SAFRICAN INSURANCE COMPANY LIMITED

(Registration No: 1935/007463/06)

AUDITED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 December 2020

These financial statements were prepared under the supervision of:

Gift Muse CA (SA)

Contents	**Page**
Directors’ responsibility for financial reporting	3
Certification by the Company Secretary	4
Report of the Audit, Actuarial, Risk and Finance Committee	4
Independent auditors’ report to the members of Safrican Insurance Company Limited	5
Directors’ report	7
Basis of presentation	10
Accounting policies	13
Statement of Financial Position	23
Statement of Comprehensive Income	24
Statement of Changes in Equity	25
Statement of Cash Flows	26
Notes to the Annual Financial Statements	27

Directors' Responsibility for Financial Reporting

The Board of Safrican Insurance Company Limited takes responsibility for the integrity, objectivity and reliability of the annual financial statements of Safrican Insurance Company Limited. The directors are responsible for the preparation and fair presentation of the annual financial statements of the Company, comprising of the statements of financial position at 31 December 2020, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the annual financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. The Audit, Actuarial, Risk and Finance Committee report is on page 4. In addition, the directors are responsible for preparing the directors' report. The responsibility for the preparation and presentation of the annual financial statements has been delegated to management.

The Audit, Actuarial, Risk and Finance Committee have confirmed that effective systems of internal financial control and risk management are being maintained. Adequate accounting records have been maintained. There were no material breakdowns in the functioning of the internal financial control systems during the year, which had a material impact on Safrican Insurance Company Limited's Annual Financial Statements.

The board of directors have delegated oversight of human resources and remuneration to the Human Resources and Remuneration Committee, who operate in accordance with a formal terms of reference and work plan.

The Board is satisfied that the annual financial statements fairly present the financial position, the results of operations and cash flows in accordance with International Financial Reporting Standards and that the annual financial statements are supported by reasonable and prudent judgments which were consistently applied. The Board endorses the principle of transparency in financial reporting.

The Board is of the opinion that Safrican Insurance Company Limited is financially sound and operates as a going concern. The annual financial statements have accordingly been prepared on this basis. The going concern status of Safrican Insurance Company Limited has also been considered in light of the COVID-19 pandemic and the Board of Directors remain satisfied that the Company is financially sound and operates as a going concern. The annual financial statements have accordingly been prepared on this basis.

The responsibility of the external auditors, Ernst & Young Inc., is to express an independent opinion on the fair presentation of the annual financial statements based on their audit of Safrican Insurance Company Limited. The Audit, Actuarial, Risk and Finance Committee has satisfied itself that the external auditors were independent of the Company during the year under review.

The annual financial statements on pages 10 to 60 were approved by the Board and signed on its behalf by:

K Socikwa	**D Chetty**
Chairperson	**CEO**
Johannesburg	**Johannesburg**
13 April 2021	**13 April 2021**

Certification by the Company Secretary

In my capacity as Company Secretary, I hereby certify, in terms of the Companies Act no 71 of 2008, that for the year ended 31 December 2020, the Company has 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, to the best of my knowledge and belief, true, correct and up to date.

M Bosman
Johannesburg
13 April 2021

Report of the Audit, Actuarial, Risk and Finance Committee

The Audit, Actuarial and Risk Committee comprises of only non-executive directors. All Committee members have a financial or actuarial and/or other relevant areas of experience (as described in the charter). We confirm on behalf of the Committee that, the Committee, met at least 4 times during the year under review.

The statutory duties of the Audit Committee as defined in section 94(7) of the Companies Act is currently being performed by the Sanlam Life Insurance Audit, Actuarial & Finance Committee. The Safrican Audit, Actuarial, Risk and Finance Committee remained in place and regular reports and feedback was submitted to the Sanlam Life Insurance Audit, Actuarial & Finance Committee.

The Committee has formal terms of reference approved annually by the Board of Directors. The Committee is satisfied it has discharged these responsibilities. All matters on the annual audit plan were reviewed and we are satisfied that they were appropriately addressed. The Committee ensured that, at all times, it adhered to the Audit, Actuarial, Risk and Finance Committee terms of reference.

The role of the Committee is to assist the Board in fulfilling its responsibility with regards to financial and auditing oversight responsibility, as well as the overall quality and integrity of financial and actuarial reporting and internal control matters. The Committee annually evaluates the Company's internal controls and has satisfied itself that there was no material breakdown in internal financial control systems during the year under review.

In our deliberations with the external auditors, we are confident that the auditors were independent at all times for the year ended 31 December 2020.

P Speckmann
Johannesburg
13 April 2021

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Independent Auditor's Report to the Shareholders of Safrican Insurance Company Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Safrican Insurance Company Limited ('the company') set out on pages 10 to 60, which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Safrican Insurance Company Limited as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements of the company and in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits of the company and in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the 60-page document titled "Safrican Insurance Company Limited Audited Annual Financial Statements for the year ended 31 December 2020", which includes:

- Directors' responsibility for financial reporting;
- Certification by the Company Secretary;
- Report of the Audit, Actuarial, Risk and Finance Committee; and
- Directors' Report as required by the Companies Act of South Africa.

The other information does not include the financial statements and our auditor's report thereon.

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

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

If, based on the work we have performed, 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 Financial Statements

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ernst & Young Inc. has been the auditor of Safrican Insurance Company Limited for 15 years.

DocuSigned by:

Hanneli Van Graan

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Ernst & Young Inc.
Director – Hanneli Van Graan
Registered Auditor
Johannesburg

7 May 2021

Independent Auditors' Report

To the Shareholder of Safrican Insurance Company Limited

Opinion

We have audited the financial statements of Safrican Insurance Company Limited ("Safrican") set out on pages 10 to 60, which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Safrican Insurance Company Limited as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa 2008.

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 Financial Statements* section of our report. We are independent of the entity in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code),* the International Federation of Accountants' *Code of Ethics for Professional Accountants* (IFAC code) and other independence requirements applicable to performing audits of Safrican in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code, IFAC Code, and in accordance with other ethical requirements applicable to performing the audit of Safrican. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Part A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises of the following:

- Directors Responsibility for Financial Reporting;
- Certification by the Company Secretary;
- Report of the Audit, Actuarial, Risk and Finance Committee; and
- Report of the Head of Actuarial Control Function of Safrican Insurance Company Limited

The other information does not include the financial statements and our auditors' report thereon.

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Ernst & Young Inc.
Director – Hanneli van Graan
Registered Auditor
Chartered Accountant (SA)
Johannesburg
07 May 2021

Directors' Report

Nature of business

The Company is a registered life insurer, incorporated and domiciled in the Republic of South Africa, and although the Company transacts ordinarily in assistance business, it is also involved in endowment policy business. Safrican Insurance Company Limited is a public company incorporated in terms of the Companies Act, 2008, in South Africa.

Corporate Governance

The Board of Safrican Insurance Company Limited endorses the Code of Corporate Practice and Conduct recommended in the King IV Report on Corporate Governance. The Board recognises the need to conduct the business in accordance with the principles of the King Code, and is of the opinion that the Company does substantially comply with the requirements except for one element. In supporting the Code, the directors recognise the need to conduct the enterprise with integrity, transparency, accountability and in accordance with generally accepted corporate practices.

The board has 7 directors, of whom 6 (including the Chairperson) are non-executive and of which 3 are independent. The Board is satisfied that the balance of power and objectivity on the Board is sufficient. The chairman of the board is not independent, hence Mr. Preston Speckmann is the Lead Independent Director.

Company Results

Profit before tax decreased from a profit of R229,792,149 in 2019 to a profit of R26,419,834 in 2020. Total assets have increased from R5,940,371,774 in 2019 to R6,091,100,624 in 2020. Further details regarding the Company's results are included in the annual financial statements on pages 10 to 60.

Issue of shares

No shares were issued during the year. Details of the Company's authorised and issued share capital are set out in Note 5 on Page 34.

Dividends

Dividends declared/paid in respect of the 2019 financial year

On the 13th of February 2020, the directors declared a dividend to the maximum of R72,837,690. The dividend was paid on 14 April 2020.

Dividends declared/paid in respect of the 2020 financial year

The directors did not declare a dividend to ensure that the Company remains adequately capitalised in light of the COVID-19 impact on the Company.

Shareholding

There was no change in shareholding during the current year.

Board of directors

The names of the directors as at 31 December 2020 are:

	Remuneration Committee	**Audit, Actuarial, Risk and Finance Committee**
Non-Executive		
Johann Grobler (appointed 1 August 2007) **		X
Seadimo Hessie Chaba (appointed 22 February 2011)	Xc	
Robert Edward Goff (appointed 1 July 2014)	X	
Renganaygee Kisten (appointed 15 May 2019)		X
Karl-Bart Thomas Xhanti Socikwa (appointed as chairperson on 19 May 2017)		
Preston Eugene Speckmann (appointed to the board on 17 May 2018)	X	Xc
Executive		
Deviaprakash Chetty (Chief Executive Officer) (appointed 15 December 2020)		
Lindiwe Angela Dlamini (Chief Executive Officer) (appointed 1 July 2019) / Resigned 30 October 2020		

X – Members of the respective committee
Xc – Chairperson of the respective committee
* – Awaiting Prudential Authority approval
* * – Resigned from the Audit, Actuarial, Risk and Finance Committee with effect from 13 January 2021

Directors' Interest in Contracts

None of the directors have any interests in contracts with the Company.

Company details

Registration number:	1935/007463/06
Registered address:	Safrican Insurance Company Limited 21 9th Street Houghton Estate Johannesburg 2196
Postal address:	P O Box 616 Johannesburg 2000
Secretary:	Marius Bosman

Bankers

The Company's Bankers throughout the year were:
Absa Bank Limited

Nedbank Limited
Standard Bank Limited

Holding company

Safrican Insurance Company Limited is a subsidiary of Sanlam Life Insurance Limited, whose ultimate holding company is Sanlam Limited, a company incorporated in South Africa and listed on the Johannesburg Securities Exchange, the Namibia Stock Exchange and A2X.

Subsidiaries

Safrican Insurance Company Limited has two subsidiaries. The Company holds a 100% shareholding in Safrican Swaziland Insurance Company Limited, which is involved in the life and credit life insurance in Eswatini, as well as 100% shareholding in Safrican Eswatini Financial Services Limited.

Going Concern

Safrican Insurance Company Limited is financially sound and operates as a going concern. The annual financial statements have been accordingly prepared on the going concern basis. The Board regularly considers and records the facts and assumptions on which it relies to conclude that the Company will continue as a going concern. The directors have given specific consideration to the risks associated with the COVID-19 pandemic, and are of the opinion that adequate resources exist to continue business and that the Company will remain a going concern in the foreseeable future. The Board's statement to this effect is also contained in the statement on the responsibility of directors in the annual financial statements.

Events after the reporting date

Pending the required regulatory approvals, Safrican will be merging with African Rainbow Life Limited (ARL) in 2021 and will commence the sale of new retail products.

There are no other material facts or circumstances that have arisen between the date of the Statement of Financial Position and this report which may materially affect the financial position of Safrican Insurance Company Limited at 31 December 2020.

Solvency Capital Requirement

The Prudential Authority (PA) communicated that the Insurance Act, 2017 (Act No. 18 of 2017) (Insurance Act) would take effect on 1 July 2018. The Company must maintain shareholder's funds that will be sufficient to meet obligations in the event of substantial deviations from the main assumptions affecting the Company's business. The Solvency Capital Requirement (SCR) for Safrican were covered at 1.54 times as at 31 December 2020. These are determined according to regulations and the guidelines issued by the Actuarial Society of South Africa.

Refer to Note 18 for critical accounting estimates and judgements for a sensitivity analysis of policyholder liabilities.

BASIS OF PRESENTATION

1. Introduction

The annual financial statements of Safrican Insurance Company Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Companies Act, no. 71 of 2008. IFRS comprise International Financial Reporting Standards, International Accounting Standards and Interpretations originated by the International Financial Reporting Standards Interpretation Committee (IFRS-IC).

The annual financial statements have been prepared in accordance with the going concern principle using the historical cost basis, except where otherwise stated in the accounting policies below.

All monetary information and figures presented in these annual financial statements are stated in South African Rands (R).

Changes in Accounting Policies and Disclosures

(a) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2020 or later periods, but the Company has not early adopted them:

IFRS 17 Insurance Contracts.

