SHOPRITE INSURANCE COMPANY LIMITED
Registration number: 1948/030484/06

ANNUAL FINANCIAL STATEMENTS
for the year ended 28 June 2020

Shoprite Insurance Company Limited
(Reg No 1948/030484/06)

Annual financial statements
for the year ended 28 June 2020

Contents

The annual financial statements for the year ended 28 June 2020 have been audited by PricewaterhouseCoopers Incorporated, in compliance with the applicable requirements of the Companies Act 71 of 2008. The preparation of the audited annual financial statements was compiled by Mr B Wethmar, FASSA / FIA (UK), and supervised by Mr L Hoffmann, CA(SA).

Shoprite Insurance Company Limited
(Reg No 1948/030484/06)

Statement of responsibility by the Board of Directors
for the year ended 28 June 2020

The directors are responsible for the preparation and fair presentation of the annual financial statements of the Company, comprising the certificate of the company secretary, the directors' report, the statements of financial position as at 28 June 2020, the statements of comprehensive income, changes in equity, cash flows and audit and risk committee report for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act of South Africa.

The directors are satisfied that the information contained in the annual financial statements fairly represents the financial position as at the year-end and the financial performance and cash flows of the Company for the year then ended.

The directors are also responsible 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, and for maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

The Company decided to cease new business with effect from 1 July 2020, and to transfer all existing active business to respective cell facilities before 30 June 2021; which also conforms to Prudential Authority ("PA") requirements in terms of ceasing insurance business, the consequent non-conversion of the Company's insurance licence, and planned closure by 30 June 2021. The annual financial statements support the viability of the Company for the forthcoming financial period.

The Company's external auditor, PricewaterhouseCoopers Incorporated, audited the Company's financial statements and their report is presented on pages 13 to 14. The external auditors were given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

Approval of annual financial statements

The Company's annual financial statements of Shoprite Insurance Company Limited, as identified in the first paragraph, were approved by the board of directors on 30 October 2020 and signed on its behalf by:

Authorised director

Authorised director

Certificate of the Company Secretary

In terms of section 88(2)(e) of the Companies Act 71 of 2008 (as amended), it is hereby confirmed that for the year ended 28 June 2020 the Company has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of the Companies Act and that all such returns and notices are true, correct and up to date.

P G du Preez
on behalf of Shoprite Checkers (Pty) Ltd
30 October 2020

Shoprite Insurance Company Limited
(Reg No 1948/030484/06)

Directors' report
for the year ended 28 June 2020

Nature of Business
Shoprite Insurance Company Limited ("the Company") is a short-term insurance company incorporated in the Republic of South Africa. The Company is registered at the Prudential Authority ("PA") and the Financial Sector Conduct Authority ("FSCA"), and authorisation is granted to enter into short term insurance policies for Shoprite Holdings Ltd, its subsidiaries and associated companies ("The Group"), and to Customers of the Group.

The directors, in conjunction with the direction from the Group, have decided to cease all new business with effect from 1 July 2020. All new business will be written into respective cell facilities with a registered Cell Provider, and all existing active business will be transferred into these respective cells before 30 June 2021. As a result of this decision, the PA will not be converting the Company's insurance licence into an insurance licence under the new Insurance Act, with the proposed closure of the Company by 30 June 2021.

Financial Review
Details of the profit and restatement of the Company is contained in the statement of comprehensive income on page 16. The financial position of the Company is recorded in the statement of financial position on page 15. The restatement of the prior year is recorded in the notes to the annual financial statements, note 20. Further details are furnished in the notes to the annual financial statements on pages 19 to 38.

Share Capital
The authorised share capital of the Company remained unchanged at 130 000 (one hundred and thirty thousand) ordinary shares of 200 cents (two hundred cents) each.

There was no movement in the number of the Company's issued ordinary shares during the reporting period, which remained at 130 000 (one hundred and thirty thousand) shares of 200 cents (two hundred cents) each.

Going Concern
The annual financial statements of the Company are not prepared on a going concern basis, since the Company has decided to cease all new business with effect from 1 July 2020 and to transfer all existing active business to respective cell facilities before 30 June 2021.

Directors and Secretary
The registered address of the Company is corner William Dabbs Street and Old Paarl Roads, Brackenfell, 7560. The postal address is Private Bag X10036, Edenvale, 1610.

Non-executive directors of the Company for the year were:
M Bosman
R I Coates (independent)
A de Bruyn
P Fairhurst
A F W Peters (independent)
J C M Wethmar

Executive directors for the Company for the year were:
M Holmes (resigned 1 August 2019)
L Hoffmann

Company Secretary:
P G du Preez

Directors' and prescribed officers' remuneration
Section 30(4) to (6) of the Companies Act 71 of 2008 requires the Company to disclose certain information in respect of the remuneration for each director or individual holding any prescribed office in the Company. This information has been disclosed for the directors per note 18.

Auditor
PricewaterhouseCoopers Inc. will continue in office in accordance with the Companies Act 71 of 2008, as amended.

Events after the Reporting date
The Board of Directors declared a dividend of R540 million at their meeting on 13 October 2020. Other than the facts in this annual report, there have been no material changes in the affairs or the financial position of the Company from 28 June 2020 to the date of these annual financial statements. The directors, in conjunction with the direction from the Group, have decided to cease all new business with effect from 1 July 2020. All new business will be written into respective cell facilities with a registered Cell Provider, and all existing active business will be transferred into these respective cells before 30 June 2021. As a result of this decision, the PA will not be converting the Company's insurance registration into an insurance licence under the new Insurance Act, with the planned closure of the Company by 30 June 2021.

Dividends paid
Dividends are accounted for on the date they are declared by the Company. Dividends are declared only once the Board of Directors are satisfied that, subsequent to the payment of the dividend, the Company will still satisfy the solvency and liquidity test as required by Section 4 of the Companies Act, 2008 as amended; and also only to the extent that the Company will continue to meet its statutory solvency requirement. There were no dividends declared or paid during this financial year (2019: R350 million).

Holding Company
The Company's holding company is Shoprite Holdings Ltd, with address corner William Dabbs Street and Old Paarl Road, Brackenfell, 7560. The postal address is P O Box 215, Brackenfell, 7561.

Litigation Statement
The directors are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12 months, a material effect on the Company's financial position. There were no commitments or contingent liabilities at the statement of financial position date, as per note 15.

Sensitivity to COVID-19 related claims
The Company underwrites both First Party and Third Party business. The First Party business has not included Accident & Health classes of business for some time, and is only exposed to COVID-19 as a result of business interruption from infectious diseases. However, as at year end, no claim had been intimated and cover has formally ceased.

In terms of Third Party business (Customers to the Group), for which the Company does not procure reinsurance protection, the Company's reserving for claims incurred but not yet reported ("IBNR") includes an amount of R8m (eight million rand) as the estimate for likely claims development after year end. This reserve accounts for both the potential delay in claims reporting, as a result of lockdown and isolation measures, and potential short-term increases in claims as a result of exposure to increased unemployment of policyholders (insurance includes credit protection for underlying credit agreements). This additional reserving amounts to some 30% of average annual Third Party claims.

At the time of quantifying the reserving and financial results for the Company, preliminary observations suggested that the subset of unemployment-related claims could be triple those incurred for the same quarter in the previous year. From further experience monitored up to mid-August 2020, this subset of claims developed to as much as 4.4 times those incurred for the same period in the previous year. This represents a potential exposure in excess of reserving of some R2.2m (or up to some 9% of annual Third Party claims) for which the Company has sufficient resources to absorb, less than 0.5% of Equity.

Since there is currently no material development in claims as a result of COVID-19, the Company has also considered the experience of the Third Party business during the 2009 financial period, which encompassed the 2008 economic crisis and similarly large job losses in the economy, as one potential worst-case scenario. However, during this period, unemployment-related claims increased by only some R1m, well within current reserving. As a further worst-case scenario, while the Group has experienced a slow-down in collections on underlying credit agreements of between some R100m and R117m, but with no material additional claims reported, if up to between some 17% and 20% of these respective policyholders are recently unemployed as a result of COVID-19 then further claims of up to some R20m could still be reported. This amount represents up to some 80% of annual Third Party claims, and for which the Company has sufficient resources to absorb, less than 2.5% of Equity.

Shoprite Insurance Company Limited
(Reg No 1948/030484/06)

Audit and risk committee report
for the year ended 28 June 2020

On 15 August 2008 the Financial Services Board ("FSB") at the time granted exemption to Shoprite Insurance Company Limited from appointing an audit committee, subject to the Audit Committee of Shoprite Holdings Ltd ("Shoprite Holdings") performing those functions required of an audit committee contemplated in section 22(3) of the Short Term Insurance Act ("the old Act").

With the promulgation of the new Insurance Act, 2017 as amended ("the new Act"), on 1 July 2018, and the separation of the previous FSB into the Prudential Authority ("PA") and Financial Sector Conduct Authority ("FSCA"), it was a requirement for the Company to undergo a licence conversion with the PA in terms of the new Act. As a result of the decision to cease writing new business with effect from 1 July 2020, to transfer all existing active business to new cell facilities before 30 June 2021, and to subsequently close the Company, the PA have chosen to not convert the insurance authorisation of the Company under the old Act into an insurance licence under the new Act, and to maintain existing exemptions for the Company, such as the above.

In terms of Regulation 94(2)(a) & (b) of the Companies Act 71 of 2008 (as amended), Shoprite Insurance Company Limited ("the Company") is not required to appoint its own audit committee since the functions will be performed on its behalf by the Audit Committee of Shoprite Holdings and its subsidiaries ("collectively the Company").

Accordingly, the report herewith tabled to shareholders is the same report presented to the shareholders of Shoprite Holdings in its 2020 Integrated Report.

All risk identification measures and assessments referred to in this report were therefore performed on a collective basis for the Company.

INTRODUCTION

The Audit and Risk Committee ("the Audit Committee") is established as an independent statutory committee in terms of section 94(2) of the Companies Act 71 of 2008, as amended ("the Companies Act") and oversees audit and risk committee matters for all of the South African subsidiaries of Shoprite Holdings, as permitted by section 94(2)(a) of the Companies Act.

