credit Guarantee Insurance Corporation of Africa Limited	–	–	300	–
Rent paid to/(received from)/related parties				
Credit Guarantee Insurance Corporation of Africa Limited	–	–	(38)	(35)
Old Mutual Limited	127	48	127	48
Commission paid				
Personal Financial Advice Limited	151	156	151	156
Administration fees paid to/(received from) related parties				
Old Mutual Limited Group entities	179	157	179	157
Mutual and Federal Risk Financing Limited	–	–	(30)	–
Credit Guarantee Insurance Corporation of Africa Limited	–	–	(6)	–
Elite Risk Acceptances (Proprietary) Limited	–	–	9	–
Sintelum (Proprietary) Limited	–	–	(20)	–
Reinsurance premium (received)/paid				
Mutual and Federal Risk Financing Limited	–	–	(348)	(368)
Reinsurance claims paid/(Reinsurance Recoveries)				
Mutual and Federal Risk Financing Limited	–	–	267	249
Acquisition costs paid				
Mutual and Federal Risk Financing Limited	–	–	85	97
Interest expense				
Old Mutual Capital Holdings (Pty) Ltd	5	–	5	–
Premium received				
Old Mutual Limited group entities	27	–	27	–

40. Directors' emoluments

Directors' emoluments are paid by the Old Mutual Limited Group unless otherwise specified.

Executive

2022

	Basic salary R'000	Bonus* R'000	Pension fund contribution R'000	Total R'000	IFRS 2: Fair value expense included in profit or loss R'000
Mr G Napier [^]	4,665	3,535	265	8,465	3,999
Ms NB Manyoha	1,321	3,978	71	5,370	-
Ms L Bacela	673	800	77	1,550	-
	6,659	8,313	413	15,385	3,999

2021

	Basic salary R'000	Bonus* R'000	Pension fund contribution R'000	Total R'000	IFRS 2 Fair value expense included in profit or loss R'000
Mr G Napier	4,440	2,138	253	6,831	5,210
Ms NB Manyoha	2,943	1,108	146	4,197	811
	7,383	3,246	399	11,028	6,021

* The bonus amount includes the cash portion for performance relating to the current year that is paid in the following year as well as any retention values paid during the year.

[^] The IFRS 2: Fair value of unvested shares is valued using the cash-settled share-based payment methodology at Old Mutual Insure Group and equity-settled share-based methodology at Old Mutual Limited Group.

Notes to the financial statements (continued)

40. Directors' emoluments (continued)

Securities issued

The following shares were issued to the executive directors or individuals related to them in the year under review. Shares awarded for performance relating to the year under review are granted in the following year:

	Issue date	Vesting date	Share price R	Opening number of shares	Number of shares granted	Number of vested shares	Number of forfeited shares	Closing number of shares	Estimate closing value at fair value R'000
NB Manyoha	19-Apr-18	19-Apr-22	10.46	8,063	–	(8,063)	–	–	–
	19-Apr-18	19-Apr-23	10.46	8,063	–	–	(8,063)	–	–
	20-Mar-19	20-Mar-22	10.46	15,326	–	(15,326)	–	–	–
	20-Mar-19	20-Mar-23	10.46	15,326	–	–	(15,326)	–	–
	20-Mar-19	20-Mar-24	10.46	50,015	–	(34,689)	(15,326)	–	–
	26-Mar-20	26-Mar-23	10.46	48,189	–	–	(48,189)	–	–
	26-Mar-20	26-Mar-25	10.46	27,894	–	–	(27,894)	–	–
	26-Mar-20	26-Mar-24	10.46	27,895	–	–	(27,895)	–	–
	9-Apr-21	9-Apr-22	10.46	9,386	–	(9,386)	–	–	–
	9-Apr-21	9-Apr-23	10.46	9,385	–	–	(9,385)	–	–
	9-Apr-21	9-Apr-24	10.46	73,557	–	–	(73,557)	–	–
	9-Apr-21	9-Apr-25	10.46	64,172	–	–	(64,172)	–	–
	9-Apr-21	9-Apr-26	10.46	64,171	–	–	(64,171)	–	–
	3-Dec-21	20-Mar-22	10.46	8,449	–	(5,860)	(2,589)	–	–
	3-Dec-21	9-Apr-22	10.46	1,586	–	(1,586)	–	–	–
	3-Dec-21	20-Mar-23	10.46	2,589	–	–	(2,589)	–	–
	3-Dec-21	26-Mar-23	10.46	8,141	–	–	(8,141)	–	–
	3-Dec-21	9-Apr-23	10.46	1,586	–	–	(1,586)	–	–
	3-Dec-21	20-Mar-24	10.46	2,589	–	–	(2,589)	–	–
	3-Dec-21	26-Mar-24	10.46	4,712	–	–	(4,712)	–	–
	3-Dec-21	9-Apr-24	10.46	12,426	–	–	(12,426)	–	–
	3-Dec-21	26-Mar-25	10.46	4,712	–	–	(4,712)	–	–
	3-Dec-21	9-Apr-25	10.46	10,840	–	–	(10,840)	–	–
	3-Dec-21	9-Apr-26	10.46	10,840	–	–	(10,840)	–	–

Notes to the financial statements (continued)

40. Directors' emoluments (continued)

Non-executive

2022

	Directors' fees R'000	Basic salary R'000	Bonus* R'000	Pension contribution R'000	Other R'000	Total R'000	IFRS 2: fair value of unvested shares at year-end* R'000
Mr SC Gilbert	1,215	–	–	–	–	1,215	–
Mr G Palser	1,722	–	–	–	–	1,722	–
Mr MA Scharneck	1,352	–	–	–	–	1,352	–
Ms TP Zondi	1,338	–	–	–	–	1,338	–
Mr IG Williamson [^]	–	9,303	6,632	337	370	16,642	9,441
	5,627	9,303	6,632	337	370	22,269	9,441

* The bonus amount includes the cash portion for performance relating to the current year that is paid in the following year as well as any retention values paid during the year.

[^] Paid by Old Mutual Limited Group company and the IFRS 2: Fair value of unvested shares at year-end is valued using the equity-settled share-based payment methodology.

2021

	Directors' fees R'000	Basic salary R'000	Bonus R'000	Pension R'000	Other R'000	Total R'000	IFRS 2: Fair value of unvested shares at year-end
Mr SC Gilbert	1,007	–	–	–	–	1,007	–
Mr G Palser	1,640	–	–	–	–	1,640	–
Mr MA Scharneck	1,288	–	–	–	–	1,288	–
Ms TP Zondi	1,107	–	–	–	–	1,107	–
Mr IG Williamson [^]	–	8,800	3,047	324	250	12,421	8,474
	5,042	8,800	3,047	324	250	17,463	8,474

[^] Paid by Old Mutual Limited Group company and the IFRS 2: Fair value of unvested shares at year-end is valued using the equity-settled share-based payment methodology.

