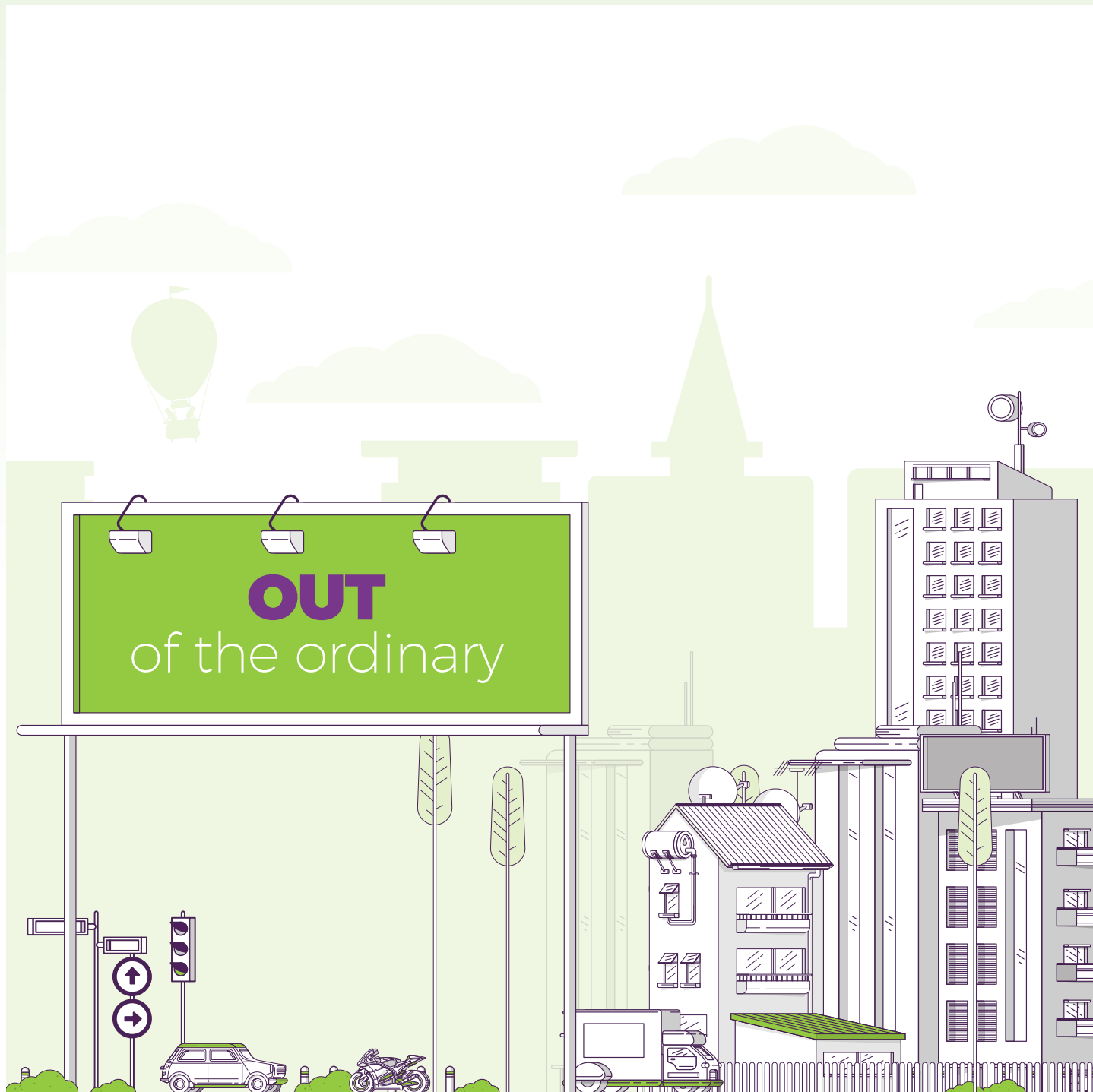




OUT
SURANCE

OUTsurance Holdings Limited

ANNUAL REPORT 2020

Contents

NAVIGATING OUR REPORT

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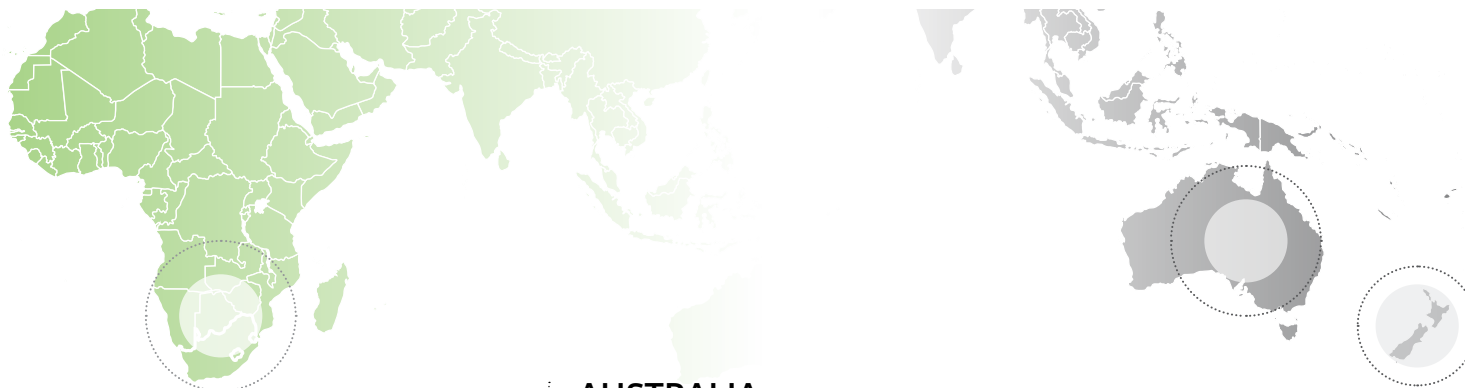


*Further information can
be found on our website.*



*Further information can
be found in this report.*

Who we are



SOUTHERN AFRICA

4 089 
Employees

54% 
Contribution to Group
gross written premiums

89.3% 
South African Customer
Satisfaction Index (SACSI)

OUT
SURANCE

100%¹

South African
personal and
commercial lines
short-term insurer.

OUT
SURANCE
Life

100%¹

South African
Life and Funeral
insurer.

OUT
SURANCE
Namibia

49%¹

Namibian personal
and commercial
lines short-term
insurer.

OUT
VEST

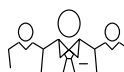
100%¹

South African
investment platform.

CAR • HOME • BUSINESS • LIFE • INVESTMENT

¹ Ownership %

AUSTRALIA

1 291 
Employees

46% 
Contribution to Group
gross written premiums

86.5% 
Australasian Customer
Satisfaction Index (ACSI)

youi

AUSTRALIA

84.5%¹

Australian personal lines
short-term insurer.

CAR • HOME

UNITED KINGDOM

Hastings 14.7%¹

8% 
Contribution to Group
normalised earnings



Digital motor and home insurer in the **United Kingdom**.

CAR • HOME

Our transformation vision

To be a proud, representative and responsible South African organisation



Our people

As an employer, we ensure equal opportunities in an inclusive and diverse work environment.



Our suppliers

As a user of services, we provide an inclusive and diverse supplier base with whom we have fair, consistent and transparent relationships.



Our customers

As a financial service provider and industry leader we provide:

Value for money products.

Leading service quality.

Fair customer treatment.

Accessible products and distribution channels.

Consumer education.



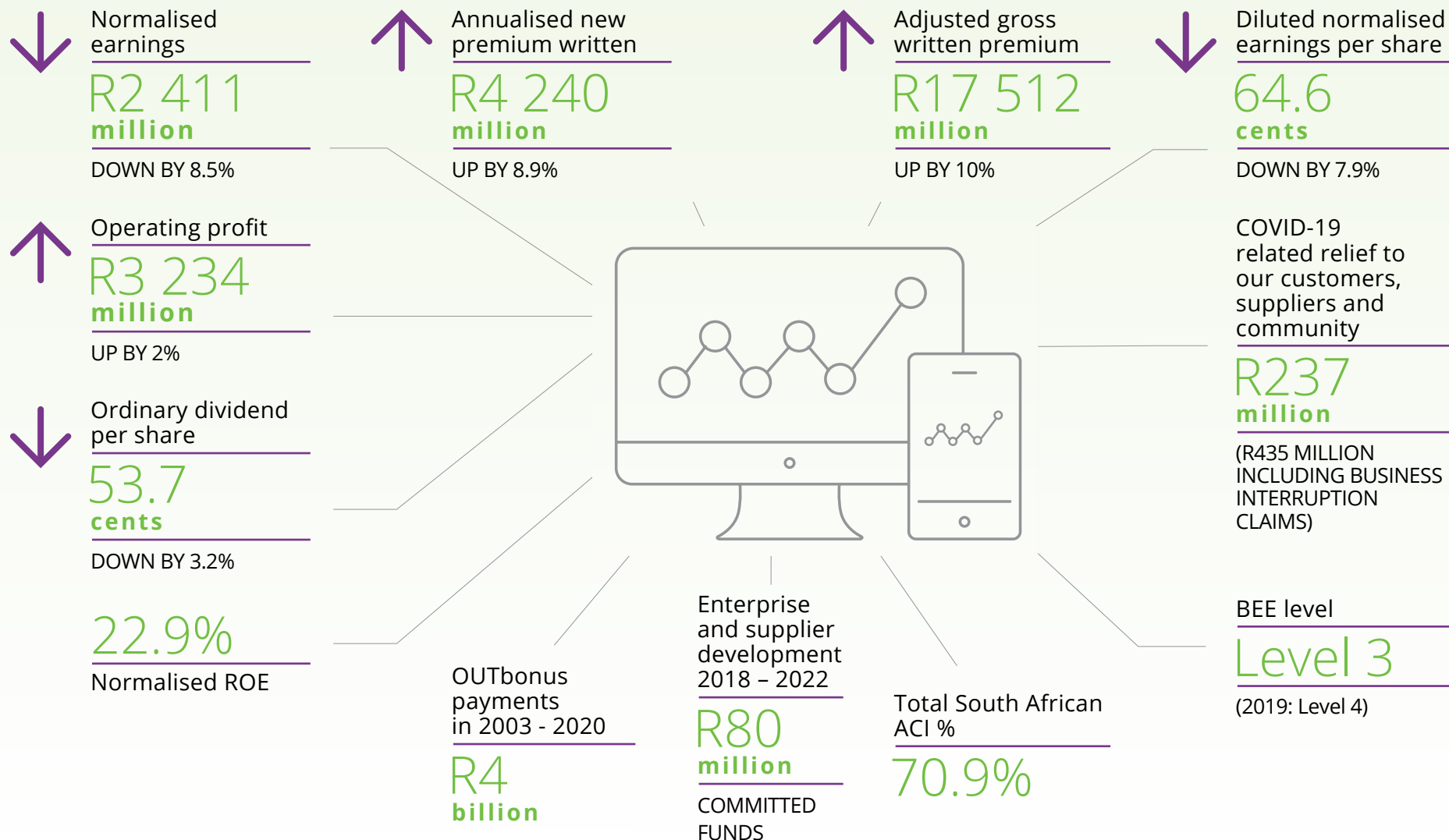
Our communities

As a member of the community, we strive to invest in impactful projects for the betterment of our South African society.

OUR VALUES



How we performed in 2020



Our awards

OUTSURANCE AWARDS

**2019
Pretoria
Readers' Choice
Award**



2019 Sunday Times Top Brands – Consumer



2019 Sunday Times Top Brands – Business



2019 The Loerie Awards



2020 PR Worx Gold Crown of Excellence



2019 African Digital Media Awards – Best Native Advertising Campaign

YOU! AWARDS

2019 Australian HR Awards – Best Health and Wellbeing Program



2019 Australian HR Awards – Highly Commended Best Reward and Recognition Program



2020 Mozo People's Choice – Car and Home Insurance Outstanding Customer Satisfaction



2020 Mozo People's Choice – Car and Home Insurance Outstanding Excellent Customer Service



Executive review

The financial year under review was an extraordinary year in many respects where the Group endured the impact of the once in a lifetime COVID-19 pandemic, in addition to the Australian bushfires and with unusually high natural catastrophe events.

The 2020 financial year challenged our operational resilience and we are proud of the response both Youi and OUTsurance have shown to these events. We thank our colleagues across the Group for stepping up during this unprecedented time and proving that our values driven culture and single-minded focus on delivering exceptional customer experience is the cornerstone of our business. Thank you OUTies and Youiers for what you have done for our customers, our communities and our business during this testing time. Pleasingly, the strong performance of our businesses and financial resilience throughout this crisis has averted the need for any job losses.

Collectively, the Group has delivered pandemic support measures of R237 million. These measures were targeted towards customer relief, supplier relief and charitable activities. In addition to these initiatives, OUTsurance is expected to settle Business Interruption claims in excess of R198 million relating to the loss of income of our customers operating in the tourist and hospitality sectors. Settling these claims aligns with our non-technical claims payment approach and philosophy of treating customers fairly.

Considering the disruptive trading and economic conditions, the Group delivered a satisfactory operational and financial performance for the 2020 financial year. Both OUTsurance and Youi have

invested materially in growth initiatives to profitably grow our market share of a wider insurance market.

We showed progress towards our strategy to grow our product and distribution footprint with OUTsurance's continued expansion of the tied-agent capacity supporting the growth of OUTsurance Business. Our insurance distribution partnership with Shoprite launched in May 2020 with a funeral insurance product offered across Shoprite's retail footprint. Youi entered into an underwriting relationship with Blue Zebra Insurance (BZI). BZI is a broker distribution platform in Australia for personal insurance and in future commercial insurance.

From a product perspective OUTsurance established a pet and motor warranty insurance product in the last year to provide incremental growth opportunities for OUTsurance Personal. OUTvest launched a first of a kind investment fee offering during 2020. The ONEfee is aimed at delivering better investment outcomes for our customers by fixing investment fees. This offering solves the customer pain point of paying higher fees for higher investment balances which is destructive to long-term investment returns.

Youi concluded the sale of the Youi New Zealand insurance book during the year. This disposal allows for further investment and increased resource allocation to pursue growth opportunities in Australia.

The Group delivered gross written premium growth of 8.2%. Excluding the impact of pandemic related premium relief and normalising for the disposal of the Youi New Zealand insurance book, gross written premium grew by 10.0%. Operating profit increased by 2.0% and normalised earnings, which was impacted by unrealised equity losses decreased by 8.5%.

Our management teams pro-actively offered customers premium relief in recognition of reduced driving patterns. Overall, the Group provided R163 million in premium relief between March and June 2020.

This year was characterised by severe catastrophe claims experience in the form of the Australian bushfires, hailstorms as well as floods. In South Africa multiple flood events were suffered towards the end of 2019, mitigated by our reinsurance programs. The extent of reinsurance recoveries in Australia has however resulted in large reinsurance premium increases at a Group level for the next financial year.

The cost-to-income ratios of the Group, Youi and OUTsurance reflect the investments made towards our expansionary channel and product strategies which are delivering stronger top line growth. These investments each have their respective J-curves which are expected to unwind over the next three years.

The digitalisation of our customer processes accelerated during 2020 with the roll-out of various exciting digital service features designed to remove customer pain points and provide customers with choice of engagement. These initiatives will realise future cost benefits with reduced service activities in our contact centres. Delivering on these initiatives does however require upfront investment related to information technology and data analytics. The lockdowns accelerated this digital adoption with step changes observed in the utilisation of various self-service options.

OUTsurance Life endured significant exposure to interest rate volatility since the outbreak of the pandemic. Economically, these effects were largely offset by interest rate hedges. We are comfortable that OUTsurance Life is appropriately reserved for the risk of rising mortality and increased lapse experience related to adverse pandemic scenarios.

Up to the reporting date we have seen sales activity return to levels experienced before the pandemic. Lapse experience has remained acceptable considering the difficult economic climate and the increasing unemployment rate.

Our strategic focus for 2021 will be a continuation of investment towards multi-channel distribution and the delivery of a wider product set to our customers. Our distribution strategies recognise the importance of reaching more customer segments through call-centre, face-to-face and digital channels. This strategy provides us with ample scope for growth in our existing operating markets of South Africa and Australia and offers the opportunity to better diversify our portfolio to be less concentrated in motor insurance.

In addition to Shoprite being a significant catalyst for the growth of OUTsurance Life, this business is building innovative products and technology to partner with independent brokers and an agency

force to enable face-to-face distribution. This will provide a larger footprint for underwritten life products as well as OUTvest's disruptive investment offering.

In conjunction with RMI Holdings, a partnership has been established with the Sampo Group to privatise Hastings, our UK investment. We believe that Hastings is better suited to operating in a private environment which is more conducive to long-term decision making, the delivery of more stable underwriting profits over time and achieving revenue diversity. Sampo is a large and successful Scandinavian financial services group with a long track record of operating leading insurance operations. We look forward to partnering with the Hastings management team and Sampo to build Hastings into a larger and more profitable insurer. The Joint Offer to acquire Hastings is subject to a shareholder vote on 22 September 2020 and subsequent regulatory approval. Together with RMI Holdings, Sampo has agreed to an option to increase our interest in Hastings by 10% at the offer price within 18 months from the completion of the transaction.

With the support from our major shareholder, the Group implemented a new long-term Divisional Incentive Scheme to allow for direct management participation in the value created by the growth and diversification initiatives of OUTsurance and Youi. In addition to management retention, this scheme will strengthen our owner manager culture and promote the long-term strategic plan of the Group. The mechanics of the scheme is elaborated on in the Remuneration Report and Annual Financial Statements.

The world economy is faced with significant economic uncertainty following the damage caused by the pandemic and the unknown future impact thereof. We have serious concerns about the state of the South African economy and the weakening fiscal position of Government finances. We expect the

insurance market to be negatively impacted with low or negative real growth as the car park continues to age and customer affordability is under pressure. The impact on the Australian economy is expected to be less severe although recessionary macro conditions are forecast over the next financial year.

Difficult economic conditions tend to drive increasing insurance shopping patterns as customers become more price elastic and seek value from their insurance arrangements. With our focus on affordability, service and trust, OUTsurance and Youi are well positioned to retain and grow customer volumes during these cycles.

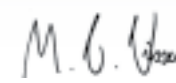
Reducing motor claims frequencies is a continued trend, especially in South Africa where the economic conditions have decreased discretionary miles driven. We expect that claims frequencies will continue to lag historic trends with a continuation of lockdowns and the impact of social distancing. The diversity of our revenue streams towards property, commercial and life insurance is an important long-term objective to offset the impact of increased vehicle safety and autonomy features on premium growth. The increased frequency in weather-related catastrophes we are observing will mitigate the impact of vehicle accident frequency reductions on premium growth.

Operationally our businesses are well positioned to deal with the disruption which could be expected from a protracted pandemic scenario. The Group is in a strong capital position with balance sheets being prudently managed to ensure the necessary resilience to absorb further economic shocks.



Herman Bosman
Chairman

28 August 2020



Marthinus Visser
Group CEO

Our strategy

		OUT SURANCE		youi	
GROWTH STRATEGY	PRODUCT	Delivered in 2020	Looking forward	Delivered in 2020	Looking forward
		- Expansion of the commercial insurance product offering - Launched the Shoprite Funeral product - Launched OUTvest's ONEfee proposition and retirement products - Launched an OUTsurance Motor Warranty offering - Launched Pet Insurance	- Focus on Home insurance product positioning - Focus on scale and viability of new products launched in 2020	Underwriting of the Blue Zebra Insurance (BZI) Personal Lines product	- Launch the BZI commercial insurance product - Focus on Home insurance product positioning - Explore new product opportunities to enable growth and diversify Youi's earnings
	CHANNEL	Expand insurance product range and distribution channels			
		- Expansion of the OUTsurance Business tied-agency force - Distribution partnership with Shoprite	- Establish IFA partnerships for the distribution of OUTsurance Life and OUTvest products - Establish a tied-agency force for OUTsurance Life and OUTvest	Underwriting partnership with BZI which provides access to the Independent Broker market to reach wider market segments and establish a commercial product offering	



OUR PEOPLE

- Provide sustainable work opportunities within a culture which promotes fairness, diversity and inclusion.

OUR CUSTOMERS

- Be the market leader in customer service and the most trusted insurance brand.
- Continue to grow our digital service offering and provide customers with choice of engagement.
- Targeted focus to minimise customer complaints across all customer processes.
- Establish leading technology to service our IFA and independent broker partners.

OUR SUPPLIERS

- Support our supplier network to navigate the impact of the pandemic.
- Enable more diverse and broader market access to our procurement spend by empowering and developing small businesses.
- Continue to expand our Kwande supplier development programme.

OUR TECHNOLOGY

- Focus on the modernisation of our technology platforms as a key enabler to our strategic objectives.

OUR COMMUNITIES

- Invest in impactful community projects to contribute positively to the societies we serve.
- Continue to assist in providing relief related to the Covid-19 pandemic.
- Reduce our carbon footprint and promote responsible environmental decision making within our organisation to combat climate change.

OUR SHAREHOLDERS

- Deliver sustainable and capital efficient financial returns commensurate with the markets in which we operate.

Financial review

Group key performance indicators

The primary results and accompanying commentary are presented on a normalised basis which most appropriately reflects the economic performance of the Group and its operating units. Normalised earnings are specifically adjusted for non-operating items related to the Group's indirect investment in Hastings Group Holdings plc. The profit related to the disposal of the Youi New Zealand insurance book is excluded from headline and normalised earnings. Youi New Zealand's insurance operation is considered a discontinued operation for IFRS reporting purposes.



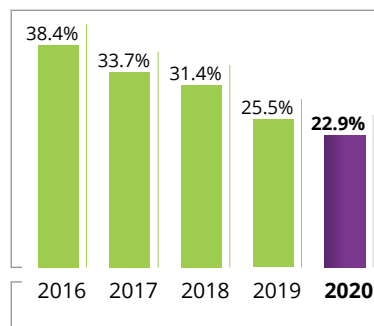
These headline and normalised adjustments are disclosed in the earnings reconciliation on page 20.

ROE

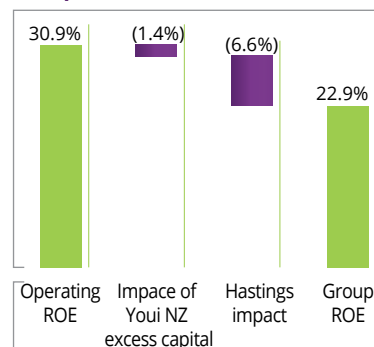
The Group achieved a normalised ROE of 22.9% for the financial year ending 30 June 2020. The lower ROE is associated with the decrease in Group normalised earnings of 8.5%. The lower ROE is attributed to the significant reduction in interest rates and the impact of unrealised equity losses impacting investment returns. The Group targets a ROE of between 25% and 35% which is the primary indicator of shareholder value creation.

The Group's investment in Hastings in 2017 was largely equity funded. This funding approach contributes to the lower ROE profile in recent years.

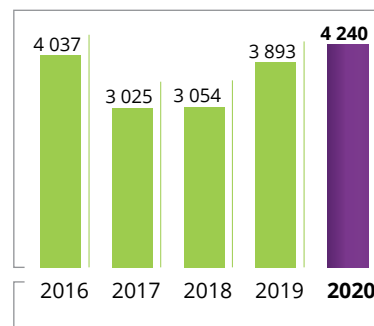
Normalised ROE (%)



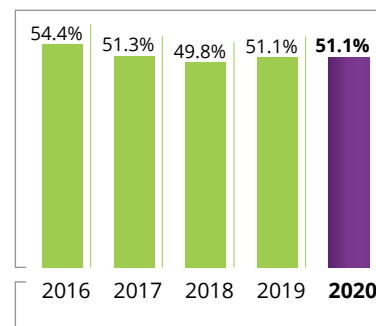
Operational compared to Group ROE (%)



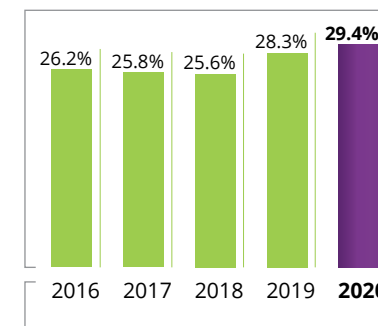
Annualised new business premium written (R'million)



Claims ratio (%)



Cost-to-income ratio (%)



New policy inceptions (measured in terms of annualised premiums)

Annualised new business premium increased by 8.9%. This performance follows a strong new business recovery over the last two years, against a difficult economic backdrop. The higher new business premium is attributed to solid organic growth in the core Personal Lines operations of both OUTsurance and Youi coupled with the positive impact of the channel expansions being the OUTsurance Business tied-agency channel and the Blue Zebra Insurance partnership in Australia.

Claims ratio (short-term insurance operations)

The claims ratio is the key driver of profitability in the Group's short-term insurance operations. For the year under review, the Group achieved a claims ratio of 51.1%, unchanged from the prior year. Youi's material natural perils losses were partially offset by the positive impact of lower claims frequencies over the last quarter.

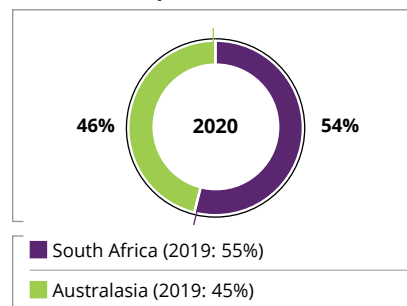
Cost-to-income ratio

The cost-to-income ratio is the primary measure of the Group's operational efficiency. The largest contributors to the Group's cost base are acquisition and call centre related costs. We deem acquisition costs as largely discretionary with spend varying based on the opportunity and cost of writing new business during insurance cycles.

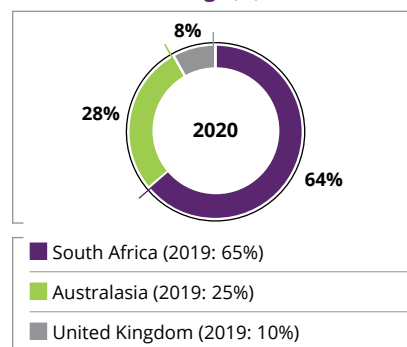
Youi has made significant investments in marketing and call centre capacity over the last two years to which the growth recovery is attributed.

Diversification of premium revenue and earnings

Gross written premium (%)

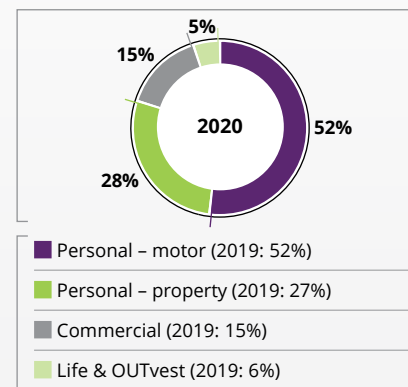


Normalised earnings (%)

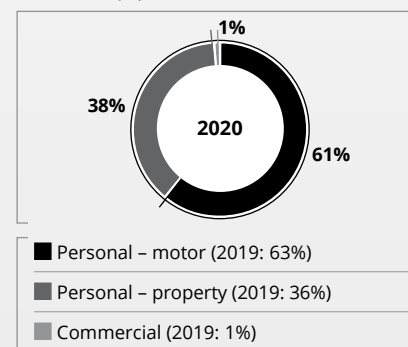


Diversification of premium revenue by product

South Africa (%)



Australia (%)



The Group's growth strategy is underpinned by the introduction of new distribution channels and a wider insurance product set. This expansionary strategy has contributed to the increase in the Group cost-to-income ratio over the last two financial years.

Despite the growth in new business volumes, average premium inflation on insured vehicles remains a challenge for the cost-to-income ratio in both South Africa and Australia. The near-term outlook for motor premium inflation is low to negative as claims frequencies continue to be impacted by the COVID-19 pandemic combined with the difficult economic conditions in South Africa.

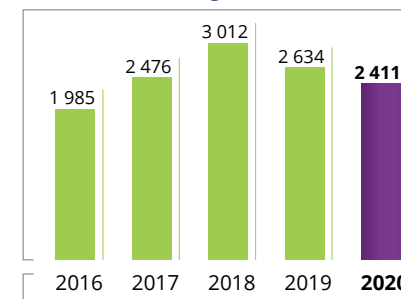
The higher absolute cost contribution by Youi and the deterioration in the AUD / ZAR is a further factor contributing to the higher Group cost-to-income ratio for the 2020 financial year.

Overview of results

The Group's operating profit improved by 2.0% for the year under review driven by the improved operational profitability of OUTsurance on account of premium growth over the last year. The weaker AUD / ZAR exchange rate reduced the consolidated impact of the lower Youi operating profit.

The Group's normalised earnings decreased by 8.5% to R2 411 million. The primary drivers for the lower result are the unrealised investment losses on the Group's equity portfolio combined with lower associate earnings from the investment in Hastings.

Normalised earnings (R'million)



Group key financial ratios

The key financial outcomes of the Group are presented below:

R'million	2020	2019	% change
Gross written premium ⁴	17 455	16 135	8.2%
Adjusted gross written premium (before COVID-19 discount and Youi New Zealand) ¹	17 512	15 906	10.0%
Net earned premium ⁵	16 178	15 063	7.4%
Operating profit ⁶	3 234	3 173	2.0%
Normalised earnings	2 411	2 634	(8.5%)
Normalised ROE (%) ²	22.9%	25.5%	
Normalised earnings per share (cents)	64.6	70.2	(8.0%)
Diluted normalised earnings per share (cents)	64.6	70.1	(7.9%)
Dividend declared per share (cents)	53.7	55.5	(3.2%)
Special dividend per share	–	12.0	
Claims ratio (including non-claims bonuses) (%)	51.1%	51.1%	
Cost-to-income ratio (%)	29.4%	28.3%	
Combined ratio ³ (%)	81.6%	80.9%	

¹ Excluding Youi New Zealand and before COVID-19 related premium discounts. This disclosure is illustrative and does not impact normalised earnings.

² Attributable to ordinary shareholders.

³ After profit share distributions paid to FirstRand Limited.

⁴ Includes gross written premium related to the New Zealand discontinued operations of R106 million (2019: R229 million).

⁵ Includes net earned premium from the New Zealand discontinued operations of R25 million (2019: R51 million).

⁶ Includes operating profit from the New Zealand discontinued operations of R2 million (2019: R9 million).

Financial review *continued*

Sources of operating profit and normalised earnings

The various operating entities contributed to the Group operating profit as follows:

R'million	2020	2019	% change
OUTsurance ¹	2 275	2 127	7.0%
OUTsurance Life	6	68	(91.2%)
Youi Group	970	1 004	(3.4%)
Central and new business development	(17)	(26)	34.6%
Operating profit	3 234	3 173	2.0%

¹ This includes OUTsurance Business, OUTsurance Personal and OUTsurance Central costs.

The various operating entities contributed to the Group normalised earnings as follows:

R'million	2020	2019	% change
OUTsurance	1 669	1 812	(7.9%)
OUTsurance Life	14	80	(82.5%)
Youi Group	678	673	0.3%
Central and new business development ¹	(152)	(168)	(9.5%)
Earnings from associates	202	237	(14.8%)
Normalised earnings	2 411	2 634	(8.5%)

¹ Includes consolidation entries, profit and losses generated by non-operating entities and new business development expenditure incurred across the Southern African Group. New business development expenditure includes the start-up loss of OUTvest and various research and development projects independent to the Group's core underwriting activities.

Business unit performance

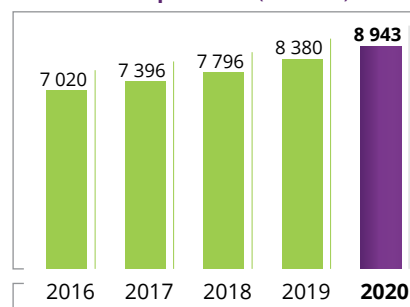
OUTsurance

OUTsurance delivered an acceptable operational and financial performance considering the difficult economic environment brought about by the pandemic and the recessionary economic circumstances in South Africa. A material investment is being made into the expansion of the tied-agency force of OUTsurance Business.

Operating profit increased by 7.0% to R2 275 million and headline earnings decreased by 7.9% to R1 669 million. The lower headline earnings result is largely attributed to unrealised losses on the equity portfolio over the 2020 financial year which was exacerbated by the impact of the pandemic.

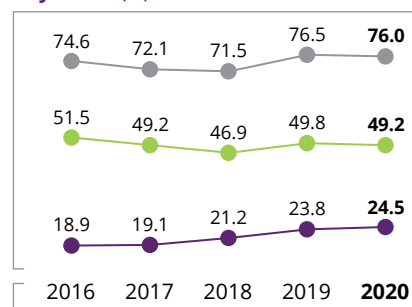
As part of the COVID-19 relief efforts OUTsurance granted R86 million in premium discounts to recognise the reduced driving of policyholders during the lockdown period. Including and excluding this discount, OUTsurance grew gross written premium by 5.7% and 6.7% respectively.

Gross written premium (R'million)



Before COVID-19 premium discounts

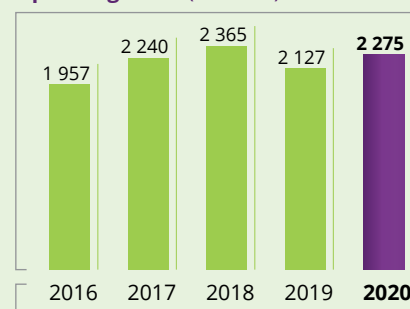
Key ratios (%)



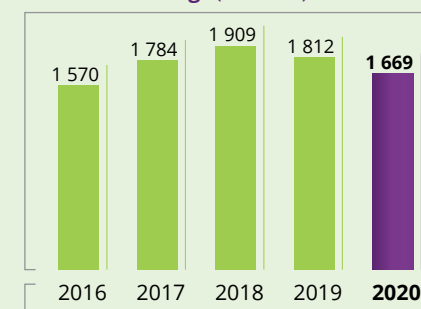
● Combined ratio (including profit shares)
 ● Claims ratio
 ● Cost-to-income ratio

Financial review *continued*

Operating Profit (R'million)



Headline earnings (R'million)



The claims ratio decreased from 49.8% to 49.2%. The lower claims ratio is attributed to the impact of reduced motor accident claims frequencies during the lockdown period. At 30 June 2020 OUTsurance incurred a total of R198 million in Business Interruption claims on policies with the Tourist Attraction extension.

The increase in the cost-to-income ratio is largely attributed to the rapid expansion in the OUTsurance Business tied-agent force whilst OUTsurance Personal delivered a decrease in its cost-to income ratio.

OUTsurance – key performance indicators

R'million	2020	2019	% change
Gross written premium	8 856	8 380	5.7%
Gross written premium (before COVID-19 discounts)	8 943	8 380	6.7%
Net earned premium	8 723	8 242	5.8%
Operating profit	2 275	2 127	7.0%
Headline earnings	1 669	1 812	(7.9%)
Claims ratio (including bonuses) (%)	49.2%	49.8%	
Accident year claims ratio (%)	52.1%	51.2%	
Prior year development (%)	(2.9%)	(1.4%)	
Cost-to-income ratio (%)	24.5%	23.8%	
Combined ratio (%) ¹	76.0%	76.5%	

¹ After profit share distributions paid to FirstRand Limited.

Financial review *continued*

The operating segments contributing to the OUTsurance operating result are OUTsurance Personal and OUTsurance Business. OUTsurance Personal includes the results of the FirstRand Homeowners book. The results of these segments are analysed below.

OUTsurance Personal – key performance indicators

R'million	2020	2019	% change
Gross written premium	7 343	7 055	4.1%
Gross written premium (before COVID-19 discounts)	7 416	7 055	5.2%
Net earned premium	7 238	6 941	4.3%
Operating profit	2 296	1 970	16.5%
Claims ratio (including bonuses) (%)	46.4%	49.3%	
Cost-to-income ratio (%)	21.3%	21.4%	
Combined ratio (%) ¹	70.0%	74.1%	

¹ After profit share distributions paid to FirstRand Limited.

Ignoring Covid-19 premium discounts, OUTsurance Personal delivered a 5.2% increase in gross written premium driven by growth in customer numbers. Excluding the FirstRand Homeowners arrangement, gross written premium grew by 5.5%. Annualised new business premium written decreased by 3.8% on account of the significant reduction in new business volumes during the initial period of the lockdown. Motor premium inflation continues to remain low and is being affected by the lower claims frequencies associated with the pandemic.

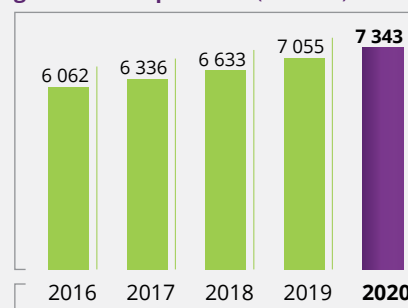
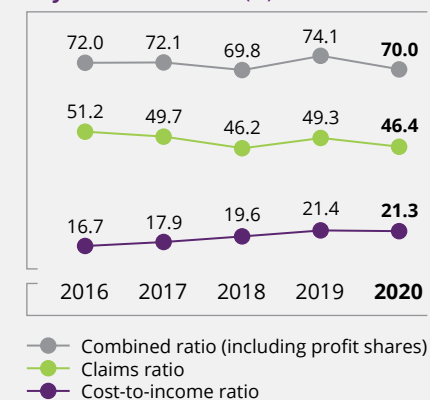
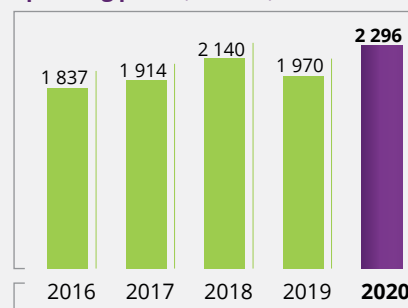
The claims ratio decreased from 49.3% to 46.4% largely on account of the reduction in motor claims costs over the last quarter. A large component of the lower claims cost was offset by temporary premium discounts granted to customers in recognition of reduced driving patterns during the early part of the lockdown. Compared to the prior year, OUTsurance incurred higher natural perils claims related to catastrophe events and power surge and dip claims linked to electricity load-shedding.

The cost-to-income ratio decreased from 21.4% to 21.3% despite the business continuity costs and community initiatives related to the pandemic. This reduction is attributed to premium growth over the last year coupled with lower acquisition costs.

The future direction of the cost-to-income ratio will be influenced by the level of motor premium inflation and the opportunity to profitably write new business.

OUTsurance Personal generated an operating profit of R2 296 million which is 16.5% higher than 2019. This increase in operating profit is attributed to the lower claims and cost-to-income ratios.

The graph shows the recent history of gross written premium generated by OUTsurance Personal.

OUTsurance Personal – gross written premium (R'million)

Key ratios – Personal (%)

OUTsurance Personal – operating profit (R'million)


OUTsurance Business

The key performance indicators of OUTsurance Business are presented below:

R'million	2020	2019	% change
Gross written premium	1 513	1 325	14.2%
Gross written premium (before COVID-19 discounts)	1 527	1 325	15.2%
Net earned premium	1 485	1 301	14.1%
Operating profit	35	197	(82.2%)
Claims ratio (including bonuses) (%)	63.1%	52.5%	
Cost-to-income ratio (%)	36.2%	33.8%	
Combined ratio (%) ¹	99.3%	86.3%	

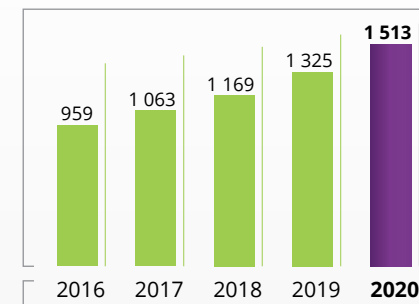
OUTsurance Business delivered strong premium growth of 15.2% (before COVID-19 discounts), despite a significant reduction in new business volumes during the initial lockdown period. Premium growth is largely attributed to an increased sales footprint.

The increase in the claims ratio from 52.5% to 63.1% is largely attributed to the settlement of Business Interruption claims with the Tourist Attraction Loss extension. At 30 June 2020, the total claims paid and provided for stood at R198 million.

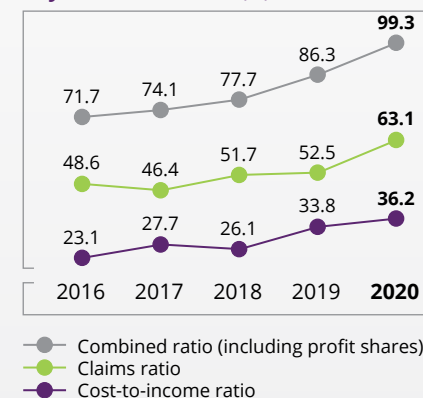
The increase in the cost-to-income from 33.8% to 36.2% is attributed to the expansion of the tied-agency force and is in line with business plan expectations.

Inclusive of the Business Interruption claims, the tied agent channel incurred an operating loss of R306 million for the year which compares to a loss of R135 million in the prior financial year.

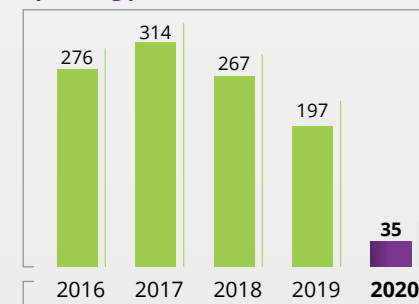
OUTsurance Business – gross written premium (R'million)



Key ratios – Business (%)



OUTsurance Business – operating profit (R'million)



Youi – Australia

Notwithstanding the impact of the devastating bushfires and various large hail and flood catastrophes, Youi delivered a satisfactory operational and financial performance for the financial year ended 30 June 2020.

Youi Australia – key performance indicators

	2020	2019	% change
Rand (R'million)			
Gross written premium	7 942	7 023	13.1%
Gross written premium (before COVID-19 premium discounts)	8 018	7 023	14.2%
Net earned premium	6 926	6 309	9.8%
Operating profit	949	992	(4.3%)
Headline earnings	647	686	(5.7%)
Australian Dollars (\$'million)			
Gross written premium	754	695	8.5%
Gross written premium (before COVID-19 premium discounts)	761	695	9.5%
Net earned premium	657	624	5.3%
Operating profit	90	98	(8.2%)
Headline earnings	61	68	(10.3%)
Ratios			
Claims ratio (%)	53.8%	54.0%	
Accident year claims ratio (%)	55.8%	56.1%	
Prior year development (%)	(2.0%)	(2.1%)	
Cost-to-income ratio (%) ¹	33.6%	31.8%	
Combined ratio (%)	87.4%	85.8%	
AUD / ZAR exchange rate			
– Closing	11.96	9.88	21.1%
– Average	10.54	10.11	4.3%

¹ Excluding once-off operational loss item in FY 2019.

The key highlight of Youi's performance is the continued recovery in premium growth driven by solid organic growth in the core personal lines operation coupled with the contribution of the Blue Zebra Insurance partnership launched in March 2020. Ignoring the impact of COVID-19 premium discounts, Youi grew gross written premiums by 14.2% when measured in Rand and 9.5% in Australian Dollars. New business premium written increased by a strong 32% in Australian Dollars. As part of the COVID-19 relief efforts Youi granted R76 million in premium discounts to recognise the lower driving patterns of policyholders during the lockdown period.

The differential in the growth rates in Youi's gross versus net premium is associated with the accelerated growth profile of the business in the second half of the financial year and the annual nature of its insurance contracts.

Motor premium inflation remained in the low single digits with the home insurance book showing increased momentum following the impact of the natural events in 2019 and 2020. Youi's growth is therefore mostly as a result of volume growth.

Youi incurred a total of A\$180 million in gross catastrophe claims in 2020 with the bushfire events contributing A\$43 million. After allowing for reinsurance, the net loss retained for these catastrophe events in 2020 was A\$61 million. During the second half of the financial year, Youi's claims benefitted from the lower motor claims frequencies experienced since the

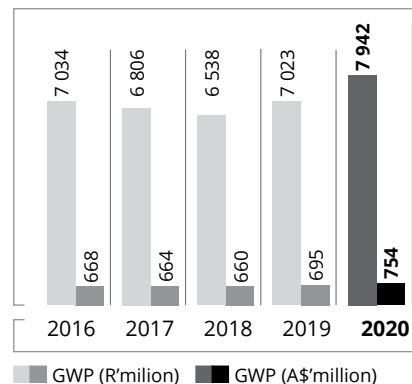
outbreak of the pandemic. Youi delivered a claims ratio of 53.8% for the year which is marginally lower than the prior financial year.

The extent of reinsurance recoveries has resulted in a significant increase in reinsurance costs for the next financial year.

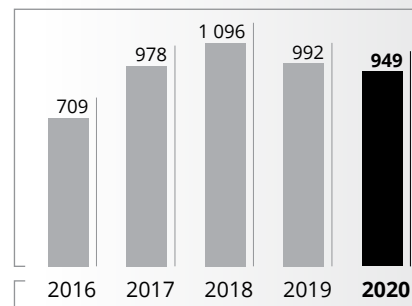
During 2020 Youi continued to expand its marketing activities to drive organic growth. The acceleration in support costs and sales capacity made since 2019 stabilised in the current financial year. These factors in addition to costs associated with product and channel expansion contributed to the increase in the cost-to-income ratio from 31.8% to 33.6%. Youi realised a combined ratio of 87.4% for the year compared to 85.8% in 2019.

Youi delivered an operating profit of R949 million which is 4.3% lower than the prior financial year. This lower outcome is attributed to the impact of natural catastrophe events and the increased cost-to-income ratio.

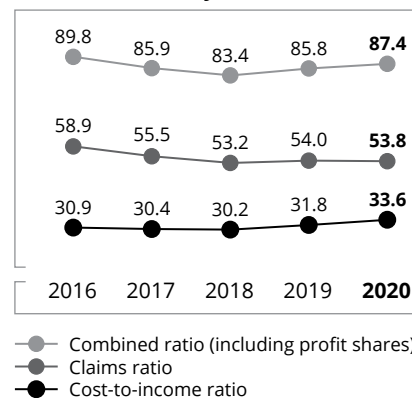
Youi Australia – gross written premium



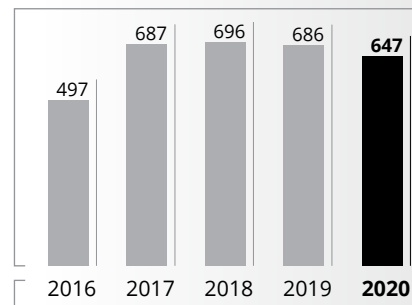
Youi Australia – operating profit (R'million)



Youi Australia – key ratios (%)



Youi Australia – headline earnings (R'million)



Financial review *continued*

OUTsurance Life

The volatile interest rate environment coupled with COVID-19 specific policyholder liability adjustments contributed to a challenging financial result for OUTsurance Life.

Despite the economic set-off provided by the asset-liability matching approach, yield curve volatility, especially at longer durations, impacted reported results negatively due to the impact of zeroing negative rand reserves. The policyholder liability was increased by R37 million to allow for a prudent estimate relating to increased mortality, retrenchment claims and adverse lapse experience associated with pandemic scenarios.

An unrealised loss movement of R33 million related to the shareholders' equity portfolio, further weighed on the headline earnings result of OUTsurance Life.

From an operational perspective, the new business and lapse experience proved to be resilient in the context of the difficult economic conditions.

OUTsurance Life continued to invest in the establishment of its Funeral insurance product as well as the activation of the new Shoprite distribution relationship during May 2020.

Gross written premiums grew by 9.5%, benefitting from the contribution of the Funeral product sales.

OUTsurance Life – key performance indicators

R'million	2020	2019	% change
Gross written premium	551	503	9.5%
Operating profit	6	68	(91.2%)
Headline earnings	14	80	(82.5%)
Embedded value ¹	1 194	1 200	(0.1%)

¹ The Embedded Value decreased by 0.1% to 1 194 million with the value of the in-force book increasing by 10%. This reduction in the Embedded Value is largely attributed to a special dividend payment during the course of the financial year coupled with the lower profitability in 2020. The calculation basis for the Embedded value was amended during the financial year. The new methodology is outlined in the Embedded Value analysis provided on page 76.

OUTsurance Namibia

OUTsurance Namibia's headline earnings decreased by 3.3% to R29 million. Gross written premiums declined by 7.9% owing to a difficult economic environment impacting new business volumes. Profitability was further impacted by a higher cost-to-income ratio attributed to increased sales costs following the establishment of a dedicated call centre in Namibia.

R'million	2020	2019	% change
Gross written premium	164	178	(7.9%)
Net earned premium	160	167	(4.2%)
Headline earnings	29	30	(3.3%)
Claims ratio (%)	48.7%	51.1%	

Earning from associates

The Group owns an indirect interest of 14.7% in Hastings Group Holdings plc (Hastings). The Group owns its interest in Hastings through a 49% interest in Main Street 1353 (Pty) Ltd (Main Street), a subsidiary of RMI Holdings.

Hastings delivered a strong set of interim results (January 2020 to June 2020) with net profit after tax increasing by 43% to £54.8 million. Despite the low inflationary environment, gross written premium grew by 3% on the back of a 5% increase in the in-force book to 2.96 million policies. The claims ratio of 75.6% reverted to the target range of 75% to 79% and benefitted from lower motor claims frequencies related to the lockdown period in the United

Kingdom. Despite the improvement in Hastings' earnings, the lower earnings result for the period July 2019 to December 2019 has resulted in a lower earnings contribution from Hastings for the Group's financial year ended 30 June 2020. Hastings released its interim results for the six months ended 30 June 2020, on 5 August 2020. Refer to www.hastingsplc.com for further details. Refer to the Executive Review for a description of corporate action related to our investment in Hastings.