The Audit Committee's terms of reference are formalised in a charter informed by the Companies Act, the King IV Report on Corporate Governance for South Africa ("King IV™") and the JSE Listings Requirements. The Charter, which is available at www.shopriteholdings.co.za, has been approved by the Board. It is reviewed annually.

During the 2020 financial year, the Audit Committee conducted its affairs in accordance with the Charter and has performed its responsibilities as required.

AUDIT COMMITTEE MEMBERS, MEETING ATTENDANCE AND ASSESSMENT

Membership

The Audit Committee consists of three independent non-executive directors of the Group and is chaired by Johan Basson who is a chartered accountant. The other Audit Committee members are Joseph Rock and Alice Le Roux. The Group has embarked on a process to reconstitute the board and as part of the process additional more board members will be appointed to the Audit Committee. All the Audit Committee members are suitably skilled and experienced.

Membership of the Audit Committee is restricted to independent non-executive directors. The Chief Financial Officer, Chief Internal Audit Executive, Group Risk and Compliance Manager and external auditors attended the Audit Committee meetings by invitation while the Company Secretary acted as secretary to the Audit Committee meetings. Other senior managers responsible for finance, and information and technology attended, as required.

Meeting

The Charter requires a minimum of four Audit Committee meetings each year. During the 2020 financial year, the Committee met four times, with two special meetings. A special Audit Committee meeting was held on 16 August 2019 to approve the 2019 Annual Financial Statements of the Group.

The attendance of the Audit Committee members is recorded below:

Audit Committee members	12-Aug-19	16-Aug-19 (Special)	01-Nov-19	13-Feb-20 (Special)	21-Feb-20	22-May-20
Johan Basson (Chairman)	x	x	x	x	x	x
Joseph Rock	x	x	x	x	x	x
Alice le Roux	x	x	x	x	x	x

AUDIT COMMITTEE MEMBERS, MEETING ATTENDANCE AND ASSESSMENT (continued)

Meeting (continued)

The Audit Committee agendas provide for separate meetings between the Audit Committee members, internal and external auditors and management.

AUDIT COMMITTEE EVALUATION

As part of the annual self-evaluation, the performance of the Audit Committee and its members were assessed and found to be in alignment with the Committee's responsibilities set out in the Committee charter. In addition, members were assessed against the independence requirements of King IV and the Companies Act to encourage independent judgment and an effective balance of power within the Committee. The assessments found that all members of the Audit Committee are independent. Although Johan Basson (the Chairman) and Joseph Rock were previously employed by PricewaterhouseCoopers (PwC), the Group's appointed external auditors, in both cases, their employment ended more than 11 years ago.

ROLES AND RESPONSIBILITIES

The responsibilities and functions of the Audit Committee are set out in the Charter. This section summarises the Committee's responsibilities and how it performed its functions.

Internal Financial Controls

During the 2020 financial year, the Audit Committee reviewed reports on the Group's systems of internal financial controls. No material breakdowns in the internal and financial controls were identified that required reporting.

The Group receives assurance on compliance with and the effectiveness of internal control systems through regular management reviews and assurance from internal audit, as well as from the work of the external auditors who test aspects of these control systems as part of their statutory audit of the Annual Financial Statements.

Finance Function

Anton de Bruyn was appointed as Chief Financial Officer (CFO) from 2 July 2018. The Audit Committee is satisfied, having undertaken a formal assessment process, that he has the appropriate expertise and experience for his role. Anton de Bruyn's qualifications and experience are set out in the Integrated Report (Governance Section) and are also available on the Group's website (www.shopriteholdings.co.za).

In addition, the Committee considered a written assessment of the capacity, roles and responsibilities, qualifications and experience of senior members of the Group Finance Department. Based on this assessment, the Audit Committee is satisfied that the Group finance function has expertise and resources it requires to perform its function.

Risk assessment and management

The Shoprite Group Board is ultimately responsible for ensuring that Group management maintains an effective risk management process on an ongoing basis. The Audit Committee is charged with assisting the Board to assess the adequacy and effectiveness of the Group's risk management process.

Over the years, the Group has managed its risks in terms of the applicable enterprise risk management fundamentals by:

- Establishing the context of its internal and external environments;
- Maintaining its risk landscape (which includes its risk taxonomy in relation to its organisational structure, risk categories, processes and controls);
- Setting its strategy, objectives, risk appetite and tolerance levels; and
- Implementing a Group risk register.

A dedicated Group Risk and Compliance Manager role was formally established during 2017 to continue to develop governance, risk and compliance in the Group.

The Group Risk Forum, which is a management committee chaired by the CFO that comprises various members of the senior management team, met eight times during the 2020 financial year. During these meetings, significant risks affecting the Group and its business units were discussed to ensure the executive management team's awareness of those risks and how they are being monitored and managed. Minutes of these meetings are submitted to the Audit Committee for consideration.

The Group's risk governance policy and framework provides an effective and consistent approach for identifying, evaluating, monitoring and responding to key risks that may affect achievement of the Group's objectives over time. The framework is based on the principles embodied in the Enterprise Risk Management Framework published by the Committee of Sponsoring Organizations of the Treadway Commission, the International Guideline on Risk Management ("ISO31000") and King IV.

ROLES AND RESPONSIBILITIES (continued)

Risk assessment and management (continued)

Risk governance is also integral to setting the Group's strategy and objectives to respond to management's assessment of the key risks and opportunities associated with those matters that materially influence the Group's ability to create and maintain long term value. Risk management processes and procedures are integrated with the Group's daily management activities through the Group risk management framework, which is embedded across the business.

Risk Governance

The Group's risk landscape includes 55 risk descriptions which remain key focus areas on an ongoing basis and are aligned to the Group's strategy.

The following risks remained high priority for the Group for the 2020 financial year:

- COVID-19;
- Cyber and information security;
- Injury to employees, contractors, customers and other third parties;
- Business continuity management and disaster recovery;
- Food safety;
- Brand deterioration and reputational risk;
- Deterioration of trade union relationships as well as the risk of 3rd party supplier employee strike actions;
- Cyber Risk;
- Internal Fraud;
- Regulatory Risk; and
- Loss of distribution centre facilities due to fire risk.

These risks are closely monitored and managed within the business on a daily basis. For some risks the assessed residual risk rating remains high even after ensuring that effective controls are being applied to those risks, which increases the importance of ongoing effective risk monitoring processes and procedures.

In conjunction with each business unit, the Group Risk and Compliance Manager continuously reviews the risks specific to each business unit and related controls to determine the aggregate assessed residual risks for the Group. Critical and high residual risks are reported on to ensure adequate management and transparency. The Group's combined assurance framework is used to monitor the effectiveness of risk management and highlight any material defects.

An automated internal operational risk loss database, which forms part of the Groups risk identification and assessment tools, is being finalised for future use to quantify losses at a granular level in real time and highlight internal control failures. This is in addition to the other fully embedded risk identification and assessment tools, namely: process mapping, internal audit reports and external audit reports.

The Group has a low risk appetite and zero tolerance for losses due to fraud, so it will continue to increase focus on these losses, whether internal (employees) or external (any trade or expense vendor).

The Audit Committee engaged Ernst & Young towards the latter half of 2019 to perform a review of the effectiveness of the group risk management function. The findings of this review have been discussed by the Audit Committee and the suggested enhancements highlighted by the review are being addressed by the Audit Committee and management.

At the meeting of the Audit Committee held on 22 May 2020, various members of management responsible for risk management in certain critical areas of the business presented their portfolio risk management strategies and processes.

Compliance Governance

Compliance Governance, as an integral part of Corporate Governance, is embedded throughout the Group. Each business unit manages and mitigates its own specific regulatory compliance risks on a daily basis, with oversight from Legal, Risk and Compliance, as second line of assurance.

Each business unit has a unique regulatory universe, which has been categorised and risk-assessed, to be rated as critical, high, medium or low likelihood and where the compliance risk impact on the business is assessed.

The constantly changing regulatory landscape is carefully monitored to ensure that important regulatory changes and any significant compliance matters are escalated to the relevant management and executive teams. If required, after consultation the Group Risk and Compliance Manager engages South African regulators, directly or through the Consumer Goods Council South Africa, to discuss legal and regulatory reform and requirements.

ROLES AND RESPONSIBILITIES (continued)

Compliance Governance (continued)

Group compliance management functions are monitored to ensure that they operate effectively on an ongoing basis in order to provide adequate assurance to the Board regarding the achievement of Group compliance objectives. As resources are limited, in certain instances the second line of assurance utilises internal audit services, and the two lines collaborate to ensure that priority regulatory categories are incorporated into the internal audit plan.

Compliance monitoring occurs in various forms, from substantive monitoring to management self-assessments. The business is assessed to verify its compliance and to measure the effectiveness and adequacy of the implemented controls, thereby mitigating the risk of regulatory non-compliance. Significant findings are reported to the Audit Committee. The Committee is enabled to form its own opinion on the effectiveness and adequacy of compliance management control measures in the business through reports received from various lines of assurance on compliance monitoring, regulatory updates, material consumer complaints and regulatory inspections, fines and breaches.

Through effective performance of the combined internal and external assurance model, the Board obtains reasonable assurance about the integrity of the information provided to the Board and executive management team by the business to support internal decision-making and external reporting.

Training and awareness of key legislation is important for the business. Specific training initiatives are prioritised to ensure that management and employees are aware of regulatory requirements that affect their business units.

The following regulatory areas were identified as key for the 2020 financial year:

- Consumer Protection;
- Food Safety;
- Occupational health and safety;
- Labour and employment equity;
- Broad-Based Black Economic Empowerment;
- Protection of Personal Information ("POPI");
- Competition;
- Environmental; and
- Taxation.

These regulatory compliance risks are closely managed and monitored by the various assurance providers, as well as in combination, on a daily basis to ensure effective controls are in place and maintained.

In conjunction with each business unit, the Group Risk and Compliance Manager has reviewed the risks specific to each business unit and related controls, to determine the aggregate assessed residual risks for the Group. Critical and high residual risks are reported on an ongoing basis to ensure adequate management and transparency. The Group's combined assurance framework is used to monitor the effectiveness of risk management and identify any material defects.

The planned future focus areas for compliance governance oversight are health and safety, food safety, anti-bribery and anti-corruption, competition, environmental, Protection of Personal Information and taxation.

