

OLDMUTUAL INSURE LIMITED



ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2023



DO GREAT THINGS EVERY DAY



General information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Non-life insurance
Directors	Ms L Bacela Ms TP Zondi Mr SC Gilbert Mr IG Williamson Ms N Sallie Ms X Kakana
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
Secretary	Old Mutual 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





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

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Audit committee report

This report is provided by the Audit committee appointed in respect of the 2023 financial year of Old Mutual Insure Limited.

1. Composition and terms of reference

The committee comprises three independent non-executive directors of the Company. The current members at the date of the signing of the company financial statements are Ms TP Zondi (Chairperson), Mr S Gilbert who was appointed to the Audit committee on 1 February 2024 and Ms N Sallie.

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 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 Company
- » Reviewed the external auditor's submission to the Audit committee
- » 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)
- » Attended trilateral meetings with the Prudential Authority

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 deficient controls or matters were raised, the committee reviewed the progress on remediation plans and was satisfied that any material impact on the annual financial statements had been appropriately mitigated by management through manual controls and increased oversight, where necessary. The committee will continue to monitor and evaluate any remaining deficient controls as well as remediation plans in 2024.

4. External and internal audit

External 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. Non-audit fees paid to the statutory auditor amounted to R1.7 million (2022: R1 million).

Internal audit

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 terms of reference and plan, the internal audit coverage as well as the resource and 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.



5. Meetings

The committee held four scheduled meetings during the year under review, the required quorum was present at all meetings held.

Meetings for the year and attendance thereat are set out below:

Name	1 March 2023	16 May 2023	15 August 2023	22 November 2023
GS Palser	X	X	X	X
MA Scharneck	X	X	X	
TP Zondi	X	X	X	X

6. Expertise and experience of the Financial Director and the finance team

The committee is satisfied that the expertise of the Financial Director is appropriate to meet the responsibilities of the position. The committee considered the capacity of the finance function and highlighted that it needs to be strengthened in light of the requirements of IFRS 17 as well as control improvement initiatives that are underway in addition to consideration of increase in capacity due to the growth of the group. The committee has ensured that appropriate financial reporting procedures exist and these are operating effectively.

7. Combined assurance

The Audit committee is responsible for overseeing combined assurance activities and ensuring that these are effective in achieving its objectives. The Old Mutual Insure Group's Combined Assurance framework establishes integrated and coordinated assurance activities between the three lines of assurance across all levels of the organisation.

The framework supports the internal decision-making by management, the risk and compliance functions, and the Board and its committees.

The committee anticipates that as the combined assurance framework matures, management and the Board will be able to place more reliance on the work of the various assurance providers – thereby reducing duplication of assurance activities while assuring the robustness of the control environment and management of risks.

The committee is satisfied that the combined assurance model operated satisfactorily throughout the year.

8. Approval of the financial statements

The Audit committee reviewed the 2023 financial statements and considered factors and risks that may impact on the integrity of the report and is satisfied that they are prepared in accordance with International Financial Reporting Standards and supported by reasonable and prudent judgements that have been consistently applied. The reports of the Capital Management committee and the Reserving committee to the Audit committee were also considered in assessing the appropriateness of the judgements made relating to the valuation of insurance reserves, subsidiaries and material asset impairments, if any. The Audit committee has also considered the conclusions of independent assurance providers in reviewing the relevant sections of the annual financial statements.

The committee is satisfied that, during the year under review, it has fulfilled its responsibilities regarding its terms of reference and believes that it complied with its legal, regulatory and other responsibilities.

On behalf of the Audit committee

Zondi, Thandeka

Apr 30, 2024 11:45 PM SAST

TP Zondi

Chairperson Audit committee



Directors' responsibilities and approval

The directors are required by the South African Companies Act, 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the 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 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 financial statements are prepared in accordance with International Financial Reporting Standards and are based on 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 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 Company and all employees are required to maintain the highest ethical standards in ensuring the Company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Company is on identifying, assessing, managing and monitoring all known forms of risk across the Company. While operating risk cannot be fully eliminated, the 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 made an assessment of the ability of the Company to continue as a going concern and have no reason to believe that the business will not be a going concern in the foreseeable future.

The external auditor is responsible for independently auditing and reporting on the Company's financial statements. The financial statements have been audited by the Company's external auditor and the audit report is presented on page 7.

The financial statements set out on pages 8 to 62, which have been prepared on the going concern basis, were approved by the Board of directors on 30 April 2024 and were signed on their behalf by:

Approval of financial statements

Gilbert, Steffen
May 1, 2024 5:38 AM HKT

SC Gilbert
Chairman

Bacela, Lerato
Apr 30, 2024 11:46 PM SAST

L Bacela
Financial Director



Company Secretary's certification

In terms of Section 88(2)(e) of the Companies Act, as amended, I certify that the Company 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.

A handwritten signature in blue ink, appearing to read 'Kirsten Elsabé'.

Kirsten, Elsabé
Apr 30, 2024 11:43 PM SAST

K Elsabé
Old Mutual Limited



Directors' report

The directors have pleasure in submitting their report on the financial statements of Old Mutual Insure Limited for the year ended 31 December 2023.

1. Nature of business

Old Mutual Insure Limited is incorporated in South Africa with interests in the insurance industry. The Company operates in South Africa.

There have been no material changes to the nature of the Company's business from the prior year.

2. Review of financial results and activities

The 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 in note 3.1, most relevant being IFRS 17: Insurance Contracts.

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

3. Share capital

Authorised	Number of shares	
	2023	2022
Ordinary shares	350 000 000	350 000 000

Issued	2023		2022	
	R million	R million	Number of shares	Number of shares
Ordinary shares	32	32	319 823 467	319 823 466

The Company issued one ordinary share in 2023 to the value of R300 million (2022: R515 million). Refer to note 19.

4. Dividends

The Company's dividend policy is to consider an interim and a final dividend in respect of each financial year. The Board of directors did not recommend the declaration of a dividend for the current year (2022: R200 million).

5. Directorate

The directors in office during the year and as at the date of the signing of the financial statements are set out below:

Directors	Changes
Mr SC Gilbert	
Ms L Bacela	
Mr IG Williamson	
Ms TP Zondi	
Ms X Kakana	Appointed 16 January 2023
Ms N Sallie	Appointed 22 September 2023
Mr GS Palser	Resigned 31 December 2023
Mr MA Scharneck	Resigned 31 December 2023
Mr G Napier	Resigned 31 March 2024

6. Holding company

The Company's holding company is Mutual and Federal Investments Proprietary Limited which holds 100% (2022: 100%) of the Company's equity. Mutual and Federal Investments Proprietary Limited is incorporated in South Africa.

7. Ultimate holding company

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

8. Events after the reporting period

On 20 February 2024, Old Mutual Insure Limited issued subordinated debt to Old Mutual Capital Holdings Proprietary Limited to the value of R250 million. This is a non-adjusting post-balance sheet event.

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

10. Auditor

Ernst & Young Inc continued in office as auditor for the Company for 2023.

11. Secretary

The Company Secretary is Old Mutual Limited.



Independent auditor's report

To the Shareholder of Old Mutual Insure Limited

Report on the Audit of the Financial Statement

Opinion

We have audited the financial statements of Old Mutual Insure Limited ('the company') set out on pages 8 to 62 which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Old Mutual Insure Limited as at 31 December 2023, and its financial performance and 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 Financial Statements* section of our report.

We are independent of the company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements of the 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 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 62-page document titled "Old Mutual Insure Limited Annual Financial Statements for the year ended 31 December 2023", which includes the Company Secretary's certification, directors' report and Audit committee report as required by the Companies Act of South Africa as well as the directors' responsibilities and approval. The other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

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

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ernst & Young Inc. has been the auditor of Old Mutual Insure Limited for two years.

Ernst & Young Inc.

Registered Auditor

DocuSigned by:
Ernst & Young Inc.
0C3C929F04A98ED

Antoinette Malherbe CA(SA)

Director: Registered Auditor

30 April 2024

102 Rivonia Road, Sandton



Statement of financial position

As at 31 December 2023

	Notes	2023 R million	2022 Restated* R million	1 January 2022 Restated* R million
Assets				
Intangible assets	4	211	175	120
Equipment	5	106	123	150
Right-of-use assets	6	544	244	316
Deferred tax	16	49	–	–
Investments in subsidiaries	7	2 580	1 560	1 182
Investment in associate	8	9	9	16
Investments in share trust	9	571	509	590
Loans receivable	27	39	27	27
Loans to share trusts	10	21	84	84
Retirement benefit asset	11	147	137	142
Investments and securities	28	2 898	2 718	3 131
Reinsurance contract assets	14	2 587	2 622	3 087
Current tax receivable		17	29	68
Trade and other receivables	12	498	421	345
Cash and cash equivalents	13	1 270	1 363	738
Non-current assets held for sale		–	–	179
Total assets		11 547	10 021	10 175
Liabilities				
Debt instrument	30	500	500	500
Insurance contract liabilities	14	3 993	3 506	4 269
Reinsurance contract liabilities	14	203	21	349
Lease liabilities	6	629	301	372
Retirement benefit obligation	11	162	156	161
Deferred tax	16	–	31	1
Share-based payment liability	17	60	66	73
Employee benefits	29	211	189	156
Trade and other payables	18	325	705	289
Total liabilities		6 083	5 475	6 170
Equity				
Share capital	19	2 612	2 312	1 797
Retained income		2 852	2 234	2 208
Total equity		5 464	4 546	4 005
Total equity and liabilities		11 547	10 021	10 175

* Refer to note 1.2



Statement of profit or loss and other comprehensive income

For the year ended 31 December 2023

	Notes	2023 R million	2022 Restated* R million
Insurance revenue	20	12 526	11 487
Insurance service expenses	20	(11 541)	(11 567)
Net (expenses)/income reinsurance contracts	20	(1 169)	449
Insurance service result		(184)	369
Finance expense from insurance contracts issued		(133)	(68)
Finance income from reinsurance contracts held		67	53
Net insurance finance expenses		(66)	(15)
Net insurance and investment result		(250)	354
Investment income	22	1 233	328
Other finance costs	23	(95)	(65)
Other operating expenses	21	(386)	(378)
Other operating income		47	54
Share of profit of associates accounted for using the equity method		-	(7)
Profit before taxation		549	286
Taxation	24	71	(57)
Profit for the year		620	229
Other comprehensive income			
Items that will not be reclassified to profit or loss (net of taxation)			
Remeasurements on net defined benefit liability/asset		(2)	(3)
Other comprehensive income for the year net of taxation		(2)	(3)
Total comprehensive income for the year*		618	226

* Refer to note 1.2



Statement of changes in equity

For the year ended 31 December 2023

	Share capital R million	Share premium R million	Total share capital R million	Retained income R million	Total equity R million
Opening balance as previously reported	32	1 765	1 797	2 181	3 978
Impact of initial application of IFRS 17*	–	–	–	27	27
Restated balance at 1 January 2022	32	1 765	1 797	2 208	4 005
Profit for the year	–	–	–	229	229
Other comprehensive income	–	–	–	(3)	(3)
Total comprehensive income for the year	–	–	–	226	226
Issue of shares	–	515	515	–	515
Dividends	–	–	–	(200)	(200)
Total contributions by and distributions to owners of the Company recognised directly in equity	–	515	515	(200)	315
Balance at 1 January 2023	32	2 280	2 312	2 234	4 546
Profit for the year	–	–	–	620	620
Other comprehensive income	–	–	–	(2)	(2)
Total comprehensive income for the year	–	–	–	618	618
Issue of shares	–	300	300	–	300
Total contributions by and distributions to owners of the Company recognised directly in equity	–	300	300	–	300
Balance at 31 December 2023	32	2 580	2 612	2 852	5 464
Note	19	19	19		

* Refer to note 1.2



Statement of cash flows

For the year ended 31 December 2023

	Notes	2023 R million	2022 Restated* R million
Cash flows from operating activities			
Cash (used in)/generated from operations	25	(76)	110
Interest income	22	325	178
Dividends received	22	192	320
Finance costs	23	(95)	(65)
Tax received	25	3	14
Net cash from operating activities		349	557
Cash flows from investing activities			
Purchase of equipment	5	(53)	(32)
Proceeds from sale of equipment	5	6	–
Purchases of intangible assets	4	(73)	(101)
Purchases of investments in subsidiaries		(361)	(544)
Proceeds from sales of investments in subsidiaries		–	202
Cash advanced in loans receivable		(12)	–
Net (purchases)/sales of investments and securities		(150)	328
Funding of share trust		(97)	(43)
Contributions to retirement benefit asset		2	(5)
Cash receipts on repayments of loans to share trusts		63	–
Net cash from investing activities		(675)	(195)
Cash flows from financing activities			
Proceeds on issue of share capital		300	515
Repayment of debt		–	(500)
Advancement of debt		–	500
Cash repayments on lease liabilities		(94)	(71)
Dividends paid		–	(200)
Net cash from financing activities		206	244
Total cash movement for the year		(120)	606
Cash and cash equivalents at the beginning of the year		1 363	738
Loss on foreign exchange on cash and cash equivalents		27	19
Cash and cash equivalents at the end of the year	13	1 270	1 363

* Refer to note 1.2



Accounting policies

Corporate information

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

The financial statements for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the directors on 26 April 2024.

1. Significant accounting policies

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

1.1 Basis of preparation

The 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 Standards Interpretations Committee (IFRS IC) interpretations issued and effective at the time of preparing these financial statements and the Companies Act as amended.

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 rands, which is the Company's functional currency.

The Company is not required to prepare a consolidated set of financial statements as the ultimate holding company produces financial statements available for public use, which are available on Old Mutual Limited's website, that comply with IFRS, in which subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with IFRS 10.

These accounting policies are consistent with the previous period except for new policies adopted during the year. Refer to note 3.

1.2 Changes in accounting policies and disclosures

The adoption of IFRS 17 did not change the classification of the Company's insurance contracts.

Under IFRS 17, the Company's insurance contracts issued and reinsurance contracts held are all eligible to be measured by applying the Premium allocation approach (PAA). The PAA simplifies the measurement of insurance contracts in comparison with the General Measurement Model (GMM) in IFRS 17, which is the default model of application.