Notes to the financial statements (continued)

41. Financial instruments

Categories of assets and liabilities

Categories of assets

Group – 2022

	Notes	Total R million	Mandatorily at fair value through profit or loss R million	Financial Assets at amortised cost R million	Non- financial assets at fair value R million	Non- financial assets at other than fair value R million	Current assets* R million	Non- current assets* R million
Goodwill	3	336	–	–	–	336	–	336
Intangible assets	4	366	–	–	–	366	–	366
Property and equipment	5	270	–	–	–	270	–	270
Right-of-use asset	6	249	–	–	–	249	–	249
Deferred tax	7	77	–	–	–	77	–	77
Investments in associates	9	9	–	–	–	9	–	9
Loans to share trusts	10	7	–	7	–	–	–	7
Loans receivable	12	31	–	31	–	–	–	31
Retirement benefit asset	13	212	–	–	212	–	–	212
Deferred acquisition costs	14	278	–	–	–	278	278	–
Reinsurers' share of general insurance liabilities	22	3,268	–	–	–	3,268	2,695	573
Deposits with cedants		30	–	30	–	–	–	30
Investments and securities	15	6,659	6,659	–	–	–	6,659	–
Amounts due to/ from agents and reinsurers	16	2,343	–	–	–	2,343	2,343	–
Subrogation and salvage recoveries	17	478	–	–	–	478	394	84
Current tax receivable		56	–	–	–	56	56	–
Trade and other receivables	18	663	–	449	–	214	663	–
Cash and cash equivalents	19	2,778	–	2,778	–	–	2,778	–
		18,110	6,659	3,295	212	7,944	15,866	2,244

* Current assets and liabilities refer to amounts that are expected to be recovered or settled within 12 months from the reporting date and non-current assets and liabilities refer to amounts that are expected to be recovered or settled after 12 months from the reporting date.

41. Financial instruments (continued)

Group – 2021

	Notes	Total R million	Mandatorily at fair value through profit or loss R million	Financial Assets at amortised cost R million	Non- financial assets at other than fair value R million	Current assets* R million	Non- current assets* R million
Goodwill	3	21	–	–	21	–	21
Intangible assets	4	110	–	–	110	–	110
Property and equipment	5	166	–	–	166	–	166
Right-of-use asset	6	316	–	–	316	90	226
Deferred tax	7	41	–	–	41	–	41
Investments in associates	9	16	–	–	16	–	16
Loans to share trusts	10	7	–	7	–	–	7
Loans receivable	12	29	–	29	–	–	29
Retirement benefit asset	13	221	–	–	221	–	221
Deferred acquisition costs	14	246	–	–	246	246	–
Reinsurers' share of general insurance liabilities	22	3,822	–	–	3,822	3,003	819
Deposits with cedants		29	–	29	–	29	–
Investments and securities	15	7,221	7,221	–	–	7,221	–
Amounts due to/ from agents and reinsurers	16	2,219	–	–	2,219	2,219	–
Subrogation and salvage recoveries	17	458	–	–	458	371	87
Non-current assets held for sale	20	214	–	–	214	214	–
Current tax receivable		94	–	–	94	94	–
Trade and other receivables	18	554	–	393	161	554	–
Cash and cash equivalents	19	1,708	–	1,708	–	1,708	–
		17,492	7,221	2,166	8,105	15,749	1,743

* Current assets and liabilities refer to amounts that are expected to be recovered or settled within 12 months from the reporting date and non-current assets and liabilities refer to amounts that are expected to be recovered or settled after 12 months from the reporting date.

Notes to the financial statements (continued)

41. Financial instruments (continued)

Company – 2022

	Notes	Total R million	Mandatorily at fair value through profit or loss R million	Designated fair value through profit or loss R million	Financial Assets at amortised cost R million	Non- financial assets at fair value R million	Non- financial assets at other than fair value R million	Current assets* R million	Non- current assets* R million
Intangible assets	4	165	–	–	–	–	165	–	165
Property and equipment	5	133	–	–	–	–	133	–	133
Right-of-use asset	6	244	–	–	–	–	244	–	244
Deferred tax	7	31	–	–	–	–	31	–	31
Investments in subsidiaries	8	1,560	–	1,560	–	–	–	–	1,560
Investments in associates	9	9	–	–	–	–	9	–	9
Loans to share trusts	10	84	–	–	84	–	–	–	84
Interest in employee share trusts	11	509	–	509	–	–	–	–	509
Loans receivable	12	27	–	–	27	–	–	–	27
Retirement benefit asset	13	137	–	–	–	137	–	–	137
Deferred acquisition costs	14	207	–	–	–	–	207	207	–
Reinsurers' share of general insurance liabilities	22	2,042	–	–	–	–	2,042	1,663	379
Investments and securities	15	2,718	2,718	–	–	–	–	2,718	–
Amounts due to/ from agents and reinsurers	16	2,014	–	–	–	–	2,014	2,014	–
Subrogation and salvage recoveries	17	272	–	–	–	–	272	221	51
Current tax receivable		29	–	–	–	–	29	29	–
Trade and other receivables	18	410	–	–	268	–	142	410	–
Cash and cash equivalents	19	1,363	–	–	1,363	–	–	1,363	–
		11,954	2,718	2,069	1,742	137	5,288	8,625	3,329

* Current assets and liabilities refer to amounts that are expected to be recovered or settled within 12 months from the reporting date and non-current assets and liabilities refer to amounts that are expected to be recovered or settled after 12 months from the reporting date.

41. Financial instruments (continued)

Company – 2021

	Notes	Total R million	Mandatorily at fair value through profit or loss R million	Designated fair value through profit or loss R million	Financial Assets at amortised cost R million	Non- financial assets at other than fair value R million	Current assets* R million	Non- current assets* R million
Intangible assets	4	110	–	–	–	110	–	110
Property and equipment	5	159	–	–	–	159	–	159
Right-of-use asset	6	316	–	–	–	316	90	226
Deferred tax	7	2	–	–	–	2	–	2
Investments in subsidiaries	8	1,182	–	1,182	–	–	–	1,182
Investments in associates	9	16	–	–	–	16	–	16
Loans to share trusts	10	84	–	–	84	–	–	84
Interest in employee share trusts	11	590	–	590	–	–	–	590
Loans receivable	12	27	–	–	27	–	–	27
Retirement benefit asset	13	142	–	–	–	142	–	142
Deferred acquisition costs	14	178	–	–	–	178	178	–
Reinsurers' share of general insurance liabilities	22	2,778	–	–	–	2,778	2,238	540
Investments and securities	15	3,132	3,132	–	–	–	3,132	–
Amounts due to/ from agents and reinsurers	16	2,096	–	–	–	2,096	2,096	–
Subrogation and salvage recoveries	17	252	–	–	–	252	209	43
Non-current assets held for sale	20	179	–	–	–	179	179	–
Current tax receivable		68	–	–	–	68	68	–
Trade and other receivables	18	413	–	–	223	190	413	–
Cash and cash equivalents	19	738	–	–	738	–	738	–
		12,462	3,132	1,772	1,072	6,486	9,341	3,121

* Current assets and liabilities refer to amounts that are expected to be recovered or settled within 12 months from the reporting date and non-current assets and liabilities refer to amounts that are expected to be recovered or settled after 12 months from the reporting date.