The Group holds minority interests in CoreShares Holdings and AutoGuru Australia which are also accounted for as associates.

The table below sets out the normalised earnings from associates:

R'million	2020	2019	% change
Main Street	117	164	(28.0%)
Share of Hastings earnings (14.7%)	175	211	(16.6%)
Interest on debt funding	(72)	(45)	26.7%
Other ¹	14	(2)	(50.0%)
OUTsurance Namibia and other associates	6	(7)	(>100%)
Total equity accounted earnings from associates	123	157	(21.7%)
Normalised adjustments relating to Hastings ¹	79	80	(1.3%)
Total normalised earnings from associates	202	237	(14.8%)
GBP / ZAR average exchange rate	19.84	18.25	8.7%

¹ Corporate costs related to Main Street 1353.

Balance sheet management

The Group maintains a conservative investment approach to allow for an appropriate level of capital protection, liquidity and capital optimisation which is commensurate with the operations and profile of an insurance group. The Group's investment in equities is calibrated to take advantage of increased capital diversification benefits allowed for in the prudential regulatory standards. The Group actively seeks to diversify concentrated credit exposures.

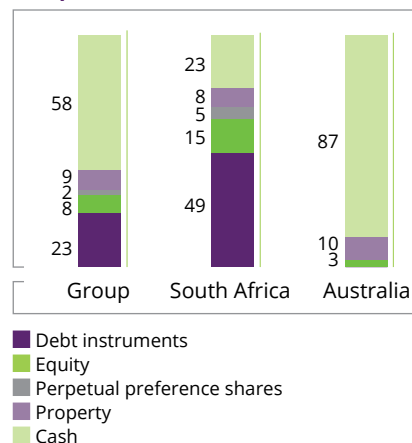
The Groups' equity investments comprise of passive indices in the JSE Top 50 index as well as the ASX 300. Equity investments (excluding the Group's investment in Hastings) comprise 8% of the total investable assets of the Group.

The interest rate risk embedded in the policyholder liability of the life insurance operation is largely hedged through interest rate derivatives and zero-coupon bond structures. This approach reduces the economic risk associated with the pricing approach for long-term policies, provides capital efficiency and reduces earnings volatility.

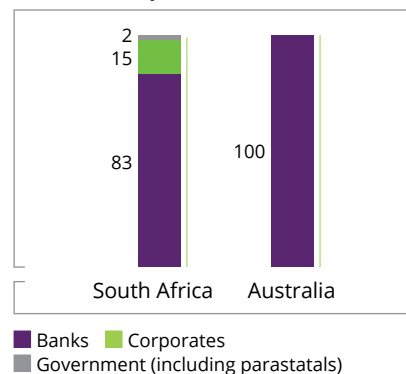
Composition of investable assets

The graphs below illustrate the composition of Group's investable assets and credit exposures.

Composition of investable assets (%)



Credit risk exposure (%)



Capital position

The Group's capital position has remained resilient throughout the COVID-19 pandemic. At 30 June 2020, the Group and its operating entities were trading from strong capital positions.

The Solvency Coverage Ratios for the Group and South African regulated entities are presented based on the Financial Insurance Standards. The ratios for the Youi entities and OUTsurance Namibia are based on the local prudential regulatory requirements.

The table below shows the solvency position of the Group and its licensed operations at 30 June 2020.

Solvency coverage ratio	June 2020	June 2019	Target
Group	2.5	2.4	1.4
Short-term insurance			
OUTsurance	1.9	2.3	1.2
OUTsurance Namibia	2.3	2.1	1.2
Youi Group	3.5	4.5	2.0
Long-term insurance			
OUTsurance Life	3.0	3.2	1.5

The reduction in the OUTsurance SCR ratio is associated with a special dividend payment during the 2020 financial year. The decrease in the Youi Group's SCR is associated with the redemption of Tier II capital instruments.

The Group accounts for its 14.7% interest in Hastings as an equity investment when consolidated in the Group regulatory own funds and solvency requirement.

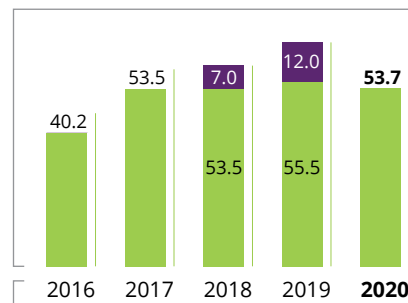
A large component of the Youi Group capital surplus is associated with the release of capital after the disposal of the Youi New Zealand insurance book in December 2019. Pursuant to Mr Howard Aron's retirement from the Youi Holdings board as a non-executive director, Youi Holdings has entered into an agreement to acquire Mr Aron's 5.1% interest held in the company over the next 18 months. The acquisition, which is subject to regulatory approval, will result in a material decrease in the current capital surplus of the Youi Holdings Group.

Dividends

The Group declared a final dividend of 29.0 cents per ordinary share resulting in a full year ordinary dividend per share of 53.7 cents or 3.2% lower than the 2019 dividend. This reduction compares to the 8.5% reduction in Group normalised earnings and a 2% increase in operating profit. The weaker Rand contributed to the higher Rand denominated final dividend received by Youi. The Group dividend has been negatively impacted by a lower final dividend paid by Hastings and a suspension of the OUTsurance Life ordinary dividend following significantly lower earnings and macro uncertainty related to the pandemic.

The Group's dividend payment strategy is considered with reference to the maintenance of the targeted regulatory capital of the various operating entities and the allowance for capital retention to fund organic growth initiatives. Considering the uncertain macroeconomic environment associated with the COVID-19 pandemic and the South African economy, the balance sheets of the Group and its entities are being prudently managed to ensure the necessary financial resilience to absorb financial shocks.

Dividend history (cents per share)



■ Ordinary dividend ■ Special dividend

Jan Hofmeyr
 Group CFO

28 August 2020

Financial review *continued*

Earnings reconciliation

Group headline and normalised earnings reconciliation

R'million	June 2020	June 2019	% change	June 2018
IFRS profit attributable to equity holders	2 540	2 182	(16.4%)	2 964
Non-controlling interest	(122)	(82)	(48.8%)	(56)
IFRS earnings attributable to ordinary shareholders	2 418	2 100	(15.1%)	2 908
<i>Adjusted for:</i>				
Impairment of available-for-sale reserve	-	-		23
Impairment of investment in associate	3	450		-
Profit on sale of Youi New Zealand insurance book	(103)	-		-
Minority share of sale of insurance book	15	-		-
Loss on disposal of property and equipment	1	7		-
Gain on dilution of equity accounted investment	7	-		-
Tax effect of headline earnings adjustments	-	(2)		(4)
Headline earnings	2 341	2 555	(8.4%)	2 933
<i>Adjusted for:</i>				
Amortisation of intangible assets related to Main Street 1353 ¹	70	79		79
Normalised earnings	2 411	2 634	(8.5%)	3 012
Normalised earnings per share (cents) ²	64.6	70.2		80.1
Diluted normalised earnings per share (cents) ³	64.6	70.1		76.7

¹ As part of the purchase price allocation of Main Street's investment in Hastings, intangible assets were recognised associated with the customer list of the entity. This intangible asset is amortised over a period of five years. Included in this amount is Main Street's equity accounted share of intangible asset amortisation as accounted for in the consolidated statement of comprehensive income of Hastings.

² Normalised earnings per share is calculated as a weighted average number of shares of 3 730 904 357 (2019: 3 751 288 272).

³ Diluted earnings per share is calculated using a diluted weighted average number of shares of 3 732 021 837 (2019: 3 757 229 828).

Five year financial review

	2020	2019	2018	2017	2016
Statement of profit or loss and other comprehensive income – IFRS					
Gross written premium (Rm)	17 455	16 135	15 027	14 908	14 754
Underwriting result (Rm) ¹	2 974	2 881	3 217	2 954	2 328
Profit before tax (Rm) ⁴	3 528	3 246	4 072	4 331	2 913
Headline earnings attributable to ordinary shareholders (Rm)	2 341	2 555	2 933	3 223	1 985
Earnings attributable to ordinary shareholders (Rm)	2 418	2 100	2 908	3 212	1 983
Earnings per share (cents)					
– Basic	64.8	56.0	77.3	85.4	56.9
– Diluted	64.8	55.9	74.0	82.6	54.7
Headline earnings per share (cents)					
– Basic	62.8	68.1	78.0	85.7	57.0
– Diluted	62.7	68.0	74.6	82.9	54.7
Dividend declared per share (cents)	53.7	55.5	53.5	40.2	36.0
Special dividend declared per share (cents)	–	12.0	7.0	–	–
Statement of financial position – IFRS					
Total assets (Rm)	23 311	19 949	19 503	18 165	14 716
Total equity (Rm)	11 486	10 978	11 144	9 824	5 896
Average equity attributable to ordinary shareholders (Rm)	10 992	11 061	10 466	7 601	5 170
Key ratios					
Claims ratio (including non-claims bonuses) (%)	51.1%	51.1%	49.8%	51.3%	54.4%
Cost-to-income ratio (%)	29.4%	28.3%	25.6%	25.8%	26.2%
Combined ratio (%)	81.6%	80.9%	77.3%	79.0%	82.7%
Normalised results					
Normalised gross written premium (Rm) ³	17 512	15 906	15 027	14 908	14 754
Normalised earnings (Rm)	2 411	2 634	3 012	2 476	1 985
Normalised earnings per share (cents)					
– Basic	64.6	70.2	80.1	65.8	57.0
– Diluted	64.6	70.1	76.7	63.3	54.7
Normalised return on equity (%) ²	22.9%	25.5%	31.4%	33.7%	38.4%

¹ After taking into account profit share distributions.

² Attributable to ordinary shareholders and calculated based on average normalised equity.

³ Excludes Youi New Zealand and COVID-19 related premium discounts.

⁴ This includes the profit from the discontinued operation of R104 million.

Risk management

Risk management is fundamental in the successful execution of the business strategy and it is a cornerstone of our corporate culture. It enables us to deliver on our purpose to “disrupt, simplify and serve”.

Risk governance

The Board-approved Group Risk Management Strategy and Framework (GRMS) forms the foundation of the Group’s risk management system and processes.

The risk management system includes various strategies, policies and procedures for identifying, assessing, monitoring, mitigating, managing and reporting of all current and emerging material risks to which the companies and Group may be exposed and might affect our ability to meet our obligations to policyholders.

The Group Chief Risk Officer (CRO) has an independent line of accountability to the Board through the Board’s ARC Committee. The main function of the CRO role is to assist the Board to maintain an effective group-wide risk governance framework. This includes the GRMS, the Risk Culture, the Risk Appetite and capital, solvency and liquidity needs. The risk governance processes are supported by the other internal control functions and the Youi CRO and the Youi risk and compliance team.

The Board, senior management and the risk management department work with the business risk owners with a view to ensure that risk management is embedded in all operations whilst managing the group of companies in terms of the business strategy and goals. This approach is key to an effective risk management system and practices and also to ensure that risks are managed in line with the Board-approved risk appetite.

Regular risk management reports inform the Board and its committees as well as senior management and risk owners about the risk profile of the respective insurers as well as the Group.

Risk appetite

A business profits from taking desired risks but will only generate a sustainable profit from its activities if the risks are adequately managed and controlled to avoid or minimise the impact of adverse outcomes.

Risk appetite is the nature and level of risk that the Board is willing to accept in the pursuit of business objectives and strategic plans.

A Board approved risk appetite statement is in place and reporting to the Board on the risk profile with reference to the agreed risk appetite enables the Board to assess whether risk taking is within acceptable boundaries.

Risk culture

Our risk culture is defined as “the system of values and norms of behaviour that influence decisions and actions of staff and their ability to identify, understand and act on the risks that the Group face, to make educated risk-related decisions on a consistent basis within the risk appetite and ultimately achieve the strategic goals and objectives of the Group. It is values based and ethics driven”.

In this culture, the tone is set from the top. Leadership communication is crucial to ensure that our purpose, values, acceptable behaviour and risk appetite is communicated and understood. Enablers, such as policies, processes, procedures, guidelines and training serve to reinforce and support the leadership message communicated around the desired risk culture.

Our conduct, behaviours, relationships and various business and performance results are indicators of the culture. Annual risk culture surveys and key risk indicators assessments are conducted to assess the state of the culture measured against the Risk Culture Framework.

Material risks

The main risk classes used to categorise risks in our Risk Classification System are the Strategic, Financial, Operational and Compliance risk classes. Through robust risk management practices across the business, risk owners and the risk management function join forces to maintain risk registers for the Group, as well as for each of the

entities in the Group. Appropriate action plans and tasks are developed in response to identified risks. Challenge and review processes are undertaken by the CROs.

The main risks are summarised below in no particular order:

	CONTEXT AND IMPACT	MITIGATION
REPUTATIONAL RISK	Our brand and reputation are important to us. Stakeholders should associate our name with a credible, long-term sustainable and trustworthy insurance group where they always get something out. In a group of companies there is the risk of brand contagion where an event relating to one entity may affect other entities in the Group.	We have a corporate value of providing awesome service to our customers and this remains a focus area where we seek continuous improvement as it is key to our efforts to protect our reputation. Behaviour and processes that can harm our reputation and credibility are closely monitored and managed across the business.
PANDEMIC RISK	Pandemic risk manifested in 2019-2020 in COVID-19 as a global threat. Its impact cuts across virtually all aspects of the environment we operate in and our business operations.	Our Pandemic and Response Plans as well as a variety of protocols and measures designed to protect all our stakeholders are in place, continuously updated and improved. We remain nimble as we continue to monitor and respond appropriately.
DIGITAL SOLUTIONS AND COMMUNICATIONS RISK	Various risks are associated with a digital transformation and communication strategy, including those linked to stable and safe platforms and service as well as maintaining alignment with customer expectations and needs.	The risk is mitigated through a Digital Roadmap, the Strategic Committee's agenda and focus, a Digital Forum and dedicated specialist resources.
INADEQUATE TRANSFORMATION OUTCOMES	Our endeavours to build a proudly South African transformed business may show inadequate or unsatisfactory progress to internal and external stakeholders for various reasons.	This is a strategic agenda point for senior management and the Board, driven through the relevant governance structures and a dedicated Transformation department. A Transformation plan drives the desired processes, ongoing monitoring of reviewed goals and dedicated focus.
CYBER AND INFORMATION SECURITY RISK	There are various risks linked to cyber risks, data protection, information technology, our networks and our business operating systems.	We have numerous policies, processes and systems in place to ensure the continuity and stability of our information technology systems, recovery in a possible disaster situation, the security of data and that of our operating systems and are aligned with business objectives and strategy.

Risk management *continued*

	CONTEXT AND IMPACT	MITIGATION
ECONOMIC RISK	Poor economic conditions may result in less favourable business conditions leading to spending cuts and cancellation of policies or smaller investments.	We endeavour to offer value for money products and to retain our customers. Our scientific underwriting model which is based on the risk profile of each customer, ensures that we offer appropriate premiums.
REGULATORY COMPLIANCE RISK	Regulatory compliance describes the goal to ensure that we are aware of and take reasonable steps to comply with the relevant laws and regulations. Regulatory changes also impact business processes, procedures, increase costs.	Training and awareness programmes are provided. Our governance processes are pro-active in identifying and acting on legislative changes. Compliance consultations and assessments of our business practices and processes support other efforts.
MARKET CONDUCT RISK	Market conduct risks are managed to ensure good and fair customer outcomes. Placing the client's best interest at the heart of everything we do has always been part of our corporate culture.	We carefully identify and monitor any possible conduct risk or behaviour which is not aligned with the principles of Treating Customers Fairly (TCF). Reporting on such risks is in place as well as a TCF Forum. Processes and procedures to support TCF outcomes are embedded in our operations. Leadership from the top enables a risk aware culture and good customer outcomes.
OPERATIONAL RISK	Operational risk refers to the exposure to potential losses caused by internal shortcomings and / or failures of processes, people and systems. Internal shortcomings include errors and fraud. Operational and business continuity risks resulting from prolonged electricity interruptions or Eskom failures remain a concern.	These risks are managed through various processes and procedures to identify, mitigate and report on operational risks. The internal control environment is subject to reviews by the control functions. The three lines of defence of our combined assurance activities are key to mitigating these risks. Robust business continuity and disaster recovery plans are in place with back-up generators and increased usage of solar panels.
FINANCIAL SYSTEM FAILURE AND DETERIORATING CREDIT QUALITY RISKS	The risks of financial system failures, sovereign downgrades and the current credit environment may have a negative impact on business.	Our businesses are well capitalised and we have diversified investments. We have documented investment, capital management and liquidity policies and governance structures to ensure sound management and internal controls.
DISRUPTIVE TECHNOLOGY AND COMPETITOR RISK	Disruptive technology, which include trends and changes in the industry or in business in general can adversely affect us if we do not evolve and innovate. An example is self-driving vehicles. Changes in the competitive environment can put pressure on our company to make changes to product offerings, processes, systems or policies.	We maintain our innovative focus, we strive to be pro-active, we monitor technological, global and industry trends and developments to ensure that our products and service offerings remain relevant.

Risk management *continued*

	CONTEXT AND IMPACT	MITIGATION
UNDERWRITING RISK	Due to the unpredictable nature of our business and the many factors that can affect business volumes, profitability and claim incidents, underwriting risk is a major consideration for any insurer to ensure long term sustainability and protecting the interest of policyholders. Climate change and global warming factors may over time impact our business.	Our underwriting processes are based on a trusted and robust underwriting philosophy of prudent consideration of risk factors. We have documented underwriting risk policies, reinsurance policies and underwriting risk indicators that are monitored closely and regularly.
POLITICAL RISK	The risk of an unstable political environment impacting adversely on the business environment and economy.	Focus on our business and efforts to make positive contributions to society.
CLIMATE-RELATED RISKS	Possible impact of climate change and global warming on people, economy and business include transition and physical risks: a) Transition risks: transitioning to a lower carbon impact require changes in policy, reporting, technology and solutions to mitigate climate-related risks. Carbon footprint reporting, reduction and energy efficiency could be costly. Not meeting consumers' expectations in terms of our carbon footprint carries reputational risk. b) Physical risks: Acute physical risks are event-driven such as floods, cyclones or other extreme weather events. Chronic physical risks are long-term changes in climate patterns causing rising sea levels or heat waves.	Formulated a Climate Change and Sustainability Policy, for Board approval, including reporting and disclosures in accordance with the recommendations of the Task Force on Climate Related Financial Disclosures (TCFD). Utilise multi-purpose data and reporting sources and processes. Continue to identify opportunities for footprint and cost reduction and effective stakeholder communication to share successes. Sustainability, Social and Ethics reporting. The Risk and ARC committees' responsibilities include Social and Ethics which include environmental risks. Refer to the carbon footprint section. Board approved reinsurance and underwriting policies, processes and agreements. Stress & scenario testing and reporting. Regular reporting takes place on key risk indicators. Monitoring of carbon footprint and ongoing efforts to reduce carbon emission. Regular reporting takes place on key risk indicators.

Risk and assurance reporting

The governance structures receive quarterly Risk Management Reports, including risk profiles and top risks as well as key risk indicators monitored in line with the Board-approved risk appetite as well Information Security and Cyber Risks. The Heads of the Compliance, Actuarial and Internal Audit functions also submit dedicated reports to the respective committees.

The Internal Risk Committee, the ARC Committee and the Board also receive two comprehensive risk management reports on an annual basis, namely the Own Risk and Solvency Assessment (ORSA) report and the Social and Ethics report.

- The ORSA Report which is approved by the Board and senior management contains a detailed risk assessment report and complies with the ORSA Policy and regulatory requirements. This risk assessment covers all material risks including emerging risks and a variety of key themes such as strategic, financial, climate change, sustainability, cyber, regulatory and reputational risks.

- The Social and Ethics report themes include topics such as:
 - Employee relationships, wellness, health, labour and employment matters as well as educational and development programmes.
 - The 10 principles set out in the United Nations Global Compact Principles;
 - Anti-corruption, whistle blowing and fraud line reports, conflicts of interest, misconduct, fraud, or any other unethical activity;
 - Transformation matters including Employment Equity, promotion of equality, prevention of unfair discrimination and Broad-Based Black Economic Empowerment (B-BBEE);
 - Consumer relationships, including the Group's advertising, public relations, compliance with consumer protection laws and the fair treatment of customers;
 - Contribution to communities, sponsorship, donations and charitable giving; and
 - The environment, sustainable practices, our carbon footprint and climate change.

The control environment

OUTsurance maintains an effective control environment to manage material risks to its business and customers. The Group has the following control functions in place:

Internal Audit

Risk Management

Compliance

Actuarial

The Internal Control System serves to provide the Board and other stakeholders with reasonable assurance that our businesses are managed and operated in accordance with:

Delegation of authority, business strategy and objectives

Company policies and procedures

Compliance with laws, regulations and industry conduct

The evaluation of the effectiveness of the control functions takes place on an annual basis. Internal Audit performs regular reviews of the control functions as stipulated in their approved plans.

Combined assurance

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

Assurance Forum serves to support the objectives of the model. The three lines of defence provide a sound governance of risk model which promotes transparency, accountability, consistency and segregation of roles, as illustrated in the table below.

Combined Assurance Model – three lines of defence

	Objective	Reporting lines	Assurance providers	
1	FIRST LINE OF DEFENCE			
	Management Oversight	Setting strategy, performance measurement, establishing and maintaining risk management, compliance, control and governance across the business.	EXCO, OPSCO, Board. Providing direction, guidance and oversight over the focus areas.	Management. Line functions that own and manage risks.
2	SECOND LINE OF DEFENCE			
	Management of Risk and Compliance	Providing effective risk management and compliance framework and systems for sound decision making, planning and prioritisation of the business activities.	Internal committees, Board committees, Board, Regulators.	Risk Management, Compliance and Actuarial Control Functions, Quality Assurance. Specialist functions that facilitate and oversee risk management and compliance.
3	THIRD LINE OF DEFENCE			
	Independent Internal Assurance	Provides independent and objective assurance of the overall adequacy and effectiveness of governance, risk management and control as established by the first and second layers of defence.	Internal committees, Board committees, Board, Regulators.	Internal Auditors. Internal third line assurance.
Independent External Assurance	Board committees, Board, Regulators.		External Auditors. External third line assurance.	

Economic impact statement



Employees

**R2 857
million**

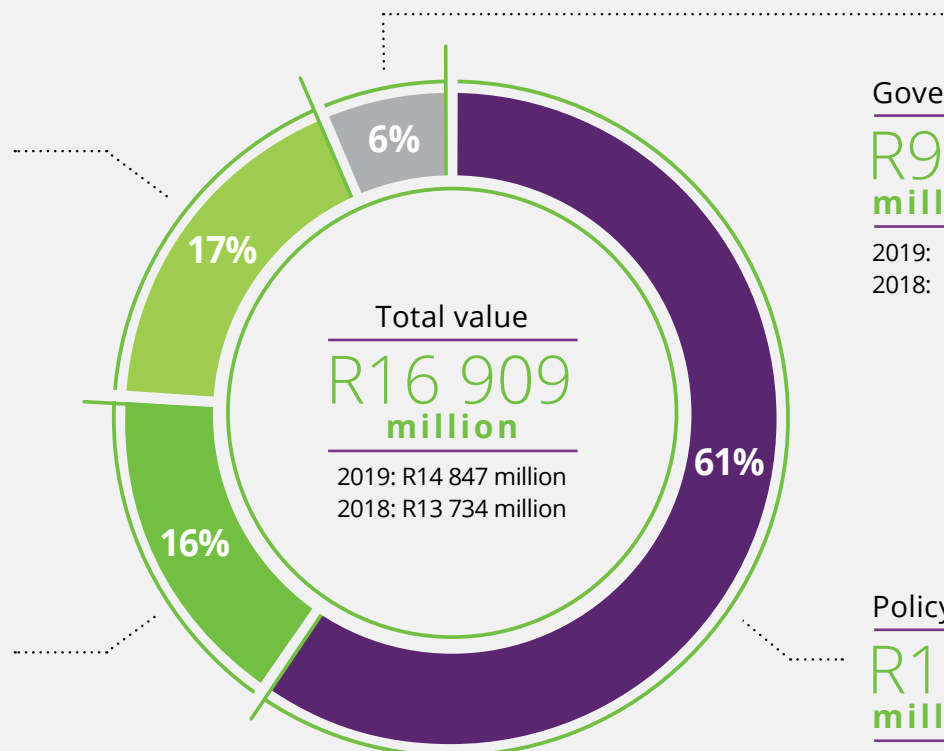
2019: R2 494 million
2018: R2 187 million



Providers of capital

**R2 720
million**

2019: R2 717 million
2018: R2 960 million



Government

**R988
million**

2019: R1 044 million
2018: R1 147 million



Policyholders

**R10 344
million**

2019: R8 586 million
2018: R7 440 million



Our sustainability strategy

As we find ourselves in uncharted waters, it is now more than ever evident that for any entity to survive it needs to have a very clear and definitive sustainability strategy to forge ahead.

The 2020 year has been a challenging period for all, yet during these extraordinary times, the Group has shown resilience and demonstrated that we stand tall for all our stakeholders. We remain committed to continue providing awesome service, being dynamic, operating with honesty and passion while recognising every human.

The current COVID-19 pandemic has forced many, including ourselves, to reflect on their **business outlook**. The global economy has been contracting and to make matters worse, the pandemic has added tremendously to the negative outlook onto an already strained economy. The Group's leadership have truly led from the front, remaining optimistic about the future, focussed on business strategy and what we can control and finding effective solutions for the unique challenges we are facing. We have always prided ourselves as being an innovative entity that disrupts and pushes the boundaries but simultaneously doing so with the necessary prudence. Even in these unprecedented times, our business remains in good shape.

It is truly heart-warming to know that during this turbulent period, the main message that has been embedded in our **workforce's** minds and hearts has been their well-being and job security. Throughout our tough decision making and many risk mitigating actions our main priorities through it all were always to safeguard our people, their jobs, our clients, our service providers and our business. Our Group's executive members have communicated and reassured our people regularly and reminded them of the major role they play in ensuring that communities around us, and ultimately the economy, recover. Our leaders have been at the forefront of addressing any concerns with transparency, calmness and confidence.

Having a healthy full workforce translates to us being available to always provide our most treasured asset, which is our valued clients, with awesome service. They can rest assured that we are doing our very best to develop solutions that will better their lives. We will always be there for them, through good and bad times and ensure that they always get something OUT.

Living in an ever-changing landscape, our responsibility as a Group is to play a positive role in society by ensuring that we preserve or even better the current state of our ecology. All of this is to ensure that future generations can thrive without any hindrances. We aspire to always stay transparent in all that we do within our society. All of this is done to ensure that no lasting negative **environmental** impact transpires as a direct result of any of our activities.

Although the challenges that businesses are facing worldwide are predicted to be here for a while, we have taken a stance to see it through and with our responsible corporate citizenship we will constantly ensure that we come out on the other side stronger than ever.

It will be evident from the information provided in this report how our Group's sustainability strategies and activities incorporate the applicable Sustainable Development Goals (SDGs) adopted by the United Nations in 2015, to be achieved by 2030. The SDGs call all countries to promote prosperity while protecting our planet. The most basic building block of these countries starts with its people and companies like ours grouping people together to make a difference in showing progress towards achieving the SDGs.

Our stakeholders

Stakeholder engagement

Effective and ongoing engagement with all our stakeholders allows for meaningful outcomes. Discovering the point of consensus or shared motivation by considering the needs of all stakeholders, we are able to address possible concerns raised and derive a mutually beneficial relationship.

Our main stakeholder groups are summarised below:

	OUR PEOPLE (Permanent and temporary employees)	OUR CUSTOMERS (Existing and prospective, including individuals and businesses)	OUR SUPPLIERS (Service providers and suppliers)
MATERIAL NEEDS	• Great company to work for • Promoting a safe and healthy working environment • Open and honest communication • Innovative culture • Fair remuneration and development opportunities	• Value for money products and services • Fair treatment and awesome service • Innovative and relevant insurance products	• Prompt and accurate payment • Access to opportunities • Feedback on business performance • Ease of communication
HOW WE ENGAGE	• Wellness initiatives • Regular engagement with senior management • Surveys • Departmental meetings and workshops • Electronic and mobile communication • Open door policies • YOURVoice engagement platform • Committees • Recognition and development programmes	• Call centres and face to face staff • Advertising • Social media • Policy and contract documentation • OUTsurance App and Youi App • SMS messages and email communication • MyOUTsurance client portal • Customer satisfaction surveys • YouiRewards email and in App messages	• Self-payment systems • Online quotation system • Personal interaction via call centre • Roadshows • Electronic communication • Regular audits and guidance • KWANDE supplier development programme • Dedicated supplier relationship managers • Induction and on-boarding sessions • Focus groups • Performance management meetings
ACHIEVED OBJECTIVE	• Improved staff retention • Positive values scores • Increased employee satisfaction • Innovative and digitally driven culture • Increased leadership perception scores	• Customer growth • Improved online claim submission and tracking as well as access to policy information and amendments • 24 hour contact centres and assistance • Increased customer satisfaction	• Faster quotations process • Accurate and timeous payment • Real time problem resolution • Increased customer satisfaction • Growth for our suppliers • Sustainable supplier base • Determining win-win scenarios with key suppliers • Improved supplier capacity

	OUR COMMUNITY (Communities in which the Group's offices operate, including charity organisations)	GOVERNMENT, REGULATORS AND INDUSTRY BODIES (Regulators, industry bodies, government departments, associations and Ombud schemes)
MATERIAL NEEDS	• Responsible corporate citizenship • Charitable initiatives • Access to insurance services	• Comply with laws, regulations, standards and codes of conduct • Timely regulatory reporting including breach reporting • Transparent communication to the benefit of the industry and consumers • Keeping abreast of regulatory developments
HOW WE ENGAGE	• Staff Helping SA OUT • OUTsurance pointsmen • Youi@Hand • Sponsorships • Internships • Youi blog	• Engagement through various monthly and quarterly committee, board and forum meetings • Supervisory meetings with various Regulators • Electronic and telecommunications • Dedicated delegations for direct liaison with regulatory and industry bodies • Dedicated regulatory affairs function within Compliance to support on-going regulatory correspondence and engagement
ACHIEVED OBJECTIVE	• Giving back to the community • High visibility • Procurement opportunities • Educating the public about insurance • Road safety	• Immediate implementation of regulatory changes • High level of cooperation • Healthy and transparent external relationships • Contribute to the design and content of new laws, regulations, standards and codes of conduct

Our people



- Ensuring a safe work environment.
- Giving our people access to great employee benefits, rewards and recognition programmes.
- Celebrating our workforce diversity.
- Providing career advancement opportunities through investment in training and development.
- Promoting a healthy and well balanced workforce.

Our shareholders



- Delivering sustainable profitability and equity returns in excess of 20%.
- Dividend distributions of more than R2 billion for the 2020 financial year.

Our environment



- Monitoring and reducing our overall carbon footprint year on year.
- Committing to the implementation of our Climate Change and Environmental Sustainability Policy including TCFD disclosures.
- Recycling a total of 132 145kg waste through certified recyclers.
- Environmental friendly projects include: Use of rain and recycled water, remove polystyrene water cups from our campus, drive paperless document distribution to clients.
- Increasing the utilisation of renewable energy sources through solar panels at main campuses.

Our value-add

Our customers



- Expanding our digital service channels to enhance customer experience.
- Promoting customer loyalty through the OUTbonus and YouiRewards programmes.
- Encouraging customer feedback through online surveys and platforms to continuously improve customer experience.
- Dedicated staff attending to queries, ensuring that customers are assisted timeously and efficiently.
- Providing relief to customers who may have experienced financial difficulty during the COVID-19 pandemic.

Our service providers



- Committed to Broad-Based Black Economic Empowerment and currently rated as a level four contributor and value-adding supplier.
- Actively develop and support Small, Medium and Micro Enterprises (SMME's) through our KWANDE project. Commitment of R80 million in 5 years.
- Easy-to-use technology to enhance service levels.
- Relying on customer feedback to provide ongoing feedback and assistance to service providers to enhance customer experience.
- Providing relief to service providers who were impacted by the inability to work during the COVID-19 pandemic.

Our communities



- Giving back to the community by spending R7.4 million through 59 different projects.
- Hands-on involvement of staff in various community projects.
- Assisting with alleviating traffic congestion via dedicated Pointsmen.
- Helping to save lives by donating 1 062 units of blood.
- Educating the public about insurance.

Our COVID-19 response

The COVID-19 disease has spread throughout the world and has caused disruption across the globe, including South Africa and Australia. OUTsurance and Youi tailored their response plans based on the economical and geographical circumstances of their respective countries to ensure suitable initiatives were implemented in response to the impact.



Protective shields installed in call centres.

OUR PEOPLE

OUR GROUP

In January 2020 we invoked and improved our existing Pandemic Plans.

Stopped all local and international air travel weeks before it was officially closed by governments.

Implemented various protocols ahead of the lockdowns, including meeting protocols and isolation rooms.

Set up working from home policies, procedures and equipment for operational and support staff, specifically making provision for employees identified as falling in a vulnerable group.

OUTSURANCE

Provided masks, face shields and individual hand sanitisers for each employee.

Reduced headcount density on all our sites for better social distancing at work.

Set up social distancing and occupational health and safety protocols at all offices, with accompanying updates to disciplinary procedures for any breaches.

Installation of physical barriers between staff in all call centre seating clusters to reduce infection risk.

Ensure the work environment is always sanitised by installing UV light based cleaning equipment in high traffic areas and inside the air conditioning system.

Daily deep decontamination cleaning and fog sterilization of all our premises.

COVID-19 Employee Screening App for daily symptom monitoring and health check-ins as well as information sharing with staff.

Sustained awareness and education campaigns for staff on prevention strategies for COVID-19.

Medical advice and counselling to all isolated and infected employees and their family through an outsourced Employee Wellness Programme and the Human Capital team.

Regular informative videos relating to our COVID-19 response from the CEO to all staff members.

Leverage online capabilities and virtual classroom to deliver critical training courses.

YOUI

Ensuring social distancing measures aligned with local governments.

Establishing three standalone call centres at Youi HQ on the Sunshine Coast.

Informative regular CEO livestream to all staff in the entire company.

Full-time office cleaning resources and bio disinfection sanitisation solutions.

Fortnightly fog sterilization at Youi HQ.

Upgrading to the highest level aircon filtration system.



OUR CUSTOMERS

OUTSURANCE

Automatic 15% discount on existing personal vehicle policies for the month of May.

A 10% discount for the month of June for clients who declared that they are still driving less than normal.

Automatic 15% discount on existing commercial vehicle and goods in transit policies for the month of May.

A 10% discount for the month of June for commercial clients who declared that they are still driving less than normal.

Extended the period on non-payment of premiums before cancellation of cover from the month of April.

Personal clients: 30% reduction of excesses (max R5 000 reduction) for claims of incidents which occurred or were reported during April, May and June.

Commercial clients: 50% reduction of excesses (max R5 000 reduction) for claims of incidents which occurred or were reported during April, May and June.

Access to OUTbonus if it is payable within 6 months of April, to assist with payment of missed premiums during April, May and June.

Temporary amendment of cover to reduce monthly premium.

Enhanced self-service solutions.

YOUI

Proactively communicating with customers about their circumstances to ensure their safety and support.

Monthly relief of 15% cashback on vehicle premiums for existing and new customers using their vehicles less.

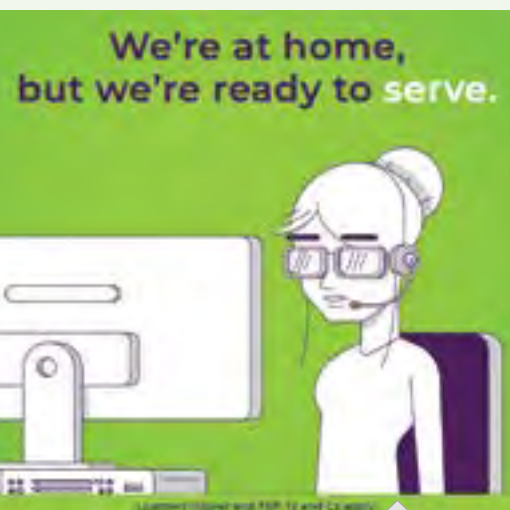
Three month payment relief upon successful application.

More flexible cover and downgrade options.

Keeping customers and community updated on Youi's COVID-19 response and offers via a dedicated Youi webpage.



Youi communication about premium relief



OUR SUPPLIERS

OUTSURANCE

Partial payment of 50% on all claims for builders, panelbeaters and contents service providers for work started before the implementation of the national lockdown.

Grant payments made available to towing service providers due to a reduced workload.

Temporary discount relief to panelbeaters for the period 1 May to 31 July.

Service provider COVID-19 interest free loan fund opened for applications to all affected and qualifying service provider types.

YOUI

Regular and proactive communications with suppliers to ensure safety and support.

Video assessing deployed to minimise risk and maintain service levels.

Proactive payments and partial invoicing to support our suppliers.





OUTSURANCE

Pointsmen retrained as sanitisation specialists to sanitise taxis and taxi ranks across Tshwane, Ekurhuleni, Vereeniging, Sedibeng, Soweto, West Rand, Mogale City and Johannesburg City Centre.

Donation of 20 000 pieces of personal protection equipment (PPE) to University of Pretoria's Faculty of Health Sciences and four large tents to Steve Biko Hospital for testing and treating patients.

Sponsored PinkDrive project for mobile stop testing.

Financial support provided to Tshwane Leadership Foundation who provided food and shelter to the homeless.

Solidarity Response Fund Crowdfund account created by OUTvest.

Supported local businesses to make 8 000 OUTsurance facemasks for OUTsurance employees.

Created the #whenigetOUT conversation on social media to spread hope and positivity during lockdown.

Contributed to the President's Solidarity Response Fund.

Donation of R1.4 million to the One People Fund for food relief. This initiative was funded by salary reductions by directors and the executive.



Donation to University of Pretoria: In memory of Prof Anton Stoltz, Head of Infectious Diseases Department at the University of Pretoria.



Video of donation to University of Pretoria



OUR COMMUNITY

Our people



We are a people-centric and values based organisation. We therefore invest heavily in our people's holistic development for both business and personal success. As a result of our values based approach our people goals include:



TOTAL GROUP WORKFORCE¹

5 380

2019: 5 411
2018: 4 342

% change
2019 / 2020: (0.6%)

Group female ratio

49.2%

2019: 49.2%
2018: 46.6%

% change
2019 / 2020: 0%

South Africa ACI² ratio

70.9%

2019: 71.0%
2018: 66.3%

% change
2019 / 2020: (0.1%)

South Africa ACI² management³

50.9%

2019: 49.6%
2018: 46.8%

% change
2019 / 2020: 2.6%

South Africa ACI² EXCO members

50%

2019: 50%
2018: 46.7%

% change
2019 / 2020: 0%

South Africa disabled staff members

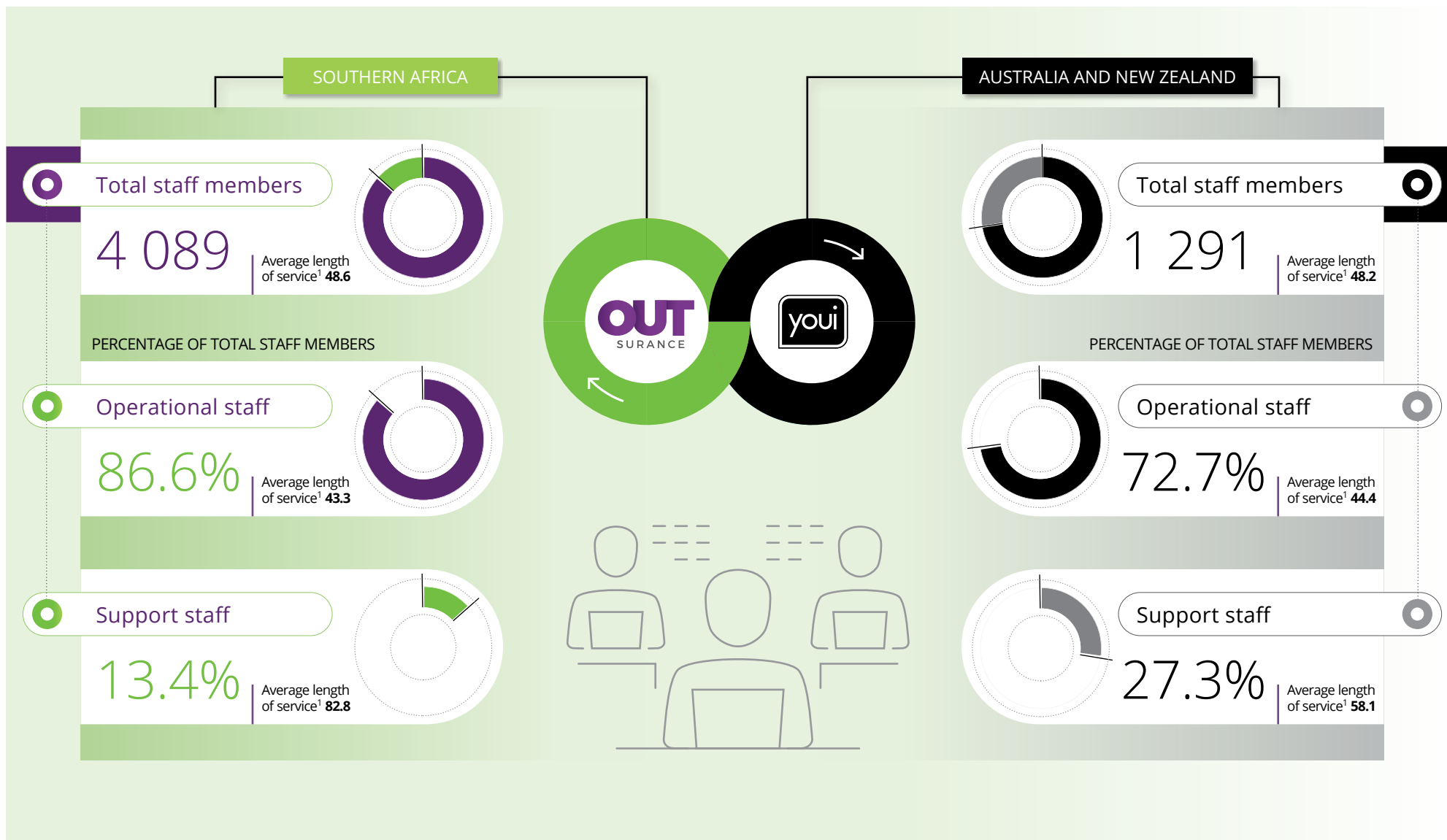
50

2019: 41
2018: 27

% change
2019 / 2020: 22%

¹ Staff members in South Africa, Australia and New Zealand. ² African, Coloured and Indian. ³ Management excluding EXCO members.

Our stakeholders / Our people *continued*



¹ Average length of service was determined in months.

Our stakeholders / Our people *continued*

Employee Value Proposition

The Group campuses are employee centred facilities with a clear focus on providing our employees with various Employee Value Propositions. This is done to ensure we attract and retain the best talent available. Our people have access to the following:

GROUP

- Employee benefits
- Outsourced employee assistance programme
- On-site canteen
- Health and welfare events
- Various charity drives and initiatives
- Rewards and recognition programmes
- Internally facilitated leadership bridging programmes
- Onsite beautician and barber

OUTSURANCE

- Accredited learning academy
- Clinic staffed by a nurse, physiotherapist and doctor
- Onsite sports and recreation facilities
- Day care facility

YOU!.

- Accredited traineeship course for new sales advisors
- Onsite fitness activities
- Career advisory services for employees



99.9%

of our total Group workforce is permanently employed

76%

of our total Group staff complement resides in South Africa



#OUTies4Life



Working at You!.

Our stakeholders / Our people *continued*

Developing our people

Continuous people development supports the core values of our business. Our people are our strength and underpin our ability to deliver on our values. Accordingly, we invest time, effort and energy in facilitating their personal and career development. On-going training ensures that our people are compliant with ever-changing regulatory requirements. When we invest in our people to become more knowledgeable and more productive, they perform at a higher level and this enhances personal career development.

In order to live up to our values of Human, Passionate and Recognition in particular, our development efforts are facilitated via:

GROUP

Internally facilitated leadership bridging programmes

SOUTH AFRICA

Accredited learning academy

Executive coaching for senior leaders

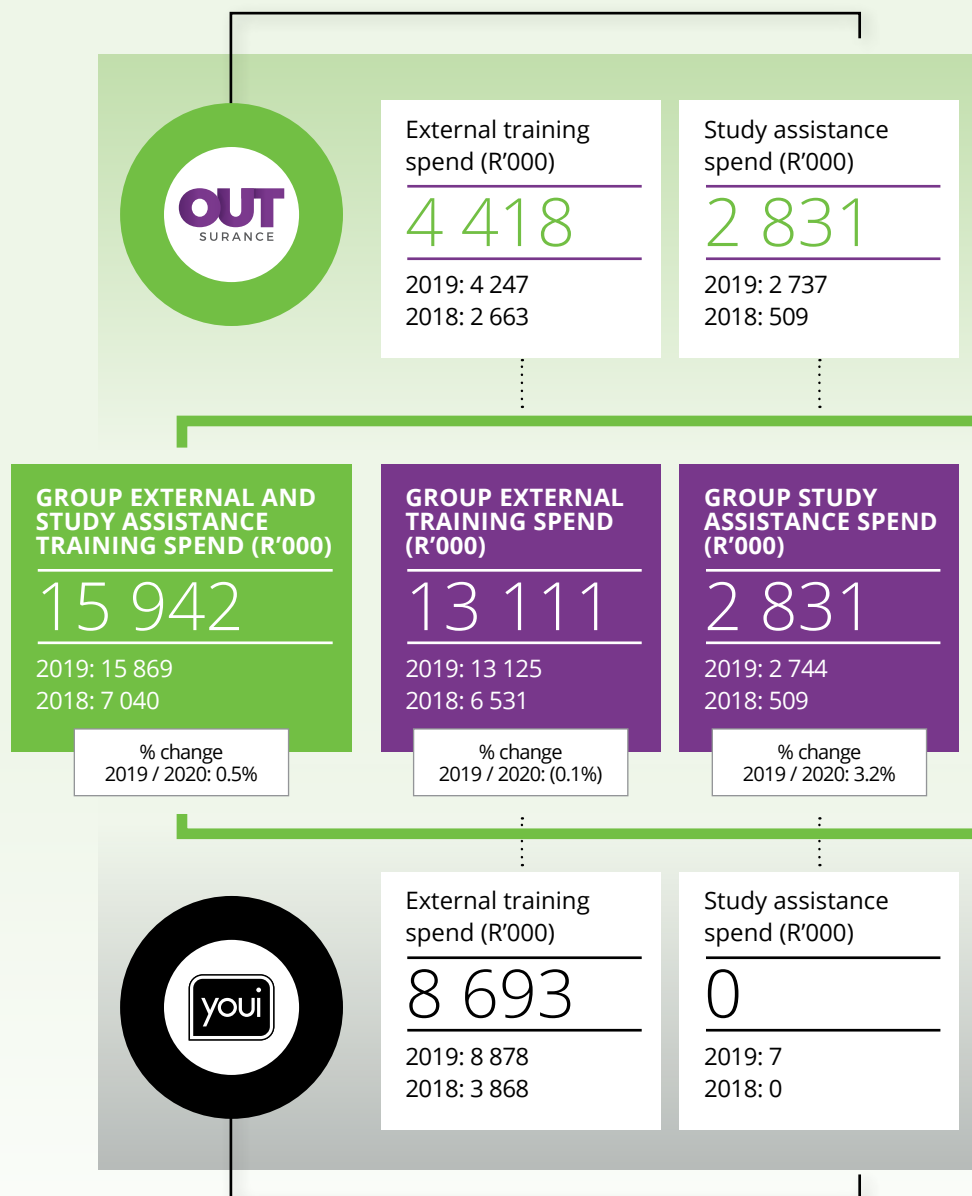
External training and bursary programmes

Technology enabling learning management systems which enable staff to learn anywhere, both in and outside the office

AUSTRALIA

Accredited traineeship course for new Sales advisors

External short course learning programmes



Skills development ratio¹

48.0%

¹ The ratio is expressed as a percentage of total possible B-BBEE points available. The figure is externally calculated and confirmed by AQRate (Economic Empowerment verification agency). The B-BBEE certificate is available on the OUTsurance website.

Promoting health and wellbeing

Health and safety

We have dedicated staff in South Africa and Australia who oversee the health and safety of staff within the business. They are supported by a committee and peer elected representatives who are formally trained in disciplines such as first aid and fire safety. Regular fire drills and training sessions are overseen and certified by independent specialists.

OUTlive

Promoting a healthy mind and body at OUTsurance results in energetic, healthy and happy employees. Various health and wellness activities, services and events are offered to all employees – with outstanding incentives.

OUTlive Activate is a programme that rewards staff who participate in 63 different on-site and off-site health and wellness activities. The initiative strives to improve our employees' mental, physical and financial wellness, with guaranteed rewards to employees if they reach their target. The OUTlive Activate programme is comprised of two types of incentives, namely Activate status and Monthly target points. Total points accumulated over a 6 month period determine the health status level achieved, while prizes are awarded each month if the monthly target total is reached.