Changes to classification and measurement

The measurement principles of the PAA differ from the 'earned premium approach' used by the Company under IFRS 4 in the following key areas:

- » The liability for remaining coverage (LRC) reflects premiums received less deferred insurance acquisition cash flows and less amounts recognised in revenue for insurance services provided.
- » Measurement of the liability for remaining coverage includes an adjustment for the time value of money and the effect of financial risk where the premium due date and the related period of services are more than 12 months apart.
- » Measurement of the liability for remaining coverage involves an explicit evaluation of risk adjustment for IFRS non-financial risk when a group of contracts is onerous in order to calculate a loss component (previously these may have formed part of the unexpired risk reserve provision).
- » Measurement of the liability for incurred claims (previously claims outstanding and incurred-but-not-reported (IBNR) claims) is determined on a discounted probability-weighted expected value basis, and includes an explicit risk adjustment for non-financial risk. The liability includes the Company's obligation to pay other incurred insurance expenses.
- » Measurement of the asset for remaining coverage (reflecting reinsurance premiums paid for reinsurance held) is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses where such contracts reinsure onerous direct contracts.

The Company's classification and measurement of insurance and reinsurance contracts is explained in note 2.1.1.

Changes to presentation and disclosure

In the statement of financial position, the Company aggregates insurance and reinsurance contracts issued and reinsurance contracts held, respectively and presents separately

- » Portfolios of insurance contracts issued that are assets
- » Portfolios of insurance contracts issued that are liabilities
- » Portfolios of reinsurance contracts held that are assets
- » Portfolios of reinsurance contracts held that are liabilities

The portfolios referred to above are those established at initial recognition in accordance with the IFRS 17 requirements. Portfolios of insurance contracts issued include any assets for insurance acquisition cash flows.

The line item descriptions in the statement of profit or loss and other comprehensive income have been changed significantly compared with prior years. Previously, the Company reported the following line items:

- » Gross written premiums
- » Net written premiums
- » Changes in premium reserves
- » Gross insurance claims
- » Net insurance claims

Now IFRS 17 requires separate disclosure of:

- » Insurance revenue
- » Insurance service expenses
- » Insurance finance income or expenses
- » Income or expenses from reinsurance contracts, shown on a net basis



1.2 Changes in accounting policies and disclosures continued

The Company provides disaggregated qualitative and quantitative information about:

- » Amounts recognised in its financial statements from insurance contracts
- » Significant judgements, and changes in those judgements, when applying the standard

Transition

At transition date, 1 January 2022, the Company:

- » Has identified, recognised and measured each group of insurance contracts as if IFRS 17 had always applied.
- » Has identified, recognised and measured assets for insurance acquisition cash flows as if IFRS 17 has always applied. However, no recoverability assessment was performed prior to the transition date. At transition date, a recoverability assessment was performed and no impairment loss was identified.
- » Derecognised any existing balances that would not exist had IFRS 17 always applied.
- » Recognised any resulting net difference in equity.

Impact of changes in tax legislation

National Treasury promulgated the 2022 Taxation Laws Amendment Act in January 2023, which contained the changes to section 28 of the Income Tax Act (the Act) to cater for the implementation of IFRS 17. The main objective of these changes was to ensure that section 28 is aligned with the terminology and principles of IFRS 17, as well as to mitigate unintended tax implications as a result of the transition from IFRS 4 to IFRS 17. A phase-in period of three years applies to non-life insurers in respect of the transition amount (phasing-in amount).

Further amendments to the legislation are, however, required to ensure alignment between section 28 and the impact of the transition to IFRS 17. The required amendments are expected to only have an impact on the timing of tax payable from a cash flow perspective. The Company, together with the rest of the industry, have engaged with National Treasury regarding refinements which are required in the wording of section 28.

The current legislation results in an increase in the deferred tax liability recognised of R128 million, with a corresponding increase/decrease in tax payable in respect of the 2023 financial year.

Tax laws substantially enacted

In terms of IAS 12, both current and deferred tax assets and liabilities are to be valued applying the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Changes in tax laws should be regarded as being substantively enacted when the changes in tax laws have been approved by Parliament and signed into law, by the President.

In South Africa, amendments to tax legislation to cater for the impact of IFRS 17 on insurers are effective from 1 January 2023. This legislation was signed by the President on 22 December 2022 and was therefore regarded as being substantively enacted as contemplated for the 31 December 2022 financial year. These changes did not have any impact on the current tax charge for the year ended 31 December 2022.

IAS 12 requires an entity to recognise deferred tax for temporary differences between the tax base of an asset or liability and its carrying amount in the statement of financial position. Deferred tax is recognised at 31 December 2022 in respect of the change in the carrying value of assets and liabilities at the end of the reporting period that arose in accordance with IFRS 17 restatements.

1.3 Investment in structured entities

Special purpose vehicles are those entities directly or indirectly controlled by the Company 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 Company 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 Investment in associate

An associate is an entity over which the Company 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, 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 statement of financial position at cost adjusted for post-acquisition changes in the Company's share of net assets of the associate, less any impairment losses.

The Company'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 Company's interest in that associate, including any other unsecured receivables, are recognised only to the extent that the Company has incurred a legal or constructive obligation to make payments on behalf of the associate.



Accounting policies

1. Significant accounting policies continued

1.4 Investment in associate continued

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.

When the Company reduces its level of significant influence or loses significant influence, the Company 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.

The Company determines at each reporting date whether there is any objective evidence that the investment in associates is impaired. If this is the case, the Company 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.

1.5 Equipment

Equipment are tangible assets which the Company 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 equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Company, and the cost of the item can be measured reliably.

Equipment is initially measured at cost. Cost includes all 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 equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the Company 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.

When an item of 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.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in profit or loss in the current year. 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 Company. Leased assets 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 equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight-line	Six years
Motor vehicles	Straight-line	Four to five years
Office equipment	Straight-line	Five years
IT equipment	Straight-line	Three years
Leasehold improvements	Straight-line	Over 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 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 unless it is included in the carrying amount of another asset.

Impairment tests are performed on equipment when there is an indicator that they may be impaired. When the carrying amount of an item of 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.



1.6 Intangible assets

Intangible assets consist of internally developed computer software. Costs include employee costs of the software development team and an appropriate portion of relevant overheads.

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
- » The cost of the asset can be measured reliably

Intangible assets are initially recognised at cost.

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
- » 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 five years and are expected to have a nil residual value. The amortisation method, period and residual values are reviewed at each reporting period.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, customer lists and items similar in substance 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, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software, internally generated	Straight-line	Five years

1.7 Financial instruments

Financial instruments held by the Company are classified in accordance with the provisions of IFRS 9: Financial Instruments. Broadly, the classification possibilities, which are adopted by the Company, as applicable, are as follows:

Financial assets which are equity instruments are measured

- » Mandatorily at fair value through profit or loss.
- » 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).
- » 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).
- » 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).
- » 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.
- » 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).
- » 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 company 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).



Accounting policies

1. Significant accounting policies continued

1.7 Financial instruments continued

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

Loans receivable at amortised cost

Classification

Loans to share trusts (note 10), and loans receivable (note 26) are classified as financial assets and subsequently measured at amortised cost.

They have been classified in this manner as 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 Company's business model is to collect the contractual cash flows on these loans.

Recognition and measurement

Loans receivable are recognised when the Company 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.

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 Company 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 Company measures the loss allowance at an amount equal to 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, a 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 a 12-month ECL, in other words, whether or not there has been a significant increase in credit risk since initial recognition, the Company considers whether there has been a significant increase in the risk of a default occurring since initial recognition rather than evidence of a loan being credit impaired at the reporting date or of an actual default occurring. Recoverables from reinsurance contracts take account of expected losses due to default of the reinsurers. The adjustment for the expected loss is based on a market-consistent assessment of the probability of default of the reinsurers, and the average loss resulting from this default (loss-given-default).

Significant increase in credit risk

In assessing whether the credit risk on a loan has increased significantly since initial recognition, the Company 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 Company 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.

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 Company 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 Company 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 Company considers 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).

Irrespective of the above analysis, the Company considers that default has occurred when a loan instalment is more than 90 days past due unless there is reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.



1.7 Financial instruments continued

Write-off policy

The Company 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 Company 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 credit loss allowance.

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, value added tax (VAT) and prepayments, are classified as financial assets and subsequently measured at amortised cost (note 12).

They have been classified in this manner as 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 Company'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 Company 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 interest using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Impairment

The Company 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 Company measures the loss allowance for trade and other receivables at an amount equal to 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.

Measurement and recognition of expected credit losses

Expected credit losses are determined in accordance with the Premium Collection Policy of Old Mutual Insure. Premium debtors are categorised into three credit quality stages, with each stage making consideration for the complexity and nature of risk underwritten, collection rules and practices relevant to the various business units.

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 Company 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 Company recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Investments and securities

Classification

Investments in equity instruments are presented in note 27. They are classified as mandatorily at fair value through profit or loss. As an exception to this classification, the Company 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.



Accounting policies

1. Significant accounting policies continued

1.7 Financial instruments continued

Investments in equity instruments continued

Recognition and measurement

Investments in equity instruments are recognised when the Company becomes a party to the contractual provisions of the instrument. The investments are measured, at initial recognition, at fair value. Transaction costs are added to the initial carrying amount for those investments which have been designated as at fair value through other comprehensive income. 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. Details of the valuation policies and processes are presented in note 33.

Dividends received on equity investments are recognised in profit or loss when the Company'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 22).

Impairment

Investments in equity instruments are not subject to impairment provisions.

Trade and other payables

Classification

Trade and other payables (note 18), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

Trade and other payables are recognised when the Company 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 Company to liquidity risk and possibly to interest rate risk. Refer to note 32 for details of risk exposure and management thereof.

Cash and cash equivalents

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

Debt instrument

Debt instruments issued by the Company 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 Company 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 Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The Company derecognises financial liabilities when, and only when, the Company 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 Company 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.



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 the reporting period.

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 if at the time of the transaction, it does not affect accounting profit nor taxable profit (tax loss).

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

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
- » 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 Company 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 Company has the right to substantially 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.

Company 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 Company is a lessee, except for short-term leases of 12 months or less, or leases of low-value assets. For these leases, the Company recognises the lease payments as an operating expense 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 standalone prices of the lease components and the aggregate standalone price of the non-lease components (where non-lease components exist).

However, as an exception to the preceding paragraph, the Company has elected not to separate the non-lease components for leasehold property.

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



Accounting policies

1. Significant accounting policies continued

1.9 Leases continued

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 company 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
- » Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date
- » The amount expected to be payable by the Company under residual value guarantees
- » The exercise price of purchase options, if the Company is reasonably certain to exercise the option
- » Lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option
- » Penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease

Variable rents 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 (note 6).

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 23).

The Company 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 Company 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
- » There has been a change to the lease payments due to a change in an index or a rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used)
- » There has been a change in expected payment under a residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments using the initial 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.

Right-of-use assets

Right-of-use assets are presented as a separate line item on the statement 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 Company incurs an obligation to do so, unless these costs are incurred to produce inventories
- » 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 Company 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 equipment. Refer to the accounting policy for equipment for details of useful lives.

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 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 Impairment of non-financial assets

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

Irrespective of whether there is any indication of impairment, the Company 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 annually and at the same time every period.

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.

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.

1.11 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.

1.12 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 remeasured at each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

Vesting conditions, other than market conditions, are not taken into account when estimating the fair value of cash-settled share-based payment 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 Company 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.

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



Accounting policies

1. Significant accounting policies continued

1.13 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 Company 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 Company 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 Company'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 funds up to the end of the reporting period where the interim valuation is performed at an earlier date.

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

- » When the plan amendment or curtailment occurs
- » When the Company 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 statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

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 Company recognises termination benefits at the earlier of the following dates:

- » When the entity can no longer withdraw the offer of those benefits
- » When the entity recognises costs for a restructuring which involves the payment of termination benefits

Post-employment benefits

The Company provides post-retirement medical benefits to qualifying employees who joined the Company 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 2023. Service costs are recognised in profit or loss. Actuarial gains or losses are recognised in other comprehensive income.

1.14 Provisions and contingencies

Provisions are recognised when:

- » The Company 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
- » 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
- » 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 Company's obligations depend on uncertain future events. Items are classified as commitments where the Company commits itself to future transactions with external parties. Contingent assets and contingent liabilities are not recognised.



2. Summary of significant accounting policies for insurance contracts

2.1 Summary of measurement approaches

The company uses a single measurement approach, depending on the type of contract, as per the table below.

Contracts issued	Product classification	Measurement model
Direct	Insurance contracts	PAA
RI Inwards	Insurance contracts	PAA
Reinsurance contracts held		
Proportional reinsurance	Reinsurance contract held	PAA
Non-proportional reinsurance	Reinsurance contract held	PAA

2.1.1 Definition and classification

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

Contracts that have a legal form of insurance but do not transfer significant insurance risk and expose the Company to financial risk are classified as investment contracts and follow financial instruments accounting under IFRS 9.

The Company does not have insurance contract with direct participation features.

An insurance contract with direct participation features is defined by the Company as one which, at inception, meets the following criteria:

- » The contractual terms specify that the policyholders participate in a share of a clearly identified pool of underlying items
- » The Company expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items
- » The Company expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items

In the normal course of business, the Company uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

2.1.2 Methods used and judgements applied in determining the IFRS 17 transition amounts

The Company has adopted IFRS 17 applying the full retrospective approach.

The Company has determined that reasonable and supportable information was available for all contracts in force at the transition date. In addition, as all the insurance and reinsurance contracts are eligible for the PAA, the Company has concluded that only current and prospective information was required to reflect circumstances at the transition date, which made the full retrospective application feasible.

Accordingly, the Company has identified, recognised and measured each group of insurance contracts as if IFRS 17 had always applied; derecognised any existing balances that would not exist if IFRS 17 had always been applied; and recognised any resulting net difference in equity.