Notes to the financial statements (continued)

41. Financial instruments (continued)

Categories of liabilities

Group – 2022

	Notes	Total R million	Financial liabilities at amortised cost R million	Non- financial liabilities at other than fair value R million	Current liabilities* R million	Non- current liabilities* R million
General insurance liabilities	22	7,584	–	7,584	6,254	1,330
Lease liabilities	6	312	–	312	56	256
Debt instrument	23	500	500	–	–	500
Deferred reinsurance commission revenue	14	182	–	182	182	–
Amounts due to agents and reinsurers	16	1,441	–	1,441	1,441	–
Retirement benefit obligation	13	226	–	226	–	226
Share-based payment liability	24	78	–	78	–	78
Employee benefits	25	193	–	193	193	–
Deferred tax	7	62	–	62	–	62
Deposits owing to reinsurers		2	2	–	2	–
Amounts payable to cell owners	26	531	–	531	16	515
Current tax payable		7	–	7	7	–
Trade and other payables	27	1,094	909	185	1,094	–
Financial liabilities	28	433	433	–	–	433
		12,645	1,844	10,801	9,245	3,400

* Current assets and liabilities refer to amounts that are expected to be recovered or settled within 12 months from the reporting date and non-current assets and liabilities refer to amounts that are expected to be recovered or settled after 12 months from the reporting date.

Notes to the financial statements (continued)

41. Financial instruments (continued)

Company – 2022

	Notes	Total R million	Financial liabilities at amortised cost R million	Non- financial liabilities at other than fair value R million	Current liabilities* R million	Non- current liabilities* R million
General insurance liabilities	22	4,638	–	4,638	3,776	862
Lease liabilities	6	301	–	301	55	246
Debt instrument	23	500	500	–	–	500
Deferred reinsurance commission revenue	14	156	–	156	156	–
Amounts due to agents and reinsurers	16	1,066	–	1,066	1,066	–
Retirement benefit obligation	13	156	–	156	–	156
Share-based payment liability	24	66	–	66	–	66
Employee benefits	25	190	–	190	179	11
Trade and other payables	27	507	507	–	507	–
		7,580	1007	6,573	5,739	1,841

* Current assets and liabilities refer to amounts that are expected to be recovered or settled within 12 months from the reporting date and non-current assets and liabilities refer to amounts that are expected to be recovered or settled after 12 months from the reporting date.

Notes to the financial statements (continued)

42. Risk management

Overview

General

The Board has overall responsibility for the Group's systems of internal control and risk management. The executive management is responsible for the management and implementation of the Group enterprise risk management framework and governance frameworks.

To assist the Board in the execution of its fiduciary duties with regard to risk management, legal and compliance accountabilities, the Group Risk and Compliance Committee has been constituted with the following responsibilities:

- assisting the Board in setting risk strategy in liaison with management;
- assisting the Board in overseeing the Group's compliance with applicable legal and regulatory requirements and industry standards;
- providing independent and objective oversight of risk management, also taking account of reports by management on all categories of identified material risks, appropriateness and effectiveness of associated key risk mitigation measures and assessment of exposures relative to the risk appetite;
- approving the risk policy and framework;
- providing oversight over optimal capital management ; and
- ensuring the establishment of independent risk management, compliance and actuarial control functions and reviewing their effectiveness.

The Board has delegated to the Group Audit committee oversight of financial reporting, accounting, the external audit and external auditor, internal controls, the internal audit, and ensuring the integrity of financial reporting and financial controls. The internal control systems continue to be enhanced and developed to safeguard the assets of the Group and to ensure timely and reliable monitoring and reporting. The Group Audit committee has the following primary responsibilities:

- ensuring compliance with all statutory duties imposed in terms of the Companies Act and, where appropriate, the recommendations of the King Code;
- overseeing the preparation of the annual report that conveys appropriate information about the operations of the Group and its sustainability and financial reporting;
- reviewing the expertise, resources and experience of the Group's finance function, and disclosing the results of the review in the annual report;
- overseeing internal audit and considering the effectiveness of internal audit at least annually;
- reporting to the Board on the assessment from internal audit on the adequacy of the internal controls;
- overseeing the management of the financial reporting risks, including IT-related risks and the effective functioning of the internal financial controls;
- Ensuring the annual financial statements of the Group comply with relevant legislation and, where appropriate, the King Code;
- reviewing the accounting policies of the Group on an annual basis; and
- ensuring compliance with all statutory requirements in relation to the external auditor including to review the quality and effectiveness of the audit process and assessing whether the external auditor has performed the audit as planned.

The risk identification process is used to build an aggregated view of all significant risks faced by the Group. The risk appetite framework governs how the risks should be managed within the Group. It is within this risk appetite framework that the Group has selected its asset allocation and reinsurance programme which are among the most important determinants of risk and capital requirements within the Group.

42. Risk management (continued)

Set out below are the key responsibilities of the various control functions:

Risk management

- direct and assist in the co-ordination and monitoring of risk management activities;
- maintain and update the risk methodology and risk management system for the Group. This includes the identification, assessment, monitoring and reporting of the key risks;
- monitor and report progress on corrective action plans for risks that require mitigating actions;
- drive risk management by promoting awareness of risk management to both management and staff;
- regularly provide written reports to senior management, other key persons in control functions and the Board of Directors on the insurer's risk profile and details on the risk exposures facing the insurer and related mitigation actions as appropriate;
- establish a forward-looking assessment of the risk profile and financial position of the insurer;
- ensure that effective risk management training programmes are established;
- assist management with the embedding of risk management in the day-to-day business activities of the Group; and
- ensure that risk management is considered when setting strategic goals and objectives.

Compliance

- monitor and report on compliance with regulatory requirements;
- assess the appropriateness of policies, processes, and controls in respect of legal, regulatory, and ethical obligations and the effective monitoring thereof by the insurer;
- ensure that regular training is conducted on compliance obligations, particularly for employees in positions of trust or responsibility, or who are involved in activities that have significant legal or regulatory risk;
- monitor that systems and controls are in place to ensure that the Group's exposure to compliance risk is within the Group's risk appetite;
- coordinate and manage the Group's relationship with its regulators;
- evaluate the impact of forthcoming legislative and/or regulatory changes and provides advice on potential process and control changes required and whether the proposed control will be adequate; and
- report to the Group Risk and Compliance committee on the status of compliance of the Group.

Actuarial control

The purpose of the actuarial control function is the following:

- review and report on the reliability and adequacy of the regulatory (SAM) technical provisions and solvency calculation results;
- review and report on the adequacy of the reinsurance and other risk transfer arrangements;
- review and report on the appropriateness of the risk policies relating to the actuarial scope of work, including particularly policies relating to underwriting, reinsurance, and asset liability management;
- advise on actuarial matters relating to the Own Risk and Solvency Assessment (ORSA);
- advise on the long-term solvency of the companies in the Group, utilising possible scenarios; and
- advise on the actuarial soundness of product development and design, including the terms and conditions of insurance contracts and pricing, and the estimations of the capital required to underwrite the product.