IFRS 17 was issued in May 2018. The standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. Initial work performed on the impact of IFRS 17 indicates that there will be a significant impact on the underlying valuation models, systems and processes.

The standard is effective 1 January 2023.

Interest rate benchmark reform-Phase 2

Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39

The amendments are effective 1 January 2021

Onerous Contracts- Cost of Fulfilling a Contract

Amendments to IAS 37

The amendments are effective 1 January 2022

Property, Plant and Equipment: Proceeds before intended use

Amendments to IAS 16

The amendments are effective 1 January 2022

Reference to the Conceptual Framework

Amendments to IFRS 3

The amendments are effective 1 January 2022

Annual improvements to IFRS Standards (2018-2020)

Improvements pertaining to IFRS 1, IFRS 9 and IFRS 16

The amendments are effective 1 January 2022

2. Presentation of Annual Financial Statements

Use of estimates, assumptions and judgements

Estimates, assumptions and judgements are an integral part of financial reporting and as such have an impact on the amounts reported in the annual financial statements. Estimates, assumptions and judgements have a significant impact on the following account balances and transactions:

- Valuation of policy liabilities

Although estimates are based on management's experience and knowledge of the business as at year-end, the actual outcome may differ from these estimates, possibly significantly. Refer to Note 18 for further information on critical estimates and judgements.

Individual policies

Safrican treats any policy where a member has sole discretion regarding inceptions, premiums, benefits and cancellations as individual policies and all other policies as group policies.

Policyholders' and shareholders' activities

The annual financial statements set out on pages 10 to 60 include activities of both the policyholders and the shareholders.

The assets, liabilities and activities of the policyholders and shareholders in respect of the life insurance business are managed separately and are governed by the valuation bases for policy liabilities and profit entitlement rules, which are determined in accordance with prevailing legislation, IFRS and generally accepted actuarial practice.

Cash, deposits and similar securities

Cash, deposits and similar securities include bank account balances and money market collective investment schemes. A distinction is made between:

- Cash, deposits and similar securities included in the asset mix of policyholders' and shareholders' fund investment portfolios, which are disclosed as investments in the statement of financial position; and
- Cash, deposits and similar securities relating to the Company's working capital are disclosed as current assets.

Financial instruments

The nature of the Company's business is such that financial instruments have a significant impact on the financial position and performance of the Company. The major categories of financial instruments and the risks associated therewith are dealt with in the following sections:

- Note 3: Investments
- Note 18: Critical accounting estimates and judgements
- Note 19: Capital and risk management.

Cash flow statement

The Company's cash flow statement includes the activities of both the shareholders and the policyholders. Cash flows relating to the acquisition or disposal of investments are recognised as cash flows from investing activities.

Financial Services Income

These are funds received from clients relate to single and recurring long-term insurance premium income from insurance and investment policy contracts. This income is disclosed in the statement of comprehensive income and described further in Note 12.

New business

In the case of long-term insurance business, the value of all new policies (insurance and investment contracts) that have been issued during the financial year (1 January 2020 to 31 December 2020), for which premiums have been received and have not subsequently been refunded are regarded as new business.

Payment to clients

Payments to clients relate to policy benefits paid in respect of long-term insurance and investment policy contracts. These benefits are disclosed in the statement of comprehensive income (for insurance contracts only) and fully described further in Note 14.

Consolidation

Sanlam Limited prepares consolidated annual financial statements. Safrican Insurance Company Limited does not prepare consolidated annual financial statements consolidating Safrican Insurance Company Limited, Safrican Swaziland Insurance Company Limited and Safrican Eswatini Financial Services Limited. The consolidated Sanlam Limited financial statements can be found on the Sanlam website.

The Sanlam Consolidated Annual Financial Statements can also be found at the following address:
2 Strand Road
Bellville
7530

ACCOUNTING POLICIES

1. Introduction

All significant accounting policies that will assist users in understanding how transactions, other events and conditions are reflected in the annual financial statements have been disclosed. The nature of the Company's operations were considered in determining which policies should be disclosed.

The accounting policies applied which involve the most subjectivity and complexities are those that relate to:

- Valuation of investments;
- Deferred taxation assets and liabilities;
- Valuation of policy liabilities; and
- Potential claims and contingencies

The determination of the above is fundamental to fair presentation in the annual financial statements. This requires management to make complex decisions using their judgment based on information that may change in future periods. The accounting policies set out below, are in accordance with and comply with IFRS in all material respects and have been applied consistently for all periods presented except as otherwise stated below.

2. Significant accounting policies

2.1 Property and equipment

Property and equipment are disclosed in the statement of financial position at their cost price, less accumulated depreciation, less accumulated impairment losses (if applicable). Depreciation is provided for on a straight-line basis over the assets useful life, taking into account the residual value.

Depreciation is provided as follows per annum:

Computer Equipment and Software	33.3%
Furniture and Fittings, Office Equipment and Motor Vehicles	20%

If the expected residual value is equal to or greater than the carrying value, no depreciation is provided for cost prices inclusive of costs directly attributable to the acquisition of property and equipment, as well as any subsequent expenditure when it is probable that future economic benefits associated with the item will flow to the Company and the expenditure can be measured reliably. All other expenditure is recognised in the statement of comprehensive income when incurred.

Property and equipment are derecognised on date of disposal or written off to its residual value. The difference between the carrying value at the date of derecognition and any disposal proceeds, where applicable, is recognised in the statement of comprehensive income.

2.2 Deferred acquisition costs

Incremental costs directly attributable to the acquisition of investment contracts with investment management services are capitalised to a deferred acquisition cost (DAC) asset if they are separately identifiable, can be measured reliably and it is probable that they will be recovered. DAC is also raised for payments made to administrators or brokers that increase Safrican's right to commission and/or surplus premiums. DAC are amortised to the statement of comprehensive income over the term of the contract, as the related services are rendered and the related revenue is recognised. The DAC asset is tested for impairment bi-annually and written down when it is not expected to be fully recovered from fee income.

2.3 IFRS 9 Financial instruments

Financial instruments presented in the statement of financial position include:

- Cash, deposits and similar securities;
- Government interest bearing investments;
- Corporate interest bearing investments;
- Trade and other receivables;
- Trade and other payables;
- Investment contract liabilities; and
- Investment funds.

2.3.1 *Recognition and derecognition*

Financial instruments are recognised when the Company becomes a party to a contractual arrangement that constitutes a financial asset or financial liability for the Company that is not subject to suspensive conditions. Financial assets are derecognised when the contractual rights to receive the cash flows expire or when the risks and rewards of ownership of the assets are transferred or when the risks and rewards of ownership are neither transferred nor retained, but control is lost. Financial liabilities are derecognised when the obligation to deliver cash or other resources in terms of the contract is discharged, cancelled or expires.

2.3.2 *Classification*

On initial Recognition Financial instruments are classified into the following categories:

- Financial assets: Amortised Cost
Fair value through profit or loss (either mandatorily or designated)
Fair value through other comprehensive income
- Financial liabilities: Amortised Cost
Fair value through profit or loss

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at fair value through other comprehensive income only if it meets both of the following conditions:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The entity does not hold any financial instruments at fair value through other comprehensive income.

All non-trading financial instruments are designated as at fair value through profit or loss apart from:

- Cash, deposits and similar securities;
- Trade and other receivables, which are classified as amortised cost based on their short-term nature;
- Trade and other payables, which are classified as other financial liabilities based on their short-term nature;

The Company designates financial instruments as at fair value through profit or loss in line with its risk management policies and procedures. These are based on the management of the Company's capital and activities on a fair value basis, apart from the exceptions outlined above. The Company's internal management reporting basis is consistent with the classification of its financial instruments.

2.3.3 *Initial measurement*

A financial asset or financial liability is initially measured at fair value, plus for a financial asset or financial liability not measured at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. Costs directly attributable to the acquisition of financial assets classified as at fair value through profit or loss are recognised in the statement of comprehensive income as part of investment surpluses.

2.3.4 *Subsequent measurement and impairment*

Subsequent measurement

Financial instruments classified as at fair value through profit or loss are carried at fair value after initial recognition, with changes in fair value recognised in the statement of comprehensive income as investment surpluses. The particular valuation methods adopted are disclosed in the individual policy statements associated with each item.

Financial assets and other financial liabilities are carried at amortised cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

Financial instruments classified as at amortised cost are measured at amortised cost using the effective interest method. Interest income, interest expense, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss or derecognition is also measured in profit or loss.

Impairment

The Company recognises loss allowances for expected credit losses on:

- Financial assets measured at amortised cost (including contract assets/contract receivables)

At each reporting date the loss allowances are measured at an amount equal to the 12-month expected credit losses if:

- The credit risk on a financial instrument has not increased significantly since initial recognition; or
- Financial instruments are determined to have a low credit risk at the reporting date.

The Sanlam Group determines whether the credit risk on a financial instrument has increased significantly by comparing this risk of default occurring on the financial instrument as at the reporting date with the risk of default occurring on the financial instrument as at the date of initial recognition together with reasonable and supportable information that is indicative of significant increases in credit risk since initial recognition.

At each reporting date the loss allowances are measured at an amount equal to the 12-month expected credit losses if the credit risk on a financial instrument has not increased significantly since initial recognition. Financial instruments that are determined to have a low credit risk at the reporting date are assumed to have no significant increase in credit risk.

2.3.4 Subsequent measurement and impairment (continued)

Measurement of expected credit losses

Expected credit losses are a probability-weighted estimate of credit losses and are measured as the present value of all cash short falls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the group expects to receive).

Presentation of loss allowances in the statement of financial position
Loss allowances for expected credit losses are presented as a deduction from the gross carrying amounts of the financial assets.

Write-offs
The gross carrying amount of a financial asset is written off and reduced when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

2.3.5 *Offsetting*

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4 Other investments

Other investments comprise:
- Government interest bearing investments;
- Corporate interest bearing investments;
- Investment Funds which consists of asset allocation funds, debt funds, equity funds, money market funds and real estate funds. These funds are listed and managed by the Sanlam Investment Management Services.
- Cash, deposits and similar securities.

These investments are classified as at fair value through profit or loss (apart from cash deposits and similar securities which are classified and measured at amortised cost) and measured at fair value, with changes in fair value recognised in the statement of comprehensive income as investment surpluses.

The following bases are used to determine fair value, for those investments that are classified as at fair value through profit or loss:

- Listed shares are valued at the stock exchange prices;
- Listed bonds are valued at the bond exchange prices; and
- Unlisted interest-bearing investments are valued by discounting expected future cash flows at appropriate market interest rates

2.5 Trade and other receivables including insurance receivables

Trade and other receivables including insurance receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade and other receivables are measured at fair value at initial recognition and carried at amortised cost. A provision for impairment of accounts receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables

If within 60 days there is no payment made, the debtor is then written off and the scheme or policy is cancelled. The majority of the provision for bad debts is due to a balance that is recoverable due to agreed-upon payment terms. Which leave a very immaterial amount of outstanding debtors. We have then assessed the impact of the expected losses and deem them to be immaterial.

2.6 Cash, deposits and similar securities

Cash, deposits and similar securities consist of cash on hand, call deposits at banks and other short-term highly liquid investments. These instruments are measured at amortised cost subsequent to recognition as well as at fair value. Cash, deposits and similar securities meet the definition of cash and cash equivalents, which are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in fair value. This accounting policy applies to both investments and working capital.

2.7 Trade and other payables including insurance payables

Trade and other payables (including insurance payables) are recognised when due. These include amounts due to agents, brokers and policyholders. Trade and other payables are measured at amortised cost.

The amounts due to policyholders (IBNR) relate to outstanding claims that have not yet been fully assessed and settled. The value of the outstanding claims is based on the policy value of the claims as well as an estimate of the outstanding unreported claims.

2.8 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions for onerous contracts are recognised when the expected benefits to be derived from contracts are less than the unavoidable cost of meeting the obligations under the contracts. Provisions are measured at the present value of the amounts that are expected to be paid to settle the obligations.

2.9 Share capital

Share capital is classified as equity where the Company has no obligation to deliver cash or other assets to shareholders. Incremental costs attributable to the issue or cancellation of equity instruments are recognised directly in equity, net of tax if applicable.

2.10 Commitments and contingencies

Possible obligations of the Company whose existence will only be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Company or present obligations of the Company where it is not probable that an outflow of economic benefits will be required to settle the obligation or where the amount of the obligation cannot be measured with reliability, are not recognised in the Company's statement of financial position but are disclosed in the notes to the annual financial statements.

