LOMBARD
INSURANCE COMPANY
LIMITED

LOMBARD INSURANCE COMPANY LIMITED
Registration number: 1990/001253/06

AUDITED ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014

The audited annual financial statements were prepared in September 2014.

The preparation of the audited annual financial statements was supervised by
DD Hyde, CA(CA), the group financial director.

LOMBARD INSURANCE COMPANY LIMITED
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AUDITED ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014

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LOMBARD INSURANCE COMPANY LIMITED
Registration number: 1990/001253/06

CORPORATE GOVERNANCE STATEMENT
for the year ended 30 June 2014

Lombard Insurance Company Limited (the Company) is governed by a board of directors, the members of which are common to certain other Lomhold Proprietary Limited group entities (the Group). The corporate governance statement that follows is a combined statement by the members of this common board of directors and as such applies equally to the Company. Hereinafter, any reference to "the Board" refers to the aforementioned common board of directors and as such, the board of directors of Lombard Insurance Company Limited. Any reference to "the Group" applies equally to the operations of the Company.

Principles of corporate governance

The Board is committed to the principles of openness, integrity and accountability and to providing timely, relevant and meaningful reporting to all stakeholders. The Board ensures that the Group's business is conducted to high standards of corporate governance, and in line with best practice. These standards are entrenched in the Group's established systems of internal control, by its procedures and policies governing corporate conduct, with particular emphasis on the importance of qualitative aspects of corporate governance.

The Group is committed to an open governance process such that all stakeholders may derive assurance that its directors and managers are managing the Group responsibly. The Board, where practicable, subscribes to the principles set-out in the King III report on corporate governance. The principles contained in King III, where practicable, are reflected in the Group's corporate governance structures, which are reviewed from time to time to accommodate organisational changes and international developments in the field of corporate governance. It is the policy of the Board and management to actively review and enhance the Group's systems of control and governance to ensure the Group's business is managed ethically and within prudently determined risk parameters that conform to best practice.

Board composition, appointment and responsibilities

Directors are appointed based on personal character, skill, experience and their level of contribution to, and their impact on, the activities of the Group. The Board decides on the appointment of new directors collectively, based on recommendations from its individual members. In compliance with the Financial Services Board (FSB) Directive 101.A.i, the Board currently consists of six non-executive directors and two executive directors. Three of the non-executive directors are independent. No block of directors can dominate the Board. All non-executive directors have attended at least two meetings in the year under review. All board members are kept abreast of current developments and required governance structures. The Board is responsible for setting the direction of the Group through the establishment of strategic objectives and key policies. Board meetings are held at least three times a year with additional meetings called when necessary. As required by FSB Directive 101.A.i, the quorum for meetings is half the number of appointed directors plus one, to the higher integer of directors. Other senior executives are invited to attend meetings as required to ensure comprehensive reporting to the Board.

Board composition, appointment and responsibilities (continued)

The responsibilities of the Board are clearly defined in its terms of reference. The responsibilities of the Board include issues of strategic direction, business plans and annual budgets, major acquisitions and disposals, changes to the Board and other matters having a material effect on the Group or required by statute.

Board members and prescribed officers are required to regularly declare any interest they might have in transactions with the Group. All directors are given access to the information needed to carry out their duties and responsibilities fully and effectively. Furthermore, all directors are entitled to seek independent professional advice about the affairs of the Group, at the expense of the company concerned.

The current members of the Board are:

ML Japhet	(Non-executive chairman)
RJ Symmonds	(Managing director)
DD Hyde	(Financial director)
CE Backeberg	(Independent non-executive director)
GJM Carlin	(Independent non-executive director)
PJ Orford	(Non-executive director)
P Soko	(Independent non-executive director)
ADH Enthoven	(Non- executive director)

Board committees and governance structures

The Board has established a number of sub-committees, which operate within defined terms of reference laid down by the Board in writing. Members of these committees are suitably qualified and experienced so as to meaningfully contribute to the workings of the committees on which they serve. All committees report to the Board and operate in accordance with written terms of reference. The most relevant of these committees, which shall be further discussed below, are the Audit, Risk and Compliance Committee and the Capital Management and Investment Committee.

Further, certain statutory governance appointments have at all times through the year been maintained. These are the appointment of the Statutory Actuary and Company Secretary; whose role and function shall be further discussed below.

Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee comprises three independent non-executive members, namely:

GJM Carlin
PJ Orford
P Soko
PG Nkadimeng (Resigned 2 April 2014)
CE Backeberg (Appointed 24 July 2014)

Chaired by Ms P Soko, this committee is constituted as a statutory committee in respect of its statutory duties in terms of the Companies Act, 2008 (the Companies Act) (and also in terms of the Short Term Insurance Act No. 53 of 1998). It is also a committee of the Board in respect of all duties assigned to it by the Board. The committee operates in accordance with terms of reference that have been approved by the Board.

Audit, Risk and Compliance Committee (continued)

The following members may be in attendance at committee meetings, but by invitation only and cannot vote:

- managing director for the Group;
- chief risk officer for the Group;
- financial director for the Group;
- chief compliance officer for the Group;
- representatives from the external auditors for the Group;
- representatives from the internal auditors of the Group;
- head of the internal auditors for the group;
- other assurance providers for the Group; and
- invited attendees.

The statutory and Board delegated duties of the committee include the following:

- Preparing a report to be included in the annual financial statements in terms of Section 94(7) of the Companies Act, which report appears on pages 11 to 14 and provides further information on the activities of this committee;
- Monitoring and reviewing the effectiveness of the internal audit function;
- Recommending to the Board the appointment of the external auditors, approving their remuneration and terms of engagement and monitoring their independence, objectivity and effectiveness, taking into consideration relevant professional and regulatory requirements;
- Determination of the nature and extent of any external consultants which the external auditor may provide to the Group and pre-approval of any proposed contract with the external auditor for the provision of those non-audit services; and
- Receiving and dealing appropriately with any complaints (whether from within or outside the Group) relating either to the accounting practices and internal audit or to the content or auditing of its financial statements, or any other related matter.