Highlights from the past year:

111 315

OUTlive activities completed



OUT∞LIVE

1 840

Participants in OUTlive activities



45%*

OUTies participated in OUTlive Activate



60

Average activities completed per OUTie



* Participation included all employees in service as at 30 June 2020 that made use of the wellness campaign for the financial period.

YourLife

Youi established the YourLife programme in 2014 to promote a healthy work-life balance for staff. YourLife expanded its offering in 2019 to include a range of mental health support including mental health first aid training and awareness days such as the "R U OK?" day.

Milestones Youi employees can achieve are:

Leadership and training participation

Self-development and proactive learning

Peer recognition

Health and wellbeing participation

Receiving great customer feedback

Highlights from the past year:

19 220

YourLife activities completed



Most popular activities:

- ☒ Walking
- ☒ Taking the stairs
- ☒ Mindfulness
- ☒ Massage
- ☒ Barber / Brow Bar

1 144

Participants in YourLife activities



78.7%*

Youi-ers participated in YourLife



13.2

Average activities completed per active YourLife Youi-er



**Participation included all employees in service as at 30 June 2020 that made use of the wellness campaign for the financial period.*

Our customers

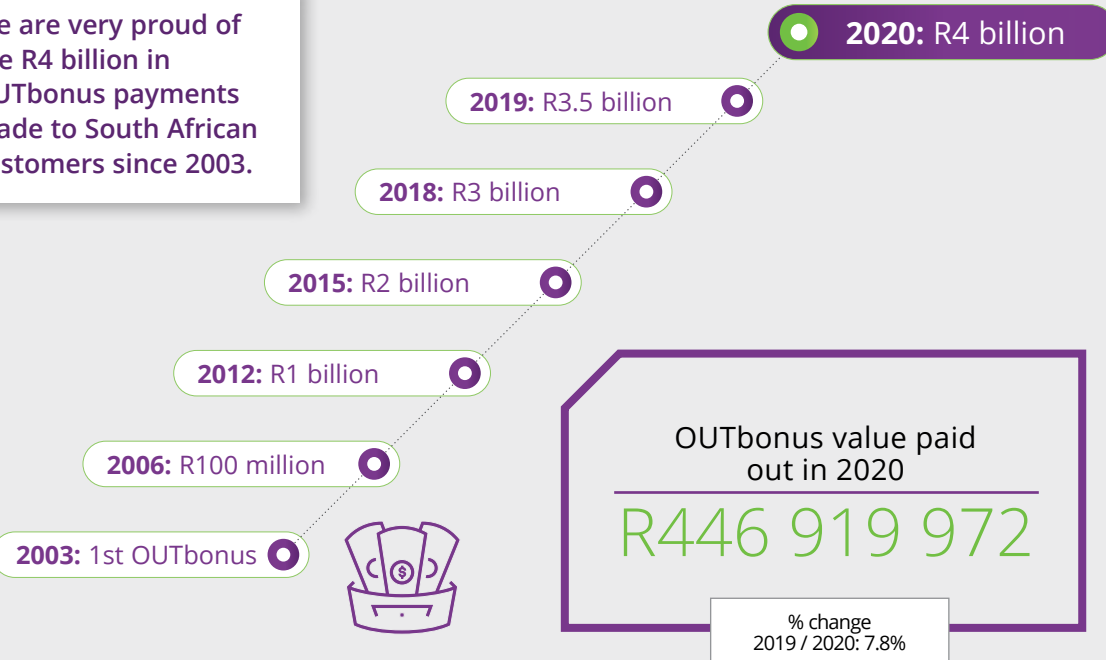


Rewarding loyalty

OUTbonus

Rewarding our loyal customers is an essential part of our business and highlights our values of Dynamic and Recognition. The OUTbonus is a cash bonus that rewards claim-free customers a percentage of their paid premiums.

We are very proud of the R4 billion in OUTbonus payments made to South African customers since 2003.



YouiRewards

By taking out a Youi policy, our customers gain access to YouiRewards which provides valuable discounts, placed right at their fingertips. The benefit of the rewards is that preferred brands are incorporated at discounted prices to ensure customer satisfaction.



OUT
SURANCE

IN-FORCE POLICIES

923 052

COMBINED IN-FORCE
POLICIES

2 000 490

youi

IN-FORCE POLICIES

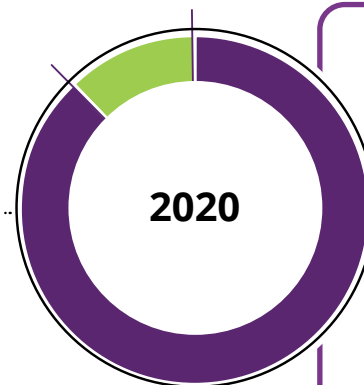
1 077 438

Digital service channels

OUT App & web portal

Increasing our digital footprint to make insurance convenient for our customers is important to us. Our customers can make use of our App and online portal to make their lives a whole lot easier.

Become part of our digital family like the other 107 312 customers that either downloaded the App or registered via our online portal over the past year.



Claims captured

- Digital claims **12%**
- Traditional claims **88%**

We make our customers' lives easier by making the following functionality available on the OUTsurance App:

Request
Pointsmen

Request emergency roadside,
home and panic assistance

Request
quotes and
changes on
your policy

Cover
OUT-and-
About items

Submit geyser
& vehicle
windscreen
claims

Service
Provider
Connect

Claims
tracker

Downloading
documents

Changing
your
banking
details

Enrol in the
Smart Drive
programme

Refer and
Earn

Weather
related
claims
capture*

Submit first
notice of
loss*

Vehicle
inspection*

* New feature added during period
under review.



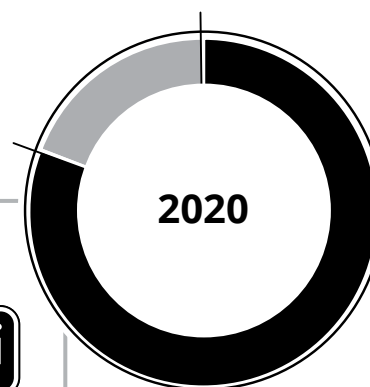
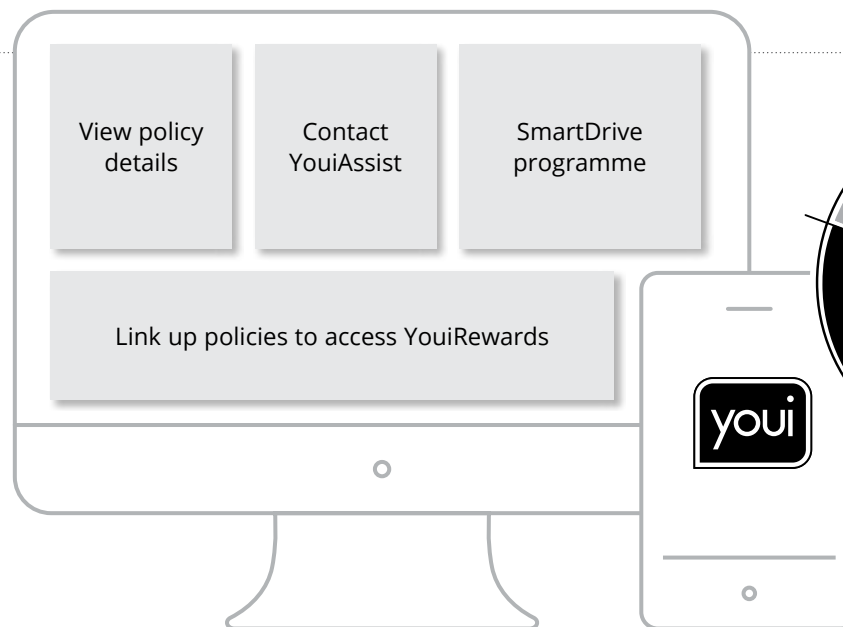
Click to see a video
regarding vehicle
inspections on the App.



Youi App & web portal

We have 179 204 new digital customers that have linked their policies to their profiles on the App and online portal over the past year. Don't waste any time – download the App now and reap the benefits!

Youi's digital platforms makes life easier for customers by providing them the opportunity to:



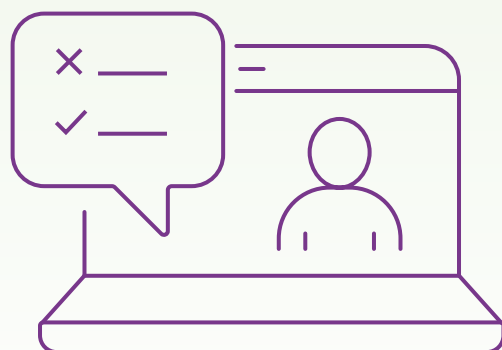
Claims captured

- Digital claims 19%
- Traditional claims 81%

Customer Satisfaction Index (CSI)

Exceeding customer's expectation

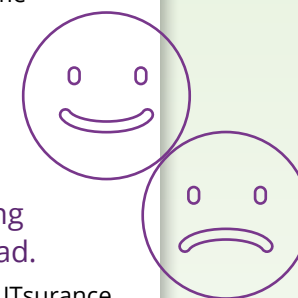
The Group's values speak directly to the customer experience. We exist to disrupt, simplify and serve. We go the extra mile so our customers will go out and tell others about it. We strive to achieve this by finding opportunities to deliver awesome service in new and innovative ways and to exceed our customers' expectations. We encourage our customers to provide honest feedback about their engagement with us through an online survey feedback system. This allows us to track comments and take the appropriate action. We have a dedicated department that monitors the experiences of our customers, responds to queries and tracks progress to ensure that matters are resolved in a timely and efficient manner.



The **Customer Satisfaction Index (CSI)** is calculated by subtracting the number of "detractors" (sum of the bad and very bad responses) from the number of "promoters" (sum of the good and awesome responses) and dividing it by the total number of responses received. The CSI figure excludes social media feedbacks.

Our CSI is based on an automated e-mail survey following each sale, policy amendment or claim. Clients are asked to evaluate the service delivery of the specific advisor they dealt with by selecting either: awesome, good, acceptable, bad or very bad.

Even if you are not a client, feedback is important to OUTsurance and Youi. For that reason we also consider our CSI for potential clients that only obtained a quote. This gives us the opportunity to engage with potential clients to enhance their experience with us.



OUTsurance
Customer Satisfaction
Index (CSI)

89.3%

2019: 89.2%
2018: 87.6%

% change
2019 / 2020: 0.1%

Youi Customer
Satisfaction Index
(CSI)

86.5%

2019: 85.8%
2018: 88.3%

% change
2019 / 2020: 0.8%

People are talking and we're listening

People can talk to us by going to our website and having their say on our Talk@OUT and Youi walls. Whether the feedback is good or maybe not so good, we want to hear about it. We have shared some of the highlights, but please visit the wall to see for yourself what our customers are saying:

OUT WALL

Claims handling

"I am overwhelmed with how Mashni Chetty handled my claim. I made contact through the OUTsurance app and received a call back almost immediately. First thing Mashni asked was whether I was okay (a pleasant surprise). Throughout the process I kept in contact and my claim was settled. Very chuffed!"

There in time of need

"I broke down on the side of the road on Tuesday afternoon. I called OUTsurance and Tumi assisted me in organising a tow-truck to tow my car to my mechanic. The towing service was amazing and very fast. Tumi followed up with me several times to ensure that my daughter and I were safe."

Awesome service

"Thank you so much for handling my claim so promptly and professionally. I have had many calls to go to other insurance firms but I always tell them I am happy with OUTsurance and don't even ask for a quote."

Quick, effecient, hassle free

"Very professional, great communication and claim was settled quickly and easily without me having to run around collecting endless documents. And when keys and deregistration docs for our stolen vehicle were needed, OUTsurance sent a courier to collect."

Click here to read more awesome comments.



YOU! WALL

Super-efficient and highly recommended

"I have just collected my mother's car which had been in for repair following an accident. The date of the accident was 29th May and on that day I spoke to Toni. Not only was she super-efficient but was an absolute delight in her manners and professionalism. Toni arranged for the car to be assessed the following week and now it has been fully repaired. The house which was damaged in the same accident is currently under repair and the occupant of the house could not speak highly enough of Travis and the Youi team. Youi should be very proud and thankful to have these people working for them. I would also like to acknowledge the speed in which Youi has handled our claim. I will recommend Youi to everyone. Thank you once again."

Most pleasant interaction

"I have recently purchased my first car this year. Before I purchased this car, I was shopping around for insurance, as I've never had to pay for it, just to kind of just get an idea of what I'd have to pay for. Can I please just say that my experience with my quote from Jaclyn Spurr-Sambrooks was probably the most pleasant interaction I have ever had? She was professional, down to earth, funny, and sold the product extremely well. She was efficient and friendly and made you feel at home, like you were talking to a friend, rather than just another customer service representative. I am super thankful for my experience, and believe she deserves to be praised for her efforts and work. Please send her my many thanks!"

Friendly, efficient and professional

"Breaking down is never pleasant, especially near the end of a Wine Tour, 50 km from home, but the people at Youi were so friendly, responsive and helpful, that it was unbelievable! The lady on the telephone was super-efficient and professional and she got me a roadside technician within 15 minutes. Amazing! The roadside assist guy from Reddings Motor Repairs was a really experienced mechanic technician who quickly diagnosed the fault, explained everything well and advised and organized a tow for the following day. The call centre operator from the Youi control centre kept ringing me and confirming all the arrangements - she was great! I reckon she could control the logistics for a visiting head of State that is how good she was. Anyway suffice to say, friendly, efficient and professional. I am glad I am with Youi!"

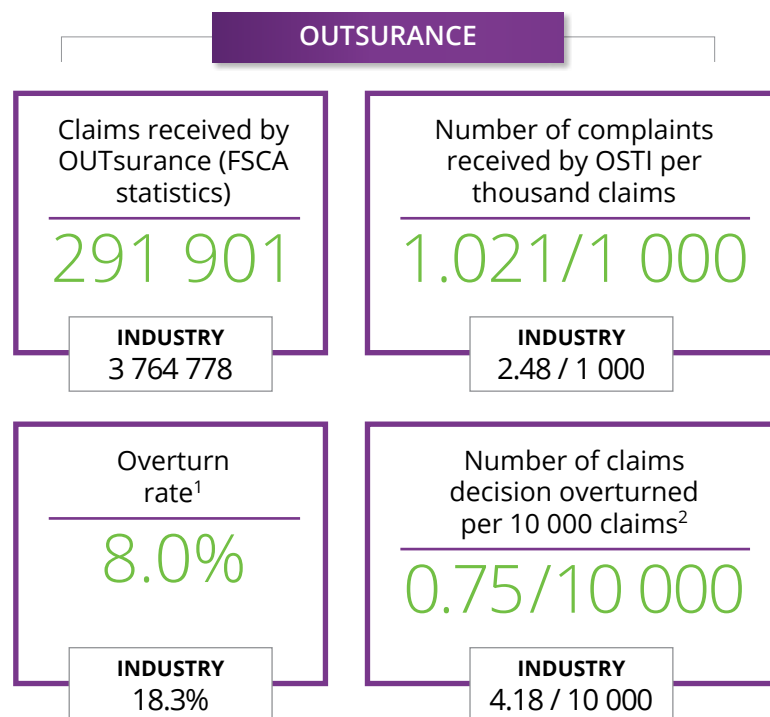
Click here to read more awesome comments.



Ombudsman for Short-Term Insurance (OSTI)

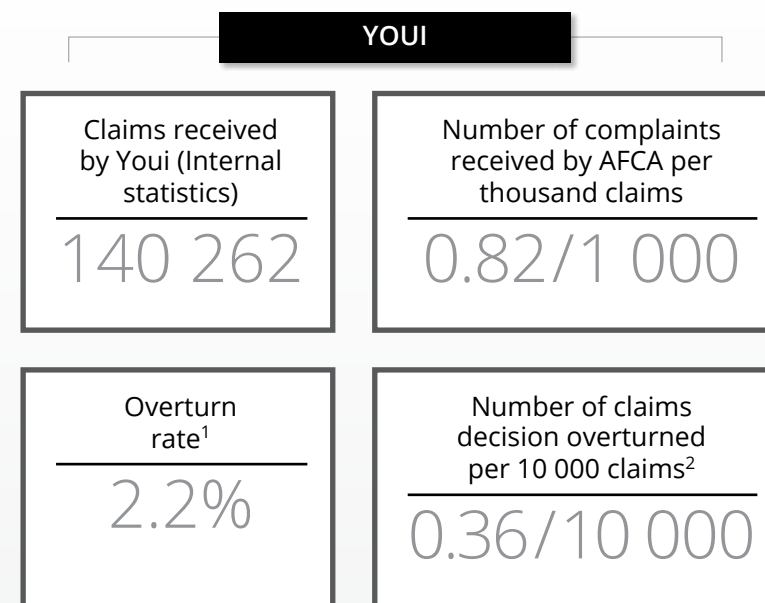
The OSTI is an independent, non-profit Ombud scheme in South Africa. They provide the insured public with a free alternative dispute resolution mechanism for Short-Term insurance complaints. Customers can approach OSTI for assistance should they be of the opinion that they were treated unfairly by the insurer.

The OSTI has 53 subscribing members and the annual industry statistics are published in OSTI's 2019 annual report that can be found on their website www.osti.co.za



¹ Number of claims with benefit divided by total finalised matters.

² Company calculated number, derived from expressing number of OSTI complaints and overturn rate per 10 000 claims.



¹ Number of claims with benefit divided by total finalised matters.

² Company calculated number, derived from expressing number of AFCA complaints and overturn rate per 10 000 claims

Australian Financial Complaints Authority (AFCA)

The AFCA was formed on 1 November 2018 and has replaced the Financial Ombudsman Service (FOS). AFCA is an independent body that provides a fair, free and independent dispute resolution for financial complaints. AFCA oversees disputes related to credit, general insurance, banking, investments, financial advice and superannuation.

AFCA has not released their industry results at the time of reporting and comparative industry figures are therefore not available.

Our service providers



TOTAL NUMBER
SERVICE PROVIDERS

3 038

Partnering with our service providers

Service providers play a fundamental role in extending the services provided by OUTsurance and Youi. Measuring customer satisfaction includes our service providers, with the aim to ensure that our clients experience awesome service at all levels of engagement.

OUTSURANCE

2 557

Service provider
CSI ratio

90%

2019: 90.3%
2018: 90.5%

% change
2019 / 2020: (0.3%)

YOUi

481

Service provider
CSI ratio

87.7%

2019: 87.8%
2018: 87.6%

% change
2019 / 2020: (0.1%)

Commitment on
service standards to
clients

Client supplier
experience - claim

Feedback provided to
service
provider to ensure
continuous
service
improvement

CSI survey
sent to
client after
service is
rendered

Supplier performance
assessed

Client rates service
and provides
feedback

OUT
SURANCE

The **OUTsurance mobile app** can be used by service providers during inspections. This increases efficiencies.

youi

Introduction of a service provider **self-auditing function**, once repairs have been completed prior to release.

*We strive to maintain high standards of
quality, efficiency and accountability.*

Demonstrating our commitment to Broad-Based Black Economic Empowerment

OUTsurance is rated as a level four Broad-Based Black Economic Empowerment (B-BBEE) contributor. This is achieved through various programmes that aim to transform our stakeholders' lives, including but not limited to:

A diverse insurance related supplier base for procurement spend.

A supplier development programme that aims to develop the functioning of our QSE (Qualifying Small Enterprise) and EME (Exempt Micro Enterprises) black suppliers.

Creating jobs directly as a result of supplier or enterprise development initiatives.

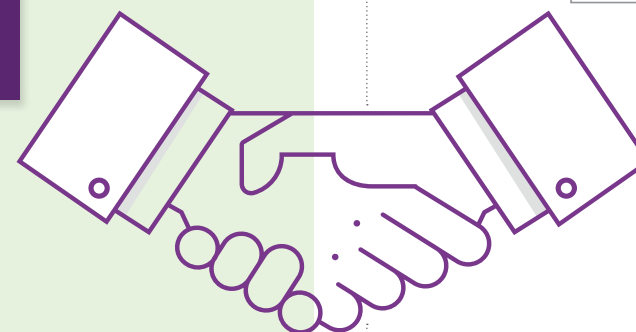
Black women owned suppliers

23.9%

The definitions of Black owned suppliers and Black women owned suppliers are as per the Financial Services Sector Charter.



Figures obtained from the B-BBEE certificate which is available on the OUTsurance website.



Black owned suppliers

47.9%

Preferential procurement¹

100%

2019: 100%
2018: 100%

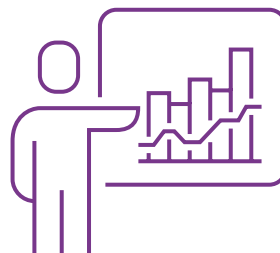
% change
2019 / 2020: 0%

¹ The score is expressed as a percentage of total possible points available. The figure is externally calculated and confirmed by a B-BBEE verification agency.

KWANDE

KWANDE is our supplier development programme, which continues to excel in supporting our 28 selected suppliers in growing their businesses. Our commitment is to develop SMME's (Small, Medium and Micro Enterprises) through:

- Access to finance, in grant and loan funding, administered through the ASISA (The Association for Savings and Investment South Africa) fund;
- Access to markets in business and development, coaching and mentoring; and
- Access to skills through intensive skill transference boot camps.



We appreciate the important role our suppliers play in our success, and as such have made a 5 year financial commitment of R80 million to the KWANDE programme. To date, suppliers have benefitted a total of R1 427 250 in low interest loans to assist in growing their business.

Furthermore the businesses in our KWANDE programme have created much needed employment under extremely difficult economic conditions. A total of 23 new permanent jobs were created in the current reporting period, while these businesses supported over 343 permanent and part time jobs. It is pleasing to have noticed such great results from our suppliers who posted a 19% growth in profit overall.

More information on the KWANDE project can be found [here](#).

28 SELECTED SUPPLIERS

100%

Black Owned

96%

B-BBEE Level 1 Contributors

96%

Exempted Micro Enterprises (EME's)

Our community



Giving back

Giving back to the community is a fundamental part of the Group's culture. The Staff Helping SA OUT (SHSAO) and Youi@Hand initiatives provide support to the community at large. The hands-on efforts of our people help to connect to our community in line with our value of "Human".

The funds that were contributed by the company and the employees themselves were used to finance various different Corporate Social Investment (CSI) projects and initiatives. Staff members have the opportunity to suggest projects to get involved in. The Group was involved in 59 initiatives in the past year, which contributed towards various sectors of society.

CSI funding raised 2020

OUTSURANCE	YOUI	GROUP
TOTAL CONTRIBUTION (R'000) 5 493	TOTAL CONTRIBUTION (R'000) 2 435	TOTAL CONTRIBUTION (R'000) 7 928
Employee contribution (R'000) 747	Employee contribution (R'000) 276	Employee contribution (R'000) 1 023
Company contribution (R'000) 4 746	Company contribution (R'000) 2 159	Company contribution (R'000) 6 905

Although financial contributions to charitable organisations are important, practical service and time spent in the community are just as important to the Group.

The practical and passionate involvement of staff in the community assists in creating a sense of ownership and belonging.

CSI funding spend 2020

	OUTSURANCE	YOU I	GROUP
	(R'000)	(R'000)	(R'000)
CSI spend on basic needs and social development	456	229	685
CSI spend on education projects	12	0	12
CSI spend on health and or HIV / AIDS	4 365	21	4 386
CSI spend on infrastructure development	102	0	102
CSI spend on skills development	64	2 185	2 249
Total value of CSI spend	4 999	2 435	7 434

A significant part of the OUTsurance CSI focused on the COVID-19 pandemic. Some of the other SHSAO and Youi@Hand initiatives in the last year included:



YOUI: THE MAN PROJECT

The Man Project utilised the opportunity to touch the lives of both staff and the community in a meaningful way. The project started off with a short mental wellness workshop where 40 male Youi staff members were given simple tools to help with mental self-care strategies. After some reflecting on the difficult subject the men had some fun by building bicycles for very deserving children. Youi purchased 20 kids bikes and the Youi volunteers assembled the bicycles without instruction manuals. The assembled bicycles were delivered as Christmas gifts to the Hummingbird House, a local children's hospice that provides special care for terminally ill children and their families. For many kids this would be their last Christmas, so it was important for us to make it very special.



Our stakeholders / Our community *continued*

OUTSURANCE: MOTHER TOUCH ACADEMY

South African corporates and citizens are encouraged to donate some of their time to charitable organisations through the yearly Mandela Day initiative. OUTsurance visited Mother Touch Academy as part of our Mandela Day initiative. Mother Touch Academy is a school that has a large group of children who come from underprivileged backgrounds. OUTsurance hosted a big party for all the children at the school. The children received meals, cupcakes, sweetie packs, stationery supplies, toys, and food parcels. The jumping castle provided a lot of fun, while the opportunity to have their faces painted like a superhero or princess provided an escape into an imaginary world for the day.



OUTsurance
Mandela Day
2019

OUTSURANCE: CHOC



OUTsurance participated in the Childhood Cancer Foundation (CHOC) Flip Flop day to help raise funds for children living with cancer. Staff were encouraged to wear funky, colourful, home decorated flip flops on the day and could participate in a walk around the campus by contributing towards this worthy cause. All the money collected on Flip Flop day was donated to CHOC.



Blood donations

Blood donors in the Group have once again contributed towards the betterment of humanity. While we've seen a reduction of the units of blood collected from the previous period due to the COVID-19 lockdown restrictions, donors have contributed towards the saving of 3 186 lives, since every unit of blood can save 3 lives.



**Group units
blood donated**

1 062

2019: 1 465

2018: 1 443

% change
2019 / 2020: (27.5%)

Enhancing safety through Pointsmen

OUTsurance has been in partnership with Traffic Free Flow (TFF) for the past 14 years to assist motorists through traffic congestion in the Johannesburg and Tshwane areas. Static Pointsmen are assigned to specific problematic areas on weekdays, whereas Mobile Pointsmen are assigned to various hotspots as needed with their OUTsurance branded motorcycles. Not only does this partnership provide traffic relief to everyday motorists, it also creates much-needed job opportunities within the underprivileged areas.

Unfortunately, the total number of Pointsmen decreased compared to previous years due to the City of Johannesburg not finalising the tender process for the renewal of the Pointsmen contract before the deadline of 31 August 2019. TFF and OUTsurance had no choice but to end operations in Johannesburg. The Pointsmen operation in Tshwane was however increased with the movement of some personnel over to Tshwane from Johannesburg.

During the COVID-19 pandemic, OUTsurance deployed a group of Pointsmen to disinfect and sanitise taxis, taxi ranks and schools

throughout Gauteng, to assist in an effort to flatten the curve. Before staff were deployed, they were trained on safety and the importance of PPE and sanitising.

All motorists, not only OUTsurance customers, can request that Pointsmen be deployed to a specific location by making use of the OUTsurance App.



Total Pointsmen
programme spend
(R'000)

37 867

2019: 38 623
2018: 36 446

% change
2019 / 2020: (2%)

Total number
of OUTsurance
Pointsmen

88

2019: 186
2018: 184

% change
2019 / 2020: (52.7%)



Our environment



Climate change and environmental sustainability

The Group has been considerate of climate risk throughout our history. It is evident in a sophisticated risk-based approach to insurance pricing and underwriting which has always been at the core of our strategy as well as various sustainability and environmentally friendly initiatives and reporting.

Anthropogenic climate change is an ever-increasing risk across the globe, with noticeable shift and growing expectations from various stakeholders regarding climate change policy and disclosures which need to extend beyond the traditional efforts.

We are introducing into our governance framework, a Group Climate Change and Environmental Sustainability policy to mitigate climate related risks, pursue opportunities and document our strategies. We are committed to environmentally responsible practices and managing climate-related risks through the principles listed in our policy. Our pledge includes the enhancement of existing goals, metrics and key risk indicators as well as the related reporting and disclosures. This will occur in line with the recommendations of Task Force on Climate-related Financial Disclosures (TCFD).

Key goals for our Group in this regard include:

1

Providing leadership and influence through our conduct and communication to all our stakeholders supported by a knowledgeable workforce and robust reporting and disclosures.

2

Considering the environment and climate related risks in our strategies and decisions.

3

Identify, assess, mitigate, manage and report on climate related risks and opportunities.

4

Limit our impact on the environment, reducing our carbon footprint through various projects and opportunities such as utilising renewable energy sources such as solar.

5

Actively seek environmental sustainability projects to support and build on previous successes such as our recycling efforts.

Our carbon footprint

Greenhouse gasses (GHG) are relevant when we measure our carbon footprint as they “retain heat” and keep the earth warm like a blanket.

Excessive GHG emissions keep the earth too warm and disturb the delicate balance required for sustainable life on earth. The human activities that are contributing to disturbing the GHG balance of the atmosphere are called anthropogenic emissions.

There are different types of GHG's and they vary in terms of their impact on earth, also referred to as the global warming potential (GWP). The different types of GHG's are converted into a measurement that allows us to compare apples with apples.

This is the purpose of expressing measurements around carbon footprint in terms of “tonnes of carbon dioxide equivalent” (TCO₂e). Carbon dioxide (CO₂) is a common GHG which is produced when something that contains carbon (C) combusts in an atmosphere that contains oxygen (O₂). We use various conversion factors for each type of emission to get to the “TCO₂e” we show in the carbon footprint table.

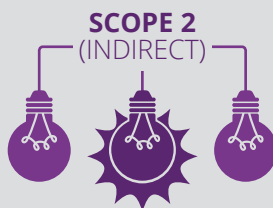
The TCO₂e in the table is simply: the (global warming potential) X (tonnes of specific GHG).

The GHG Protocol divides GHG's into three scopes based on their sources and whether there is direct or indirect emission of GHG's:



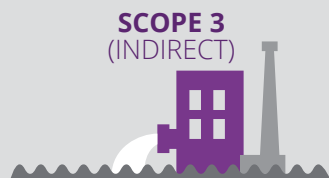
**SCOPE 1
(DIRECT)**

Refers to all direct GHG emissions



**SCOPE 2
(INDIRECT)**

Refers to indirect GHG emissions from consumption of purchased electricity, heat, or steam



**SCOPE 3
(INDIRECT)**

All the other indirect emissions including transport related activities in vehicles not owned or controlled by us, waste disposal, etc

Reporting information around our methodology and resources are tabled below.

Carbon Footprint Reporting Period

OUTsurance Holdings Group's Financial Year (1 July 2019 to 30 June 2020)

Methodology & Resources

The Greenhouse Gas Protocol - Corporate Accounting and Reporting Standard (revised edition)

Emission factors by Defra, GHG Conversion factors for Company Reporting, July 2019

External resources were consulted where applicable or more specifically relevant for South Africa, Australia and New Zealand

Electricity emission factors were sourced from:

- Eskom's 2019 Integrated Report for SA
- The Australian National Greenhouse accounts factors- August 2019
- New Zealand 2019 Emission Factors

GHG Consolidation approach: Operational Control

Measurements Include

Information relating to all the Southern African entities in the Group and their employees

Information relating to Youi Australia and New Zealand and their employees

Exclusions

Reliable data is currently not available for employee commuting and are excluded – noted for future improvement

Our carbon footprint measurements for the last three years.

		EMISSIONS (TCO ₂ e)			% change 2019 / 2020
		2020	2019	2018	
SCOPE 1	Fleet petrol	357	525	729	(32.0%)
	Fleet diesel	391	512	403	(23.6%)
	Generator diesel	16	46	19	(63.9%)
	Liquid petroleum gas	0	0	6	0%
	R22 refrigerants	63	38	45	66.7%
	R410A refrigerants	305	146	42	108.6%
	Scope 1 Total	1 132	1 266	1 243	(13.4%)
SCOPE 2	Electricity – generated	8 956	9 548	8 871	(6.2%)
	Scope 2 Total	8 956	9 548	8 871	(6.2%)
SCOPE 3	Electricity – transmission and distribution	964	985	868	(2.2%)
	Actual paper used	0.8	1.6	0.8	(50.1%)
	Business air (domestic)	189	357	244	(47.2%)
	Business air (international)	99	207	195	(52.3%)
	Employee claimed – petrol	1 615	1 566	1 064	3.16%
	Employee claimed – diesel	624	608	484	2.71%
	Scope 3 Total	3 492	3 723	2 856	(6.25%)
TOTAL EMISSIONS	Total carbon emissions per Annum (TCO ₂ e)	13 580	14 538	12 970	(6.6%)
	Number of employees	5 380	5 411	4 342	(0.6%)
	TCO ₂ e per employee	2.5	2.7	3.0	(6.1%)
	Total number of person hours worked (HW)*	9 813 120	9 869 664	7 919 808	(0.6%)
	Tons CO ₂ e / HW**	0.0014	0.0015	0.0016	(6.1%)

* Calculated: 1 824 HW multiplied by number of employees at year end.

** Average volume of carbon emissions per person hour worked.

Our stakeholders / Our environment *continued*

The total carbon emissions (TCO₂e) for the Group was 6.6% lower in the last financial year. We saw a 6.1% reduction in TCO₂e per employee from 2.7 in 2019 to 2.5 in the last 12 months. Our aim is to maintain this measurement below three and the tolerance upper band of our key risk indicator is set at five.

Total electrical consumption (kWh)

9 338 821

2019: 10 615 286
2018: 9 623 831

% change
2019 / 2020: (12.0%)

Total indirect energy consumption (Gigajoules, GJ) from electricity consumed

33 620

2019: 38 215
2018: 34 646

% change
2019 / 2020: (12.0%)

Total electricity consumed per person hour worked kWh / HW)

0.95

2019: 1.08
2018: 1.22

% change
2019 / 2020: (11.5%)

Total Indirect Energy Consumed per person hour worked (MJ / HW)

0.000003

2019: 0.000004
2018: 0.000004

% change
2019 / 2020: (11.5%)

Onsite solar renewable energy – total MWh

917.34

2019: 275.15

It is evident that scope 2 electricity represents the biggest source of emissions (66%) in the Group's carbon footprint but the additional information provided here around our energy consumption shows a 12% reduction year on year.

The following comments are pertinent to our carbon footprint table:

In the last year OUTsurance completed phase two of our solar system installation and added additional photo-voltaic (PV) panels. A PV solar electric system offsets a significant portion of electrical usage through clean solar energy. We now have 3 197 solar panels at the Embankment campus. Youi has also started with their solar project and have installed the first 160 panels. The solar panels generated 917 MWh of renewable energy in the last 12 months.

A number of projects enable us to keep our energy consumption as low as possible by focussing on energy saving technology and improved facilities management resulting in more energy efficient buildings including the following:

One of the biggest electricity usage drivers for OUTsurance is the HVAC (Heating, Ventilation and Cooling) system. The Buildings Management System (BMS), enables OUTsurance to optimize settings and controls of the HVAC to improve efficiencies and reduce costs.

Carbon reduction projects include geyser timers, energy saving LED lights and air-conditioning that deactivates during periods of inactivity.

We further noted a reduction in the majority of the measures in our carbon footprint data with only the following exceptions:

The R410 refrigerant utilisation was higher in the last year due to maintenance and refilling required. R22 refrigerant utilisation increased compared to the previous year due to canteen fridge and air conditioner repairs and maintenance.

Employee claimed petrol and diesel under scope 3 emissions saw marginal increases mainly due to a growing tied agency force.

The total electricity consumed per person hour worked (kWh / HW) reduced by 11.5% in the last year.

Water consumption and conservation

Our water consumption reduced in the last year by 8.3% compared to the previous year.

Water consumption

Total water consumption

39 249
KI

2019: 42 788

% change
2019 / 2020: (8.3%)

Water consumed per
person hour worked

0.004000
KI / HW

2019: 0.004335

% change
2019 / 2020: (7.7%)

We adopt practices to conserve and reduce the use of water resources such as collecting storm water overflow for usage at our campus. Car wash water goes into a bio retention treatment area before it is discharged into a nearby lake.

Electronic document ratio (EDR)

With the impact which climate change has on the environment, we encourage our customers to use less paper through the use of paperless document distribution via email. Opting for electronic distribution instead of paper reduces carbon emissions and other pollution.

Our EDR measures the total number of electronic policy documents distributed to clients expressed as a percentage of all the documents sent to clients. Youi only offers electronic distribution of documents to customers.

South Africa

Electronic
Document Ratio¹

95.4%

2019: 94.9%
2018: 93.8%

% change
2019 / 2020: 0.5%

¹ Electronic document ratio (EDR) indicates the percentage of clients which chose to have their policy documents electronically distributed as a percentage of all the documents to clients



All policy documentation is also available on our website www.outsurance.co.za and our app for download.

Our stakeholders / Our environment *continued*



**JUST WHEN YOU
THOUGHT WE
COULDN'T GET
ANY GREENER.**

Recycling and waste management

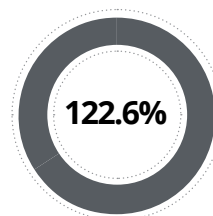
When it comes to recycling, our value of respect is extended to the environment and we understand that our waste, and how we treat it, has a significant impact on mother earth and society. We therefore only make use of certified service providers who are just as passionate about the environment and recycling as we are.

OUTsurance is committed to various initiatives to promote recycling and reduce waste which include:

Waste Management: Adhering to the principle of "Reduce, Reuse and Recycle" and adopting the principle of "Prevent, Minimize or Control" in respect of waste management.

Hazardous Waste: Ensuring that hazardous waste is managed in such a manner that negative impacts are prevented, minimized or controlled in accordance with the relevant legal requirements.

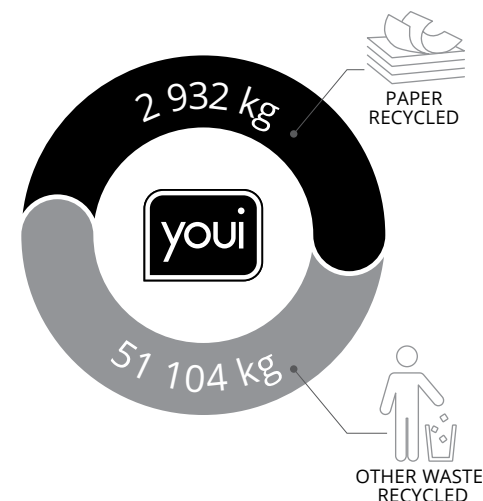
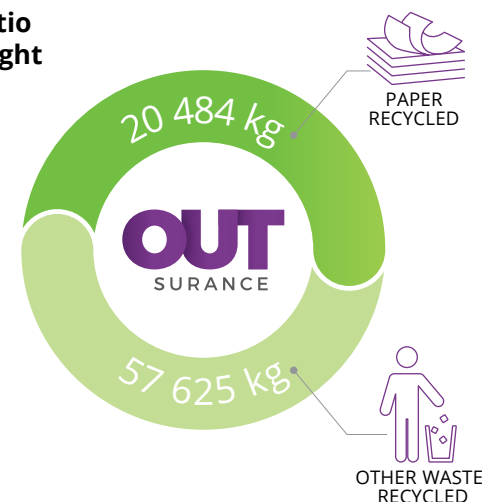
Recycling: Several recycling efforts which also enable our staff to recycle on-site if they do not have access to other recycling facilities or simply prefer to use ours.



Group paper recycled as a ratio of all paper bought

Group total paper recycled:
23 416 kg

Group total other waste¹ recycled:
108 729 kg



In South Africa alone we have saved **453** trees which in turn has a very positive influence on several other environmental savings.

¹ Other waste refers to all other recycled waste excluding paper only - measured separately.

Corporate governance

THE GOVERNANCE FRAMEWORK

The Board of Directors of OUTsurance Holdings Limited as well as the Boards of the insurers in the OUTsurance Holdings Group (the Group) adopted a Group Governance Framework to ensure the prudent management and oversight of the insurance business of the Group as it serves to protect the interests of policyholders and all stakeholders.

THE BOARD OF DIRECTORS

The OUTsurance Holdings Board's primary responsibility is to oversee, direct and control the affairs and performance of the Group's operations in a transparent and responsible manner and to drive the sustainable growth of shareholder interests.

The Board recognises its responsibility to ensure that there is effective corporate governance and risk management in the Group and to uphold high standards in terms of regulatory compliance, risk management, social, environmental and ethical matters. The Board of Directors oversees the activities of the Group ensuring that it is in line with best practice and that the conduct of employees has the fair treatment of customers at heart.

Board members have full and unrestricted access to management, information and property and is guided by a formal charter. Amongst others, the charter provides the Board with responsibilities to approve corporate strategy set to achieve objectives, to ensure that there are appropriate policies and procedures, effective risk management and governance, reliable and transparent financial

and regulatory reporting. The Board reviews and approves business strategy and plans, monitors financial performance and evaluates the successful implementation of strategic decisions.

The Board is supported by insurer Boards and Board committees in performing its oversight responsibilities and ensuring that the company activities and culture is aligned with our corporate values and policies.

The company secretary ensures that the provisions of the Companies Act, 2008 and its associated regulations are complied with. The company secretary provides guidance to the Board in discharging their responsibilities and advises on business ethics and good governance.

DELEGATION OF AUTHORITY

The Board delegates its authority as stipulated in the delegation of authority policy which is reviewed and approved by the Board on an annual basis. This allows efficient management of the daily affairs of the companies in the Group within the framework of the delegation of authority. Other governance policies as well as company procedures are maintained in a central register and are reviewed by the respective governance structures.

INSURER AND LICENCED ENTITIES BOARDS AND BOARD COMMITTEES

The Group's performance in respect of financial and non-financial objectives are overseen by the respective Boards of Directors and Board committees in the Group as depicted below:



The various Board and other management committees which exist to ensure effective governance and oversight for insurers and other licenced entities in the Group in the Southern African, Australasian and Namibian operations respectively, all ultimately report back into the OUTsurance Holdings Board. The Board committees facilitate the discharge of specific Board responsibilities and provide dedicated and skilled focus on particular areas.

The Board committees have the appropriate resources, skills, expertise, independence and authority. The Remuneration and Nominations Committees consists of four non-executive members and the Chairman is a non-executive director. The Group's Audit, Risk, Compliance Committee wherein the Social and Ethics Committee is incorporated comprises of four independent members and the Chairman is an independent director. The relevant formal charters and policies are in place.

BOARD AND COMMITTEE EVALUATION

The Board, the Board committees and control functions undergo annual effectiveness evaluations through a formal evaluation process which is concluded by providing comprehensive reports to the relevant governance structures, including the Board. The evaluations conducted for the year revealed no material concerns and feedback provided indicated that the Board, the Board committees and the control functions operated effectively and as stipulated by the respective charters.

The directors confirmed that the Board has established high ethical standards and that Board reports were detailed, informative and comprehensive and that all relevant aspects of the business were dealt with in the reports and that the meetings were reported to be well organised and effectively run.

PROCEEDINGS

The Board met six times during the period under review. The directors' attendance of meetings is summarised in the next table. The meeting attendance ratio for the year was 98%.

Board meetings and attendance	Aug-19	Nov-19	Jan-20*	Feb-20	Mar-20**	May-20
Mr Laurie Dippenaar (Chairman)	✓	✓	✓	✓	✓	✓
Mr Kubandiran Pillay	✓	✓	✓	✓	✓	✓
Mr Alan Hedding	✓	✓	✓	✓	✓	✓
Ms Judy Madavo	✓	✓	✓	✓	✓	✓
Mr George Marx	✓	✓	✓	✓	✓	✓
Mr Rudolf Pretorius	✓	✓	✓	✓	✓	✓
Mr Peter Cooper	✓	✓	✓	✓	✓	✓
Mr Willem Roos	✓	✓	✓	✓	✓	✓
Mr Herman Bosman	✓	✓	✓	✓	✓	✓
Mr Marthinus Visser	✓	✓	✓	✓	✓	✓
Ms Mamokete Ramathe	✓	✓	✓	✓	✓	✓
Ms Buhle Hanise	✓	✓	A	A	✓	✓
Ms Tlaleng Moabi	✓	✓	✓	✓	✓	✓
Mr Raymond Ndlovu	✓	✓	✓	✓	✓	✓

Notes:

A – Apologies noted | Attendance ratio 98% | * Board information session.

** Special meeting of the Board – COVID-19 update.

As noted, a special Board meeting was held in March 2020 which focused on matters relating to COVID-19 wherein the Board was updated on business continuity measures and the Group's financial relief commitments towards customers, suppliers and the community.

DIRECTORATE

The table below provides more information regarding the directors of the Board:

Mr Laurie Dippenaar ⁽⁷¹⁾

Independent, Chairman

M.Com – University of Pretoria; CA (SA)

Appointed: 27 January 1998

Retired: 1 July 2020

Ms Judy Madavo ⁽⁶¹⁾

Independent director

BA (Hon) Sociology and Social Administration

MSc Medical Sociology – University of London/Bedford College

Appointed: 8 November 2004

Ms Tlaleng Moabi ⁽⁴³⁾

Independent director

MSc Engineering (Transport)

BSc Engineering (Electrical)

B Engineering (Management of Technology)

Appointed: 29 June 2018

Mr Peter Cooper ⁽⁶⁴⁾

Independent director

B.Com (Hon)

CA (SA)

Higher Diploma in Income Tax – Wits

Appointed: 11 May 2000

Retired: 1 September 2020

Mr Kubandiran Pillay ⁽⁵⁹⁾

Independent director

BA; LLB; MCJ (USA)

Appointed: 19 February 2014

Appointed as Lead independent director:
with effect 1 July 2020

Mr George Louis Marx ⁽⁶⁶⁾

Independent director

BSc (Econ); FASSA

Chartered Enterprise Risk Actuary (CERA)

Appointed: 20 August 2008

Mr Willem Roos ⁽⁴⁸⁾

Non-executive director

B.Com (Hon) (Actuarial Science); FASSA

Appointed as executive director:

30 April 2001

Resigned as executive director:

1 January 2018

Appointed as non-executive director:

1 January 2018

Ms Buhle Hanise ⁽³⁷⁾

Independent director

B-Com (Accounting), CA (SA)

Appointed: 29 June 2018

Mr Alan William Hedding ⁽⁶⁹⁾

Independent director

B.Com; B. Compt (Hon) CA (SA)

Appointed: 10 October 2013

Mr Rudolf Pretorius ⁽⁵⁸⁾

Independent director

B.Com (Hon); CA (SA)

Appointed: 27 January 1998

Mr Raymond Ndlovu ⁽⁵³⁾

Non-executive director

B.Business Studies (Honours)

Appointed: 28 August 2018

Ms Mamokete Ramathe ⁽⁴⁰⁾

Independent director

B.Com (Hon) Business Management,
Master of Development Finance, Master of
Arts in Leading Innovation and Change

B.Com (Accounting) (Finance)

Appointed: 29 June 2018

Mr Herman Lambertus Bosman ^{(51)*}

Non-executive director

B.Com (Law), LLB, LL.M, CFA

Appointed: 5 November 2015

Appointed as Chairman:

with effect 1 July 2020

Mr Marthinus Visser ⁽⁴⁶⁾

Executive director

B.Com (Hon) Actuarial Science; FASSA; F.I.A.

Appointed as executive director:

1 January 2018

* Mr Bosman will take on the role as the Chairman of the Board from 1 July 2020. Mr Bosman is a non-independent, non-executive director and his appointment as the Chairman has been approved by the Prudential Authority.

BOARD COMPOSITION, SKILLS AND EXPERTISE

The Board consists of an appropriate mix of executive and non-executive directors. The Board comprises 14 members of whom 13 are non-executive directors. The majority of non-executive directors are also independent. The Board includes four female independent directors. Six of the independent directors are from the historically disadvantaged South Africans (HDSA) group.

The Board remained unchanged for the period 1 July 2019 to 30 June 2020.

All directors have unlimited access to the services of the company secretary, who is responsible to the Board for ensuring that proper corporate governance principles are adhered to.

The Chairman of the Board, Mr Laurie Dippenaar announced his retirement from the Board after 22 years of distinguished service. Mr Dippenaar served as the Chairman from the inception of the company and was instrumental in considering the business plan and identifying the opportunity for a disruptive and innovative direct insurance business in the South African market. His retirement was effective 1 July 2020.

Mr Dippenaar was replaced by Mr Herman Bosman as the Chairman of the Board. Mr Bosman has been a member of the Board since 2015 in the capacity as a non-executive director. Mr Bosman not being an independent director necessitated an application to be made to the Prudential Authority to obtain approval to appoint Mr Bosman as a non-independent Chairman, which approval was granted in May 2020.

The reasons and justification for appointing Mr Bosman as the Chairman was due to the need for the Chairman to have intimate and detailed knowledge of the OUTsurance Holdings Group and its subsidiaries including its strategic plans and how they would be achieved. Given that the business is successful and sustainable it supported the notion to appoint a current Board member as the Chairman.

Mr Bosman has extensive financial services experience and a strong working relationship with the OUTsurance executive management team making him an ideal candidate to serve as the Chairman.

Mr Bosman's interest and commitment to non-financial matters including the protection of policyholder interests, environmental, developmental and inclusion objectives and goals will ensure that the Board maintains the desired balance between strategic, financial and non-financial objectives.

In light of Mr Bosman serving as the Chairman in a non-independent capacity, Mr Kubandiran (Kuben) Pillay has been appointed as the Lead independent director. Mr Pillay is an experienced director and was appointed to the Board on 19 February 2014. He has a vast understanding of the workings of the OUTsurance Holdings Group and its subsidiaries.