Possible assets of the Company whose existence will only be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Company are not recognised in the Company's statement of financial position and are only disclosed in the notes to the annual financial statements where an inflow of economic benefits is probable.

2.11 Deferred share plan ("DSP")

In 2009 Safrican adopted the Sanlam DSP. In terms of the DSP, Safrican undertakes to deliver a fixed number of Sanlam Limited shares to selected Company employees on pre-determined dates in the future, on condition that the employee is still in the employment of the Sanlam Group on those dates. Vesting occurs in three annual tranches of 40%/30%/30%, commencing 3 years from the grant date. The scheme is accounted for as cash settled share based payment in the financial records of Safrican Insurance Company Limited. The award granted under the DSP is not subject to the satisfaction of Company performance conditions but does require the individual meeting the contracted performance hurdles. As the employees are in the direct employment of Safrican, Safrican could reasonably be expected to be held responsible by the employees for the delivery of the share awards. Safrican recognizes the expense annually and settles the corresponding liability at the end of the financial year.

The fair value of equity instruments granted is measured on grant date using an appropriate valuation model, which takes into account the market price on grant date, the fact that employees will not be entitled to the dividends until the shares vest, as well as an assumption on the actual percentage of shares that will be delivered. The instruments are subsequently remeasured annually, and the fair value is recognised in the statement of comprehensive income under administration costs. An expense is also recognized for the vesting of the shares as the employee satisfies the vesting conditions.

2.12 Financial services income

Financial services income is considered to be revenue for IFRS purposes and includes both IFRS 15 Revenue and revenue scoped out of IFRS 15.

2.12.1 IFRS 15 Revenue sources:

Income from investment management activities, such as fund management fees, collective investment and linked-product administration fees, commissions, performance fees and other fees; relating specifically to Nimbus products.

Revenue sources not within the scope of IFRS 15:

- Income earned from long-term insurance activities, such as risk underwriting charges and asset mismatch profits or losses in respect of non-participating business;
- Income from general insurance business, such as general insurance premiums; and
- Income from investments held for capital market activities, such as realised and unrealised gains or losses on trading accounts, unsecured corporate bonds and money market assets and liabilities.

Revenue within the scope of IFRS 15 is either recognised at a point in time or over time. Revenue is recognised over time if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;
- The entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date; and
- If none of the above criteria is met, revenue is recognised at a point in time.

IFRS 15 Revenue disaggregation

Revenue from contracts with customers are disaggregated by timing and type of revenue. It is also split per the Sanlam group's key reporting segments. We believe it best depicts how the nature, amount, timing and uncertainty of our revenue and cash flows are affected by economic factors.

Premium income – long-term policy contracts

Premium income is accounted for when the collection of the premiums in terms of the policy contract is reasonably assured and when they become due and payable.

Reinsurance premiums are recognised in the accounts at the same time as the related insurance premiums.

Investment contract premiums are not recognised in the statement of comprehensive income, but reflected as an increase in long-term policy liabilities in the notes to the annual financial statements.

2.13 Investment return

2.13.1 Investment income

Investment income comprises interest income and dividends received. Interest income is recognised on the effective interest rate method and dividend income is recognised when the right to receipt is established.

2.13.2 Investment surpluses

This includes realised surpluses and losses resulting from the sale of investments and net unrealised surpluses and losses from the revaluation of investments at fair value. These surpluses are recognised in the statement of comprehensive income on the date of sale or upon valuation to fair value.

2.14 Policy contract benefits

2.14.1 *Long-term insurance contract benefits*

Life insurance policy claims received up to the last day of each financial period and an estimate of unreported outstanding claims by the end of the financial period are provided for and included in insurance contract benefits (underwriting benefits). Past claims experience is used as the basis for determining the extent of the IBNR claims.

Income from reinsurance policies are recognised concurrently with the recognition of the related policy benefit.

2.14.2 *Long-term investment contract benefits*

Investment contract benefits and outflows are recognised in the Company's statement of comprehensive income and are reflected as a reduction in long-term policy liabilities in the notes to the annual financial statements.

Maturity payments are recognised when due, surrenders are recognised at the earlier of payment date or the date on which the policy ceases to be included in long-term policy liabilities.

2.15 Sales remuneration expenses

Sales remuneration costs relate to commission payable to brokers on insurance business. Commission on life business is accounted for on all in-force policies in the financial period during which it is incurred.

2.16 Administration costs

Administration costs include, inter alia, property and investment expenses related to the management of the policyholders' investments, claims handling costs, product development and training costs. Administration costs are accounted for when incurred.

2.17 Leases

Safrican Insurance Company has applied IFRS 16 Leases (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019. IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet. Applying IFRS 16, for all leases (except as noted below), the Company:

a) Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16:C8(b)(ii)
b) Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;
c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

Short-term leases and leases of low-value assets

For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes tablets and personal computers, small items of office furniture and telephones), the Company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'other expenses' in profit or loss.

2.18 Taxation

Current income tax is provided in respect of taxable income based on currently enacted tax legislation.

2.19 Retirement benefits

Retirement benefits for employees are provided by a defined contribution pension fund. The retirement plans are funded by payments from both the employees and the Company. The assets of this fund are held separately from those of the Company and the Company has no further obligations once the contribution has been paid. The Company's contributions to the defined contribution fund are charged to the statement of comprehensive income in the year in which they are incurred.

2.20 Dividends

Dividends proposed or declared after the financial year end are not recognised as liabilities in the annual financial statements for that period as no obligation exists at year end to pay a dividend.

2.21 Subsidiaries

Subsidiary undertakings are those companies in which the Company,

- has existing rights to direct the relevant activities of the Company;
- has exposure to the variable returns of the relevant entity; and
- ability to use its power to affect the returns of the Company.

In the separate annual financial statements of the Company, subsidiaries are accounted for at fair value. The Company does not prepare group annual financial statements as it is ultimately a subsidiary of Sanlam Limited, which produces consolidated annual financial statements. Subsidiaries are accounted for at fair value.

3. Policy liabilities and profit entitlement

Introduction

The valuation bases and methodology used to calculate policy liabilities of all material lines of long-term insurance business and the corresponding shareholder profit entitlement for Safrican are set out below.

The valuation bases and methodology, which comply with South African actuarial guidelines and requires minimum liabilities to be held based on a prospective calculation of policy liabilities, serves as a liability adequacy test. No adjustment is required to the value of the liabilities at 31 December 2020 as a result of the aforementioned adequacy test.

The valuation bases and methodology comply with the requirements of IFRS. Where the valuation of long-term policy liabilities is based on the valuation of supporting assets, the assets are valued on the bases as set out in the accounting policy for investments.

3.1 Classification of contracts

A distinction is made between investment contracts without discretionary participation features (which fall within the scope of IFRS 9: *Financial Instruments* and investment contracts with discretionary participating features and insurance contracts (where the Financial Soundness Valuation (FSV) method continues to apply, subject to certain requirements specified in IFRS 4 *Insurance Contracts*). During the period reported on in these annual financial statements, Safrican did not have any in force investment contracts with discretionary participating features.
A contract is classified as an insurance contract where Safrican accepts significant insurance risk by agreeing with the policyholder to pay benefits if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary. Significant insurance risk exists where it is expected that for the duration of the policy or part thereof, policy benefits payable on the occurrence of the insured event will exceed the amount payable on early termination, before allowance for expense deductions at early termination. Once a contract has been classified as an insurance contract, the classification remains unchanged for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

3.2 Insurance contracts

3.2.1 Individual/Group insurance contracts

Policy liabilities for insurance contracts have been determined using the Financial Soundness Valuation principles set out in Standard of Actuarial Practice SAP104 of the Actuarial Society of South Africa (ASSA) and are reflected in the balance sheet as: “liabilities under insurance contracts”.

Liabilities are valued as the present value of future cash flows discounted at the rate of return assumed on the assets backing the policyholder funds. Future cash flows are projected on a best estimate basis with an allowance for compulsory margins as prescribed by SAP104. Best estimate assumptions are required for future investment returns, expenses, persistency, mortality and other factors that may impact on the financial position of the Company.

Future voluntary premium increases are profitable and are therefore ignored in line with SAP104. In order to ensure appropriate recognition of profit over the life of a contract, no policy is permitted to have an overall negative liability.

Economic assumptions and the valuation interest rate for individual funeral business are derived with reference to the yield at the valuation date on the risk free yield curve at a duration consistent with that of the liabilities. The valuation interest rate for paid-up policies is set according to the appropriate yield on the risk free yield curve at each projected point in time. The assumptions adopted allow for the current and expected future tax position of the Company.

Demographic assumptions including mortality, morbidity and persistency rates are derived directly from recent experience and are adjusted for anticipated future trends. Investigations are performed periodically and the most recent were performed in 2016. The future development of AIDS mortality is projected in line with the ASSA 2000 AIDS model adjusted to be in line with Safrican’s actual experience.

Future expenses are projected on a per policy basis where the per-policy expense is derived from actual renewal expenses incurred during the last financial period. Renewal expenses are determined by removing acquisition costs and non-recurring expenses from the total expenses and adding an allowance for future project costs which is derived from an analysis of historical once-off patterns.

The financial soundness methodology includes allowance for liability adequacy testing (as required by IFRS 4) to ensure that the carrying amount of technical provisions is sufficient in view of estimated future cash flows. When performing the liability adequacy test, contractual cash flows are discounted and compared to the carrying value of the liability. Where a shortfall is identified an additional provision is made.

3.2.2 Investment contracts without discretionary participation features

Investment contracts without discretionary participation features have been valued in terms of IFRS 9: *Financial Instruments*. These contracts are disclosed under "investment contracts" and are valued at fair value. Premiums received and maturities paid for linked products are accounted for directly as part of the liability rather than in the statement of comprehensive income. Fully linked investment contracts are valued retrospectively.

The timing of fees recovered from some individual life policies does not correspond to the timing of the expenses incurred in respect of the policies. For certain of these policies an un-recouped expense account is created and included in the valuation of policy liabilities. The un-recouped expense account is increased with expenses incurred and reduced by an allocation of policy charges. Policy charges are designed to ensure that on average the un-recouped expenses are annually assessed for impairment and are derecognised when the related contracts are settled or disposed of.

STATEMENT OF FINANCIAL POSITION

	Note	2020 R	2019 R
ASSETS			
Property and equipment	1	20,708,494	25,887,979
Deferred acquisition costs	2	44,941,310	54,014,314
Deferred tax	8	134,089,183	69,610,905
Right of Use Asset	9	44,300,429	57,082,227
Investments	3	5,502,252,401	5,477,305,136
Investment in subsidiary	3.1	31,717,049	27,632,644
Government interest bearing investments	3.2	33,054,251	39,423,590
Corporate interest bearing investments	3.2	5,064,705	60,835,583
Investment funds	3.2	2,507,200,299	2,708,091,516
Cash, deposits and similar securities	3.2	2,925,216,098	2,641,321,804
Trade and other receivables	4	96,049,129	104,516,171
Cash, deposits and similar securities	23.2	219,084,342	151,955,041
Taxation asset	23.3	29,666,335	-
Total assets		**6,091,091,624**	**5,940,371,774**
EQUITY AND LIABILITIES			
Share capital and premium	5	10,000,000	10,000,000
Retained earnings		511,047,131	565,962,258
Other reserve		134,089,183	68,189,422
Total equity		**655,136,314**	**644,151,680**
Long-term policy liabilities	6	5,152,357,026	5,118,636,545
Insurance contracts		67,535,558	45,652,597
Investment contracts		5,084,821,468	5,072,983,948
Lease Liability	9	52,179,021	62,158,954
Trade and other payables	10	218,506,072	93,890,604
Share based payment liability	7	409,630	1,835,010
Provisions	11	12,503,560	14,999,629
Taxation payable	23.3	-	4,699,352
Total liabilities		**5,435,955,310**	**5,296,220,094**
Total equity and liabilities		**6,091,091,624**	**5,940,371,774**