No material or repeated regulatory penalties, sanctions or fines were imposed on the Group or on Board members for contraventions of, or non-compliance with, statutory obligations. In addition, there were no material monitoring or compliance inspections by environmental regulators, findings of non-compliance with environmental laws, or criminal sanctions or prosecutions for non-compliance. The Audit Committee attended a presentation by Werksmans Attorneys on the amendments to the Competition Laws.

GOVERNANCE OF INFORMATION TECHNOLOGY (IT)

The Board's Terms of Reference and the Audit Committee Charter define their respective responsibilities for governing information and technology, as well as reporting lines and reporting requirements. The Board's responsibilities include ensuring the responsible use of information and technology (IT) including overseeing effective risk and opportunity management for the Group's information assets and its technology environment that supports the business model. Within the Charter:

- The Board accepts its accountability for the overall governance of information and technology;
- The Board delegates authority to the Audit Committee to oversee Group-wide management of information and technology (including setting Group-wide minimum standards) and to establish mandates for management's use for decision-making relating to information or technology; and
- The Board endorses specific frameworks for establishing controls to mitigate the risks associated with information and technology. These control frameworks (including minimum standards, policies, procedures and rules) are adopted to assist effective governance for specific information and technology risk areas.

GOVERNANCE OF INFORMATION TECHNOLOGY (IT) (continued)

Governance of information and of technology is implemented through various control processes, gates, bodies and reporting. These include the Project Approval Committee, Project Steering Committees, Architecture Committee, Change Approval Board, supplier selection process, contracting processes, procurement processes, disaster recovery tests and IT financial analysis reports.

Information and technology risks are identified and managed through the IT Risk Register and related Action Tracker, in line with the Group's risk governance policy and framework.

The Group Risk Forum, the Audit Committee and the Board all receive IT reporting.

During the 2020 financial year, the Audit Committee received and considered feedback on the implementation of relevant information and technology governance mandates, policies, processes and control frameworks. Furthermore, the Committee oversees all IT-related matters on behalf of the Board, including significant information and technology investments, by engaging both internal and external assurance providers. This assurance forms part of the Group's combined assurance framework.

In addition, the Audit Committee focused on the following key areas during the 2020 financial year:

- Information Security:
  The Company recognises the significant threats associated with inadequate management of cybersecurity risks. Successful cybersecurity attacks could cause significant damage to the Group's business and reputation. As part of ensuring proper governance oversight of the risk category, an independent expert reviewed the effectiveness of the Group's current IT security measures during the previous year.
- Following this review, management began developing an Information Security Management System. This was part of a process to improve the management of identified cyber and other security risks and to ensure the confidentiality, integrity and availability of information to the Group.
- Business Recovery:
  The Audit Committee received and reviewed regularly reports on the status of the Company's Business Recovery plans.

Assessment and management of fraud risk

Assessing and managing fraud risk is integral to the Group's Enterprise Risk Management functions. The Audit Committee consider reports from management during the year on identified actual or suspected fraud and consider management's responses.

Ethics

The Social and Ethics Committee is primarily responsible for oversight over the Group's management of achieving objectives related to social and ethics matters. The Audit Committee considered regular reports on these matters from management and the Social and Ethics Committee to ensure integrated governance oversight of the Group's key environmental, social and governance risks.

COMBINED ASSURANCE

Combined assurance model

The Group has adopted a combined assurance approach that is closely aligned with the recommended practices set out in King IV. The Board has delegated responsibility for governance oversight of the Group's combined assurance framework to the Audit Committee, which is required to ensure that implementation of the combined assurance model results in fully integrated (combining, co-ordinating and aligning) internal and external assurance activities across the business. The Group's assurance activities include:

- Line functions that own and manage risks at that level;
- Specialist functions that facilitate and oversee enterprise risk management and compliance;
- Various internal assurance providers including the internal audit functions, internal forensic fraud examiners and auditors, safety and process assessors, and statutory actuaries;
- Independent external assurance service providers including the external auditors, and other providers such as food safety auditors and external actuaries.

The Audit Committee maintains ongoing oversight over the effectiveness of the Group's combined assurance framework, in conjunction with the Group Risk and Compliance Manager and the Group Internal Audit Executive, to achieve the objectives of an effective combined assurance framework for the Group.

Internal Audit

The Audit Committee is responsible to ensure that the groups' internal audit function is independent and has the necessary resources, standing and authority within the Group to enable it to discharge its responsibilities effectively. Furthermore, it oversees cooperation between the internal and external auditors, and serves as a link between the Board and these functions.

COMBINED ASSURANCE (continued)

Internal Audit (continued)

Internal audit activities, all of which are risk based, are performed by a team of qualified and experienced employees led by the Group Internal Audit Executive. The Internal Audit Department reviews and provides internal assurance on the adequacy of the internal control environment across all significant areas of the Group's operations. Internal audit's activities are measured against an approved internal audit plan and the Internal Audit Executive provides regular progress reports to the Audit Committee.

The Group Internal Audit Executive has direct access to the Audit Committee, primarily through the Committee Chairman and through attendance at all Audit Committee meetings.

During the 2017/18 financial year, a formal, independent quality review of the Internal Audit function was undertaken. The review highlighted areas where the effectiveness of the Internal Audit function could be improved. The Group Internal Audit Executive is implementing plans to address those areas and to align the internal audit plan with the Group's combined assurance framework.

External Audit

The Audit Committee evaluates the performance of the external auditor, PwC, against specified criteria and also assesses the effectiveness of the external audit process by:

- Considering the external audit plan, in particular to get assurance that it addresses changes in circumstances from the prior year;
- Reviewing the terms of engagement of the external auditor;
- Monitoring the completion of the audit;
- Meeting with the audit partners;
- Overseeing (and approving where relevant) non-audit services; and
- Considering the quality and the independence of the external auditor.

In consultation with the Group's executive management, the Audit Committee agreed to the terms of the PwC audit engagement letter, audit plan and budgeted audit fees for the 2020 financial year.

The Audit Committee is satisfied with the effectiveness of the external audit and the quality of the external auditor. A formal framework governs the process through which PwC renders non-assurance services to ensure that audit independence is not compromised. The Audit Committee approved the terms of a master service agreement for the provision of such services by PwC as well as a pre-approval policy stating the nature and extent of non-assurance services that may be provided.

A breakdown of audit, audit-related and non-audit fees paid to PwC in the 2020 financial year is summarised as follows:

Description	**Amount**
• Audit services	R635,947
• Audit related services	R260,432
• **Total audit and audit related services**	**R896,379**
• Tax advisory and compliance services	R0
• Other non-audit advisory services	R0
• **Total non - audit services**	**R0**
• **Total**	**R896,379**

The Audit Committee annually assesses the independence of the external auditor, PwC. The following aspects were considered as part of the assessment of the independence of PwC:

- PwC does not receive any remuneration or benefits from the Group other than the fees for services as external auditors and permitted non-audit services;
- The quantum and nature of non-audit services performed;
- The existence of an existing audit partner rotation process that is in line with legal and regulatory requirements. Thinus Hamman was the designated audit partner for the 2020 financial year;
- The nature of the aspects reported on to the Audit Committee by PwC;
- The quality of the discussions with PwC regarding audit, accounting and reporting matters at Audit Committee meetings;
- The direct line of communication between the Chairman of the Audit Committee and the designated external audit partner; and

COMBINED ASSURANCE (continued)
External Audit (continued)

- PwC's confirmation that they:
  (i) are not precluded from re-appointment due to any impediment as listed in section 90(2)(b) of the Companies Act;
  (ii) are in compliance with section 91(5) of the Companies Act, by comparison with the membership of the firm at the time of its re-appointment in 2017 and that more than one half of the members remain in 2020;
  (iii) remain independent as required by section 94(8) of the Companies Act and the relevant provision in the JSE Listings Requirements; and
  (iv) comply with the criteria specified by the Independent Regulatory Board for Auditors and internal regulatory bodies.

Based on the above assessment, the Audit Committee is satisfied that PwC is independent of the Company.

The Independent Regulatory Board for Auditors (IRBA) has issued a Rule prescribing that auditors of public interest entities (PIEs) in South Africa must comply with mandatory audit firm rotation (MAFR) for year ends commencing on or after 1 April 2023.

On the basis of PwC's independence and considering the need for audit firm rotation from 1 April 2023, the Audit Committee re-nominates PwC as the Group's independent external auditor for the 2021 financial year with Thinus Hamman as the designated external auditor partner until the 2021 Annual General Meeting of Shoprite Holdings. Shareholders are therefore requested to-approve PwC's reappointment as the Group's independent external auditor for the 2021 financial year at the Annual General Meeting on 16 November 2020 with Thinus Hamman as the designated audit partner.

The Independent Regulatory Board for Auditors has issued a rule prescribing that auditors of public interest entities in South Africa must comply with mandatory audit firm rotation for year ends commencing on or after 1 April 2023. The Audit Committee in conjunction with management and PwC has developed a plan for the effective implementation of the mandatory audit firm rotation requirement. This plan will be implemented over the following two financial years to ensure a smooth transition from one auditor to the other without exposing the Group to unnecessary risks and inefficiencies. In broad the plan entails the identification of one or more firms of auditors that will have the necessary capacity, retail experience and geographical presence to meet the requirements for the group's audit. After a process of evaluation, a preferred firm of auditors will be nominated and gradually involved with the existing auditors to get to know the group. At the Annual General Meeting after completion of the 2021/2022 financial year, the selected firm of auditors will be nominated for approval by shareholders at that meeting. In order to ensure a smooth transition, the existing auditors may still be engaged to audit certain non-core parts of the Group's business and/or parts of the group's operations in certain geographical areas for a while.

REPORTING
Financial statements and accounting practices
During the reporting period, the Audit Committee reviewed the annual financial reports of the Group which includes the review of significant accounting policies, key accounting items and areas of significant judgement, together with any material assumptions and estimates adopted by management and confirmed that these were appropriate and recommended the acceptance and approval thereof to the Board.