The external and internal auditors have unrestricted access to the chairperson of the committee and have attended all meetings during the period to report on their findings and to discuss accounting, auditing, internal control and financial reporting matters.

The Audit, Risk and Compliance Committee has, in the past financial year, satisfied its responsibilities in compliance with the Companies Act of 2008, the Short Term Insurance Act of 1998, as well as its responsibilities in accordance with its terms of reference.

Capital Management and Investment Committee

The objective of the Capital Management and Investment Committee is to ensure that appropriate decisions are taken with regard to the investments of the Group in order to meet statutory capital requirements. The committee recommends guidelines and principles to the Board and takes advice, where appropriate, from external investment professionals. The Capital Management and Investment Committee, chaired by Mr GJM Carlin, meets bi-monthly.

Statutory Actuary

The independent statutory actuary, who is not in the employment of the Group, assists the Board in all actuarial matters and reviews the actuarial valuations required in the Group.

Statutory Actuary (continued)

The statutory actuary is a permanent invitee to all Board meetings at which actuarial matters are to be discussed and decided on.

Accountability and transparency

The requirements of Chapter 3 of the Companies Act relating to enhanced accountability and transparency are applicable to, and adopted by, the Group. Furthermore the Group, of its own accord, maintains the highest standard of accountability. Certain of the mechanisms through which this is done, is now more fully discussed below.

Going concern

The Group Audit, Risk and Compliance Committee consider the facts and assumptions used in the assessment of the Group as a going concern at the financial year-end date. This provides assurance to the directors in confirming their assessment that the annual financial statements are properly prepared on the going concern basis

Internal financial controls

The Board acknowledges that it is responsible for instituting internal control systems that provide reasonable assurance on safeguarding assets and prevention of their unauthorised use or disposal, as well as maintenance of proper accounting records that give reasonable assurance on the reliability of financial information produced.

Despite room for improvement in the automation of processes and controls, compensating controls are in place and the Board is satisfied that these compensating controls provide reasonable assurance that significant associated risks are appropriately managed and that adequate internal controls are in place. The improvement of processes and controls continues to receive the on-going attention of the Audit, Risk and Compliance Committee and of the Board and will continue to improve in accordance with established plans. The Board is satisfied that there has been no material breakdown of the internal controls.

Internal audit

Internal audit operates under a charter recommended by the Audit, Risk and Compliance Committee and approved by the Board. Currently the Group's internal audit function is outsourced to an external service provider, which is staffed by qualified and experienced individuals. The responsible partner has direct access to the Group Audit, Risk and Compliance Committee. The internal auditors attend Committee meetings by request and report their findings to the Committee.

Internal audit is an independent, objective assurance activity established to add value and improve operations of the Group. It helps the Group accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the adequacy and effectiveness of risk management, control and governance processes.

Risk management

The Group continues to strengthen its risk management competencies. The Board has reaffirmed its stance that risk management is an imperative for efficient capital and business management in both the life and short-term insurance industries. The Group is progressing with changes to its risk management framework to address requirements in the proposed Solvency Assessment and Management (SAM) regulatory regime.

The allocation of roles and responsibilities for risk management within the Group is consistent with the guidelines provided in the King III report on corporate governance as well as those required by SAM. A dedicated Chief Risk Officer (the CRO) has, for some time, been appointed to oversee the group's risk management activities at executive committee level and risk and compliance champions are appointed in each division to ensure the cascading of risk processes into the business.

The Board is responsible for the governance of risk, which includes the approval of a documented risk policy and plan; this is reviewed at least annually, with continuous monitoring.

Oversight of risk and compliance has been delegated to the Audit, Risk and Compliance Committee. The committee considers the risk management policy and plan, the efficiency of management in their risk management responsibilities as well as the assurances provided by the external and internal auditors. The Capital Management and Investment Committee considers capital adequacy and asset/liability matching risks and other applicable investment risks. A member of the Audit, Risk and Compliance Committee is represented on the Capital Management and Investment Committee. The CRO assists all levels in the business in achieving the strategic objectives of the Group by bringing a systematic approach to evaluating and improving the effectiveness of risk management and control.

The CRO of the Group oversees the enterprise risk management (ERM) framework, facilitating and coordinating the process and reporting the status to the executive management, the Audit, Risk and Compliance Committee and the Board. The CRO has direct access to the chairperson of the Audit, Risk and Compliance Committee, but reports administratively to the Managing Director.

Compliance

The governance and compliance function is responsible for the monitoring of regulatory and reputational risk and the setting of related policies. The Group's governance strategy, objectives and structures have been designed to ensure that the Group complies with legislation and all relevant industry codes.

Compliance risk is the risk to earnings, capital and reputation arising from violations of, or non-compliance with, laws, rules, regulations, supervisory requirements, prescribed practices or ethical standards.

The Group is committed to the highest standards of integrity, professionalism and ethical behaviour and requires all its employees to comply with all relevant laws, rules, standards and policies when conducting the business of the Group.

The Group's compliance function is an independent function that identifies, evaluates, advises, monitors and reports on the Group's compliance risk.

Compliance (continued)

Compliance risk is managed within the organisation through the following key activities:

- creating awareness through training employees on the impact and responsibilities related to legislative requirements;
- monitoring and reporting on the level of compliance with regulatory requirements, including reporting specific incidents of non-compliance to senior management and the Board;
- provide assurance that the risks relating to regulatory requirements are identified, understood and effectively managed; and
- consulting with the business units and providing compliance opinions with regard to new business ventures and processes.

Information technology

The Group's IT strategy over the next 3 years (2014 to 2016), will follow a phased delivery approach including understanding the IT governance, processes and architecture and the capacity to absorb change over the period.

The IT strategy will be supported by the following elements:

- focused IT strategy;
- single value delivery framework (IT architectures and maturity model);
- focused governance and risk management approach; and a
- single organisational design (resource and performance management).

To ensure value delivery to the business the plan focuses on:

- best practice architecture design (align, re-organise and simplify);
- efficiency (create and realise value through efficient development, implementation, support and maintenance);
- effectiveness (through monitoring, evaluating and continuously improving and optimising the IT architectures); and
- transformation (innovating using technology and leadership).