Mr Peter Cooper has announced that he will be retiring from the Board with effect 1 September 2020. Mr Cooper has served on the Board with distinction since 2000 and has provided valuable advice over the years to the company especially in the areas of corporate finance and capital structure design.

BOARD INVESTMENT COMMITTEE

The Board Investment Committee is mandated to consider the balance sheet management activities for the Group and its operating entities together with evaluating the Group's portfolio investments and future investment opportunities.

The Board Investment Committee convenes on an ad hoc basis and during the reporting period convened once. The membership of the committee and their attendance at the meeting convened is noted below:

Board Investment Committee		Meeting attendance June 2020
Mr Marthinus Visser	Executive director	✓
Mr Willem Roos	Non-executive director	✓
Mr Rudolf Pretorius	Independent director	✓
Ms Mamokete Ramathe	Independent director	✓
Mr Raymond Ndlovu	Independent director	✓
Mr Kubandiran Pillay	Independent director	✓
Mr Laurie Dippenaar	Non-executive director	✓
Mr Peter Cooper	Independent director	✓
Mr Herman Bosman	Non-executive director	✓

NOMINATIONS COMMITTEE

The Nominations Committee is mandated to review proposed candidates for appointment to the Board, Board committees, the Chief Executive Officer, Chief Financial Officer and Heads of Control Functions. The nominations proposed by the committee are considered and where appropriate approved by the Board.

The committee meets on an ad hoc basis and met once during the reporting period. The composition of the committee is set out below:

Nominations Committee members		Meeting attendance June 2020
Mr Laurie Dippenaar (Chairman)	Independent director	✓
Mr Kubandiran Pillay	Independent director	✓
Mr Peter Cooper	Independent director	✓
Mr Herman Bosman	Non-executive director	✓
Mr Marthinus Visser	Executive director	✓

EXECUTIVE COMMITTEE

The OUTsurance South Africa Executive Committee (EXCO) is responsible for implementing the strategies approved by the Board and for managing the day-to-day affairs of the Group. The EXCO is mandated to this end by the Board in terms of the delegation of authority. The EXCO is chaired by the Chief Executive Officer and meets every two weeks.

The EXCO oversees and guides various internal committees including the following:

Asset, Liability and Capital Committee

Claims Committee

Combined Assurance Forum

Internal Risk Committee

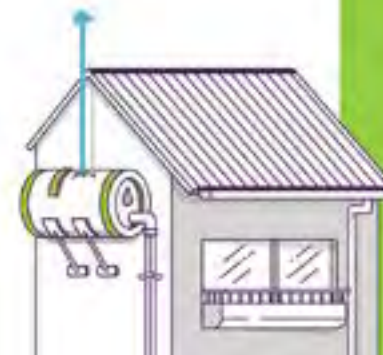
Operational Committee

Reinsurance Committee

Transformation Committee

...and complete a
 geyser claim online
 or on our app and...

(OUTsurance is a licensed Insurer and FSP 76 and 775, 2007)



You always get
 something out.

EXECUTIVE COMMITTEES

The tables below provide more information regarding the executive committees.

OUTSURANCE SOUTH AFRICA EXECUTIVE COMMITTEE

Mr Danie Matthee
Chief Executive Officer

Mr Matt Cole
Chief Information Officer

Mr Jan Hofmeyr
Group Chief
Financial Officer

Mr Arnold De Swardt
Chief Actuary

Mr Wilbur Smith
Chief Operating Officer
Sales and Client Care

Mr Burton Naicker
Chief Operating Officer
Claims and Legal

Ms Lynette Bisschoff
Chief Risk Officer

Ms Keneiloe Selamolela
Chief Transformation
Officer

Mr Suren Naidoo
Chief People Officer

Mr Carl Louw
Chief Marketing Officer

Mr Paul Myeza
Chief Operating Officer
OUTsurance Life

Mr Riyaad Loonat
Chief Operating Officer
Business OUTsurance

Ms Natasha Kawulesar
Head of Client Relations

Mr Micky Maharaj
Chief Operating Officer
OUTsurance Shared
Services

YOUI EXECUTIVE COMMITTEE

The Youi Holdings Executive Committee is chaired by the Youi Chief Executive Officer and comprises of the following members:

Hugo Schreuder
Chief Executive Officer

Tanya Cain
Chief Financial Officer

Peter Broome
Chief Operating Officer – Claims

Nathaniel Simpson
Chief Product Officer

Joachim Holte
Chief Marketing and Digital Officer

Bert Bakker
Chief Risk Officer

Ivan Pierce
Chief People Officer

Loren Fisher
Chief Information Officer

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

COMPOSITION

The OUTsurance Holdings Limited Audit, Risk and Compliance Committee is comprised of four independent non-executive directors. The Group's Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Chief Audit Executive, Head of Actuarial functions, external auditors and other assurance providers attend committee meetings in an ex-officio capacity. The heads of the Control Functions meet at least quarterly with the Chairman of the committee. The Chief Risk Officer, Chief Audit Executive and external auditors meet independently with the committee members as and when required.

ROLE

The Audit, Risk and Compliance Committee is appointed by the Board and has a formally approved charter prescribing the following duties:

- Nominate the appointment of the independent external auditor in accordance with the Companies Act requirements;
- Monitor, evaluate and review internal audit, risk management, compliance, financial accounting and reporting practices;
- Monitor, evaluate and review the functioning of the internal control environment;
- Monitor, evaluate and review corporate governance practices; and
- Monitor, evaluate and review social and ethics practices.

In addition to the above duties, the Audit, Risk and Compliance Committee assists the Board in:

- evaluating the adequacy and efficiency of the internal control systems, accounting practices, information systems and auditing and actuarial valuation processes applied in the day-to-day management of the business of the Group.

- the facilitation and promotion of communication and liaison between the Board, senior management, the external auditor and internal audit function concerning matters regarding effective governance;
- developing its risk management strategy;
- evaluating the adequacy and effectiveness of the risk management system;
- identifying any build-up and concentration of the various risks to which the Group is exposed;
- identifying and monitoring all material risks to ensure that its decision-making capability and accuracy of its reporting is adequately maintained;
- facilitating and ensuring the appropriate segmentation of duties of the risk management function from operational business line responsibilities and ensure that the segregation is observed;
- introducing measures to enhance the adequacy and effectiveness of the risk management system;
- overseeing the monitoring of risk management on an enterprise-wide and individual business unit basis; and
- overseeing financial risk and asset-liability matching strategies of the Group.

ANNUAL REPORT

The committee is aware of the significance of accounting policies in presenting financial results. The committee reviewed the accounting policies and are satisfied that they are in compliance with the International Financial Reporting Standards (IFRS).

INTERNAL AUDIT

Internal audit is a key independent assurance provider to the Audit, Risk and Compliance Committee. The committee accordingly approves the internal audit charter and the annual internal audit plan. The Chief Audit Executive is responsible for reporting on the findings of the internal audit work against the agreed internal audit plan to the committee on a regular basis and has direct access to the committee primarily through its Chairman.

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

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

COMBINED ASSURANCE

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

The Forum met three times during the reporting period and is composed of, among others, the Chief Audit Executive as Chairman, Chief Risk and Compliance Officer, External Audit, Information Security Manager and the Chief Financial Officer.

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

FINANCE FUNCTION EXPERTISE

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

EXTERNAL AUDIT

At the Annual General Meeting held in November 2019, shareholders approved the committee's nomination of PricewaterhouseCoopers Inc. as auditor of the Group and Company until the next Annual General Meeting. The committee, in consultation with executive management, agreed to the engagement letter, terms of engagement, audit plan and budgeted audit fees for the 2020 financial year.

There is a formal procedure that governs the process whereby auditors are considered for non-audit services.

The committee is satisfied that the external auditors were independent of the Group and Company as set out in Section 90(2) of the Companies Act, which includes consideration of previous appointments of the auditors, the extent of other work undertaken by the auditors for the Group and compliance with criteria relating to the independence or conflict of interest as prescribed by the Independent Regulatory Board of Auditors. Requisite assurance was sought and provided by the auditors that internal governance processes within the audit firm support and demonstrate its claim to independence. The responsible audit partner was rotated following the expiry of the outgoing partner's five-year tenure.

REGULATORY ENVIRONMENT

The Audit, Risk and Compliance Committee monitors the ever changing regulatory and legislative compliance landscape applicable to the Group's operations. Progress and compliance are monitored through regular management reporting.

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

AUDIT COMMITTEE

The Audit, Risk and Compliance Committee is accountable to fulfil the audit functions, duties and oversight for OUTsurance and OUTsurance Life Insurance Company Limited. The composition, knowledge, experience and size of the committee complied with the requirements of Section 33 of the Insurance Act 18 of 2017 and Prudential Standard GOI 2. The committee at all times includes members with technical, accounting and actuarial skills as well as experience in both long and short-term insurance.

The committee has access to management and necessary information in order to perform its functions and it ensures that adequate time and oversight is provided to all licenced entities.

GOING CONCERN

The Audit, Risk and Compliance Committee has assessed the going concern status of the Group and has accordingly been confirmed by the Board that the Group will be a going concern for the foreseeable future. Please refer to note 44 for more detailed disclosure.

PROCEEDINGS

The Audit, Risk and Compliance Committee met four times during the reporting period. The membership and attendance are as follows:

Audit, Risk and Compliance Committee	Aug-19	Nov-19	Feb-20	May-20
Mr George Marx (Chairman)	✓	✓	✓	✓
Mr Alan Hedding	✓	✓	✓	✓
Ms Buhle Hanise	✓	✓	✓	✓
Mr Peter Cooper	✓	✓	✓	✓

CONCLUSION

The Audit, Risk and Compliance Committee discharged of its duties and responsibilities as envisaged in its formal charter as well as in line with the principles of good corporate governance.



Mr G L Marx
Chairman
Date: 28 August 2020

Report by the Remuneration Committee

The Remuneration Committee ("Remco") serves to review and assess the effectiveness of the Group's remuneration policy. It ensures that the policy is aligned with the risk management strategy of the Group and that it adequately reflects and protects the interests of all stakeholders.

Key responsibilities of Remco include the development and review of an appropriate remuneration policy, monitoring the implementation and effectiveness of the remuneration policy, review and approval of annual remuneration packages of the Chief Executive Officer, senior management reporting directly to the Chief Executive Officer, employees whose activities may affect the financial soundness of the insurer, general employees and non-executive directors.

During the evaluation of recommended remuneration packages and / or annual increases, Remco considers, within the context of the business plan, factors such as economic indicators, current remuneration trends, the Group's performance, comparisons to market salaries, salary survey data, outcomes of performance reviews and may seek independent advice or other relevant material, where required.

In addition, the Remco considered the economic impact of the COVID-19 pandemic in determining appropriate remuneration for executive and senior management, employees and non-executive directors.

When considering remuneration proposals for the upcoming financial year in light of COVID-19, Remco placed emphasis on allowing for additional financial flexibility with the aim of job preservation within an uncertain economic climate.

The Remco followed a conservative approach to remuneration for 2021 by implementing a zero percent salary adjustment for operational and support employees as well as executive and senior management and the deferral of certain portions of management bonuses. Despite the strong operational performance of the Group, management bonuses were reduced in recognition of the uncertain economic environment. The payment of the deferred bonuses would be reconsidered by Remco in November 2020 and will depend on various indicators of the financial performance of the Group.

The Remco approved a zero percent directors' fee increase for 2021 which aligned with the zero percent increase for senior management.

The Remco acknowledged the temporary 30% reduction in directors' fees of non-executive directors in aid of the COVID-19 support initiatives and noted that these fee reductions would apply up to the end of the 2020 calendar year.

With the support of our major shareholder, a new divisional long-term incentive scheme was implemented with effect 1 July 2019. This Divisional Incentive Scheme is designed to allow key members of the management team to participate in the creation of value from the various growth vectors within the Group as well as promote management retention. These growth initiatives are expected to accelerate growth and value creation and importantly diversify the long-term earnings profile of the Group. These initiatives include commercial insurance, life insurance and investment operations of the Group. The Divisional Incentive Scheme has a long-term vesting horizon of 5 to 7 years and will be settled in the issuance of OUTsurance Holdings and Youi Holdings ordinary shares.



More detail regarding the mechanics of the scheme is discussed in note 32 of the annual financial statements.

COMMITTEE MEMBERS AND MEETINGS

The Remco charter stipulates that there must be a minimum of three members of the Board serving as members of the Remco, the majority must be non-executive directors and the Chairman of the committee must be an independent director of the Board.

The committee meets at least once a year and special meetings may be convened if required. In the past year, two meetings were held. The composition of the Remco and attendance of members is noted in the table below.

Remuneration Committee members		Meeting attendance July 2019	Meeting attendance June 2020
Mr Kubandiran Pillay (Chairman)	Independent director	✓	✓
Mr Laurie Dippenaar	Independent director	✓	✓
Mr Peter Cooper	Independent director	✓	✓
Mr Herman Bosman	Non-executive director	✓	✓
Mr Marthinus Visser	Executive director	✓	✓

REMUNERATION POLICY

A remuneration policy is in place and approved by the OUTsurance Holdings Board of Directors for the entities in the Southern African Group of companies. Remco, on behalf of the Board adopts and oversees the effective implementation of the remuneration policy. The purpose of the policy is to prevent excessive or inappropriate risk taking, in line with the Board's identified risk management strategy and appetite. It is consistent with our business strategy and performance, thus protecting the long-term interests of the Group and our stakeholders.

The remuneration policy for the Australian and New Zealand subsidiaries of Youi Holdings (Pty) Limited is documented in a separate policy as approved by the Youi Holdings Board. This policy is aligned with the OUTsurance Holdings Group Policy.

The remuneration policy outlines key components and objectives of how OUTsurance considers, reviews and approves all employees' and directors' remuneration, inclusive of executive management and heads of control functions as well as other employees whose actions may have a material impact on the risk exposure of the company.

The above-mentioned components and objectives include the:

- Group's remuneration objectives;
- Mix or types of remuneration arrangements, including fixed and variable components;
- Measurement of an individual employee's performance, and;
- Structure for approval of remuneration arrangements, including but not limited to performance-based remuneration components.

Report by the Remuneration Committee *continued*
OUTsurance's primary remuneration objectives are to ensure that:

- the total remuneration payable by the company is commensurate with its business plan, risk appetite and objectives;
- the total remuneration does not limit the company from achieving key growth and profitability targets, or its ability to strengthen its capital base;
- individual employee remuneration remains adequate for attracting and retaining quality staff;
- all individual employee remuneration is aligned to, but not limited only to, company role requirements; their performance against set objectives; general conduct and level of experience; and
- remuneration practices give effect to the principle of equal pay for work of equal value, ensuring fairness and equity.

The basis of remuneration:

- is viewed in conjunction with wider people-management practices to support a consistent approach to achieving desired culture and behaviour in the organisation;
- is performance related and linked to delivery against agreed targets and objectives. In defining an individual's performance, both financial and non-financial performance are considered, where applicable;
- is benchmarked to reliable and relevant market data specific to the financial services and insurance sector;
- considers remuneration design and management a key business competence which receives the required focus and resources;
- aligns individual and group performance objectives to business plans and performance reviews on all levels are done at least once a year; and
- deals with underperformance in line with agreements, policies and objectives.



Information regarding directors' and prescribed officers' emoluments is available in note 42.

The implementation report of the Remuneration Committee was presented to the Board in August 2020 and after consideration was given thereto the Board adopted the implementation report.

Mr Kuben Pillay

Chairman

Date: 28 August 2020

Embedded value of covered business

Actuarial Practice Note (APN) 107 governs the way in which embedded values of life insurance companies are reported.

The embedded value (EV) of covered business is the present value of earnings from covered business attributable to shareholders, excluding any value that may be attributed to future new business. It is calculated on an after-tax basis taking into account current legislation and known future changes.

The embedded value of covered business consists of:

- Adjusted net worth (ANW); plus
- The value of in-force covered business (PVIF); less
- The cost of required capital.

The ANW of covered business is calculated under International Financial Reporting Standards (IFRS) and is defined as the value of all assets attributed to the covered business but not required to back the liabilities of covered business. For OUTsurance Life all business is covered business, and therefore the ANW is set equal to the net asset value per the statement of financial position.

The PVIF is the discounted value, at the risk discount rate, of the projected stream of after tax shareholder profits arising from existing in-force covered business. These shareholder profits arise from the release of margins under IFRS.

The required capital is defined as the level of capital that is restricted for distribution to shareholders. This comprises the required capital on the statutory basis in accordance with the latest Financial Soundness for Insurers Specifications as published by the Prudential Authority, the margins held under IFRS, as well as any additional capital considered appropriate by the Board given the risks of the business. The required capital has been set at 1.5 x SCR (2019: 1.5 x SCR), which is the target SCR Ratio.

The cost of required capital is the difference between the current required capital and the present value, at the risk discount rate, of the projected release of the required capital allowing for investment returns on the assets supporting the projected required capital.

The risk discount rate is based on the zero coupon bond yield curve plus a risk premium of 4% p.a. The risk discount rate premium was set using the Capital Asset Pricing Model with a beta of 1.0 and market risk premium of 4%. Money market returns were set to the zero-coupon bond yield curve less 2%. The money market return assumption is used to calculate the investment returns on the assets supporting the projected required capital.

The value of new business (VNB) is calculated as the discounted value, at point of sale, using the risk discount rate, of the projected stream of after-tax profits for new covered business issued during the past 12 months. The value of new business is also reduced by the cost of required capital for new covered business. The value of new business has been calculated on closing assumptions.

Profitability of new covered business is measured by the ratio of the net value of new business to the present value of new business premiums (gross of reinsurance), which is defined as new single premiums plus the discounted value, at the risk discount rate, of expected future premiums on new recurring premium business.

Embedded value & value of new business

During the financial year, an embedded value methodology based on IFRS was adopted. This is a departure from the previous methodology based on prudential capital requirements. This change in methodology represents a material departure from the previous approach and as a result, the 30 June 2019 Embedded Value has been restated to reflect the IFRS approach.

Embedded value *continued*

Embedded value

The tables below provide a breakdown of the EV on the IFRS basis for OUTsurance Life for the twelve months under review and comparative figures.

	2020 June R'000	2019 June R'000	% Change
Embedded value of covered business			
Covered business ANW	627 165	734 628	(14.6%)
Free surplus	605 481	715 092	(15.3%)
Required capital	21 684	19 536	11.0%
Present value of in-force business	580 090	527 492	10.0%
Cost of required capital	(13 475)	(62 522)	(78.4%)
	1 193 780	1 199 598	(0.5%)
Present value of gross premiums (in-force book)	3 225 049	3 225 049	
Annualised Return on Embedded value	9.6%	28.1%	

The embedded value earnings for the financial year was R114.2 million, resulting in an annualised return on embedded value of 9.6%. Overall the Embedded value decreased by R5.8 million, largely attributed to the ordinary and special dividend paid during the year. The IFRS based Embedded value methodology calculates the cost of capital charge based on the differential between the target solvency capital requirement and the discretionary margins allowed for in the policyholder liability. As a result of the allowance for the additional COVID-19 margin in the policyholder liability, the differential between the target capital requirement and the discretionary margins reduced, thereby reducing the capital requirement and the cost thereof.

Embedded value earnings

The tables below show the components of the embedded value earnings of OUTsurance Life for the twelve months under review:

	Adjusted net worth R'000	PVIF R'000	Cost of required capital R'000	Embedded value R'000
at June 2020 (12 months)				
Embedded value at end of the period	627 165	580 090	(13 475)	1 193 780
Dividends paid	130 000	-	-	130 000
Preference share capital issued	(10 000)	-	-	(10 000)
Embedded value at beginning of the period	(734 628)	(527 492)	62 522	(1 199 598)
Embedded value earnings for the period	12 537	52 598	49 047	114 182
at June 2019 (12 months)				
Embedded value at end of the period	734 628	527 492	(62 522)	1 199 598
Embedded value at beginning of the period	(555 821)	(413 019)	106 633	(862 207)
Embedded value earnings for the period	178 807	114 473	44 111	337 391

The components of the Embedded value earnings are analysed further in the next section.

Analysis of embedded value earnings

Components of embedded value earnings	Adjusted net worth R'000	PVIF R'000	Cost of required capital R'000	Embedded value R'000
at 30 June 2020 (12 months)				
Embedded value operating return	(59 798)	78 785	48 744	67 731
Value of new business at point of sale	(52 940)	68 449	(6 061)	9 448
Expected return on covered business	-	67 606	5 032	72 638
Expected profit transfer	87 204	(87 204)	-	-
Operating experience variances	(39 199)	(2 671)	(16 651)	(58 521)
Operating model changes	(35 224)	63 957	65 688	94 421
Operating assumption changes	(19 639)	(31 352)	736	(50 255)
Embedded value non-operating return	72 335	(26 187)	303	46 451
Investment return variances	(63 219)	-	-	(63 219)
Effect of economic assumptions changes	135 554	(26 187)	303	109 670
Embedded value earnings	12 537	52 598	49 047	114 182

Value of new business

	2020 June R'000	2019 June R'000
Gross value of new business	15 509	42 972
Cost of required capital	(6 061)	(4 565)
Value of new business	9 448	38 407
Present value of gross premiums (new business)	426 775	462 674
New business margin	2.2%	8.3%

The new business margin decreased from 8.3% at June 2019 to 2.2%. This is mainly due to lower inceptions as a result of the contracted economy and the additional margin held for the expected deterioration in the claims and lapse experience as a result of the COVID-19 pandemic. The proportional increase in the cost of capital as a percentage of the gross value of new business is associated with the increased risk discount rate and lower investment yields.

Sensitivity analysis

The table below provides an analysis of the sensitivities, as prescribed by APN 107, of the embedded value of the in-force book:

	Gross value of in-force R'000	Cost of required capital R'000	Net value of in-force R'000	% Change
Value of in-force sensitivity analysis at June 2020				
Base value at 30 June 2020	580 090	(13 475)	566 615	
1% increase in risk discount rate	555 981	(13 475)	542 506	(4.3%)
1% decrease in the interest rate environment	556 136	(13 400)	542 736	(4.2%)
10% decrease in maintenance expenses	599 214	(13 044)	586 170	3.5%
10% decrease in new business acquisition expenses	580 090	(13 475)	566 615	-
10% decrease in lapse rates	587 067	(14 486)	572 581	1.1%
5% decrease in morbidity and mortality rates	615 984	(13 588)	602 396	6.3%
at June 2019				
Base value at 30 June 2019	527 492	(62 522)	464 970	
1% increase in risk discount rate	503 332	(59 684)	443 648	(4.6%)
1% decrease in the interest rate environment	565 018	(108 188)	456 830	(1.8%)
10% decrease in maintenance expenses	543 268	(48 040)	495 228	6.5%
10% decrease in new business acquisition expenses	527 492	(59 713)	467 779	0.6%
10% decrease in lapse rates	521 433	(90 218)	431 215	(7.3%)
5% decrease in morbidity and mortality rates	565 519	(44 782)	520 737	12.0%

Sensitivity analysis *continued*

The table below provides an analysis of the sensitivities, as prescribed by APN 107, of new business written:

	Gross value of in-force R'000	Cost of required capital R'000	Net value of in-force R'000	% Change
Value of new business sensitivity analysis at June 2020				
Base value at 30 June 2020	15 509	(6 061)	9 448	
1% increase in risk discount rate	11 248	(6 065)	5 183	(45.1%)
1% decrease in the interest rate environment	21 424	(5 952)	15 472	63.8%
10% decrease in maintenance expenses	18 474	(5 770)	12 704	34.5%
10% decrease in new business acquisition expenses	31 541	(6 061)	25 480	169.7%
10% decrease in lapse rates	31 749	(5 257)	26 492	180.4%
5% decrease in morbidity and mortality rates	18 904	(5 841)	13 063	38.3%
at June 2019				
Base value at 30 June 2019	42 972	(4 565)	38 407	
1% increase in risk discount rate	37 857	(4 573)	33 284	(13.3%)
1% decrease in the interest rate environment	49 963	(2 039)	47 924	24.8%
10% decrease in maintenance expenses	45 148	(4 182)	40 966	6.7%
10% decrease in new business acquisition expenses	57 209	(4 573)	52 636	37.0%
10% decrease in lapse rates	59 234	(4 038)	55 196	43.7%
5% decrease in morbidity and mortality rates	46 594	(4 279)	42 315	10.2%

Economic assumptions

	2020 June	2019 June
Discounted mean term (in years)	9.30	11.24
Fixed-interest securities (bond curve – non-bonus ALM)	11.4%	10.4%
Fixed-interest securities (swap curve – bonus ALM)	7.8%	8.3%
Inflation rate	7.6%	7.7%
Risk discount rate	15.4%	14.4%

Group annual financial statements



Statement of responsibility by the Board of directors

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

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

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

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

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

It is the responsibility of the Group and Company's independent external auditors to report on the fair presentation of the financial statements. Their unqualified report appears on pages 87 to 88.

The preparation of the financial statements for the year ended 30 June 2020 was supervised by JH Hofmeyr, Chief financial officer of the OUTsurance Holdings Group. The financial statements have been audited in compliance with section 30(2)(a) of Companies Act 71, of 2008.

The financial statements for the year ended 30 June 2020 which appear on pages 89 to 212, were approved by the Board of directors on 28 August 2020 and are signed on its behalf by:



HL Bosman
Chairman
Date: 28 August 2020



MC Visser
Group Chief Executive Officer
Date: 28 August 2020

Certificate by the Group Secretary

for the year ended 30 June 2020

As Group Secretary, I hereby confirm, in terms of section 88(2)(e) of the Companies Act of 2008, that for the year ended 30 June 2020, the Group and Company have lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act and that all such returns are true, correct and up to date.



M Ehlert
Group Secretary
Date: 28 August 2020

Directors' report

NATURE OF THE BUSINESS

OUTsurance Holdings Limited (the Company) is a public company and the holding company of the OUTsurance group of companies (the Group). The Group conducts insurance and investment management activities. The Group operates insurance businesses in South Africa, Australia and Namibia. The Group indirectly owns a 14.7% interest in Hastings Group Holdings plc.

An organogram of the Group is provided on page 2 of this report.

ANNUAL REPORT

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

GROUP RESULTS

A general review of the financial results of the Group and Company and the operations of its major subsidiaries is provided in the executive review on page 6. The results are presented in the consolidated statement of profit or loss and other comprehensive income on page 89. A segmental analysis is provided in note 4.

DIVIDENDS

Ordinary dividends

The following ordinary cash dividends were declared:

Cents per share	2020	2019
Interim (declared 25 February 2020)	24.70	24.70
Final (declared 28 August 2020)	29.00	30.80
Special	–	12.00
	53.70	67.50

The final dividend is payable on 16 October 2020 to shareholders registered on 12 October 2020.

ORDINARY SHARE CAPITAL

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

SHAREHOLDER ANALYSIS

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

	2020	2019
Firness International (Pty) Limited	80.3%	80.3%
RMI Asset Company (Pty) Limited	8.8%	8.8%

Firness International and RMI Asset Company are wholly owned subsidiaries of Rand Merchant Investment Holdings Limited.

Directors' report *continued*

EVENTS SUBSEQUENT TO REPORTING DATE

Other than that disclosed under the heading subsidiaries and associates the directors are not aware of any material events that have occurred between the date of the statement of financial position and the date of this report. Possible corporate action related to the Group's interest in Main Street 1353 is described below.

DIRECTORATE AND PRESCRIBED OFFICERS

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

Directors	Designation	Date appointed	Date resigned
Executive director			
Mr MC Visser	(Group CEO)	01 / 01 / 2018	
Independent directors			
Mr LL Dippenaar	(Chairman up to 1 July 2020)	27 / 01 / 1998	1 July 2020
Mr P Cooper		11 / 05 / 2000	
Mr PR Pretorius		27 / 01 / 1998	
Ms JJT Madavo		08 / 11 / 2004	
Mr GL Marx		20 / 08 / 2008	
Mr AW Hedding		28 / 05 / 2013	
Mr K Pillay		19 / 02 / 2014	
Ms ME Ramathe		29 / 06 / 2018	
Ms ET Moabi		29 / 06 / 2018	
Ms B Hanise		29 / 06 / 2018	
Mr RSM Ndlovu		28 / 08 / 2018	
Non-executive directors			
Mr HL Bosman	(Chairman from 1 July 2020)	05 / 11 / 2015	
Mr WT Roos		30 / 04 / 2001	

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

Mr MC Visser	(Group CEO)
Mr JH Hofmeyr	(Group CFO)
Mr D Matthee	(CEO OUTsurance Insurance Company Limited and OUTsurance Life Insurance Company Limited)

Please refer to page 65 for the register of board meeting attendance.

DIRECTORS AND PRESCRIBED OFFICER EMOLUMENTS

Details of director and prescribed officer remuneration, is provided in note 42 to the financial statements.

AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT

The report of the Audit, Risk and Compliance Committee appears on pages 70 to 72.

MANAGEMENT BY THIRD PARTIES

The directors had no interest in any third party or company responsible for managing any of the business activities of the Group except to the extent that they are shareholders in Rand Merchant Investment Holdings Limited which has management control over OUTsurance Holdings Limited.

Directors' report *continued*

DIRECTORS' INTEREST IN CONTRACTS

During the financial year, no contracts were entered into in which directors or officers of the company had an interest and which significantly affected the business of the Group.

PROPERTY AND EQUIPMENT

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

INSURANCE

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

SUBSIDIARIES AND ASSOCIATES

Interests in subsidiaries and associates are disclosed in note 20 and 21 of the financial statements.

The Group owns a 49% interest in Main Street 1353 (Pty) Ltd (Mainstreet) which in turn owns 29.7% of Hasting Group Holdings Plc (Hastings). On 5 August 2020, the RMI Holdings and Sampo Oyi (Sampo) Group's jointly announced an offer to acquire Hastings and delist it from the London Stock Exchange. This offer is subject to a shareholder vote on 22 September 2020 and regulatory approval.

If approved, Main Street's interest in Hastings will increase to 30% and it will also hold an option to acquire a further 10% interest over an 18 month period after the completion of the transaction.

Main Street will exchange its shares in Hastings for a similar interest in Dorset Bidco which is the vehicle that will own Hastings in full. Sampo will own 70% of Dorset Bidco after completion.

During the 2020 financial year, Youi New Zealand Pty Ltd (Youi New Zealand) disposed of its insurance interest and ceased to operate as an insurer. Subsequent to this disposal, Youi New Zealand continued to operate as an outsourced call centre supporting the Youi Australia operations.

GROUP SECRETARY AND REGISTERED ADDRESS

The Group Secretary is Mr M Ehlert. The address of the Group Secretary is that of the Company's registered office, being:

Business address:
1241 Embankment Road
Zwartkop Ext 7
Centurion

Postal address:
PO Box 8443
Centurion
0046

Independent auditor's report

TO THE SHAREHOLDERS OF OUTSURANCE HOLDINGS LIMITED

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Outsurance Holdings Limited (the Company) and its subsidiaries (together the Group) as at 30 June 2020, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Outsurance Holdings Limited's consolidated and separate financial statements set out on pages 89 to 212 comprise:

- the consolidated and company statements of financial position as at 30 June 2020;
- the consolidated and company statements of profit or loss and other comprehensive income for the year then ended;
- the consolidated and company statements of changes in equity for the year then ended;
- the consolidated and company statements of cash flows for the year then ended; and
- the notes to the consolidated and company financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "OUTsurance Annual Report 2020", which includes the Report of the Audit, Risk and Compliance Committee, the Certificate by the Group secretary and the Directors' Report as required by the Companies Act of South Africa. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the consolidated and separate financial statements

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that

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

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

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



PricewaterhouseCoopers Inc.

Director: J Goncalves
Registered Auditor
Johannesburg
23 September 2020



Consolidated statement of profit or loss and other comprehensive income

for the year ended 30 June

	Notes	2020 R'000	2019 R'000
Gross insurance premium	5	17 349 327	15 906 334
Outward reinsurance premiums		(774 408)	(673 426)
Net premiums		16 574 919	15 232 908
Change in provision for unearned premiums	29	(422 148)	(220 811)
Earned premiums, net of reinsurance		16 152 771	15 012 097
Other income	6	25 658	12 203
Investment income	7	131 890	116 364
Interest income on financial assets using the effective interest rate method	7	389 418	451 972
Net (loss) / gain from fair value adjustments on financial assets	8	(295 010)	80 575
Income		16 404 727	15 673 211
Policyholder benefits on insurance contracts net of reinsurance	9	(8 145 979)	(7 592 360)
Gross policyholder benefits under insurance contracts		(9 810 020)	(8 347 417)
Reinsurers' share of insurance contract		1 664 041	755 057
Transfer to policyholder liabilities under insurance contracts	29	(33 702)	(122 571)
Acquisition expenses	10	(40 814)	(45 135)
Marketing and administration expenses	11	(4 734 130)	(4 215 068)
Fair value adjustment to financial liabilities		(138 656)	(169 016)
Result of operating activities		3 311 446	3 529 061
Finance charges	12	(7 669)	(55)
Equity accounted earnings		122 244	157 907
Impairment of investment in associate	21	(2 636)	(450 000)
Profit before taxation		3 423 385	3 236 913
Taxation	13	(988 159)	(1 064 504)
Net profit for the year from continuing operations		2 435 226	2 172 409
Discontinued operations¹			
Net profit for the year from discontinued operations	36	104 481	9 480
Total net profit for the year		2 539 707	2 181 889
Net profit attributable to:			
Ordinary shareholders		2 417 942	2 100 387
Non-controlling interest		121 765	81 502
Total net profit for the year		2 539 707	2 181 889

¹ The New Zealand discontinued operations have been disclosed separately.



Consolidated statement of profit or loss
and other comprehensive income *continued*

	Notes	2020 R'000	2019 R'000
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss			
Exchange differences on foreign operations		731 293	(77 925)
Fair value losses on financial assets at fair value through other comprehensive income	8	(13 803)	(4 038)
Deferred income tax relating to items that may subsequently be reclassified to profit or loss		3 886	1 131
Items that will not subsequently be reclassified			
Other comprehensive income of associate		137 903	3 430
Total comprehensive income for the year		3 398 986	2 104 487
Total comprehensive income attributable to:			
Ordinary shareholders		3 169 488	2 037 564
Non-controlling interest		229 498	66 923
Total comprehensive income for the year		3 398 986	2 104 487
Earnings attributable to shareholders			
Earnings per share (cents)			
Basic earnings per share	14	64.81	55.99
Diluted earnings per share	14	64.75	55.90
Weighted average number of ordinary shares ('000)		3 730 904	3 751 288
Weighted average number of diluted ordinary shares ('000)		3 732 022	3 757 230



Consolidated statement of financial position

at 30 June

	Notes	2020 R'000	2019 R'000
ASSETS			
Deferred income tax	25	295 151	179 327
Investment in associates	21	3 732 470	3 622 848
Intangible assets	18	113 144	13 704
Right-of-use assets	19	82 973	–
Property and equipment	17	1 147 548	1 038 227
Employee benefits	31	4 092	87 089
Reinsurers' share of insurance contract provisions	29	1 338 183	690 946
Deferred acquisition costs	29	463 420	360 029
Financial assets			
Fair value through profit or loss	22	2 351 817	2 035 365
Fair value through other comprehensive income	22	3 219 143	3 027 100
Measured at amortised cost	22	5 781 780	5 195 221
Derivative financial instruments	23	–	35 658
Insurance and other receivables	24	3 537 949	2 764 112
Tax receivable		17 055	117 636
Cash and cash equivalents	26	1 225 950	781 811
TOTAL ASSETS		23 310 675	19 949 073
EQUITY			
Capital and reserves attributable to equity holders			
Share capital	27	37 151	37 442
Share premium	27	2 086 480	2 388 721
Other reserves			
Share-based payment reserve		13 314	8 787
Foreign currency translation reserve		917 876	294 316
Other reserves		14 189	12 106
Equity accounted reserve		186 539	41 282
Transactions with non-controlling interest		(104 704)	(97 150)
Retained earnings		7 699 337	7 809 350
Total shareholders' equity		10 850 182	10 494 854
Non-controlling interest	20	635 842	483 339
TOTAL EQUITY		11 486 024	10 978 193
LIABILITIES			
Deferred income tax	25	62 140	56 134
Insurance contract liabilities	29	9 601 061	7 457 013
Investment contract liability	35	23 508	–
Share-based payment liability	32	90 620	83 555
Employee benefits	31	414 588	272 812
Financial liability at fair value through profit or loss	33	64 648	65 222
Derivative financial instruments	23	150 613	25 381
Lease liabilities	28	88 689	–
Tax liabilities		72 880	21 718
Financial liabilities at amortised cost	34	100 000	–
Insurance and other payables	30	1 155 904	989 045
TOTAL LIABILITIES		11 824 651	8 970 880
TOTAL EQUITY AND LIABILITIES		23 310 675	19 949 073

Consolidated statement of changes in equity

for the year ended 30 June

	Share capital R'000	Share premium R'000	Other reserves ¹ R'000	Foreign currency translation reserve R'000	Share- based payments reserve R'000	Trans- actions with non- controlling interest R'000	Equity accounted reserve R'000	Retained earnings R'000	Total ordinary shareholders' interest R'000	Non- controlling interest R'000	Total R'000
Balance as at 30 June 2018	37 523	2 473 700	146 160	357 662	14 043	-	32 820	7 882 900	10 944 808	199 297	11 144 105
Change in accounting policy (IFRS 9)	-	-	(131 147)	-	-	-	-	106 297	(24 850)	-	(24 850)
Adjusted balance at 1 July 2018	37 523	2 473 700	15 013	357 662	14 043	-	32 820	7 989 197	10 919 958	199 297	11 119 255
Total profit for the year	-	-	-	-	-	-	-	2 181 889	2 181 889	-	2 181 889
Total other comprehensive income for the year	-	-	(2 907)	(77 925)	-	-	3 430	-	(77 402)	-	(77 402)
Profit / (Loss) attributable to non-controlling interests	-	-	-	14 579 ³	-	-	-	(81 502) ²	(66 923)	66 923	-
Sale of treasury shares to non-controlling interests	(81)	(84 979)	-	-	-	-	-	-	(85 060)	-	(85 060)
Reserve adjustment of associate entities	-	-	-	-	-	-	5 032	-	5 032	-	5 032
Share options spread transactions	-	-	-	-	-	-	-	183 166	183 166	-	183 166
Share-based payment expense	-	-	-	-	(5 256)	-	-	-	(5 256)	-	(5 256)
Transactions with non-controlling interests of subsidiary	-	-	-	-	-	(97 150)	-	(29 586)	(126 736)	115 740	(10 996)
Shares issued to non-controlling interest	-	-	-	-	-	-	-	-	-	212 595	212 595
Ordinary dividend paid (Note 16)	-	-	-	-	-	-	-	(2 433 814)	(2 433 814)	(111 216)	(2 545 030)
Balance as at 30 June 2019	37 442	2 388 721	12 106	294 316	8 787	(97 150)	41 282	7 809 350	10 494 854	483 339	10 978 193
Change in accounting policy (IFRS 16)	-	-	-	-	-	-	-	(57)	(57)	-	-
Adjusted balance at 1 July 2019	37 442	2 388 721	12 106	294 316	8 787	(97 150)	41 282	7 809 293	10 494 797	483 339	10 978 136
Total profit for the year	-	-	-	-	-	-	-	2 539 707	2 539 707	-	2 539 707
Total other comprehensive income for the year	-	-	(9 917)	731 293	-	-	137 903	-	859 279	-	859 279
Profit / (loss) attributable to non-controlling interests	-	-	-	(107 733) ³	-	-	-	(121 765) ²	(229 498)	229 498	-
Purchase of treasury shares	(291)	(302 241)	-	-	-	-	-	-	(302 532)	-	(302 532)
Preference share capital issued by OUTsurance Life	-	-	10 000	-	-	-	-	-	10 000	-	10 000
Reserve adjustment of associate entities	-	-	-	-	-	-	7 354	-	7 354	-	7 354
Share options spread transactions	-	-	-	-	-	-	-	3 180	3 180	-	3 180
Share-based payment expense	-	-	-	-	4 527	-	-	-	4 527	-	4 527
Transactions with non-controlling interests of subsidiary	-	-	-	-	-	(7 554)	-	(1 195)	(8 749)	(6 555)	(15 304)
Issue of equity financial instrument	-	-	2 000	-	-	-	-	-	2 000	-	2 000
Ordinary dividend paid (Note 16)	-	-	-	-	-	-	-	(2 529 883)	(2 529 883)	(70 440)	(2 600 323)
Balance as at 30 June 2020	37 151	2 086 480	14 189	917 876	13 314	(104 704)	186 539	7 699 337	10 850 182	635 842	11 486 024

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

² Relates to profit or loss.

³ Relates to other comprehensive income.



Consolidated statement of cash flows

for the year ended 30 June

	Notes	2020 R'000	2019 R'000
OPERATING ACTIVITIES			
Cash generated by operations	37	3 798 621	3 640 000
Interest received		446 043	500 308
Dividends received		75 265	69 411
Interest paid		(7 669)	(56)
Cashflows on assets backing policyholder liabilities		(200 568)	(232 756)
Proceeds on disposal of financial assets ¹		8 020 080	8 078 411
Purchase of financial assets ¹		(7 935 283)	(7 866 612)
Taxation paid	38	(916 667)	(1 337 576)
Ordinary dividends paid		(2 529 883)	(2 433 814)
Preference dividends paid	39	(139 230)	(196 449)
Dividends paid to non-controlling interest		(70 440)	(111 216)
Cash inflow from operating activities		540 269	109 651
INVESTING ACTIVITIES			
Acquisition of investment in associate		(4 987)	(908)
Dividends received from associate		160 230	219 520
Property and equipment acquired to maintain and expand operations		(79 338)	(99 950)
Proceeds on disposal on intangible assets		24	-
Proceeds on disposal of property and equipment		3 303	1 543
Purchase of intangible assets		(84 882)	(13 704)
Net proceeds from sale of New Zealand insurance business		77 917	-
Proceeds on disposal of financial assets ²		-	102 285
Purchase of financial assets ²		(5 056)	(175 092)
Cash inflow from investing activities		67 211	33 694
FINANCING ACTIVITIES			
Purchase of shares from non-controlling interest		-	(10 996)
Proceeds from issue of preference shares		10 000	-
Proceeds from issue of equity financial instrument		2 000	-
Shares issued to non-controlling interest		-	212 595
Purchase of treasury shares by share scheme participants		125 271	281 901
Purchase of treasury shares by share trust from share scheme participants		(427 803)	(366 961)
Repayment of lease liability		(33 746)	-
Financial liabilities at amortised cost raised		100 000	-
Cash (outflow) / inflow from financing activities		(224 278)	116 539
(Decrease) / increase in cash and cash equivalents		383 202	259 884
CHANGE IN CASH AND CASH EQUIVALENTS			
Opening balance of cash and cash equivalents		781 811	467 355
Effect of exchange rate on cash and cash equivalents		60 937	54 572
(Decrease) / increase in cash and cash equivalents		383 202	259 884
Closing balance of cash and cash equivalents	26	1 225 950	781 811

¹ Related to the management of insurance liabilities, operational cash flows and regulatory capital.

² Related to long-term Investments of primarily shareholder capital.



Notes to the consolidated financial statements

1. GENERAL INFORMATION

OUTsurance Holdings Limited (the Company), incorporated in South Africa, its subsidiaries and associates (collectively referred to as the Group) is a financial services Group offering insurance and investment products. The Group has short-term insurance operations in South Africa, Australia and Namibia. The South African operation also underwrites long-term insurance products and provides investment products.

OUTsurance Holdings Limited is an unlisted public company and a subsidiary of Rand Merchant Investment Holdings Limited (RMI Holdings).

2. BASIS OF PREPARATION

The Group financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

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

The preparation of the financial statements necessitates the use of estimates, assumptions and judgements that affect the reported amounts in the statement of financial position and the statement of profit or loss and other comprehensive income. Where appropriate, details of estimates are presented in the accompanying notes to the consolidated financial statements. All monetary information and figures presented in these financial statements are stated in thousands of Rand (R'000), unless otherwise indicated.

All significant accounting policies are contained in note 47. Only accounting policies relating to transactions occurring in the current and prior year have been included.

3. MANAGEMENT OF RISK AND CAPITAL

3.1 Risk management framework

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

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

3.2 Insurance risk management

3.2.1 Short-term insurance

(i) Terms and conditions of insurance contracts

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

Types of insurance contracts written	Personal	Commercial
Personal accident	<1.0%	<1.0%
Liability	-	11.3%
Miscellaneous	<1.0%	<1.0%
Motor	63.9%	57.9%
Property	35.6%	28.0%
Transportation	<1.0%	2.4%



Notes to the consolidated financial statements *continued*

3. MANAGEMENT OF RISK AND CAPITAL *continued*

3.2 Insurance risk management *continued*

3.2.1 Short-term insurance *continued*

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

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

Personal accident

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

Liability

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

Miscellaneous

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

Motor

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

Property

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

Transportation

Provides cover to risks relating to stock in transit.

Engineering

Provider cover for risks related to engineering projects.

(ii) Insurance risks

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

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

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

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



Notes to the consolidated financial statements *continued*

3. MANAGEMENT OF RISK AND CAPITAL *continued*

3.2 Insurance risk management *continued*

3.2.1 Short-term insurance *continued*

(ii) Insurance risks *continued*

Underwriting strategy

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

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

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

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

Reinsurance strategy

The Group reinsures a portion of the risk it assumes through its reinsurance programme in order to control the exposure of the Group to losses arising from insurance contracts and in order to protect the profitability of the Group and its capital. A suite of treaties is purchased in order to limit losses suffered from individual and aggregate insurance risks. Facultative reinsurance is purchased for certain individual risks that have been identified as being outside the limits set for these risks. The retention limits are modelled to optimise the balance between acceptable volatility and reinsurance cost. Acceptable volatility is as defined by the limits set by the Board of directors. During the current financial year, of the R9 810 million gross claims incurred, R1 664 million was reinsured. The Group only enters into reinsurance agreements with reinsurers which have adequate credit ratings as defined in note 3.3.3.

Concentrations of risk and mitigating policies

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

The South African operation is exposed to a concentration of insurance risk in the Gauteng province of South Africa where 49.7% (2019: 49.5%) of the total sum insured is domiciled. The Australian operation (including BZI) is exposed to a concentration of insurance risk in South East Queensland of Australia where 21.5% (2019: 21.0%) of the total sum insured is domiciled. The concentration risk which arises in each insurance entity is mitigated through the catastrophe excess of loss programme entered into by that entity.



Notes to the consolidated financial statements *continued*

3. MANAGEMENT OF RISK AND CAPITAL *continued*

3.2 Insurance risk management *continued*

3.2.1 Short-term insurance *continued*

(ii) Insurance risks *continued*

Exposure to catastrophes and policies mitigating this risk

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

Due to the multiple natural catastrophe events in the current year, there was an increase in reinsurance recoveries.

Profit sharing arrangements

A profit sharing arrangement has been entered into between the OUTsurance Insurance Company Limited (OUTsurance) and FirstRand Bank Limited. In terms of this profit sharing arrangement, ninety percent of the operating profit generated on the Homeowners' insurance business referred by FirstRand Bank Limited businesses is paid to FirstRand Bank Limited by way of a biannual preference dividend. Where operating losses arise, OUTsurance remains liable for such losses in full, but these losses may be offset against future profit distributions.

A profit sharing arrangement has been entered into between the OUTsurance Life Insurance Company Limited (OUTsurance Life) and Shoprite Investments Limited. In terms of this profit sharing arrangement, a portion of the operating profit generated on the funeral insurance business distributed through the Shoprite distribution network is paid to Shoprite Investments Limited by way of a quarterly preference dividend. Operating losses incurred are for OUTsurance Life's account. OUTsurance Life however, retains the right to offset such losses against future profits generated in the determination of any preference dividends to be paid to the preference shareholder.

3.2.2 Long-term insurance

(i) Terms and conditions of insurance contracts

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

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

The following gives a brief explanation of each product:

Underwritten Life

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

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

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

An optional OUTbonus is also available to policyholders. This allows the policyholder to receive all premiums paid over a period of 15 years, if all terms and conditions are met.



Notes to the consolidated financial statements *continued*

3. MANAGEMENT OF RISK AND CAPITAL *continued*

3.2 Insurance risk management *continued*

3.2.2 Long-term insurance *continued*

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

Life Protector

The Life Protector product is a limited underwritten product and covers the following insurance risks:

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

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

Funeral Plan

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

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

Endowment

OUTsurance Life offers a linked endowment policy with a term of 5 years, which is structured as a life insurance policy. The investment risk is referenced to a zero-coupon deposit issued by a large South African bank.

(ii) Insurance risks

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

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

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

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

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

Mortality and morbidity risk

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

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

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



Notes to the consolidated financial statements *continued*

3. MANAGEMENT OF RISK AND CAPITAL *continued*

3.2 Insurance risk management *continued*

3.2.2 Long-term insurance *continued*

(ii) Insurance risks *continued*

Underwriting experience risk

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

- **Product design and pricing**
Rating factors are applied to different premium rates to differentiate between different levels of risk. Amongst other, premiums are differentiated by age, gender, smoking status and medical history. Premium rates are approved and reviewed by the Head of Actuarial Function.
- **Underwriting**
Underwriting ensures that only insurable risks are accepted and that premiums accurately reflect the unique circumstances of each risk. The Group has developed an advanced medical underwriting system which captures detailed information regarding the customers' medical history and condition which is used for premium adjustments and to indicate where further underwriting is required by experienced medical underwriters. To verify the accuracy of customer data, all new customers are subject to various medical tests. Quality audits are performed on the underwriting process to ensure underwriting rules are strictly followed.
- **Reinsurance**
OUTsurance Life's quota share and excess of loss reinsurance programme mitigates claims volatility and risk accumulation. Reinsurers also assist with pricing and product design decisions.
- **Experience monitoring**
Experience investigations are conducted and corrective action is taken where adverse experience is noted.