2.1.3 Level of aggregation of insurance contracts

The Company manages insurance contracts issued by product lines within an operating segment, where each product line includes contracts that are subject to similar risks. All insurance contracts within a product line represent a portfolio of contracts. Each portfolio is further disaggregated into groups of contracts that are issued within a calendar year (annual cohorts) and are:

- » Contracts that are onerous at initial recognition
- » Contracts that at initial recognition have no significant possibility of becoming onerous subsequently
- » A group of remaining contracts

For each portfolio of contracts, the Company determines the appropriate level at which reasonable and supportable information is available to assess whether these contracts are onerous at initial recognition and whether non-onerous contracts have a significant possibility of becoming onerous. This level of granularity determines sets of contracts. The Company uses significant judgement to determine at what level of granularity the Company has reasonable and supportable information that is sufficient to conclude that all contracts within a set are sufficiently homogeneous and will be allocated to the same group without performing an individual contract assessment.

For all contracts measured using the PAA, the Company assumes that no such contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise. If facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous ones. For non-onerous contracts, the Company assesses the likelihood of changes in the applicable facts and circumstances in the subsequent periods in determining whether contracts have a significant possibility of becoming onerous. This assessment is performed at a policyholder pricing groups level.

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, the Company aggregates reinsurance contracts held concluded within a calendar year (annual cohorts) into groups of:

- » Contracts for which there is a net gain at initial recognition, if any
- » Contracts for which at initial recognition there is no significant possibility of a net gain arising subsequently
- » Remaining contracts in the portfolio, if any

Reinsurance contracts held are assessed for aggregation requirements on an individual contract basis.



Accounting policies

2. Summary of significant accounting policies for insurance contracts continued

2.1.4 Separation of components of insurance contracts

Before the Company accounts for an insurance contract based on the guidance in IFRS 17, it analyses whether the contract contains components that should be separated. IFRS 17 distinguishes three categories of components that have to be accounted for separately:

- » Cash flows relating to embedded derivatives that are required to be separated
- » Cash flows relating to distinct investment components
- » Promises to transfer distinct goods or distinct services other than insurance contract services

The Company applies IFRS 17 to all remaining components of the contract. The Company does not have any contracts that require further separation and thus all components of the contracts are measured under IFRS 17.

2.1.5 Recognition and derecognition

Groups of insurance contracts issued are initially recognised from the earliest of the following:

- » The beginning of the coverage period
- » The date when the first payment from the policyholder is due or actually received, if there is no due date
- » When the Company determines that a group of contracts becomes onerous

Insurance contracts acquired in a business combination or a portfolio transfer are accounted for as if they were entered into at the date of acquisition or transfer. The cover start date will be used as the recognition date.

A group of reinsurance contracts held that covers the losses of separate insurance contracts on a proportionate basis (surplus or quota share reinsurance) is recognised at the later of:

- » The beginning of the coverage period of the group
- » The initial recognition of any underlying insurance contract

The Company does not recognise a group of surplus or quota share reinsurance contracts held until it has recognised at least one of the underlying insurance contracts.

- » A group of reinsurance contracts held that covers aggregate losses from underlying contracts in excess of a specified amount (non-proportionate reinsurance contracts, such as excess of loss reinsurance or stop loss arrangements) is recognised at the beginning of the coverage period of that group

Only contracts that meet the recognition criteria by the end of the reporting period are included in the groups. When contracts meet the recognition criteria in the groups after the reporting date, they are added to the groups in the reporting period in which they meet the recognition criteria, subject to the annual cohorts' restriction. Composition of the groups is not reassessed in subsequent periods.

Accounting for contract modification and derecognition

An insurance contract is derecognised when it is:

- » Extinguished (i.e. when the obligation specified in the insurance contract expires or is discharged or cancelled)
- » The contract is modified and certain additional criteria are met

When an insurance contract is modified by the Company as a result of an agreement with the counterparties or due to a change in regulations, the Company treats changes in cash flows caused by the modification as changes in estimates of the free cash flow (FCF), unless the conditions for the derecognition of the original contract are met. The Company derecognises the original contract and recognises the modified contract as a new contract if any of the following conditions are present:

- i. If the modified terms had been included at contract inception and the Company would have concluded that the modified contract:
 - » Is not in scope of IFRS 17
 - » Results in different separable components
 - » Results in a different contract boundary
 - » Belongs to a different group of contracts
- ii. The original contract represents an insurance contract with direct participation features, but the modified contract no longer meets that definition, or vice versa
- iii. The original contract was accounted for under the PAA, but the modification means that the contract no longer meets the eligibility criteria for that approach

When an insurance contract accounted for under the PAA is derecognised, adjustments to the FCF to remove relating rights and obligations and account for the effect of the derecognition result in the following amounts being charged immediately to profit or loss:

- i. If the contract is extinguished, any net difference between the derecognised part of the liability for remaining coverage (LRC) of the original contract and any other cash flows arising from extinguishments
- ii. If the contract is transferred to the third party, any net difference between the derecognised part of the LRC of the original contract and the premium charged by the third party
- iii. If the original contract is modified resulting in its derecognition, any net difference between the derecognised part of the LRC and the hypothetical premium the entity would have charged had it entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification



2.1.6 Measurement

Initial and subsequent measurement – Groups of contracts measured under the PAA

The Company uses the PAA for measuring contracts with a coverage period of one year or less.

Type of contracts	Basis for eligibility
Insurance contracts issued	
Direct	Coverage of more than a year, however, the differences in measurement of the remaining coverage component under GMM and PAA are deemed to be immaterial in both absolute and in proportional terms
Inwards	Coverage for some of more than a year, however, the differences in measurements of the remaining coverage component under GMM and PAA are deemed to be immaterial in both absolute and in proportional terms
Reinsurance contracts held	
Proportional reinsurance	Coverage of more than a year, however, the differences in measurement of the remaining coverage component under GMM and PAA are deemed to be immaterial in both absolute and in proportional terms
Non-proportional reinsurance	Coverage for some of more than a year, however, the difference in measurement of the remaining coverage component under GMM and PAA are deemed to be immaterial in both absolute and in proportional items

For insurance contracts issued, insurance acquisition cash flows are deferred and recognised over the coverage period of contracts in a group.

For insurance contracts issued, on initial recognition, the Company measures the LRC at the amount of premiums received, less any acquisition cash flows paid and any amounts arising from the derecognition of the prepaid acquisition cash flows asset.

For reinsurance contracts held, on initial recognition, the Company measures the remaining coverage at the amount of ceding premiums paid.

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of:

- i. The LRC
- ii. The LIC, comprising the FCF related to past service allocated to the Group at the reporting date

The carrying amount of a group of reinsurance contracts held at the end of each reporting period is the sum of:

- i. The remaining coverage
- ii. The incurred claims, comprising the FCF related to past service allocated to the Group at the reporting date

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is:

- i. Increased for premiums received in the period
- ii. Decreased for insurance acquisition cash flows paid in the period
- iii. Decreased for the amounts of expected premiums received recognised as insurance revenue for the services provided in the period

For reinsurance contracts held, at each of the subsequent reporting dates, the remaining coverage is:

- i. Increased for ceding premiums paid in the period
- ii. Decreased for the amounts of ceding premiums recognised as reinsurance expenses for the services received in the period

The Company does not adjust the LRC for insurance contracts issued and the remaining coverage for reinsurance contracts held for the effect of the time value of money as insurance premiums are due within the coverage of contracts, which is one year or less.

For contracts measured under the PAA, the LIC is measured as the future cash flows adjusted for the time value of money since most insurance contracts issued by the Company typically have a settlement period of one year.

Most of the Company's contracts have a coverage period not exceeding one year and as a result the PAA approach can be used to calculate the liability for remaining coverage (LRC) in terms of IFRS 17. The remaining insurance and reinsurance contracts are to be valued under the General Measurement Model (GMM) unless it can be demonstrated that the measurement of the LRC under the PAA does not differ materially when compared to the GMM. The Company has performed a qualitative and quantitative test to determine whether the measurement of those contracts with a coverage period in excess of one year are materially different between the PAA and GMM valuations and concluded that all insurance and reinsurance contracts are eligible to be measured under PAA. This assessment will be conducted annually.

If a group of contracts measured under the PAA becomes onerous, the Company increases the carrying amount of the LRC to the amounts of the FCF with the amount of such an increase recognised in insurance service expenses and a loss component is established for the amount of the loss recognised. Subsequently, the loss component is remeasured at each reporting date as the difference between the amounts of the FCF relating to the future service and the carrying amount of the LRC without the loss component. Where applicable, resulting changes in the loss component are disaggregated between insurance service expenses and insurance finance income or expenses for the effect of the time value of money, financial risk and effect of changes therein.

Fulfilment cash flows

Fulfilment cash flows within contract boundary

The FCF are the current estimates of the future cash flows within the contract boundary of a group of contracts that the Company expects to collect from premiums and pay out for claims, benefits and expenses, adjusted to reflect the timing and the uncertainty of those amounts.



Accounting policies

2. Summary of significant accounting policies for insurance contracts continued

2.1.6 Measurement continued

The estimates of future cash flows

- i. Are based on a probability weighted mean of the full range of possible outcomes
- ii. Are determined from the perspective of the Company, provided the estimates are consistent with observable market prices for market variables
- iii. Reflect conditions existing at the measurement date

An explicit risk adjustment for non-financial risk is estimated separately from the other estimates. For contracts measured under the PAA, unless the contracts are onerous, the explicit risk adjustment for non-financial risk is only estimated for the measurement of the LIC.

The estimates of future cash flows are adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows. The discount rates reflect the characteristics of the cash flows arising from the groups of insurance contracts, including timing, currency and liquidity of cash flows. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts requires significant judgement and estimation. Refer to note 2.2.

Risk of the Company's non-performance is not included in the measurement of groups of insurance contracts issued. In the measurement of reinsurance contracts held, the probability weighted estimates of the present value of future cash flows include the potential credit losses and other disputes of the reinsurer to reflect the non-performance risk of the reinsurer.

The Company estimates certain FCF at the portfolio level or higher and then allocates such estimates to groups of contracts.

The Company uses consistent assumptions to measure the estimates of the present value of future cash flows for the group of reinsurance contracts held and such estimates for the groups of underlying insurance contracts.

Contract boundary

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

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

- a. The Company has the practical ability to reprice the risks of the particular policyholder or change the level of benefits so that the price fully reflects those risks
- b. Both of the following criteria are satisfied:
 - » The Company has the practical ability to reprice the contract or a portfolio of contracts so that the price fully reflects the reassessed risk of that portfolio
 - » The pricing of premiums related to coverage to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date

In assessing the practical ability to reprice, risks transferred from the policyholder to the Company, such as insurance risk and financial risk, are considered.

Cash flows outside the insurance contracts boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations of the Company that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or in which the Company has a substantive right to receive services from the reinsurer.

The Company's quota share non-life reinsurance agreements held have an unlimited duration but are cancellable for new underlying business with a one-year notice period by either party. Thus, the Company treats such reinsurance contracts as a series of annual contracts that cover underlying business issued within a year. Estimates of future cash flows arising from all underlying contracts issued and expected to be issued within one-year's boundary are included in each of the reinsurance contracts' measurement.

The excess of loss reinsurance contracts held provides coverage for claims incurred during an accident year. Thus, all cash flows arising from claims incurred and expected to be incurred in the accident year are included in the measurement of the reinsurance contracts held. Some of these contracts may include mandatory or voluntary reinstatement reinsurance premiums, which are guaranteed per the contractual arrangements and are thus within the respective reinsurance contracts' boundaries.

Cash flows that are not directly attributable to a portfolio of insurance contracts, such as some product development and training costs, are recognised in other operating expenses as incurred.

Insurance acquisition costs

The Company includes the following acquisition cash flows within the insurance contract boundary that arise from selling, underwriting and starting a group of insurance contracts and that are:

- i. Costs directly attributable to individual contracts and groups of contracts
- ii. Costs directly attributable to the portfolio of insurance contracts to which the Group belongs, which are allocated on a reasonable and consistent basis to measure the group of insurance contracts

Before a group of insurance contracts is recognised, the Company could pay directly attributable acquisition costs to originate them. When such prepaid costs are refundable in case of insurance contracts termination, they are recorded as a prepaid insurance acquisition cash flows asset within other assets and allocated to the carrying amount of a group of insurance contracts when the insurance contracts are subsequently recognised.



Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows and reflects the compensation the Company requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Company fulfils insurance contracts.

For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Company to the reinsurer. The Company will calculate the RA for reinsurance contracts held by determining the difference between the RA calculated for the underlying insurance contracts on a net of reinsurance basis and gross of reinsurance basis.

2.1.7 Amounts recognised in comprehensive income

Insurance service result from insurance contracts issued

Insurance revenue

As the Company provides services under the group of insurance contracts, it reduces the LRC and recognises insurance revenue. The amount of insurance revenue recognised in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration the Company expects to be entitled to in exchange for those services.

For contracts measured under the PAA, the insurance revenue for each period is the amount of expected premium receipts for providing services in the period. The Company allocates expected premiums equally to each period of related insurance contract services, unless the expected pattern of the release of risk during the coverage period differs significantly from an even basis. In the latter case, expected premium receipts are allocated to the period based on the expected timing of incurred claims and other incurred insurance service expenses.

Insurance service expenses

Insurance service expenses arising from insurance contracts are recognised in profit or loss generally as they are incurred. They exclude repayments of investment components and comprise the following items.

- i. Incurred claims and benefits excluding investment components
- ii. Other incurred directly attributable insurance service expenses
- iii. Amortisation of insurance acquisition cash flows
- iv. Changes that relate to past service (i.e. changes in the FCF relating to the LIC)
- v. Changes that relate to future service (i.e. losses/reversals on onerous groups of contracts from changes in the loss components)

For contracts measured under the PAA, amortisation of insurance acquisition cash flows is based on the passage of time.

Other expenses not meeting the above categories are included in other operating expenses in the statement of profit or loss.

Insurance service result from reinsurance contracts held

Net income (expenses) from reinsurance contracts held

Net expenses from reinsurance contracts comprise an allocation of reinsurance premiums paid less amounts recovered from reinsurers.