STATEMENT OF COMPREHENSIVE INCOME

	Note	2020 R	2019 R
Net income		**2,048,862,946**	**2,132,858,820**
Financial services income	12	1,598,306,948	1,545,007,729
Other Income		2,067,174	1,456,206
Investment Income	13	353,742,833	335,816,736
Investment Surplus/(Deficit)	13	94,745,991	250,578,149
Net underwriting policy benefits		**(1,375,020,064)**	**(1,285,059,348)**
Long-term insurance contract benefits	14	(966,632,395)	(736,294,314)
Long-term investment contract benefits	14	(408,387,669)	(548,765,034)
Expenses		**(642,969,010)**	**(614,247,560)**
Sales remuneration expenses		(402,074,212)	(400,125,449)
Administration costs	15	(240,894,798)	(214,122,111)
Finance Cost	9	(4,454,037)	(3,759,763)
Profit before tax		**26,419,834**	**229,792,149**
Taxation	16	57,402,489	(406,191,704)
(Loss)/Profit for the year		**83,822,323**	**(176,399,555)**
Other comprehensive income		-	-
Total comprehensive income for the year		**83,822,323**	**(176,399,555)**

STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Share premium	Other Reserves	Retained earnings	Total equity
Balance at 1 January 2019		**5,682,530**	**4,317,470**	**413,339,358**	**525,064,032**	**948,403,390**
Comprehensive income for the year		-	-	-	(176,399,555)	(176,399,555)
Dividends paid				-	(127,852,154)	(127,852,154)
Transfer to reserve		-	-	(345,149,935)	345,149,935	-
Balance at 31 December 2019		**5,682,530**	**4,317,470**	**68,189,422**	**565,962,258**	**644,151,680**
Comprehensive income for the year		-	-	-	83,822,323	83,822,323
Dividends paid	17	-	-	-	(72,837,690)	(72,837,690
Transfer to reserve		-	-	65,899,760	(65,899,760)	-
Balance at 31 December 2020		**5,682,530**	**4,317,470**	**134,089,183**	**511,047,131**	**655,136,314**

STATEMENT OF CASH FLOWS

	Note	2020 R	2019 R
Cash flow from operating activities		**305,631,526**	**109,646,841**
Cash generated by /(utilised in) operations	**23.1**	(225,096,365)	(546,881,525)
Interest and preference dividends received		251,933,795	247,331,224
Net investment disposals		296,480,503	520,740,728
Lease repayments – short term leases		(562 714)	(1,395,813)
Dividends received		97,799,172	94,744,686
Dividends paid		(72,837,690)	(127,852,154)
Taxation paid	**23.3**	(42,085,176)	(52,605,062)
Cash flow from investing activities		**59,826,047**	**99,749,347**
Purchase of plant and equipment		(147,663)	(27,532,787)
Net investment disposals		56,235,289	120,918,740
Investment income from shareholders assets		3,738,421	6,363,394
Cash flow from financing activities		**(14,433,978)**	**(8,294,145)**
Lease payments-IFRS 16 leases		(14,433,978)	(8,294,145)
Net increase in cash and cash equivalents		**351,023,595**	**201,102,044**
Cash, deposits and similar securities at beginning of year		2,793,276,845	2,592,174,801
Cash, deposits and similar securities at end of year	**23.2**	**3,144,300,440**	**2,793,276,845**

The disclosure of the cash flow statement was enhanced in 2020 to align to industry best practice, where movements in assets that back policyholder liabilities are considered to be operating activities and movements in shareholder assets are considered to be investing activities. As a result, the net investment disposals previously presented in cash flow from investing activities have been split resulting in some of these cash flows being presented under cash flows from operating activities and the remainder under cash flows from investing activities.

The following key changes have been made to the 2019 cash flow movements only:

- Interest paid on lease liability is no longer disclosed separately.
- Investment income from shareholder assets has also been adjusted to reflect pure cash flows.
- The overall effect of all the above reclassifications in the 2019 figures is an increase of R 517 075 656 in cash flows from operating activities and a corresponding decrease of R 517 075 656 in cash flows from investing activities on the face of the cash flow statement.

The net increase in cash and cash equivalents at 31 December 2019 remains as presented in the 2019 signed annual financial statements.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1. PROPERTY AND EQUIPMENT

31 December 2020	Computer Equipment	Software And Network Servers	Motor Vehicles	Furniture and Fittings	Office Equipment	Total
Carrying amount	**3,366,742**	**2,356,599**	**46,022**	**14,771,014**	**168,117**	**20,708,494**
Cost	**11,256,582**	**4,191,406**	**230,111**	**21,689,284**	**600,347**	**37,967,730**
Accumulated Depreciation and Impairment	(7,889,840)	(1,834,807)	(184,089)	(6,918,270)	(432,230)	(17,259,236)
31 December 2019						
Carrying amount	**4,245,633**	**3,460,629**	**46,022**	**17,941,331**	**194,364**	**25,887,979**
Cost	**11,190,919**	**4,191,406**	**230,111**	**21,607,284**	**600,347**	**37,820,066**
Accumulated Depreciation and Impairment	(6,945,286)	(730,777)	(184,089)	3,665,953)	(405,982)	(11,932,087)

Reconciliation of carrying amount

	Computer Equipment	Software and Network Servers	Motor Vehicles	Furniture and Fittings	Office Equipment	Total
Balance as at 1 January 2019	**1,616,262**	**55,261**	**46,022**	**357,803**	**145,345**	**2,220,693**
Additions	3,258,531	4,091,349	-	20,118,509	64,398	27,532,787
Transfers	(30,153)	-	-	(19,441)	-	(49,594)
Depreciation	(599,008)	(685,982)	-	(2,515,539)	(15,379)	(3,815,907)
Balance as at 31 December 2019	**4,245,633**	**3,460,629**	**46,022**	**17,941,331**	**194,364**	**25,887,979**
Additions	65,663	-	-	81,999	-	147,663
Transfers	-	-	-	-	-	-
Depreciation	(944,554)	(1,104,030)	-	(3,252,316)	(26,247)	(5,327,148)
Balance as at 31 December 2020	**3,366,742**	**2,356,599**	**46,022**	**14,771,014**	**168,117**	**20,708,494**

No assets have been pledged as security.

2. DEFERRED ACQUISITION COSTS	**2020 R**	**2019 R**
Balance at the beginning of the year	54,014,314	62,251,554
Expensed for the year	(9,073,004)	(8,237,240)
Balance at the end of the year	**44,941,310**	**54,014,314**

Deferred acquisition costs are amortised over their estimated economic life of 5 to 10 years.

3. INVESTMENTS

Safrican Insurance Company Limited holds a 100% shareholding in Safrican Swaziland Insurance Company Limited and Safrican Eswatini Financial Services Limited respectively. Safrican Eswatini Financial Services Limited does not carry out business activities and will be valued upon successful amalgamation of the Eswatini companies in the 2021 financial year.

3.1 Equity investments

31 December 2020	**Designated as at fair value through profit or loss**	**Total**
Investment in subsidiary	31,717,049	31,717,049
	31,717,049	**31,717,049**

31 December 2019	**Designated as at fair value through profit or loss**	**Total**
Investment in subsidiary	27,632,644	27,632,644
	27,632,644	**27,632,644**

3.2 Investment assets other than equities and similar securities

31 December 2020	Mandatorily at fair value through profit or loss	Designated as at fair value through profit or loss	Amortised cost	Non-financial instruments	Total
Government interest bearing investments	-	33,054,251	-	-	33,054,251
Corporate interest bearing investments	-	5,064,705	-	-	5,064,705
Investment funds	2,507,200,299	-	-	-	2,507,200,299
Cash, deposits and similar securities	-	2,925,216,098	-	-	2,925,216,098
Total Financial Assets	**2,507,200,299**	**2,963,335,054**	**-**	**-**	**5,470,535,352**
Investment contract Liabilities	-	5,084,821,468	-	-	5,084,821,468
Total Financial Liabilities	**-**	**5,084,821,468**	**-**	**-**	**5,084,821,468**

31 December 2019	Mandatorily at fair value through profit or loss	Designated as at fair value through profit or loss	Amortised cost	Non-financial Instruments	Total
Government interest bearing investments	-	39,423,590	-	-	**39,423,590**
Corporate interest bearing investments	-	60,835,583	-	-	**60,835,583**
Investment funds	2,708,091,516	-	-	-	**2,708,091,516**
Cash, deposits and similar securities	-	2,641,321,804	-	-	**2,641,321,804**
Total Financial Assets	**2,708,091,516**	**2,741,580,976**	**-**	**-**	**5,449,672,492**
Investment contract Liabilities		5,072,983,948	-	-	**5,072,983,948**
Total Financial Liabilities		**5,072,983,948**	**-**	**-**	**5,072,983,948**

3.3 Fair value hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or the liability, assuming that market participants act in their economic best interest. A fair value measurement or a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group Investment Committee uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

A three-level fair value hierarchy is used to reflect the significant inputs used in determining the measurements. It should be noted that this disclosure only covers instruments measured at fair value.

As at 31 December 2020, the Company held the following financial instruments measured at fair value and disclosed in the following hierarchy:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities. Quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly. All Instruments measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are categorised as level 2.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value and are not based on observable market data.

For assets and liabilities that are recognised in the annual financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At each reporting date, the Company's Audit, Actuarial, Risk and Finance Committee analyses the movements in the values of assets and liabilities, which are required to be re-measured or re-assessed as per the Company's accounting policies. For this analysis, the Company's Audit, Actuarial, Risk and Finance Committee verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics of the asset or liability and the level of the fair value hierarchy as explained above. Valuation hierarchy was determined to be either Level 1, Level 2 or Level 3. The table below indicates the valuation basis and assumptions to determine the Level 2 and Level 3 Instruments.

Instrument	Valuation Basis	Main Assumptions	Significant unobservable input
Investment in Subsidiary	Embedded Value method – the calculation of present value of the surplus distributable to shareholders based on the best estimate assumptions	Net asset Value; earnings discount rate	Net asset value; sum value of in force business
Interest Bearing Investments	Fair Value; quoted surrender price by issuer	Bond and interbank swap, interest rate curve, cost of capital, consumer price index	n/a
Investment Funds	Quoted (exit) price provided by fund manager	n/a	n/a
Cash, deposits and similar securities	Fair Value	Bond and interbank swap, interest rate curve	n/a
Investment contract liabilities	Current unit price of underlying unlisted financial asset; multiplied by number of units held	Bond and interbank Swap interest rate curve CPI; Bond interest rate curve	n/a

31 December 2020	**Total R**	**Level 1 R**	**Level 2 R**	**Level 3 R**
Financial assets at fair value through profit or loss				
Investment in Subsidiary	31,717,049	-	-	31,717,049
Government interest bearing investments	33,054,251	32,091,999	962,251	-
Corporate interest bearing investments	5,064,705	-	5,064,705	
Investment Funds	2,507,200,299	-	2,507,200,299	-
Cash, deposits and similar securities	2,925,216,098	-	2,925,216,098	-
	5,502,252,401	**32,091,999**	**5,438,443,353**	**31,717,049**

Financial liabilities at fair value through profit or loss				
Investment contract liabilities	5,084,821,468	-	5,084,821,468	-
	5,084,821,468	**-**	**5,084,821,468**	**-**

31 December 2019	Total R	Level 1 R	Level 2 R	Level 3 R
Financial assets at fair value through profit or loss				
Investment in Subsidiary	27,632,644	-	-	27,632,644
Government interest bearing investments	39,423,590	35,029,732	4,393,858	-
Corporate interest bearing investments	60,835,583	3,008,886	57,826,697	-
Investment funds	2,708,091,516	2,286,476,293	421,615,223	-
Cash, deposits and similar securities	2,641,321,804	-	2,641,321,803	-
	5,477,305,136	**2,324,514,911**	**3,125,157,581**	**27,632,644**

Financial liabilities at fair value through profit or loss

Investment contract liabilities	5,072,983,948	-	5,072,983,948	-
	5,072,983,948	**-**	**5,072,983,948**	**-**

3.4 Reconciliation of movement in Level 3 financial instruments measured at fair value

	2020 R	2019 R
Investment in subsidiary		
Financial asset		
Opening balance	27,632,644	15,684,082
Total gain/(loss) in statement of comprehensive income	4,084,405	11,948,562
Closing balance	**31,717,049**	**27,632,644**

Sensitivity of Level 3 financial assets measured at fair value to changes in key assumptions 2020

	Valuation techniques	Significant unobservable inputs	Profit margin 10%	Effect of a 1% increase in risk discount rate	Effect of a 1% decrease in risk discount rate
Financial asset			R'000	R'000	R'000
Investment in subsidiary	**Embedded Value**	**Net Asset Value**	18,295	18,295	18,295
		Sum of value in force business	13,422	14,764	12,080
Total value of subsidiary			**31,717**	**33,059**	**30,375**

Sensitivity of Level 3 financial assets measured at fair value to changes in key assumptions 2019

Financial asset	Valuation techniques	Significant unobservable inputs	Profit margin 10% R'000	Effect of a 1% increase in risk discount rate R'000	Effect of a 1% decrease in risk discount rate R'000
Investment in subsidiary	**Embedded Value**	**Net Asset Value**	16,198	16,198	16,198
		Sum of value in force business	11,434	13,720	9,148
Total value of subsidiary			**27,632**	**29,918**	**25,346**

4. TRADE AND OTHER RECEIVABLES

Premium receivable, sundry debtors and trade receivables are held at amortised cost due to their non-derivative nature and the payments related to them being fixed or determinable and not quoted in an active market.