Lapse risk

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

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

Modelling and data risk

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

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

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



Notes to the consolidated financial statements *continued*

3. MANAGEMENT OF RISK AND CAPITAL *continued*

3.2 Insurance risk management *continued*

3.2.2 Long-term insurance *continued*

(ii) Insurance risks *continued*

Expense risk

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

Non-claims bonus risk

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

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

Interest rate risk

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

3.3 Financial risk management

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

Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable, that the variable is not specific to a party to the contract.

3.3.1 Financial instruments measured at fair value

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

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


Notes to the consolidated financial statements *continued*

3. MANAGEMENT OF RISK AND CAPITAL *continued*

3.3 Financial risk management *continued*

3.3.1 Financial instruments measured at fair value *continued*

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

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
30 June 2020				
Financial assets				
Equity securities				
Exchange traded funds	1 023 145	-	-	1 023 145
Listed perpetual preference shares	303 296	-	-	303 296
Collective investment schemes	-	113 737	-	113 737
Unlisted equity	-	-	13 716	13 716
Debt securities				
Unsecured loans	-	-	42 279	42 279
Zero-coupon deposits	-	834 890	-	834 890
Government, municipal and public utility securities	-	128 048	-	128 048
Money market securities <1 year	-	1 738 673	-	1 738 673
Money market securities >1 year	-	1 358 728	-	1 358 728
Zero-coupon deposits backing endowment policies	-	23 508	-	23 508
Convertible loan	-	-	10 962	10 962
	1 326 441	4 197 584	66 957	5 590 982
Financial liabilities				
Debt securities				
Financial liabilities at fair value through profit or loss	-	-	64 648	64 648
Investment contract liability	-	23 508	-	23 508
Derivative financial instruments				
Interest rate swaps	-	105 068	-	105 068
Collateralised swaps	-	45 449	-	45 449
Forward exchange contract	-	96	-	96
	-	174 121	64 648	238 769


 Notes to the consolidated financial statements *continued*

3. MANAGEMENT OF RISK AND CAPITAL *continued*

3.3 Financial risk management *continued*

3.3.1 Financial instruments measured at fair value *continued*

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
30 June 2019				
Financial assets				
Equity securities				
Exchange traded funds	904 599	–	–	904 599
Listed perpetual preference shares	388 749	–	–	388 749
Collective investment schemes	–	115 273	–	115 273
Debt securities				
Unsecured loan	–	–	36 889	36 889
Zero-coupon deposits	–	589 855	–	589 855
Government, municipal and public utility securities	–	400 366	–	400 366
Money market securities <1 year	–	1 356 088	–	1 356 088
Money market securities >1 year	–	1 286 803	–	1 286 803
Derivative financial instruments				
Collateralised swaps	–	35 658	–	35 658
	1 293 348	3 784 043	36 889	5 114 280
Financial liabilities				
Debt securities				
Financial liabilities at fair value through profit or loss	–	–	65 222	65 222
Derivative financial instruments				
Interest rate swaps	–	25 381	–	25 381
	–	25 381	65 222	90 603

There were no transfers between levels during the year.

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

Level 1

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

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



Notes to the consolidated financial statements *continued*

3. MANAGEMENT OF RISK AND CAPITAL *continued*

3.3 Financial risk management *continued*

3.3.1 Financial instruments measured at fair value *continued*

Level 2

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

Level 2 instruments comprise derivatives, debt and short-term money market instruments where the value is determined by using a market observable input, e.g. JIBAR, prime rate, foreign currency rates, listed bond rates of similar instruments, without significant adjustments.

The fair value of money market instruments and government, municipal and public utility securities is determined based on observable market inputs. These instruments consist of fixed and floating rate notes held in segregated portfolios and are typically listed on the JSE Interest Rate Market. These listed instruments are not as actively traded as Level 1 instruments. Despite this, the fair values of these instruments can be readily determined as the inputs utilised in the fair value calculation are available in the open market and on the coupon face at issue date.

The collective investment scheme is fair valued monthly by multiplying the number of units held by the closing market price which is based on the most recently available observable inputs.

Zero-coupon deposits are not traded actively during a financial reporting period and are classified as Level 2 financial instruments.

The Group uses zero-coupon deposits to offset the interest rate risk inherent in some of the life insurance products underwritten by OUTsurance Life. The counterparties to these deposits are the large South African banks. The zero-coupon deposits have been structured to allow for the payment of the notional initial deposit to be spread over the specified term to enable cash flow matching. The maturity dates of the accreting zero-coupon deposits are long-term, with maturity dates at the various trading dates not exceeding 15 years. The fair values of the accreting zero-coupon deposits are determined monthly based on observable market inputs. To determine the fair values of the accreting zero-coupon deposits, a risk-free Swap Yield Curve produced every business day by the Johannesburg Securities Exchange is referenced. The instruments are designated at fair value through profit or loss, with both the interest accrual and fair value accounted for in profit or loss. The zero-coupon deposits have specifically remained classified as fair value through profit or loss under the 'accounting mismatch' rule as these financial assets have specifically been acquired to match the non-claims bonus portion of the policyholder liability.

The Group makes use of an interest rate swap as well as a collateralised swap arrangement to manage the interest rate risk contained in the non-bonus portion of the policyholder liability. The interest rate swap is a fixed for floating instrument. The fixed leg is priced at a fixed percentage plus a contractually agreed basis point adjustment and the floating leg is priced at 3 month JIBAR. The fair value of the collateralised swap arrangement, whereby the R2048 government bond serves as collateral and is the underlying, is determined in the same manner as other money market instruments held by the Group.

The Group makes use of forward exchange contracts to reduce the impact of the currency risk contained in its open foreign currency exposure. The fair value of forward exchange contracts are determined using the spot closing exchange rate at the statement of financial position date.

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



Notes to the consolidated financial statements *continued*

3. MANAGEMENT OF RISK AND CAPITAL *continued*

3.3 Financial risk management *continued*

3.3.1 Financial instruments measured at fair value *continued*

Level 3

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

- Profits arising out of the profit sharing arrangements that accrue on a monthly basis and which are distributed as preference dividends biannually to FirstRand Bank Limited. The only significant unobservable input in the calculation of the preference dividend is the historic profit of the profit sharing arrangements and there are no other inputs that determine the value of these instruments. Should the profit of the profit sharing arrangement increase or decrease, the preference dividend will increase or decrease in direct proportion.
- BBBEE Supplier Development Scheme loan.
- The loan with AutoGuru Australia Pty Limited (AutoGuru). The only significant unobservable input in the calculation is the market value of the AutoGuru shares, as this is an unlisted private company.
- Unlisted equity.

A specific valuation technique is used to value the Level 3 financial instruments which represents an accrued profit related to the FirstRand Bank Limited Homeowners profit sharing arrangement:

- The fair value is determined based on valuation techniques where the input is determined by management, and is not readily available in the market or where market observable input is significantly adjusted, i.e. profits arising out of profit sharing arrangements.
- Inputs are determined by the profits arising and calculations are made in accordance with the profit share percentages, stipulated within the profit sharing arrangement. No assumptions or adjustments or any other inputs are made to the profits before or after distribution. Distribution of the profits arising are made in the form of preference dividends.

The table below analyses the movement of the Level 3 debt security for the period under review:

	2020 R'000	2019 R'000
Opening balance	65 222	92 655
Preference dividend paid	(139 230)	(196 449)
Preference dividend charged to profit or loss	138 656	169 016
	64 648	65 222

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

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

A specific valuation technique is used to value the AutoGuru convertible loan:

- The fair value is determined based on valuation techniques where the input is determined by management, and is not readily available in the market or where market observable input is significantly adjusted, i.e. market value of the AutoGuru ordinary shares as well as a risk adjusted market interest rate.

Included as a Level 3 financial asset is the loan made to the ASISA Enterprise Development Fund to the value of R49 million. This loan relates to funding provided for a BBBEE supplier development scheme that the Group is partaking in. The loan has a five-year term with no contractual interest rate. In calculating the fair value of the loan at 30 June 2020, the interest rate attached to a risk-free government bond with a term based on the remaining contract period at the date of fair value measurement was utilised as the discount rate. This resulted in the value of R49 million being discounted at 5.04% (2019: 7.75%), arriving at a fair value of R42.3 million (2019: R36.9 million). This discount will unwind over the remaining maturity period.



Notes to the consolidated financial statements *continued*

3. MANAGEMENT OF RISK AND CAPITAL *continued*

3.3 Financial risk management *continued*

3.3.1 Financial instruments measured at fair value *continued*

Level 3 *continued*

The fair value of the loan is sensitive to movements in the interest rate of the risk-free government bond utilised in the calculation. A 1% movement in the interest rate would result in the following fair value being recognised at 30 June 2020:

	Current R'000	1% increase in interest rate R'000	1% decrease in interest rate R'000
2020			
Fair value	42 279	41 030	43 574
2019			
Fair value	36 889	35 146	38 708

3.3.2 Market risk

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

Equity price risk

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

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

	2020 R'000	2019 R'000
Ordinary shares		
Exchange traded funds	1 023 145	904 599
Perpetual preference shares		
Listed preference shares	303 296	388 749
Collective investment schemes		
Collective investment schemes	113 737	115 273
	1 440 178	1 408 621

The Group's largest concentration of equity investments in one particular company comprises 10.9% (2019: 7.2%) of the total assets subject to equity risk.

At 30 June 2020, the Group's total equities securities were recorded at their fair value of R1 440 million (2019: R1 409 million). A hypothetical decrease or increase of 10% in each individual unit price would decrease or increase profit or loss with a R144.0 million (2019: R140.9 million) before tax.



Notes to the consolidated financial statements *continued*

3. MANAGEMENT OF RISK AND CAPITAL *continued*

3.3 Financial risk management *continued*

3.3.2 Market risk *continued*

Interest rate risk

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

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

The Group's exposure to interest rate risk is R10 310 million (2019: R9 093 million), which consists of fixed rate instruments of R6 651 million (2019: R5 630 million) and variable rate instruments of R3 659 million (2019: R3 463 million).

An increase or decrease of 1% in the market rate would result in the following changes in profit or loss and other comprehensive income before tax of the Group:

	2020 1% increase R'000	2020 1% decrease R'000	2019 1% increase R'000	2019 1% decrease R'000
Fixed rate instruments				
Cash and cash equivalents	1 632	(1 632)	676	(676)
Term deposits	57 818	(57 818)	51 952	(51 952)
Unsecured loan	423	(423)	369	(369)
Government, municipal and public utility securities	522	(522)	1 303	(1 303)
Money market securities <1 year	4 520	(4 520)	1 324	(1 324)
Money market securities >1 year	1 251	(1 251)	322	(322)
Zero-coupon deposits backing endowment policies	235	(235)	-	-
Convertible loan	110	(110)	-	-
Variable rate instruments				
Cash and cash equivalents	10 627	(10 627)	7 142	(7 142)
Government, municipal and public utility securities	758	(758)	2 701	(2 701)
Money market securities <1 year	12 867	(12 867)	12 237	(12 237)
Money market securities >1 year	12 336	(12 336)	12 546	(12 546)
Derivative financial instruments	-	-	357	(357)
	103 099	(103 099)	90 929	(90 929)

The Group's asset portfolio used to match regulatory long-term policyholder liabilities is exposed to interest rate risk. At 30 June 2020, the carrying value and fair value of this portfolio was R684.4 million (2019: R600.0 million). A 100 basis point shift in the market yield curve would result in the following changes in the capital value of this portfolio:

	2020 100 bps increase R'000	2020 100 bps decrease R'000	2019 100 bps increase R'000	2019 100 bps decrease R'000
Zero-coupon deposits	(113 746)	125 235	(103 967)	116 919
Derivative financial instruments – asset	28 504	42 594	29 632	(31 840)
Derivative financial instruments – liability	(25 299)	(178)	10 607	(11 243)
	(110 541)	167 651	(63 728)	73 836



Notes to the consolidated financial statements *continued*

3. MANAGEMENT OF RISK AND CAPITAL *continued*

3.3 Financial risk management *continued*

3.3.2 Market risk *continued*

Currency risk

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

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

The Group's investment in Youi Australia and Youi New Zealand are subsidiary companies of which 84.5% of the shares are owned. These entities are ultimately controlled by the Group.

The Group's investment in Main Street 1353 Proprietary Limited (Main Street), which is an investment in an associate (49% of its equity), is also subject to translation risk. The underlying investment in Main Street is a 29.7% investment in Hastings Group Holdings plc (Hastings) as well as debt funding whose functional currency is the Pound Sterling. As a result of this, the Group's equity accounted earnings from Main Street has an indirect translation risk due to the translation of Hastings' earnings and debt servicing expenses to Rand.

The Group's investment in AutoGuru Australia Pty Limited, which is an investment in associate (30% of its equity), is also subject to translation risk.

A convertible loan was granted to AutoGuru to the value of AUS\$ 1.25 million, which also exposes the company to currency risk.

The table below illustrates the Group's exposure to the Australian Dollar, the New Zealand Dollar and the Pound Sterling. The amounts represent the assets, liabilities and equities of foreign subsidiaries and associates:

	Australian \$ exposure		New Zealand \$ exposure		Pound sterling £ exposure	
	\$'000	R'000	\$'000	R'000	£'000	R'000
At 30 June 2020						
Assets	1 070 762	12 808 161	4 153	46 450	228 557	4 913 973
Liabilities	(718 504)	(8 594 542)	(1 915)	(21 420)	(49 000)	(1 053 500)
Equity	(352 259)	(4 213 619)	(2 238)	(25 029)	-	-
	Australian \$ exposure		New Zealand \$ exposure		Pound sterling £ exposure	
	\$'000	R'000	\$'000	R'000	£'000	R'000
At 30 June 2019						
Assets	947 368	9 359 996	72 226	690 542	254 813	4 556 063
Liabilities	(651 116)	(6 433 026)	(27 163)	(256 962)	(73 500)	(1 314 180)
Equity	(296 252)	(2 926 970)	(45 833)	(433 580)	-	-
<i>Exchange rates:</i>						
Closing rate at 30 June 2020	11.96		11.19		21.50	
Average rate: 1 July 2019 to 30 June 2020	10.54		9.99		19.84	
Closing rate at 30 June 2019	9.88		9.46		17.88	
Average rate: 1 July 2018 to 30 June 2019	10.11		9.50		18.25	



Notes to the consolidated financial statements *continued*

3. MANAGEMENT OF RISK AND CAPITAL *continued*

3.3 Financial risk management *continued*

3.3.2 Market risk *continued*

Currency risk *continued*

The effect on the Group total comprehensive income after tax and the net asset value of the Group after an appreciation or depreciation in the foreign currency rate is provided in the following table:

	Australian \$		New Zealand \$		Pound Sterling £	
	2020 10% Rand appreciation	2020 10% Rand depreciation	2020 10% Rand appreciation	2020 10% Rand depreciation	2020 10% Rand appreciation	2020 10% Rand depreciation
Comprehensive income after tax	(67 274)	67 274	(12 394)	12 394	(11 648)	11 648
Net asset value	(399 320)	399 320	(2 142)	2 142	(386 047)	386 047

	Australian \$		New Zealand \$		Pound Sterling £	
	2019 10% Rand appreciation	2019 10% Rand depreciation	2019 10% Rand appreciation	2019 10% Rand depreciation	2019 10% Rand appreciation	2019 10% Rand depreciation
Comprehensive income after tax	(67 451)	67 451	(2 257)	2 257	(16 475)	16 475
Net asset value	292 697	(292 697)	43 358	(43 358)	324 188	(324 188)

Foreign exchange risk is present in respect of upcoming intercompany dividends within the Group. In order to minimize exposure to foreign currency fluctuations, forward cover in the form of a forward exchange contract and a zero-cost collar has been taken out to cover this risk.

Below is a summary of the amounts payable under forward contracts:

	FEC Average rate R	Foreign currency contract amount A\$'000	Rand equivalent contract amount R'000	Fair value loss on FEC R'000
2020				
AUD FEC - liability	11.95	10 500	125 503	96

	Option amount AUD	Collar		Closing exchange rate R
		Lower Bound R	Upper Bound R	
2020				
AUD Collar	7 500 000	11.83	12.20	11.96



Notes to the consolidated financial statements *continued*

3. MANAGEMENT OF RISK AND CAPITAL *continued*

3.3 Financial risk management *continued*

3.3.3 Credit risk

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

- Financial instruments and cash and cash equivalents;
- Reinsurers' share of insurance liabilities; and
- Amounts due from debtors.

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

Notes to the consolidated financial statements *continued*

3. MANAGEMENT OF RISK AND CAPITAL *continued*

3.3 Financial risk management *continued*

3.3.3 Credit risk *continued*

The table below indicates the credit quality of the Group's financial assets:

	AAA R'000	AA R'000	A R'000	BBB R'000	BB R'000	B R'000	Not rated R'000	Total R'000
At 30 June 2020								
Cash and cash equivalents	-	687 834	-	-	538 116	-	-	1 225 950
Term deposits	-	5 781 780	-	-	-	-	-	5 781 780
Collective investment scheme	-	-	-	-	-	-	113 737	113 737
Unsecured loans	-	-	-	-	-	-	42 279	42 279
Government, municipal and public utility securities	-	-	-	-	103 779	24 269	-	128 048
Money market securities <1 year	-	-	10 957	36 391	1 687 643	3 682	-	1 738 673
Money market securities >1 year	-	-	82 296	25 477	1 232 611	18 344	-	1 358 728
Zero-coupon deposits	-	-	-	-	834 890	-	-	834 890
Zero-coupon deposits backing endowment policies	-	-	23 508	-	-	-	-	23 508
Unlisted equity	-	-	-	-	-	-	13 716	13 716
Reinsurers' share of insurance contract provisions	118 553	767 783	333 347	118 500	-	-	-	1 338 183
Insurance and other receivables ¹	-	39 149	4 841	3 813	713	-	3 403 451	3 451 967
Convertible loan	-	-	-	-	-	-	10 962	10 962
Total	118 553	7 276 546	454 949	184 181	4 397 752	46 295	3 584 145	16 062 421

¹ This excludes receivables classified as non-financial assets.

Notes to the consolidated financial statements *continued*

3. MANAGEMENT OF RISK AND CAPITAL *continued*

3.3 Financial risk management *continued*

3.3.3 Credit risk *continued*

	AAA R'000	AA R'000	A R'000	BBB R'000	BB R'000	Not rated R'000	Total R'000
At 30 June 2019							
Cash and cash equivalents	4 258	375 541	-	-	402 012	-	781 811
Term deposits	-	5 195 221	-	-	-	-	5 195 221
Collective investment scheme	-	-	-	-	-	115 273	115 273
Unsecured loans	-	-	-	-	-	36 889	36 889
Government, municipal and public utility securities	99 899	248 433	-	30 214	21 820	-	400 366
Money market securities <1 year	271 544	921 463	95 466	67 615	-	-	1 356 088
Money market securities >1 year	341 555	849 294	40 182	54 478	1 294	-	1 286 803
Zero-coupon deposits	-	-	-	-	589 855	-	589 855
Derivative financial instrument	-	-	-	-	35 658	-	35 658
Reinsurers' share of insurance contract provisions	27 080	340 951	218 298	104 617	-	-	690 946
Insurance and other receivables ¹	-	59 474	24 427	3 809	714	2 623 345	2 711 769
Total	744 336	7 990 377	378 373	260 733	1 051 353	2 775 507	13 200 679

¹ This excludes receivables classified as non-financial assets.

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

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

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



Notes to the consolidated financial statements *continued*

3. MANAGEMENT OF RISK AND CAPITAL *continued*

3.3 Financial risk management *continued*

3.3.3 Credit risk *continued*

The ratings are defined as follows:

Long-term ratings

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

Impairment of financial assets

Calculation of Expected Credit Losses (ECL)

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

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

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

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



Notes to the consolidated financial statements *continued*

3. MANAGEMENT OF RISK AND CAPITAL *continued*

3.3 Financial risk management *continued*

3.3.3 Credit risk *continued*

Impairment of financial assets *continued*

Calculation of ECL *continued*

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

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

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

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

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

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

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

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

Significant increase in credit risk and default

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers quantitative and qualitative information based on the Group's historical experience, credit assessment and forward-looking information. The Group's assessment of a significant increase in credit risk from initial recognition consists of market information and the credit quality attached to the instrument as well as that of the issuing party.

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

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

Forward looking information

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


Notes to the consolidated financial statements *continued*

3. MANAGEMENT OF RISK AND CAPITAL *continued*

3.3 Financial risk management *continued*

3.3.3 Credit risk *continued*

Analysis of credit risk and allowance for ECL

The following table provides an overview of the allowance for ECL provided for on the types of financial assets held by the Group where credit risk is prevalent:

	Gross carrying amount R'000	Allowance for ECL R'000	Net amount R'000
At 30 June 2020			
Cash and cash equivalents	1 225 950	–	1 225 950
Term deposits	5 781 780	–	5 781 780
Government, municipal, public utility and money market securities	3 225 449	(20 022)	3 205 427
Insurance and other receivables	3 451 967	–	3 451 967
Total	13 685 146	(20 022)	13 665 124
	Gross carrying amount R'000	Allowance for ECL R'000	Net amount R'000
At 30 June 2019			
Cash and cash equivalents	781 811	–	781 811
Term deposits	5 195 221	–	5 195 221
Government, municipal, public utility and money market securities	3 043 257	(16 157)	3 027 100
Insurance and other receivables	2 711 769	–	2 711 769
Total	11 732 058	(16 157)	11 715 901

The following table sets out information about the credit quality of financial assets at 30 June 2020 where it carries credit risk. The total carrying amounts represent the maximum exposure to credit risk at the reporting date:

	Investment grade (AAA to BBB) R'000	Sub-investment grade (BB and lower) R'000	Unrated R'000	Total R'000
2020				
Money market securities				
Expected credit losses	965	19 057	–	20 022
Total	965	19 057	–	20 022
	Investment grade (AAA to BBB) R'000	Sub-investment grade (BB and lower) R'000	Unrated R'000	Total R'000
2019				
Money market securities				
Expected credit losses	15 864	293	–	16 157
Total	15 864	293	–	16 157



Notes to the consolidated financial statements *continued*

3. MANAGEMENT OF RISK AND CAPITAL *continued*

3.3 Financial risk management *continued*

3.3.3 Credit risk *continued*

Reinsurance credit exposures

Under the terms of reinsurance agreements, reinsurers agree to reimburse the ceded amount in the event that the gross claim is paid. However, the Group remains liable to its policyholders regardless of whether the reinsurer meets the obligations it has assumed. Consequently, the Group is exposed to credit risk. The Group reviews its reinsurance agreements on an annual basis and ensures the appropriate credit quality of any reinsurer prior to renewing or entering an agreement. The Group's reinsurers have credit ratings of between BBB and AAA, measured on an international scale. Reinsurance credit exposures are determined using the incurred loss model which was adopted when IFRS 4 came into effect.

3.3.4 Liquidity risk

Liquidity risk is the risk that the Group, although solvent, is not able to settle its obligations as they fall due because of insufficient liquid assets in the Group. To ensure that the Group's operating entities are able to meet their liabilities when they fall due, the liquidity profile of the various balance sheets are actively managed with a defined investment mandate. The table below provides the liquidity profile of the Group's financial and insurance contract assets. The liquidity profile assumes that instruments can be traded or settled in the ordinary course of business and in markets with sufficient liquidity. The effects of discounting are considered to be immaterial. The Group has access to a revolving credit facility of R700 million to provide liquidity to share incentive schemes as market maker where the Group exercises its pre-emptive rights to acquire shares. At 30 June 2020 the undrawn amount was R600 million.

	30 June 2020 R'000	%	30 June 2019 R'000	%
Liquid financial assets				
<i>Realisable within 30 days</i>				
Cash and cash equivalents	1 225 950	7.6%	781 811	5.7%
Collective investment scheme	113 737	0.7%	115 273	0.8%
Government, municipal and public utility securities	128 048	0.8%	400 366	2.9%
Money market securities	3 097 401	19.3%	2 642 891	19.1%
Exchange traded funds – ordinary shares	1 023 145	6.4%	904 599	6.6%
<i>Realisable between one and twelve months</i>				
Term deposits	5 781 780	36.0%	5 195 221	37.6%
Insurance and other receivables ¹	3 451 967	21.5%	2 711 769	19.6%
Total liquid financial assets	14 822 028		12 751 930	
Illiquid assets				
<i>Realisable in more than twelve months</i>				
Zero-coupon deposits	834 890	5.2%	589 855	4.3%
Listed perpetual preference shares	303 296	1.9%	388 749	2.8%
Unsecured loans	42 279	0.3%	36 889	0.3%
Zero-coupon deposits backing endowment policies	23 508	0.1%	–	–
Convertible loan	10 962	0.1%	–	–
Unlisted equity	13 716	0.1%	–	–
Derivative financial instruments	–	–	35 658	0.3%
Total illiquid assets	1 228 651		1 051 151	
Total financial assets held	16 050 679	100%	13 803 081	100%
Insurance contract assets				
Realisable within 30 days	298 892		72 192	
Realisable between one and twelve months	879 657		531 891	
Realisable after more than twelve months	159 634		86 863	
Total insurance contract assets held	1 338 183		690 946	
Total assets (excluding non-monetary assets)	17 388 862		14 494 027	

¹ This constitutes insurance and other receivables classified as financial assets.


 Notes to the consolidated financial statements *continued*

3. MANAGEMENT OF RISK AND CAPITAL *continued*

3.3 Financial risk management *continued*

3.3.4 Liquidity risk *continued*

Maturity profile of liabilities

The table below shows the expected liquidity profile of the Group's liabilities and shows the liquid asset coverage ratio which indicates how many times the liabilities are covered by liquid assets. This ratio is actively tracked in accordance with the investment and balance sheet management mandate of each Group entity. The effects of discounting are considered to be immaterial.

	0 – 12 months R'000	13 – 36 months R'000	37 – 60 months R'000	>60 months R'000	Total R'000
At 30 June 2020					
Expected discounted cash flows					
Insurance contract liabilities – life	(132 692)	(482 551)	(410 927)	1 561 698	535 528
Insurance contract liabilities – non-life	8 484 138	549 644	20 188	11 563	9 065 533
Derivative financial instruments	3 173	16 720	23 687	107 033	150 613
	8 354 619	83 813	(367 052)	1 680 294	9 751 674
Contractual undiscounted cash flows¹					
Financial liabilities at fair value through profit and loss	64 648	–	–	–	64 648
Insurance and other payables	1 108 180	–	–	–	1 108 180
	1 172 828	–	–	–	1 172 828
Other liabilities					
Share-based payment liability	87 721	2 899	–	–	90 620
Employee benefits	381 035	33 553	–	–	414 588
Tax liabilities	72 880	–	–	–	72 880
Financial liability at amortised cost	100 000	–	–	–	100 000
Insurance and other payables	47 724	–	–	–	47 724
	689 360	36 452	–	–	725 812
Total liabilities	10 216 807	120 265	(367 052)	1 680 294	11 650 314
Liquid asset coverage ratio	1.45				1.27
Financial assets coverage ratio					1.38



Notes to the consolidated financial statements *continued*

3. MANAGEMENT OF RISK AND CAPITAL *continued*

3.3 Financial risk management *continued*

3.3.4 Liquidity risk *continued*

Maturity profile of liabilities *continued*

	0 – 12 months R'000	13 – 36 months R'000	37 – 60 months R'000	>60 months R'000	Total R'000
At 30 June 2019					
Insurance contract liabilities – life	(230 427)	(435 192)	(341 082)	1 494 643	487 942
Insurance contract liabilities – non-life	6 476 181	476 947	9 708	6 235	6 969 071
Derivative financial instruments	912	2 434	4 459	17 576	25 381
	6 246 666	44 189	(326 915)	1 518 454	7 482 394
Contractual undiscounted cash flows¹					
Financial liabilities at fair value through profit or loss	65 222	–	–	–	65 222
Insurance and other payables	884 035	–	1 148	–	885 183
	949 257	–	1 148	–	950 405
Other liabilities					
Share-based payment liability	76 546	7 009	–	–	83 555
Employee benefits	243 973	28 839	–	–	272 812
Tax liabilities	21 718	–	–	–	21 718
Insurance and other payables	103 862	–	–	–	103 862
	446 099	35 848	–	–	481 947
Total liabilities	7 642 022	80 037	(325 767)	1 518 454	8 914 746
Liquid asset coverage ratio	1.67				1.43
Financial assets coverage ratio					1.55

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

3.4 Capital management

Capital adequacy risk is the risk that there are insufficient reserves to provide for variations in actual future experience that is worse than what has been assumed in conducting insurance business and to facilitate growth and strategic objectives.

The Group's objectives when managing capital are:

- to comply with the higher of, the regulatory solvency capital requirements for each entity and the Group, or the internal assessment of the capital requirement for each entity and the Group;
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- to provide an adequate return for shareholders by pricing insurance commensurately with the level of risk; and
- to retain sufficient surplus capital to facilitate future growth and strategic expansion.



Notes to the consolidated financial statements *continued*

3. MANAGEMENT OF RISK AND CAPITAL *continued*

3.4 Capital management *continued*

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

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

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

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

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

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

Solvency coverage ratio ¹	Jurisdiction	2020	2019	Target
Group		2.50	2.40	1.40
Short-term insurance				
OUTsurance Insurance Company Limited	South Africa	1.90	2.30	1.20
OUTsurance Insurance Company of Namibia Limited	Namibia	2.30	2.10	1.20
Youi Holdings Limited Group	Australia	3.50	4.50	2.00
Long-term insurance				
OUTsurance Life Insurance Company Limited	South Africa	3.00	3.20	1.50

¹ Solvency Coverage Ratio, which is defined as the ratio of regulatory admissible net assets to the solvency capital requirement.

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

Group and South African operations

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



Notes to the consolidated financial statements *continued*

3. MANAGEMENT OF RISK AND CAPITAL *continued*

3.4 Capital management *continued*

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

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

From 1 July 2018, OUTsurance Holdings Limited and its subsidiaries have been regulated as an insurance group. The deduction and aggregation method is used to assess capital adequacy on a Group-wide basis. This method sums the solo capital requirements and aims to calculate the relevant adjustments to avoid double or multiple gearing of capital. Excess or deficits of capital existing at the level of each entity in the Group, i.e. on a solo basis, are aggregated (net of intragroup transactions) in order to measure the own funds surplus (or deficit) at a Group level.

Australian operations – Short-term insurance operations

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

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

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

4. SEGMENT INFORMATION

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

- Personal insurance: This segment provides short-term insurance products to individuals. Personal insurance business is conducted in OUTsurance Insurance Company Limited and Youi Pty Limited (Australia);
- Commercial insurance: This segment provides short-term insurance products to small and medium sized businesses. Commercial insurance business is conducted in OUTsurance Insurance Company Limited; and
- Life insurance: This segment provides long-term insurance products to individuals. Life insurance business is conducted in OUTsurance Life Insurance Company Limited.

The information in the segment report is presented on the same basis as reported to management. Reporting adjustments are those accounting reclassifications and entries required to produce IFRS compliant results. Specific details of these adjustments are included as footnotes.

The Group accounts for inter-segment revenues and transfers as if the transactions were with third parties. Given the nature of the operations there is no single external customer that provides 10% or more of the Group's revenues.


Notes to the consolidated financial statements *continued*

4. SEGMENT INFORMATION *continued*

4.1 Market segmentation

	Short-term insurance		Short-term insurance	Long-term insurance		
	OUTsurance		Youi Group Personal	OUTsurance Life	Central and new business development	Group Total
	Personal ¹ R'000	Commercial R'000	Personal R'000	Life R'000	R'000	R'000
Segment income statement information						
Year end 30 June 2020						
Gross written premium	7 343 181	1 513 139	7 941 699	551 308	–	17 349 327
Outward reinsurance premiums	(103 377)	(23 440)	(599 605)	(47 986)	–	(774 408)
Change in provision for unearned premium	(1 455)	(4 819)	(415 873)	(1)	–	(422 148)
Earned premium, net of reinsurance	7 238 349	1 484 880	6 926 221	503 321	–	16 152 771
Other income	–	–	6 603	–	19 055	25 658
Policyholder benefits on insurance contracts net of reinsurance	(3 359 695)	(936 301)	(3 726 074)	(121 469)	(2 440)	(8 145 979)
Transfer to policyholder liabilities under insurance contracts	–	–	–	(33 702)	–	(33 702)
Marketing, acquisition and administration expenses ²	(1 547 960)	(537 366)	(2 314 683)	(275 978)	(91 031)	(4 767 018)
Fair value adjustment to financial liabilities	(138 656)	–	–	–	–	(138 656)
Underwriting result	2 192 038	11 213	892 067	72 172	(74 416)	3 093 074
Investment income on technical reserves	103 810	23 836	78 193	(66 547)	–	139 292
Operating profit	2 295 848	35 049	970 260	5 625	(74 416)	3 232 366
Equity accounted earnings						122 244
Impairment of associate						(2 636)
Operating profit including associate earnings						3 351 974
Net investment income on shareholder investment capital						71 411
Profit before tax						3 423 385


Notes to the consolidated financial statements *continued*

4. SEGMENT INFORMATION *continued*

4.1 Market segmentation *continued*

	Short-term insurance OUTsurance		Short-term insurance	Long-term insurance	Central and new business development	Group Total
	Personal ¹ R'000	Commercial R'000	Youi Group Personal R'000	OUTsurance Life R'000	R'000	R'000
Segment income statement information						
Year end 30 June 2019						
Gross written premium	7 055 229	1 325 123	7 022 685	503 297	–	15 906 334
Outward reinsurance premiums	(105 761)	(22 974)	(502 523)	(42 168)	–	(673 426)
Change in provision for unearned premium	(8 662)	(1 270)	(210 879)	–	–	(220 811)
Earned premium, net of reinsurance	6 940 806	1 300 879	6 309 283	461 129	–	15 012 097
Other income	–	–	6 581	–	5 622	12 203
Policyholder benefits on insurance contracts net of reinsurance	(3 421 338)	(683 184)	(3 406 186)	(81 133)	(519)	(7 592 360)
Transfer to policyholder liabilities under insurance contracts	–	–	–	(122 571)	–	(122 571)
Marketing, acquisition and administration expenses ²	(1 485 151)	(439 639)	(2 015 106)	(240 178)	(72 061)	(4 252 135)
Fair value adjustment to financial liabilities	(169 016)	–	–	–	–	(169 016)
Underwriting result	1 865 301	178 056	894 572	17 247	(66 958)	2 888 218
Investment income on technical reserves	105 045	18 784	101 554	50 777	–	276 160
Operating profit	1 970 346	196 840	996 126	68 024	(66 958)	3 164 378
Equity accounted earnings						157 907
Gain on derivative related to acquisition of investment in associate						(450 000)
Operating profit including associate earnings						2 872 285
Net investment income on shareholder investment capital						364 628
Profit before tax						3 236 913

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

² Excludes investment management expenses, included in net investment income on shareholder investment capital.

Excluded from operating profit in Youi is an amount of R9.5 million related to the profit from Youi New Zealand's discontinued operations for the period. Refer to the discontinued operations note 36 for further detail.


Notes to the consolidated financial statements *continued*

4. SEGMENT INFORMATION *continued*

4.2 Geographical segmentation

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

	Southern Africa		Australasia		
	OUTsurance R'000	OUTsurance Life R'000	Youi Group R'000	Unallocated and consolidation adjustments R'000	Group total R'000
Segment balance sheet information					
Year end 30 June 2020					
Segment assets					
Property and equipment	91 996	-	824 148	231 404	1 147 548
Financial assets	5 152 773	1 117 220	5 993 900	(911 153)	11 352 740
Cash and cash equivalents	185 268	141 167	686 532	212 983	1 225 950
Other assets	696 327	163 323	5 339 080	3 385 707	9 584 437
Total segment assets	6 126 364	1 421 710	12 843 660	2 918 941	23 310 675
Segment Equity					
Share capital	25 000	445 002	2 614 207	960 578	2 123 631
Retained earnings	3 153 125	182 360	1 630 587	2 733 265	7 699 337
Other reserves	2 386	(197)	(6 240)	1 667 107	1 663 056
Total segment equity	3 180 511	627 165	4 238 554	3 439 794	11 486 024
Segment liabilities					
Insurance contract liabilities	2 081 403	535 528	6 984 130	-	9 601 061
Other liabilities	864 450	259 017	1 620 976	(520 853)	2 223 590
Total segment liabilities	2 945 853	794 545	8 605 106	(520 853)	11 824 651
Total segment equity and liabilities	6 126 364	1 421 710	12 843 660	2 918 941	23 310 675



Notes to the consolidated financial statements *continued*

4. SEGMENT INFORMATION *continued*

4.2 Geographical segmentation *continued*

	Southern Africa		Australasia		Unallocated and consolidation adjustments	Group total
	OUTsurance R'000	OUTsurance Life R'000	Youi Australia R'000	Youi New Zealand R'000	R'000	R'000
Segment balance sheet information						
Year end 30 June 2019						
Segment assets						
Property and equipment	93 593	–	696 145	2 281	246 208	1 038 227
Financial assets	5 350 379	1 075 491	7 099 542	456 272	(3 723 998)	10 257 686
Cash and cash equivalents	177 881	68 496	232 776	28 531	274 127	781 811
Other assets	466 502	179 556	838 514	196 093	6 190 684	7 871 349
Total segment assets	6 088 355	1 323 543	8 866 977	683 177	2 987 021	19 949 073
Segment equity						
Share capital	25 000	435 002	1 322 819	576 449	66 893	2 426 163
Retained earnings	3 692 812	298 049	1 330 968	(162 869)	2 650 390	7 809 350
Other reserves	10 529	1 577	215 751	20 027	494 796	742 680
Total segment equity	3 728 341	734 628	2 869 538	433 607	3 212 079	10 978 193
Segment liabilities						
Insurance contract liabilities	1 887 528	487 942	4 923 294	158 249	–	7 457 013
Other liabilities	472 486	100 973	1 074 145	91 321	(225 058)	1 513 867
Total segment liabilities	2 360 014	588 915	5 997 439	249 570	(225 058)	8 970 880
Total segment equity and liabilities	6 088 355	1 323 543	8 866 977	683 177	2 987 021	19 949 073

5. GROSS INSURANCE PREMIUM WRITTEN

	2020 R'000	2019 R'000
Short-term insurance		
Premium written	16 779 094	15 313 275
Policyholder fees written	18 925	89 762
	16 798 019	15 403 037
Long-term insurance		
Premium received	538 660	488 225
Policyholder fees received	12 648	15 072
	551 308	503 297
	17 349 327	15 906 334


 Notes to the consolidated financial statements *continued*

6. OTHER INCOME

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

	2020 R'000	2019 R'000
Government grant received	24 713	9 445
Commission income	286	2 576
Other	659	182
	25 658	12 203

7. INVESTMENT INCOME

	2020 R'000	2019 R'000
Investment income:	131 890	116 364
Interest – financial assets at fair value through profit or loss	56 625	46 953
Dividends – listed equities	75 265	69 411
Interest income on financial assets using effective interest rate method	389 418	451 972
Interest – financial assets measured at amortised cost	127 801	165 547
Interest – other financial assets	261 617	286 425
	521 308	568 336

8. NET (LOSSES) / GAINS FROM FAIR VALUE ADJUSTMENTS ON FINANCIAL ASSETS

	Fair value designated through profit or loss R'000	Fair value through other compre- hensive income R'000	Total R'000
2020			
Net realised (loss) / gain on financial assets	(8 765)	736	(8 029)
Net unrealised fair value loss	(283 115)	–	(283 115)
Expected credit loss through OCI	–	(3 866)	(3 866)
Fair value adjustments on financial assets before OCI	(291 880)	(3 130)	(295 010)
Net unrealised fair value loss through OCI		(13 803)	(13 803)
	(291 880)	(16 933)	(308 813)
2019			
Net realised (loss) / gain on financial assets	(19 069)	299	(18 770)
Net unrealised fair value gains	81 349	–	81 349
Expected credit loss through OCI	–	17 996	17 996
Fair value adjustments on financial assets before OCI	62 280	18 295	80 575
Net unrealised fair value losses through OCI	–	(4 038)	(4 038)
	62 280	14 257	76 537

Other than unlisted preference shares, fair value gains and losses on assets measured at fair value through profit or loss and designated fair value financial assets are determined with reference to quoted market prices at reporting date.



Notes to the consolidated financial statements *continued*

9. POLICYHOLDER BENEFITS ON INSURANCE CONTRACTS NET OF REINSURANCE

	2020			2019		
	Gross R'000	Reinsurance R'000	Net R'000	Gross R'000	Reinsurance R'000	Net R'000
Short-term insurance						
Claim paid net of recoveries	(8 545 909)	1 099 687	(7 446 222)	(7 296 856)	314 478	(6 982 378)
Change in claims provisions	(587 077)	508 925	(78 152)	(474 956)	395 546	(79 410)
Non-claims bonuses on insurance contracts	(500 136)	–	(500 136)	(449 438)	–	(449 438)
	(9 633 122)	1 608 612	(8 024 510)	(8 221 250)	710 024	(7 511 226)
Long-term insurance						
Life claims	(153 817)	50 733	(103 084)	(102 694)	40 314	(62 380)
Disability claims	(6 927)	1 308	(5 619)	(11 222)	2 438	(8 784)
Retrenchment claims	(2 271)	336	(1 935)	(1 806)	273	(1 533)
Critical illness claims	(13 616)	3 052	(10 564)	(10 364)	2 008	(8 356)
Non-claims bonuses on insurance contracts	(267)	–	(267)	(81)	–	(81)
	(176 898)	55 429	(121 469)	(126 167)	45 033	(81 134)
Total claims incurred	(9 810 020)	1 664 041	(8 145 979)	(8 347 417)	755 057	(7 592 360)

10. ACQUISITION EXPENSES

Acquisition expenses include both standard commission and spotter fees.

	2020 R'000	2019 R'000
Acquisition expenses incurred	(40 814)	(45 135)
	(40 814)	(45 135)


 Notes to the consolidated financial statements *continued*

11. MARKETING AND ADMINISTRATION EXPENSES

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

	2020 R'000	2019 R'000
Depreciation		
Buildings	57 226	34 577
Computer equipment and software	40 471	94 161
Furniture and fittings	10 448	9 677
Motor vehicles	15 605	706
Amortisation		
Purchased computer software	8 458	–
Internally generated computer software	1 914	–
Total depreciation and amortisation	134 122	139 121
Employee benefits		
Salaries excluding retirement funding	2 404 238	2 075 424
Medical aid contributions	120 646	106 156
Retirement funding	212 326	191 428
Service cost relating to employee benefits	95 783	84 310
Share-based payments	24 464	36 803
Total employee benefits	2 857 457	2 494 121
Other disclosable items		
Audit fees	19 180	17 323
External audit fees	12 692	11 474
Other fees / services	6 488	5 849
Operating lease expenses	–	74 511
Loss on sale of property, plant and equipment	1 307	6 519
Consulting and legal fees for professional services	129 882	82 651
Investment fees paid	7 917	8 057
Foreign exchange (profit) / loss	(27 788)	208
Marketing and management expenses	1 612 053	1 392 557
Total other disclosable expenses	1 742 551	1 581 826
Total marketing and administration expenses	4 734 130	4 215 068

12. FINANCE CHARGES

	2020 R'000	2019 R'000
Interest paid – operational financing		
Interest paid on revolving credit facility	3 373	–
Interest charge on lease liabilities	4 187	–
Other interest paid	109	55
	7 669	55


Notes to the consolidated financial statements *continued*

13. TAXATION

	2020 R'000	2019 R'000
Normal taxation		
Current tax		
Current year	(1 070 332)	(1 044 422)
Prior year over-provision	2 045	823
	(1 068 287)	(1 043 599)
Deferred tax		
Current year	82 313	(20 376)
Prior year under-provision	(2 062)	(354)
	80 251	(20 730)
Total normal taxation	(988 036)	(1 064 329)
Withholding taxation incurred	(123)	(175)
Total taxation charge	(988 159)	(1 064 504)
Tax rate reconciliation		
Normal tax on companies at 28%	987 802	908 990
Non-temporary differences	(12 885)	144 609
Fair value adjustment	(2 814)	122
Non-taxable income	(33 577)	-
Other permanent differences	(140)	-
Capital gains tax	8 329	(3 250)
Foreign tax rate differential	19 232	19 638
Exempt dividends	(19 202)	(9 383)
Impairment of associate	-	126 000
Equity accounted earnings	(34 228)	(44 214)
Fair value adjustments to financial liabilities	38 824	47 324
Non-allowable expenses	10 691	8 372
Prior year over provision	17	(469)
Withholding taxation incurred	123	175
Deferred tax asset not utilised	13 102	11 199
Amount calculated at effective rate	988 159	1 064 504

14. Earnings per share

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

14.1 Basic earnings per share

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

	2020	2019
Earnings attributable to ordinary shareholders (R'000)	2 417 942	2 100 387
Weighted average number of shares in issue ('000)	3 730 904	3 751 288
Basic earnings per share (cents)	64.81	55.99



Notes to the consolidated financial statements *continued*

14. Earnings per share *continued*

14.2 Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The options that have been issued to key personnel that have not yet vested or have not yet been exercised by the holders of those options have a potential dilutive effect on the earnings per share for the Group. Earnings dilution results from the Group's share incentive schemes as disclosed in note 32.

	2020	2019
Earnings attributable to ordinary shareholders (R'000)	2 417 942	2 100 387
Diluted earnings attributable to the Youi Group (R'000)	(1 295)	(93)
Total diluted earnings attributable to ordinary shareholders (R'000)	2 416 647	2 100 294
Weighted average number of shares in issue ('000)	3 730 904	3 751 288
Dilution impact of share incentive schemes ('000)	1 118	5 942
Diluted weighted average number of shares in issue ('000)	3 732 022	3 757 230
Diluted earnings per share (cents)	64.75	55.90

15. HEADLINE EARNINGS PER SHARE

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

Headline earnings reconciliation:

	2020	2019
Earnings attributable to ordinary shareholders	2 417 942	2 100 387
Adjusted for:		
Profit on sale of insurance business	(103 021)	-
Minority share of sale of insurance business	15 968	-
Impairment of associate	2 636	450 000
Loss on dilution of associate	7 029	-
Loss on sale of property and equipment	1 307	6 519
Tax effect of adjustments	(303)	(1 832)
Headline earnings attributable to ordinary shareholders	2 341 558	2 555 074
Weighted average number of shares in issue ('000)	3 730 904	3 751 288
Headline earnings per share – basic (cents)	62.76	68.11
Headline earnings attributable to ordinary shareholders	2 341 558	2 555 074
Diluted headline earnings attributable to Youi Group	(1 117)	(93)
Diluted headline earnings attributable to ordinary shareholders	2 340 441	2 554 981
Diluted weighted average number of shares in issue ('000)	3 732 022	3 757 230
Headline earnings per share – diluted (cents)	62.71	68.00


Notes to the consolidated financial statements *continued*

16. DIVIDEND PER SHARE

	2020	2019
Total dividends paid during the year (R'000) ¹	2 564 263	2 457 894
Total dividends declared (R'000)	2 040 013	2 564 263
Total dividends declared – interim (R'000)	938 330	938 330
Total dividends declared – final (R'000)	1 101 683	1 170 064
Total dividends declared – final special (R'000)	–	455 869
Number of ordinary shares in issue ('000)	3 798 908	3 798 908
Dividends declared per share (cents)	53.70	67.50
Dividend paid per share (cents)	67.50	64.70

¹ Gross of treasury shares.

17. PROPERTY AND EQUIPMENT

	Land and buildings R'000	Computer equipment R'000	Computer software ¹ R'000	Furniture, fittings and office equipment R'000	Motor vehicles R'000	Total R'000
Year ended 30 June 2020						
Opening net book amount	881 884	96 843	24 954	33 686	860	1 038 227
Additions	7 681	55 684	–	18 285	5 057	86 707
Disposals	(373)	(949)	–	(3 076)	(15)	(4 413)
Reclassification	–	–	(24 954)	–	–	(24 954)
Foreign exchange adjustments	132 481	4 406	–	2 732	(28)	139 591
Depreciation charge	(35 915)	(40 432)	–	(10 448)	(815)	(87 610)
Closing net book amount	985 758	115 552	–	41 179	5 059	1 147 548
At 30 June 2020						
Cost	1 191 227	438 330	–	116 379	7 761	1 753 697
Accumulated depreciation	(205 469)	(322 778)	–	(75 200)	(2 702)	(606 149)
Net book amount	985 758	115 552	–	41 179	5 059	1 147 548

¹ The purchased computer software costs have been reclassified to intangible assets in the current year.