The Company recognises an allocation of reinsurance premiums paid in profit or loss as it receives services under groups of reinsurance contracts.

For contracts measured under the PAA, the allocation of reinsurance premiums paid for each period is the amount of expected premium payments for receiving services in the period.

For a group of reinsurance contracts covering onerous underlying contracts, the Company establishes a loss-recovery component of the asset for remaining coverage to depict the recovery of losses recognised:

- » On recognition of onerous underlying contracts, if the reinsurance contract covering those contracts is entered into before or at the same time as those contracts are recognised
- » For changes in fulfilment cash flows of the group of reinsurance contracts relating to future services that result from changes in fulfilment cash flows of the onerous underlying contracts

The loss-recovery component determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts and are excluded from the allocation of reinsurance premiums paid. It is adjusted to reflect changes in the loss component of the onerous group of underlying contracts, but it cannot exceed the portion of the loss component of the onerous group of underlying contracts that the Company expects to recover from the reinsurance contracts.

Insurance finance income or expenses

Insurance finance income and expenses comprise changes in the carrying amounts of groups of insurance and reinsurance contracts arising from the effects of the time value of money, financial risk and changes therein, unless any such changes for groups of direct participating contracts are allocated to a loss component and included in insurance service expenses. They include changes in the measurement of groups of contracts caused by changes in the value of underlying items (excluding additions and withdrawals) the Company has chosen not to disaggregate insurance finance income and expenses between profit or loss and OCI. All insurance finance income and expenses for the period is presented in profit or loss. The Company disaggregates changes in the risk adjustment for non-financial risk between insurance service result and insurance finance income or expenses.



Accounting policies

2. Summary of significant accounting policies for insurance contracts continued

2.1.8 Presentation

The Company has presented separately, in the statement of financial position, the carrying amount of portfolios of insurance contracts issued that are assets, portfolios of insurance contracts issued that are liabilities, portfolios of reinsurance contracts held that are assets and portfolios of reinsurance contracts held that are liabilities.

Any assets for insurance acquisition cash flows recognised before the corresponding insurance contracts are included in the carrying amount of the related groups of insurance contracts are allocated to the carrying amount of the portfolios of insurance contracts that they relate to.

The Company disaggregates the total amount recognised in the statement of profit or loss and other comprehensive income into an insurance service result, comprising insurance revenue and insurance service expense, and insurance finance income or expenses.

The Company does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the insurance service result.

The Company separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

2.2. Significant judgements and sources of estimation uncertainty

2.2.1 Judgements

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.

Defined post-employment benefits

Assumptions are made regarding the discount rates, inflation rates and retirement ages in calculating the Company's post-retirement medical benefits. Details of these assumptions, which require judgement, are set out in note 11.

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 17.

Leases

Judgement is applied on whether the Company 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 require 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 7.

Valuation of insurance contracts

Fulfilment cash flows

The Company's objective in estimating future cash flows is to determine the expected value of a range of scenarios that reflects the full range of possible outcomes. The cash flows from each scenario are discounted and weighted by the estimated probability of that outcome to derive an expected present value. If there are significant interdependencies between cash flows that vary based on changes in market variables and other cash flows, then the Company uses stochastic modelling techniques to estimate the expected present value. Stochastic modelling involves projecting future cash flows under a large number of possible scenarios.

Estimates of future cash flows

In estimating future cash flows, the Company incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

The estimates of future cash flows reflect the Company's view of current conditions at the reporting date, as long as the estimates of any relevant market variables are consistent with observable market prices.

The Company's estimates of reported and unreported claims, adjusted by estimated salvages and resulting provisions, and related reinsurance recoveries are periodically reviewed and updated. Adjustments resulting from this review are reflected in the statement of profit or loss. The process relies on the basic assumption that past experience, adjusted for the effect of current developments and likely trends, is an appropriate basis for predicting future outcomes.

The methods used, and the estimates made, are reviewed periodically by the Reserving committee, and are reviewed on an annual basis by both the Company actuary and the Head of Actuarial Control function.

A cash-back bonus is paid to policyholders based on a calculation as per the insurance contract. The bonuses are paid on the policyholders meeting certain criteria in terms of their policy for the specified number of years (in this case, three years). The cash-back bonuses are accrued for the three-year period for all the policyholders meeting the criteria. This provision is made on a best estimate basis and held within LIC.

The Company projects estimates of future expenses relating to the fulfilment of contracts in the scope of IFRS 17 utilising the planned future expenses as per the approved business plan. Attributable expenses comprise expenses directly attributable to the groups of contracts including an allocation of fixed and variable overheads.

Where estimates of expense related cash flows are determined at the portfolio level or higher, they are first aggregated into two broad categories. Direct expenses which are expenses that are directly attributable to a particular portfolio, such as underwriting cost, claims costs and commissions and indirect expenses which are expenses that are not directly attributable to a particular portfolio, such as general and administrative expenses. Direct expenses are allocated to group of contracts to which they relate, indirect expenses are allocated to a group of contracts on the most appropriate method that reflects the reasonably attributable share of expenses for each group of contracts.



Discount rates

All cash flows are discounted using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity of the insurance contracts. The Company generally determines the risk-free rates using the observed mid-price swap yield curves for AA-rated banks (adjusted for the bank's credit risk). The yield curve is interpolated between the last available market data point and an ultimate forward rate, which reflects long-term real interest rate and inflation expectations. Although the ultimate forward rate is subject to revision, it is expected to be stable and would change only on significant changes to long-term expectations. For insurance contracts denominated in USD, an appropriate risk-free USD yield curve is used.

Cash flows that vary based on the returns on any financial underlying items are adjusted for the effect of that variability using risk-neutral measurement techniques and discounted using the risk-free rates as adjusted for liquidity. When the present value of future cash flows is estimated by stochastic modelling, the cash flows are discounted at scenario-specific rates calibrated, on average, to be the risk-free rates as adjusted for liquidity.

The table below sets out the yield curves used to discount the cash flows of insurance contracts for major currencies.

Risk-free reference spot yields and expense inflation	At 31 December 2023	At 31 December 2022
Risk-free rates		
One year	8.4%	8.0%
Five years	9.6%	9.6%
10 years	12.2%	11.9%
20 years	14.5%	13.0%

Risk adjustments for non-financial risk

Risk adjustments for non-financial risk are determined to reflect the compensation that the Company would require for bearing non-financial risk, and are allocated to groups of contracts based on an analysis of the risk profiles of the groups. Risk adjustments for non-financial risk reflects the diversification benefits from contracts issued by the entity, in a way that is consistent with the compensation that it would require and that reflects its degree of risk aversion.

The risk adjustment for non-financial risk is determined using a confidence level technique. To determine the risk adjustments for non-financial risk for reinsurance contracts, the Company applies these techniques both gross and net of reinsurance and derives the amount of risk being transferred to the reinsurer as the difference between the two results. Applying a confidence level technique, the Company estimates the probability distribution of the expected present value of the future cash flows from insurance contracts at each reporting date and calculates the risk adjustment for non-financial risk as the excess of the value at risk at the 75th percentile (the target confidence level) over the expected present value of the future cash flows.

Investment components

The Company identifies the investment component of a contract by determining the amount that it would be required to repay to the policyholder in all scenarios with commercial substance. Investment components are excluded from insurance revenue and insurance service expenses.

Some reinsurance contracts have commission structures that result in an amount that will be payable to the reinsured in all scenarios. The investment component excluded from reinsurance service income and expenses is determined as the maximum commission receivable less any commissions settled as part of the net premium paid to the reinsurer.

Process used to determine assumptions

The ultimate cost of outstanding claims which are included in the LIC claims is estimated by using a range of standard actuarial claims projection techniques, such as:

- » Development Factor Model (DFM)
- » Bornhuetter-Ferguson model

These methods assume that the claim development patterns observed in the past will be appropriate for the future. In addition, the Bootstrap method is used to assess the variability of claim projections. These models produce results that are in line with the requirements of IFRS 17.

The model and methodology applied is consistent with that applied historically in determining the results, and these results are also reviewed by the Company's actuary, as well as an independent review by the actuarial control function. The conclusion is that the results are reasonable and a best estimate liability.

To the extent that these methods use historical claim development information, they assume that the historical claims development pattern will likely occur again in the future. There are reasons that this may not be the case and insofar as they can be identified, have been catered for by adjusting the methods. Such adjustments could 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
- » Random fluctuations including the impact of large claims



Notes to the financial statements

3. New standards and interpretations

3.1 Standards and interpretations effective and not yet effective and not material for the Company at the reporting date:

The following standards and interpretations have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2024:

Standard/Interpretation	Effective date: Years beginning on or after	Expected impact
» Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12	1 January 2023	There was no impact to the Company
» Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023	The impact of the amendments was not material
» Definition of accounting estimates: Amendments to IAS 8	1 January 2023	The impact of the amendments was not material
» Amendments to disclosure of supplier finance arrangements to IAS 7 Statement of Cash Flows	1 January 2024	Unlikely there will be an impact
» Classification of Liabilities as Current or Non-current – Amendment to IAS 1	1 January 2024	There will be no impact as the Company 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
» Lack of exchangeability – Amendments to IAS 21	1 January 2025	Unlikely there will be an impact

4. Intangible assets

	2023			2022		
	Cost R million	Accumulated amortisation R million	Carrying value R million	Cost R million	Accumulated amortisation R million	Carrying value R million
Computer software, other	291	(80)	211	1 003	(828)	175

Reconciliation of intangible assets – 2023

	Opening balance	Additions	Amortisation	Total
Computer software, other	175	73	(37)	211

Reconciliation of intangible assets – 2022

	Opening balance	Additions	Amortisation	Total
Computer software, other	120	101	(46)	175

Other information

Comparative information was restated for equipment and intangible assets, relating to an impairment of computer equipment to the value of R9 million.

Intangible assets that are no longer in use and fully depreciated were removed from the fixed asset register resulting in a reduction of cost of R785 million and a corresponding reduction in accumulated amortisation of R785 million.

5. Equipment

	2023			2022		
	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	68	(51)	17	76	(49)	27
Motor vehicles	1	–	1	3	(2)	1
IT equipment	220	(153)	67	620	(551)	69
Leasehold improvements	45	(24)	21	48	(22)	26
Total	334	(228)	106	747	(624)	123



Reconciliation of equipment – 2023

	Opening balance R million	Additions R million	Disposals R million	Depreciation R million	Total R million
Furniture and fixtures	27	2	–	(12)	17
Motor vehicles	1	–	–	–	1
IT equipment	69	49	(7)	(44)	67
Leasehold improvements	26	2	–	(7)	21
	123	53	(7)	(63)	106

Comparative information was restated for equipment and intangible assets, relating to an impairment of computer equipment to the value of R9 million.

Equipment that is no longer in use and fully depreciated was removed from the fixed asset register resulting in a reduction of both cost and accumulated depreciation. The table below indicates the value per type of equipment.

	Cost R million	Accumulated depreciation R million	Carrying value R million
Furniture and fixtures	10	(10)	–
Motor vehicles	2	(2)	–
IT equipment	417	(417)	–
Leasehold improvements	5	(5)	–
	434	(434)	–

Reconciliation of equipment – 2022

	Opening balance R million	Additions R million	Depreciation R million	Total R million
Furniture and fixtures	38	–	(11)	27
Motor vehicles	1	–	–	1
IT equipment	84	26	(41)	69
Leasehold improvements	27	6	(7)	26
	150	32	(59)	123

6. Leases (company as lessee)

The Company 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 had an original lease term of seven years beginning on 1 July 2019, but has been subsequently renewed for a further seven years.

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

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

Net carrying amounts of right-of-use assets

The carrying amounts of right-of-use assets are included in the following line items:

	2023 R million	2022 R million
Leasehold property	512	215
Motor vehicles	32	29
	544	244

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

	2023 R million	2022 R million
Leasehold property	356	(1)
Motor vehicles	18	13
Office equipment	1	(1)
	375	11

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 21).

	2023 R million	2022 R million
Leasehold property	59	70
Motor vehicles	15	12
Office equipment	1	1
	75	83



Notes to the financial statements

6. Leases (company as lessee) continued

Other disclosures

	2023 R million	2022 R million
Interest expense on lease liabilities	47	28
Expenses on short-term leases included in operating expenses	10	3
Variable lease payments not included in the measurement	50	46

Lease liabilities

The maturity analysis of lease liabilities is as follows:

	2023 R million	2022 R million
Within one year	94	111
Two to five years	362	500
More than five years	481	–
	937	611
Lease liabilities	629	301

7. Investment in subsidiaries

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.

Name of company	Held by	% holding 2023	% holding 2022	Carrying amount 2023 R million	Carrying amount 2022 R million
Old Mutual Alternative Risk Transfer Insurance Limited	Old Mutual Insure Limited	100%	100%	169	116
Credit Guarantee Insurance Corporation of Africa Limited	Old Mutual Insure Limited	75%	75%	1 337	805
Elite Risk Acceptances Proprietary Limited	Old Mutual Insure Limited	100%	100%	20	16
Sintelum Proprietary Limited	Old Mutual Insure Limited	100%	100%	162	133
Old Mutual Holdings (Mauritius) Limited	Old Mutual Insure Limited	100%	100%	8	1
Versma Bestuurdienste Proprietary Limited	Old Mutual Insure Limited	51%	51%	21	12
Primak Insurance Brokers Proprietary Limited	Old Mutual Insure Limited	51%	51%	15	17
ONE Financial Services Holdings Proprietary Limited	Old Mutual Insure Limited	51%	51%	477	460
GENRIC Insurance Company Limited	Old Mutual Insure Limited	100%	0%	371	–
				2 580	1 560

The Company acquired 100% of the share capital of GENRIC Insurance Company Limited, a South African non-life insurance during the year for a consideration of R302 million.