Contract receivables consist mainly of deposits paid upon entering lease agreements. The right to compensation is conditional upon the fulfilment of agreed contractual terms. There is however limited risk related to these amounts as they are non-derivative and are not quoted in an active market and are thus classified as held at amortised cost.

Accrued investment income is classified in accordance with the classification of the asset the investment income stems from. The assets linked to this income are held at fair value through profit or loss resulting in the accrued investment income being classified accordingly.

Intercompany debtor consists of defined share plan and other intercompany receivables. The defined share plan portion is measured at fair value as per the requirements of IFRS 2 while intercompany receivables are measured at amortised cost. Intercompany receivables are fixed and determinable and not quoted in an active market.

2020

Description	**Fair Value**	**Gross amortised Cost**	**Expected Credit losses**	**Total**
Premiums receivable	-	80,389,218	(9,623,338)	70,765,880
Contract Receivables	-	3,668,895	-	3,668,895
Accrued investment income	1,583,214	-	-	1,583,214
Intercompany debtor	6,960,500	10,833,360	-	17,793,860
Trade receivables	-	1,699,330	-	1,699,330
Sundry Debtors	-	537,950	-	537,950
Total	**8,543,714**	**97,128,753**	**(9,623,338)**	**96,049,129**

2019

Description	Fair Value	Gross amortised Cost	Expected Credit losses	Total
Premiums receivable	-	70,260,618	(1,235,774)	69,024,844
Contract Receivables	-	4,755,815	-	4,755,815
Accrued investment income	2,339,090	-	-	2,339,090
Intercompany debtor	6,165,133	19,628136	-	25,793,269
Trade receivables	-	1,726,815	-	1,726,815
Sundry Debtors		876,337	-	876,337
Total	**8,504,223**	**97,247,721**	**(1,235,774)**	**104,516,170**

Reconciliation of expected credit losses

	2020 R	2019 R
Balance at the beginning of the year	1,235,774	4,320,738
Net remeasurement of loss allowance	8,387,564	(3,084,964)
Balance at the end of the year	**9,623,338**	**1,235,774**

There has been a general increase in expected credit loss provisions for trade and other receivables, mostly as a result of COVID-19. The methodologies applied have however not changed since December 2019.

Expected credit losses exist due to the possibility that not all debts will be recovered. All trade receivables that are past due and not impaired have been assessed to be recoverable due to agreed-upon payment terms.

If within 60 days there is no payment made, the debtor is then written off and the scheme or policy is cancelled unless if there is an acknowledgement of debt arrangement.

	2020 R	2019 R
5. SHARE CAPITAL		
Authorised		
3 million ordinary shares of 200 cents each	6,000,000	6,000,000
2,841,265 ordinary shares issued at: a nominal value of 200 cents per share	5,682,530	5,682,530
Share premium	4,317,470	4,317,470
Balance at end of year	**10,000,000**	**10,000,000**

6. LONG-TERM POLICY LIABILITIES
6.1 Analysis of movement in policy liabilities

31 December 2020

	Insurance Contracts	Investment Contracts	Total
Income	**1,512,388,596**	**749,470,504**	**2,261,859,100**
Premium income (Note 6.2)	1,512,388,596	341,082,835	1,853,471,431
Investment return	-	408,387,669	408,387,669
Outflow	**(1,490,505,636)**	**(737,632,983)**	**(2,228,138,619)**
Policy benefits	-	(645,905,385)	(645,905,385)
Gross fees and risk premiums paid to shareholders	(1,490,505,636)	(91,727,598)	(1,582,233,234)
Net movement for the year	21,882,961	11,837,521	33,720,481
Balance at beginning of the year	45,652,597	5,072,983,948	5,118,636,545
Balance at end of the year	**67,535,558**	**5,084,821,468**	**5,152,357,027**

31 December 2019

	Insurance Contracts	Investment Contracts	Total
Income	**1,431,194,434**	**896,288,365**	**2,327,482,800**
Premium income (Note 6.2)	1,422,962,562	347,523,332	1,770,485,893
Investment return	8,231,873	548,765,034	556,996,906
Outflow	**(1,423,269,807)**	**(1,183,751,671)**	**(2,607,021,478)**
Policy benefits	-	(1,035,039,583)	(1,035,039,583)
Gross fees and risk premiums paid to shareholders	(1,423,269,807)	(130,869,022)	(1,554,138,829)
Other	-	(17,843,066)	(17,843,066)
Net movement for the year	7,924,627	(287,463,306)	(279,538,278)
Balance at beginning of the year	37,727,970	5,360,447,253	5,398,175,223
Balance at end of the year	**45,652,597**	**5,072,983,948**	**5,118,636,545**

6.2. Analysis of premium income

	2020 R	2019 R
Individual business	**481,888,517**	**482,677,687**
- Recurring	140,805,682	135,154,355
- Single and continuation	341,082,835	347,523,332
Group benefits business	**1,371,582,914**	**1,287,808,206**
- Recurring	1,371,582,914	1,287,808,206
Total premium income	**1,853,471,431**	**1,770,485,893**

6.3 Composition of policy liabilities

Individual business	**5,088,772,908**	**5,076,732,547**
Linked and market-related liabilities	5,084,821,468	5,072,983,948
Other non-participating liabilities	3,951,440	3,748,600
Group benefits business	**63,584,119**	**41,903,998**
Other non-participating liabilities	63,584,119	41,903,998
Total policy liabilities	**5,152,357,027**	**5,118,636,545**

7. DEFERRED SHARE PLAN

The DSP was introduced in 2009. In terms of the DSP, the Company undertakes to deliver a fixed number of Sanlam Limited shares to selected employees on pre-determined dates in the future, on condition that the employee is still in the employment of the Company on those dates. Vesting occurs in three tranches over a period starting three years from the grant date, subject to meeting individually contracted performance hurdles.

The carrying amount of the liability relating to the shares at 31 December 2020 was R409,630 (2019: R1,835,010). The expense recognised for employee services received during the year ended 31 December 2020 was R1,425,380 (2019: R1,475,785).

	2020 R	2019 R
Balance at beginning of the year	1,835,010	3,310,795
Expensed for the year	(1,425,380)	(1,475,785)
Balance at end of the year	**409,630**	**1,835,010**
Number of shares:		
Outstanding at the beginning of the year	77,941	92,155
Granted during the year	41,490	46,627
Redeemed during the year	(77,427)	(60,841)
Outstanding at the end of the year	**42,004**	**77,941**

8. DEFERRED TAX

The balance comprises of the following differences:

	2020	2019
	R	R
Opening balance	69,610,905	413,339,357
Movement	64,478,278	(343 728 452)
Total deferred tax asset	**134,089,183**	**69,610,905**

The Company issues insurance (risk) products that, by their nature resulted in substantial up-front expenses that created tax losses in the individual policyholders' tax fund (IPF) in previous financial years, to the extent that these expenses exceed investment income earned on investment products also offered by these companies and effectively meant that policyholders invested in these investment policies earned a more competitive return than what they would have achieved if they invested directly in the market.

Historically, the expenses generated by the insurance products have more than offset the investment income generated by the investment products, giving rise to a build-up of assessed losses in the IPF. Given that the assessed losses remained stable/increased over time, no deferred tax assets were recognized in terms of IAS12 – Income Taxes as the full utilisation of the assessed losses were not regarded as probable. With the introduction of the fifth tax fund (Risk Policy Fund – RPF) effective 1 January 2016, all new insurance/risk products on these licenses are now required to be allocated to the RPF.

The recognition criteria for deferred tax assets in terms of IAS12 are therefore met, as it is probable that the calculated assessed losses will be utilised for the existing tax balances. The differed tax asset has been increased by R64 487 277 in the current year. A deferred tax asset was raised in 2016 with a corresponding credit to the income tax line in the IFRS Statement of Comprehensive Income and Retained Earnings, the income arising from recognition of the deferred tax asset is transferred to a separate reserve within equity (other reserve) to assist with the ultimate parent's group reporting process.

9. IFRS 16 – Leases

The Company has mainly leases for office buildings and some IT equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate are excluded from the initial measurement of the lease liability and asset. The Company classifies its right-of-use assets in a consistent manner to its property, plant and equipment.

Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublet the asset to another party, the right-of-use asset can only be used by the Company. The Company is prohibited from selling or pledging the underlying leased assets as security. For leases over office buildings, the Company must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease.

Until the 2018 financial year, all major leases were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease. On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases, which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. In order to estimate the incremental borrowing rate which was used as the discount rate, Safrican Insurance Company Limited took into account observable debt transactions for the holding company Sanlam Life, as it is not possible to observe the debt transactions for Safrican Insurance Company Limited since it does not have external debt.

Using Sanlam Life's credit risk is deemed reasonable, as this is the ultimate holding company and a similar company with similar risks. The Company used an Incremental Borrowing Rate of 7.88%

Extension and termination options are included in a number of leases across the Company. These terms are used to maximise operational flexibility in terms of managing contracts. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

9.1 Right- of- Use Asset

The right-of-use assets were measured at initial recognition at the amount equal to the lease liability. The right-of-use asset is depreciated equally over the lease term. 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 right of use assets related to leased properties are presented as property.

The recognised right-of-use assets relates to the following types of assets:

	Property
Balance as at 1 January 2020	**57,082,227**
Additions	-
Depreciation charge for the year	(12,781, 798)
Balance as at 31 December 2020	**44,300,429**
Balance as at 1 January 2019	**-**
IFRS 16 Transitional adjustments	1,698,928
Additions	64,994,407
Depreciation charge for the year	(9,611,108)
Balance as at 31 December 2019	**57,082,227**

9.2 Lease Liability

Balance as at 1 January 2020	**62,158,954**
Additions	-
Finance Cost	4,454,037
Lease payments	(14,433,970)
Balance as at 31 December 2020	**52,179,021**

Maturity analysis on lease payments	**Carrying Value**	**Undiscounted Cash Flows**
Due within 1 year	11,845,282	15,436,490
Due within 2 to 5 years	40,333,739	44,481,074
Total	**52,179,021**	**59,917,564**

Balance as at 1 January 2019	**-**
IFRS 16 Transitional adjustments	1,698,928
Additions	64,994,407
Finance Cost	3,759,763
Lease payments	(8,294,144)
Balance as at 31 December 2019	**62,158,954**

Lease Liabilities maturity Analysis

Maturity analysis on lease payments	**Carrying Value**	**Undiscounted Cash Flows**
Due within 1 year	8,393,806	15,237,531
Due within 2 to 5 years	53,765,148	63,680,627
Total	**62,158,954**	**78,918,158**

10. TRADE AND OTHER PAYABLES

	2020	**2019**
	R	**R**
Accounts payable	157,294,562	48,605,477
IBNR	55,211,510	33,685,126
Re-insurance premium	6,000,000	11,600,000
Total trade and other payables	**218,506,072**	**93,890,604**

Classification of trade and other payables:

Financial liabilities at amortised cost	163,294,562	60,205,478
Non-financial instruments	55,211,510	33,685,126

Except for outstanding claims, accounts payables are expected to be settled within 30 days (2020: 30 days). The fair value of trade and other payables is approximated by its carrying amount (with the exception of IBNR which is a non-financial instrument.) Income received in advance relates to premium received on the new investment contract.