Principles of conduct

Business integrity and ethics

The Group has a written code of ethics. The Group supports free enterprise as the system best able to contribute to the economic welfare of society, and to promote individual liberty. Without satisfactory profits and a strong financial foundation, it would not be possible to fulfil the responsibilities to shareholders, employees, society, and those with whom we do business. Our corporate actions are governed by economic criteria as well as social, environmental and political considerations.

Principles of conduct (continued)

Business integrity and ethics (continued)

The Group is committed to the principles of sustainable development, striking a balance between economic, environmental and social development. We strive to innovate and adopt best practice wherever we operate, working in consultation with stakeholders.

Management and employees operate within a framework that requires compliance with all applicable laws and maintenance of the highest integrity in the conduct of the business of the Group.

Employment and labour rights

The Group subscribes to the principle of fair labour practices at our workplaces, and our conditions of service comply with applicable laws and industry standards.

Board of directors

ML Japhet
BSc (Honours) Economics & Politics, Bristol University, 1977
ACII
Non-executive chairman
Joined in 1995

RJ Symmonds
BCom (Honours), UCT, 1980
Chartered Accountant of South Africa, Public Accountant and Auditor's Board, 1983
Managing director
Joined in 2004

DD Hyde
BCom (Law), WITS, 1989
CA (CA), Canadian Institute of Chartered Accountants, 1991
Financial director
Joined in 2009

CE Backeberg
BSc (Honours), UCT, 1981
Fellow of Actuarial Society of SA (FASSA), 1988
Non-executive director
Joined in 2011

GJM Carlin
BCom (Honours)
CA (SA), South African Institute of Chartered Accountants
Non-executive director
Joined in 1997

Board of directors (continued)

PJ Orford
B.Bus.Sci (Economics), UCT, 1992
MPhil (Economics), Oxford, 1997
Chartered Financial Analyst, CFA Institute, 2000
Non-executive director
Joined in 2010

P Soko
B.Compt (Honours), UNISA
Certified Internal Auditor SA – IIA (SA)
Non-executive director
Joined in 2007

ADH Enthoven
BA (Philosophy, Politics, Economics), Oxford, 1992
MA Philosophy, Oxford 1996
PHD (Philosophy), Oxford, 2000
Non-executive director
Joined in 2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES
for the year ended 30 June 2014

In accordance with the Companies Act requirements, the directors are required to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements of Lombard Insurance Company Limited and related financial information included in this report. It is their responsibility to ensure that the annual financial statements for each financial year fairly present the state of affairs of the Company at the end of the annual financial year and the results of their operations and cash flows, in conformity with International Financial Reporting Standards (IFRS).

The accounting policies supported by judgements, estimates and assumptions which comply with IFRS have been applied on a consistent and going concern basis.

It is the responsibility of the independent auditors to report on fair presentation of the annual financial statements. Their unqualified audit report appears on page 15.

The directors are ultimately responsible for the internal controls of the Company. To enable the directors to meet these responsibilities, management design and implement standards and systems of internal controls to provide reasonable, but not absolute assurance as to the integrity and reliability of the annual financial statements in accordance with IFRS and to adequately safeguard, verify and maintain accountability for Company assets. Systems and controls include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties.

Based on the information and explanations given by management and the internal and external auditors, the directors have no reason to believe that the system of internal controls does not provide reasonable assurances that the financial records may be relied on for the preparation of the consolidated annual financial statements of the Group in accordance with IFRS. Nothing has come to the attention of the directors to indicate that any breakdown in the functioning of the internal controls, resulting in a material loss to the Company, has occurred during the year and up to the date of this report.

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

DIRECTORS' APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements which appear on pages 16-76 are prepared in accordance with IFRS and are approved by the board of directors on 23 October 2014 and are signed on its behalf by:

ML JARHET
CHAIRMAN
23 October 2014

RJS YMMONDS
MANAGING DIRECTOR
23 October 2014

CERTIFICATION OF COMPANY SECRETARY
for the year ended 30 June 2014

In accordance with section 88(2)(e) of the Companies Act, it is hereby certified that the Company has lodged with the Registrar of Companies all such returns as are required of a company in terms of the Companies Act and that such returns are true, correct and up to date.

SJ VIVIAN
COMPANY SECRETARY
23 October 2014

AUDIT RISK AND COMPLIANCE COMMITTEE REPORT
for the year ended 30 June 2014

The Audit, Risk and Compliance Committee (the committee) has the pleasure in submitting its report for the financial year ended 30 June 2014.

The Audit, Risk and Compliance Committee is an independent statutory committee appointed by the board of directors. During the year under review, the committee conducted its affairs and discharged its responsibilities as required by the Companies Act, the Short Term Insurance Act and the King Code of Governance Principles for South Africa, 2009 (King III), as approved by the Board during 2010.

Roles and responsibilities

According to its terms of reference, the committee assists the Board to discharge its duties relating to:

- Carrying out all the functions as required in terms of legislation;
- Performing all the functions of an audit committee for those operating subsidiaries that do not have their own committee;
- Overseeing the integrity of the annual financial statements and reviewing content thereof to ensure that the information is reliable;
- Nominating to the shareholder a registered external auditor who, in the opinion of the committee, is independent of the Company, for appointment as external auditor of the Company, as well as nominating for appointment the designated individual auditor;
- Consideration and recommendation to the Board of the appointment, removal or replacement of the internal auditors of the Group;
- Consideration of the accounting treatment of significant or unusual transactions and areas of judgement that have a significant impact on the annual financial statements;
- Determination of the nature and extent of any non-audit services which the external auditor may provide to the Company and pre-approval of any proposed contract with the external auditor for the provision of those non-audit services;
- Review and approval of the annual internal audit plan;
- Monitoring the compliance of the Group with legal requirements, statutes, regulations and the Group's code of ethics;
- Consideration of the reports by the internal and external auditors on their findings and recommendations;
- Review of the effectiveness of the Group's systems of internal control;
- Review of the relationship between management, the internal auditors and the external auditors; and
- Oversight of risk management