8. Investment in associate

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

Name of company	Held by	% ownership interest 2023	% ownership interest 2022	Carrying amount 2023 R million	Carrying amount 2022 R million
Merx Underwriting Managers Proprietary Limited	Old Mutual Insure Limited	25%	25%	9	9



9. Investment 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:

Name of company	Carrying amount 2023 R million	Carrying amount 2022 R million
The Mutual and Federal Management Incentive Trust	159	146
The Mutual and Federal Senior Black Management Trust	126	119
The Mutual and Federal Development Trust	51	42
Old Mutual Insure Employee Incentive Trust	87	63
Old Mutual Insure Broad-based Black Economic Empowerment Trust	148	139
	571	509

Summarised financial information of employee share trusts

2023

Summarised statement of financial position

Assets	Investment in Old Mutual shares* R million	Other assets R million	Total assets R million
The Mutual and Federal Management Incentive Trust	39	127	166
The Mutual and Federal Senior Black Management Trust	18	117	135
The Mutual and Federal Development Trust	27	53	80
Old Mutual Insure Employee Incentive Trust	93	4	97
Old Mutual Insure Broad-based Black Economic Empowerment Trust	150	11	161
	327	312	639

Liabilities	Loan from Old Mutual Insure Limited R million	Other current liabilities R million	Total liabilities R million
The Mutual and Federal Management Incentive Trust	–	(7)	(7)
The Mutual and Federal Senior Black Management Trust	–	(9)	(9)
The Mutual and Federal Development Trust	(14)	(15)	(29)
Old Mutual Insure Employee Incentive Trust	–	(10)	(10)
Old Mutual Insure Broad-based Black Economic Empowerment Trust	–	(13)	(13)
	(14)	(54)	(68)

* The closing market value is calculated using the closing Old Mutual Limited share price of R12.98 at 31 December 2023



Notes to the financial statements

9. Investment in employee share trusts continued

2022

Summarised statement of financial position

Assets	Investment in Old Mutual shares* R million	Other assets R million	Total assets 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 R million	Other current liabilities R million	Total liabilities 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 is calculated using the closing Old Mutual Limited share price of R10.46 at 31 December 2022

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 33 for further information on the fair value hierarchy.

10. Loans to share trusts

Schedule of loans to directors, managers and employees

	2023 R million	2022 R million
The Mutual and Federal Management Incentive Trust	–	63
The Mutual and Federal Development Trust	14	14
The Mutual and Federal Management Incentive Trust (Namibia)	7	7
	21	84

11. 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 Company 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 Company 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 2023.

Defined benefit plan asset

The defined benefit plan is administered by a single medical fund that is legally separated from the Company. There is no asset ceiling applicable to the defined benefit plan asset, and there were no plan amendments, curtailments or settlements.

The Company has provided for this liability towards the retired members by purchasing a company 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
- » 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

	2023 R million	2022 R million
Present value of the defined benefit obligation-wholly unfunded	(162)	(156)
Fair value of plan assets	147	137
	(15)	(19)

Reconciliation of defined benefit obligation

	2023 R million	2022 R million
Opening balance	(156)	(161)
Current service cost	(1)	(1)
Interest cost	(15)	(16)
Actuarial (loss)/gain	(5)	7
Benefits paid	15	15
	(162)	(156)

Reconciliation of plan assets

	2023 R million	2022 R million
Opening balance	137	142
Interest return	12	14
Actuarial gain/(loss)	11	(9)
Benefits paid	(15)	(15)
Contributions received	2	5
	147	137

Asset allocation

	2023 R million	2022 R million
Cash and Money Market	1%	2%
Insurance policy	99%	98%
	100	100%

Key assumptions used

	2023 R million	2022 R million
Assumptions used on last valuation		
Retirement ages	62	62
Discount rates – in-service members	12.50%	11.80%
Discount rates – continuation members	10.00%	10.50%
Medical inflation rate – in-service members	–%	8.00%
Medical inflation rate – continuation members	6.90%	7.20%
Expected investment return	10.30%	10.70%

Mortality rates of in-service members are in accordance with the 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 Company when the discount rate is increased by 1% is an increase of R5.7 million (2022: R11 million), when the discount rate is decreased by 1%, a decrease of R21 million (2022: R14 million). When the medical inflation rate is increased by 1%, a decrease of R22 million (2022: R15 million) and when the medical inflation rate is decreased by 1%, an increase of R6.8 million (2022: R14 million).



Notes to the financial statements

12. Trade and other receivables

	2023 R million	2022 R million
Financial instruments		
Trade receivables	307	293
Trade receivables – related parties	26	16
Loss allowance	(9)	(55)
Trade receivables at amortised cost	324	254
Accrued interest	56	25
Non-financial instruments		
VAT	18	88
Prepayments	100	54
Total trade and other receivables	498	421

Exposure to credit risk

A loss allowance of R9 million (2022: R47 million) 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 Company's historical credit loss experience does not show significantly different loss patterns for different customer segments.

13. Cash and cash equivalents

	2023 R million	2022 R million
Cash and cash equivalents consist of:		
Bank balances	949	1 212
Short-term deposits	321	151
	1 270	1 363

14. Insurance and reinsurance contracts

Note	Total R million
As at 31 December 2023	
Insurance contract liabilities	(4 054)
Reinsurance contract assets	2 587
Reinsurance contract liabilities	(142)
As at 31 December 2022	
Insurance contract liabilities	(3 506)
Reinsurance contract assets	2 622
Reinsurance contract liabilities	(21)



15. Insurance contracts issued

Reconciliation of the liability for remaining coverage and the liability for incurred claims

2023

LRC

	Excluding loss component R million	Loss component R million	LIC R million	Total R million
Insurance contracts issued				
Opening insurance contract liabilities	354	13	3 139	3 506
Insurance revenue	(12 526)	-	-	(12 526)
Insurance service expenses				
Incurred claims and other directly attributable expenses	-	-	10 289	10 289
Changes that relate to past service – adjustments to the LIC	-	-	(457)	(457)
Insurance acquisition cash flows amortisation	1 709	-	-	1 709
Insurance service expenses	1 709	-	9 832	11 541
Insurance service result	(10 817)	-	9 832	(985)
Finance expenses from insurance contracts issued	-	-	133	133
Total amounts recognised in comprehensive income	(10 817)	-	9 965	(852)
Other changes	-	-	(95)	(95)
Cash flows				
Premiums received	12 916	-	-	12 916
Claims and other directly attributable expenses paid	-	-	(9 744)	(9 744)
Insurance acquisition cash flows	(1 738)	-	-	(1 738)
Total cash flows	11 178	-	(9 744)	1 434
Net balance at the end of the year	715	13	3 265	3 993

2022

LRC

	Excluding loss component R million	Loss component R million	LIC R million	Total R million
Insurance contracts issued				
Opening insurance contract liabilities	602	15	3 652	4 269
Insurance revenue	(11 487)	-	-	(11 487)
Insurance service expenses				
Incurred claims and other directly attributable expenses	-	-	10 229	10 229
Changes that relate to past service – adjustments to the LIC	-	-	(200)	(200)
Losses on onerous contracts and reversal of those losses	-	(2)	-	(2)
Insurance acquisition cash flows amortisation	1 540	-	-	1 540
Insurance service expenses	1 540	(2)	10 029	11 567
Insurance service result	(9 947)	(2)	10 029	80
Finance expenses from insurance contracts issued	-	-	68	68
Total amounts recognised in comprehensive income	(9 947)	(2)	10 097	148
Other changes	-	-	(379)	(379)
Cash flows				
Premiums received	11 266	-	-	11 266
Claims and other directly attributable expenses paid	-	-	(10 231)	(10 231)
Insurance acquisition cash flows	(1 567)	-	-	(1 567)
Total cash flows	9 699	-	(10 231)	(532)
Net balance at the end of the year	354	13	3 139	3 506



Notes to the financial statements

15. Insurance contracts issued continued

Reconciliation of the measurement components of insurance contract balances 2023

	Present value of future cash flows R million	Risk adjusted for non-financial risk R million	Total R million
Insurance contracts issued			
Opening insurance contract liabilities	3 370	136	3 506
Changes that relate to current service			
Insurance revenue from contracts measured under the PAA	(12 526)	–	(12 526)
Experience adjustments	11 926	72	11 998
	(600)	72	(528)
Changes that relate to past service			
Changes that relate to past service – adjustments to the LIC	(345)	(112)	(457)
Insurance service result	(945)	(40)	(985)
Finance (income)/expenses from insurance contracts issued	127	6	133
Total amounts recognised in comprehensive income	(818)	(34)	(852)
Other changes	(95)	–	(95)
Cash flows			
Premiums received	12 916	–	12 916
Claims and other directly attributable expenses paid	(9 744)	–	(9 744)
Insurance acquisition cash flows	(1 738)	–	(1 738)
Total cash flows	1 434	–	1 434
Net balance at the end of the year	3 891	102	3 993
Closing insurance contract liabilities	3 891	102	3 993
2022			
	Present value of future cash flows R million	Risk adjusted for non-financial risk R million	Total R million
Insurance contracts issued			
Opening insurance contract liabilities	4 094	175	4 269
Changes that relate to current service			
Insurance revenue from contracts measured under the PAA	(11 487)	–	(11 487)
Experience adjustments	11 694	75	11 769
	207	75	282
Changes that relate to future service			
Changes in estimates that result in onerous contract losses or reversal of losses	(2)	–	(2)
	(2)	–	(2)
Changes that relate to past service			
Changes that relate to past service – adjustments to the LIC	(83)	(117)	(200)
Insurance service result	122	(42)	80
Finance (income) expenses from insurance contracts issued	65	3	68
Total amounts recognised in comprehensive income	187	(39)	148
Other changes	(379)	–	(379)
Cash flows			
Premiums received	11 266	–	11 266
Claims and other directly attributable expenses paid	(10 231)	–	(10 231)
Insurance acquisition cash flows	(1 567)	–	(1 567)
Total cash flows	(532)	–	(532)
Net balance at the end of the year	3 370	136	3 506
Closing insurance contract liabilities	3 370	136	3 506



Reinsurance contracts held
Reconciliation of the remaining coverage and incurred claims
2023

	Remaining coverage R million	Incurred claims R million	Total R million
Reinsurance contracts held			
Opening reinsurance contract liabilities	(121)	100	(21)
Opening reinsurance contract assets	492	2 130	2 622
Net balance at beginning of the year	371	2 230	2 601
Net income (expenses) from reinsurance contracts held			
Reinsurance expenses	(2 168)	-	(2 168)
Claims recovered	-	909	909
Changes that relate to past service – changes in the FCF relating to incurred claims recovery	-	94	94
Changes that relate to future service	(4)	-	(4)
Net income (expenses) from reinsurance contracts held	(2 172)	1 003	(1 169)
Finance expenses from reinsurance contracts issued	-	67	67
Total amounts recognised in comprehensive income	(2 172)	1 070	(1 102)
Investment components	(97)	97	-
Cash flows			
Premiums paid	1 067	-	1 067
Claims and other directly attributable expenses paid	-	(182)	(182)
Total cash flows	1 067	(182)	885
Net balance at the end of the year	(831)	3 215	2 384
Closing reinsurance contract liabilities	(159)	(44)	(203)
Closing reinsurance contract assets	(672)	3 259	2 587
Net balance at the end of the year	(831)	3 215	2 384

2022

	Remaining coverage R million	Incurred claims R million	Total R million
Reinsurance contracts held			
Opening reinsurance contract liabilities	(546)	197	(349)
Opening reinsurance contract assets	(475)	3 562	3 087
Net balance at the beginning of the year	(1 021)	3 759	2 738
Net income (expenses) from reinsurance contracts held			
Reinsurance expenses	(1 768)	-	(1 768)
Claims recovered	-	2 080	2 080
Changes that relate to past service – adjustments to incurred claims	-	137	137
Net income (expenses) from reinsurance contracts held	(1 768)	2 217	449
Finance expenses from reinsurance contracts issued	-	53	53
Total amounts recognised in comprehensive income	(1 768)	2 270	502
Investment components	(67)	67	-
Cash flows			
Premiums paid	3 227	-	3 227
Claims and other directly attributable expenses paid	-	(3 866)	(3 866)
Total cash flows	3 227	(3 866)	(639)
Net balance at the end of the year	371	2 230	2 601
Closing reinsurance contract liabilities	(121)	100	(21)
Closing reinsurance contract assets	492	2 130	2 622
Net balance at the end of the year	371	2 230	2 601



Notes to the financial statements

15. Insurance contracts issued continued

Reconciliation of the measurement components of reinsurance contract balances 2023

	Present value of future cash flows R million	Risk adjusted for non- financial risk R million	Total R million
Reinsurance contracts held			
Opening reinsurance contract liabilities	(25)	4	(21)
Opening reinsurance contract assets	2 561	61	2 622
Net balance at beginning of the year	2 536	65	2 601
Changes that relate to current service			
Reinsurance expenses – contracts measured under the PAA	(2 168)	–	(2 168)
Experience adjustments	888	21	909
	(1 280)	21	(1 259)
Changes that relate to future service			
Changes in the FCF that do not adjust the CSM for the group of underlying insurance contracts	(4)	–	(4)
	(4)	–	(4)
Changes that relate to past service			
Changes that relate to past service – adjustments to the incurred claims	143	(49)	94
Net income (expenses) from reinsurance contracts held	(1 141)	(28)	(1 169)
Finance income (expenses) from reinsurance contracts held	64	3	67
Total amounts recognised in comprehensive income	(1 077)	(25)	(1 102)
Cash flows			
Premiums paid net of ceding commissions and other directly attributable expenses paid	1 067	–	1 067
Recoveries from reinsurance	(182)	–	(182)
Total cash flows	885	–	885
Net balance at the end of the year	2 344	40	2 384
Closing reinsurance contract liabilities	(203)	–	(203)
Closing reinsurance contract assets	2 547	40	2 587
Net balance at the end of the year	2 344	40	2 384

2022

	Present value of future cash flows R million	Risk adjusted for non- financial risk R million	Total R million
Reinsurance contracts held			
Opening reinsurance contract liabilities	(354)	5	(349)
Opening reinsurance contract assets	2 989	98	3 087
Net balance at the beginning of the year	2 635	103	2 738
Changes that relate to current service			
Reinsurance expenses – contracts measured under the PAA	(1 768)	–	(1 768)
Experience adjustments	2 047	33	2 080
	279	33	312
Changes that relate to past service			
Changes that relate to past service – adjustments to the incurred claims	209	(72)	137
Net income (expenses) from reinsurance contracts held	488	(39)	449
Finance income (expenses) from reinsurance contracts held	50	3	53
Total amounts recognised in comprehensive income	538	(36)	502
Cash flows			
Premiums paid net of ceding commissions and other directly attributable expenses paid	3 227	–	3 227
Recoveries from reinsurance	(3 866)	–	(3 866)
Total cash flows	(639)	–	(639)
Net balance at the end of the year	2 534	67	2 601
Closing reinsurance contract liabilities	(25)	4	(21)
Closing reinsurance contract assets	2 559	63	2 622
Net balance at the end of the year	2 534	65	2 601



The reinsurance portion of the incurred claims component of the insurance contract liabilities disclosed above is inclusive of an amount owed by the reinsurers to the Company as reported per the reinsurance bordereau. The values relating to the reinsurer debtors as at the year end are presented in the table below which discloses the composition of the incurred claims.