The Audit Committee considered the following significant matters in relation to the 2020 Annual Financial Statements:

- Provisions:
  The Audit Committee discussed with management and the external auditors and evaluated the major provisions made or required to be made for purposes of the annual financial statements. The Audit Committee is satisfied that sufficient provisions have been made and that the provisions are not excessive.
- Impairments:
  The Audit Committee considered the policy for impairment of assets and the requirements of IAS 36 – Impairment of Assets and is satisfied that the policy is appropriate and has been applied consistently in line with the requirements of IAS 36. The key assumptions to the impairment tests performed were discussed.
- Taxes:
  The Audit Committee reviewed management's reports on the status of tax compliance in the Company as well as the status of disputes with and investigations by the relevant tax authorities to ensure that sufficient provision has been made for any potential income and other tax liabilities.
- Measurement of financial assets
  The Audit Committee considered the application of IFRS 9 in respect of the measurement of trade receivables and other financial assets and the assumptions used to determine the expected credit losses.

REPORTING (continued)

Financial statements and accounting practices (continued)

- Leases and financial instruments

  The Committee discussed the impact of implementing IFRS 16 (Leases) on the financial statements of the Group at a special meeting during which the Audit Committee considered:
  - IFRS 16 requirements;
  - Process followed to calculate IFRS 16 entries;
  - Key IFRS assumptions;
  - Internal review process; and
  - External audit work performed.

Integrated and sustainability reporting

In the context of assisting the Board with its governance oversight responsibilities in relation to ensuring the integrity of the Group's external reports, the Audit Committee has reviewed the non-financial information disclosures contained in the 2020 Sustainability Report and the 2020 Integrated Report, including assessing the consistency of the content of these reports with operational and other information known to the Audit Committee members, and with the Group's 2020 Annual Financial Statements.

In addition, on behalf of the Board in relation to the 2020 Integrated Report, the Audit Committee is satisfied that it has applied its collective mind to the preparation and presentation of the report and that the report is presented in accordance with the <IR> Framework.

Going concern

The Audit Committee has reviewed a documented assessment, including key assumptions, prepared by financial management on the Group's going-concern status. The Board's statement on this going-concern status, as supported by the Audit Committee, is contained in the directors' report.

FUTURE FOCUS AREAS

For the 2021 financial year, the Audit Committee will continue to focus on further enhancing the Group's risk and compliance management, information and technology management and the combined assurance framework. The Audit Committee will also consider obtaining independent assurance over the integrity of the Integrated Report, and in particular its non-financial information.

RECOMMENDATION TO THE BOARD

The Audit Committee has reviewed and considered the 2020 Integrated Report and the 2020 Annual Financial Statements as set out above, and has recommended their approval by the Board.

JF Basson
Chairman

30 September 2020

pwc

Independent auditor's report

To the Shareholders of Shoprite Insurance Company Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Shoprite Insurance Company Limited (the Company) as at 28 June 2020, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Shoprite Insurance Company Limited's financial statements set out on pages 15 to 38 comprise:

- the statement of financial position as at 28 June 2020;
- the statement comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

Emphasis of Matter

We draw attention to Note 1.1 to these financial statements, which refers to the decision by the directors to cease all new business and to transfer all existing business to respective cell facilities before 30 June 2021. Note 1.1 further states that the financial statements have been prepared on a non-going concern basis. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Shoprite Insurance Company Limited Annual Financial Statements for the year ended 28 June 2020", which includes the Directors' Report, the Audit and Risk Committee Report and the Certificate of the Company Secretary 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 identified above 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. Refer to Note 1.1 to the financial statements, which refers to the decision by the directors to cease all new business and to transfer all existing business to respective cell facilities before 30 June 2021.

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.
- 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 Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the 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 PricewaterhouseCoopers Inc. has been the auditor of Shoprite Insurance Company Limited for 20 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: JJ Grové
Registered Auditor
Johannesburg
16 November 2020

Shoprite Insurance Company Limited
(Reg No 1948/030484/06)

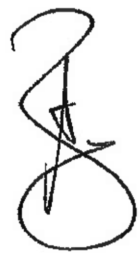
Statement of financial position
as at 28 June 2020

	Notes	28 June 2020 R	Restated 30 June 2019 R	Restated 1 July 2018 R
ASSETS				
Non-current assets				
Reinsurance assets	4	-	2,117,926	14,284,224
Current assets				
Deferred acquisition costs	2	54,222,929	64,836,563	69,121,185
Loans and receivables	3	237,617,151	79,405,866	395,052,768
Reinsurance assets	4	3,359,969	19,061,330	80,943,934
Insurance and other receivables	5	44,966,356	41,890,692	31,282,402
Experience account	20	96,859,789	62,986,434	30,280,255
Cash and cash equivalents	16.1.2	691,607,197	774,802,400	722,606,586
Short term investment	16.1.2	138,632,230	-	-
VAT refundable		987,399	2,526,084	7,129,367
		1,268,253,021	1,045,509,369	1,336,416,497
Total assets		**1,268,253,021**	**1,047,627,295**	**1,350,700,721**
EQUITY				
Capital and reserves				
Share capital	6	260,000	260,000	230,000
Share premium		19,970,000	19,970,000	20,000,000
Retained earnings	20	904,092,435	667,032,997	787,821,124
Total equity		924,322,435	687,262,997	808,051,124
LIABILITIES				
Non-current liabilities				
Insurance liabilities	7	-	28,160,797	111,381,227
Current liabilities				
Insurance liabilities	7	272,737,140	298,003,212	391,682,887
Trade and other payables	9	3,880,316	9,795,648	11,319,224
Current tax liability	14.3 ; 20	67,313,130	24,404,641	28,266,259
		343,930,586	332,203,501	431,268,370
Total liabilities		343,930,586	360,364,298	542,649,597
Total equity and liabilities		**1,268,253,021**	**1,047,627,295**	**1,350,700,721**

Shoprite Insurance Company Limited
(Reg No 1948/030484/06)

Statement of comprehensive income
for the year ended 28 June 2020

	Notes	28 June 2020 R	Restated 30 June 2019 R
Net insurance premium		368,593,418	419,540,819
Insurance premium revenue	8(c)	629,885,165	644,810,925
Reinsurance premiums	8(c)	(272,379,169)	(246,375,718)
Change in unearned premium provision		11,087,422	21,105,612
Net insurance benefits and claims	10	(46,142,256)	(111,014,612)
Claims and loss adjustment expenses		(43,033,071)	(128,510,020)
Reinsurance recoveries		(3,109,185)	17,495,408
Expenses for the acquisition of insurance contracts	2	(64,269,477)	(72,786,966)
Other operating expenses	11	(6,611,420)	(1,835,128)
Underwriting profit		251,570,266	233,904,113
Investment income	12	75,667,972	84,445,710
Profit before income tax		327,238,238	318,349,823
Income tax expense	13	(90,178,800)	(89,137,950)
Total comprehensive income for the year		**237,059,438**	**229,211,873**



Shoprite Insurance Company Limited
(Reg No 1948/030484/06)

Statement of changes in equity
for the year ended 28 June 2020

	Share capital	Share premium	Retained earnings	Total equity
	R	R	R	R
Balance as at 01 July 2018 (restated)	230,000	20,000,000	787,821,124	808,051,124
Reallocation in share capital and share premium	30,000	(30,000)	-	-
Profit for the year (restated)	-	-	229,211,873	229,211,873
Dividend paid	-	-	(350,000,000)	(350,000,000)
Balance as at 30 June 2019 (restated)	260,000	19,970,000	667,032,997	687,262,997
Profit for the year	-	-	237,059,438	237,059,438
Dividend paid	-	-	-	-
Balance as at 28 June 2020	**260,000**	**19,970,000**	**904,092,435**	**924,322,435**
Note			20	

Shoprite Insurance Company Limited
(Reg No 1948/030484/06)

Statement of cash flows
for the year ended 28 June 2020

	Notes	28 June 2020 R	Restated 30 June 2019 R
Cash flows from / (utilised in) operating activities		75,016,082	(263,451,087)
Profit before income tax		327,238,238	318,349,823
Investment income	12	(75,667,972)	(84,445,710)
Changes in working capital	14.1	(66,319,615)	(138,801,342)
Cash generated from operations		185,250,651	95,102,771
Investment income	12	75,667,972	84,445,710
Transfer to short term investment		(138,632,230)	-
Dividends paid	14.2	-	(350,000,000)
Income tax paid	14.3	(47,270,311)	(92,999,568)
Cash flows (utilised by) / from investing activities		(158,211,285)	315,646,901
Advance to loan and receivables	3	(1,084,278,249)	(761,282,497)
Repayment from loan and receivables	3	939,503,555	1,104,020,792
Interest on loan and receivables	12	(13,436,591)	(27,091,395)
Net (outflows from) / inflows to cash and cash equivalents		(83,195,203)	52,195,814
Cash and cash equivalents at the beginning of the year		774,802,400	722,606,586
Cash and cash equivalents at the end of the year	16.1.2	691,607,197	774,802,400

1. Accounting policies

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

1.1 Basis of preparation

The Company reports on the retail calendar of trading weeks which treats each financial year as an exact 52-week period, incorporating trade from Monday to Sunday each week. This treatment effectively results in the loss of a day (or two in a leap year) per calendar year. These days are brought to account approximately every six years by including a 53rd week. Accordingly, the results for the financial year under review are for a 52-week period ended 28 June 2020, compared to a 52-week period in the previous financial year ended 30 June 2019.

The financial statements comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and Interpretations as issued by the IFRS Interpretations Committee (IFRIC), and the requirements of the South African Companies Act, 71 of 2008, as amended. The financial statements are prepared under the historical cost convention adjusted for the effects of inflation, where entities operate in hyperinflationary economies, and for the revaluation of certain financial instruments to fair value.

The directors, in conjunction with the direction from the Group, have decided to cease all new business with effect from 1 July 2020 and to transfer all existing business to respective cells facilities before 30 June 2021. Consequently the directors have determined that the going concern basis of preparation is no longer appropriate.

The financial statements have not been prepared on a going concern basis. Assets have been carried at their carrying amounts which approximates their net realisable values in relation to the transfer of all existing business to the respective cell facilities. Non-current assets and non-current liabilities have been reclassified to current where they are expected to be realised or settled within the next twelve months from the reporting date.

The accounting policies set out above have been applied within this context.

All amounts in the financial statements are presented in Rands.