Internal audit

The purpose of Group Internal Audit is to assist the Board and executive management to protect the assets, reputation and sustainability of the Group. This is done by:

- assessing whether all significant risks, both current and emerging, are identified and appropriately reported by management and the risk function to the Board;
- assessing whether the risks identified are adequately controlled; and
- by challenging executive management to improve the effectiveness of governance, risk management and internal controls.

Notes to the financial statements (continued)

42. Risk management (continued)

Group Internal Audit is strategically well positioned to achieve its objectives. The Head of Internal Audit is accountable to the Chairman of the Audit committee and has access to the Chairman of the Board. Further to this:

- the Internal Audit function has financial independence through the Old Mutual Insure Limited Group Audit committee approving a budget to allow Group Internal Audit to meet the requirements of its mandate;
- Internal Audit is functionally independent from the activities it audits and from the day-to-day internal control processes of the Group;
- Internal Audit can conduct assignments on its own initiative, with free and unfettered access to people and information, in respect of any relevant department, establishment or function of the Group, including the activities of branches and subsidiaries and outsourced activities;
- Internal Audit meets with the Audit committee at least once a year without management being present, and has frequent interactions with the Chairman of the Audit committee; and
- functional independence of the Head of Internal Audit and the Internal Audit function is further maintained by not directly reporting into executive management. Internal Audit does, however, have unrestricted access to the Group Executive committee as individuals and are present in key meetings and forums, to provide input and feedback.

Underwriting risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore difficult to predict.

Types of insurance contracts

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

Types of insurance contracts:

Accident – Provides indemnity for loss of, or damage to, mainly movable property for losses caused by crime, certain accidental damage, such as damage to goods in transit or accidental damage to glass. Included under the accident classes are legal liabilities an insured may incur as a result of accidental damage to third-party property or accidental death or injury to a third party caused by the insured.

Personal accident – Provides compensation arising out of the death, permanent or temporary total disability of the insured, the family of the insured or possibly the employees of a business. Such death or disability is restricted to certain accidents and does not provide the wider cover available from the life insurance industry.

Engineering – Provides indemnity for loss sustained through the use of machinery and equipment or the erection of buildings or structures. This type of contract includes contract works, removal of support, project delay, construction plant, machinery breakdown, loss of profits, deterioration of stock, dismantling, transit and erection, works damage and electronic equipment.

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.

Marine – Provides indemnity for both cargo and hull classes of business. Cargo covers physical loss of or damage to cargo, with a project delay option. Hull covers loss or damage to pleasure craft or commercial vessels as a result of accidents and also includes legal liability as a result of the accident.

Motor – Provides indemnity for loss of or damage to the insured motor vehicle. The cover is normally on an all risks basis providing a wide scope of cover following an accident or a theft of the vehicle, but the insured can select restricted forms of cover, such as cover for fire and theft only. Legal liabilities arising out of the use or ownership of the motor vehicle following an accident for damage to third-party property or death or injury to a third party are also covered under this class of business.

Trade credit – This business is predominantly written through Credit Guarantee Insurance Corporation of Africa Limited, a subsidiary company. This is an insurance product for business entities wishing to protect their accounts receivable from loss due to credit risks such as protected default or insolvency.

42. Risk management (continued)

Property – Provides indemnity for loss of, or damage to, immovable and movable property caused by perils, such as fire, lightning, explosion, weather, water, earthquake and malicious damage. The fire classes also include business interruption policies which insure the loss of profits incurred by a business as a result of loss or damage to the insured property by these perils.

Guarantee – This business is predominantly written through Credit Guarantee Insurance Corporation of Africa Limited, a subsidiary company. A guarantee is security provided to a company against default payment made by a commercial customer for products delivered by the company.

The return to shareholders under the above products arises from the total premiums charged to policyholders less the amounts paid to cover claims and the expenses incurred by the Group. There is also scope for the Group to earn investment income owing to the time delay between the receipt of premiums and the payment of claims.

Mutual and Federal Risk Financing Limited underwrites insurance policies that primarily fall within the abovementioned categories, through the use of cell and rent-a-captive structures.

Risk that arises from insurance contracts

Insurance risk and policies for mitigating insurance risk

The primary activity of the Group relates to the assumption of the risk of loss from events involving persons or organisations. Such risks may relate to any of the abovementioned classes of business. As such, the Group is exposed to the uncertainty surrounding the timing and severity of claims under insurance contracts.

The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts.

The principal risk is that the frequency or severity of claims is greater than expected and that the Group does not charge premiums appropriate for the risk accepted. Insurance events are, by their nature, uncertain, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

The Group manages its insurance risk through the underwriting strategy, approval procedures for transactions that involve new products or that exceed set limits, pricing guidelines, centralised management of reinsurance and monitoring of emerging issues. The Group also employs staff experienced in claims handling and rigorously applies standardised policies and procedures around claims assessment. These actions are described below:

Underwriting strategy

The Group's underwriting strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks, and risks in different insurance classes spread over a large geographical area. The underwriting strategy is set out in an annual business plan and risk appetite that determines the classes of business to be written, the territories in which business is to be written and the industry sectors to which the Group is prepared to accept exposure. Adherence to the underwriting delegated authorities is managed through the underwriting portfolio management and quality assurance processes.

Pricing of the Group's insurance products is generally based upon historical claims frequencies and claims severity averages, adjusted for inflation and modelled catastrophes trended forward to recognise anticipated changes in claims patterns. While claims remain the Group's principal cost, the Group also makes allowance in pricing for acquisition expenses, administration expenses, the cost of reinsurance and for a profit loading that adequately covers the cost of capital.

Underwriting limits are set in order to manage exposure and to ensure that the underwriting policy is consistently applied. Underwriting performance is monitored continuously and the pricing and underwriting parameters are revised accordingly. Risk factors considered as part of the review would typically include factors such as past loss experiences, past insurance history, type and value of the asset covered, security measures taken to protect the asset and major use of the covered items.

Reinsurance strategy

Reinsurance risk refers to the possibility that the reinsurance coverage obtained may not adequately or effectively align with the Group's risk management strategy and objectives. To manage potential losses and safeguard its capital resources, the Group reinsures a portion of the risks it takes on. This is achieved through a combination of proportional and non-proportional reinsurance treaties, which help to minimize overall volatility and limit net exposure to any single risk or event to within the predetermined annual risk appetite limits. The Group's approach to reinsurance is guided by four key principles: establishing long-term strategic partnerships, continuously refining our portfolio, sharing intellectual property, and ensuring alignment of results with our reinsurers while managing volatility.