Notes to the consolidated financial statements *continued*

17. PROPERTY AND EQUIPMENT *continued*

	Land and buildings R'000	Computer equipment R'000	Computer software R'000	Furniture, fittings and office equipment R'000	Motor vehicles R'000	Total R'000
Year ended 30 June 2019						
Opening net book amount	931 635	95 780	49 280	26 972	779	1 104 446
Additions	2 381	66 736	11 292	18 752	789	99 950
Disposals	–	(6 812)	–	(1 250)	–	(8 062)
Foreign exchange adjustments	(17 555)	(193)	(125)	(1 111)	(2)	(18 986)
Depreciation charge	(34 577)	(58 668)	(35 493)	(9 677)	(706)	(139 121)
Closing net book amount	881 884	96 843	24 954	33 686	860	1 038 227
At 30 June 2019						
Cost	1 043 150	387 093	182 348	100 862	3 076	1 716 529
Accumulated depreciation	(161 266)	(290 250)	(157 394)	(67 176)	(2 216)	(678 302)
Net book amount	881 884	96 843	24 954	33 686	860	1 038 227

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

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

Refer to note 41 for the current and non-current analysis of property and equipment.

18. INTANGIBLE ASSETS

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

In addition to the above, internally developed software also includes banking software that will be sold as Software as a Service, which will be amortised once it is completed and ready for sale.

	Internally developed computer software R'000	Purchased computer software R'000	Total R'000
Year ended 30 June 2020			
Opening net book amount	13 704	–	13 704
Additions	75 300	4 462	79 762
Disposals	–	(24)	(24)
Reclassification	–	24 954	24 954
Foreign exchange adjustments	4 219	901	5 120
Amortisation charge	(1 914)	(8 458)	(10 372)
Closing net book amount	91 309	21 835	113 144
At 30 June 2020			
Cost	93 260	148 199	241 459
Accumulated amortisation	(1 951)	(126 364)	(128 315)
Net book amount	91 309	21 835	113 144


 Notes to the consolidated financial statements *continued*

18. INTANGIBLE ASSETS *continued*

	Internally developed computer software R'000	Total R'000
Year ended 30 June 2019		
Opening net book amount	–	–
Additions	13 704	13 704
Closing net book amount	13 704	13 704
At 30 June 2019		
Cost	13 704	13 704
Net book amount	13 704	13 704

19. RIGHT-OF-USE ASSETS

Right-of-use assets are calculated in accordance with IFRS 16, which was adopted by the Group with effect from 1 July 2019.

	Properties R'000	Motor vehicles R'000	Office equipment R'000	Total R'000
Year ended 30 June 2020				
Opening book value	–	–	–	–
Additions on adoption of IFRS 16	67 360	22 631	165	90 156
Adjusted balance at 1 July 2019	67 360	22 631	165	90 156
Additions	11 175	13 907	–	25 082
Depreciation	(21 311)	(14 790)	(39)	(36 140)
Terminations / cancellations	(7 491)	(547)	–	(8 038)
Foreign currency adjustments	7 903	3 994	16	11 913
Closing net book amount	57 636	25 195	142	82 973
At 30 June 2020				
Cost	77 371	38 567	184	116 122
Accumulated depreciation	(19 735)	(13 372)	(42)	(33 149)
Net book amount	57 636	25 195	142	82 973



Notes to the consolidated financial statements *continued*

20. SUBSIDIARIES

The Company had the following subsidiaries at 30 June 2020:

Subsidiary	Nature of business	Country of Incorporation	Issued ordinary capital		Effective holdings	
			2020 R'000	2019 R'000	2020	2019
OUTsurance Insurance Company Limited	Short-term insurer	South Africa	25 000	25 000	100%	100%
OUTsurance Life Insurance Company Limited	Long-term insurer	South Africa	435 002	435 002	100%	100%
Youi (Pty) Ltd (South Africa)	Administration company	South Africa	15 000	15 000	100%	100%
OUTsurance International Holdings (Pty) Limited	Holdings company	South Africa	1 169 086	1 169 086	100%	100%
OUTsurance Shared Services (Pty) Ltd	Administration company	South Africa	50 100	100	100%	100%
OUTvest Nominees RF (Pty) Limited	Nominee	South Africa	1	1	100%	100%
OUTvest (Pty) Limited	Online digital advice and administration services	South Africa	127 500	100 000	100%	100%
Bateleur Technologies (Pty) Limited	Technology company	South Africa	86 000	86 000	100%	100%
Youi NZ Pty Limited	Administration company	New Zealand	69 930	575 086	84.6%	84.5%
Youi Holdings Pty Limited	Holdings company	Australia	1 521 738	1 521 738	84.6%	84.5%
Youi Pty Limited (Australia)	Short-term insurer	Australia	1 188 792	1 188 792	84.6%	84.5%
Youi Properties Pty Limited	Property company	Australia	10	10	84.6%	84.5%
OUTsurance Properties (Pty) Limited	Property company	South Africa	38 105	38 105	100%	100%

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

The total non-controlling interest for the financial year is R635.8 million (2019: R483.3 million) which is attributable to the minority shareholders of Youi Holdings Pty Limited.

Reconciliation of non-controlling interest:

	2020 R'000	2019 R'000
Opening balance of non-controlling interest	483 339	199 297
Profit attributable to non-controlling interest	121 765	81 502
Shares issued to non-controlling interest	-	212 595
Foreign currency translation reserve attributable to non-controlling interest	107 733	(14 579)
Dividends paid	(70 440)	(111 216)
Equity transactions with non-controlling interests	(6 555)	115 740
Closing balance of non-controlling interest	635 842	483 339

Involvement with unconsolidated structured entities

One of the Group's subsidiaries, OUTvest (Pty) Limited (OUTvest), offers an online advice and investment platform which works exclusively with designed investment portfolios which include four collective investment schemes offered by Coreshares Index Tracker Managers (Coreshares). OUTsurance Insurance Company Limited (OUTsurance) has invested, on behalf of OUTvest, in these four collective investment schemes during the year under review.


Notes to the consolidated financial statements *continued*

21. INVESTMENT IN ASSOCIATES

	2020 R'000	2019 R'000
Investment in associates		
Main Street 1353 (Pty) Limited	3 639 662	3 524 419
OUTsurance Insurance Company of Namibia Limited	49 607	48 807
Other	43 201	49 622
	3 732 470	3 622 848
Reconciliation of investment in associate		
Opening balance	3 622 848	4 125 091
Ordinary shares purchased in associate	4 987	908
Equity accounted earnings	122 244	157 907
Impairment of investment in associate	(2 636)	(450 000)
Share of equity accounted reserve of associate	145 257	8 462
Dividends received from associates	(160 230)	(219 520)
Closing balance	3 732 470	3 622 848

The Group effectively owns a 49.0% share in the ordinary shares of OUTsurance Insurance Company of Namibia Limited (OUTsurance Namibia), a company incorporated and domiciled in Namibia. The Group also owns a 49.0% share in the ordinary shares of Main Street 1353 (Pty) Limited (Main Street), incorporated in South Africa, which owns a 29.7% interest in Hastings Group Holdings plc, operating in the United Kingdom.

The Group owns a 30.0% share in the ordinary shares of AutoGuru Australia Pty Limited (AutoGuru). AutoGuru is an online car service booking platform operating in Australia.

The Group owns a 27.7% share in the ordinary shares of Coreshares Holdings (Pty) Limited (Coreshares). During the year, the Group acquired an additional 2.1% share in the ordinary shares of Coreshares Holdings (Pty) Limited. Coreshares is an emerging passive investment management business in South Africa.

The Group performs an impairment assessment of its associate investments on an annual basis. The assessments are based on discounted cash flow models with company forecasts used as inputs. These forecasts can be adjusted to allow for our own assessment of expected performance.

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

When the Group acquired the 49% interest in Main Street 1353 (which owns 29.7% of Hastings Group Holdings plc) in 2017, the initial take-on value was mark-to-market to reflect the significant appreciation in the share price of Hastings from 248p to 312p between the date on which the purchase agreement was reached to acquire the interest and the effective date. This movement resulted in a derivative gain of R750 million being capitalised to the carrying value of the investment in Main Street 1353. This accounting treatment resulted in the initial carrying value being recognised significantly above the actual acquisition cost of the investment. When measured against the current market capitalisation of Hastings, the carrying value of the investment should be considered for impairment. IAS 28 considers a significant or prolonged reduction in the market value of an associate as an indication of impairment resulting in an impairment test being performed. In 2019, this impairment test resulted in a R450 million reduction in the carrying value of the investment in Main Street 1353. The carrying value reflects management's assessment of the value-in-use.

A detailed Discounted Cash Flow (DCF) valuation model has been developed based on more granular and up to date information available to management by virtue of its participation in Hastings. The DCF calculation forecasts the free cash flows of Hastings for a period of ten years and uses a discount rate of 12.0%. This long-term forecast provides the opportunity to ignore cyclicity and take a long-term view of the expected company and industry trends and the development thereof. The model allows for various scenario simulations based on adverse or more favourable outcomes of the most sensitive input assumptions. The value in use and therefore the impairment recognized is calibrated against the midpoint of the valuation range based on these sensitivity assessments. The main assumptions in the model include new business inceptions, retention, claims inflation, claims ratio and the use of reinsurance in the capital structure. For the 2020 financial year, the carrying value for the investment in Main Street 1353 is within the value-in-use range calculated with reference to the above method. No further impairment is therefore required. Refer to the disclosure in the directors report concerning corporate action related to Hastings.



Notes to the consolidated financial statements *continued*

21. INVESTMENT IN ASSOCIATES *continued*

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

	OUTsurance Namibia		Main Street		Other	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Statement of financial position						
Current assets	119 510	163 116	112 047	3 875	52 776	30 717
Non-current assets	33 782	4 260	10 028 516	9 379 620	60 280	40 831
Current liabilities	(10 504)	(21 810)	(144 173)	(2 702 075)	(81 809)	(98 523)
Non-current liabilities	(1 189)	-	(3 076 500)	-	(19 797)	-
Technical provisions	(40 750)	(46 351)	-	-	-	-
Equity	100 849	99 215	6 919 890	6 681 420	11 450	(26 975)
Statement of profit and loss and other comprehensive income						
Revenue	164 401	177 699	356 127	427 122	84 430	93 910
After tax profit or loss	28 935	30 144	237 712	336 235	(8 265)	(62 106)
After tax comprehensive income	28 935	30 732	-	336 235	-	(62 106)
Cash Flow statement						
Cash inflow / from operating activities	9 202	25 147	433 101	484 815	(5 748)	(41 994)
Cash (outflow) / inflow from investing activities	(913)	(33 715)	-	(327)	-	(249)
Cash (outflow) / inflow from financing activities	-	(52 000)	(405 689)	(485 400)	13 172	(639)
(Decrease) / Increase in cash and cash equivalents	8 289	(60 568)	27 412	(912)	1 856	(42 882)
Opening balance of cash and cash equivalents	30 751	91 319	84 479	85 391	3 190	46 072
Effect of exchange rate movement on cash balances	-	-	13	-	-	-
Closing balance of cash and cash equivalents	39 040	30 751	111 904	84 479	10 614	3 190

Reconciliation of carrying value:

	OUTsurance Namibia		Main Street	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Opening net assets	99 215	121 087	6 684 701	6 728 705
Profit for the period	28 935	30 144	237 712	336 234
Other comprehensive (loss) / income and other reserve movements	(301)	(16)	297 479	15 762
Dividend paid	(27 000)	(52 000)	(300 000)	(396 000)
Closing net assets	100 849	99 215	6 919 892	6 684 701
Interest in associates (49%)	49 415	48 615	3 390 747	3 275 504
Preference shares	(104)	(104)	-	-
Other reserves	296	296	248 915	248 915
Carrying value	49 607	48 807	3 639 662	3 524 419

Refer to note 41 for the current and non-current analysis of investments in associates.


Notes to the consolidated financial statements *continued*

22. FINANCIAL ASSETS

The Group financial assets are summarised below:

	2020 R'000	2019 R'000
Fair value through profit or loss		
Debt securities		
Zero-coupon deposits	834 890	589 855
Unsecured loans	42 279	36 889
Zero-coupon deposits backing endowment policies	23 508	–
Convertible loan	10 962	–
Equity securities		
Listed perpetual preference shares	303 296	388 749
Exchange traded funds	1 023 145	904 599
Collective investment schemes	113 737	115 273
Fair value through other comprehensive income		
Debt securities		
Government, municipal and public utility securities	128 048	400 366
Money market securities <1 year	1 738 673	1 356 088
Money market securities >1 year	1 358 728	1 286 803
Expected credit loss	(20 022)	(16 157)
Equity securities		
Unlisted equity	13 716	–
Amortised cost		
Debt securities		
Term deposits	5 781 780	5 195 221
Total financial assets	11 352 740	10 257 686



Notes to the consolidated financial statements *continued*

22. FINANCIAL ASSETS *continued*

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

	Fair value through profit or loss R'000	Available-for-sale R'000	Fair value through other comprehensive income R'000	Amortised cost R'000	Total R'000
Group 2020					
Balance at beginning of year	2 035 365	–	3 027 100	5 195 221	10 257 686
Additions (purchases and issues)	410 107	–	2 701 747	5 094 581	8 206 435
Disposals (sales and redemptions)	–	–	(2 493 663)	(5 541 468)	(8 035 131)
Unrealised fair value adjustments	(120 122)	–	(13 803)	–	(133 925)
Foreign exchange difference	26 467	–	1 628	1 033 446	1 061 541
Expected credit loss	–	–	(3 866)	–	(3 866)
Balance at the end of the year	2 351 817	–	3 219 143	5 781 780	11 352 740
Group 2019					
Movement Analysis					
Balance at beginning of year	9 102 963	1 169 222	–	–	10 272 185
Reclassification due to change in accounting policy (note 44)	(7 546 740)	(1 169 222)	3 352 374	5 363 588	–
Adjusted balance at beginning of year	1 556 223	–	3 352 374	5 363 588	10 272 185
Additions (purchases and issues)	349 670	–	2 671 173	5 195 217	8 216 060
Disposals (sales and redemptions)	–	–	(2 976 252)	(5 223 214)	(8 199 466)
Unrealised fair value adjustments	129 472	–	(4 038)	–	125 434
Foreign exchange difference	–	–	–	(140 370)	(140 370)
Expected credit loss	–	–	(16 157)	–	(16 157)
Balance at the end of the year	2 035 365	–	3 027 100	5 195 221	10 257 686

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

Refer to note 3.3.1 for information relating to the fair value of investment securities. Refer to note 41 for the current and non-current analysis of investment securities.

22.1 Critical accounting estimates – ECL

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

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



Notes to the consolidated financial statements *continued*

23. DERIVATIVE FINANCIAL INSTRUMENTS

The Group utilises derivative financial instruments for the following:

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

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

The following table provides a detailed breakdown of the Group's derivative financial instruments outstanding at year-end.

	Assets R'000	Liabilities R'000	Net derivatives R'000
At 30 June 2020			
Interest rate swap	283 570	(388 638)	(105 068)
Effect of assets relating to the floating rate swap	283 570	-	283 570
Effect of liability relating to the fixed rate swap	-	(388 638)	(388 638)
Collateralised swap	-	(45 449)	(45 449)
Forward exchange contracts	125 503	(125 599)	(96)
Total	409 073	(559 686)	(150 613)
	Assets R'000	Liabilities R'000	Net derivatives R'000
At 30 June 2019			
Interest rate swap	321 994	(347 375)	(25 381)
Effect of assets relating to the floating rate swap	321 994	-	321 994
Effect of liability relating to the fixed rate swap	-	(347 375)	(347 375)
Collateralised swap	35 658	-	35 658
Total	357 652	(347 375)	10 277


Notes to the consolidated financial statements *continued*

23. DERIVATIVE FINANCIAL INSTRUMENTS *continued*

	Net derivatives	
	2020 R'000	2019 R'000
Movement analysis		
Opening balance	10 277	–
Additions (purchases and issuances)	2 102	58 400
Fair value adjustments	(162 992)	(48 123)
Closing balance	(150 613)	10 277

Of the R283.6 million derivative financial asset related to the interest rate swap, R5.0 million is recoverable within 12 months from reporting date. The forward exchange contract is recoverable within 12 months. The collateralised swap is recoverable in more than 12 months.

The collateralised swap arrangement which is intended to match payments due to policyholders in the future, after a specified date. The portion of the policyholder liability that this arrangement has been matched to is R548.8 million at 30 June 2020.

On 30 April the Group entered into Deliverable Currency Option transactions to hedge the currency risk inherent in an incoming foreign dividend payment. As at 30 June 2020, this derivative position fell outside of the limits of the value of the collar and as such had a value of R nil.

Currency derivatives fair values are calculated using standard market calculation conventions with reference to the relevant closing spot exchange rates and forward foreign exchange rates.

On 12 May Youi purchased a 4% equity investment in Blue Zebra Insurance Pty Limited for a consideration of A\$1.1m. The fair value of Blue Zebra Insurance Pty Limited (BZI) investment is supported by an equal Put Option agreement with Envest Pty Limited who acquired 29.22% of BZI at the same valuation price as Youi's investment. In addition Youi has a Call Option to acquire additional shares in BZI over the next 3 years. As at 30 June 2020 this option is not considered to be substantive and the fair value is determined to be nil. No option premium was payable by Youi to participate in this option.

24. INSURANCE AND OTHER RECEIVABLES

	2020 R'000	2019 R'000
Receivables arising from insurance and reinsurance contracts		
Due from policyholders	3 076 515	2 384 618
Due from reinsurers	212 264	111 235
Other receivables		
Other receivables and prepayments	249 170	268 259
Total receivables	3 537 949	2 764 112

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

Included in other receivables and prepayments are amounts due by related parties. Refer to note 42 for further details thereof.

Since insurance and other receivables have short-term maturities, the carrying amount approximates the fair value. Refer to note 41 for the current and non-current analysis of insurance and other receivables.


 Notes to the consolidated financial statements *continued*

25. DEFERRED TAXATION

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

	2020 R'000	2019 R'000
Deferred tax assets		
Provision relating to staff costs	353 604	268 665
Fair value adjustment	23 720	662
Service costs on employee benefits	17 606	11 953
Operating lease charges	1 128	121
Difference between accounting and tax values of assets	3 189	4 053
Special transfer credit	20 147	20 084
Expected credit losses	5 541	4 319
Financial assets at fair value through other comprehensive income ¹	1 101	411
Assessed loss	303	250
Adjustment relating to offset	(131 188)	(131 191)
Total deferred tax assets	295 151	179 327
Deferred tax liabilities		
Fair value adjustment	(104)	(113)
Financial assets at fair value through other comprehensive income ¹	–	(4 818)
Fair value unrealised on investment in equity instruments	(17 429)	(34 135)
Deferred acquisition costs	(167 606)	(141 561)
Prepayments	(8 189)	(6 698)
Adjustment relating to offset	131 188	131 191
Total deferred tax liabilities	(62 140)	(56 134)
Reconciliation of movement in deferred tax asset		
Opening balance of deferred tax assets	179 327	190 615
Prior year adjustment for expected credit loss	(121)	9 302
Adjusted opening balance of deferred tax assets	179 206	199 917
Foreign exchange difference	50 281	(5 983)
Prior year adjustment	(2 062)	(354)
Unrealised fair value OCI ¹	690	411
Deferred tax charge for the year	67 036	(5 237)
Adjustment relating to offset	–	(9 427)
Closing balance of deferred tax assets	295 151	179 327
Reconciliation of movement in deferred tax liabilities		
Opening balance of deferred tax liabilities	(56 134)	(54 067)
Foreign exchange difference	(24 479)	2 925
Deferred tax charge for the year	15 277	(15 139)
Unrealised fair value OCI ¹	3 196	720
Adjustment relating to offset	–	9 427
Closing balance of deferred tax liability	(62 140)	(56 134)

¹ These amounts have been charged directly to other comprehensive income.



Notes to the consolidated financial statements *continued*

25. DEFERRED TAXATION *continued*

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

A deferred tax asset amounting to R195 million (2019: R195 million) which relates to the individual policyholder tax fund in OUTsurance Life Insurance Company has not been recognised.

Refer to note 41 for the current and non-current analysis of deferred taxation.

26. CASH AND CASH EQUIVALENTS

	2020 R'000	2019 R'000
Cash at bank and on hand	1 185 596	688 018
Short-dated money market instruments	40 354	93 793
	1 225 950	781 811

27. SHARE CAPITAL

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

No shares were issued in the current or prior year.

	2020 R	2019 R
Authorised share capital		
3 999 998 000 (2019: 3 999 998 000) ordinary shares at R0.01 each	39 999 980	39 999 980
1 000 "A" variable rate, cumulative, redeemable preference shares with no par or nominal value	-	-
1 000 "A" variable rate, non cumulative non redeemable preference shares of R0.01 each	10	10
Issued ordinary share capital (fully paid up)		
Opening balance of ordinary shares in issue: 3 798 908 308 at R0.01 each	37 989 083	37 989 083
Treasury shares held by the OUTsurance Holdings Share Trust 83 703 295 (2019: 54 638 750)	(837 584)	(546 388)
Closing balance of ordinary shares in issue: 3 798 908 308 at R0.01 each	37 151 499	37 442 695
	2020 R'000	2019 R'000
Share premium		
Ordinary shares		
Issued share premium	2 617 306	2 617 306
Treasury shares held by the OUTsurance Holdings Share Trust	(530 826)	(228 585)
	2 086 480	2 388 721


Notes to the consolidated financial statements *continued*

28. LEASE LIABILITIES

	2020 R'000
Balance at beginning of the year	-
Addition on adoption of IFRS 16	90 525
Adjusted opening balance at 1 July 2019	90 525
Cash movements	
Lease payments	(37 933)
Non-cash movements	
New leases entered into and lease extensions during the year	25 082
Termination of leases	(5 678)
Interest	4 187
Foreign exchange adjustments	12 506
Balance at the end of the year	88 689

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

	Within 1 year R'000	1 - 5 years R'000	More than 5 years R'000	Total R'000
30 June 2020				
Lease liability	36 904	46 250	5 535	88 689

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

	2020 R'000
Short-term leases	8 173

Short-term leases are leases that have a duration of 12 months or less from date of inception.

At 30 June 2020 the Group was committed to short-term leases and the total commitment at that date was R3.8 million.

29. INSURANCE CONTRACT LIABILITIES

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

	2020			2019		
	Gross R'000	Reinsurance R'000	Net R'000	Gross R'000	Reinsurance R'000	Net R'000
Short term insurance contracts						
Claims provisions	3 249 268	(1 185 788)	2 063 480	2 346 603	(530 657)	1 815 946
Unearned premium provision	5 292 647	(33 894)	5 258 753	4 152 121	(55 672)	4 096 449
Insurance contract non-claims bonuses provision	523 618	-	523 618	470 347	-	470 347
Long term insurance contracts						
Policyholder liabilities	535 528	(118 501)	417 027	487 942	(104 617)	383 325
	9 601 061	(1 338 183)	8 262 878	7 457 013	(690 946)	6 766 067

Notes to the consolidated financial statements *continued*

29. INSURANCE CONTRACT LIABILITIES *continued*

29.1 Analysis of movement in short-term insurance contract liabilities

	2020			2019		
	Gross R'000	Reinsurance R'000	Net R'000	Gross R'000	Reinsurance R'000	Net R'000
Analysis of movement in claims provision						
Opening balance	2 346 603	(530 657)	1 815 946	1 909 447	(147 935)	1 761 512
Current year	2 422 013	(952 267)	1 469 746	1 741 574	(486 067)	1 255 507
Claims incurred	8 774 642	(1 546 262)	7 228 380	7 466 219	(678 803)	6 787 416
Claims paid	(7 102 043)	670 014	(6 432 029)	(6 249 292)	214 455	(6 034 837)
Claims handling expenses raised	432 680	-	432 680	318 976	-	318 976
Risk margins raised	316 734	(76 019)	240 715	205 671	(21 719)	183 952
Prior year	(1 831 042)	443 342	(1 387 700)	(1 266 619)	90 524	(1 176 095)
Claims incurred	(107 391)	(1 178)	(108 569)	(11 016)	(14 582)	(25 598)
Claims paid	(1 439 971)	429 673	(1 010 298)	(1 047 580)	100 030	(947 550)
Claims handling expenses released	(54 740)	-	(54 740)	(65 882)	-	(65 882)
Risk margins released	(228 940)	14 847	(214 093)	(142 141)	5 076	(137 065)
Foreign exchange movement	348 823	(173 041)	175 782	(40 442)	10 956	(29 486)
Discontinued operations	(37 129)	26 835	(10 294)	2 643	1 865	4 508
Closing balance	3 249 268	(1 185 788)	2 063 480	2 346 603	(530 657)	1 815 946
	2020			2019		
	Gross R'000	Reinsurance R'000	Net R'000	Gross R'000	Reinsurance R'000	Net R'000
Analysis of movement in unearned premium provision (UPP)						
Opening balance	4 152 121	(55 672)	4 096 449	4 032 095	(52 152)	3 979 943
UPP raised	8 384 640	(599 610)	7 785 030	7 449 692	(502 518)	6 947 174
UPP earned	(7 932 629)	569 747	(7 362 882)	(7 230 386)	504 023	(6 726 363)
Foreign exchange difference	810 553	51 584	862 137	(94 428)	-	(94 428)
Discontinued operations	(122 038)	57	(121 981)	(4 852)	(5 025)	(9 877)
Closing balance	5 292 647	(33 894)	5 258 753	4 152 121	(55 672)	4 096 449
Analysis of movement in insurance contract non-claims bonuses						
Opening balance	470 347	-	470 347	435 972	-	435 972
Charge to profit or loss	500 136	-	500 136	449 438	-	449 438
Non-claims bonuses paid during the year	(446 865)	-	(446 865)	(415 063)	-	(415 063)
Closing balance	523 618	-	523 618	470 347	-	470 347



Notes to the consolidated financial statements *continued*

29. INSURANCE CONTRACT LIABILITIES *continued*

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

	2020 R'000	2019 R'000
Analysis of movement in deferred acquisition costs (DAC)		
Opening balance	360 029	307 424
DAC raised	864 594	756 765
DAC charged to statement of profit or loss	(832 698)	(682 769)
Foreign exchange difference	78 631	(8 964)
Discontinued operations	(7 136)	(12 427)
Closing balance	463 420	360 029

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

Claims provisions

Each reported claim is assessed separately on a case by case basis, by either a computer algorithm based on past experience or a claims assessor with the relevant experience, taking into account information available from the insured. The estimates are updated as and when new information becomes available. The claims provision includes an estimate for claims incurred but not reported.

The claims provision is held so as to be at least sufficient at the 75th percentile of the ultimate cost distribution. The difference between this 75th percentile and the best estimate is considered to be an appropriate risk margin. Claims are considered to be the most sensitive to changes in assumptions, therefore a sensitivity analysis is performed.

	South African Short-term operations		Australian Short-term operations	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Claims provisions				
70th Percentile	987 425	845 506	955 811	860 400
75th Percentile	1 012 609	867 656	984 605	879 261
80th Percentile	1 040 653	892 321	1 016 668	900 256

In the Youi Australia operations, a 5% (80th percentile) upward adjustment in the level of sufficiency of the claims reserve would result in an additional charge of approximately R32.1 million while a 5% (70th percentile) downward adjustment in the level of sufficiency would result in a release of reserves in profit or loss of approximately R28.8 million.

Liability for non-claims bonuses on insurance contracts

The provision for non-claims cash bonuses is determined with reference to the contractual obligation per the contract of insurance adjusted for expected future claims and client cancellations based on historical experience. A risk margin is added to the best estimate of the future liability to allow for the uncertainty relating to future claims and cancellation experience. The risk margin is calibrated to ensure that the provision is at least sufficient at the 75th percentile of the ultimate cost distribution.


Notes to the consolidated financial statements *continued*

29. INSURANCE CONTRACT LIABILITIES *continued*

29.3 Analysis of movement in long-term insurance contract liabilities

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

	Gross policyholder liability R'000	Reinsurers' share of policyholder liability R'000	Net policyholder liability R'000	Negative rand reserve R'000	Net policyholder liability incl negative rand reserve costs R'000
2020					
Analysis of change in policyholder liabilities					
Opening balance					
Policyholder Liability	589 818	(85 200)	504 618	(160 872)	343 746
Claims provision	58 996	(19 417)	39 579	-	39 579
	648 814	(104 617)	544 197	(160 872)	383 325
Transfer to policyholder liabilities under insurance contract					
Unwind of discount rate and release of profits	138 275	8 633	146 908	-	146 908
Experience variance	24 649	(20 272)	4 377	-	4 377
Modelling methodology changes	62 751	(15 081)	47 670	-	47 670
Change in non-economic assumptions	(10 465)	839	(9 626)	-	(9 626)
Change in economical assumptions	(212 737)	31 374	(181 363)	-	(181 363)
New business	623	(546)	77	-	77
Change in claims provision	(979)	(523)	(1 502)	-	(1 502)
Change in negative rand reserve	-	-	-	(8 936)	(8 936)
COVID-19 adjustment	54 405	(18 308)	36 097	-	36 097
	56 522	(13 884)	42 638	(8 936)	33 702
Closing balance					
Policyholder Liability	647 319	(98 561)	548 758	(169 808)	378 950
Claims provision	58 017	(19 940)	38 077	-	38 077
	705 336	(118 501)	586 835	(169 808)	417 027



Notes to the consolidated financial statements *continued*

29. INSURANCE CONTRACT LIABILITIES *continued*

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

	Gross policyholder liability R'000	Reinsurers' share of policyholder liability R'000	Net policyholder liability R'000	Negative rand reserve R'000	Net policyholder liability incl negative rand reserve costs R'000
2019					
Analysis of change in policyholder liabilities					
Opening balance					
Policyholder Liability	461 401	(77 411)	383 990	(143 128)	240 862
Claims provision	28 884	(8 992)	19 892	–	19 892
	490 285	(86 403)	403 882	(143 128)	260 754
Transfer to policyholder liabilities under insurance contract					
Unwind of discount rate and release of profits	158 459	(10 943)	147 516	–	147 516
Experience variance	(13 622)	(671)	(14 293)	–	(14 293)
Modelling methodology changes	(5 771)	(2 505)	(8 276)	–	(8 276)
Change in non-economic assumptions	15 380	3 224	18 604	–	18 604
Change in economical assumptions	(28 462)	5 473	(22 989)	–	(22 989)
New business	2 433	(2 367)	66	–	66
Change in claims provision	30 112	(10 425)	19 687	–	19 687
Change in negative rand reserve	–	–	–	(17 744)	(17 744)
	158 529	(18 214)	140 315	(17 744)	122 571
Closing balance					
Policyholder liability	589 818	(85 200)	504 618	(160 872)	343 746
Claims provision	58 996	(19 417)	39 579	–	39 579
	648 814	(104 617)	544 197	(160 872)	383 325



Notes to the consolidated financial statements *continued*

29. INSURANCE CONTRACT LIABILITIES *continued*

29.4 Critical accounting estimates and judgements relating to long-term insurance

Policyholder liabilities

The following compulsory margins were applied in the valuation of the policyholder liability at 30 June 2020:

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

¹ Depending on which change increases the liability.

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

Demographic assumptions

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

Economic assumptions

Investment return

The Group calculates its investment return assumption using a full yield curve as opposed to using a point estimate on the underlying yield curve. The comparative point estimate of the current yield curve at the estimated discounted mean term at the valuation date is 11.37% (2019: 10.40%).

Inflation

The Group calculates its inflation assumption using a full inflation curve as opposed to using a point estimate on the underlying inflation curve, derived from nominal and real curves. The comparative point estimate of the current inflation curve at the estimated discounted mean term at the valuation date is 7.61% (2019: 7.70%).

Taxation

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

Claims provisions

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

Negative rand reserve

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



Notes to the consolidated financial statements *continued*

29. INSURANCE CONTRACT LIABILITIES *continued*

29.5 Sensitivity of policyholder liability

The following sensitivities are provided on insurance risk assumptions:

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

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

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

The sensitivities shown in the table below are based on the assumption that negative reserves, amounting to R900.5 million (2019: R820.5 million), are not eliminated in order to derive sensitivity scenarios which are more closely aligned with economic reality.

	Change in variable	Increase / (decrease) in policyholder liabilities R'000	Increase / (decrease) in policyholder liabilities %
No elimination of negative rand reserves			
At 30 June 2020			
Lapses	+10%	308	0%
	-10%	1 894	1%
Investment return	+1%	(7 408)	(2%)
	-1%	28 941	8%
Mortality / Morbidity / Disability / Retrenchment	+10%	156 139	44%
	-10%	(157 592)	(45%)
Mortality / Morbidity / Disability / Retrenchment	+1%	78 246	22%
	-1%	(78 609)	(22%)
Expenses	+10%	43 559	12%
	-10%	(43 559)	(12%)



Notes to the consolidated financial statements *continued*

29. INSURANCE CONTRACT LIABILITIES *continued*

29.5 Sensitivity of policyholder liability *continued*

No elimination of negative rand reserves	Change in variable	Increase / (decrease) in policyholder liabilities R'000	Increase / (decrease) in policyholder liabilities %
At 30 June 2019			
Lapses	+10%	(28 999)	(9%)
	-10%	35 928	11%
Interest rate environment	+1%	(1 193)	0%
	-1%	33 520	11%
Mortality / Morbidity / Disability / Retrenchment	+10%	173 427	55%
	-10%	(175 855)	(56%)
Mortality / Morbidity / Disability / Retrenchment	+5%	87 007	28%
	-5%	(87 614)	(28%)
Expenses	+10%	39 255	12%
	-10%	(39 255)	(12%)

30. INSURANCE AND OTHER PAYABLES

	2020 R'000	2019 R'000
Insurance related payables		
Due to intermediaries	2 066	1 901
Due to reinsurers	117 876	133 932
Other payables	9 730	11 552
Non-insurance payables		
Trade creditors	102 794	90 697
Other payables and accruals	386 231	310 903
Indirect tax on debtors	461 695	385 330
Indirect tax liability	75 512	54 730
Total payables	1 155 904	989 045

The carrying amount of payables approximates the fair value. Refer to note 41 for the current and non-current analysis of payables.

31. EMPLOYEE BENEFITS

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

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


Notes to the consolidated financial statements *continued*

31. EMPLOYEE BENEFITS *continued*

	2020 R'000	2019 R'000
Leave pay liability	234 969	167 071
Non-discretionary bonus liability	38 656	74 545
Discretionary bonus liability	140 963	-
Intellectual property bonus payable	-	31 196
Total liability	414 588	272 812
Intellectual property bonus asset	4 092	87 089
Total asset	4 092	87 089
Reconciliation of leave pay liability		
Opening balance	167 071	138 014
Charge for the year	60 094	51 043
Liability utilised	(13 952)	(19 386)
Foreign translation difference	21 756	(2 600)
Closing balance	234 969	167 071
Reconciliation of non-discretionary bonus liability		
Opening balance	74 545	64 824
Charge for the year	74 716	107 362
Liability utilised	(72 522)	(95 737)
Reclassification	(38 083)	-
Foreign translation difference	-	(1 904)
Closing balance	38 656	74 545
Reconciliation of discretionary bonus liability		
Opening balance	-	-
Charge for the year	135 263	-
Liability utilised	(40 611)	-
Reclassification	38 083	-
Foreign currency translation difference	8 228	-
Closing balance	140 963	-
Reconciliation of intellectual property bonus asset		
Opening balance	87 089	123 722
Additions	42 910	17 378
Accruals ¹	(28 050)	31 196
Settlements	(1 949)	(897)
Service cost for the year	(95 908)	(84 310)
Closing balance	4 092	87 089

¹ Accruals raised consists of amounts to be paid within the next 12 months.

Refer to note 41 for the current and non-current analysis of employee benefits.



Notes to the consolidated financial statements *continued*

32. SHARE-BASED PAYMENTS

The various Group share schemes are as follows:

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

The purpose of these schemes is to attract, incentivise and retain managers within the Group by providing them with an option to acquire shares.

Description and valuation methodology of the scheme

OUTsurance Holdings Limited cash-settled share scheme

In terms of the current trust deed, 12% of the issued share capital of the company is potentially available to employees under the scheme. The OUTsurance Holdings Share Trust and employees currently hold 7.6% (2019: 4.5%) of the shares in OUTsurance Holdings Limited.

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

Valuation methodology

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

Market data consists of the following:

- Since OUTsurance Holdings Limited is not listed, 'expected volatility' is derived with reference to similar listed peers and the volatility of Rand Merchant Investment Holdings Limited, the listed parent company of the Group. The volatility reflects an historic period matching the duration of the option.
- The 'risk-free interest rate' input is derived from government bonds with a remaining term equal to the term of the option being valued.

Dividend data consists of the following:

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

Employee statistic assumptions:

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

Youi Holdings Pty Limited equity-settled share scheme

The Youi Holdings employee share option plan was established in 2008. In terms of the plan rules, 20% of the issued share capital of the company is available under the plan for the granting of options to employees. Employees of the Youi Holdings Group currently own 15.5% (2019: 15.5%) of the issued ordinary shares of the Group.



Notes to the consolidated financial statements *continued*

32. SHARE-BASED PAYMENTS *continued*

Description and valuation methodology of the schemes *continued*

Valuation methodology

The fair value of share options is determined at grant date and expensed over the vesting period. The fair value of options at grant date is determined by the use of the Black-Scholes option pricing model.

A share-based payment expense is only recognised if the options issued have a positive intrinsic value, therefore, if the market value of the underlying shares is expected to rise above the strike price over the vesting period of the options.

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

- Since Youi Holdings Pty Limited is not listed, 'expected volatility' is derived with reference to similar listed peers and volatility of Rand Merchant Investment Holdings Limited, the listed parent company of the Group. The volatility reflects an historic period matching the duration of the option.
- The 'risk-free interest rate' input is derived from government bonds with a remaining term equal to the term of the option being valued.

Dividend data consists of the following:

- 'Dividend growth' is based on the best estimate of expected future dividends.

Employee statistic assumptions:

- The average 'annual employee turnover' estimates the number of participants in the option schemes that will leave before the options have vested.

Divisional Incentive cash-settled scheme

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

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

The mechanics of the DIS are as follows:

- The DIS is exposed to the net economic value created by the Business Unit. This gain is calculated as the difference between increase in the valuation of the Business Unit and a capital charge levied, on a cumulative basis, on the valuation of the Business Unit at 1 July 2019. The capital charge is referenced to weighted average cost of capital and reduced for any dividend distributions deemed to have been made from the business unit. Subsequent capital contributions also attract the capital charge.
- Notional Incentive Units have been created to reference individual participation in each of the Business Units. These Notional Incentive Units are valued annually in accordance with the net measurement above. The valuation technique applied will be a discounted cash flow model and will be independently reviewed by a valuation specialist.
- The scheme vests as follows:
 - 50% of the Notional Incentive Units vest on the 5th anniversary
 - 25% of the Notional Incentive Units vest on the 6th anniversary
 - 25% of the Notional Units vest on the 7th anniversary

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

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



Notes to the consolidated financial statements *continued*

32. SHARE-BASED PAYMENTS *continued*

Description and valuation methodology of the schemes *continued*

Divisional Incentive cash-settled Scheme *continued*

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

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

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

The fair value of the scheme is updated annually and calculated with reference to the Black-Scholes option valuation model.

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

To determine IFRS 2 charge for the financial year ended 30 June 2020, the following input assumptions were used for the Business Units which have commenced trading:

	30 June 2020	
	OUTsurance Business	OUTsurance Life / OUTvest
Risk-free rate	9.24%	9.24%
Volatility (reduced by 13% cost of capital charge)	15%	15%
Dividend yield (0% yield as cost of capital charge will be reduced by dividends distributed)	0%	0%
Employee exit rate	10%	10%

Bateleur cash-settled share scheme

The Scheme comprises the Option Scheme and the Notional Share Scheme. The purpose of the Scheme is to retain and incentivise Employees by giving them the opportunity to:

- acquire shares in the Company, in terms of the Option Scheme; and
- participate in the growth in value of the Company's shares, in terms of the Notional Share Scheme.

In terms of the current scheme agreement, 24.99% of the issued share capital of the Company is potentially available to employees under the scheme.

Under the cash-settled scheme, participants receive notional shares in terms of the Notional Share Scheme and, if applicable, Options in terms of the Option Scheme. The value of a Notional Share on a Vesting Date (or at any other point in time) will be equal to the market value of a Bateleur Technologies (Pty) Limited Ordinary Share as at the immediately preceding Valuation Date. Participants will receive the after-tax gain in the market value of a vested notional share over the vesting period as a cash payment.



Notes to the consolidated financial statements *continued*

32. SHARE-BASED PAYMENTS *continued*

Description and valuation methodology of the schemes *continued*

Valuation methodology

The cash-settled scheme issuances are valued using a Black Scholes option pricing model with all notional shares (share appreciation rights) and options, if applicable, vesting in four equal tranches, with 25% of the total number of Notional Shares and, if applicable, Options vesting on the first, second, third and fourth anniversaries of the Award. The scheme is cash-settled and will thus be repriced at each reporting date.

Market data consists of the following:

- Since Bateleur Technologies (Pty) Limited is not listed, 'expected volatility' is derived with reference to similar listed peers, as well as taking into account the specific circumstances affecting the growth of the Company.
- The 'risk-free interest rate' input is derived from government bonds with a remaining term equal to the term of the option being valued.

Dividend data consists of the following:

- The dividend yield assumption is set to zero as the Company has no history of paying a dividend.

Employee statistic assumptions:

- The number of rights granted is reduced by the expected staff turnover over the vesting period.

The table below reconciles the movement in the Group's cash settled share-based payment liability:

	2020 R'000	2019 R'000
Cash settled share-based payment liability	90 620	83 555
Total liability	90 620	83 555
Reconciliation of cash settled share-based payment liability		
Opening balance	83 555	101 495
Charge to profit or loss for the year	24 464	35 595
Liability settled	(17 399)	(53 535)
Closing balance	90 620	83 555

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

	2020 R'000	2019 R'000
Youi Holdings equity-settled scheme	5 685	1 208
OUTsurance Holdings cash-settled scheme	3 956	35 595
OUTsurance Holdings Divisional Incentive cash-settled Scheme	20 290	–
Bateleur cash-settled scheme	218	–
Charge to profit or loss	30 149	36 803

Notes to the consolidated financial statements *continued*

32. SHARE-BASED PAYMENTS *continued*

Share options

	OUTsurance Holdings cash-settled scheme	Youi Holdings equity-settled scheme	2020		Bateleur cash-settled scheme	Notional shares
			OUTsurance Holdings Incentive cash-settled scheme	Divisional cash-settled scheme		
			OUTsurance Business	OUTsurance Life / OUTvest	Equity options	
Number of options in force at the beginning of the year	73 410 000	41 800 000	-	-	-	-
Adjustment to number of options in force at the beginning of the year	40 000	-	-	-	-	-
Number of options / notional units granted during the year	73 450 000	41 800 000	-	-	-	-
Range of strike prices of options / notional units granted during the year	44 665 347	39 550 000	925 000	920 000	172 060	77 221
	R10.34	\$0.47	R289.34	R140.48	R61.75	R61.75
Number of options delivered during the year	(17 120 000)	-	-	-	-	-
Number of options cancelled / forfeited during the year	(3 035 000)	(9 050 000)	-	-	-	-
Number of options / notional units in force at the end of the year	97 960 347.00	72 300 000	925 000	920 000	172 060	77 221
Range of strike prices / notional units of closing balance	R9.30 to R10.34	\$0.41 to \$0.47	R289.34	R140.48	R61.75	R61.75
Price per ordinary share ¹ / notional unit	R9.79	\$0.41 to \$0.47	R221.80	R131.95	R35.25	R35.25
Number of scheme participants	177	77	27	26	17	15
Weighted average remaining vesting period (years)	1.35	1.88	5.25	5.25	2	2

¹ The ordinary share price reset with effect 1 July 2020 to R10.27.



Notes to the consolidated financial statements *continued*

32. SHARE-BASED PAYMENTS *continued*

Share options *continued*

	2019 OUTsurance Holdings cash- settled scheme	2019 Youi Holdings equity- settled scheme
Number of options in force at the beginning of the year	64 160 000	222 427 319
Adjustment to number of options in force at the beginning of the year	240 000	-
	64 400 000	222 427 319
Range of strike prices of opening balances	R7.15 to R9.30	\$0.10 to \$0.53
Number of options granted during the year	34 555 000	29 600 000
Range of strike prices of options granted during the year	R10.08 to R10.28	\$0.42
Number of options delivered during the year	(18 360 000)	(197 582 418)
Range of strike prices on date of delivery	R7.15 to R9.30	\$0.10 to \$0.48
Number of options cancelled / forfeited during the year	(7 185 000)	(12 644 901)
Range of strike prices of forfeited options	R8.48 to R10.08	\$0.10 to \$0.53
Number of options in force at the end of the year	73 410 000	41 800 000
Range of strike prices of closing balance	R8.48 to R10.28	\$0.10 to \$0.53
Price per ordinary share ¹	R10.28	\$0.10 to \$0.51
Number of scheme participants	162	64
Weighted average remaining vesting period (years)	1.29	2.33

¹ The price of ordinary shares resets six monthly on the 1st July and 1st January each year.

OUTsurance Holdings Share Trust

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

	2020 R'000	2019 R'000
Number of treasury shares and market value		
Number of shares in portfolio at the beginning of the year ('000)	54 639	46 591
Number of shares purchased during the year ('000)	41 180	36 014
Number of shares released during the year ('000)	(12 115)	(27 966)
Number of shares held in portfolio at the end of the year ('000)	83 704	54 639
Market value per share held in portfolio at year-end (Rand) ¹	9.79	10.28
Market value of portfolio at year-end	819 462	561 686
Cost price of treasury shares		
Cost price of shares held in portfolio at the beginning of the year	229 132	144 072
Cost price of shares purchased during the year	427 803	366 961
Cost price of shares released during the year	(125 271)	(281 901)
Cost price of shares held in portfolio at the end of the year	531 664	229 132
Loans to the share trust		
Value of loans made to the trust at the beginning of the year	229 132	144 072
Value of loans made to the trust at the end of the year	531 664	229 132

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


 Notes to the consolidated financial statements *continued*

32. SHARE-BASED PAYMENTS *continued*

Youi Holdings Share Trust

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

	2020 AUD \$'000
Number of treasury shares and market value	
Number of shares purchased during the year ('000)	2 809
Number of shares held in portfolio at the end of the year ('000)	2 809
Market value per share held in portfolio at year-end (AUD \$)	0.485
Market value of portfolio at year-end	1 362
Cost price of treasury shares	
Cost price of shares purchased during the year	1 399
Cost price of shares held in portfolio at the end of the year	1 399
Loans to the share trust	
Value of loans made to the trust at the end of the year	1 399

Share scheme expenditure

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

	OUTsurance Holdings cash-settled scheme	
	2020	2019
Share price	R9.79	R10.28
Exercise price range	R9.79	R8.48 - R10.28
Remaining duration	0 to 3 years	0 to 3 years
Expected volatility	22.00%	22.00%
Risk free interest rate	7.65%	7.24%
Dividend yield	7.00%	4.00%
Annual employee turnover	7.00%	7.00%

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

	Divisional Incentive cash-settled Scheme	
	OUTsurance Business	OUTsurance Life / OUTvest
Share price	R310.28	R152.69
Exercise price	R310.28	R152.69
Remaining duration	4 - 6 years	4 - 6 years
Expected volatility (reduced by 13% capital charge)	15.00%	15.00%
Risk free interest rate	9.24%	9.24%
Dividend yield (0% yield as cost of capital charge will be reduced by dividends distributed)	-	-
Annual employee turnover	10.00%	10.00%



Notes to the consolidated financial statements *continued*

32. SHARE-BASED PAYMENTS *continued*

Share scheme expenditure *continued*

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

	Bateleur cash-settled scheme	
	Equity options	Notional shares
Share price	R31.25	R31.25
Exercise price	R61.75	R61.75
Remaining duration	3 years	3 years
Expected volatility	40.00%	40.00%
Risk free interest rate	5.15%	5.15%
Annual employee turnover	10.00%	10.00%

The fair value of the equity options and notional shares range from R2.56 to R3.50 per share.

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

	Youi Holdings equity -settled scheme	
	2020	2019
Share price	\$0.47	\$0.42
Exercise price	\$0.47	\$0.42
Remaining duration	5	5
Expected volatility	15.00%	22.00%
Risk free interest rate	6.92%	2.13%
Annual employee turnover	6.00%	8.00%

33. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	2020 R'000	2019 R'000
Shareholders for preference dividends on profit share arrangement	64 648	65 222
	64 648	65 222

Refer to note 41 for the current and non-current analysis of shareholders for preference dividends.

34. FINANCIAL LIABILITIES AT AMORTISED COST

	2020 R'000	2019 R'000
Loan facility	100 000	-

Financial liabilities at amortised cost relate to a bank loan facility made available to OUTsurance Holdings. During the current financial year, the Company entered into an agreement whereby an amount of R700 million was made available under 'Facility A' and a further R300 million under 'Facility B'. A commitment fee is charged on the available facility and interest is charged at a rate per annum compounded quarterly on the amount drawn down. The rate of interest charged on each loan is calculated on the relevant quarterly JIBAR plus a margin of 100bps. During the current financial year OUTsurance Holdings accessed R100 million of the funds available from 'Facility A'.


 Notes to the consolidated financial statements *continued*

35. INVESTMENT CONTRACT LIABILITY

	2020 R'000	2019 R'000
Balance at beginning of the year	-	-
Investment contract receipts	20 924	-
Fair value adjustments	1 783	-
Interest income	801	-
Balance at end of the year	23 508	-

36. DISCONTINUED OPERATIONS

On 25 September 2019 OUTsurance Holdings Limited agreed to transfer the New Zealand insurance portfolio business to Tower Insurance Limited, New Zealand's third largest general insurer for consideration of N\$12.6 million. Following regulatory approval by the Reserve Bank of New Zealand, the transfer was effected on 31 December 2019.