1.1.1 Use of judgements, assumptions and estimates

The most significant assumptions used in the Company's accounting policies relate to insurance liabilities and are set out below. One of the purposes of insurance is to enable policy holders to protect themselves against uncertain future events. Insurance companies accept the transfer of uncertainty from policyholders and seek to add value through the aggregation and management of these risks. The uncertainty inherent in insurance is inevitably reflected in the financial statements of the insurance company, principally in respect of the insurance liabilities of the company. Insurance liabilities include the following:

a) Unearned premium allowance:

The Company raises allowances for unearned premiums on a basis that reflects the underlying risk profile of the insurance contract. An unearned premium allowance is created at the commencement of each insurance contract and is released as the risk covered by the contract expires. Most of the Company's insurance contracts have an even risk profile. Therefore, the unearned premium provision is released over the period of insurance using a time proportionate basis.

The allowances for unearned premiums are first determined on a gross level and thereafter the reinsurance impact is recognised. Deferred acquisition costs and reinsurance commission revenue are recognised on a basis that is consistent with the related allowance for unearned premiums.

b) Provisions for outstanding claims:

Claims provisions are determined based upon previous claims experience, knowledge of events, terms and conditions of the relevant policies and on the interpretation of circumstances. Each notified claim is assessed on a separate case-by-case basis with due regard to the specific circumstances, information available from the insured and/or loss adjuster and past experience with similar cases and historical claims payment trends. The approach also includes the consideration of the development of loss payment trends, the levels of unpaid claims, legislative changes, judicial decisions and economic conditions.

The ultimate cost of reported claims may vary as a result of future developments or better information becoming available about the current circumstances. Therefore, case estimates are reviewed regularly and updated when new information becomes available. The provision for outstanding claims is initially estimated at a gross level.

1. Accounting policies (continued)

1.1 Basis of preparation (continued)

1.1.1 Use of judgements, assumptions and estimates (continue)

b) Provisions for outstanding claims (continued):

A separate calculation is carried out to estimate reinsurance recoveries. The calculation of reinsurance recoveries considers the type of risk underwritten, the year in which the claim occurred and under which reinsurance programme the recovery will be made, the size of the claim and whether the claim was an isolated incident or formed part of a catastrophe reinsurance claim. The Company's IBNR provision is calculated by applying a predetermined percentage to premiums written.

c) Provision for claims incurred but not yet reported (IBNR):

The Company's claims experience is analysed to determine the appropriate IBNR percentage. IBNR provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the size of the reinsurance recoveries. The Company is covered by a variety of excess of loss reinsurance programmes with sufficiently high retentions for only relatively few, large claims to be recoverable. The method used by the Company takes historical data, gross IBNR estimates and details of the reinsurance programme into consideration to assess the expected size of reinsurance recoveries.

d) Allowance for expected credit losses (ECL) on financial assets:

The Company assesses on a forward-looking basis the ECL associated for all debt instruments not held at fair value through profit or loss and the Company recognises an allowance for ECL for these financial assets. The measurement of the ECL allowance is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. The ECL allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculations, based on the Company's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

e) Employee benefit accruals and provisions:

Various assumptions are applied in determining the valuations of post-employment medical benefits, share-based payment accruals. Estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities in a subsequent year relate to the following: impairment of assets; income taxes; allowances for doubtful debts and employee benefit allowances.

All estimates and underlying assumptions are based on historical experience and various other factors that management believes are reasonable under the circumstances. The results of these estimates form the basis of judgements about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and any affected future periods.

1.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, directly to a debtor with no intention of trading the receivable are recognised at trade date at fair value, including transaction costs. Loans and receivables are subsequently carried at amortised cost using the effective-interest method. These financial assets are included under current assets unless it matures later than 12 months after the statement of financial position date. Interest on loans receivable is recognised in the statement of comprehensive income as part of other operating income.

1.3 Insurance and other receivables

Insurance and other receivables are recognised at transaction date at fair value. Subsequent recognition is measured at amortised cost using the effective-interest method, less allowance made for impairment of these receivables. An allowance for impairment of insurance and other 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.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the insurance and other receivable is impaired. The amount of the allowance is the difference between the carrying amount and the recoverable amount, being the present value of the expected cash flows, discounted at the original effective interest rate. Any resulting

1. Accounting policies (continued)

1.3 Insurance and other receivables (continued)

impairment losses are included in other expenses in the statement of comprehensive income.

1.4 Other receivables

Other receivables consist of various operational debtors such as rental and municipal deposits refundable and insurance claims receivable. Other receivables are held to collect contractual cash flows and the contractual terms of the other receivables are solely payments of principal and interest. Interest on other receivables is recognised in the statement of comprehensive income as part of other operating income.

1.5 Cash and cash equivalent

Cash comprises cash on hand and cash at banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value. Interest on cash and cash equivalents is recognised in the statement of comprehensive income as interest received from bank account balances.

1.5.1 Short term investments

Short term investments include cash on hand and deposits held on call with banks with an original maturity of more than three months. These are initially recorded at fair value, and subsequently measured at amortised cost. The carrying amount of these assets is approximately equal to their fair value.

1.6 Share capital

Share capital is classified as equity when there is no obligation to transfer cash or other assets.

1.7 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; 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. The Company has discounted provisions to their present value where the effect of the time value of money is material. The notional interest charge representing the unwinding of the provision discounting is included in the statement of comprehensive income.

1.7.1 Provisions for outstanding insurance claims

The Company recognises a provision for the estimated direct cost of settling all outstanding claims at year-end, which includes a provision for cost of claims incurred but not yet reported (IBNR) at year-end as well as for the cost of claims reported but not yet settled at year-end. The IBNR is determined by applying a predetermined percentage of premiums written. Full provision is made for the cost of claims reported but not yet settled at year-end by using the best information available.

1.8 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently at amortised cost using the effective interest method. Non-convertible, non-participating, non-transferable no par value deferred shares, which are mandatorily redeemable on a specific date, are classified as other payables.

1.9 Impairment

The Company assesses on a forward-looking basis the ECL associated for all debt instruments not held at fair value through profit or loss and the Company recognises an allowance for ECL. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Company has the following types of financial assets measured at amortised cost that are subject to impairment under the ECL models:

Financial asset	ECL model applied for impairment
Loans receivable	General impairment approach
Other receivables	General impairment approach
Cash and cash equivalents	General impairment approach
Short term investments	General impairment approach

General impairment approach

The Company applies the general impairment approach to measure ECL for loans receivable. The Company assesses at the

1. Accounting policies (continued)

1.9 Impairment (continued)

General impairment approach (continued)

end of each reporting period whether the credit risk on a financial instrument has increased significantly since initial recognition. In the event of a significant increase in credit risk since initial recognition, the Company recognises an allowance (provision) for ECL resulting from all possible default events over the expected life of the financial instrument (lifetime ECL).

Financial assets where 12-month ECL is recognised are considered to be 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment are considered to be in default, or otherwise credit-impaired, are in 'stage 3'. The measurement of ECL under the general impairment approach reflects a probability-weighted outcome, the time value of money and the best forward-looking information available to the Company. The probability-weighted outcome incorporates the probability of default, exposure at default, timing of when default is likely to occur and loss given default.

1.10 Premium income

Premium income is recognised in the period it is earned. Premiums earned are all written premiums relating to policies incepted during the period less amounts that are unearned at statement of financial position date. Refer to note 1.14.3 (b).

1.11 Investment income

Investment income comprises investment income on cash and cash equivalents, short term investments and interest received on loans and receivables, and is recognised as it accrues, taking into account the effective yield on the related asset.

1.12 Taxation

Income tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity.

a) Current tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date.

b) Deferred tax

Deferred income tax is provided, using the liability method, for calculated income tax losses and temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future profit will be available against which temporary differences can be utilised.

Management applies judgement to determine whether sufficient future taxable profit will be available after considering, amongst others, factors such as profit histories, forecasted cash flows and budgets.

1.13 Dividends distributed to shareholders

Dividends are accounted for on the date they have been declared by the Company.

1.14 Basis of accounting for underwriting activities

1.14.1 Other financial instruments

Financial Instruments

The Company classifies its financial assets as loans and receivables. The classifications depend on the purpose for which the instruments were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates such designations when circumstances indicate that reclassification is permitted. The Company assesses at each statement of financial position date whether there is objective evidence that financial instrument is impaired.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when they are extinguished, i.e. when the contractual obligation is discharged, cancelled, expires or when a substantial modification of the terms occur.

1. Accounting policies (continued)

1.14 Basis of accounting for underwriting activities (continued)

1.14.1 Other financial instruments (continued)

Financial Instruments (continued)

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

Initial recognition and measurement

Financial instruments recognised on the statement of financial position include loans receivable, trade and other receivables, cash and cash equivalents, trade and other payables and bank overdrafts. Financial instruments are recognised on trade date when the Company becomes a party to the contractual provisions of the instrument. Initial recognition is measured at fair value including directly attributable transaction costs for financial instruments not measured at fair value through profit and loss. Transaction costs of financial instruments carried at fair value through profit and loss are expensed in profit or loss.

Classification and subsequent measurement

Financial assets

The Company classifies its debt investments as subsequently measured at amortised cost. The classification and subsequent measurement of debt investments depend on the Company's business model for managing the financial assets and the contractual terms of the cash flows. Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost, using the effective interest rate method, less allowance made for impairment of these assets. Interest income from these financial assets is calculated by applying the effective interest rate to the gross carrying amount, except for:

Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For these financial assets, the Company applies the effective interest rate to the amortised cost of the financial asset in subsequent reporting periods. Initiation fees which are considered to be an integral part of the effective interest rate are accounted for over the shorter of the original contractual term and the actual term of the loan or credit sale using the effective interest rate. Any gain or loss arising on derecognition, modification or impairment is recognised directly in profit or loss. The Company reclassifies debt investments when and only when its business model for managing those financial assets changes.

Financial Liabilities

Financial liabilities are classified as subsequently measured at amortised cost, using the effective interest rate method. The effective interest rate amortisation is recognised in the statement of comprehensive income as finance costs. Financial liabilities measured at amortised cost on the statement of financial position include trade and other payables, borrowings and bank overdrafts:

1.14.2 Classification of contracts

Insurance risk is risk other than financial risk, transferred from the holder of a contract to the issuer. The accounting policies of the Company are in accordance with the policies for recognition and measurement of short-term insurance contracts as outlined in SAICA Circular 2/2007 and IFRS 4: Insurance Contracts.