11. PROVISIONS

Details of the different classes of provisions are as follows:

	Leave Pay R	Affinity Fee R	Bonus R	Other Provisions R	Total R
Balance at 1 January 2019	**2,107,933**	**4,546,253**	**5,831,285**	**526,400**	**13,011,933**
Charged to the statement of comprehensive income	1,184,281	127,538,386	23,613,666	702,717	155,088,020
Utilised during the year	(1,107,489)	(121,448,355)	(28,494,510)	-	(151,050,354)
Balance at 31 December 2019	**2,184,785**	**10,636,285**	**949,442**	**1,229,117**	**14,999,629**
Charged to the statement of comprehensive income	2,315,535	136,926,385	6,853,914	470,299	146,566,133
Utilised during the year	(1,601,641)	(146,507,646)	(949,442)	(3,474)	(149,062,202)
Balance at 31 December 2020	**2,898,679**	**1,055,025**	**6,853,914**	**1,695,942**	**12,503,560**
Analysis of provisions:					
Current	2,898,679	1,055,025	6,853,914	1,695,942	12,503,560
Total provisions 31 December 2020	**2,898,679**	**1,055,025**	**6,853,914**	**1,695,942**	**12,503,560**

12. FINANCIAL SERVICES INCOME

	2020 R	2019 R
Gross Premium Receipts	1,598,306,948	1,545,007,729
Financial services income	**1,598,306,948**	**1,545,007,729**

13. INVESTMENT RETURN

	2020 R	2019 R
Investment Income		
Cash,deposits and similar securities	255,672,216	240,638,492
Rental income	271,445	433,557
Dividends received	97,799,172	94,744,686
Total investment income	**353,742,833**	**335,816,736**
Investment surpluses		
Unrealised profits/(losses)	94,745,991	250,578,149
Total investment surpluses	**94,745,991**	**250,578,149**
Total investment return	**448,488,823**	**586,394,885**
Analysed as:		
Policyholders	425,388,106	563,530,395
Shareholders	23,100,717	22,864,490
Total investment return	**448,488,823**	**586,394,885**

31 December 2020	**Fair value through profit and loss** **R**	**Amortised Cost** **R**	**Total Shareholder's Investment Return** **R**
Shareholders' investment return			
Interest income	6,717,412	16,383,305	23,100,717
Total Shareholders' investment return	**6,717,412**	**16,383,305**	**23,100,717**
31 December 2019			
Shareholders' investment return			
Interest income	9,764,465	13,100,025	22,864,490
Total Shareholders' investment return	**9,764,465**	**13,100,025**	**22,864,490**

14. LONG-TERM INSURANCE AND INVESTMENT CONTRACT BENEFITS

Long-term insurance contract benefits	2020 R	2019 R
Underwriting policy benefits	966,632,395	736,294,314
Total insurance contract benefits	**966,632,395**	**736,294,314**
Long-term investment contract benefits		
Investment returns attributable to investment contract liabilities at fair value through profit and loss	408,387,669	548,765,034
Total investment contract benefits	**408,387,669**	**548,765,034**
Analysis of underwriting policy benefits		
Individual business	73,278,336	57,738,926
Employee benefits	893,354,059	678,555,388
Total underwriting policy benefits	**966,632,395**	**736,294,314**

15. ADMINISTRATION COSTS include:

External auditors' remuneration	**3,340,382**	**3,603,772**
Depreciation	**18,108,948**	**13,427,015**
Depreciation (equipment, furniture, software & network servers)	5,327,148	3,815,907
Right of Use	12,781,800	9,611,108
Re-insurance premium	**6,000,000**	**11,600,000**
Equipment rental	**1,345,513**	**2,185,940**
Operating leases	**586,782**	**3,827,094**
Properties	586,782	3,827,094
Professional fees	**5,936,866**	**1,476,442**
Deferred shared plan expense	**(1,425,380)**	**(1,475,785)**
Employee benefits	**77,881,693**	**65,175,378**
Salaries and other short-term benefits	73,248,007	58,801,917
Pension costs - defined contribution plans	4,633,686	6,373,461
Office staff (number of persons)	**167**	**205**

16. TAXATION	2020 R	2019 R
SHAREHOLDERS' FUND		
Result from financial services	3,705,526	57,651,052
Dividend withholding tax	3,370,262	4,812,200
Deferred tax income	(64,478,277)	343,728,452
Tax expense/(income)	**(57,402,489)**	**406,191,704**
Analysis of income tax per category:		
Normal income tax		
Current tax	3,705,526	57,651,052
Deferred tax	(64,478,277)	343,728,452
Dividend withholding tax	3,370,262	4,812,200
Tax expense/(income)	**(57,402,489)**	**406,191,704**

The Company's income tax is determined on the five funds basis applicable to companies conducting life insurance business. The income tax charge relates to the corporate fund where the Company does not have any assessed losses. Due to the application of the five funds tax principles, expenses are allocated in the IPF fund and continues to exceed income (for both 2020 and 2019), the Company has a calculated loss of approximately R1,464,767,490 in the Individual Policyholders Fund (2019: assessed loss of R1,369,433,473). Deferred tax on the IPF has been recognized due to changes in the 2016 Tax legislation. See Note 8.

Reconciliation of taxation attributable to shareholders

	2020 R	2019 R
Profit before tax	26,419,834	229,792,149
Standard tax rate	28%	28%
Standard rate of taxation	7,397,554	64,341,802
Adjusted for:		
Disallowable expenses	(3,692,027)	2,100,482
Investment surpluses	-	(3,903,226)
Policyholder tax	3,370,262	4,125,159
Recognition of assessed loss	(65,899,760)	345,149,935
Recognition of deferred tax on IFRS 16	1,421,483	(1,421,483)
Total tax charge for the year	**(57,402,489)**	**406,191,704**
Effective tax rate	217%	177%

17. DIVIDENDS

There was a dividend of R 72,837,690 declared in respect of 2019 and paid in the current year.

18. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and assumptions are an integral part of financial reporting and as such have an impact on the amounts reported in the annual financial statements. Management applies judgement in determining best estimates of future events. These judgements are based on historical experience and reasonable expectations of future events and changes in experience. Estimates and assumptions are regularly updated to reflect actual experience.

It is reasonably possible that outcomes in future financial years will be different to the current assumptions and judgements, which could require a material adjustment to the carrying amounts of the affected assets and liabilities. Given the correlation between assumptions, it is not possible to demonstrate the effect of changes in key assumptions whilst other assumptions remain unchanged. Further, in some instances the sensitivities are non-linear. Interdependencies between certain assumptions cannot be quantified and are accordingly not included in the sensitivity analyses; the primary example being the relationship between economic conditions and lapse risk.

As part of the Company's internal controls, an analysis is produced at least every six months which compares the cash flows predicted using the valuation assumptions to the actual cash flows which emerge. The results of the analysis are discussed by management and where variances are significant, assumptions are adjusted accordingly. The experience variances reported by the Company to date have been reasonable compared to the Company's embedded value, confirming the accuracy of the assumptions used. The critical estimates and judgements made in applying the Company's accounting policies are summarised below.

18.1 Policy liabilities in respect of long-term insurance contracts and investment contracts

This disclosure should be read in conjunction with the valuation methodology as set in the accounting policies for policy liabilities on page 20.

The actuarial value of the policy liabilities is determined using the Financial Soundness Valuation method as described in the actuarial guidance note SAP104 of the Actuarial Society of South Africa (ASSA). The method requires a number of assumptions as inputs into the valuation model.

The process described below is followed to determine the valuation assumptions:

- Determine the best estimate for a particular assumption.
- Discretionary margins may be applied as required by the valuation methodology or if the head of actuarial function considers such margins necessary to cover the risks inherent in the contracts.

18.1.1 Investment return

Future investment return assumptions and the valuation interest rate for individual funeral business are derived with reference to the yield at the valuation date on the risk free yield curve at a duration consistent with that of the liabilities. The valuation interest rate for paid-up policies is set according to the appropriate yield on the risk free yield curve at each projected point in time. The assumptions adopted allow for the current and expected future tax position of the Company.

Expense inflation: the difference between the risk free nominal and real yield curves are used to derive the expense inflation.

18.1.2 Decrements

Demographic assumptions for mortality were derived using the SA85-90 (Heavy) tables adjusted for Safrican experience. The factors used to adjust the tables were based on the Sanlam Sky Individual Life Funeral experience as there is no background or history on how the underlying mortality in the previous year was derived. The new basis is more prudent, but deemed to be a better representation of the underlying Safrican mortality experience. The factors will be updated with the results of the Safrican mortality investigation.

18.1.3 Expenses

Expenses are required in relation to the calculation of the prospective paid-up policy liabilities, to determine the present value of the claims handling expense. Paid-up policies are those policies where a claim has already been reported but the payment date is uncertain. Future expenses for the existing paid-up policies are projected on a per policy basis where the per-policy expense is derived from actual claims expenses incurred during the last financial period. Expenses are then adjusted for inflation over the projection period.

18.1.4 Compulsory margins

SAP104 prescribes that the following compulsory margins should be added to the best estimate assumptions for determining the policyholder liabilities.

Below is the list of margins that are relevant to Safrican.

Assumption	Margin
Mortality	7.5% (increase for assurance)
Expenses	10%
Charge against investment return	25 basis points in the management fee or an equivalent asset-based or investment performance-based margin

18.1.5 Sensitivity to changes in the valuation assumptions

The sensitivity of the policy liabilities to changes in the valuation assumptions are set out below, assuming a worsening of experience. For changes in the valuation rates of contracts, it was assumed that:

- For non-participating business where the policy liabilities are closely matched by appropriate fixed interest securities, the change in the value of liabilities is offset by a commensurate movement in the value of assets.
- Investment return credited to market-related contracts will be adjusted in line with the change in assumed future investment return, with accordingly minimal impact on profit.

Sensitivity analysis of policyholder liabilities in respect of insurance contracts and investment contracts.

The sensitivities below were chosen as the most appropriate for the Company.

31 December 2020 R'000	**Base value***	**Investment returns**	**Expenses**	**Lapse and surrender rates****	**Mortality and morbidity rates****
		85%	+10%	+25%	+10%
Group Funeral	-	-	-	-	-
Paid Up Funeral	62,362	70,408	65,918	62,362	65,477
Individual Funeral	1,222	1,333	1,255	1,222	1,276
Non-participating life policy liability	**63,584**	**71,741**	**67,173**	**63,584**	**66,753**

31 December 2019 R'000	**Base value***	**Investment returns**	**Expenses**	**Lapse and surrender rates****	**Mortality and morbidity rates****
		85% of base	+10%	+25%	+10%
Group Funeral	-	-	-	-	-
Paid Up Funeral	41,414	41,442	41,612	41,414	43,840
Individual Funeral	490	563	490	490	538
Non-participating life policy liability	**41,904**	**42,005**	**42,102**	**41,904**	**44,378**

* Base value refers to the carrying value net of reinsurance
** For lapse and mortality sensitivities both increases and decreases were modelled and the highest sensitivity is shown

The table above shows small changes for individual policyholder liabilities for each of the scenarios considered. The Company's policy is to eliminate negative liabilities at policy level such that no policy is treated as an asset. Group business generates a negative liability while all other business is positive. For each of the scenarios above the calculated policy liabilities remain negative for Group business and so overall policy liabilities are relatively unchanged after zeroing negative liabilities at policy level.

The above sensitivities do not consider the impact of reinsurance. There is no impact of reinsurance for the disclosed sensitivities. The only reinsurance covers the risks of a mass lapse and catastrophic events Reinsurance would therefore not be triggered in the sensitivities as it is for extreme scenarios

19. CAPITAL AND RISK MANAGEMENT

The Company is exposed to various risks in connection with its current operating activities. These risks contribute to the key financial risk that the proceeds from the Company's financial assets are not sufficient to fund the obligations arising from insurance and investment policy contracts and the operating activities conducted by the Company. The Company has an integrated approach towards the management of its capital base and risk exposures with the main objective to achieve a sustainable return on embedded value at least equal to the Company's cost of capital.

19.1 Capital management

The effective management of Safrican's capital base is an essential component of meeting the Company's strategic objective of maximising return on embedded value. The capital value used by the Company as the primary performance measurement base is the shareholder's fund at fair value.

The management of the Company's capital base requires a continuous review of optimal capital levels, including the use of alternative sources of funding, to maximise return on embedded value.

Long-term solvency capital

The level and nature of the life operation's supporting capital is determined by minimum regulatory capital requirements as well as economic, risk and growth considerations. Regulatory capital must comply with specific requirements.