Composition of meetings

Members: P Soko (Chairperson), GJM Carlin, PG Nkadimeng (Resigned 2 April 2014), PJ Orford (Appointed 2 April 2014), CE Backeberg (Appointed 24 July 2014)

The committee comprises of three independent non-executive directors and meets at least three times a calendar year. The chairman of the Board, managing director, financial director, external auditors, internal auditors and financial executives can attend committee meetings by request

The committee discharged its statutory and Board responsibilities by meeting during the period under review to consider, inter alia, the year-end results of the Company, as well as to consider regulatory and accounting standard compliance by the Company. The record of attendance by each committee member was as follows:

Composition of meetings (continued)

Name of committee member	Date appointed to committee	24 October 2013	2 April 2014	24 July 2014
P Soko	6 June 2007	✔	✔	✔
GJM Carlin	16 November 1995	✔	✔	✔
PG Nkadimeng (Resigned 2 April 2014)	2 June 2009	✔	✕	✕
PJ Orford	2 April 2014	n/a	n/a	✔
CE Backeberg	24 July 2014	n/a	n/a	n/a

Expertise and experience

The committee has considered and is satisfied that the expertise and experience of the financial director is suitable, and the adequacy of resources of the finance function and experience of the senior members of management responsible for the financial function is appropriate.

External auditor appointment and independence

The committee has recommended Deloitte & Touche (Deloitte) to perform an independent and objective audit of the Company and approved Yuresh Maharaj as the designated auditor in terms of the provisions of the section 90 of the Companies Act. The annual financial statements are prepared in terms of International Financial Reporting Standards (IFRS). The committee is satisfied that Deloitte is independent of the Company, as contemplated in section 94(8) of the Companies Act.

In making this determination the committee has considered Deloitte's compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors. Requisite assurance was sought and provided by Deloitte that internal governance processes in the audit firm support its claim of independence.

The committee, in consultation with executive management, agreed to the engagement letter, terms, audit plan and budgeted audit fees for the 2015 year. Deloitte is considered for non-audit services according to a formal procedure, and the nature and extent of non-audit services that Deloitte may provide is agreed in terms of a pre-approved policy.

The Audit, Risk and Compliance Committee has met with the designated auditor to consider matters of importance and relevant to the finalisation of the Company's annual financial statements and to the affairs of the Group generally.

Internal, financial and accounting controls

Financial and internal controls focus on critical risk areas. The controls are designed to provide reasonable assurance that assets are safeguarded from loss and unauthorised use, and financial records may be relied on for preparing the annual financial statements and maintaining accountability for assets and liabilities. The identification of risks and implementation and monitoring of adequate systems of internal, financial and operating controls to manage such risks is delegated to senior executive management.

Internal, financial and accounting controls (continued)

Financial risk management policies are communicated directly to executive management and the appropriate levels of management in the various operations. The Board acknowledges its responsibility for ensuring that management implements and monitors the effectiveness of systems of internal, financial and operating controls. The Board, via the Audit, Risk and Compliance Committee, monitors the effectiveness of established controls and procedures to ensure the accuracy and integrity of accounting records, and monitors the Company's businesses, financial risks and performance. Based on internal audit's review of the design, implementation and effectiveness of the Company's system of internal financial controls in 2014, and considering information and explanations given by management and discussions with Deloitte on the results of its audit, nothing has come to the attention of the Audit, Risk and Compliance Committee to indicate that the Company's system of internal financial controls is not effective or the preparation of the annual financial statements is unreliable.

Internal audit

Internal audit operates under terms of reference recommended by the Audit, Risk and Compliance Committee and approved by the Board. The Company's internal audit function was outsourced to an external service provider in April 2014, which was staffed by qualified and experienced individuals. The responsible partner has direct access to the Audit, Risk and Compliance Committee. Internal audit attends Audit, Risk and Compliance Committee meetings by request and reports its findings to the Committee. Internal audit is an independent, objective assurance activity established to add value and improve operations of the Company. It helps the Company accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the adequacy and effectiveness of risk management, control and governance processes.

Internal Audit responsibilities

Internal audit is responsible to the Company for contributing to the achievement of the Company's goals and objectives by providing assurance to the Company's stakeholders in a responsible manner by performing the following functions:

- Assisting Management in evaluating their processes for identifying, assessing and managing the key operational, financial and compliance risks of the Company;
- Systematically analysing and evaluating business processes and the effectiveness of associated internal control systems, including compliance with internal policies;
- Recommending improvements in efficiency to the internal control systems established by management;
- Keeping abreast of new developments affecting the Company's activities and in matters affecting internal audit work;
- Being responsive to the Company's changing needs, striving for continuous improvement and monitoring integrity in the performance of its activities; and
- Providing clear feedback on the internal control environment to the Company's Audit and Risk Committee.

Annual financial statements

Having considered the annual financial statements for the year ended 30 June 2014, the Committee recommends the annual financial statements for approval to the board of directors.

Complaints

No complaints relating either to the accounting practices and internal audit of the Company or to the contents or auditing of its annual financial statements, or to any related matter were received by the Committee.

P SOKO
CHAIRPERSON
23 October 2014

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South Africa

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INDEPENDENT AUDITOR'S REPORT
REPORT TO THE SHAREHOLDER OF LOMBARD INSURANCE COMPANY LIMITED

We have audited the financial statements of Lombard Insurance Company Limited set out on pages 18 to 76, which comprise the statement of financial position as at 30 June 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Lombard Insurance Company Limited as at 30 June 2014, and 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.

Other reports required by the Companies Act

As part of our audit of the annual financial statements for the year ended 30 June 2014, we have read the Directors' Report, the Audit, Risk and Compliance Committee's Report, the Corporate Governance Statement and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Deloitte & Touche

Deloitte & Touche
Registered Auditor
Per: Yuresh Maharaj
Partner
23 October 2014

DIRECTORS' REPORT
for the year ended 30 June 2014

The directors have pleasure in submitting their report, which forms part of the annual financial statements of Lombard Insurance Company Limited ("the Company") for the year ended 30 June 2014.