Contracts under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary, are classified as insurance contracts.

An insurance risk is deemed significant if, and only if, an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance. If significant additional benefits would be payable in scenarios that have commercial substance, the condition in the previous sentence may be met even if the insured event is extremely unlikely or even if the expected (i.e. probability weighted) present value of contingent cash flows is a small proportion of the expected present value of all the remaining contractual cash flows.

1.14.3 Recognition and measurement of contracts

a) Premiums arising from general insurance business

Gross written premiums comprise the premiums on insurance contracts entered into during the year. Premiums are disclosed gross of commission payable to intermediaries and exclude taxes and levies based on premiums.

1. Accounting policies (continued)

1.14 Basis of accounting for underwriting activities (continued)

1.14.3 Recognition and measurement of contracts (continued)

a) Premiums arising from general insurance business (continued)

Premiums are accounted for as income when the risk related to the insurance policy incepts.

b) Unearned premium allowance

Unearned premiums comprise the proportion of gross premiums written which relate to the unexpired period at the reporting date and is estimated to be earned in the following or subsequent financial years. Unearned premium is computed separately for each insurance contract on a basis appropriate to the Company's release from insured risk, using the 365th method.

c) Claims arising from insurance business

Claims incurred in respect of insurance contracts consist of claims and claims-handling expenses paid during the financial year together with the movement in the provision for incurred by not reported claims. Provisions for incurred but not reported claims comprise provisions for claims arising from insured events that incurred before the statement of financial position date, but which had not been reported to the Company by that date.

d) Provision for outstanding claims

Provision is made for the estimated final cost of all claims that had not been settled by the reporting date, less amounts already paid. Liabilities for unpaid claims are estimated, using the input of assessments for individual cases reported to the Company and statistical analyses, to estimate the expected cost of more complex claims that may be affected by external factors. The Company does not discount its liabilities for unpaid claims.

e) Reinsurance

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the requirements for insurance contacts in note 1.14.2 are classified as reinsurance contracts held. The benefits to which the Company is entitled under its reinsurance contracts held are recognised as assets. These assets consist of short-term balances due from reinsurers on settled claims, as well as estimates that are dependant on gross outstanding claims and IBNR provisions. Amounts recoverable from reinsurers are measured consistently with the amounts associated with the reinsured contracts and in accordance with the terms of each reinsurance contract. Reinsurance premiums are primarily premiums payable for reinsured contracts and are recognised as an expense when incurred.

The reinsurer's share of the unearned premiums represent the portion of the current year's reinsurance premiums that relate to risk periods covered by the related reinsurance contracts extending into the following year. The reinsurer's share of unearned premium is calculated using the 365th method.

f) Liabilities and related assets under liability adequacy test

At each statement of financial position date, liability adequacy tests are performed on the Company to ensure the adequacy of the contract liabilities net of related deferred acquisition cost (DAC). In performing these tests, current best estimates of future contractual cash flows and claims handling and administrative expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision).

1.15 Related parties

Individuals, as well as their close family members, or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions or if the parties are jointly controlled in a joint venture.

1.16 Standards, interpretations and amendments that are not yet effective at 28th of June 2020

The Company has considered the following new standards, interpretations and amendments to existing standards, which are relevant to the Company's operations and had been issued by the reporting date, but are not yet effective as at 28 June 2020:

1. Accounting policies (continued)

1.16 Standards, interpretations and amendments that are not yet effective at 28th of June 2020 (continued)

Number	Title	Effective date
IFRS 17	Insurance contracts:	Jan-23
Amendment to IFRS 3	Business combinations (Definition of business)	Jan-21
Amendment to IAS 1	Classification of Liabilities as Current or Non-current	Jan-23
Amdts to IAS 1 and IAS 8	Disclosure Initiative (Definition of Material)	Jan-21

The Company has not early adopted any of the above. The application thereof in future financial periods is not expected to have a significant impact on the Company's reported results, financial position and cash flows, except for the standards set out hereafter.

Title of standard	IFRS 17 Insurance Contracts
Nature of change	IFRS 17 was issued as replacement for IFRS 4: Insurance Contracts. IFRS 17 requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of: • discounted probability-weighted cash flows; • an explicit risk adjustment; and • a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period. The standard allows a choice between recognising changes in discount rates either in the income statement or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short-duration contracts.
Impact	The Company is currently assessing the impact of IFRS 17. However, with the planned closure of the Company by 30 June 2021, this may be moot.
Mandatory application date / Date of adoption by Company	IFRS 17 is mandatory for financial years commencing on or after 1 January 2023, subject to being adopted by the EU. At this stage, the Company does not intend to adopt the standard before its effective date.

1.17 New Standards, interpretations and amendments effective at 28 June 2020

The following new standards, and interpretations and amendments to existing standards, that are effective as at 28 June 2020 had no significant effect on the Company's operations:

Number	Title
Amendments to IAS 28	Long-term interests in Associates and Joint Ventures
IFRS 16	Leases
IFRIC 23	Uncertainty Over Income Tax Treatments
Amendments to IFRS 9	Financial Instruments (Prepayment Features with Negative Compensation)
Various	Annual improvements to IFRS 2015 – 2017 Cycle

1.18 Experience Account

The company entered into an excess of loss reinsurance policy that covers the risk of property damage and business interruptions. The insurance policy gives rise to continued insurance cover for which an asset is recognised. The asset is measured at amortised cost, similar to that of IFRS 9, and included within other receivables. Interest accrues on the asset at the contractual interest rate and is included in interest revenue in the statement of comprehensive income. Premiums paid are capitalised to the asset and insurance claims made in respect of this policy are treated as a reduction of the asset.

		28 June 2020 R	30 June 2019 R
2.	**Deferred acquisition costs**		
	Balance at the beginning of the year	64,836,563	69,121,185
	Acquisition costs paid in the year	53,655,843	68,502,344
	Acquisition costs incurred in the year	(64,269,477)	(72,786,966)
	Balance at the end of the year	54,222,929	64,836,563
	Analysis of deferred acquisition costs		
	Non-current	-	24,064,082
	Current	54,222,929	40,772,481
		54,222,929	**64,836,563**
3.	**Loan to Shoprite Investments Ltd**		
	Balance at the beginning of the year	79,334,795	390,800,132
	Advances	1,080,514,303	754,567,923
	Interest	13,436,591	27,091,395
	Repayments	(939,431,592)	(1,093,124,655)
	Balance at the end of the year	233,854,097	79,334,795
	Loan to Shoprite Checkers (Pty) Ltd		
	Balance at the beginning of the year	71,071	4,252,636
	Advances	3,763,946	6,714,573
	Interest	-	-
	Repayments	(71,963)	(10,896,138)
	Balance at the end of the year	3,763,054	71,071
	Total loans and receivables	237,617,151	79,405,866

The loans to fellow subsidiaries are unsecured and payable on demand. Shoprite Investments Ltd earns interest at 7.31% per annum (2019: 7.64% per annum).

		28 June 2020 R	30 June 2019 R
4.	**Reinsurance assets**		
	Reinsurers' share of insurance liabilities:		
	Claims reported and loss adjustment expenses	2,227,717	2,343,227
	Claims incurred but not reported	1,132,252	18,836,029
	Total assets arising from reinsurance contracts	3,359,969	21,179,256
	Analysis of reinsurance assets		
	Non-current	-	2,117,926
	Current	3,359,969	19,061,330
		3,359,969	21,179,256

Refer to note 16.1.3 for the liquidity risk analysis of reinsurance assets.

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for the year ended 28 June 2020

		28 June 2020 R	30 June 2019 R
5.	**Insurance and other receivables**		
	Insurance premiums receivable - Local	9,718,192	12,497,111
	Insurance premiums receivable - Foreign	35,248,164	29,393,581
	Receivables arising from insurance	44,966,356	41,890,692
6.	**Share capital**		
	Ordinary share capital		
	Authorised: 130 000 par value ordinary shares of R2 each	260,000	260,000
	Issued: 130 000 par value ordinary shares of R2 each	260,000	260,000
	Issued: Share Premium	19,970,000	19,970,000
	All shares are fully paid up. There are no unissued ordinary shares.		
7.	**Insurance liabilities**		
	Gross		
	Claims reported and loss adjustment expenses	79,068,697	103,645,443
	Claims incurred but not reported	11,679,695	29,442,396
	Unearned premiums	181,988,748	193,076,170
	Total gross insurance liabilities	272,737,140	326,164,009
	Recoverable from reinsurers		
	Claims reported and loss adjustment expenses	2,227,717	2,343,227
	Claims incurred but not reported	1,132,253	18,836,029
	Total reinsurers' share of insurance liabilities	3,359,970	21,179,256
	Net		
	Claims reported and loss adjustment expenses	76,840,980	101,302,216
	Claims incurred but not reported	10,547,442	10,606,367
	Unearned premiums	181,988,748	193,076,170
	Total net insurance liabilities	269,377,170	304,984,753
	Analysis of total gross insurance liabilities		
	Non-current	-	28,160,797
	Current	272,737,140	298,003,212
		272,737,140	326,164,009

Refer to note 16.1.3 for the liquidity risk analysis of insurance liabilities.

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8. Movements in insurance liabilities and reinsurance assets

a) Claims reported and loss adjustment expenses

	Gross R	Reinsurance R	Net R
Outstanding claims - 2020			
Balance at the beginning of the year	103,645,443	(2,343,227)	101,302,216
Claims paid in respect of prior years	(52,380,501)	14,626,339	(37,754,162)
Claims paid in respect of this year	(32,992,017)	83,764	(32,908,253)
- change in prior year estimates	(17,496,499)	(16,190,074)	(33,686,573)
- current year claims reported	78,292,271	1,595,482	79,887,753
Balance at the end of the year	79,068,697	(2,227,717)	76,840,980
Outstanding claims - 2019			
Balance at the beginning of the year	262,164,431	(78,964,067)	183,200,364
Claims paid in respect of prior years	(233,756,424)	89,067,520	(144,688,904)
Claims paid in respect of this year	(50,548,089)	2,476,790	(48,071,299)
- change in prior year estimates	(29,639,021)	(21,031,185)	(50,670,206)
- current year claims reported	155,424,546	6,107,715	161,532,261
Balance at the end of the year	103,645,443	(2,343,227)	101,302,216

b) Claims incurred but not reported

	Gross R	Reinsurance R	Net R
IBNR - 2020			
Balance at the beginning of the year	29,442,396	(18,836,029)	10,606,367
Claims incurred in respect of prior years	(3,668,162)	175,092	(3,493,070)
- overprovision of prior year reserve	(25,774,234)	18,660,937	(7,113,297)
- amount raised during the year *	11,679,695	(1,132,253)	10,547,442
Balance at the end of the year	11,679,695	(1,132,253)	10,547,442

* This figure includes the COVID-19 provision.