Notes to the financial statements (continued)

42. Risk management (continued)

Exposure relating to individual policies

The Group concludes a combination of proportional and non-proportional reinsurance treaties to reduce the net exposure on any one risk based on the group's risk appetite.

Concentrations of insurance risk and policies mitigating the concentrations

Within the insurance business, concentrations of risk may arise where a particular event or series of events could impact heavily upon the Group's resources. Business is mainly carried out in South Africa with the bulk of exposure in Gauteng, followed by Cape Town. The Group has exposure to most major lines of insurance business, but the bulk of exposure is to property and motor risk.

Exposure relating to catastrophe events

The Group uses a number of modelling tools to monitor aggregation and to simulate catastrophe losses in order to measure the effectiveness of the reinsurance programmes and the net exposure of the Group.

As a result of a hardening reinsurance market, exposure to retained catastrophe losses has increased significantly compared to the prior period. The Group considers that its most significant single loss would arise in the event of a severe earthquake in Gauteng. However, exposure to multiple storms in a single year or a severe recession can give rise to a higher net retained loss in severe years (1 in 200). The Group's policies for mitigating catastrophe risk exposure include the use of proportional and various excess-of-loss reinsurance.

Measurement of insurance liabilities

The best estimate reserve represents the expected value of the insurance liabilities, essentially the mean in a range of possible outcomes in the development of unreported claims and the future development of notified claims.

Risk margins are added to the best estimate to reflect the uncertainty of the ultimate cost of claims. The levels of the IBNR provisions and the risk margins are assessed annually by management against the Group's past claims experience and adjusted accordingly.

The methods applied by the Group use historical claims development information (where applicable) and therefore the underlying bases assume that the historical claims development pattern will occur again in the future. There are reasons why this may not always be the case, which, insofar as they can be identified, are allowed for by modifying the methods. Such reasons include:

- changes in processes that affect the development/recording of claims paid and incurred;
- economic, legal, political and social trends;
- changes in mix of business; and
- random fluctuations, including the impact of large losses.

There were no significant changes to these methodologies from the prior year although particular care was taken to ensure that appropriate adjustments were made with regard to the unusual experience during 2021 (due to COVID-19 and the resultant lockdowns).

Consideration was given to changes in claims experience resulting from the COVID-19 lockdown. Changes in experience such as reduced motor claims frequency can result in a different mix or magnitude of claims and, therefore, exhibit different claims and runoff characteristics when compared to historic experience.

Provisions for business interruption claims were derived separately.

Claims development

The Group is liable for all insured events that occurs during the term of the contract, even if the loss is discovered after the end of the contract term, subject to predetermined time scales dependent on the nature of the insurance contract. The Group is therefore exposed to the risk that claims reserves will not be adequate to fund historic claims (run-off risk). To manage run-off risk the Group takes all the reasonable steps to ensure that it has appropriate information regarding its claims exposures and adopts sound reserving practices.

Further, there is a specific capital provision to allow for the risk of inadequate reserves.

42. Risk management (continued)

The majority of the Group's insurance contracts are classified as "short-tailed", meaning that most claims are settled within a year after the loss date. This contrasts with the "long-tailed" classes where the claims cost takes longer to materialise and settle. The Group's long-tailed business is generally limited to liability, personal accident, third-party motor liability, certain engineering classes and salvages on trade credit claims. Please refer to note 22 for claims development information.

Other risks and policies mitigating these risks

The Group is exposed to the risk of false, invalid and exaggerated claims. Software to aid the detection of fraud is in place to improve the Group's ability to proactively detect and prevent fraudulent claims.

Capital risk management

Each company in the Group targets a multiple of at least 1.3 times the solvency capital requirement (SCR) under the Solvency Assessment and Management (SAM) regulatory basis.

The SCR is calibrated to ensure that capital is sufficient to withstand a 1 in 200-year event. Therefore, due to the 1.3 times target, each company in the Group is effectively capitalised to withstand an event that is even more remote than 1 in 200 years.

Capital is allocated to lines of business based on the volatility and nature of the risks associated with each line of business and the SAM capital requirements for each line of business. Investment allocations and reinsurance programmes are based on the Group's risk appetite, which recognises the impact on the solvency position.

The Group's stress and scenario testing framework assesses the impact on the capital position of the Group under a range of different possible events. These include instantaneous shocks, one-year shocks and multi-year scenarios.

Operational risk

Operational risk is the risk of direct or indirect losses resulting from human factors and inadequate or failed internal processes and systems. Operational risk is inherent in the Group's operations. Major sources of operational risk can relate to amongst others operational process reliability, information security, outsourcing of operations, dependence on key suppliers, implementation of strategic and operational change, integration of acquisitions, fraud, human error such as not placing of all the necessary facultative reinsurance correctly, client service quality, inadequacy of business continuity arrangements, recruitment, training and retention of employees, and the social and environmental impact of the before-mentioned on the Group.

The Group manages operational risk by a comprehensive system of internal controls. From a risk governance perspective, the three lines of assurance approach is used to identify the various levels of controls, oversight and assurance, including consideration of role-player independence.

Regulatory compliance risk

Regulatory compliance risk is the risk that the Group is not able to meet regulatory requirements, which may impact the Group's reputation and/or give rise to penalties or fines.

The Board of Directors and management actively monitor the changes in the regulatory and compliance landscape. The possible implications for the business plans and governance structures going forward are analysed regularly and the necessary changes are implemented. The Group seeks constructive engagement with the various regulators and policymakers.

Market conduct risk is the risk that a firm's behaviour may result in unfair treatment of its clients. Regulatory requirements relating to conduct risk are continually being strengthened by conduct risk mitigation initiatives such as the Retail Distribution Review and the Conduct of Financial Institutions Bill. The Old Mutual Limited Group Market Conduct Framework, to which the Group adheres, was implemented and covers these regulated aspects.

Financial risk management

The Group is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and insurance policy liabilities. The most important components of this financial risk are credit risk, liquidity risk and market risk (including equity price risk, interest rate risk and foreign currency risk). Each of these financial risks is described below, together with a summary of the ways in which the Group manages these risks.

Notes to the financial statements (continued)

42. Risk management (continued)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Areas where the Group is exposed to credit risk are:

- amounts due from insurance policyholders;
- amounts due from insurance contract intermediaries and third-party recoveries (refer to note 16);
- investments and cash and cash equivalents (excluding equity investments);
- reinsurers' share of general insurance liabilities;
- amounts due from reinsurers and third parties in respect of claims already paid (refer to note 16); and
- loans to share trusts, other loans receivable and trade receivables.

Exposures to large individual policyholders, Groups of policyholders and third parties are monitored as part of the credit control process.

The Group has increased the credit loss allowances relating to amounts due from agents and reinsurers during the year. (Please refer to note 16 for further detail).

In order to calculate the credit loss allowances, management determines whether the loss allowance should be calculated on a 12-month or on a lifetime expected credit loss basis. This determination depends on whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, then the loss allowance is calculated based on lifetime expected credit losses. If not, then the loss allowance is based on 12 months expected credit losses. This determination is made at the end of each financial period. Thus the basis of the loss allowance for a specific financial asset could change year-on-year.