GENERAL REVIEW

The Company underwrites non-life insurance risks, such as those associated with guarantee, liability, marine, motor, property and engineering. Most of its business is administered through the use of underwriting managers.

TRADING RESULTS

The state of affairs and results of the Company for the year are fully set out in the statement of profit and loss and other comprehensive income on page 19.

DIVIDENDS

A dividend of R17 million (2013: R26 million) was declared to the shareholders of the Company during the year under review.

SHARE CAPITAL

During the current year 1 ordinary shares at 1 cent was issued to Lomhold Proprietary Limited, increasing the number of issued ordinary shares to 4 665 501.

EVENTS SUBSEQUENT TO STATEMENT OF FINANCIAL POSITION DATE

The directors are not aware of any other matter or circumstance arising since the end of the financial year that would affect the operations of the Company or the results of those operations significantly.

GOING CONCERN

The directors confirm that the Company has adequate resources to operate in the foreseeable future and will remain a viable going concern in the year ahead.

HOLDING COMPANY

The Company is a wholly owned subsidiary of Lomhold Proprietary Limited. Lomhold Proprietary Limited is an associate of The Hollard Insurance Company Limited.

DIRECTORS AND SECRETARY

The directors of the Company for the year under review were:

ML Japhet	(Chairman)
RJ Symmonds	(Managing director)
DD Hyde	(Financial director)
CE Backeberg	(Independent non-executive director)
GJM Carlin	(Independent non-executive director)
ADH Enthoven	(Non-executive director)
PG Nkadimeng	(Resigned 2 April 2014)
PJ Orford	(Non-executive director)
P Soko	(Independent non-executive director)

The secretary of the Company is SJ Vivian.

Registered address:
Building C, Sunnyside Office Park
2 Carse O'Gowrie Road
Parktown
2193

Postal address:
PO Box 2740
Parklands
2121

AUDITORS

Deloitte & Touche were appointed as auditors during the year under review.

COMPARATIVE FIGURES

In some instances, reclassifications were made that affect prior year disclosures. This has been carried out to provide more useful information to the user of the annual financial statements. Where such reclassifications were made, a note was provided to inform users.

LOMBARD INSURANCE COMPANY LIMITED
Registration number: 1990/001253/06

STATEMENT OF FINANCIAL POSITION
as at 30 June 2014

	Notes	2014 R'000	Restated 2013 R'000
ASSETS			
Non-current assets			
Plant and equipment	5	**5 208**	6 339
Intangible assets	6	**14 684**	21 677
Financial assets	8		
- fair value through profit or loss		**228 692**	231 263
- held-to-maturity		**38 097**	43 337
Tax asset		**5 908**	-
Total non-current assets		**292 589**	302 616
Current assets			
Reinsurance contracts	9	**390 170**	429 060
Receivables including insurance receivables	10	**610 060**	551 352
Cash and cash equivalents	11	**363 641**	386 369
Total current assets		**1 363 871**	1 366 781
Total assets		**1 656 460**	1 669 397
EQUITY			
Capital and reserves			
Share capital and share premium	12	**189 050**	134 450
Non-distributable reserves	13	**2 000**	2 000
Retained earnings		**379 251**	356 611
Total equity		**570 301**	493 061
LIABILITIES			
Deferred tax liability	7	**19 441**	11 861
Insurance liabilities	9	**805 397**	790 066
Employee benefits	14	**8 323**	25 862
Trade and other payables	15	**252 998**	346 961
Current income tax liability		**-**	1 586
Total liabilities		**1 086 159**	1 176 336
Total equity and liabilities		**1 656 460**	1 669 397

LOMBARD INSURANCE COMPANY LIMITED
Registration number: 1990/001253/06

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 30 June 2014

	Notes	**2014 R'000**	Restated 2013 R'000
Insurance premium revenue		**1 023 188**	1 171 378
Insurance premium revenue ceded to reinsurers		**(562 376)**	(573 924)
Net insurance premium revenue	16	**460 812**	597 454
Investment income	17	**61 524**	54 084
Reinsurance commission		**157 956**	143 317
Net realised gains on fair value through profit or loss financial assets		**23 675**	9 471
Other operating income	18	**1 794**	12 845
Other income		**244 949**	219 717
Insurance claims and loss adjustment expenses		**(483 508)**	(621 565)
Insurance claims and loss adjustment expenses recovered		**265 471**	358 735
Net insurance claims and loss adjustment expenses	19	**(218 037)**	(262 830)
Expenses for the acquisition of insurance contracts		**(235 997)**	(257 818)
Expenses for marketing and administration		**(4 798)**	(4 810)
Other operating expenses	20	**(198 439)**	(194 422)
Expenses		**(439 234)**	(457 050)
Results of operating activities		**48 490**	97 291
Taxation expense	21	**(8 662)**	(21 207)
Profit after tax		**39 828**	76 084
Other comprehensive income		**-**	-
Total comprehensive income		**39 828**	76 084

LOMBARD INSURANCE COMPANY LIMITED
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STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2014

	Number of ordinary shares	Share capital R'000	Share premium R'000	Share capital and share premium R'000	Available-for-sale reserve R'000	Capital contribution reserve R'000	Retained earnings R'000	Total equity R'000
Balance at 30 June 2012 (as previously reported)	4 665 500	47	134 403	134 450	55 697	2 000	251 788	443 935
Restatement (note 29)	-	-	-	-	(55 697)	-	55 697	-
Balance at 30 June 2012 restated	4 665 500	47	134 403	134 450	-	2 000	307 485	443 935
Total comprehensive income (restated)	-	-	-	-	-	-	76 084	76 084
Dividends paid	-	-	-	-	-	-	(26 958)	(26 958)
Balance at 30 June 2013 restated	**4 665 500**	**47**	**134 403**	**134 450**	**-**	**2 000**	**356 611**	**493 061**
Share issue	**1**	*****	**54 600**	**54 600**	**-**	**-**	**-**	**54 600**
Total comprehensive income	-	-	-	-	-	-	**39 828**	**39 828**
Dividends paid	-	-	-	-	-	-	**(17 188)**	**(17 188)**
Balance at 30 June 2014	**4 665 501**	**47**	**189 003**	**189 050**	**-**	**2 000**	**379 251**	**570 301**