	Gross R	Reinsurance R	Net R
IBNR - 2019			
Balance at the beginning of the year	26,717,901	(16,264,090)	10,453,811
Claims incurred in respect of prior years	(2,807,183)	121,682	(2,685,501)
- overprovision of prior year reserve	(23,910,718)	16,142,408	(7,768,310)
- amount raised during the year	29,442,396	(18,836,029)	10,606,367
Balance at the end of the year	29,442,396	(18,836,029)	10,606,367

c) Provision for unearned premiums

	Gross R	Reinsurance R	Net R
UPR - 2020			
Balance at the beginning of the year	193,076,170	-	193,076,170
Premiums written during the year	629,885,165	(272,379,169)	357,505,996
Premiums earned during the year	(640,972,587)	272,379,169	(368,593,418)
Balance at the end of the year	181,988,748	-	181,988,748

8. Movements in insurance liabilities and reinsurance assets (continued)

c) Provision for unearned premiums (continued)

UPR - 2019

	Gross R	Reinsurance R	Net R
Balance at the beginning of the year	214,181,782	-	214,181,782
Premiums written during the year	644,810,925	(246,375,718)	398,435,207
Premiums earned during the year	(665,916,537)	246,375,718	(419,540,819)
Balance at the end of the year	193,076,170	-	193,076,170

9. Trade and other payables

	28 June 2020 R	30 June 2019 R
Trade payables	2,867,678	6,819,342
Other payables and accruals	1,012,638	2,976,306
Total trade and other payables	3,880,316	9,795,648

10. Insurance benefits and claims

	28 June 2020 R	30 June 2019 R
Gross		
Claims paid	85,372,518	284,304,513
- in respect of this year	32,992,017	50,548,089
- in respect of prior years	52,380,501	233,756,424
Movement in outstanding claims and IBNR	(42,339,447)	(155,794,493)
Total claims and loss adjustment expenses	43,033,071	128,510,020
Reinsurance		
Claims recovered	(14,710,103)	(91,544,310)
- in respect of this year	(83,764)	(2,476,790)
- in respect of prior years	(14,626,339)	(89,067,520)
Movement in outstanding claims and IBNR	17,819,288	74,048,902
Total reinsurance recoveries	3,109,185	(17,495,408)
Net insurance benefits and claims	46,142,256	111,014,612

11. Other operating expenses

	28 June 2020 R	30 June 2019 R
Fees for professional services	2,577,692	1,895,129
Administration and related expenses	4,033,728	(60,001)
Total other operating expenses	6,611,420	1,835,128

		28 June 2020 R	30 June 2019 R
12.	**Investment income**		
	Interest received - Loans and receivables	13,436,591	27,091,395
	Investment income - Experience account	5,170,929	4,003,752
	Investment income - Cash and cash equivalent	56,065,719	53,350,563
	Investment income - Short term Investment	994,733	-
	Total investment income received	75,667,972	84,445,710
13.	**Income tax expense**		
13.1	**South African income tax**		
	Current income tax	90,178,800	89,137,950
13.2	**Reconciliation of income tax**		
	Deferred Tax - Salaries	(57,301)	(165)
	South African current Income tax at 28% (2019: 27.99%)	90,236,101	89,138,115
	Income tax expense	90,178,800	89,137,950
14.	**Cash flow information**		
14.1	**Changes in working capital**		
	Decrease in Reinsurance assets	17,819,288	74,048,902
	Decrease in Deferred acquisition costs	10,613,634	4,284,621
	Increase in Insurance and other receivables	(36,949,020)	(38,711,185)
	Decrease in Insurance liabilities	(53,426,869)	(176,900,105)
	Decrease in Trade and other payables	(4,376,648)	(1,523,575)
		(66,319,615)	(138,801,342)
14.2	**Dividends paid**		
	Amounts paid during the year to the holding company	-	350,000,000
14.3	**Income tax paid**		
	Payable at the beginning of the year	24,404,641	28,266,259
	Income tax expense	90,178,800	89,137,950
	Payable at the end of the year	(67,313,130)	(24,404,641)
	Income tax paid	47,270,311	92,999,568

15. Commitments and contingent liabilities

There were no commitments or contingent liabilities at the statement of financial position date.

16. Financial risk management and financial instrument disclosure

16.1 Financial risk management

The Company's activities expose it to a variety of financial risks, including the effects of changes in interest rates. The Company follows the Shoprite Holdings Ltd Group's overall risk management programme which focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

Financial risk management is carried out by a central treasury department of the Shoprite Holdings Ltd Group under policies approved by the Board of Directors. The risk management programme provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange rate risk, interest rate risk and investing excess liquidity where applicable to the Company.

16.1.1 Market risk

Cash flow and fair value interest rate risk

The Company's interest rate risk arises mainly from call accounts. The Company does not account for any fixed rate financial assets or liabilities at fair value through profit and loss and therefore a change in interest rates at the reporting date would not affect profit or loss. Fixed rate financial instruments include loans and receivables, refer to note 3.

Call accounts carry interest at rates fixed on a daily basis and expose the Company to cash flow interest rate risk. The Company analyses this interest rate exposure on a dynamic basis. Daily cash flow forecasts are done and combined with interest rates quoted on a daily basis. This information is then taken into consideration when reviewing reinvesting and/or renewal/cancellation of existing positions and alternative investing. Based on these scenarios, the Company calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for cash/borrowings that represent the major interest-bearing positions. The weighted average effective interest rate on call accounts was 6.81% (2019: 7.4%).

Where material concentrations of interest rate risk exists within the Company a sensitivity analysis was performed to calculate what the increase /decrease in profit for the year would have been if the various individual interest rates the Company's financial instruments are subject to strengthened or weakened. At 28 June 2020 the estimated increase of 50 basis points in the South African prime rate would have resulted in a possible increase in post-tax profit of R3 844 284. At 30 June 2019 the estimated increase of 50 basis points in the South African prime rate would have resulted in a possible increase in post-tax profit of R4 271 041.

The amounts were calculated with reference to the financial instruments exposed to interest rate risk at the reporting date and does not reflect the Company's exposure throughout the reporting period as these balances may vary significantly due to the self funding nature of the Company's required working capital and cyclical nature of cash received from sale of merchandise and payment to trade and other payables. The possible interest rate movements were determined based on management's best estimates taking into account prevailing economic and market conditions and future expectations.

16.1.2 Credit risk

The Company also has exposure to credit risk on its reinsurance assets. The Company determines counterparty credit quality by reference to ratings from independent ratings agencies such as Standard & Poor.

Refer to note 3 for exposure to credit rate risk on loans and receivables.

The table below (overleaf) provides information regarding the aggregated credit risk exposure for financial and reinsurance assets. Financial and reinsurance assets are graded according to current credit ratings issued. The carrying amounts of assets included on the statement of financial position represent maximum exposure.

Reinsurance credit exposures

Reinsurance is used to manage insurance risk. However, this does not discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The credit worthiness of reinsurers is considered annually by reviewing their financial strength prior to finalisation of any contract.

16. Financial risk management (continued)

16.1 Financial risk factors (continued)

16.1.2 Credit risk (continued)

	A %	A- %	BBB- %	Not %	Carrying R
At June 2020					
Loans and receivables	-	-	-	100.00	237,617,151
Reinsurance receivables	-	-	100.00	-	3,359,969
Insurance and other receivables	-	-	-	100.00	44,966,356
Experience account	-	-	100.00	-	96,859,789
Cash and cash equivalents	-	-	100.00	-	691,607,197
Short Term investments	-	-	100.00	-	138,632,230
At June 2019					
Loans and receivables	-	-	-	100.00	79,405,866
Reinsurance receivables	-	-	100.00	-	21,179,256
Insurance and other receivables	-	-	-	100.00	41,890,692
Experience account	-	-	100.00	-	62,986,434
Cash and cash equivalents	-	-	100.00	-	774,802,400

16.1.3 Liquidity risk

The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows based on the earliest date on which the Company can be required to pay and include both interest and principal cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

The following maturity analysis provides details on the contractual settlement for financial instruments and expected cash flows for insurance contracts recognised at the reporting date:

	< 3 months R	3 to 6 months R	6 to 12 months R	> 12 months R	Carrying value R
At June 2020					
Assets					
Loans and receivables	237,617,151	-	-	-	237,617,151
Reinsurance receivables	3,359,969	-	-	-	3,359,969
Insurance and other receivables	11,672,199	33,294,157	-	-	44,966,356
Experience account	96,859,789	-	-	-	96,859,789
Cash and cash equivalents	691,607,197	-	-	-	691,607,197
Short term investment	-	138,632,230	-	-	138,632,230
Liabilities					
Insurance liabilities	(77,122,333)	(136,117,495)	(59,497,311)	-	(272,737,139)
Trade and other payables	(2,867,678)	(1,012,638)	-	-	(3,880,316)
Total	961,126,294	34,796,254	(59,497,311)	-	936,425,237

16. Financial risk management (continued)

16.1 Financial risk factors (continued)

16.1.3 Liquidity risk (continued)

	< 3 months R	3 to 6 months R	6 to 12 months R	> 12 months R	Carrying value R
At June 2019					
Assets					
Loans and receivables	79,405,866	-	-	-	79,405,866
Reinsurance receivables	8,471,702	6,353,777	4,235,851	2,117,926	21,179,256
Insurance and other receivables	37,998,461	3,892,231	-	-	41,890,692
Experience account	62,986,434	-	-	-	62,986,434
Cash and cash equivalents	774,802,400	-	-	-	774,802,400
Liabilities					
Insurance liabilities	(82,939,162)	(84,482,391)	(130,581,659)	(28,160,797)	(326,164,009)
Trade and other payables	(6,819,345)	(2,976,303)	-	-	(9,795,648)
Total	873,906,356	(77,212,686)	(126,345,808)	(26,042,871)	644,304,991

16.1.4 Insurance risk

The Company underwrites insurance products with the following terms and conditions:

- Credit protection which covers the risk of the customers being unable to settle the terms of the credit agreement as a result of death, disability or qualifying retrenchment;
- All risk cover, which covers the repair or replacement of the product due to accidental loss or damage within the terms and conditions of the policy; and extended guarantees which covers the repair or replacement of faulty products as an extension of the supplier's guarantee; and
- Assets All Risks (including material damage and consequential loss), Motor and Marine Cargo covers for Shoprite Holdings Ltd and other fellow subsidiary companies. These policies provide protection against accidental loss or damage to company property and assets during the course of business.