Consistent with prior periods, management applies the principle that if a financial asset's credit risk is low at year-end, then, by implication the credit risk has not increased significantly since initial recognition. In all such cases, the loss allowance is based on 12-month expected credit losses. Credit risk is assessed as low if there is a low risk of default (where default is defined as occurring when amounts are 90 days past due). When determining the risk of default, management considers information, such as payment history to date, the industry in which the customer operates or is employed, the period for which the customer has been in business or been employed and relevant external credit references.

Reputable financial institutions are used for investing and cash-handling purposes. In excess of 99% (2021: 99%) of money market instruments and cash and cash equivalents are placed with institutions that have a national long-term credit rating of at least A (excluding unrated instruments).

Analysis of the credit quality and maximum exposure to credit risk of the financial and insurance-related assets

R million Group 2022	R million					Total
	AAA	AA	A	BBB and lower	Not rated	
Loans receivable	–	–	–	–	31	31
Reinsurers' share of general insurance liabilities, net deferred commission	–	1,007	1,687	187	205	3,086
Loans to share trusts	–	–	–	–	7	7
Unit trusts	–	–	–	–	1,674	1,674
Unlisted money market funds	1,158	2,297	3	6	702	4,166
Amounts due from agents and reinsurers	–	401	939	118	885	2,343
Trade and other receivables	–	–	–	–	449	449
Cash and cash equivalents	11	2,517	1	6	243	2,778
	1,169	6,222	2,630	317	4,196	14,534

Notes to the financial statements (continued)

42. Risk management (continued)

The assets analysed above are based on external credit ratings obtained from Fitch Ratings Inc and Moody's. The rating scales are based on long-term investment horizons under the following broad investment grade definitions:

AAA	The financial instrument is judged to be of the highest quality, with minimal credit risk and indicates the best quality issuers that are reliable and stable. Included in the AAA rating is the AAA- as well as AAA+.
AA	The financial instrument is judged to be of high quality and is subject to very low credit risk and indicates quality issuers. Included in the AA rating is the AA- as well as AA+.
A	The financial instrument is considered upper-medium grade and is subject to low credit risk although certain economic situations can more readily affect the issuers' financial soundness adversely than those rated AAA or AA. Included in the A rating is the A- as well as A+.
BBB	The financial instrument is subject to moderate credit risk and indicates medium-class issuers which are currently satisfactory.
Not rated	This is where the exposure is not risk-rated in an active market, such as loans and advances and unlisted ordinary shares.

Reinsurance credit risk

Under the terms of reinsurance agreements, reinsurers agree to reimburse the ceded amount in the event that a gross claim is paid. Consequently, the Group is exposed to the credit risk of the reinsurer.

The Group held deposits of R2 million (2021: R44 million) and the company held no deposits (2021: R43 million) as security for reinsurers' share of insurance contract provisions at the reporting date. Following regulatory changes, the Group has continued to release deposits owing to reinsurers during the year. No new deposits were received during the year.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in accessing funds to meet commitments to policyholders under policy contracts and in respect of financial liabilities.

The Group sets limits on the minimum proportions of maturing funds available to meet such calls and unexpected levels of demand.

The Group has sufficient cash resources to settle its liabilities as they fall due. The Group's investment strategy to back insurance funds with cash and high-quality money market and other interest-bearing instruments reduces the risk of default and ensures sufficient liquidity.

The liquidity position of the Group is monitored on a weekly basis.

Maturity analysis of liabilities

Based on actuarial modelling of historical and future expected trends, the Group has estimated the probable cash outflows associated with gross general insurance liabilities and used estimates of the likely maturity of other liabilities. The maturity profile of the related reinsurance assets is expected to be similar to the profile of the liabilities. The Group acknowledges that the unearned premium provision that will be recognised as earned premium in the future, will most likely not lead to claim cash outflows equal to this provision.

The maturity profile of contractual cash flows of non-derivative financial liabilities are presented in the following table. The cash flows are undiscounted contractual amounts.

42. Risk management (continued)

Group – 2022

	Less than 3 months R million	3 months to 1 year R million	1 to 3 years R million	More than 3 years R million	Total R million
General insurance liabilities	(3,402)	(2,851)	(807)	(524)	(7,584)
Financial liabilities	–	–	(129)	(304)	(433)
Debt instrument	–	–	–	(500)	(500)
Amounts due to agents and reinsurers	(1,441)	–	–	–	(1,441)
Amounts payable to cell owners	–	(18)	–	(513)	(531)
Trade and other payables	(909)	–	–	–	(909)
	(5,752)	(2,869)	(936)	(1,841)	(11,398)

Group – 2021

	Less than 3 months R million	3 months to 1 year R million	1 to 3 years R million	More than 3 years R million	Total R million
General insurance liabilities	(3,335)	(2,910)	(807)	(644)	(7,696)
Debt instrument	–	(500)	–	–	(500)
Amounts due to agents and reinsurers	(1,793)	–	–	–	(1,793)
Amounts payable to cell owners	(14)	–	–	(691)	(705)
Trade and other payables	(620)	–	–	–	(620)
Financial liabilities	–	–	–	(304)	(304)
	(5,762)	(3,410)	(807)	(1,639)	(11,618)

Company – 2022

	Less than 3 months R million	3 months to 1 year R million	1 to 3 years R million	More than 3 years R million	Total R million
General insurance liabilities	(1,869)	(1,907)	(529)	(333)	(4,638)
Debt instrument	–	–	–	(500)	(500)
Amounts due to agents and reinsurers	(1,066)	–	–	–	(1,066)
Trade and other payables	(507)	–	–	–	(507)
	(3,442)	(1,907)	(529)	(833)	(6,711)

Company – 2021

	Less than 3 months R million	3 months to 1 year R million	1 to 3 years R million	More than 3 years R million	Total R million
General insurance liabilities	(2,470)	(1,720)	(565)	(304)	(5,059)
Debt instrument	–	(500)	–	–	(500)
Amounts due to agents and reinsurers	(1,723)	–	–	–	(1,723)
Trade and other payables	(280)	–	–	–	(280)
	(4,473)	(2,220)	(565)	(304)	(7,562)

Notes to the financial statements (continued)

42. Risk management (continued)

Market risk

Market risk can be described as the risk of a change in the fair value or future cash flows of a financial instrument brought about by changes in interest rates, equity prices or foreign exchange rates.

The objective of market risk management is to manage and control market risk exposures within the Group's risk tolerances, while optimising the return on the related assets.

The Group has exposure to pricing fluctuations in the market due to the economic uncertainty. The exposure relating to the interest rate changes as well as movements in the equity market. The protected equity portfolio is exposed to market movements, but the exposure is managed through applying derivative instruments to partially protect the portfolio against downside risk.