*denotes items less than R 1 000

LOMBARD INSURANCE COMPANY LIMITED
Registration number: 1990/001253/06

STATEMENT OF CASH FLOWS
for the year ended 30 June 2014

	Notes	**2014** **R'000**	Restated 2013 R'000
Cash flow from operating activities			
Cash (utilised)/ generated by operations	22.1	**(141 914)**	155 924
Interest received		**43 107**	26 788
Dividends received		**3 413**	3 621
Taxation paid	22.2	**(8 576)**	(16 504)
Net cash (utilised)/ generated by operating activities		**(103 970)**	169 829
Cash flow from investing activities			
Acquisition of financial assets		**(49 848)**	(73 125)
Acquisition of intangible assets		**(1 418)**	(8 880)
Acquisition of property and equipment		**(1 232)**	(3 052)
Proceeds on disposal of financial assets		**96 268**	61 964
Proceeds on disposal of investment in subsidiary		**-**	292
Proceeds on disposal of property and equipment		**60**	14
Net cash generated/ (utilised) by investing activities		**43 830**	(22 787)
Cash flow from financing activities			
Dividends paid to the shareholders of the Company		**(17 188)**	(26 958)
Share issue		**54 600**	-
Net cash generated/ (utilised) by financing activities		**37 412**	(26 958)
Net (decrease)/ increase in cash and cash equivalents		**(22 728)**	120 084
Cash and cash equivalents at the beginning of the year		**386 369**	266 285
Cash and cash equivalents at the end of the year	11	**363 641**	386 369

1. GENERAL INFORMATION

The Company underwrites non-life insurance risks, such as those associated with guarantee, liability, marine, motor, property and engineering. Most of its business is administered through the use of underwriting managers.

These are listed below:

Commercial Crime Concepts Proprietary Limited;
Consort Technical Underwriting Managers Proprietary Limited;
Deposit Advantage Proprietary Limited;
Freight Club Group of entities;
HCV Underwriting Managers Proprietary Limited;
Horizon Underwriting Managers Proprietary Limited;
Leppard and Associates Proprietary Limited; and
S.M.A.R.T Proprietary Limited.

The Company does business in sub-Saharan Africa and Australia.

The Company is a public company incorporated and domiciled in the Republic of South Africa.

2. ACCOUNTING POLICIES

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

2.1 Basis of presentation

The annual financial statements are prepared in accordance with IFRS as defined by IAS 1 Presentation of Financial Statements. They have been prepared on the going concern principle using the historical costs basis, certain financial instruments, which are carried at fair value.

The preparation of the annual financial statements in conformity with IFRS requires the use of certain accounting estimates and judgements by management in the application of accounting policies. The estimates are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Areas where assumptions and estimates are significant to the annual financial statements are disclosed in note 3.

The accounting policies set out below have been applied consistently to all years presented in these annual financial statements, with the exception of the restatement as disclosed in note 29.

All amounts in these annual financial statements are shown in Rand, rounded to the nearest thousand, unless otherwise stated.

2. ACCOUNTING POLICIES (continued)

2.2 Amendments and International Financial Reporting Standards effective for the first time for the financial year ended 30 June 2014

The following amendments and International Financial Reporting Standards are mandatory for Company's accounting period and have been adopted where applicable:

- FRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities. IAS 32 Financial Instruments: Presentation requires offsetting of financial assets and financial liabilities where certain criteria are met. The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements for financial instruments under enforceable master netting arrangement or similar arrangement. This standard had no impact on the Company's financial statements.

- IFRS 10 Consolidated financial statements: IFRS 10 replaces the part of IAS 27 Consolidated and Separate Financial Statements that deals with consolidated financial statements and SIC 12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control. This standard had no impact on the Company's financial statements.

- IFRS 12 Disclosure of Interests in Other Entities: IFRS 12 is a new disclosure Standard that sets out what entities need to disclose in their annual financial statements when they have interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities (broadly the same as special purpose entities under SIC 12). IFRS 12 aims to provide users of financial statements with information that helps evaluate the nature of and risks associated with the reporting entity's interests in other entities and the effects of those interests on its financial statements. This standard had no impact on the Company's financial statements.

- IFRS 13 Fair Value Measurement: IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard resulted in certain additional information being provided where applicable.

- IAS 1 Presentation of Financial Statements: The amendments to IAS 1 clarify that an entity is required to present a statement of financial position as at the beginning of the preceding period (third statement of financial position) only when the retrospective application of an accounting policy, restatement or reclassification has a material effect on the information in the third statement of financial position and that the related notes are not required to accompany the third statement of financial position. The standard resulted in certain additional information being provided where applicable.

- IAS 19 Employee Benefits (as revised in 2011): IAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. This standard had no impact on the Company's financial statements.

2. ACCOUNTING POLICIES (continued)

2.3 International Financial Reporting Standards and amendments issued but not yet effective for the financial year ended 30 June 2014

At the date of authorisation of these financial statements, the following standards, amendments and interpretations, which are relevant to the Company were in issue but not yet effective, and have not been adopted early in the annual financial statements. The adoption of these standards in future financial reporting periods may have a significant impact on the Company's reported results, financial position or cash flow.

- IFRS 9 Financial Instruments (Effective for annual periods beginning on or after 1 January 2015): IFRS 9 is a new Standard for financial instruments that is ultimately intended to replace IAS 39 in its entirety. The Company is in the process of assessing the impact of this new standard on the Company's financial statements.

- IAS 32 Offsetting Financial Assets and Financial Liabilities (Effective for accounting periods beginning on after 1 January 2014): The amendments to IAS 32 clarify existing application issues relating to the offsetting requirements. These amendments are already applied by the Company.