Reinsurance contracts held	2023 R million	2022 R million
BEL undiscounted	1 230	1 482
BEL discounted	(96)	(92)
RA (discounted)	41	70
RA discounting impact	-	(4)
Incurred claims component	1 175	1 456
Reinsurance agents' balances due	2 040	774
Total reinsurance liabilities for incurred claims including amounts declared to reinsurers	3 215	2 230

Gross claims payment development (R million)

Reporting year	Estimate of cumulative claims gross of reinsurance						
	Total	2023	2022	2021	2020	2019	2018 and prior
At the end of accident year	37 611	6 947	9 235	6 561	7 572	7 205	-
One year later	28 294	-	8 670	6 386	6 737	6 501	-
Two years later	19 585	-	-	6 343	6 737	6 502	-
Three years later	12 969	-	-	-	6 757	6 212	-
Four years later	6 224	-	-	-	-	6 225	-
Five years later	53 294	-	-	-	-	-	53 294
	88 238	6 947	8 670	6 343	6 757	6 225	53 294
Cumulative payments	(84 621)	(4 884)	(7 870)	(6 162)	(6 437)	(6 113)	(53 155)
Gross undiscounted liabilities for incurred claims	3 617	2 063	800	183	320	112	140
Amounts subject to uncertainty	(125)						
Effect of discounting	(227)						
Total gross liabilities for incurred claims	3 265						

Gross claims payment development (R million)

Reporting year	Estimate of cumulative claims gross of reinsurance						
	Total	2022	2021	2020	2019	2018	2017 and prior
At the end of accident year	37 090	9 337	6 561	7 566	7 202	6 424	-
One year later	25 262	-	6 386	6 732	6 498	5 648	-
Two years later	18 859	-	-	6 731	6 499	5 628	-
Three years later	11 866	-	-	-	6 210	5 656	-
Four years later	5 533	-	-	-	-	5 534	-
Five years later	47 829	-	-	-	-	-	47 829
	82 026	9 337	6 385	6 731	6 209	5 533	47 829
Cumulative payments	(77 509)	(6 013)	(5 935)	(6 321)	(6 083)	(5 422)	(47 735)
Gross undiscounted liabilities for incurred claims	4 516	3 323	450	410	127	112	94
Amounts subject to uncertainty	(1 171)						
Effect of discounting	(206)						
Total gross liabilities for incurred claims	3 139						



Notes to the financial statements

16. Deferred tax

	2023 R million	2022 R million
Deferred tax liability		
Investments	(4)	(9)
Provisions	-	(12)
Netted against assets	80	52
Transitional adjustment*	(67)	(62)
Other deferred tax liability	(9)	-
Total deferred tax liability	-	(31)
Deferred tax asset		
Share grant	32	20
Right-of-use asset/lease liability	23	15
Provisions	64	-
Retirement benefits	4	5
Property and equipment	5	2
Netted against liabilities	(80)	52
Other temporary differences	1	4
Deferred tax balance from temporary differences other than unused tax losses	49	(6)
Tax losses available for set-off against capital gains	-	6
	49	-
Total deferred tax asset	49	-
Reconciliation of deferred tax asset/(liability)		
At the beginning of the year	(31)	2
Reduction due to rate change	-	(12)
Increase/(decrease) in share grants and share schemes	12	4
Temporary differences arising from property and equipment	3	19
Decrease in investments and securities	5	22
Movement in other temporary differences	49	(4)
IFRS 17 transition	(4)	(62)
Prior year	15	-
	49	(31)

* The transitional tax impact of IFRS 17 is R128 million (2022: R190 million) which will be realised over the remaining phase-in period of two years (2022: three years)

17. Share-based payment liability

	2023 R million	2022 R million
Employee share awards (Old Mutual Limited shares)	(60)	(66)

Overview of the employee incentive programmes

The Mutual and Federal Management Incentive Scheme and the Old Mutual Insure Employee Incentive Trust

The primary purpose of these schemes is to attract, reward and retain senior and middle management. Restricted shares (RSP) are awarded to management for retention and attraction purposes.

» Bonus plan

40% of an employee's before tax bonus is invested in ordinary Old Mutual Limited shares. The RSP shares are not subject to corporate performance targets (CPTs) and will vest immediately, subject to the condition that the employee remains in the Company's employment for a period of three years from grant date. Participants are paid dividends in respect of the RSP share awards and are entitled to exercise the voting rights in respect of the ordinary Old Mutual Limited shares.

» Long-term incentive plan (LTIP)

A long-term incentive plan is awarded to key employees who are critical to the Company achieving its strategic and financial objectives over three years. The share awards are subject to employees meeting CPTs and will be determined at the time of vesting based on multiples of the employees' total guaranteed pay.



The Mutual and Federal Senior Black Management Incentive Scheme and the Old Mutual Insure Broad-based Black Economic Empowerment Employee Scheme

These schemes operate for the benefit of selected senior black management of the Company for retention and attraction purposes.

» Bonus plan

The RSP shares are not subject to corporate performance targets (CPTs) and will vest immediately, subject to the condition that the employee remains in the Company's employment for a period of three years from grant date. Participants are paid dividends in respect of the RSP share awards and are entitled to exercise the voting rights in respect of the ordinary Old Mutual Limited shares. 40% of an employee's before tax bonus is invested in ordinary Old Mutual Limited shares.

» Retention plan

RSP share awards are not subject to CPTs and will vest immediately, subject to the resolutive condition that the participant remains in the employment of the Company for a period of time. Participants are paid dividends in respect of RSP share awards and are entitled to exercise the voting rights in respect of the ordinary Old Mutual Limited shares. Participants may only take delivery of the shares at the following intervals: four years (one-third), five years (one-third) and six years (one-third).

» Long-term incentive plan (LTIP)

A long-term incentive plan is awarded to key employees who are critical to the Company achieving its strategic and financial objectives over three years. The share awards are subject to employees meeting CPTs and will be determined at the time of vesting based on multiples of the employees' total guaranteed pay.

All of the above are cash-settled plans, as the Company is not obliged to settle with Old Mutual Insure Limited equity and therefore in terms of IFRS 2 would be considered cash settled.

	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 2022	562 475	5 285 697	11 831 520
Number of shares granted	–	1 551 135	1 435 862
Number of shares vested/settled	(355 976)	(2 574 249)	(2 859 754)
Number of shares forfeited due to resignations	(53 394)	(425 985)	(1 703 087)
Number of shares reinstated	(5 050)	173 048	(85 382)
At 31 December 2022	148 055	4 009 646	8 619 159
Number of shares granted	–	2 916 688	3 408 590
Number of shares vested/settled	(134 891)	(1 741 310)	(3 472 009)
Number of shares forfeited due to resignations	(7 848)	(393 261)	(1 765 637)
Number of shares transferred between trusts*	–	(15 248)	(56 799)
Total number of shares in issue at 31 December 2023	5 316	4 776 515	6 733 304

* Shares transferred between trusts as well as transfer of shares from the holding company due to staff movement

The share price of Old Mutual Limited shares at 31 December 2023 was R12.98 (2022 :R10.46).

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.

18. Trade and other payables

	2023 R million	2022 R million
Financial instruments		
Trade payables	75	132
Trade payables – related parties	22	127
Other payables	134	255
Commission payables	94	191
	325	705



Notes to the financial statements

19. Share capital

	2023 R million	2022 R million
Authorised		
350 000 000 ordinary shares of 10 cents each	35	35
Issued		
319 823 467 ordinary shares of 10 cent each (2022: 319 823 466)	32	32
Share premium	2 580	2 280
	2 612	2 312

Mutual and Federal Investments Proprietary Limited subscribed for one ordinary no par value share of the issued share capital of the Company at a subscription price R300 million (2022: R515 million).

20. Insurance revenue and expenses

Insurance revenue and insurance service result

An analysis of insurance revenue, insurance service expenses and net expenses from reinsurance contracts held by product line for 2023 and 2022 is included in the following tables.

2023

	Total R million
Insurance revenue	
Insurance revenue from contracts measured under the PAA	12 526
Total insurance revenue	12 526
Insurance service expenses	
Incurred claims and other directly attributable expenses	(10 289)
Changes that relate to past service – adjustments to the LIC	457
Insurance acquisition cash flows amortisation	(1 709)
Total insurance service expenses	(11 541)
Reinsurance expenses – contracts measured under the PAA	(2 168)
Claims recovered	909
Changes that relate to past service – adjustments to incurred claims	90
Total net expenses from reinsurance contracts held	(1 169)
Total insurance service result	(184)

2022

	Total R million
Insurance revenue	
Insurance revenue from contracts measured under the PAA	11 487
Total insurance revenue	11 487
Insurance service expenses	
Incurred claims and other directly attributable expenses	(10 227)
Changes that relate to past service – adjustments to the LIC	200
Insurance acquisition cash flows amortisation	(1 540)
Total insurance service expenses	(11 567)
Reinsurance expenses – contracts measured under the PAA	(1 768)
Claims recovered	2 080
Changes that relate to past service – adjustments to incurred claims	137
Total net expenses from reinsurance contracts held	449
Total insurance service result	369



21. Operating profit

Operating profit for the year is stated after charging the following, among others:

Expenses by nature

The total marketing expenses, general and administrative expenses, maintenance expenses and other operating expenses are analysed by nature as follows:

	2023 R million	2022 R million
Employee costs	1 765	1 549
Audit fees for audit services	26	10
Non-audit service fees	2	1
Depreciation, amortisation and impairment	175	188
Directors' emoluments	5	6
Foreign exchange gain	(13)	(24)
Lease expenses	60	49
Marketing expenses	222	195
Professional fees	168	158
Computer expenses	305	244
Administration fees	52	71
Repairs and maintenance of property and equipment	36	40
Other expenses	317	300
	3 120	2 787
Less: Amounts attributed to insurance service expenses	(2 734)	2 409
	386	378

22. Investment income

	2023 R million	2022 R million
Dividend income		
Group entities		
Subsidiaries – local	188	300
Equity instruments at fair value through profit or loss		
Unlisted investments – local	4	20
Total dividend income	192	320
Interest income		
Investments in financial assets		
Bank and other cash	106	48
Investment and securities	216	130
Loans receivable at amortised cost	1	–
Fair value gains and losses		
Other	2	–
Total interest income	325	178
Subsidiaries	659	(165)
Investments and securities	(27)	(84)
Old Mutual Limited shares	7	8
Share trusts	27	(17)
Disposal of investment	50	88
Total fair value gains and losses	716	(170)
Total investment income	1 233	328



Notes to the financial statements

23. Finance costs

	2023 R million	2022 R million
Lease liabilities	47	28
Interest paid on debt instrument	48	37
Total finance costs	95	65

24. Taxation

Major components of the tax income

	2023 R million	2022 R million
Current		
Local income tax – current period	8	20
Local income tax – prior period (over) under provision	1	5
	9	25
Deferred		
Originating and reversing temporary differences	(65)	39
Arising from previously unrecognised tax loss	(15)	(7)
	(80)	32
	(71)	57
Reconciliation of the tax expense		
Reconciliation between accounting profit and tax expense.		
Accounting profit	549	286
Tax at the applicable tax rate of 27% (2022: 27%)	148	77
Tax effect of adjustments on taxable income		
Non-taxable income	(260)	(48)
Change in tax rate	–	3
Disallowed expenses	56	23
Capital gains tax	–	(5)
IFRS 17 transition	–	8
Prior year	(14)	(2)
Other	(1)	1
	(71)	57

25. Cash (used in)/generated from operations

	2023 R million	2022 R million
Profit before taxation	549	286
Adjustments for non-cash items		
Depreciation, amortisation, impairments and reversals of impairments	175	188
Gains on exchange differences	(13)	(24)
Fair value (gains)/losses	(689)	153
Finance income on reinsurance contracts	(67)	(53)
Finance cost on insurance contracts	133	68
Increase in employee benefit provisions	22	33
Net cost on retirement benefit asset	2	–
Employee trust fair value movement	(27)	(17)
Movements in net insurance contract provisions	704	(626)
Share of profit or loss of equity accounted investments	–	7
Reclassification sale of associate	–	(23)
Non-cash flow movement in IFRS 2 liability	60	52
Movement in bad debt allowance	(46)	6
Adjust for items which are presented separately		
Interest income	(325)	(178)
Dividends received	(192)	(320)
Finance costs	95	65
Changes in working capital		
(Increase)/decrease in trade and other receivables	(77)	76
(Decrease)/increase in trade and other payables	(380)	417
	(76)	110



26. Tax (paid)/received

	2023 R million	2022 R million
Balance at the beginning of the year	29	68
Current tax recognised in profit or loss	(9)	(25)
Balance at the end of the year	(17)	(29)
	3	14

27. Loans receivable

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

	2023 R million	2022 R million
Business loans	26	26
The loans are interest-free with fixed repayment terms		
The loans were issued as part of the Covid-19 relief programme to small businesses	1	1
EBM Project Proprietary Limited		
The loan is unsecured and bears interest at prime plus 2%		
Independent Brokers Administrators	5	–
The loans are interest free with no fixed repayment terms		
PWV Insurance Brokers Proprietary Limited	7	–
The loans are interest-free with no fixed repayment terms		
	39	27