19.2 Risk management

The Company is exposed to various risks that have a direct impact on the Company's capital base and earnings, and as such return on embedded value. The management of these risks is therefore an integral part of the Company's strategy to maximise return on embedded value and supports the capital management actions described above.

The Company's risk exposures can be classified into the following broad categories:
- Financial risks;
- Strategic risks;
- Long term insurance risks; and
- Concentration of insurance risk

19.2.1 Financial risks

The main categories of financial risks associated with the financial instruments held by the Company are summarised in the following table:

Financial risk	Description
Market risk	Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in the market. Market risk includes; **Equity risk:** the risk that the value of a financial instrument will fluctuate as a result of changes in equity prices. **Interest rate risk:** the risk that the value of an unmatched financial instrument will fluctuate as a result of changes in interest rates and the risks that mismatch losses will be incurred in respect of a matched asset/liability position following changes in interest rates. **Currency risk:** the risk that the Rand value of a financial instrument or liability will fluctuate owing to changes in foreign exchange rates.
Credit risk	Credit risk arises from the inability or unwillingness of a counterparty to a financial instrument to discharge its contractual obligations. Credit risk includes; **Reinsurance risk:** concentration risk with individual reinsurers, due to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable credit ratings.
Liquidity risk	Liquidity risk is the risk relating to the difficulty/inability of accessing/raising funds to meet commitments associated with financial instruments or policy contracts.
Capital adequacy risk	Capital adequacy risk is the risk that there are insufficient reserves to provide for variations in actual future experience, worse (to the extent as defined) than that which has been assumed in the financial soundness valuation.

19.2.1.1 Market risk

The Company's shareholders' funds' investments and non-linked policyholder investments are exposed to market risk. Market risk arises from uncertain movement in the fair value of financial instruments that stems principally from potential sentiment towards the instrument, the variability of future earnings that is reflected in the current perceived value of the instrument and the fluctuations in the interest rates and foreign currency exchange rates.

Interest rate risk

The Company is exposed to changes in interest rates as these will affect the market value of any interest bearing investments held by the Company and the Company's insurance liabilities. As described above, the investment committee is mandated to match assets and liabilities and this will limit the overall interest rate risk for the assets backing the liabilities.

The shareholders' funds' investments in interest-bearing instruments are valued at fair value and are therefore susceptible to market fluctuations. Comprehensive measures and limits are in place to control the exposure to market risk. Continuous monitoring takes place to ensure that appropriate assets are held in support of the long-term solvency capital and the Company's investment targets. Limits are applied in respect of the exposure to asset classes.

The majority of assets are matched to liabilities and changes in the one are largely offset by changes in the other. Hence the effect on shareholder profits is not material. Further, a sensitivity of shareholder assets to changes in interest rates shows an immaterial effect

19.2.1.2 Linked and market related liabilities

The Company is not exposed to market risk such as Equity Price risk in respect of linked liabilities, as the benefits under the contracts are linked to the fair value of the supporting assets.

19.2.1.3 Credit risk

The interest-bearing investments held by the Company's funds are subject to credit risk. The majority of the exposure relates to the Company's life insurance and capital market activities.

Credit risk concentration by credit rating (collated from Global credit ratings, Fitch and Moodys)

31 December 2020 (R'000)	AAA	A	AA-	AA+	A+	Not rated	**Total R'000**
Assets backing policy liabilities							
Government interest bearing investments	-	13,916	-	-	19,144	-	33,060
Corporate interest bearing investment	2,012	33	1,005	2,016	-	-	5,066
Investment Funds	6,401	-	-	549	-	2,500,247	2,507,197
Cash deposits and similar securities – investments	1,488,661	-	-	1,436,555	-	-	2,925,216
Cash deposits and similar securities – working capital assets	-	-	-	-	-	31,714	31,714
	1,497,074	**13,949**	**1,005**	**1,439,120**	**19,144**	**2,531,961**	**5,502,253**
Shareholder assets							
Government interest bearing investments	-	1,190	-	-	1,637	-	2,827
Corporate interest bearing Investments	172	3	86	172	-	-	433
Cash deposits and similar securities – investments	127,305	-	-	122,849	-		250,155
Cash deposits and similar securities – working capital assets	-	-	-	-	-	219,084	219,084
Trade and other receivables	-	-	-	-	-	91,633	91,633
Assets not exposed to credit risk	-	-	-	-	-	275,495	275,495
	127,477	**1,193**	**86**	**123,021**	**1,637**	**586,213**	**839,627**

31 December 2019 (R'000)	A-	BBB-	BB+	BB	BB-	Not rated	**Total R'000**
Assets backing policy liabilities							
Government interest bearing investments	-	-	29,173	-	-	-	29,173
Corporate interest bearing investment	-	10,438	33,279	2,059	1,030	-	46,806
Investment Funds	-	-	-	-	-	2,708,092	2,708,092
Cash deposits and similar securities – investments	4,766	1,060,348	1,158,043	-	-	159,648	2,382,804
Cash deposits and similar securities – working capital assets	-	-	-	-	-	(48,238)	(48,238)
	4,766	**1,070,785**	**1,220,495**	**2,059**	**1,030**	**2,819,501**	**5,118,637**
Shareholder assets							
Government interest bearing investments	-	-	10,250	-	-	-	10,250
Corporate interest bearing Investments	-	14,030	-	-	-	-	14,030
Cash deposits and similar securities – investments	16,804	107,802	117,884	-	-	-	258,518
Cash deposits and similar securities –working capital assets	-	-	-	-	-	167,545	167,545
Trade and other receivables	-	-	-	-	-	105,811	105,811
Assets not exposed to credit risk	-	-	-	-	-	266,876	266,876
	16,804	**121,823**	**128,134**	**-**	**-**	**556,760**	**823,030**

The Company is also exposed to credit risk in respect of its net current assets. The following are some of the main credit risk management actions:

- Unacceptable concentrations of credit risk to groups of counterparties, business sectors and product types are avoided by dealing with a variety of major banks and spreading debtors and loans among a number of major industries, customers and geographic areas.
- Long-term insurance business debtors are secured by the underlying value of the unpaid policy benefits in terms of the policy contract (i.e. if premiums are not received, Safrican does not pay the claims).
- General insurance premiums outstanding for more than 60 days are provided for as a provision for bad debts.
- Exposure to external financial institutions concerning deposits and similar transactions are monitored against approved limits.

In addition, the Company manages these risks through the activities of the Audit, Actuarial and Risk Committee and the Investment Committee. Each committee meets at least four times per annum to discuss financial risk issues. Individual committee members are responsible for implementing recommendations that have been agreed with management and reporting to the relevant committee. Of primary concern is the principle of asset and liability matching in order to reduce the Company's risk of financial loss.

The Audit, Actuarial and Risk Committee is a committee of the Board of Safrican and is responsible for the implementation and monitoring of overall risk management, internal financial controls and financial and actuarial reporting within the Company. The main responsibilities of this Committee are:

- Setting and overseeing the overall standard for financial and actuarial reporting, risk management and internal controls within the Company;
- Monitoring the effectiveness of business risk management processes in the Company;
- Reviewing and assessing the quality of the work done by professionals responsible for financial and actuarial reporting, risk management and internal control; and
- Engaging in discussions with external and internal auditors on the quality and acceptability of the control environment and reporting structures.

The Audit, Actuarial and Risk Committee is also responsible for the implementation and monitoring of the asset management process to ensure that the risks arising from trading positions are effectively managed within the pre-determined risk parameters. The Committee meets bi-annually to review the investment portfolio.

19.2.1.4 Liquidity risk – Policyholder solutions

The Company's shareholders' fund is not subject to excessive levels of liquidity risk. The majority of the Company's liabilities are matched by appropriate assets with the same maturity profile. The entity can hold the appropriate assets should it so require, up until expected maturity of the linked liability. The Company has significant liquidity. An overall maturity profile of the policyholder business is included below. Insurance contract liabilities are contractually repayable on the occurrence of the underlying risk event and therefore they could be classified as repayable on demand. However, in order to provide additional information, the table has been prepared based on the expected timing of the outflows.

The purpose of establishing an Investment Committee is to introduce as forum that will have formal process to manage the investment strategy for Safrican Insurance Company Limited, to maximise return on investments and ensure that the legal requirements regarding liquidity and solvency imposed on Insurance Companies are adhered. Members should have a firm grasp of the procedures for managing the assets including the investment strategy. Members do not necessarily need an investment background but they should be committed to learning what they need to know to make informed decisions that are in line with the strategy.

Maturity analysis of investment and insurance policy contracts

	31 December 2020 (R'000)				
	< 1 year	**1-5 years**	**> 5 years**	**Open ended**	**Total**
Insurance contracts	67,535	-	-	-	67,535
Investment contracts	387,981	4,190,836	-	506,004	5,084,821
Total policy liabilities	**455,516**	**4,190,836**	**-**	**506,004**	**5,152,356**
Government interest bearing investments	2,310	2,133	28,617	-	33,060
Corporate interest bearing investments	1,350	5,462	-	-	6,812
Investment Funds	-	-	-	2,507,197	2,507,197
Cash deposits and similar securities	1,121,752	1,483,535	-	-	2,605,287
Total policyholder assets	**1,125,412**	**1,491,130**	**28,617**	**2,507,197**	**5,152,356**

	31 December 2019 (R'000)				
	< 1 year	**1-5 years**	**> 5 years**	**Open ended**	**Total**
Insurance contracts	3,553	21,094	-	21,006	45,652
Investment contracts	124,133	2,221,860	19,333	2,707,658	5,072,984
Total policy liabilities	**127,686**	**2,242,954**	**19,333**	**2,728,663**	**5,118,636**
Government interest bearing investments	6,473	3,367	19,333	-	29,173
Corporate interest bearing investments	1,000	44,213	-	-	45,213
Investment Funds	-	-	-	2,707,658	2,707,658
Cash deposits and similar securities	116,709	2,219,882	-	-	2,336,591
Total policyholder assets	**124,183**	**2,267,462**	**19,333**	**2,707,658**	**5,118,636**

19.2.2 General operational risks

Operational risk

Operational risk is the risk of loss due to factors such as inadequate systems, management failure, inadequate internal controls, fraud or human error. The Company mitigates these risks through its culture and values, comprehensive system of internal controls, internal audit, forensic and compliance functions and other measures such as back-up facilities, contingency planning and insurance. The initiation of transactions and their administration is conducted on the basis of segregation of duties, designed to ensure the correctness, completeness and validity of transactions.

Safrican has a risk-based internal audit approach in terms of which priority is given to the audit of higher risk areas, as identified in the planning phase of the audit process. The internal control systems and procedures are subject to regular internal audit reviews.

Legal risk

Legal risk is the risk that the Company will be exposed to contractual obligations that have not been provided for, particularly in respect of policy liabilities. Safrican seeks to minimise uncertainties through continuous consultation with internal and external legal advisers, to understand the nature of risks and to ensure that transactions are appropriately structured and documented.

Compliance risk
Laws and regulations

Safrican considers compliance with applicable laws, industry regulations and codes an integral part of doing business. The Company's compliance function facilitates the management of compliance through the analysis of statutory and regulatory requirements, and monitoring the implementation and execution thereof.

Fraud risk

The Company recognises that financial crime and unlawful conduct are in conflict with the principles of ethical behaviour, as set out in the code of ethics, and undermines the organisational integrity of the Company. The financial crime combating policy for the Company is designed to counter the threat of financial crime and unlawful conduct. A zero-tolerance approach is applied in combating financial crime and all offenders will be prosecuted. The forensic services function at Sanlam Group level oversees the prevention, detection and investigation of incidents of unlawful conduct that are of such a nature that they may have an impact on the Company. Sanlam Group Forensic Services are also responsible for the formulation of Company standards in respect of the combating of unlawful conduct and the implementation of measures to monitor compliance with these standards.

19.2.3 Strategic risk

The Company's governance structure and various monitoring tools in place ensure that any events that affect the achievements of the Company's strategy are escalated and addressed at the earliest opportunity. The Board has no tolerance for any breach of guidance.

Company strategy is addressed on a continuous basis at various forums within the Company, the most important of which are:

- The Company's strategic direction and success is discussed and evaluated by the Safrican Board at the scheduled Board meetings during the year;
- As part of the annual budgeting process, the Company presents their strategic plans and budgets to the Safrican Board committee, who ensure that the Company strategies are aligned with the overall Group strategy;
- The Company Executive Committee, which includes the Chief Executive Officer of the Company, meets on a regular basis to discuss, among others, the achievement of the Company's strategies. Any strategic issues are identified at these meetings and corrective actions are implemented immediately.