Foreign currency risk

The Group is exposed to foreign currency risk for transactions that are denominated in foreign currencies, with transactions in United States Dollar being the main currency impacting the Group. This exposure is limited to the underwriting operations in foreign currencies, credit insurance, transactions with foreign reinsurers and equity investments in foreign companies.

The Group does not take on cover on foreign currency transactions and balances as the net exposure is considered minimal.

Exposure in Rand

The net carrying amounts, in Rand, of the various exposures, are denominated in the following currencies. The amounts have been presented in Rand by converting the foreign currency amounts at the closing rate at the reporting date:

US Dollar exposure:

	GROUP		COMPANY	
	2022 R million	2021 R million	2022 R million	2021 R million
Assets:				
Investments and securities	–	–	–	–
Insurance-related assets	130	83	130	83
Trade and other receivables	6	–	4	–
Cash and cash equivalents	293	202	281	202
Liabilities:				
Trade and other payables	(193)	(1)	(185)	(1)
Other non-financial liabilities	(124)	(86)	(124)	(86)
Net US Dollar exposure	112	198	106	198

Exposure in foreign currency amounts

The net carrying amounts, in foreign currency of the above exposure was as follows:

US Dollar exposure:

	GROUP		COMPANY	
	2022 USD million	2021 USD million	2022 USD million	2021 USD million
Assets:				
Investments and securities	–	–	–	–
Insurance-related assets	8	5	8	5
Trade and other receivables	–	–	–	–
Cash and cash equivalents	17	13	16	13
Liabilities:				
Trade and other payables	(11)	–	(10)	–
Other non-financial liabilities	(7)	(6)	(7)	(6)
Net US Dollar exposure	7	12	7	12

Notes to the financial statements (continued)

42. Risk management (continued)

Equity price risk sensitivity analysis

The following sensitivity analysis has been prepared using a sensitivity rate which is used when price risk internally to key management personnel and represents management's assessment of the reasonably possible change in relevant prices. All other variables remain constant. The sensitivity analysis includes only investments held at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

Group

An increase or decrease of 10% in the equity prices relating to the protected equity portfolio would result in a change of R22 million (2021: R46 million) to the profit after tax of the Group and a resultant increase or decrease in retained earnings.

An increase or decrease of 20% in the equity prices relating to the protected equity portfolio would result in a change of R44 million (2021: R88 million) to the profit after tax of the Group and a resultant increase or decrease in retained earnings.

An increase or decrease of 10% in the equity prices relating to the Old Mutual Limited shares and other listed shares would result in a change of R63 million (2021: R52 million) to the profit after tax of the Group and a resultant increase or decrease in retained earnings.

An increase or decrease of 20% in the equity prices relating to the Old Mutual Limited shares and other listed shares would result in a change of R126 million (2021: R103 million) to the profit after tax of the Group and a resultant increase or decrease in retained earnings.

Company

An increase or decrease of 10% in the equity prices relating to the protected equity portfolio would result in a change of R22 million (2021: R46 million) to the profit after tax of the company and a resultant increase or decrease in retained earnings.

An increase or decrease of 20% in the equity prices relating to the protected equity portfolio would result in a change of R44 million (2021: R88 million) to the profit after tax of the company and a resultant increase or decrease in retained earnings.

43. Fair value hierarchy

Fair value hierarchy carried at fair value

The fair value hierarchy of assets carried at fair value are as follows:

Group – 2022

	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Investments at fair value				
Unlisted shares	–	–	19	19
Unlisted empowerment private equity fund	–	–	2	2
Listed shares	754	–	–	754
Unit trust	–	1,674	–	1,674
Unlisted money market funds	–	4,166	–	4,166
Preference shares	–	–	44	44
	754	5,840	65	6,659

Group – 2021

	Level 1 R million	Level 2 R million	Level 3 R million	Carrying amount R million
Non-current non-hedging derivative liabilities				
Non-current asset held for sale	–	–	214	214
			214	214
Investments at fair value				
Unlisted shares	–	–	9	9
Unlisted empowerment private equity fund	–	–	129	129
Listed shares	1,028	–	–	1,028
Unit trust	–	1,566	–	1,566
Unlisted money market funds	–	4,489	–	4,489
	1,028	6,055	138	7,221

Notes to the financial statements (continued)

43. Fair value hierarchy (continued)

Company – 2022

	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Investments in subsidiaries	–	–	1,560	1,560
Investments in employee share trusts	–	509	–	509
	–	509	1,560	2,069
Investments at fair value				
Unlisted shares	–	–	19	19
Unlisted empowerment private equity fund	–	–	2	2
Listed shares	373	–	–	373
Unlisted money market funds	–	2,280	–	2,280
Preference shares	–	–	44	44
	373	2,280	65	2,718

Company – 2021

	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Investments in subsidiaries	–	–	1,182	1,182
Investments in employee share trusts	–	590	–	590
Non-current asset held for sale	–	–	179	179
	–	590	1,361	1,951
Investments at fair value				
Unlisted shares	–	–	9	9
Unlisted empowerment private equity fund	–	–	129	129
Listed shares	419	–	–	419
Unlisted money market funds	–	2,575	–	2,575
	419	2,575	138	3,132

Level 1: Quoted market price in an active market for an identical instrument.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs which reflect assumptions that market participants would use when pricing an asset or liability). Unobservable inputs are developed using best available data.

Valuations techniques and inputs

Investments in subsidiaries

Material subsidiary companies are being valued using the discounted cash flow method and net asset value is used as a proxy for the valuation of less material subsidiaries. The discounted cash flow methodology uses inputs relating to the future cash flows based on the specific entity's three year business plan and cash flows thereafter are determined using a terminal growth rate determined with reference to the entities historic growth rate as well as the growth rate used within the business plan that has been capped at the average future indicated inflation rate over 3 years of 4,55%. The cash flows are discounted using a discount rate ranged between 18,98% and 21,61% which takes into account factors specific to the entity that is being valued such as the risk-free rate, market rate premium and levered Beta. The valuations are then adjusted for each entity's specific risk premium such as key management dependencies, forecasting variations, customer dependencies and the cost of small company equity investments.

43. Fair value hierarchy (continued)

Investments in employee share trusts

The valuation techniques and inputs are disclosed in note 11.

Non-current assets held for sale

The non-current assets held for sale were valued using the sale price less cost to sell (commission) as reflected in the sale agreement as concluded for these assets.

Investments at fair value

Unlisted shares

Unlisted shares are valued using a combined price/earnings ratio and embedded value approach where the information is available. The net asset value is used when the financial information is not available for the use of a valuation model.

Unlisted empowerment private equity fund

The valuation of the unlisted empowerment private equity fund is based on an offer price received.