28. Investments and securities

	2023 R million	2022 R million
Mandatorily at fair value through profit or loss		
Listed shares	86	373
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	20	19
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	–	2
The unlisted empowerment private equity fund represents black economic empowerment development investment policies with the Old Mutual Investment Group Proprietary Limited.		
Unlisted money market funds	2 748	2 280
The average interest on money market instruments earned during the year was 7.63% (2022: 5.7%).		
Preference shares	44	44
Preference shares are held with Letsema and have a preference share coupon rate of 72% of the prime interest rate.		
	2 898	2 718

29. Employee benefits

	2023 R million	2022 R million
Leave accrual	62	53
Bonus accrual	149	136
	211	189

30. Debt instrument

	2023 R million	2022 R million
Unsecured subordinated callable floating rate note	500	500

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



Notes to the financial statements

31. Related parties

Relationships

Ultimate holding company	Old Mutual Limited
Holding company	Mutual and Federal Investments Proprietary Limited
Subsidiaries	Refer to note 7
Associates	Refer to note 8
Employee share trusts	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 Short-term Insurance (Botswana) Limited Old Mutual Short-term Insurance (Namibia) Limited Personal Financial Advice Limited

	2023 R million	2022 R million
Related party balances		
Loan accounts – Owing (to) by related parties		
Mutual and Federal Management Incentive Trust	–	63
Mutual and Federal Development Trust	14	14
Mutual and Federal Management Incentive Trust (Namibia)	7	7
Old Mutual Capital Holdings Proprietary Limited	(500)	(505)
Amounts included in trade receivable (trade payable) regarding related parties		
Old Mutual Limited Group entities	10	(124)
Old Mutual Short-term Insurance (Botswana) Limited	8	(3)
Old Mutual Short-term Insurance (Namibia) Limited	(22)	–
Old Mutual Alternative Risk Transfer Insure Limited	–	8
Sintelum Proprietary Limited	6	1
Elite Risk Acceptances Proprietary Limited	2	2
Post-retirement medical aid asset		
Old Mutual Life Assurance Company (South Africa) Limited	147	137
	2023 R million	2022 R million
Related party transactions		
Rent paid to/(received from) related parties		
Credit Guarantee Insurance Corporation of Africa Limited	(30)	(38)
Old Mutual Limited	40	127
Commission paid		
Personal Financial Advice Limited	177	151
Administration fees paid to/(received from) related parties		
Old Mutual Limited group entities	149	179
Old Mutual Alternative Risk Transfer Insure Limited	(26)	(30)
Credit Guarantee Insurance Corporation of Africa Limited	(6)	(6)
Elite Risk Acceptances Proprietary Limited	6	9
Sintelum Proprietary Limited	(25)	(20)
Reinsurance premium received		
Old Mutual Alternative Risk Transfer Insure Limited	(383)	(348)
Reinsurance claims paid		
Old Mutual Alternative Risk Transfer Insure Limited	192	267
Acquisition costs paid		
Old Mutual Alternative Risk Transfer Insure Limited	124	85
Interest expense		
Old Mutual Capital Holdings Proprietary Limited	47	5
Premium received		
Old Mutual Limited group entities	–	27
Dividends (paid to)/received from related parties		
Old Mutual Limited	–	(200)
Credit Guarantee Insurance Corporation of Africa Limited	188	300



32. Directors' emoluments

Executive (R000)
2023

Directors' emoluments	Basic salary	Bonuses and performance related payments*	Pensions receivable or received	IFRS 2 expenses included in profit or loss	Total
Services as director or prescribed officer					
Mr G Napier	5 297	3 730	281	3 602	12 910
Ms L Bacela	3 174	1 196	206	195	4 771
	8 471	4 926	487	3 797	17 681

* 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

2022

Directors' emoluments	Basic salary	Bonuses and performance related payments*	Pensions receivable or received	IFRS 2 expenses included in profit or loss	Total
Services as director or prescribed officer					
Mr G Napier	4 665	3 535	265	3 999	12 464
Ms L Bacela	673	800	77	–	1 550
	5 338	4 335	342	3 999	14 014

* 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

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 R000
L Bacela	31 March 2023	30 April 2024	12.98	–	5 082	–	–	5 082	66
	31 March 2023	30 April 2025	12.98	–	5 082	–	–	5 082	66
	31 March 2023	30 April 2026	12.98	–	5 082	–	–	5 082	66
	31 March 2023	30 April 2026	12.98	–	67 227	–	–	67 227	873
G Napier	26 March 2020	26 March 2023	12.98	183 256	–	(103 687)	(79 569)	–	–
	26 March 2020	26 March 2024	12.98	94 553	–	–	(94 553)	–	–
	26 March 2020	26 March 2025	12.98	94 553	–	–	(94 553)	–	–
	9 April 2021	9 April 2023	12.98	16 832	–	(16 832)	–	–	–
	9 April 2021	9 April 2024	12.98	211 050	–	–	–	211 050	2 739
	9 April 2021	9 April 2025	12.98	194 216	–	–	–	194 216	2 521
	9 April 2021	9 April 2026	12.98	194 216	–	–	–	194 216	2 521
	3 December 2021	26 March 2023	12.98	30 956	–	–	(30 956)	–	–
	3 December 2021	9 April 2023	12.98	2 844	–	(2 844)	–	–	–
	3 December 2021	26 March 2024	12.98	15 972	–	–	–	15 972	207
	3 December 2021	9 April 2024	12.98	35 651	–	–	(35 651)	–	–
	3 December 2021	26 March 2025	12.98	15 972	–	–	(15 972)	–	–
	3 December 2021	9 April 2025	12.98	32 807	–	–	–	32 807	426
	3 December 2021	9 April 2026	12.98	32 807	–	–	–	32 807	426
	13 April 2022	13 April 2025	12.98	120 558	–	–	–	120 558	1 565
	13 April 2022	13 April 2026	12.98	120 558	–	–	–	120 558	1 565
	13 April 2022	13 April 2027	12.98	120 558	–	–	–	120 558	1 565
	31 March 2023	31 March 2024	12.98	–	66 019	–	–	66 019	857
	31 March 2023	31 March 2025	12.98	–	66 019	–	–	66 019	857
	31 March 2023	31 March 2026	12.98	–	66 019	–	–	66 019	857
			–	1 517 359	280 530	(123 363)	(351 254)	1 323 272	4 008



Notes to the financial statements

32. Directors' emoluments continued

Non-executive (R000)
2023

Directors' emoluments	Basic salary	Bonuses and performance related payments*	Fees for services as director	Other material benefits	Pensions receivable or received	IFRS 2: fair value of unvested shares at year end [^]	Total
Services as director or prescribed officer							
Mr GS Palser	-	-	903	-	-	-	903
Ms TP Zondi	-	-	1 311	-	-	-	1 311
Mr SC Gilbert	-	-	1 188	-	-	-	1 188
Mr MA Scharneck	-	-	1 579	-	-	-	1 579
Mr IG Williamson	9 817	7 924	-	187	356	13 058	31 342
Ms N Sallie	-	-	30	-	-	-	30
Ms X Kakana	-	-	346	-	-	-	346
	9 817	7 924	5 357	187	356	13 058	36 699

* 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

2022

Directors' emoluments	Basic salary	Bonuses and performance related payments*	Fees for services as director	Pensions receivable or received	Other material benefits	IFRS 2: fair value of unvested shares at year end [^]	Total
Services as director or prescribed officer							
Mr GS Palser	-	-	1 722	-	-	-	1 722
Ms TP Zondi	-	-	1 338	-	-	-	1 338
Mr SC Gilbert	-	-	1 215	-	-	-	1 215
Mr MA Scharneck	-	-	1 352	-	-	-	1 352
Mr IG Williamson	9 303	6 632	-	337	370	9 441	26 083
	9 303	6 632	5 627	337	370	9 441	31 710

* 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

Securities issued

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 R000	
IG Williamson	26 March 2020	26 March 2023	12.98	503 353	-	(205 417)	(297 936)	-	
	26 March 2020	26 March 2024	12.98	297 936	-	-	(297 936)	-	
	26 March 2020	26 March 2025	12.98	297 935	-	-	(297 935)	-	
	9 April 2021	9 April 2023	12.98	32 651	-	-	(32 651)	-	
	9 April 2021	9 April 2024	12.98	735 877	-	-	735 877	9 552	
	9 April 2021	9 April 2025	12.98	703 226	-	-	703 226	9 128	
	9 April 2021	9 April 2026	12.98	703 225	-	-	703 225	9 128	
	13 April 2022	13 April 2023	12.98	49 096	-	(49 096)	-	-	
	13 April 2022	13 April 2024	12.98	49 097	-	-	49 097	637	
	13 April 2022	13 April 2025	12.98	388 473	-	-	388 473	5 042	
	13 April 2022	13 April 2026	12.98	339 377	-	-	339 377	4 405	
	13 April 2022	13 April 2027	12.98	339 377	-	-	339 377	4 405	
	31 March 2023	31 March 2024	12.98	-	123 847	-	-	123 847	1 608
	31 March 2023	31 March 2025	12.98	-	123 847	-	-	123 847	1 608
31 March 2023	31 March 2026	12.98	-	123 848	-	-	123 848	1 608	
			-	4 439 623	371 542	(254 513)	(926 458)	3 630 194	
								47 121	



33. Financial instruments and risk management

Categories of financial instruments

Categories of assets

2023

Notes	Total R million	Mandatorily at fair value through profit or loss	Designated fair value through profit or loss	Financial assets at amortised cost	Non- financial assets at fair value	Non- financial assets at other than fair value	Current assets*	Non- current assets*
		R million	R million	R million	R million	R million	R million	R million
Intangible assets	4	211	-	-	-	211	-	211
Equipment	5	106	-	-	-	106	-	106
Right-of-use asset	6	544	-	-	-	544	83	461
Deferred tax	16	49	-	-	-	49	(74)	123
Investments in subsidiaries	7	2 580	-	2 580	-	-	-	2 580
Investment in associate	8	9	-	-	-	9	-	9
Investments in share trusts	9	571	-	571	-	-	-	571
Loans receivable	27	39	-	-	39	-	-	39
Loans to share trusts	10	21	-	-	21	-	7	14
Retirement benefit asset	11	147	-	-	-	147	-	147
Investments and securities	28	2 898	2 898	-	-	-	2 898	-
Reinsurance contract assets	14	2 587	-	-	-	2 587	2 026	561
Current tax receivable		17	-	-	-	17	17	-
Trade and other receivables	12	498	-	-	324	174	498	-
Cash and cash equivalents	13	1 270	-	-	1 270	-	1 270	-
		11 547	2 898	3 151	1 654	147	3 697	4 822

* 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

2022

Notes	Total R million	Mandatorily at fair value through profit or loss	Designated fair value through profit or loss	Financial assets at amortised cost	Non- financial assets at fair value	Non- financial assets at other than fair value	Current assets*	Non- current assets*
		R million	R million	R million	R million	R million	R million	R million
Intangible assets	4	175	-	-	-	175	-	175
Equipment	5	123	-	-	-	123	-	123
Right-of-use asset	6	244	-	-	-	244	90	154
Investments in subsidiaries	7	1 560	-	1 560	-	-	-	1 560
Investment in associate	8	9	-	-	-	9	-	9
Investments in share trusts	9	509	-	509	-	-	-	509
Loans receivable	27	27	-	-	27	-	-	27
Loans to share trusts	10	84	-	-	84	-	63	21
Retirement benefit asset	11	137	-	-	-	137	-	137
Investment and securities	28	2 718	2 718	-	-	-	2 718	-
Reinsurance contract assets	14	2 622	-	-	-	2 622	2 622	-
Current tax receivable		29	-	-	-	29	29	-
Trade and other receivables	12	421	-	-	254	167	421	-
Cash and cash equivalents	13	1 363	-	-	1 363	-	1 363	-
		10 021	2 718	2 069	1 728	137	3 369	2 715

* 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

33. Financial instruments and risk management continued

Categories of liabilities 2023

	Notes	Total R million	Designated fair value through profit or loss R million	Financial liabilities at amortised cost R million	Non- financial liabilities at fair value R million	Non- financial liabilities at other than fair value R million	Current liabilities* R million	Non- current liabilities* R million
Debt instrument	30	500	-	500	-	-	-	500
Insurance contract liabilities	14	3 993	-	-	-	3 993	3 067	926
Reinsurance contract liabilities	14	203	-	-	-	203	203	-
Lease liabilities	6	629	-	-	-	629	96	533
Retirement benefit obligation	11	162	-	-	-	162	15	147
Share-based payment liability	17	60	-	-	-	60	45	15
Employee benefits	29	211	-	-	-	211	211	-
Trade and other payables	18	325	-	325	-	-	325	-
		6 083	-	825	-	5 258	3 962	2 121

* 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

2022

	Notes	Total R million	Designated fair value through profit or loss R million	Financial liabilities at amortised cost R million	Non- financial liabilities at fair value R million	Non- financial liabilities at other than fair value R million	Current liabilities* R million	Non- current liabilities* R million
Debt instrument	30	500	-	500	-	-	-	500
Insurance contract liabilities	14	3 506	-	-	-	3 506	2 854	652
Reinsurance contract liabilities	14	21	-	-	-	21	21	-
Lease liabilities		301	-	-	-	301	111	190
Retirement benefit obligation	11	156	-	-	-	156	15	141
Deferred tax	16	31	-	-	-	31	68	(37)
Share-based payment liability	17	66	-	-	-	66	50	16
Employee benefits	29	189	-	-	-	189	189	-
Trade and other payables	18	705	-	705	-	-	705	-
		5 475	-	1 205	-	4 270	4 013	1 462



Financial risk management

Overview

The Board has overall responsibility for the Company's systems of internal control and risk management. The executive management is responsible for the management and implementation of the Company 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 regulatory compliance accountabilities, the Company 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 Company'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
- » Ensuring the establishment of independent risk management, compliance and actuarial control functions and reviewing their effectiveness

The Board has delegated to the Company Audit committee oversight of financial reporting 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 Company and to ensure timely and reliable monitoring and reporting. The Company Audit committee has the following 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 financial statement that conveys appropriate information about the operations of the Company, its sustainability and financial reporting
- » Reviewing the expertise, resources and experience of the Company's finance function, as disclosed in the Audit committee 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 Company comply with relevant legislation
- » Reviewing the accounting policies of the Company on an annual basis
- » Ensuring compliance with all statutory requirements in relation to the external auditor including the review of 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 Company. The risk appetite framework governs how the risks should be managed within the Company. It is within this risk appetite framework that the Company has selected its asset allocation and reinsurance programme which are among the most important determinants of risk and capital requirements within the Company.