The insurance business was not previously classified as held-for-sale or as a discontinued operation. The comparative consolidated statement of profit or loss and OCI has been represented to show the discontinued operation separately from continuing operations.

The sale provides an opportunity for Youi to unlock value on favourable terms and, going forward, will allow the Youi group to focus on its Australian business where the greater scale and diversity of the market offers more growth opportunities for a challenger brand like Youi.

Statement of profit or loss and other comprehensive income

	2020 R'000	2019 R'000
Gross insurance premium	105 832	228 910
Outward reinsurance premiums	(89 138)	(183 086)
Net premiums	16 694	45 824
Change in provision for unearned premiums	8 157	4 852
Earned premiums, net of reinsurance	24 851	50 676
Commission income	33 217	71 820
Interest income on financial assets using the effective interest rate method	713	1 382
Income	58 781	123 878
Policyholder benefits on insurance contract net of reinsurance	(13 728)	(28 421)
Gross policyholder benefits under insurance contracts	(54 295)	(116 238)
Reinsurers' share of insurance contract claims	40 567	87 817
Marketing and administration expenses	(43 407)	(85 976)
Result of operating activities	1 646	9 481
Finance charges	(186)	(1)
Profit on sale of business unit	103 021	-
Net profit for the year from discontinued operations	104 481	9 480

There were no items that affected other comprehensive income and therefore the reconciliation of other comprehensive income has not been disclosed.



Notes to the consolidated financial statements *continued*

36. DISCONTINUED OPERATIONS *continued*

Cash flows from discontinued operations

	2020 R'000	2019 R'000
Cash inflow from operating activities	1 765	167 911
Cash inflow / (outflow) from investing activities	77 325	(167 275)
Effect of exchange rates on cash and cash equivalents	(13)	(636)
Increase in cash and cash equivalents	79 077	-

Statement of financial position

Carrying value amounts of assets and liabilities as at date of sale were:

	2019 R'000
Assets	
Reinsurance share of insurance contract provisions	23 195
Financial assets	
Amortised cost	41 902
Insurance and other receivables	91 939
Total assets	157 036
Liabilities	
Insurance contract liabilities	145 463
Insurance and other payables	11 573
Total liabilities	157 036


Notes to the consolidated financial statements *continued*

37. RECONCILIATION OF CASH GENERATED BY / (UTILISED IN) OPERATIONS

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

	2020 R'000	2019 R'000
Comprehensive income for the year before tax	3 527 866	3 164 430
Adjustments for:		
Depreciation	123 750	139 121
Amortisation	10 372	-
Change in ROUA and lease liability	3 385	-
Equity accounted earnings from associate	(122 244)	(157 907)
Net gain on sale of subsidiary	(103 021)	-
Share-based payments - equity settled schemes	7 707	177 910
Net fair value adjustments on financial assets	295 010	(76 537)
Transactions with non-controlling interests of subsidiary	(15 304)	-
Impairment of associate	2 636	450 000
Profit on disposal of fixed assets	1 307	6 519
Fair value adjustment on financial liabilities	138 656	169 016
Provision for non-claims bonuses on insurance contracts for the year	500 136	449 438
Non-claims bonuses on insurance contracts paid	(446 865)	(415 063)
Finance charges	7 669	56
Interest received	(446 043)	(500 308)
Dividends received	(75 265)	(69 411)
Change in unearned premium provision	511 707	210 934
Change in deferred acquisition costs	(34 358)	(61 569)
Change in claims reserves	69 431	76 813
Change in policyholder liability under long-term insurance contracts	33 702	122 571
Employee benefit service cost	106 630	84 310
Increase / (Decrease) in share-based payment liability	7 065	(17 940)
Intellectual property payments / provisions	(14 860)	(48 574)
Intellectual property settlements received	1 949	897
Increase / (Decrease) in employee benefits	111 792	(43 209)
Translations differences	(78 090)	-
Cash generated by operations before working capital changes	4 124 720	3 661 497
Changes in working capital	(326 099)	(21 497)
Increase in receivables	(318 604)	(140 653)
Increase in payables	(7 495)	119 156
Cash generated by operations	3 798 621	3 640 000



Notes to the consolidated financial statements *continued*

38. TAXATION PAID

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

	2020 R'000	2019 R'000
Taxation receivable / (payable) – opening balance	95 918	(197 884)
Charge to profit or loss	(988 159)	(1 064 504)
Adjustment for deferred tax charge	(80 251)	20 730
Taxation payable / (receivable) – closing balance	55 825	(95 918)
Taxation paid	(916 667)	(1 337 576)

39. PREFERENCE DIVIDENDS PAID

	2020 R'000	2019 R'000
Preference dividends unpaid at the beginning of the year	(65 222)	(92 655)
Preference dividend charged to the statement of profit or loss in respect of profit share arrangements	(138 656)	(169 016)
Preference dividend unpaid at the end of the year	64 648	65 222
Preference dividend paid	(139 230)	(196 449)

40. COMMITMENTS

The operating lease commitments of the Group are outlined as follows:

	2020 ² R'000	2019 ¹ R'000
South Africa		
Up to 1 year	–	7 501
Between 1 and 5 years	–	13 696
Total operating lease commitments	–	21 197
Australasia		
Up to 1 year	–	21 057
Between 1 and 5 years	–	42 065
Between 5 and 10 years	–	1 423
Total operating lease commitments for Youi Group	–	64 545

¹ The Group leased various offices under non-cancellable operating lease agreements in 2019.

² In 2020, the new lease Standard, IFRS 16, was applied. Details of the Groups obligations can be found in note 28.


Notes to the consolidated financial statements *continued*

41. CURRENT / NON-CURRENT SPLIT OF AMOUNTS RECOGNISED ON THE STATEMENT OF FINANCIAL POSITION

The analysis shows the current / non-current split of assets and liabilities based on the expected contractual maturities thereof. Items classified as current have expected or contractual maturities within the next twelve months. Non-current items are expected or will legally mature in longer than twelve months. Equity instruments are considered to have no contractual maturity.

	Carrying amount R'000	Current R'000	Non- current R'000	Shareholders equity R'000
30 June 2020				
ASSETS				
Deferred income tax	295 151	-	295 151	-
Investment in associates	3 732 470	-	3 732 470	-
Intangible assets	113 144	-	113 144	-
Right-of-use assets	82 973	-	82 973	-
Property and equipment	1 147 548	-	1 147 548	-
Employee benefits	4 092	4 092	-	-
Reinsurers' share of insurance contract provisions	1 338 183	1 178 554	159 629	-
Deferred acquisition costs	463 420	463 420	-	-
Financial assets				-
Fair value through profit or loss	2 351 817	53 338	2 298 479	-
Fair value through other comprehensive income	3 219 143	1 826 794	1 392 349	-
Amortised cost	5 781 780	5 781 780	-	-
Insurance and other receivables	3 537 949	3 537 949	-	-
Tax receivable	17 055	17 055	-	-
Cash and cash equivalents	1 225 950	1 225 950	-	-
TOTAL ASSETS	23 310 675	14 088 932	9 221 743	-
LIABILITIES AND EQUITY				
Total shareholders' equity	10 850 182	-	-	10 850 182
Non-controlling interest	635 842	-	-	635 842
Deferred income tax	62 140	-	62 140	-
Insurance contract liabilities	9 601 061	8 351 442	1 249 619	-
Investment contract liability	23 508	-	23 508	-
Share-based payment liability	90 620	26 390	64 230	-
Employee benefits	414 588	381 035	33 553	-
Financial liabilities at fair value through profit or loss	64 648	64 648	-	-
Derivative financial instrument	150 613	3 173	147 440	-
Lease Liability	88 689	36 904	51 785	-
Tax liabilities	72 880	72 880	-	-
Financial liabilities held at amortised cost	100 000	-	100 000	-
Insurance and other payables	1 155 904	1 155 904	-	-
TOTAL EQUITY AND LIABILITIES	23 310 675	10 092 376	1 732 275	11 486 024



41. CURRENT / NON-CURRENT SPLIT OF AMOUNTS RECOGNISED ON THE STATEMENT OF FINANCIAL POSITION *continued*

	Carrying amount R'000	Current R'000	Non- current R'000	Shareholders equity R'000
30 June 2019				
ASSETS				
Deferred income tax	179 327	–	179 327	–
Investment in associates	3 622 848	–	3 622 848	–
Intangible assets	13 704	–	13 704	–
Property and equipment	1 038 227	–	1 038 227	–
Employee benefits	87 089	84 467	2 622	–
Reinsurers' share of insurance contract provisions	690 946	577 230	113 716	–
Deferred acquisition costs	360 029	360 029	–	–
Financial assets				
Fair value through profit or loss	2 035 365	37 411	1 997 954	–
Fair value through other comprehensive income	3 027 100	1 810 903	1 216 197	–
Amortised cost	5 195 221	5 195 221	–	–
Derivative financial instruments – assets	35 658	–	35 658	–
Insurance and other receivables	2 764 112	2 764 092	20	–
Tax receivable	117 636	117 636	–	–
Cash and cash equivalents	781 811	781 811	–	–
TOTAL ASSETS	19 949 073	11 728 800	8 220 273	–
LIABILITIES AND EQUITY				
Total shareholders' equity	10 494 854	–	–	10 494 854
Non-controlling interest	483 339	–	–	483 339
Deferred income tax	56 134	–	56 134	–
Insurance contract liabilities	7 457 013	6 406 108	1 050 905	–
Share-based payment liability	83 555	37 150	46 405	–
Employee benefits	272 812	235 937	36 875	–
Financial liabilities at fair value through profit or loss	65 222	65 222	–	–
Derivative financial instrument – liability	25 381	912	24 469	–
Tax liabilities	21 718	21 718	–	–
Insurance and other payables	989 045	987 897	1 148	–
TOTAL EQUITY AND LIABILITIES	19 949 073	7 754 944	1 215 936	10 978 193



42. RELATED PARTY TRANSACTIONS

The Group defines related parties as:

- The parent company, Rand Merchant Investment Holdings Limited (RMI Holdings). RMI Holdings owns its investment in OUTsurance Holdings Limited through wholly owned subsidiaries Firness International (Pty) Limited and RMI Asset Company (Pty) Limited.
- Associate companies of the parent company which include Discovery Holdings Limited, Momentum Metropolitan Holdings Limited, Main Street 1353 (Pty) Limited, Coreshares Index Tracker Managers (RF) (Pty) Limited and Autoguru Australia (Pty) Limited.
- Key management personnel such as the OUTsurance Holdings Limited Board of directors, the OUTsurance Holdings executive committee as well as the Youi Holdings Pty Limited Board and executive committee.

Principal shareholders

The Group is ultimately controlled by RMI Holdings. At the reporting date, RMI Holdings and its wholly owned subsidiaries owned 89.1% (2019: 89.1%) of OUTsurance Holdings Limited, with the OUTsurance Holdings Share Trust owning 2.2% (2019: 1.4%), OUTsurance Investment Trust owning (2019: 3.7%), OUTsurance Equity Trust 1.1% (2019: 1.3%) and management 7.6% (2019: 4.5%) of the issued share capital.

Subsidiaries

Details of investments in subsidiaries are disclosed in note 20.

Transactions between OUTsurance Holdings Group and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

Associates

Details of investments in associates are disclosed in note 21.



42. RELATED PARTY TRANSACTIONS *continued*

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

	2020 R'000	2019 R'000
Transactions with related parties		
Discovery Health		
Medical aid premiums paid	111 577	96 542
Momentum Metropolitan		
Medical aid premiums paid	9 781	9 959
Pension fund contribution	110 050	103 472
Group life premiums paid	10 143	9 394
Disability fee paid	10 349	8 728
Firness International (Pty) Limited		
Ordinary dividends paid	2 285 262	2 183 390
Main Street 1353 (Pty) Limited		
Dividend received	(147 000)	(194 040)
OUTsurance Insurance Company of Namibia Limited		
Dividend received	(13 230)	(25 480)
Administration fees received	(29 905)	(33 047)
Investment income (received):		
Discovery Holdings Limited	(5 068)	(5 043)
Year end balances with related parties		
Discovery Holdings Limited		
Preference share investment	33 775	47 500
Coreshares Index Tracker Managers (RF) Pty Ltd		
Collective Investment Scheme	113 737	115 273
AutoGuru Australia (Pty) Limited		
Convertible loan	10 962	-
OUTsurance Insurance Company of Namibia Limited		
Administration fees receivable	2 583	2 730
Other receivable	-	130
Key management personnel		
Remuneration		
Salaries and bonuses	89 552	112 154
Non-executive directors fees	18 753	18 630
Non-executive directors fees subsidiaries	7 734	7 184
Other short-term employee benefits	2 620	2 506
Share-based payments	9 931	12 206
	128 590	152 680
Insurance related transactions		
Premiums received	2 269	1 587
Claims paid	(862)	(355)

The preference share investment in Discovery Holdings Limited consists of non-cumulative, non-redeemable preference shares listed on the JSE. The dividend rate is 100% of the ruling prime interest rate.

Insurance transactions are conducted at arm's length.



42. RELATED PARTY TRANSACTIONS *continued*

Remuneration

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

	Services as directors R'000	Cash package R'000	Performance related bonus ¹ R'000	Other benefits R'000	Benefit derived from share incentive scheme R'000	Total R'000
2020						
Non-executive directors						
P Cooper ³	838	-	-	-	-	838
LL Dippenaar ²	892	-	-	-	-	892
AW Hedding	482	-	-	-	-	482
JJT Madavo	320	-	-	-	-	320
G Marx	607	-	-	-	-	607
K Pillay	378	-	-	-	-	378
PR Pretorius	333	-	-	-	-	333
H Bosman ^{4,5}	370	11 277	-	1 569	-	13 216
T Moabi	320	-	-	-	-	320
M Ramathe	333	-	-	-	-	333
B Hanise	367	-	-	-	-	367
R Ndlovu ⁵	333	-	-	-	-	333
WT Roos	333	-	-	-	-	333
Executive directors and prescribed officers						
Executive directors						
MC Visser	-	4 945	-	-	1 116	6 061
Prescribed officers						
JH Hofmeyr	-	4 681	-	-	1 116	5 797
DH Matthee	-	4 681	-	-	1 023	5 704
Total	5 906	25 584	-	1 569	3 255	36 314



42. RELATED PARTY TRANSACTIONS *continued*

	Services as directors R'000	Cash package R'000	Performance related bonus ¹ R'000	Other benefits R'000	Benefit derived from share incentive scheme R'000	Total R'000
2019						
Non-executive directors						
P Cooper ³	902	-	-	-	-	902
LL Dippenaar ²	893	-	-	-	-	893
AW Hedding	449	-	-	-	-	449
JJT Madavo	357	-	-	-	-	357
G Marx	615	-	-	-	-	615
NL Nightingale	144	-	-	-	-	144
K Pillay	409	-	-	-	-	409
PR Pretorius	357	-	-	-	-	357
H Bosman ^{4,5}	405	10 903	61	1 477	-	12 846
T Moabi	321	-	-	-	-	321
M Ramathe	286	-	-	-	-	286
B Hanise	408	-	-	-	-	408
R Ndlovu ⁵	286	-	-	-	-	286
WT Roos	357	-	-	-	-	357
Executive directors and prescribed officers						
Executive directors						
MC Visser	-	5 364	8 621	-	1 758	15 743
Prescribed officers						
JH Hofmeyr	-	4 448	6 819	-	1 758	13 025
DH Matthee ⁶	-	4 345	6 819	-	-	11 164
Total	6 189	25 060	22 320	1 477	3 516	58 562

¹ Performance related bonus are paid on a two-year cycle, unless where specifically stated.

² Includes fees for serving on the Rand Merchant Investment Holdings Board as a non-executive director (2020: R312 083) (2019: R374 267)

³ Includes fees for serving on the Rand Merchant Investment Holdings Board as a non-executive director (2020: R306 083) (2019: R374 267)

⁴ Paid by Rand Merchant Investment Holdings for services as an executive director of Rand Merchant Investment Holdings.

⁵ Directors fees are paid to representative companies.

⁶ Performance related bonus on a one-year cycle.



42. RELATED PARTY TRANSACTIONS *continued*

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

OUTsurance Holdings share incentive schemes

	Strike price pence	Vesting date from	Vesting date to	Settle- ment type	Opening balance 1 July 2019 '000	Forfeited this year '000	Taken up this year '000	Granted in current year '000	Closing balance 30 June 2020 '000	Benefit derived R'000
MC Visser	8.48	01 / 07 / 2016	01 / 07 / 2019	Cash	600	-	(600)	-	-	1 116
	9.30	01 / 07 / 2017	01 / 07 / 2020	Cash	700	-	-	-	700	-
	10.08	01 / 09 / 2018	01 / 09 / 2021	Cash	935	-	-	-	935	-
	10.34	01 / 09 / 2019	01 / 09 / 2022	Cash	-	-	-	2 418	2 418	-
JH Hofmeyr	8.48	01 / 07 / 2016	01 / 07 / 2019	Cash	600	-	(600)	-	-	1 116
	9.30	01 / 07 / 2017	01 / 07 / 2020	Cash	700	-	-	-	700	-
	10.08	01 / 09 / 2018	01 / 09 / 2021	Cash	740	-	-	-	740	-
	10.34	01 / 09 / 2019	01 / 09 / 2022	Cash	-	-	-	1 579	1 579	-
DH Matthee	8.48	01 / 07 / 2016	01 / 07 / 2019	Cash	550	-	(550)	-	-	1 023
	9.30	01 / 07 / 2017	01 / 07 / 2020	Cash	700	-	-	-	700	-
	10.08	01 / 09 / 2018	01 / 09 / 2021	Cash	740	-	-	-	740	-
	10.34	01 / 09 / 2019	01 / 09 / 2022	Cash	-	-	-	1 913	1 913	-

The above individuals have been granted rights to participate in the Divisional Incentive Scheme as follows:

- MC Visser
 - 7.5% participation in the OUTsurance Business and OUTsurance Life / OUTvest schemes.
 - 7.5% participation in the Youi schemes to be launched in 2021.
- JH Hofmeyr
 - 7.5% participation in the OUTsurance Business and OUTsurance Life / OUTvest schemes.
 - 7.5% participation in the Youi schemes to be launched in 2021.
- DH Matthee
 - 12.5% participation in the OUTsurance Business and OUTsurance Life / OUTvest schemes.
 - 2.5% participation in the Youi schemes to be launched in 2021.



42. RELATED PARTY TRANSACTIONS *continued*

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

RMI Holdings share appreciation rights scheme

	Strike price Rands	Exercise date	Opening balance 1 July 2019 '000	Forfeited this year '000	Taken up this year '000	Granted in current year '000	Closing balance 30 June 2020 '000	Benefit derived R'000
HL Bosman	28.74	02 / 04 / 2017	631	-	-	-	631	-
	28.74	02 / 04 / 2018	631	-	-	-	631	-
	28.74	02 / 04 / 2019	631	-	-	-	631	-
	41.25	14 / 09 / 2018	27	-	-	-	27	-
	41.25	14 / 09 / 2019	27	-	-	-	27	-
	41.25	14 / 09 / 2020	26	-	-	-	26	-
	43.41	14 / 09 / 2019	167	-	-	-	167	-
	43.41	14 / 09 / 2020	167	-	-	-	167	-
	43.41	14 / 09 / 2021	167	-	-	-	167	-
	39.92	19 / 09 / 2020	179	-	-	-	179	-
	39.92	19 / 09 / 2021	180	-	-	-	180	-
	39.92	19 / 09 / 2022	180	-	-	-	180	-
	39.47	14 / 09 / 2021	249	-	-	-	249	-
	39.47	14 / 09 / 2022	249	-	-	-	249	-
	39.47	14 / 09 / 2023	250	-	-	-	250	-
	30.91	14 / 09 / 2022	-	-	-	130	130	-
	30.91	14 / 09 / 2023	-	-	-	130	130	-
	30.91	14 / 09 / 2024	-	-	-	131	131	-

Mr JH Hofmeyr has been granted 30 800 share options related to the Bateleur share incentive scheme.

43. EVENTS AFTER THE REPORTING PERIOD

Subsequent to reporting date a partnership has been established with the Sampo Group to privatise Hastings, our UK investment. The joint offer to acquire Hastings is subject to a shareholder vote on 22 September 2020 and subsequent regulatory approval. Together with RMI Holdings, Sampo has agreed to an option to increase Main Street 1353's interest in Hastings by 10% at offer price within 18 months from the completion of the transaction.

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



44. IMPACT OF THE COVID-19 AND GOING CONCERN POSITION

The considerations provided below relate to the Group and its major operating entities, being OUTsurance, OUTsurance Life and Youi.

Operational impact

Since the commencement of the lockdown period, all the operations of the Group have adapted well to continue to service customers and maintain all key operational processes. The business continuity approach has allowed for the majority of the workforce to work remotely with a minimum presence at our respective campuses. The latter is influenced by the COVID-19 conditions in each country or region together with regulations which are strictly adhered to.

All our operational entities are well equipped to continue working remotely and maintain operations in a protracted pandemic scenario.

The key operating entities have delivered satisfactory new business and policy lapse experience over the last quarter of the 2020 financial year, the period most impacted by the pandemic. New business levels have largely recovered to levels before the outbreak of the pandemic. Although marginally higher, policy lapses have also remained in range with the experience before the pandemic. There is a risk of lapse rates increasing within a continued economic downturn. At reporting date this risk is not considered material to the going concern status of any of the operating entities or the Group.

We forecast that motor claims frequencies will remain lower than historic average until such time that full economic activity is resumed, and the lockdown restrictions are lifted. A lower motor claims frequency will result in lower claims costs.

Financial impact

The solvency position of the Group and the operating entities was highly resilient since the outbreak of the pandemic. The strong solvency positions overlaid with the high rate of capital production provides capacity to absorb financial shocks and supports the continued payment of ordinary dividends.

The geographically diverse nature of the Group mitigates against the depreciation of the Rand and provides a diverse earnings base in hard currency.

The regulatory capital position of the short-term insurance operations is highly correlated to the size of the in-force book. Financial scenarios which result in a reduction in the customer base is therefore unlikely to result in solvency pressure.

The risk margins applied to the insurance liabilities of OUTsurance have been strengthened to allow for uncertainty. In addition, OUTsurance Life has provided for a COVID-19 scenario which simulates higher mortality and retrenchment claims coupled with adverse lapse experience.

Extensive stress testing has been performed for the operating entities and the Group as part of the annual Own Risk and Solvency Assessment (ORSA) which demonstrates the resilience of the respective solvency positions.

Business Interruption claims related to Tourist Attraction Losses have been conservatively provided for by OUTsurance. The target solvency capital ratio of the Group and its regulated entities is informed by various stress scenarios which cover financial and operational risk scenarios which are deemed appropriate given the nature of each business.

The Group performs an impairment assessment of its associate investments on an annual basis. These assessments are based on discounted cash flow models with company forecasts, that have considered the impact of COVID-19.

The Group's financial instruments recovered the fair value lost due to the market collapse that occurred during March 2020 as a result of the COVID-19 pandemic by 30 June 2020. Across all of the instrument types held by the Group the fair values have increased or remained stable since the financial year-end.

The Group's Expected Credit Loss (ECL) provision has also remained stable since 30 June 2020 but management is continuously monitoring the credit quality of the counterparties that it is exposed to.

The Group continuously assessed the solvency capital requirement during the COVID-19 pandemic. The Group achieved a solvency coverage ratio of 2.5 at year end, exceeding the target ratio of 1.4. Refer to note 3.4 for further detail on capital management.

The liquidity note (note 3.34) demonstrates the strong liquidity position of the Group at 30 June 2020. The liabilities of the Group remain adequately covered by the liquid assets. The liquidity of the financial markets are being monitored. The majority of the financial assets of the Group and the operating entities are largely invested in highly liquid money markets and bank deposits. Liquidity stress testing performed as part of the ORSA illustrates that the liquidity of OUTsurance is adequate to support a 1 in 200 year catastrophe event.

Going concern

The Group and its operating entities have considered various stress scenarios related to the pandemic. These risk scenarios indicate that the pandemic will not change the going concern status of the Group and its operating entities. The Group and its operating entities trade from strong capital positions and are expected to remain financially resilient under various financial and operational stress scenarios.



45. CHANGES IN ACCOUNTING POLICIES

The IFRS 16 classification, measurement, presentation and disclosure requirements are applied using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 was recognised as an adjustment to the opening retained earnings and deferred tax balances of the statement of financial position, with no restatement of comparatives.

The weighted average incremental borrowing rates applied to the lease liabilities range from 2.55% to 10.25%.

On date of initial application, 1 July 2019, the lease liability of the Group was as follows, with any reclassifications noted:

	2019 R'000
Operating lease commitments disclosed as at 30 June 2019	85 742
(Less): contracts reassessed as service agreements	(4 007)
Add: Contracts reassessed under IFRS 16	17 237
Restated operating lease commitments as at 30 June 2019	98 972
Discounted using the lessee's incremental borrowing rate on 1 July 2019	92 312
(Less): short-term leases recognised on a straight-line basis as expense	(1 787)
Lease liability recognised as at 1 July 2019	90 525
Of which are:	
Current lease liabilities	25 255
Non-current lease liabilities	65 270
	90 525

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 30 June 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	30 June 2020 R'000	1 July 2019 R'000
Properties	57 636	67 360
Equipment	25 195	165
Motor vehicles	142	22 631
Total right-of-use assets	82 973	90 156



45. CHANGES IN ACCOUNTING POLICIES *continued*

The change in accounting policy affected the following items in the statement of financial position on 1 July 2019:

	Before 30 June 2019 R'000	Change R'000	After 1 July 2019 R'000
Lease liabilities	–	90 525	90 525
Right-of-use assets	–	90 156	90 156
Deferred income tax liability	56 134	121	56 255
Retained earnings	7 809 350	(57)	7 809 293

Segment assets and segment liabilities both increased as a result of the change in accounting policy. Lease liabilities are now included in segment liabilities. The following segments were affected by the change in policy as at 30 June 2020:

	Youi Australia R'000	OUTsurance R'000	Unallocated and consolidation adjustments R'000	Group total R'000
Segment balance sheet information				
Right-of-use asset	62 235	338 561	(317 823)	82 973
Lease liability	67 211	397 639	(376 161)	88 689

There has been no change in earnings per share with the adoption of IFRS 16.

In applying IFRS 16 for the first time, the Group has used the following permitted practical expedients:

- reliance on previous assessments on whether leases are onerous;
- the accounting for leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease*.

46. RESTATEMENT OF COMPARATIVES

30 June 2019	Amount as previously reported	Amount as restated	Difference
Statement of profit or loss and other comprehensive income			
Commission income	2 576	–	2 576
Other income	9 627	12 203	(2 576)
Total	12 203	12 203	–

During the 2020 financial year, the New Zealand insurance business was sold. The commission income received has historically been from transactions in New Zealand. The result is that the commission income has been restated to other income.

Notes to the consolidated financial statements *continued*

47. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies were consistent with that of the prior year, unless where stated under the relevant accounting policy.

47.1 Consolidated financial statements

The consolidated financial statements include the assets and liabilities of the holding company and all of its subsidiary companies. The results of the OUTsurance Holdings Share Trust are also fully consolidated.

47.1.1 Subsidiary companies

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

47.1.2 Transactions eliminated on consolidation

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

47.1.3 Non-controlling interest

Non-controlling interest can be measured at either:

- the proportionate share in the fair value of the identifiable net assets of the subsidiary at acquisition date; or
- fair value at acquisition date.

This measurement choice is applied at acquisition date per business combination transaction.

Non-controlling interests are treated as equity participants of the subsidiary company. Therefore, all transactions of the Group with non-controlling interests in their capacity as owners, where there is no change in control, are treated as transactions within equity. In such transactions, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-

controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Group. Gains and losses on disposals to non-controlling interests are also recorded in equity.

47.1.4 Separate financial statements

Interests in subsidiary companies in the company financial statements are shown at cost less any required impairment. Acquisition costs are recorded as an expense in the period in which they are incurred, except for the costs to issue debt or equity securities, which are part of the consideration transferred. The carrying amounts of these investments are reviewed annually for impairment.

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

47.1.5 Associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method of accounting, from the effective date of acquisition to the effective date of disposal. The investment is initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss. The Group assesses at each reporting period whether there is objective evidence that an associate or joint venture is impaired. If such evidence of impairment exists, the entire carrying amount, including the goodwill, is tested for impairment in terms of IAS 36.

The Group's share of its associates' earnings is recognised in profit or loss and its share of post acquisition movements is recognised in other comprehensive income. The cumulative post acquisition movements are adjusted against the carrying amount of the investment.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments were made to the accounting policies of associates to ensure consistency with the policies adopted by the Group.

Notes to the consolidated financial statements *continued*

47. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

continued

47.2 Classification of insurance contracts

Contracts issued by the Group are governed by the relevant insurance legislation of the country in which the Group operates. Contracts under which the Group accepts significant insurance risk from another party (the policyholder), by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary, are classified as insurance contracts.

The classification of contracts is performed at the inception of each contract. The classification of the contract at inception remains the classification of the contract for the remainder of its lifetime unless the terms of the contract change to such an extent that it necessitates a change in classification.

47.3 Recognition and measurement of insurance contracts

47.3.1 Short-term insurance

Short-term insurance provides benefits under short-term policies, typically one year or less, under which the Group accepts significant insurance risks from the policyholder if the policyholder incurs losses relating to uncertain future events such as mechanical breakdown of equipment, theft, fire, weather-related events, fraud, third party claims, accidents etc.

Premiums

Gross premiums written comprise the premiums on insurance contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are disclosed gross of commission to intermediaries and exclude Value Added Tax. Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance business assumed. The earned portion of premiums received is recognised as revenue. Premiums relating to a future accounting period are included in unearned premium provision and are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten. Outward reinsurance premiums

are recognised as an expense in accordance with the pattern of indemnity received.

Unearned premium provision

All short-term insurance contracts have even risk profiles. The provision for unearned premiums represents the proportion of the current year's premiums written that relate to risk periods extending into the following year, computed separately for each insurance contract using the 365th method.

Insurance contract claims incurred

Claims incurred consist of claims and claims handling expenses paid during the financial year together with the movement in the provision for outstanding claims. Claims outstanding comprise provisions for the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not. Estimates are calculated based on the most recent cost experience of similar claims and includes an appropriate risk margin for unexpected variances between the actual cost and the estimate. Where applicable, deductions are made for salvage and other recoveries. Salvage proceeds are generated upon the successful salvage of damaged insured items after the settlement of the underlying claim. Recoveries are settlements from third parties as a result of involvement in a claim incident for which the third party is responsible. Recoveries are disclosed net of liabilities where the Group settles a third-party claim on behalf of the customer, where the customer is responsible for causing a loss to a third party. Whilst the directors consider that the gross provisions for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided.

Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made and disclosed separately.

Claims provisions

Provision is made for the estimated final costs of:

- claims notified but not settled at year end, using the best information available at that time; and

Notes to the consolidated financial statements *continued*

47. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

continued

47.3 Recognition and measurement of insurance contracts *continued*

47.3.1 Short-term insurance *continued*

- claims incurred at year end but not reported until after that date (IBNR), using historical experience and the best information available at the time.

Estimates provide for inflation, claims handling expenses as well as a risk margin to allow for the uncertainty in the development of such claims estimates.

Claims handling expenses include all costs directly attributable to the administration of an insurance claim and includes the cost of claims assessments.

Commission and insurance related fee income

Insurance related fee income is linked to specific actions such as the inception and renewal of policies and the collection of premiums and is recognised when these actions have been fulfilled in the course of providing and administering insurance products. Commission income relates to commission earned on the placement of reinsurance treaties and is recognised on the placement of these treaties.

Reinsurance

The Group cedes reinsurance in the normal course of business to limit its net loss potential through the diversification of its risks. Reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders. Premiums ceded and claims reimbursed are presented separately from the gross amounts. Only reinsurance agreements that give rise to a significant transfer of insurance risk are accounted for as reinsurance contracts. Amounts recoverable under such reinsurance contracts are recognised in the same year as the related claim. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after initial recognition, that the Group may not recover all amounts due and that the impact of the event on the amounts that the Group will receive from the reinsurer can be measured. Objective evidence that a financial asset is impaired includes observable data that comes to the

attention of the Group about the following events:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as a default or delinquency in payments; or
- It is becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation.

Reinsurance assets are held on the statement of financial position in connection with outstanding claims provisions at the amount of the expected recovery that will be made once the outstanding claim is finalised.

Liabilities adequacy test for unexpired risk liabilities

At the end of the reporting period, the adequacy of the unearned premium liabilities is assessed against the present value of the expected future cash flows resulting from potential future claims relating to unexpired periods of insurance contracts in force at the end of the reporting period, plus an additional risk margin to reflect the inherent uncertainty of the central estimate (liability adequacy test).

If the unearned premium liabilities, less deferred acquisition costs, are deficient, then the resulting deficiency is recognised immediately in profit or loss. Reinsurance is taken into account, where appropriate.

The deficiency is recognised first by writing off any deferred acquisition costs and thereafter any excess is recognised as unexpired risk liabilities in the statement of financial position.

Non-claims bonuses on insurance contracts

The Group provides for its contractual obligation per the contract of insurance to pay a non-claims bonus to a customer in the event that the customer remains claim free for a specified period of time. To derive the best estimate of the expected future cash flows, the non-claims bonus percentage per the contract of insurance is adjusted for the following factors:

- The bonus percentage is reduced to allow for the probability that the customer may claim (and hence forfeit eligibility for the OUTbonus) over the OUTbonus cycle.
- The bonus percentage is reduced to allow for the probability that the customer will cancel during the OUTbonus cycle.
- A risk margin is added to allow for the uncertainty relating to the above claims and lapse assumptions.

Notes to the consolidated financial statements *continued*

47. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

continued

47.3 Recognition and measurement of insurance contracts *continued*

47.3.1 Short-term insurance *continued*

Non-claims bonuses on insurance contracts *continued*

- Where the impact of discounting is considered to be material, the expected future obligation is discounted to the present value using an appropriate discount rate reflecting the time value of money.

47.3.2 Long-term insurance

Benefits are provided under long-term policies for life protector, underwritten life and funeral plan. Benefits are recorded as an expense when they are incurred.

Policyholder liabilities

Long-term insurance contracts are valued in accordance with the Financial Soundness Valuation (FSV) method as detailed in the Standard of Actuarial Practice (SAP) 104 issued by the Actuarial Society of South Africa (ASSA).

The FSV basis is a prospective, discounted cash flow basis calculated as the difference between the present value of future benefit payments and expenses and the present value of future premiums and investment income. The liability is based on assumptions of the best estimate of future experience, plus compulsory margins as prescribed by SAP 104. In addition to the compulsory margins, discretionary margins may be added to protect against possible future adverse experience.

Discretionary margins are specifically allowed to zeroise negative rand reserves which may arise from the FSV calculation. Such a margin is allowed for after allowing for the acquisition costs as described in note 47.3.3.

The zeroisation of negative rand reserves ensures that profit and risk margins allowed for in premium income are not recognised before it is probable that future economic benefits will flow to the entity.

The compulsory and discretionary margins allowed for in the measurement of the liability are contained in note 29.

Refer to note 29 for the calculation basis and the specific assumptions used to calculate the policyholder liabilities.

Premiums

Gross premiums comprise the premiums as received on insurance contracts during the year. Premiums are disclosed before the deduction of commission.

Gross premium includes insurance related fee income which relates to policy fees and take-on fees charged in the ordinary course of the underwriting of long-term insurance policies.

Reinsurance

The Group cedes reinsurance in the normal course of business to limit its net loss potential through the diversification of its risks. Reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders. Premiums ceded and claims reimbursed are presented separately from the gross amounts. Only reinsurance agreements that give rise to a significant transfer of insurance risk are accounted for as reinsurance contracts. Amounts recoverable under such reinsurance contracts are recognised in the same year as the related claim. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after initial recognition, that the Group may not recover all amounts due and that the impact of the event on the amounts that the Group will receive from the reinsurer can be measured.

Reinsurance assets are held on the statement of financial position in connection with outstanding claims provisions at the amount of the expected recovery that will be made once the outstanding claim is finalised.

Insurance related fee income

Insurance related fee income is recognised when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the company and the contractual conditions for the rendering of the related service have been met. Insurance related fee income is linked to specific actions such as the inception and renewal of policies and the collection of premiums. This income is recognised when these actions have been fulfilled in the course of providing and administering insurance products.

Notes to the consolidated financial statements *continued*

47. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

continued

47.3 Recognition and measurement of insurance contracts *continued*

47.3.2 Long-term insurance *continued*

Insurance contract claims incurred and outstanding

Insurance contract claims incurred relate to claims payments on long-term insurance contracts, which include death, disability, critical illness and retrenchment, are charged to profit or loss on notification of a claim. The estimated liability for compensation owed to policyholders is based on the sum assured. Claims which have been reported but which are outstanding at the reporting date are recognised in insurance contract liabilities. Reinsurance recoveries are accounted for in the same period as the related claim.

Incurred but not reported claims is a provision made in the policyholders' liabilities under insurance contracts, on the statement of financial position, for the estimated cost at the end of the year for claims incurred but not reported at that date. These liabilities are not discounted due to the short-term nature of the outstanding claims.

Liability adequacy test

At each reporting date the adequacy of the insurance liabilities is assessed. If that assessment shows that the carrying amount of its insurance liabilities (as measured under the FSV basis) net of any related intangible present value of acquired in-force business (PVIF) assets is inadequate in light of the estimated future cash flows (based on the best estimate basis underlying the FSV basis, but excluding compulsory margins as described in SAP 104 as well as any additional discretionary margins), the deficiency is recognised immediately in profit or loss.

Non-claims bonuses on insurance contracts

The expected non-claims cash bonuses to be paid in the future to policyholders on fulfilment of certain claims-related conditions are taken into account in the FSV per SAP 104.

47.3.3 Deferred acquisition costs

Short-term insurance contracts

Directly attributable acquisition costs include advertising and other selling and underwriting costs incurred in generating insurance premium revenue. These acquisition costs are deferred as a deferred acquisition cost (DAC) asset and are amortised systematically over the contractual term of the policy.

Acquisition costs, which are all deferred, are recognised as an asset. The amount of the asset is limited to the amount by which the related unearned premiums exceed the present value of future expected claims plus settlement and policy maintenance costs relating to the policies in force at the reporting date. Where a shortfall exists, the DAC asset is written down and any remaining excess is recognised as unexpired risk liabilities in the statement of financial position.

Acquisition costs on policies with an effective contractual term of one month or less are expensed as incurred.

Long-term insurance contracts

Acquisition costs represent all costs directly attributable to the underwriting and acquiring of long-term insurance contracts. These costs are expensed as incurred.

The level of day one profits allowed in the form of negative rand reserves not zeroed is determined with reference to the costs directly attributable to acquiring a policy. The amount of directly attributable acquisition costs calculated is compared to the negative rand reserve available on each individual policy. Where the amount of directly attributable acquisition costs is greater than the negative rand reserve available on the policy, the available negative reserve is recognised in full. Where the amount of directly attributable acquisition costs is less than the negative rand reserve, the negative rand reserve recognised is limited to the amount of directly attributable acquisition costs.

Notes to the consolidated financial statements *continued*

47. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

continued

47.4 Accounting for profit sharing arrangements

A profit sharing arrangement has been entered into between OUTsurance Insurance Company Limited and FirstRand Bank Limited. In terms of this profit sharing arrangement, ninety percent of the operating profit generated on the homeowners' insurance business referred by FirstRand Bank Limited businesses is paid to FirstRand Bank Limited by way of a biannual preference dividend. Operating losses incurred are for OUTsurance Insurance Company Limited's account. OUTsurance Insurance Company Limited however, retains the right to offset such losses against future profits generated in the determination of any preference dividends to be paid to the preference shareholder.

These shareholders for preference share dividends are accounted for as a financial liability on the face of the statement of financial position. The profit attributable to the preference shareholder is the fair value movement and the payment of a dividend is treated as a partial settlement of the liability.

The profitability of the profit sharing business is reviewed on a monthly basis to ensure that the Group is not exposed to uneconomical risks over which it has no day-to-day management control.

A profit sharing arrangement has been entered into between the OUTsurance Life Insurance Company Limited and Shoprite Investments Limited. In terms of this profit sharing arrangement, a portion of the operating profit generated on the funeral insurance business distributed through the Shoprite distribution network is paid to Shoprite Investments Limited by way of a quarterly preference dividend. Operating losses incurred are for the Group's account. The Group however, retains the right to offset such losses against future profits generated in the determination of any preference dividends to be paid to the preference shareholder.

The policy for the recognition and measurement of insurance contracts applied to the profit sharing arrangements is similar to the policy under 47.3 above.

47.5 Segment reporting

The Group's products and services are managed by various business units along geographical lines and product categories. The segment information is presented by each distinct revenue-generating area representing groups of similar products, consistent with the way the Group manages the business. Given the nature of operations, there are no major single customers within any of the segments. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers when making operating decisions and for allocating resources and assessing performance. Certain reporting adjustments are provided separately to reconcile to IFRS reported earnings.

47.6 Foreign Currency

47.6.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

The consolidated financial statements are presented in South African Rand (R), which is the functional and presentation currency of OUTsurance Holdings Limited.

None of the Group entities operate in a hyperinflationary environment.

47.6.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated to South African Rand using the rates of exchange ruling at the financial year-end. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

47.6.3 Group companies

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated to South African Rand using the rates of exchange ruling at the financial year-end. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Notes to the consolidated financial statements *continued*

47. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

continued

47.6 Foreign Currency *continued*

47.6.3 Group companies *continued*

- assets and liabilities for each reporting date presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at the average exchange rate for the year. If this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction date, the income and expenses are translated at the transaction date rate; and
- all resulting exchange differences are recognised as a separate component of other comprehensive income (foreign currency translation reserve).

When a foreign operation is partially disposed of or sold, and control is lost, the Group's portion of the cumulative amount of the exchange differences that were recorded in other comprehensive income are reclassified to profit or loss when the gain or loss on disposal is recognised. For partial disposals where control is retained, the Group re-attributes the proportionate share of the cumulative exchange differences, recognised in other comprehensive income to the non- controlling interest of the foreign operation.

47.7 Property and equipment

Property and equipment is carried at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of property and equipment.

Gains or losses on disposals are determined by comparing sales proceeds with the carrying amount of the asset, and are included in profit or loss. Repairs and renewals are charged to profit or loss when the expenditure is incurred.

Depreciation

Depreciation is calculated using the straight-line method to allocate historical cost to the residual values over the estimated useful lives, as follows:

Building fixtures and owner occupied property	between 20 and 50 years
Computer equipment	2 to 8 years
Fittings and office equipment	5 to 13 years
Computer software	2 to 7 years
Motor vehicles	5 years

Land is not depreciated

Annual reviews of the residual values and useful lives of the assets are conducted in order to evaluate the continued appropriateness of the above policy. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is immediately written down to its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs of disposal and value-in-use.

Owner-occupied properties

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

47.8 Intangible assets

47.8.1 Computer software development costs

Costs associated with research activities and maintaining computer software are recognised as an expense as incurred.

Costs that are directly attributable to identifiable software products controlled by the Group are recognised as intangible assets if certain criteria are met. These costs comprise of all directly attributable costs necessary to create, produce and prepare the asset for its intended use.

Development costs are recognised as an intangible asset when all of the following criteria are met:

- The technical feasibility of the development can be demonstrated.
- The Group is able to demonstrate its intention and ability to complete and use the software.
- It can be demonstrated how the software product will generate probable future economic benefits.
- It can be demonstrated that adequate technical, financial and other resources to complete the development and to use or sell the software product are available.

Notes to the consolidated financial statements *continued*

47. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

continued

47.8 Intangible assets *continued*

47.8.1 Computer software development costs

continued

- The expenditure attributable to the software product during its development can be reliably measured.

Development costs that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

47.8.2 Subsequent measurement

Computer software development costs are recognised as assets from the point where the recognition criteria above are satisfied, and are amortised once the asset is ready for use, on a straight line basis over the expected useful life.

The intangibles are subsequently measured at cost less accumulated amortisation and impairment.

47.8.3 Amortisation and impairment

Amortisation is calculated using the straight-line method to allocate historical cost to the residual values over the estimated useful lives as follows:

Purchased computer software	2 to 7 years
Internally generated computer software	5 to 10 years

The carrying amount of intangible assets are reviewed for impairment if there is an indication of impairment.

47.9 Leases under IFRS 16 (from 2020 financial year)

47.9.1 General

Agreements where the counterparty retains control of the underlying asset are classified as leases.

Leases are recognised as a right-of-use asset with a corresponding lease liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest (the incremental borrowing rate) on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Periods covered by an option to extend the lease is included if the Group is reasonably certain to exercise that option taking into account, among others, the remaining term of the original lease, refurbishments, changing technology and cost-saving initiatives. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis discounted using the lessee's incremental borrowing rate.

The incremental borrowing rate utilised by the Group for the various lease assets is as follows:

- Properties – a risk-free rate with a market risk premium / spread added to it.
- Vehicles – the prime lending rate.
- Equipment – the prime lending rate.

The above rates take into account what interest rate a lessee would have to pay to borrow over a similar term, with a similar security for an asset of similar value.

47.9.2 Lease liabilities

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments, but excluding payments for service components), less any lease incentives receivable;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease liability is measured using the effective interest method. It is remeasured:

- when there is a change in future lease payments arising from a change in an index or rate;
- if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

Notes to the consolidated financial statements *continued*

47. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

continued

47.9 Leases under IFRS 16 (from 2020 financial year) *continued*

47.9.2 Lease liabilities *continued*

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

47.9.3 Right-of-use assets

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and adjusted for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

Depreciation

Subsequent to initial measurement, a right-of-use asset is depreciated on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset should this term be shorter. However, if ownership of the underlying asset transfers to the group at the end of the lease term, the right-of-use assets are depreciated on a straight-line basis over the remaining economic life of the asset.

This depreciation is recognised as part of general marketing and administration expenses.

47.9.4 Short-term leases and low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

47.9.5 Derecognition

When the Group or lessor terminates or cancels a lease, the right-of-use asset and lease liability are derecognised.

On derecognition of the right-of-use asset and lease liability, any difference is recognised as a

derecognition gain or loss together with termination or cancellation costs in profit or loss.

47.10 Operating leases (2019 financial year)

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentive received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease. When an operating lease is terminated, any payment required by the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

47.11 Impairment review – Non financial assets

A periodic review of the carrying amount of the Group's assets is conducted and, where there are indications that the value of an asset may be impaired, an impairment loss is recognised. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. The difference between the carrying amount and the recoverable amount is charged to profit or loss for the year in which the impairment is identified, to reduce the carrying amount of such impaired asset to its estimated recoverable amount. Should an event occur after the recognition of an impairment, which increases the recoverable amount of the previously impaired asset, the impairment of the asset, or a portion thereof, is reversed through profit or loss. The adjusted carrying value may not exceed what the carrying value would have been had the impairment not been recognised before.

47.12 Financial instruments

47.12.1 General

The Group recognises a financial asset or a financial liability on its statement of financial position when and only when, it becomes a party to the contractual provisions of the instrument.

Regular way purchases and sales of financial assets are recognised and derecognised, as applicable, on trade-date being the date on which the group commits to purchase or sell the asset.

Notes to the consolidated financial statements *continued*

47. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

continued

47.12 Financial instruments *continued*

47.12.1 General *continued*

The Group classifies its financial assets in the following measurement categories:

- financial assets at fair value through profit or loss (FVPL);
- financial assets at fair value through other comprehensive income (FVOCI); and
- financial assets at amortised cost.

Financial liabilities are classified in the following categories:

- financial liabilities at fair value through profit or loss (FVPL); and
- financial liabilities at amortised cost.

Management determines the classification of its financial instruments at initial recognition. Financial assets are not reclassified subsequent to their initial recognition, unless the Group changes its business model for managing financial assets. In such a case, all affected financial assets are reclassified prospectively from the reclassification date.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus, in the case of an asset not at fair value through profit or loss, the transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

The Group assesses the business model in which a financial asset is held at a portfolio level. Information considered in determining the applicable business model includes:

- policies and objectives for the relevant portfolio;
- how the performance and risks of the portfolio are managed, evaluated and reported to management; and
- the frequency, volume and timing of sales in prior periods, sales expectation for future periods, and the reasons for such sales.

The contractual cash flow characteristics of financial assets are assessed with reference to whether the cash flows represent solely payments of principal and interest (SPPI).

Principal is defined as the fair value of the financial asset on initial recognition. However, the principal may change over time, e.g. on repayment of the principal. Interest is defined as consideration primarily for the time value of money, the credit risk of the principal outstanding, other basic lending risks and costs and a profit margin.

In assessing whether contractual cash flows are SPPI compliant, contractual terms that could change the contractual cash flows so that it would not meet the condition for SPPI are considered, including:

- contingent events that could change the amount or timing of cash flows;
- leverage features;
- prepayment and extension features;
- non-recourse arrangements; and
- features that modify the time value of money (e.g. periodic reset of interest rates).