- IFRS 10, IFRS 12 and IAS 27 Investment Entities (Effective for accounting periods beginning on or after 1 January 2014): The amendments to IFRS 10 introduce an exception from the requirement to consolidate subsidiaries for an investment entity. IFRS 12 and IAS 27 have been made to introduce new disclosure requirements for investment entities. The amendments will have no impact on the Company's financial statements.

2.4 Interpretations of International Financial Reporting Standards issued but not yet effective for the financial year ended 30 June 2014

There are no interpretations of International Financial Reporting Standards issued but not yet effective for the 30 June 2014 year end.

2.5 Insurance contracts

Classification of insurance contracts

The contracts under which the policyholder has transferred significant insurance risk to the Company are classified as insurance contracts and accounted for as such. The contracts under which the policyholder has not transferred significant insurance risk to the Company are classified as financial instruments.

Premiums

Premium revenue comprises the premiums on insurance contracts entered into or renewed during the year and is recognised on invoice date. This is usually the same date as the policy inception. Premiums are earned from the date of attachment of risk, over the period of the indemnity period, based on the pattern of risks underwritten. Gross premiums exclude Value Added Tax.

2. ACCOUNTING POLICIES (continued)

2.5 Insurance contracts (continued)

Acquisition costs

Expenses for the acquisition of insurance contracts represent commission paid and are expensed as incurred in line with premium earned.

Unearned premium provision

Premiums are earned from the date the risk attaches over the indemnity period. The provision for unearned premium comprises the proportion of the gross premiums written in the current year which relates to the risks that have not expired by the end of the financial year and estimated to be earned in the following or subsequent financial years. It is calculated separately for each insurance contract and is earned on the time apportionment basis.

Claims arising from insurance contracts

Claims incurred in respect of insurance contracts consist of claims and claims handling expenses paid during the financial year, together with the movement in provisions for outstanding claims. Outstanding claims comprise provisions for the estimate of the ultimate cost of settling the claims reported but unpaid at the statement of financial position date together with claims arising from insured events that occurred before the close of the accounting period, but which had not been reported to the Company by that date. Anticipated reinsurance recoveries are disclosed separately as reinsurance assets. The Company has appointed a number of administrators who assess claims on an individual basis, upon notification of a potential claim. Claim provisions are raised based on these assessments. Provision for incurred but not reported (IBNR) claims is determined based on a set percentage of net earned premium.

Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts to and from agents, brokers and insurance contract holders. If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount accordingly and recognises the impairment loss in the statement of comprehensive income. The Company gathers the objective evidence that an insurance receivable is impaired by means of constant analysis of the financial position of the debtor.

Reinsurance contracts

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 classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet the classification requirements are classified as financial instruments.

2. ACCOUNTING POLICIES (continued)

2.5 Insurance contracts (continued)

Reinsurance contracts (continued)

The benefits to which the Company is entitled to 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 receivables that are dependent on the expected claims and benefits arising under the related reinsurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily payable for reinsurance contracts and are recognised as an expense when incurred.

The Company assesses its reinsurance assets for impairment on a quarterly basis. If there is any objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises the impairment loss in the statement of comprehensive income. Reinsurance contracts are renewed annually and an analysis of the Company's reinsurance requirements are done together with evaluations of each individual reinsurer with whom the Company intends entering a reinsurance contract.

Reinsurance commission received on premiums ceded to reinsurers is recognised on the time apportionment basis, in line with the premiums to which it relates. For this purpose a deferred revenue liability is created.

Liability adequacy test

At statement of financial position date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses are used. Any deficiency is immediately charged to the statement of comprehensive income.

2.6 Property and equipment

Property and equipment is stated at historical cost less accumulated depreciation and impairment losses.

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item, and the cost of the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

2. ACCOUNTING POLICIES (continued)

2.6 Property and equipment (continued)

Depreciation is calculated on the difference between the cost and residual value of the asset and is charged to the statement of comprehensive income over the estimated useful lives of each significant part of an item of equipment, using the straight-line basis. The estimated useful lives are as follows:

Aircraft	4 years
Computer equipment	3 years
Office furniture	10 years
Vehicles	5 years

The assets' residual values and useful lives are reviewed at each statement of financial position date and adjusted if appropriate.

An asset's carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These are included in the statement of comprehensive income.

The carrying amount of the company's equipment is assessed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated. The recoverable amount is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised in the statement of comprehensive income whenever the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the expected future cash flows from the asset are discounted to their present value using pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

2.7 Intangible assets

i) Computer software

Costs that are directly associated with the production of identifiable and unique software application controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will probably generate future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

2. ACCOUNTING POLICIES (continued)

2.7 Intangible assets (continued)

i) Computer software (continued)

Direct costs include the external software development team's costs. Computer software acquired as part of the software development project is capitalised on the basis of the acquisition costs and related costs to bring it to use. All development costs not meeting the recognition criteria and costs for maintaining computer software programs are recognised as an expense as incurred.

Computer software development costs recognised as assets are amortised, from the date the asset is brought into use, using the straight-line method over their useful lives, not exceeding a period of 5 years. The useful lives of the assets are reviewed at each statement of financial position date and adjusted if appropriate.

Computer software is tested for impairment annually by comparing its carrying amount with its recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use (which is defined as the present value of the future cash flows expected to be derived from an asset). An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

2.8 Impairment of assets

Assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the statement of comprehensive income for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

2.9 Financial assets

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, financial assets held-to-maturity, loans and receivables and cash and cash equivalents. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets in which there is evidence of short term profit-taking, or if so designated by management in terms of the Company's long-term investment strategy.

Level 1 - Where inputs are determined directly by reference to published price quotations (unadjusted) in an active market for identical liabilities.

Level 2 - Where inputs other than published price quotations included in level 1 that are observable for assets, either directly (i.e. as prices) or indirectly (i.e. derived from prices) are used.

Level 3 - Where the fair values are determined using a valuation technique based on assumptions that are not supported by observable market data.