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 Company. This includes the identification, assessment, monitoring and reporting of the key risks.
- » Monitor and report progress on management action plans in mitigating key risk, facing the Company.
- » 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 Company.
- » 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 Company's exposure to regulatory compliance risk is within the Company's risk appetite
- » Coordinate and manage the Company's relationship with its regulators
- » Evaluate the impact of forthcoming legislative and/or regulatory changes and provide advice on potential process and control changes required and whether the proposed control will be adequate
- » Report to the Company Risk and Compliance committee on the status of compliance of the Company



Notes to the financial statements

33. Financial instruments and risk management continued

Financial risk management continued

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 Company, utilising possible scenarios
- » 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 company Internal Audit is to help the Board and executive management to protect the assets, reputation and sustainability of the Company. 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
- » By challenging executive management to improve the effectiveness of governance, risk management and internal controls

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 Audit committee approving a budget to allow company 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 Company
- » 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 Company, 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
- » 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 Company 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.

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.

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 Company. There is also scope for the Company to earn investment income owing to the time delay between the receipt of premiums and the payment of claims.



Risk that arises from insurance contracts

Insurance risk and policies for mitigating insurance risk

The primary activity of the Company 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 Company 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 Company 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 Company 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 Company also employs staff experienced in claims handling and rigorously applies standardised policies and procedures around claims assessment. These actions are described below.

Sensitivities

The liability for incurred claims is sensitive to the key assumptions in the table below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The following sensitivity analysis shows the impact on gross and net liabilities, profit before tax and equity for reasonably possible movements in key assumptions with all other assumptions held constant. The correlation of assumptions will have a significant effect in determining the ultimate impacts, but to demonstrate the impact due to changes in each assumption, assumptions have been changed on an individual basis. It should be noted that movements in these assumptions are non-linear. The method used for deriving sensitivity information and significant assumptions did not change from the previous period.

2023	Fulfilment cash flow (FCF)			Profit/loss			Impact on equity	
	Gross R million	Reinsurance R million	Net R million	Gross R million	Reinsurance R million	Net R million	Gross R million	Net R million
Base	(9 744)	182	(9 562)	(552)	1 102	550	-	-
5% increase in ultimate claims	(10 094)	255	(9 839)	(202)	1 034	832	350	283
5% decrease in ultimate claims	(9 394)	108	(9 286)	902	(1 169)	(267)	(350)	(283)
	Fulfilment cash flow (FCF)			Profit/loss			Impact on equity	
2022	Gross R million	Reinsurance R million	Net R million	Gross R million	Reinsurance R million	Net R million	Gross R million	Net R million
Base	(10 583)	3 866	(6 717)	(448)	501	53	-	-
5% increase in ultimate claims	(11 138)	4 055	7 083	(854)	644	(210)	406	262
5% decrease in ultimate claims	(10 077)	3 668	6 409	43	(58)	(15)	(406)	262

Underwriting strategy

The Company'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 Company 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 Company's insurance products is generally based on 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 Company's principal cost, the Company 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 Company's risk management strategy and objectives. To manage potential losses and safeguard its capital resources, the company 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 minimise overall volatility and limit net exposure to any single risk or event to within the predetermined annual risk appetite limits. The Company's approach to reinsurance is guided by four key principles: establishing long-term strategic partnerships, continuously refining its portfolio, sharing intellectual property and ensuring alignment of results with reinsurers while managing volatility.



Notes to the financial statements

33. Financial instruments and risk management continued

Financial risk management continued

Underwriting strategy continued

Exposure relating to individual policies

The Company concludes a combination of proportional and non-proportional reinsurance treaties to reduce the net exposure on any one risk based on the Company'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 Company's resources. Business is mainly carried out in South Africa with the bulk of exposure in Gauteng, followed by Cape Town. One of the key concentration risks is exposure to natural catastrophes. Using external catastrophe models, we can assess the likely risk from various perils that are driven by location which indicate that an earthquake in or near Gauteng or Cape Town being the most severe risk. This risk is mitigated using reinsurance contracts spread across multiple high quality reinsurers. The Company has exposure to most major lines of insurance business, but the bulk of exposure is to property and motor risk on the capital requirements by line of business. Inflation, exchanges rates and cost of labour, repair and building therefore represent a shared risk. This is mitigated by regular monitoring of claims costs and appropriate and quick action taken to adjust prices as the environment changes.

Exposure relating to catastrophe events

The Company 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 Company.

As a result of a hardening reinsurance market, exposure to retained catastrophe losses has increased significantly compared to the prior period.

The Company 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 (one in 200). The Company'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 Company's past claims experience and adjusted accordingly.

The methods applied by the Company 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
- » 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 Company 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 Company is therefore exposed to the risk that claims reserves will not be adequate to fund historic claims (runoff risk). To manage runoff risk the Company takes all the reasonable steps to ensure that it has appropriate information regarding its claims exposures and adopts sound reserving practices.

The majority of the Company'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 Company'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 15 for claims development information.

Other risks and policies mitigating these risks

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

Capital risk management

The Company 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 one 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 rare than one 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 Company's risk appetite, which recognises the impact on the solvency position.

The Company's stress and scenario testing framework assesses the impact on the capital position of the Company 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 Company's operations. Major sources of operational risk can relate to among 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 Company.

The Company 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. The Company has developed and implemented a number of contingency plans including Business Resilience plans that enable the Company to minimise the operational impact of the current pandemic.

Regulatory compliance risk

Regulatory compliance risk is the risk that the Company is not able to meet regulatory requirements, which may impact the Company'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 Company 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 Company adheres, was implemented and covers these regulated aspects.

The Company 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 Company manages these risks.

Credit risk

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

- » Amounts due from insurance policyholders included in LRC
- » Amounts due from insurance contract intermediaries and third-party recoveries
- » Investments and cash and cash equivalents
- » Reinsurers' share of general insurance liabilities as included in the LRC and LIC
- » Amounts due from reinsurers and third parties in respect of claims already paid included in the LIC
- » 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 Company has increased the credit loss allowances relating to amounts due from agents and reinsurers during the year, included in the LRC.

In order to calculate the credit loss allowances, management determines whether the loss allowance should be calculated on a 12 months 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-month 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 98% (2022: 70%) 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-.



Notes to the financial statements

33. Financial instruments and risk management continued

Financial risk management continued

Credit risk continued

The maximum exposure to credit risk is presented in the table below.

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

2023	AAA	AA	A	BBB and lower	Not rated	Total
Reinsurance contract assets	-	902	1 639	46	-	2 587
Unlisted money market funds	999	1 710	2	-	37	2 748
Loans receivable	-	-	-	-	39	39
Loans to share trusts	-	-	-	-	21	21
Cash and cash equivalents	-	1 276	-	-	-	1 276
Trade and other receivables	-	-	-	-	639	639
	999	3 888	1 641	46	736	7 310

2022	AAA	AA	A	BBB and lower	Not rated	Total
Reinsurance contract assets	-	914	1 661	47	-	2 622
Unlisted money market funds	526	1 054	-	-	700	2 280
Investments at fair value	-	-	-	-	-	-
Loans receivable	-	-	-	-	27	27
Loans to share trusts	-	-	-	-	84	84
Cash and cash equivalents	-	1 207	-	-	156	1 363
Trade and other receivables	-	-	-	-	421	421
	526	3 175	1 661	47	1 388	6 797

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 Company is exposed to the credit risk of the reinsurer.

Liquidity risk

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

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

The Company has sufficient cash resources to settle its liabilities as they fall due. The Company'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 Company is monitored on a weekly basis.

Liquidity analysis of liabilities

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



The following tables present the estimated amount and timing of the remaining contractual discounted cash flows arising from financial instruments and insurance assets and liabilities:

2023

	Less than three months R million	Three months to one year R million	One to three years R million	More than three years R million	Total R million
Reinsurance contract assets	456	1 494	437	200	2 587
Unlisted money market funds	-	2 748	-	-	2 748
Loans receivable	-	-	39	-	39
Loans to share trusts	-	-	-	21	21
Cash and cash equivalents	1 276	-	-	-	1 276
Trade and other receivables	489	-	9	-	498
Insurance contracts liabilities	(1 431)	(1 738)	(659)	(165)	(3 993)
Reinsurance contract liabilities	(25)	(143)	(24)	(11)	(203)
Debt instruments	-	-	-	(500)	(500)
Trade and other payables	(325)	-	-	-	(325)
	439	2 361	(198)	(455)	2 148

2022

	Less than three months R million	Three months to one year R million	One to three years R million	More than three years R million	Total R million
Reinsurance contract assets	462	1 514	443	203	2 622
Unlisted money market funds	-	2 280	-	-	2 280
Loans receivable	-	-	27	-	27
Loans to share trusts	-	-	-	84	84
Cash and cash equivalents	1 363	-	-	-	1 363
Trade and other receivables	374	-	47	-	421
Insurance contracts liabilities	(1 320)	(1 587)	(517)	(83)	(3 506)
Reinsurance contract liabilities	(6)	(12)	(3)	-	(21)
Debt instruments	-	-	-	(500)	(500)
Trade and other payables	(705)	-	-	-	(705)
	29	2 528	(153)	(357)	2 065

Foreign currency risk

The Company is exposed to foreign currency risk as a result of certain transactions which are denominated in foreign currencies with transactions in United States dollar being the main foreign currency impacting the Company. This exposure is limited to the underwriting operations in foreign currencies, credit insurance, transactions with foreign reinsurers and equity investments in foreign companies.

The Company 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

	2023 R million	2022 R million
Assets		
Cash and cash equivalents	386	281
Liabilities		
Trade and other payables	(244)	(185)
Other non-financial liabilities	(24)	(124)
Net US dollar exposure	118	(28)



Notes to the financial statements

33. Financial instruments and risk management continued

Financial risk management continued

Exposure in foreign currency amounts

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

US dollar exposure

	2023 R million	2022 R million
Assets		
Cash and cash equivalents	21	16
Liabilities		
Trade and other payables	(13)	(10)
Other non-financial liabilities	(2)	(7)
Net US dollar exposure	6	(1)

	2023	2022
Exchange rates		
The following closing exchange rates were applied at reporting date:		
Rand per unit of foreign currency		
US dollar	18.310	17.037

Foreign currency sensitivity analysis

The following information presents the sensitivity of the Company to an increase or decrease in the respective currencies it is exposed to. The sensitivity rate is the rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated amounts and adjusts their translation 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.

An increase or decrease of 10% in the dollar currency rate would result in a change of R10 million (2022: R6 million) to the profit after tax and a resultant increase or decrease in retained earnings.

Interest rate risk

Assets subject to interest rate fluctuations include cash instruments, including unlisted money market funds

Interest rate sensitivity analysis

The following sensitivity analysis has been prepared using a sensitivity rate which is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. All other variables remain constant. The sensitivity analysis includes only financial instruments exposed to interest rate risk which were recognised 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.

An increase or decrease of 1% in the interest rate on cash instruments would result in a change of R10 million (2022: R29 million) to the profit after tax of the Company and a resultant increase or decrease in retained earnings.

Equity price risk

Equity price risk – unlisted equities

The Company has investments in unlisted equities that are exposed to market risk. These include strategic investments in insurance-related undertakings and subsidiaries. The unlisted equities are selected by management after consideration of the benefits and corresponding risk related to the investment.

Equity price risk – listed equities

The Company has investments in listed equities that are exposed to market risk.



34. Fair value information

Fair value hierarchy

Levels of fair value measurements

2023

	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Non-current non-hedging derivative liabilities				
Investments in subsidiaries	-	-	2 580	2 580
Investments in employee share trusts	-	-	571	571
	-	-	3 151	3 151
Investments at fair value				
Unlisted shares	-	-	20	20
Listed shares	-	86	-	86
Unlisted money market funds	628	2 083	37	2 748
Preference shares	-	-	44	44
	628	2 169	101	2 898

2022

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

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 percent used within the business plan that has been capped at the average future indicated inflation rate over three years of 4.55% The cash flows are discounted using a discount rate range between 18.98% and 21.61% which considers 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.

Investments in employee share trusts

The valuation techniques and inputs are disclosed in note 9.



Notes to the financial statements

34. Fair value information continued

Fair value hierarchy continued

Investments at fair value

Unlisted shares

Unlisted shares are valued using a combined price/earnings ratio and enterprise value approach where the information is available. The net asset value is used when the financial information is not available.

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:

	2023 R million	2022 R million
Investments at fair value		
Opening balance	65	138
Acquisition of investment	-	54
Sale of investment	(2)	(127)
Revaluation of unlisted instruments	1	-
	64	65
Investments in subsidiaries		
Opening balance	1 560	1 182
Subsidiary fair value adjustment through profit or loss	659	(166)
Acquisition of subsidiary	302	544
Additional capital invested	59	-
	2 580	1 560

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 28.7% (2022: 33%) or R793 million (2022: R1 214 million) in the calculated fair value.

If the market interest rate associated with the unlisted money market investments changes by 10% the impact on fair value as well as the profit or loss would be R22 million (2022: R13 million) for the Company.

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

Further information relating to investments at fair value is contained in note 27 of the financial statements.

35. Going concern

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 Company.

The directors have reviewed the budgets and cash flow forecasts for the next 12 months, as well as the current liquidity and solvency position of the Company and believe that the Company has adequate financial resources to continue in operation for the foreseeable future.

36. Events after the reporting period

On 20 February 2024, Old Mutual Insure issued subordinated debt to Old Mutual Capital Holdings Proprietary Limited to the value of R250 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.





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