Movement analysis of level 3 instruments

The following table shows a reconciliation from the opening balances to the closing balances for fair value measurements in level 3 of the fair value hierarchy:

	GROUP		COMPANY	
	2022 R million	2021 R million	2022 R million	2021 R million
Investments at fair value				
Opening balance	138	90	138	90
Acquisition of investment	54	–	54	–
Sale of investments	(127)	–	(127)	–
Revaluation of unlisted instruments	–	48	–	48
	65	138	65	138
Investments in subsidiaries				
Opening balance	–	–	1,182	1,002
Subsidiary fair value adjustment through profit or loss	–	–	(166)	180
Acquisition of subsidiary	–	–	544	–
	–	–	1,560	1,182

Sensitivity analysis for investments at fair value

A sensitivity analysis performed on the investment in subsidiaries indicates that an increase of 10% in the discount rate will result in a maximum impact of 36% (2021: 43%) or R566 million (2021: R513 million) in the calculated fair value.

The unlisted empowerment private equity value has been determined based on an offer price and as a result no sensitivities have been performed.

Further information relating to investments at fair value is contained in note 15 of the financial statements.

Notes to the financial statements (continued)

44. Going concern

The directors believe that the Group has adequate financial resources to continue in operation for the foreseeable future and accordingly the Group and company financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the Group is in a sound financial position and that it has adequate cash resources to meet its foreseeable cash requirements.

The directors are not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Group.

45. Events after the reporting period

On 6 January 2023 Old Mutual Insure acquired 100% of Generic Insurance Company Limited a diversified non-life insurer which focuses mainly on Accident & Health and other niche classes of insurance for a purchase consideration of R300 million.

The directors are not aware of any other material event which occurred after the reporting date and up to the date of this report.

46. Changes in accounting policy

The financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the change in accounting policy relating to the treatment of the reinsurance recoveries of technical reserves relating to the in substance arrangements which have been reclassification being a reinsurance technical asset to now being part of the cellowners liability which is aligned to best industry practice.

47. Business combinations

ONE Financial Services Holdings Proprietary Limited

The Group, through its wholly owned subsidiary, Old Mutual Insure Limited, acquired 51% of the share capital of ONE Financial Services Holdings Proprietary Limited, a South African non-life insurance service provider, with effect from 3 January 2022, and is a business combination within the scope of IFRS 3. The acquisition forms part of the Group's growth strategy and will enable the Group to strengthen its distribution capabilities and non-insurance revenue streams by broadening the Group's base in the marketplace.

The non-controlling interest mentioned below was measured at the proportionate share of the acquiree's identifiable net assets. Goodwill of R261 million has been recognised mainly due to intangible assets that do not qualify for separate recognition.

Details of the consideration paid, assets acquired and liabilities assumed, at fair value, are as follows:

	GROUP		COMPANY	
	2022 R million	2021 R million	2022 R million	2021 R million
Fair value of assets acquired and liabilities assumed				
Property and equipment	125	–	–	–
Intangible assets	234	–	–	–
Loans receivable	13	–	–	–
Trade and other receivables	305	–	–	–
Current tax receivable	2	–	–	–
Cash and cash equivalents	70	–	–	–
Deferred tax	(50)	–	–	–
Trade and other payables	(201)	–	–	–
Total identifiable net assets	498	–	–	–
Non-controlling interest	(244)	–	–	–
Goodwill	261	–	–	–
	515	–	–	–

Non-controlling interest

The non-controlling interest is measured at the proportionate share of the acquiree's identifiable net assets.

Notes to the financial statements (continued)

48. Restatements

The following items were identified in the current year, resulting in a restatement of prior period figures:

1. During the period it was identified that the Group had applied the incorrect treatment of first party cell arrangements. First party cells are considered financial instruments under IFRS 9: Financial Instruments, due to there being no insurance risk transfer making them fall outside the scope of IFRS 4: Insurance contracts. A correction has therefore been made in the current year to reflect the measurement of first party cells on an IFRS 9 basis, rather than an IFRS 4 basis as previously reported.
2. In relation to third party cells, certain line items were reclassified to insurance related assets and liabilities. These reclassifications had a nil impact on net profit and on equity.
3. Value added products were previously accounted for as premiums as measured under IFRS 4. It was determined in the current year that there is no insurance risk transfer in relation to these products; and therefore they have been accounted for as revenue contracts under IFRS 15: Revenue.
4. Included in cash and cash equivalents in the prior period were balances of R106 million which were not cash in nature. These amounts have been reclassified out of cash and cash equivalents into other assets.
5. It was further identified that the translation of foreign currency movements of R11 million relating to the translation of the Zimbabwe and Mauritius subsidiaries were excluded from the statement of profit and loss and other comprehensive income.
6. An error in the calculation of the profit from the sale of the Zimbabwe operations, including the impact of the accounting of the related NCI was corrected in the current year.
7. A reinsurance arrangement was incorrectly calculated as it required correction of reinsurance of related items, however, the correction had a nil impact on net profit.

Statement of Financial Position	GROUP			COMPANY		
	Originally reported R million	Adjustment R million	Restated R million	Originally reported R million	Adjustment R million	Restated R million
Reinsurers' share of general insurance liabilities	4,144	(322)	3,822	2,702	76	2,778
Amounts due from agents and reinsurers	2,442	(223)	2,219	2,171	(75)	2,096
Trade and other receivables	404	150	554	311	102	413
Cash and cash equivalents	1,809	(101)	1,708	839	(101)	738
General insurance liabilities	(7,784)	88	(7,696)	–	–	–
Amounts payable to cell owners	(1,232)	527	(705)	–	–	–
Deferred reinsurance commission revenue	(183)	45	(138)	–	–	–
Amounts due to agents and reinsurers	(1,894)	101	(1,793)	–	–	–
Trade and other payables	(811)	39	(772)	(279)	(1)	(280)
Financial liabilities	–	(304)	(304)	–	–	–

48. Restatements (continued)

	GROUP			COMPANY		
	Originally reported R million	Adjustment R million	Restated R million	Originally reported R million	Adjustment R million	Restated R million
Profit or Loss						
Gross written premiums	15,927	(111)	15,816	–	–	–
Reinsurers premiums	(6,707)	(3)	(6,710)	(2,800)	(3)	(2,803)
Reinsurers' share of change in provision for unearned premiums	38	33	71	20	33	53
Commissions received	1,427	(105)	1,322	781	(74)	707
Gross claims incurred	(6,163)	214	(5,949)	–	–	–
Reinsurers' share of claims incurred	650	(208)	442	(1,719)	44	(1,675)
Other income	–	97	97	–	–	–
Acquisition cost	(2,580)	5	(2,575)	–	–	–
Other operating expenses	(2,093)	75	(2,018)	–	–	–
Investment income	450	3	453	–	–	–
Discontinued operations	147	(106)	41	–	–	–
Exchange difference on translating foreign operations	1	(12)	(11)	–	–	–
Non-controlling interest	(100)	200	100	–	–	–
Loss on disposal of subsidiary	(52)	52	–	–	–	–

The net impact on the profit is R54 million for group and nil impact for company.

	GROUP		
	Originally reported R million	Adjustment R million	Restated R million
Statement of changes in equity			
Retained earnings	2,600	(202)	2,398
Non-controlling interest	188	200	388

www.oldmutual.com