A prepayment feature meets the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and interest, which may include compensation for early termination of the contract. For a financial asset acquired at a premium or discount to its contractual nominal amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued contractual interest (which may include compensation for early termination of the contract) is considered SPPI compliant if the fair value of the prepayment feature is insignificant on initial recognition.

Equity instruments are instruments that meet the definition of equity from the issuer's perspective i.e. instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Group subsequently measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI.

Notes to the consolidated financial statements *continued*

47. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

continued

47.12 Financial instruments *continued*

47.12.1 General *continued*

The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends are recognised in profit or loss when the Group's right to receive payments is established.

47.12.2 Financial instruments at fair value through other comprehensive income (FVOCI)

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets cash flows represent solely payments of principal and interest, are measured at FVOCI, if these financial assets are not designated at FVPL.

Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other movements in the carrying amount are taken through OCI. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified to profit or loss.

Financial assets classified as FVOCI comprise unlisted equities and various debt investments in money market and capital market instruments, including government bonds.

47.12.3 Financial instruments at fair value through profit or loss (FVPL)

Financial assets not classified at amortised cost or FVOCI are measured at FVPL. In addition, on initial recognition the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Net gains or losses, including any interest or dividend income and foreign exchange gains and losses are recognised in profit or loss.

Financial assets classified as FVPL comprise:

- Collective investment schemes
- Unsecured loans
- Ordinary shares
- Debt instruments
- Perpetual preference shares
- Zero coupon deposits
- Derivative financial instruments
- Convertible loan
- Zero-coupon deposits backing endowment policies

Financial liabilities classified as FVPL are measured at fair value. Net gains and losses including interest expense and foreign exchange gains and losses are recognised in profit or loss, unless they arise from derivatives designated as hedging instruments in net investment hedges.

47.12.4 Financial instruments measured at amortised cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost using the effective interest method, if these financial assets are not designated at FVPL.

Interest income, foreign exchange gains and losses and impairments are recognised in profit or loss. Any gain or loss arising on derecognition is recognised directly in profit or loss.

Financial assets classified as amortised cost comprise:

- Redeemable preference shares
- Insurance and other receivables
- Term deposits
- Loan facility

Financial liabilities are measured at amortised cost using the effective interest method. Net gains and losses including interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss arising on derecognition is recognised directly in profit or loss.

47.12.5 Derivatives

Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Notes to the consolidated financial statements *continued*

47. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

continued

47.12 Financial instruments *continued*

47.12.5 Derivatives *continued*

The Group uses derivatives for the following reasons:

- to offset the interest rate risk inherent in some of the life insurance products underwritten by the Group. The Group has elected not to apply hedge accounting to the asset-liability matching strategy;
- to offset the exchange rate exposure inherent in certain Group cross-border transactions. The Group has elected not to apply hedge accounting to the forward exchange contract and the collar;
- to offset the equity price risk contained in certain future acquisition of associates; and
- to enter into an option contract with a third party for the exchange of a fixed number of shares for a fixed monetary amount of cash.

47.12.6 Impairment

The Group recognises loss allowances for expected credit losses (ECL) on:

- financial assets measured at amortised cost
- debt investments measured at FVOCI
- financial guarantee contracts

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

- financial assets that are determined to have low credit risk at the reporting date;
- financial assets where credit risk has not increased significantly since initial recognition; and
- financial assets which are callable on demand or within a period of 12 months from reporting date.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument. 12-month ECL are the portion of ECL that results from default events that are possible within the 12 months after the reporting date. In all cases, the maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

At each reporting date, the Group assesses whether financial assets measured at amortised cost and FVOCI are credit impaired. The Group writes off a financial instrument when the entity has no reasonable expectation of recovery of the outstanding balance of the instrument. Determining when to write off financial assets is a matter of judgement and incorporates both quantitative and qualitative information. Evidence that a financial asset is credit-impaired includes:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- a restructuring of an amount due to the Group on terms that would not otherwise be considered by the Group;
- it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

A financial asset that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In assessing whether an investment in sovereign debt is credit-impaired, the Group considers the following factors:

- the markets assessment of creditworthiness as reflected in the bond yields;
- the rating agencies' assessment of creditworthiness;
- the country's ability to access the capital markets for new debt issuance;
- the probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness; and
- the international support mechanisms in place to provide the necessary support as 'lender of last resort' to the country as well as the intention, communicated in public statements, of governments and agencies to access those mechanisms, including an assessment of the depth of the mechanisms and the capacity to fulfil the required criteria.

Notes to the consolidated financial statements *continued*

47. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

continued

47.12 Financial instruments *continued*

47.12.6 Impairment *continued*

Loss allowances for ECL on financial assets measured at amortised cost is deducted from the gross carrying amount of the financial assets. Loss allowances for ECL on debt investments measured at FVOCI is recognised in OCI and does not reduce the carrying amount of the financial asset in the statement of financial position.

The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospects of recovery by the Group. Financial assets that are written off may still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

47.12.7 Derecognition

The Group derecognises a financial asset:

- when the contractual rights to the asset expires; or
- where there is a transfer of the contractual rights to receive the cash flows of the financial asset in a transaction in which:
 - substantially all of the risks and rewards of ownership of the financial asset are transferred; or
 - the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group derecognises a financial liability when it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires. A substantial modification of the terms and conditions of an existing financial liability or part of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new one.

47.13 Cash and cash equivalents

Cash and cash equivalents include cash on hand and short-term deposits held with banks. All balances included in cash and cash equivalents have a maturity date of less than three months from the date of acquisition.

Short-term deposits with banks are considered to be instruments which are highly liquid and have maturity dates of not more than three months from the reporting date. Short-term deposits which cannot be accessed within this period are classified as financial assets.

47.14 Share capital

Ordinary shares are classified as equity when there is no obligation to transfer cash or other assets. Ordinary shares and non-redeemable non-cumulative preference shares together with share premium are classified as equity. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of taxation.

Treasury shares

Where the OUTsurance Holdings Share Trust purchases the Group's equity share capital, the consideration paid is deducted from total shareholders' equity as treasury shares until they are reissued or cancelled.

On consolidation, the cost of the shares acquired is deducted from equity. Subsequently, any proceeds on the re-issue or cancellation of these shares is recognised directly in shareholder's equity.

Any net income in relation to treasury shares is eliminated in the Group's results. Dividends paid in respect of treasury shares are similarly eliminated in the Group's results.

Dividends paid

Dividends payable on ordinary shares are recognised in equity in the period in which there is unconditional certainty that the dividend will become payable, which would include approval of the dividend declaration by the Group's Board of directors, regardless of whether the formalities of the payment thereof have been finalised. Dividends declared after the reporting date are not recognised but disclosed as a post reporting date event.

47.15 Current and deferred income tax

The income tax expense for the period comprises current and deferred tax. Current tax comprises tax payable as calculated on the basis of the expected taxable income for the year, using tax rates substantively enacted at the reporting date. Adjustments to provisions made for tax payable in previous years as a result of a change in the estimated amount payable, or to the extent that actual assessments differ from the provision created in prior years, are charged or credited to the current year profit or loss.

Notes to the consolidated financial statements *continued*

47. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

continued

47.15 Current and deferred income tax *continued*

Deferred tax is provided using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss, it is not accounted for. Where a different tax rate will be applicable to the tax year in which such assets or liabilities are realised, those tax rates are used to determine deferred income tax. Deferred tax is charged or credited to the profit for the year, except where the underlying transaction is accounted for in other comprehensive income, in which case the attributable deferred tax is charged or credited to other comprehensive income or directly to equity.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The deduction of short-term insurance provisions is limited for the purposes of calculating taxable income in that assessable losses cannot be created through those deductions. These provisions are however recognised in full for accounting purposes and, to the extent that accounting losses arise, deferred tax assets are created as these will be reversed upon the release of such short-term insurance provisions.

Deferred tax assets relating to the carry-forward of unused tax losses are recognised in profit or loss to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilised

Taxation in respect of South African life insurance operations is determined using the five fund method applicable to life insurance

companies. The taxation of life insurers in South Africa was amended to introduce a separate tax fund for risk products sold in tax periods beginning on or after 1 January 2016. From 1 July 2016, OUTsurance Life has allocated all risk products to the risk fund.

Indirect taxes comprise Value Added Tax. All transactions are accounted for net of the relevant Value Added Tax component.

Tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or changes in equity.

47.16 Employee benefits

Short-term employee benefits

The undiscounted cost of all short-term employee benefits is recognised during the period in which the employee renders the related service. The provision for employee entitlements to salaries and annual leave represents the amount which the Group has as a present obligation to pay, resulting from employees' services provided up to the reporting date. The provision is calculated at undiscounted amounts based on current salary rates. A provision for employee benefits in respect of their annual leave entitlement from past service is recognised in full.

Employees may elect to adopt a remuneration structure to allow for a non-discretionary bonus.

Non-discretionary bonuses are provided for at reporting date.

Post-employment benefits

The Group's employees contribute to the OUTsurance Insurance Company Limited defined pension and provident contribution funds. Under defined contribution plans, the legal or constructive obligation of the Group is limited to the contributions made to the plan, thus benefits received by the employee is determined by the contributions made to the plan together with investment returns arising from the contributions.

The pension plans are funded by payments from employees. The amount paid in respect of defined pension and provident contribution fund plans during the year is charged to profit or loss and is included in employment cost. The Group has no further payment obligations once contributions have been made.



Notes to the consolidated financial statements *continued*

47. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

continued

47.16 Employee benefits *continued*

Intellectual property bonuses

In terms of the intellectual property bonus plan, employees are paid intellectual property bonuses based on management's discretion. The beneficiaries under the plan, which included executive directors, executive management, senior and middle management employed on a full-time basis, are subject to retention periods and amounts would need to be repaid should the employee be in breach of the retention period. The intellectual property bonuses are recognised as current service costs over retention periods ranging from six months to two years and are straight lined over the period of the contract.

47.17 Share-based payments

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

Equity-settled share-based payment transactions

The Group operates an equity-settled share-based compensation plan for employees of the Youi Holdings Group.

The Group expenses the fair value of the employee services received in exchange for the granting of the options, over the vesting period of the options, as employee costs, with a corresponding credit to equity. The total value of the services received is calculated with reference to the fair value of the options on grant date.

The fair value of the options is determined excluding non-market vesting conditions. These vesting conditions are included in the assumptions of the number of options expected to vest. At each reporting date, the Group revises its estimate of the number of options expected to vest. The Group recognises the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Amounts recognised for services received if the options granted do not vest because of failure to satisfy a vesting condition, are reversed through profit or loss.

The proceeds received net of any attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Cash-settled share-based payment transactions

The Group operates the following cash-settled share-based payment schemes:

- a compensation plan for employees of OUTsurance, OUTsurance Life and Bateleur for notional shares (share appreciation rights); and
- a Divisional Incentive Scheme for Notional Incentive Units to incentivize senior management based on the success of new and emerging business units which are in the South African and Australian operations.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit for the year.

47.18 Share trust

The OUTsurance Holdings share incentive scheme is operated through a Share Trust. The Share Trust is considered to be a structured entity of the Group and therefore consolidated. All shares issued to the Share Trust are issued against the Share Trust loan which is measured at fair value.

47.19 Investment income

Interest

Interest income is recognised in profit or loss as investment income for instruments measured at amortised cost using the effective interest method. Interest on cash and cash equivalents is recognised as earned.

Dividends

Dividends are recognised in investment income when the right to receive payment is legally established. This is on the 'last day to trade' for listed shares and on the 'date of declaration' for unlisted shares. In the case of certain cumulative prime rate linked preference share investments, dividends are accrued for using the effective interest method regardless of the status of their declaration. This accounting treatment is consistent with the provisions of the agreements governing such investments.

Notes to the consolidated financial statements *continued*

47. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

continued

47.20 Revenue

Revenue from investment advice and investment administration services

Ongoing advice and administration fees are calculated and recognised as revenue on a daily basis. The fees are recognised on an earned basis calculated as a percentage of the assets under management, measured at a client level.

47.21 Government grants

Grants from the Government are recognised at fair value when there is a reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants relating to costs are recognised in profit over the period necessary to match them with the costs they are intended to compensate.

47.22 Discontinued operations

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

Notes to the consolidated financial statements *continued*

47. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

47.23 Amendments to published standards effective in the current year

During the year new accounting standards, interpretations and amendments were adopted by the Group for the first time, including:

IFRS 9 – Financial Instruments	1 January 2019 (published October 2017)	This narrow-scope amendment allows companies to measure particular prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met. <i>This amendment does not have an impact on the Group as no such financial assets are issued by the Group.</i> This narrow-scope amendment confirms that most modifications of financial liabilities will result in the immediate recognition of a gain or loss. <i>This amendment does not have an impact on the Group.</i>
IFRS 16 – Leases	1 January 2019 – earlier application permitted if IFRS 15 is also applied. (published January 2016)	The new standard requires lessees to recognise assets and liabilities arising from all leases in the statement of financial position. Lessor accounting has not substantially changed in the new standard. Lessees will recognise right-of-use assets and lease liabilities for operating leases under IAS 17. The nature of expenses related to the leases will change from operating lease charges to depreciation on right-to-use assets and interest expense on lease liabilities. A lessee will not be required to recognise assets and liabilities for short-term leases (less than 12 months), and leases for which the underlying asset is of low value (such as laptops and office furniture). IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC 15, 'Operating Leases – Incentives' and SIC 27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. <i>The Group has entered into leases for regional offices, vehicles and certain office equipment. Based on the assessment of leases at 1 July 2019, the Group recognised right-of-use assets of R90.2 million and lease liabilities of R90.5 million. The Group is not a lessor. OUTsurance Holdings Company does not have any lease liabilities. On transition, the Group has applied the modified retrospective approach. Please refer to note 46 for details of this change in accounting policy</i> <i>Comparatives are not restated under this approach.</i>
IAS 28 – Investments in Associates and Joint Ventures	1 January 2019 (published October 2017)	This amendment provides clarification that an entity should apply IFRS 9 to long-term interests in an associate or joint venture that forms part of the net investment in the associate or joint venture but to which the equity method is not applied. <i>This amendment does not have a material impact on the Group.</i>



Notes to the consolidated financial statements *continued*

47. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

47.23 Amendments to published standards effective in the current year *continued*

Number	Effective date	Executive summary and impact on the Group
<i>IFRIC 23 – Uncertainty over Income Tax Treatments</i>	1 January 2019 (published June 2017)	This IFRIC specifies how an entity should reflect the effects of uncertainties in accounting for income taxes. <i>This amendment does not have a material impact on the Group.</i>
<i>IAS 19 – Employee Benefits</i>	1 January 2019 (issued February 2018)	Plan Amendment, Curtailment or Settlement (Amendments to IAS 19): The amendments require an entity to use the updated assumptions from a remeasurement net defined benefit liability or asset resulting from a plan amendment, curtailment or settlement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. <i>This amendment does not have an impact on the Group as the Group does not have defined benefits plans.</i>
<i>Annual improvements 2015 – 2017</i>	Annual periods beginning on or after 1 January 2019 (published December 2017)	These amendments impact the following standards: • IFRS 11: Joint Arrangements' regarding clarification that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business. <i>This amendment does not have an impact on the Group.</i> • IFRS 12: Income Taxes' regarding clarification that all income tax consequences of dividends should be recognised in profit or loss regardless of how the tax arises. <i>This amendment does not have an impact on the Group.</i> • IFRS 3: Business Combinations' regarding clarification that when an entity obtains control of a business that is a joint operation, it is required to remeasure all previously held interests in that business. <i>This amendment does not have an impact on the Group.</i> • IAS 23: Borrowing Costs' provides clarification that when calculating the capitalisation rate on general borrowings, the entity should include borrowings that remain outstanding after the related asset is ready for its intended use or sale. <i>This amendment does not have an impact on the Group.</i>



Notes to the consolidated financial statements *continued*

47. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

47.24 Standards, amendments, and interpretations published that are not yet effective and have not been early adopted:

The following new standards and interpretations to the existing standards are not yet effective for the current financial year. The Group has not early adopted these standards and therefore implementation date is effective date, unless otherwise stated.

Number	Effective date	Executive summary and impact on the Group
<i>IFRS 3 – Business Combinations</i>	1 January 2020 (Published October 2018)	The amendments: • confirmed that a business must include inputs and a process, and clarified that: – the process must be substantive; and – the inputs and process must together significantly contribute to creating outputs • narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and • added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets. <i>This amendment is not expected to have an impact on the Group.</i>
<i>IAS 1 – Presentation of Financial Statements</i>	1 January 2020	Disclosure Initiative: The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards <i>This amendment is not expected to have a material impact on the Group.</i>
<i>IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors</i>	1 January 2020	Disclosure Initiative: The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. <i>This interpretation is not expected to have a material impact on the Group.</i>


 Notes to the consolidated financial statements *continued*

47. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

47.24 Standards, amendments, and interpretations published that are not yet effective and have not been early adopted *continued*

Number	Effective date	Executive summary and impact on the Group
IFRS 17 – Insurance Contracts	1 January 2023 Earlier application is permitted if both IFRS 15 ‘Revenue from Contracts with Customers’ and IFRS 9 ‘Financial Instruments’ have also been applied.	IFRS 17 Insurance Contracts establishes the principles for the recognition, measurement, presentation and disclosure of Insurance contracts within the scope of the Standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity’s financial position, financial performance and cash flows. IFRS 17 supersedes IFRS 4, ‘Insurance Contracts’. <i>The standard will have an impact on the Group’s current reported financial position and future revenue recognition. The Group has an IFRS 17 Committee facilitating implementation of IFRS 17 within the Group to ensure that the Group is fully prepared for implementation on the effective date. This Committee provides regular feedback on its progress to the various governance structures within the Group.</i>
Amendments to IFRS 10 – Consolidated financial statements’ and IAS 28: Investments in associates and joint ventures’ on sale or contribution of assets	Effective date postponed (initially 1 January 2016)	The postponement applies to changes introduced by the IASB in 2014 through narrow-scope amendments to IFRS 10 ‘Consolidated Financial Statements’ and IAS 28 ‘Investments in Associates and Joint Ventures’. Those changes affect how an entity should determine any gain or loss it recognises when assets are sold or contributed between the entity and an associate or joint venture in which it invests. The changes do not affect other aspects of how entities account for their investments in associates and joint ventures. The reason for making the decision to postpone the effective date is that the IASB is planning a broader review that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures. <i>The amendments are not expected to have a material impact on the Group.</i>

Company audited annual financial statements

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



Company statement of profit or loss and other comprehensive income

for the year ended 30 June

	Notes	2020 R'000	2019 R'000
Investment income	4	2 859 379	2 789 021
Impairment loss on investment in subsidiary		(10 719)	(61 310)
Impairment loss on investment in associate	9	(24 972)	(450 000)
Income		2 823 688	2 277 711
Marketing and administration expenses	5	(3 598)	(2 839)
Result of operating activities		2 820 090	2 274 872
Finance charges	6	(42 902)	(42 630)
Profit before taxation		2 777 188	2 232 242
Taxation	7	6 778	(1 206)
Net profit for the year		2 783 966	2 231 036

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

Company statement of financial position

at 30 June

	Notes	2020 R'000	2019 R'000
ASSETS			
Deferred income tax	12	7 995	–
Investment in subsidiaries	8	1 997 222	1 930 441
Investment in associates	9	3 397 396	3 417 383
Loans and receivables	10	531 664	229 569
Cash and cash equivalents	11	63 732	96 733
TOTAL ASSETS		5 998 009	5 674 126
EQUITY			
Capital and reserves attributable to equity holders			
Share capital	13	37 989	37 989
Share premium	13	2 617 306	2 617 306
Retained earnings		2 638 453	2 418 750
TOTAL EQUITY		5 293 748	5 074 045
LIABILITIES			
Long-term liability	14	600 000	600 000
Tax liabilities		48	81
Financial liabilities at amortised cost	15	100 000	–
Other payables	16	4 213	–
TOTAL LIABILITIES		704 261	600 081
TOTAL EQUITY AND LIABILITIES		5 998 009	5 674 126

Company statement of changes in equity

for the year ended 30 June

	Share capital R'000	Share premium R'000	Retained earnings R'000	Total R'000
Balance as at 30 June 2018	37 989	2 617 306	2 645 608	5 300 903
Total profit for the year	-	-	2 231 036	2 231 036
Ordinary dividend paid	-	-	(2 457 894)	(2 457 894)
Balance as at 30 June 2019	37 989	2 617 306	2 418 750	5 074 045
Total profit for the year	-	-	2 783 966	2 783 966
Ordinary dividend paid	-	-	(2 564 263)	(2 564 263)
Balance as at 30 June 2020	37 989	2 617 306	2 638 453	5 293 748

Company statement of cash flows

for the year ended 30 June

	Notes	2020 R'000	2019 R'000
OPERATING ACTIVITIES			
Cash generated / (utilised) by operations	17	1 054	(769)
Interest received		4 351	4 422
Dividends received		2 885 027	2 784 599
Interest paid		(42 902)	(42 630)
Taxation paid	18	(1 250)	(1 151)
Ordinary dividends paid		(2 564 263)	(2 457 894)
Cash inflow from operating activities		252 017	286 577
INVESTING ACTIVITIES			
Purchase of additional shares in subsidiary		(77 500)	(110 000)
Purchase of additional shares in associate		(4 985)	(909)
Cash outflow from investing activities		(82 485)	(110 909)
FINANCING ACTIVITIES			
Purchase of treasury shares by share scheme participants		125 271	281 901
Purchase of treasury shares by share trust from share scheme participants		(427 804)	(366 960)
Borrowings raised		100 000	–
Cash outflow from financing activities		(202 533)	(85 059)
(Decrease) / increase in cash and cash equivalents		(33 001)	90 609
CHANGE IN CASH AND CASH EQUIVALENTS			
Opening balance of cash and cash equivalents		96 733	6 124
(Decrease) / increase in cash and cash equivalents		(33 001)	90 609
Closing balance of cash and cash equivalents	11	63 732	96 733

Notes to the company financial statements

1. GENERAL INFORMATION

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

2. BASIS OF PREPARATION

The Company's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

The financial statements are prepared in accordance with the going concern principle using the historical cost basis, except for certain financial assets and liabilities where it adopts the fair value basis of accounting.

The preparation of the financial statements necessitates the use of estimates, assumptions and judgements that affect the reported amounts in the statement of financial position and the statement of profit or loss and other comprehensive income. Where appropriate, details of estimates are presented in the accompanying notes to the consolidated financial statements. All monetary information and figures presented in these financial statements are stated in thousands of Rand (R'000), unless otherwise indicated.

3. MANAGEMENT OF RISK AND CAPITAL

3.1 Risk management framework

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

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

3.2 Financial risk management

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

3.2.1 Market risk

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

Interest rate risk

Interest rate risk is the risk that the value or the future cash flow of a financial instrument will fluctuate as a result of a change in market interest rates. The Company's financial assets are exposed to interest rate risk as a significant portion of the Company's assets are invested in interest rate sensitive debt and money market securities. The risk attached to these securities is managed according to pre-specified risk levels based on a mandate with the fund manager. Risk exposure to movements in yields is specified as a maximum value per interest rate point move per million rand invested. These levels are approved annually by the Board of directors and the Group's ALCCO.

NOTES TO THE COMPANY FINANCIAL STATEMENTS *continued*

3. MANAGEMENT OF RISK AND CAPITAL *continued*

3.2 Financial risk management *continued*

3.2.1 Market risk *continued*

Interest rate risk *continued*

The Company's exposure to interest rate risk is R63.7 million (2019: R96.7 million), which consists of variable rate instruments.

An increase or decrease of 1% in the market interest rate would result in the following changes in profit or loss before tax of the Company:

	2020 1% increase R'000	2020 1% decrease R'000	2019 1% increase R'000	2019 1% decrease R'000
Cash and cash equivalents	637	(637)	967	(967)
	637	(637)	967	(967)

3.2.2 Credit risk

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

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

The credit quality of the Company's counterparties as well as the exposure to credit risk is monitored by the Group's ALCCO against a set Board investment mandate. The mandate is informed by the prudential regulatory capital requirements of each entity.

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

	BB R'000	Not rated R'000	Total R'000
At 30 June 2020			
Loans and receivables	-	531 664	531 664
Cash and cash equivalents	63 732	-	63 732
Total	63 732	531 664	595 396
	BB R'000	Not rated R'000	Total R'000
At 30 June 2019			
Loans and receivables	438	229 131	229 569
Cash and cash equivalents	96 733	-	96 733
Total	97 171	229 131	326 302

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

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS *continued*

3. MANAGEMENT OF RISK AND CAPITAL *continued*

3.2 Financial risk management *continued*

3.2.2 Credit risk *continued*

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

The ratings are defined as follows:

Long-term ratings

BB Speculative quality. 'BB' ratings indicate that there is a possibility of credit risk developing, particularly as the result of adverse economic change over time; however, business or financial alternatives may be available to allow financial commitments to be met. Securities rated in this category are not investment grade.

Impairment of financial assets

None of the Company's financial assets exposed to credit risk are past due or impaired.

3.2.3 Liquidity risk

Liquidity risk is the risk that the Company, although solvent, is not able to settle its obligations as they fall due because of insufficient liquid assets in the Company. To ensure that the Company's operating entities are able to meet their liabilities when they fall due, the liquidity profile of the various balance sheets are actively managed with a defined investment mandate. The table below provides a liquidity profile of the Company's financial assets. The liquidity profile assumes that instruments can be traded or settled in the ordinary course of business and in markets with sufficient liquidity. The effects of discounting are considered to be immaterial.

	30 June 2020		30 June 2019	
	R'000	%	R'000	%
Liquid financial assets				
<i>Realisable within 30 days</i>				
Cash and cash equivalents	63 732	11%	96 733	30%
<i>Realisable between one and twelve months</i>				
Loans and receivables ¹	531 664	89%	229 569	70%
Total liquid financial assets	595 396		326 302	
Total financial assets held	595 396	100%	326 302	100%

¹ This constitutes loans and receivables classified as financial assets.

Maturity profile of liabilities

The table below shows the expected liquidity profile of the Company's liabilities and shows the liquid asset coverage ratio which indicates how many times the liabilities are covered by liquid assets. This ratio is actively tracked in accordance with the investment and balance sheet management mandate of the Company. The effects of discounting are considered to be immaterial.

NOTES TO THE COMPANY FINANCIAL STATEMENTS *continued*

3. MANAGEMENT OF RISK AND CAPITAL *continued*

3.2 Financial risk management *continued*

3.2.4 Liquidity risk *continued*

	0 – 12 months R'000	37 – 60 months R'000	Total R'000
At 30 June 2020			
Contractual undiscounted cash flows			
Financial liabilities at amortised cost	100 000	–	100 000
Long-term liability	600 000	–	600 000
	700 000	–	700 000
Other liabilities			
Other payables	4 213	–	4 213
Tax liabilities	48	–	48
	4 261	–	4 261
Total liabilities	704 261	–	704 261
Liquid asset coverage ratio	0.85		0.85
Financial assets coverage ratio			0.85
At 30 June 2019			
Contractual undiscounted cash flows			
Long-term liability	–	600 000	600 000
Other liabilities			
Tax liabilities	81	–	81
Total liabilities	81	600 000	600 081
Liquid asset coverage ratio	>100		0.54
Financial assets coverage ratio			0.54

4. INVESTMENT INCOME

	2020 R'000	2019 R'000
Investment income on financial assets using the effective interest rate method		
Interest – financial assets measured at amortised cost	4 352	4 422
Dividends from subsidiaries and associates	2 855 027	2 784 599
	2 859 379	2 789 021

NOTES TO THE COMPANY FINANCIAL STATEMENTS *continued*

5. MARKETING AND ADMINISTRATION EXPENSES

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

	2020 R'000	2019 R'000
Consulting and legal fees for professional services	1 931	1 163
Marketing and management expenses	1 667	1 676
Total marketing and administration expenses	3 598	2 839

6. FINANCE CHARGES

	2020 R'000	2019 R'000
Interest paid	42 902	42 630
	42 902	42 630

7. TAXATION

	2020 R'000	2019 R'000
Normal taxation		
Current tax	(1 217)	(1 206)
Total normal taxation charge	(1 217)	(1 206)
Deferred tax		
Current year	7 995	-
Total deferred taxation charge	7 995	-
Total taxation charge	6 778	(1 206)
Tax rate reconciliation		
Normal tax on companies	777 613	625 028
Non-temporary differences	(784 391)	(623 822)
Exempt dividends	(799 408)	(767 751)
Impairment loss on subsidiary	600	17 167
Impairment loss on associate	1 398	126 000
Other non-deductible expenses	13 018	762
Amount calculated at effective rate	(6 778)	1 206

NOTES TO THE COMPANY FINANCIAL STATEMENTS *continued*

8. SUBSIDIARIES

	2020 R'000	2019 R'000
OUTsurance Insurance Company Ltd		
Ordinary shares at cost	141 900	141 900
Capitalised share-based payments	6 340	6 340
	148 240	148 240
OUTsurance International Holdings (Pty) Ltd		
Ordinary shares at cost	1 169 086	1 169 086
	1 169 086	1 169 086
OUTsurance Life Insurance Company Ltd		
Ordinary shares at cost	435 002	435 002
Capitalised share-based payments	218	218
	435 220	435 220
Outsurance Properties (Pty) Ltd		
Ordinary shares at cost	38 105	38 105
	38 105	38 105
Youi (Pty) Ltd		
Ordinary shares at cost	15 000	15 000
	15 000	15 000
OUTsurance Shared Services (Pty) Ltd		
Ordinary shares at cost	100	100
Issue of ordinary shares	50 000	-
	50 100	100
OUTvest (Pty) Ltd		
Ordinary shares at cost	100 000	75 000
Issue of ordinary shares	27 500	25 000
	127 500	100 000
Bateleur Technologies (Pty) Ltd		
Ordinary shares at cost	86 000	1 000
Issue of ordinary shares	-	85 000
Impairment	(72 029)	(61 310)
	13 971	24 690
Total investment in subsidiary companies	1 997 222	1 930 441

Subsidiary companies only distribute dividends if management is of the opinion that the target solvency and liquidity margin in the subsidiary will be maintained after the payment of such dividends.

The carrying value of Bateleur Technologies has been impaired during the current year due to uncertainty concerning the recoverability of the investment. The carrying amount has been set equal to the net asset value of the company resulting in a cumulative impairment of R72.0 million (2019: R61.3 million).

NOTES TO THE COMPANY FINANCIAL STATEMENTS *continued*

 8. SUBSIDIARIES *continued*
Summarised financial information on subsidiaries with non-controlling interests

	2020 R'000	2019 R'000
<i>Statement of financial position</i>		
Current assets	10 339 643	8 670 311
Non-current assets	1 288 817	698 427
Current liabilities	(1 252 195)	(1 477 851)
Non-current liabilities	(368 774)	-
Technical provisions	(5 768 933)	(4 517 818)
<i>Equity</i>	4 238 558	3 373 069
<i>Statement of profit or loss and other comprehensive income</i>		
Gross written premium	8 052 661	7 251 595
After tax comprehensive income / (loss) attributable to the group	758 022	590 636
<i>Cash flow statement</i>		
Cash inflow from operating activities	803 171	6 588
Cash inflow / (outflow) from investing activities	20 161	(117 056)
Cash (outflow) / inflow from financing activities	(499 410)	203 299
Effect of exchange rates on cash and cash equivalents	73 384	10 063
Increase in cash and cash equivalents	397 306	102 894
Opening balance of cash and cash equivalents	289 215	186 321
Closing balance of cash and cash equivalents	686 521	289 215

The detail of subsidiary companies are as follows:

Subsidiary	Nature of business	Country of Incorporation	Effective holdings	
			2020	2019
OUTsurance Insurance Company Limited	Short-term insurer	South Africa	100%	100%
OUTsurance International Holdings (Pty) Limited	Holdings company	South Africa	100%	100%
OUTsurance Life Insurance Company Limited	Long-term insurer	South Africa	100%	100%
OUTsurance Properties (Pty) Limited	Property company	South Africa	100%	100%
Youi (Pty) Ltd (South Africa)	Administration company	South Africa	100%	100%
Youi Holdings Pty Limited	Holdings company	Australia	84.6%	84.5%
Youi Pty Limited (Australia)	Short-term insurer	Australia	84.6%	84.5%
OUTsurance Shared Services (Pty) Ltd	Service company	South Africa	100%	100%
OUTvest (Pty) Limited	Online digital advice and administration services	South Africa	100%	100%
OUTvest Nominees RF (Pty) Limited	Nominee	South Africa	100%	100%
Bateleur Technologies (Pty) Limited	Technology company	South Africa	100%	100%
Youi NZ Pty Limited	Administration company	New Zealand	84.6%	84.5%
Youi Properties Pty Limited	Property company	Australia	84.6%	84.5%

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

Refer to note 19 for the current and non-current analysis of investments in subsidiaries.

NOTES TO THE COMPANY FINANCIAL STATEMENTS *continued*

9. INVESTMENT IN ASSOCIATES

The Company effectively owns a 49% share in the ordinary shares of OUTsurance Insurance Company of Namibia Ltd (OUTsurance Namibia), a company incorporated and domiciled in Namibia.

The Company owns a 49% share in the ordinary shares of Main Street 1353 (Pty) Ltd (Main Street) which owns a 29.9% interest in Hastings Group Holdings plc.

The Company holds a 30% share in the ordinary shares of AutoGuru Australia Pty Ltd (AutoGuru). AutoGuru is an online car servicing company operating in the Australian market.

The Company effectively owns a 27.7% share in the ordinary shares of Coreshares Holdings (Pty) Ltd (Coreshares). Coreshares is a passive investment management business in South Africa.

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

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

	2020 R'000	2019 R'000
Investment in associate		
OUTsurance Insurance Company of Namibia Limited	4 900	4 900
Main Street 1353 (Pty) Limited	3 333 319	3 333 319
Other ¹	59 177	79 164
	3 397 396	3 417 383

¹ During the current financial year the Company purchased an additional R5.0 million worth of shares in Coreshares and there was an impairment loss of R25.0 million in the investment in Autoguru.

9. INVESTMENT IN ASSOCIATES *continued*

	Outsurance Namibia		Main Street		Other	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Statement of financial position						
Current assets	119 510	163 116	112 047	3 875	52 776	30 717
Non-current assets	33 782	4 260	10 028 516	9 379 620	60 280	40 831
Current liabilities	(10 504)	(21 810)	(144 173)	(2 702 075)	(81 809)	(98 523)
Non-current liabilities	(1 189)	-	(3 076 500)	-	(19 797)	-
Technical provisions	(40 750)	(46 351)	-	-	-	-
Equity	100 849	99 215	6 919 890	6 681 420	11 450	(26 975)
Statement of profit or loss and other comprehensive income						
Revenue	164 401	177 699	356 127	427 122	84 430	93 910
After tax profit or loss attributable to the Group	14 178	14 771	237 712	164 755	(8 265)	(21 906)
Cash flow statement						
Cash inflow / (outflow) from operating activities	9 202	25 147	433 101	484 815	(5 748)	(41 994)
Cash outflow from investing activities	(913)	(33 715)	-	(327)	-	(249)
Cash (outflow) / inflow from financing activities	-	(52 000)	(405 689)	(485 400)	13 172	(639)
(Decrease) / Increase in cash and cash equivalents	8 289	(60 568)	27 412	(912)	13 172	(42 882)
Opening balance of cash and cash equivalents	30 751	91 319	84 479	85 391	3 190	46 072
Effect of exchange rate movement on cash balances	-	-	13	-	-	-
Closing balance of cash and cash equivalents	39 040	30 751	111 904	84 479	10 614	3 190

Refer to note 19 for the current and non-current analysis of investments in associates.

Impairment of associate

For the 2020 financial year, the carrying value for the investment in Autoguru was assessed for impairment by determining if this value was within the value-in-use range calculated with reference to an applicable Discounted Cash Flow valuation model. This impairment test resulted in a R25.0 million reduction in the carrying value of the investment in Autoguru.

NOTES TO THE COMPANY FINANCIAL STATEMENTS *continued*

10. LOANS AND RECEIVABLES

	2020 R'000	2019 R'000
Other receivables		
Loan to share trust	531 664	229 131
Other receivables and prepayments	–	438
Total receivables	531 664	229 569

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

Included in loans and receivables are amounts due by related parties. Refer to note 20 for further details thereof.

The carrying amount of loans and receivables approximates the fair value. Refer to note 19 for the current and non-current analysis of loans and receivables.

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

	2020 R'000	2019 R'000
Opening balance	229 131	144 072
Repayment of loan	(125 271)	(281 901)
Cash advanced to share trust	427 804	366 960
Closing balance	531 664	229 131

11. CASH AND CASH EQUIVALENTS

	2020 R'000	2019 R'000
Cash at bank and on hand	63 732	96 733
	63 732	96 733

The carrying value of cash and cash equivalents approximates the fair value. Refer to note 19 for the current and non-current analysis of cash and cash equivalents.

12. DEFERRED TAXATION

	2020 R'000	2019 R'000
Deferred tax assets		
Fair value adjustment	7 995	–
Total deferred tax assets	7 995	–
Reconciliation of movement in deferred tax assets		
Deferred tax charge for the year	7 995	–
Closing balance of deferred tax assets	7 995	–

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

Refer to note 19 for the current and non-current analysis of deferred taxation.

NOTES TO THE COMPANY FINANCIAL STATEMENTS *continued*

13. SHARE CAPITAL

	2020 R	2019 R
Authorised share capital		
3 999 998 000 (2019: 3 999 998 000) ordinary shares at R0.01 each	39 999 980	39 999 980
1 000 variable rate non-cumulative non-redeemable preference shares of R0.01 each	10	10
1 000 "A" variable rate, cumulative redeemable preference shares with no par or nominal value	-	-
Issued ordinary share capital (fully paid up)		
3 798 908 308 (2019: 3 798 908 308) ordinary shares at R0.01 each	37 989 083	37 989 083
Closing balance	37 989 083	37 989 083
Issued preference share capital		
60 "A" cumulative, redeemable preference shares	-	-
	2020 R'000	2019 R'000
Opening balance	2 617 306	2 617 306
Share premium raised on issue of shares	-	-
	2 617 306	2 617 306

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

Refer to note 19 for the current and non-current analysis of share capital.

14. LONG-TERM LIABILITY

	2020 R'000	2019 R'000
Long-term liability – Redeemable preference shares	600 000	600 000
	600 000	600 000

During the 2017 financial year, OUTsurance Holdings Limited raised funding to acquire its 49% interest in Main Street 1353 (Pty) Ltd, which owns a 29.9% investment in Hastings Group plc. The funding was raised by the issue of 60 "A" cumulative, redeemable preference shares to OUTsurance Insurance Company Ltd at R10 million per share.

These shares are redeemable at the subscription price at a date to be agreed between the contracting parties.

Dividends are calculated with reference to the 'prime interest rate' and are payable in arrears on 30 June and 30 December until such date of redemption.

Refer to note 19 for the current and non-current analysis of the long-term liability.

NOTES TO THE COMPANY FINANCIAL STATEMENTS *continued*

15. FINANCIAL LIABILITIES AT AMORTISED COST

	2020 R'000	2019 R'000
Loan facility	100 000	-
	100 000	-

Financial liabilities at amortised cost relate to a bank loan facility made available to OUTsurance Holdings. During the current financial year, the Company entered into an agreement whereby an amount of R700 million was made available under 'Facility A' and a further R300 million under 'Facility B'. A commitment fee is charged on the available facility and interest is charged at a rate per annum compounded quarterly on the amount drawn down.

The rate of interest charged on each loan is calculated on the relevant quarterly JIBAR plus a margin of 100bps.

During the current financial year OUTsurance Holdings accessed R100 million of the funds available from 'Facility A'.

16. OTHER PAYABLES

	2020 R'000	2019 R'000
Other payables	1 432	-
Loan account with group companies	2 781	-
Total payables	4 213	-

Refer to note 19 for the current and non-current analysis of payables.

17. RECONCILIATION OF CASH GENERATED / (UTILISED) BY OPERATIONS

	2020 R'000	2019 R'000
Profit for the year before tax	2 777 188	2 232 242
Adjustments for:		
Impairment loss on investment in subsidiary	(10 719)	61 310
Impairment loss on investment in associate	(24 972)	450 000
Interest received	(4 351)	(4 422)
Dividends received	(2 885 027)	(2 784 599)
Finance charges	42 902	42 630
Cash utilised by operations before working capital changes	(3 597)	(2 839)
Change in working capital	4 651	2 070
Decrease in receivables	438	17 070
Increase / (decrease) in payables	4 213	(15 000)
Cash generated / (utilised) by operations	1 054	(769)

NOTES TO THE COMPANY FINANCIAL STATEMENTS *continued*

18. TAXATION PAID

	2020 R'000	2019 R'000
Taxation payable – opening balance	(81)	(26)
Charge to profit or loss	6 778	(1 206)
Adjustment for deferred tax charge	(7 995)	–
Taxation payable – closing balance	48	81
Taxation paid	(1 250)	(1 151)

19. CURRENT / NON-CURRENT SPLIT OF AMOUNTS RECOGNISED ON THE STATEMENT OF FINANCIAL POSITION

The analysis shows the current / non-current split of assets and liabilities based on the expected contractual maturities thereof. Items classified as current have expected or contractual maturities within the next twelve months. Non-current items are expected or will legally mature in longer than twelve months. Equity instruments are considered to have no contractual maturity.

	Carrying amount R'000	Current R'000	Non- current R'000	Shareholders equity R'000
30 June 2020				
ASSETS				
Deferred income tax	7 995	7 995	–	–
Investment in subsidiaries	1 997 222	–	1 997 222	–
Investment in associates	3 397 396	–	3 397 396	–
Loans and receivables	531 664	531 664	–	–
Cash and cash equivalents	63 732	63 732	–	–
TOTAL ASSETS	5 998 009	603 391	5 394 618	–
LIABILITIES AND EQUITY				
Total shareholders' equity	5 293 748	–	–	5 293 748
Long-term liability	600 000	600 000	–	–
Tax liabilities	48	48	–	–
Financial liabilities held at amortised cost	100 000	100 000	–	–
Other payables	4 213	4 213	–	–
TOTAL EQUITY AND LIABILITIES	5 998 009	704 261	–	5 293 748

NOTES TO THE COMPANY FINANCIAL STATEMENTS *continued*

19. CURRENT / NON-CURRENT SPLIT OF AMOUNTS RECOGNISED ON THE STATEMENT OF FINANCIAL POSITION *continued*

	Carrying amount R'000	Current R'000	Non- current R'000	Shareholders equity R'000
30 June 2019				
ASSETS				
Investment in subsidiaries	1 930 441	–	1 930 441	–
Investment in associates	3 417 383	–	3 417 383	–
Loans and receivables	229 569	229 569	–	–
Cash and cash equivalents	96 733	96 733	–	–
TOTAL ASSETS	5 674 126	326 302	5 347 824	–
LIABILITIES AND EQUITY				
Total shareholders' equity	5 074 045	–	–	5 074 045
Long-term liability	600 000	–	600 000	
Tax liabilities	81	81	–	
TOTAL EQUITY AND LIABILITIES	5 674 126	81	600 000	5 074 045

20. RELATED PARTY TRANSACTIONS

The Company defines related parties as:

- The parent company, Rand Merchant Investment Holdings Limited (RMI Holdings). RMI Holdings owns its investment in OUTsurance Holdings Limited through wholly owned subsidiaries Firness International (Pty) Limited and RMI Asset Company (Pty) Limited.
- Associate companies of the parent company which include Discovery Holdings Limited, Momentum Metropolitan Holdings Limited and Main Street 1353 (Pty) Limited and Coreshares Index Tracker Managers (RF) (Pty) Limited.
- Key management personnel such as the OUTsurance Holdings Limited Board of directors, the OUTsurance Holdings executive committee as well as the Youi Holdings Pty Limited Board and executive committee.

Principal shareholders

The Company is ultimately controlled by RMI Holdings. At the reporting date, RMI Holdings and its wholly owned subsidiaries owned 89.1% (2019: 89.1%) of OUTsurance Holdings Limited, with the OUTsurance Holdings Share Trust owning 2.2% (2019: 1.4%), OUTsurance Investment Trust owning 0.0% (2019: 3.7%), OUTsurance Equity Trust 1.1% (2019: 1.3%) and management 7.6% (2019: 4.5%) of the issued share capital.

Subsidiaries

Details of investments in subsidiaries are disclosed in note 8.

Associates

Details of investments in associates are disclosed in note 9.

Transactions between OUTsurance Holdings Group and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

NOTES TO THE COMPANY FINANCIAL STATEMENTS *continued*

 20. RELATED PARTY TRANSACTIONS *continued*
Principal shareholders *continued*
Key management personnel

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

	2020 R'000	2019 R'000
Transactions with related parties		
RMI Holdings Ltd		
Ordinary dividends paid	2 285 262	2 183 390
OUTsurance Insurance Company Ltd		
Ordinary dividends received	(2 198 500)	(1 973 000)
OUTsurance Insurance Company of Namibia Limited		
Ordinary dividends received	(13 230)	(25 480)
OUTsurance Holdings Share Trust		
Ordinary dividends received	(34 380)	(24 079)
Ordinary dividends paid	34 380	24 079
Main Street 1353 (Pty) Limited		
Ordinary dividend received	(147 000)	(194 040)
OUTsurance Life Company Ltd		
Ordinary dividends received	(130 000)	-
OUTsurance International Holdings (Pty) Ltd		
Ordinary dividends received	(331 917)	(568 000)
Year end balances with related parties		
OUTsurance Holdings Share Trust		
Receivables	531 664	229 131
OUTsurance Insurance Company Ltd		
Preference shares	600 000	600 000

The Company has provided security to OUTsurance in the event of default by OUTsurance Properties (Pty) Ltd. The terms of security states that the Company will pledge a portion of its shareholding in OUTsurance Properties (Pty) Ltd calculated with reference to the outstanding loan and shares held in OUTsurance Properties (Pty) Ltd at default date.

21. EVENTS AFTER THE REPORTING PERIOD

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

22. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

23. GOING CONCERN

The Company has considered various stress scenarios related to the COVID-19 pandemic. These risk scenarios indicate that the pandemic will not change the going concern status of the Company. The Company is expected to remain financially resilient under various financial and operational stress scenarios.

Glossary

Actuarial Practice Note (APN) 107	The guidance note on embedded value financial disclosures of South African long-term insurers issued by the Actuarial Society of South Africa.
Adjusted net worth (ANW)	Excess value of all assets attributed to covered business but not required to back the liabilities of covered business.
Annualised premium income	Annualised premium value of all new client policies incepted during the period under review. This measure excludes the renewal of existing client policies.
Capital adequacy ratio (CAR)	Eligible capital divided by the solvency capital requirement.
Claims ratio	Net incurred claims including non-claims bonus costs divided by net earned premium. The Group claims ratio measure includes policyholder liability transfers relating to long-term insurance business.
Combined ratio	Net incurred claims (including non-claims bonuses) plus total operating expenses plus profit share distributions divided by net earned premium. This ratio provides a measure of the surplus generated from the Group's insurance activities.
Cost-to-income ratio	Total operating expenses divided by net earned premium. Total operating expenses excludes profit share distributions to FirstRand Limited relating to the Homeowners Cover product.
Cost of required capital	The present value, at the risk discount rate, of the projected release of the required capital allowing for investment returns on the assets supporting the projected required capital.
Covered business	Business regulated by the FSB as long-term insurance business.
Eligible capital	Total equity adjusted for asset inadmissibility and valuation differences per the local or group regulations.
Embedded value (EV) of covered business	The present value of earnings from covered business attributable to shareholders, excluding any value that may be attributed to future new business. Consists of: Adjusted net worth, plus Value of in-force covered business, less The cost of required capital.
Free surplus	ANW less the required capital attributed to covered business.
Normalised earnings	Normalised earnings adjustments are applied where the Group believes that certain transactions create a mismatch between the Group's accounting and economic performance. Normalised earnings is therefore considered to most accurately reflect the Group's economic performance.
Normalised ROE	Normalised earnings divided by average normalised ordinary shareholders equity.
Present value of new business premiums	The discounted value, using a risk-adjusted discount rate, of expected future premiums on new recurring premium business.
Profitability of new covered business	Ratio of the net value of new business to present value of new business premiums (gross of reinsurance).
Solvency capital requirement (SCR) / Required capital	The amount of regulatory capital required as determined by the local regulatory authorities.
Underwriting results	Net earned premium less net claims loss, management and administrator expenses
Value of in-force covered business (PVIF)	The discounted value of the projected stream of after tax shareholder profits arising from existing in-force covered business.
Value of new business	Present value of the expected after-tax shareholder cash flows less cost of required capital arising at the point of sale in respect of new covered business contracts sold in the reporting period.
Weighted number of ordinary shares	Weighted number of ordinary shares in issue during the reporting period.



You always get
something out.

COMPANY INFORMATION

Directors

Mr L Dippenaar (Chairman),
Mr K Pillay, Mr A W Hedding,
Ms J Madavo, Mr G L Marx,
Mr R Pretorius, Mr H L Bosman,
Mr M Visser (Chief Executive Officer),
Mr P Cooper, Mr R Ndlovu,
Ms T Moabi, Mr W Roos,
Ms B Hanise and Ms M Ramathe.

Company Secretary and Registered Address

The company secretary is
Mr M Ehlert whose registered
addresses are:

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Centurion

Postal Address

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0046

CONTACT INFORMATION

Jan Hofmeyr

Chief Financial Officer

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