19.2.4 Long-term insurance risks

The Company's long-term insurance operations are subject to the general operational risks described in section 19.2.2 above, but also to specific long-term insurance risks, which include the following:

Long-term insurance risk	Description
Investment return risk	The relative sensitivity of long-term policy liabilities and the supporting policyholder assets to market, credit and liquidity risk.
Underwriting risk:	Underwriting risk is the risk that the actual mortality and morbidity will exceed the expected claim.
Operational risk	
Lapse risk	Lapse risk relates to the risk of financial loss due to negative lapse experience.
Expense risk	Expense risk is the risk of loss due to actual expense experience being worse than that assumed in premium rates and policy liabilities.
Legislation	The risk that practices established in the past may not be acceptable in changing legislative and social environments.
Reputational risk	The risk that the Company is prevented from applying mitigating risk management policies due to the potential reputational impact on the Company.

19.2.4.1 Underwriting risk

Underwriting strategy

The Company manages these risks through its underwriting policy to prevent anti-selection, e.g. waiting periods before cover commences, appropriate premium rates (loadings) for substandard risks, adequate reinsurance arrangements to limit exposure per individual and manage concentration of risks, claims handling policy, and through adequate pricing and reserving.

In addition, most schemes are reviewed annually and any deviations from expectations are investigated and premium adjustments made if required. Larger schemes are reviewed more often.

Claims risk

Claims risk is the risk that the Company may pay invalid claims. Training of claims department staff takes place to ensure that fraudulent claims are identified and investigated timeously.

The legitimacy of claims is verified by internal, financial and operating controls that are designed to contain and monitor claims risks.

19.2.4.2 Operational risk

Lapse risk

Safrican does not offer surrender values on its group policies and is therefore not exposed to lapse risk other than the secondary effect that lapses have on future expenses.

Safrican is not exposed to surrender guarantees under individual and savings related products either and the secondary effect risk of future expenses also apply to these products.

Expense risk

Expenses are continuously monitored and managed through the Company's budgeting process.

Legislation

The risk is managed through clear contracting. The Company monitors and influences events to the extent possible by participation in discussions with legislators, directly and through industry representative groups. Safrican seeks to minimise uncertainties through continuous consultation with internal and external legal advisers, to understand the nature of risks and to ensure that transactions are appropriately structured and documented.

Taxation

The risk is addressed through clear contracting to ensure that policy contracts entitle policyholders to after tax returns where applicable. The Company monitors the impact of changes in tax legislation and participates in discussions with the tax legislator to influence changes in legislation. External tax advice is obtained as and when required.

19.2.4.3 Reputational risk

Actions with a potential reputational impact are escalated to the appropriate level of senior management. The Audit, Actuarial, Risk and Finance Committee and Board of Directors are involved as and when required. Events with an industry-wide reputational impact are addressed through industry representatives.

19.2.5 Concentration of insurance risk

A well-diversified portfolio reduces the risk. The maximum cover amount is R 100,000. The majority of the business has cover amounts of around R 10,000, and it is estimated that this covers roughly 1,7m policyholders. There is some concentration of cover on group schemes, where single events may cause more than one claim. There is however catastrophe reinsurance in place if such an event was to occur.

20. RETIREMENT BENEFIT OBLIGATIONS

The Company provides retirement benefits for employees. All the employees are on a defined contribution scheme. The assets of the above scheme are held in independent trust funds, administered in terms of the Pension Funds Act of 1956 (as amended).

	2020	2019
Defined contribution pension fund:		
Number of employees covered by fund	157	176
Company contribution to the fund during the year	2,746,287	2,736,115

21. DIRECTORS REMUNERATION

Please refer to Appendix A (page 61 to 62) for director remuneration information. The appendix contains the audited directors' remuneration as required under section 30 of the Companies Act. This has been treated as confidential as it contains the remuneration of Executive and Sanlam nominated directors. The Audit, Actuarial, Risk and Finance Committee members have been provided with the directors' remuneration for review. A copy of the annual financial statements including the director's remuneration is available on request from the Company Secretary.

22. RELATED PARTIES

The following were related party transactions during the year:

Nature of the transaction	**Related party**	**2020** **R**	**2019** **R**
Tax services, internal audit, disaster recovery site, Nimbus	Sanlam Life Insurance Limited**	98,049,260	47,670,895
Re-insurance premium	Sanlam Life Insurance Limited	6,000,000	6,000,000
Actuarial and Finance Services	Sanlam Developing Markets***	1,528,595	2,662,950
Portfolio Management fees	Sanlam Investment Management (Pty) Limited ***	251,231	267,056
Insurance and system fees	Sanlam Limited*	12,462,782	521,998
Dividend paid	Sanlam Limited*	72,837,690	127,853,154
Investment Income	Blue Ink***	-	11,492
Dividend received	Safrican Swaziland Insurance Company Limited****	5,322,047	-
Management Fees	Safrican Swaziland Insurance Company Limited****	640,086	859,849
Miscellaneous	Sanlam Limited*	728,863	1,550,061

Related party transactions relate to fees paid for tax services, actuarial services, internal audit services and the sharing of the disaster recovery site, as well as portfolio management fees on our SIM portfolio and insurance premiums paid. Investment income relates to interest earned from our Blue Ink endowment policies earned in the prior year.

Nature of the balance	**Related party**		
Tax services, disaster recovery site Actuarial Services , VOPD	Sanlam Developing Markets***	-	1,464,379
PDD, Applause, EED training, Multi data and MIE verifications	Sanlam Life Insurance Limited**	1,380,205	-
Nimbus operations	Sanlam Life Insurance Limited**	75,580,377	-
Re-insurance payable	Sanlam Life Insurance Limited**	6,000,000	11,600,000
Deferred share plan	Sanlam Limited*	2,248,302	6,165,133
GTI cost	Sanlam Limited*	595,339	2,293,786
Travel administration	Sanlam Limited*	633	69,817
Intercompany asset	Safrican Swaziland Insurance Company Limited****	815,388	901,361

*Ultimate Holding Company
** Holding Company
***Subsidiary of Holding company
****Subsidiary of the Company

Transactions with directors

Remuneration is paid to directors in the form of fees to non-executive directors and remuneration to executive directors of the Company. All directors of Safrican have declared that they did not have a material interest in any contract of significance with the Company, which could have given rise to a conflict of interest during the period. Details relating to directors' emoluments are included in Note 21.

Key management personnel compensation

For the purposes of IAS 24 related party disclosures, key management are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company. Details of the compensation paid to the board of directors are disclosed in Note 21.

Key management personnel include members of the Executive Committee and other members of the senior management team of the Company. Compensation paid to the Company's key management personnel is as follows:

	2020 **R**	**2019** **R**
Short-term employee benefits	10,557,862	13,297,088
Share-based payments	829,678	1,014,997
Total key management personnel compensation	**11,387,540**	**14,312,085**

The above compensation is for 8 staff members (2019: 6) considered to be key management.

23. NOTES TO THE CASH FLOW STATEMENT

	2020 R	2019 R
23.1 Cash generated from operations		
Profit before tax per income statement	**26,419,834**	**229,792,149**
Net movement in policy liabilities	33,720,481	(279,538,678)
Non-cash flow items	(65,411,063)	(225,317,018)
Depreciation	19,729,336	13,427,015
Movement in provisions	(2,496,070)	1,987,698
Finance Cost	4,454,037	3,759,763
Movement in deferred acquisition costs	9,073,004	8,237,240
Fair value adjustment	(94,745,991)	(250,578,159)
Share-based payment	(1,425,380)	(1,425,785)
Items disclosed separately	**(352,908,673)**	**(347,043,492)**
Interest and preference shares dividend received	(251,933,795)	(247,331,224)
Lease repayments - short term leases	562,714	1,395,813
Investment income from shareholder assets	(3,738,421)	(6,363,394)
Dividends received	(97,799,172)	(94,744,686)
Decrease/(Increase) in Trade Receivables	8,467,588	29,257,309
(Decrease)/Increase in Trade Payables	124,615,468	21,021,248
(Decrease)/Increase in Operating Lease	-	(163,077)
Cash generated/(utilised) from operations	**(225,096,365)**	**(571,316,768)**

23.2 Cash, deposits and similar securities

	2020 R	2019 R
Investments, cash, deposits and similar securities	2,925,216,098	2,641,321,804
Working capital: Cash, deposits and similar securities	219,084,342	151,955,041
Total cash, deposits and similar securities	**3,144,300,440**	**2,793,276,845**

23.3 Taxation

	2020 R	2019 R
Balance at beginning of the year	4,699,352	(5,158,838)
Tax as per income statement net of deferred tax	7,719,488	62,463,253
Balance at end of the year	-29,666,335	4,699,352
Amounts paid during the year	**42,085,175**	**(52,605,062)**

As part of the enhancement of cash flow disclosure, the following key changes have been made to the prior figures on this note:

- Finance cost is no longer disclosed separately but is included under the reversal of non-cash items on Note 23.1
- IFRS 16 lease payments are not included in this note and are disclosed separately on the face of the Statement of Cash Flows
- The tax line presentation represents the cash flows from the 2019 financial year.

24. IFRS 15 Revenue from contracts with customers

Revenue from contracts with customers	**2020**	**2019**
Asset administration fees	85,918,353	121,134,000
Revenue not within the scope of IFRS 15	**85,918,353**	**121,134,000**
Financial services income	1,512,388,596	1,422,962,562
Revenue not within the scope of IFRS 15	**1,512,388,596**	**1,422,962,562**

Timing of revenue Recognition	**At a point in time**	**Over time**	**Total**
Asset administration fees	3,561,000	82,357,353	85,918,353

IFRS 15 revenue for the year relates to asset administration fees related to the Nimbus products, the rest of the revenue generated is not within the scope of IFRS 15.

Appendix A - Directors Remuneration

Remuneration paid to directors for 2020:

	Directors Fees R'000	Salaries & Company Distributions R'000	Bonus[6] R'000	Attributable Value of LTI's[7] R'000	Total R'000
Non-Executive Directors					
Renganaygee Kisten[3]	278	-	-	-	278
Seadimo Hessie Chaba[3]	262	-	-	-	262
Robert Edward Goff[3]	262	-	-	-	262
Johann Grobler[1]	-	2 565	756	501	3 822
Karl-Bart Thomas Xhanti Socikwa[1]	-	4 390	2 100	2 360	8 850
Preston Eugene Speckmann[5]	2 422	-	-	-	2 422
Executive Directors					
Lindiwe Angela Dlamini[2/4]	-	2 596	-	-	2 596
Deviaprakash Chetty[2]	-	192	-		192

Remuneration paid to directors for 2019:

	Directors Fees R'000	Salaries & Company Distributions R'000	Bonus[6] R'000	Attributable Value of LTI's[7] R'000	Total R'000
Non-Executive Directors					
Renganaygee Kisten[3]	128	-	-	-	128
Seadimo Hessie Chaba[3]	144	-	-	-	144
Robert Edward Goff[3]	173	-	-	-	173
Johann Grobler[1]	-	2 412	1 313	465	4 190
Karl-Bart Thomas Xhanti Socikwa[1]	-	4 054	2 605	1 930	8 589
Preston Eugene Speckmann[5]	2 346	-	-	-	2 346
Executive Directors					
Lindiwe Angela Dlamini[2]	-	1 458	540	1 395	3 393
Nthabiseng Mmatli[2/8]	-	1 153	-	2 359	3 512

Notes:

[1] *This relates to non-executive directors who are executive directors in the Sanlam Group. These directors do not receive director or committee fees for their services in addition to their normal remuneration as employees.*

[2] *This relates to executive directors of the Company. These directors do not receive director or committee fees for their services as directors in addition to their normal remuneration as employees.*

[3] *This relates to directors' fees paid to board members by Safrican.*

[4] *Resigned 31 October 2020.*

[5] *This relates to directors' fees paid to board members by Safrican and other companies within the Sanlam group.*

[6] *This is the performance bonus paid in March 2021 in respect of the 2020 financial year (2019: Bonus paid in March 2020 in respect of the 2019 financial year).*

[7] *Fair value of LTIs granted during the year, assuming 100% vesting.*

[8] *Resigned 30 April 2019.*