The risk under any one insurance contract is the possibility that an insured event occurs as well as the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, the risk is random and unpredictable.

Underwriting risk is the risk that the Company's actual exposure to short-term risks in respect of policy-holding benefits will exceed prudent estimates. Where appropriate, the above risks are managed by senior management and directors.

Within the insurance process, concentration risk may arise where a particular event or series of events could impact heavily on the Company's resources. The Company has not formally monitored the concentration risk; however, it has mitigated against concentration risk by structuring event limits in every policy to ensure that the probability of underwriting loss is minimised. Therefore the Company does not consider its concentration risk to be high.

Reinsurance risk

Reinsurance is used to manage insurance risk. The Company obtains third-party reinsurance cover to reduce risks from single events or accumulations of risks that could have a significant impact on the current year's earnings or the Company's capital. However, this reinsurance protection does not discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder.

The Company has some exposure to concentration risk with individual reinsurers due to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable credit ratings. The credit worthiness of reinsurers is considered on an on-going basis, and annually at renewal, by reviewing their financial strength prior to finalisation of any contract. The board approves the reinsurance renewal process on an annual basis.

		28 June 2020 R	30 June 2019 R
17.	**Related party information**		
	Related-party relationships exist between the Company, fellow subsidiaries, directors of the Company and an external company in which one of the directors has a financial interest.		
17.1	**Management fees**		
	Non-executive director, J C M Wethmar, is a director of Sigma Risk Solutions (Pty) Ltd, a company that renders administrative and advisory services to the Company in return for a management fee.		
	Management fees	2,577,692	1,895,129
17.3	**Acquisition costs**		
	Expenses for the acquisition of insurance contracts represent commission paid. Acquisition costs are deferred over the period of the contract and are amortised on a time apportionment basis in line with unearned premiums. These transactions occurred under terms that are no less favourable than those arranged with third parties. These transactions are included in note 2.		
	Shoprite Checkers (Pty) Ltd	22,185,368	32,025,371
	OK Bazaars (Venda) Ltd	31,940	44,185
		22,217,308	32,069,556
17.4	**Premium income**		
	Premiums are received from related parties in respect of the underwriting of the following exposures: - Assets All Risks (including material damage and consequential loss); - Motor; and - Marine cargo.		
	Shoprite Checkers (Pty) Ltd	378,672,563	360,532,468
	Transpharm (Pty) Ltd	3,822,879	2,399,180
	Medirite (Pty) Ltd	1,339,693	1,385,189
	Computicket (Pty) Ltd	668,347	1,045,002
	Parys Development Properties (Pty) Ltd	-	627,281
	Flicape (Pty) Ltd	118,096	105,870
		384,621,578	366,094,990
	Acquisition costs as at year end		
	Shoprite Checkers (Pty) Ltd	54,222,928	46,733,252
	Total premium income	438,844,506	412,828,242
17.5	**Dividends**		
	A dividend was declared and paid to Shoprite Holdings Ltd in the prior period.		
	Dividends paid	-	350,000,000

		28 June 2020 R	30 June 2019 R
17.	**Related party information (continued)**		
17.6	**Premiums receivable**		
	Included in receivables under insurance contracts (note 5) is the following amount owed by Shoprite Checkers (Pty) Ltd in respect of outstanding premiums:		
	Insurance premiums receivable	9,718,192	12,497,111
17.7	**Insurance claims**		
	Included in insurance benefits and claims are the following amounts incurred in respect of claims:		
	Shoprite Mauritius Ltd	-	(313,334)
	Shoprite Checkers (Pty) Ltd	55,057,550	50,011,450
	Hungry Lion Fast Foods (Pty) Ltd	-	2,495,659
	Transpharm (Pty) Ltd	331,207	60,627
	Computicket (Pty) Ltd	63,260	41,687
	Medirite (Pty) Ltd	84,915	86,386
	Africa Supermarkets Ltd	-	(28,602,204)
	Usave Supermarkets (Pty) Ltd	-	(79,798)
	Shoprite Checkers (Mozambique) Ltd	-	33,242,572
	Mercado Fresco de Angola Ltda	-	35,000,000
		55,536,932	91,943,045
17.8	**Loans and receivables**		
	The Company invests its surplus funds with certain fellow subsidiaries. The terms and conditions of these loans are set out in note 3.		
	Loan to Shoprite Investments Ltd	233,854,097	79,334,795
	Loan to Shoprite Checkers (Pty) Ltd	3,763,054	71,071
	Total loans and receivables	237,617,151	79,405,866
	Interest received from Shoprite Investments Ltd	13,436,592	27,091,395
	Total interest earned from related parties	13,436,592	27,091,395
17.9	**Commissions and claims payable**		
	Included in liabilities is the following amount owed to Shoprite Checkers (Pty) Ltd in respect of commissions and claims:		
	Commissions payable	1,943,791	2,499,605
	Claims payable	2,367,843	2,393,719
		4,311,634	4,893,324

		28 June 2020 R	30 June 2019 R
17.	**Related party information (continued)**		
17.10	**Outstanding claims**		
	Included in insurance liabilities (note 7) are the following amounts owed in respect of outstanding claims:		
	Shoprite Checkers (Pty) Ltd	34,012,125	101,295,109
	Shoprite Lesotho (Pty) Ltd	-	54,245,000
	Africa Supermarkets Ltd	-	50,098,336
	Shoprite Supermercados Ltda	-	31,771,036
	Shoprite Mozambique Ltda	-	15,521,782
	Usave Supermarkets (Pty) Ltd	-	3,109,033
	Mercado Fresco de Angola Ltda	-	138,099
	Computicket (Pty) Ltd	45,000	-
	Transpharm (Pty) Ltd	98,321	-
	Claims payable	34,155,446	256,178,395
18.	**Directors' emoluments**		
	Non-executive directors:		
	- M Bosman - services as a director	61,800	60,000
	- R I Coates - services as a director	61,800	60,000
	- A F W Peters - services as a director	61,800	60,000
	- J C M Wethmar *	-	-
		185,400	180,000

M Bosman, RI Coates and AFW Peters are the only directors who receive remuneration for services at Board Meetings. No other director receives remuneration from Shoprite Insurance Company in respect of their services as directors of Shoprite Insurance Company.

* Mr JCM Wethmar, a non-executive director of the Company, is also a director of Sigma Risk Solutions (Pty) Ltd, which is a service organisation of the Company (as per note 17.1). He does not earn directors fees from Shoprite Insurance Company, but instead from Sigma Risk Solutions (Pty) Ltd.

19. Post balance sheet event

The Board of Directors declared a dividend of R540 million at their meeting on 13 October 2020. Other than the facts in this annual report, there have been no material changes in the affairs or the financial position of the Company from 28 June 2020 to the date of these annual financial statements. The directors, in conjunction with the direction from the Group, have decided to cease all new business with effect from 1 July 2020. All new business will be written into respective cell facilities with a registered Cell Provider, and all existing active business will be transferred into these respective cells before 30 June 2021. As a result of this decision, the PA will not be converting the Company's insurance registration into an insurance licence under the new Insurance Act, with the planned closure of the Company by 30 June 2021.

20. Restatement

The Company initiated a multi-year excess of loss reinsurance contract with Centriq Insurance Company Limited ("Centriq"), with effect from 1 July 2017, in relation to its first party insurance business. Centriq monitors the underwriting performance of the contract over the multi-year period (a technical reserve). While the Company may only lodge reinsurance recoveries within the terms and conditions of this policy, the cancellation clause of the policy may provide some control to the Company over the underwriting result of the policy (the technical reserve, or 'Experience Account', as monitored by the reinsurer). The multi-year nature of the policy may also suggest the requirement to recognise some amount of unearned reinsurance capacity at respective annual contract renewal periods. The Company has accordingly chosen to recognise this 'Experience Account' as an asset on the Statement of Financial Position with effect from 1 July 2017. In prior years management accounted for the contract as an ordinary reinsurance contract, whereby the premiums paid were expensed annually. However, in terms of the contract, the technical reserve is accumulated in favour of the Company over the term of the contract, which the Company can utilise either in terms of submitting claims or to be transferred to another reinsurer for the continuation of cover with that other reinsurer. The restatement of the respective periods is as follows:

	As previously stated	Restatement	Restated
Statement of Financial Position	**30 June 2019**		
	R		
ASSETS			
Current assets			
Experience account	-	62,986,434	62,986,434
EQUITY			
Capital and reserves			
Retained earnings	621,682,764	45,350,232	667,032,996
LIABILITIES			
Current liabilities			
Current tax liability	6,768,440	17,636,201	24,404,641

20. Restatement (continued)

	As previously stated	Restatement	Restated
Statement of Financial Position	**1 July 2018**		
	R		
ASSETS			
Current assets			
Experience account	-	30,280,255	30,280,255
EQUITY			
Capital and reserves			
Retained earnings	766,019,341	21,801,783	787,821,124
LIABILITIES			
Current liabilities			
Current tax liability	19,787,787	8,478,472	28,266,259
Statement of comprehensive income	**30 June 2019**		
	R		
Reinsurance premiums	(275,078,145)	28,702,427	(246,375,718)
Investment income	80,441,958	4,003,752	84,445,710
Income tax expense	(79,980,220)	(9,157,730)	(89,137,950)