2. ACCOUNTING POLICIES (continued)

2.9 Financial assets (continued)

i) Financial assets at fair value through profit or loss

Financial assets, other than those held for trading, are classified in this category if they meet one or more of the following criteria set out below at initial recognition, and are so designated by management. The Company may only designate financial instruments at fair value through profit or loss when the designation results in more relevant information, as follows:

- it eliminates or significantly reduces valuation or recognition inconsistencies that would arise from measuring financial assets or financial liabilities, or are recognising gains or losses on them. On different bases. Under this criterion, the main classes of financial instruments designated by the Company are:
    - financial assets backing insurance and investment contracts, because the related liabilities (i.e.. The insurance and investment contracts) have cash flows that are contractually based on the performance of the assets or the related liabilities. Fair valuing the assets through profit or loss significantly reduces the recognition of inconsistencies that would arise if the financial assets were classified as available-for-sale ; and
    - financial assets, financial liabilities and structured investments, where doing so significantly reduces measurement inconsistencies that would arise if the related derivatives were treated as held for trading and the underlying financial instruments were carried at amortised cost.
- when groups of financial assets, financial liabilities or combinations thereof are managed, and their performance evaluated, on fair value basis in accordance with a documented risk management or investment strategy, and where information about the groups of financial instruments is reported to management on that basis. Under this criterion, certain private equity and other reinvestments are the main class of financial instruments so designated. The Company has documented risk management and investment strategies designed to manage such assets at fair value, taking into consideration the relationship of assets to liabilities in a way that mitigates market risks.
- The Company can also designate a financial instrument at fair value through profit or loss if it relates to a contract containing one or more embedded derivatives that significantly modify the cash flows resulting from that contract.

.

Measurement is initially at fair value, with transaction costs taken directly to the profit and loss component of the statement of comprehensive income. Subsequent to initial recognition, the fair value is re-measured, and gains and losses from changes therein are recognised in 'Net income from financial assets held at fair value through profit or loss'.

The fair values of listed investments are calculated by reference to Stock Exchange bid prices at the close of business on the statement of financial position date and unlisted investments at director’s valuation based on amounts derived from cash flow models.

2. ACCOUNTING POLICIES (continued)

2.9 Financial assets (continued)

ii) Financial assets held-to-maturity

Investments with a fixed maturity that management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets, except for maturities within twelve months from the statement of financial position date, which are classified as current assets.

Purchases and sales of investments are recognised on the trade date, which is the date that the Company commits to purchase or sell the asset. Cost of purchase includes transaction costs. Held-to-maturity investments are carried at amortised cost using the effective yield method.

iii) Loans and receivables

Loans and receivables, including insurance receivables, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at cost, which is the fair value of the consideration given. Subsequently receivables are measured at amortised cost. Impairment is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off in the statement of comprehensive income during the year as they are identified.

iv) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

2.10 Investment income

i) Interest income

Interest income from financial assets is recognised using the effective interest method.

ii) Dividend income

Dividend income from financial assets is recognised on the last day to register.

2.11 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of income tax.

2. ACCOUNTING POLICIES (continued)

2.12 Foreign currency translation

i) Functional and presentation currency

Items included in the annual financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency).

ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

2.13 Employee benefits

i) Provident fund

The Company operates a defined contribution provident fund. Once the contributions have been paid, the Company has no further payment obligations. The regular contributions constitute net periodic costs for the year in which they are due and as such are included in staff costs.

ii) Profit-sharing and bonus plans

The Company recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders.

iii) Short-term employee benefits

The provision for employee entitlement to annual leave represents the amount which the Company has a present obligation to pay, as a result of an employee's services provided up to the statement of financial position date. The provision has been calculated at undiscounted amounts based on current salary rates.

2.14 Income taxes

Income tax for the year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except where it relates to items recognised directly in equity, in which case the related income tax is also recognised in equity.

Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using tax rates enacted at the statement of financial position date.

Government notice number 1073, issued by National Treasury on 20 December 2011 introduced a withholding tax on dividends into South Africa with effect from 1 April 2012 in lieu of Secondary Tax on Companies (STC). Lombard Insurance Company Limited is exempt from paying withholding tax on ordinary share dividends as Lombard Insurance Company Limited is a company resident in the Republic of South Africa. Accordingly, no withholding tax should be deducted from dividends payable by the issuer to Lomhold Proprietary Limited.

2. ACCOUNTING POLICIES (continued)

2.15 Trade and other payables

Trade payables are initially recognised at cost, which is the fair value of the consideration received after taking into account transaction costs and subsequently measured at amortised cost.

2.16 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

2.17 Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the annual financial statements. Deferred tax assets and liabilities are not discounted. If the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss, it is not accounted for. Deferred 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 tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.18 Offsetting financial instruments

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

2.19 Other operating income

Other operating income comprises those items of income that are derived other than from the concluding of insurance contracts but excludes investment income.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Preparing annual financial statements in accordance with IFRS requires that management make use of estimates, assumptions and judgements that affect the application of the accounting principles and reported amounts of assets, liabilities and contingent liabilities at the statement of financial position date as well as the reported income and expenses for the year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although estimates are based on management's best knowledge, experience, insight and judgement of current facts at the statement of financial position date, the actual outcome may deviate from these estimates.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

3.1 Insurance liabilities under short term insurance contracts (continued)

The estimation of provision for outstanding claims is the most critical accounting estimate. The estimates for reported and unreported losses are continually reviewed and updated and adjustments are reflected in income. The estimates are based on maximum probable losses payable on claims which are likely to be paid.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK

4.1 Risk management framework

Risk management is an on-going exercise involving both senior management and is the ultimate responsibility of the Board of Directors. The Risk Management Strategy (RMS) provides stakeholders in the Company with a framework to understand, evaluate, analyse and manage the on-going risk applicable to the Company's operation.

The Company's RMS reflects its position as an underwriter of low frequency, high severity commercial credit and surety insurance lines and that of high frequency, low severity on the more general insurance lines. As the business grows so the RMS will evolve and continue to be revised to reflect the changing nature of the portfolio.

Senior management is responsible for identifying material risks before or as they emerge. The Company employs the services of a Risk Officer to assist the Managing Director and the Board to identify and monitor risk. The Company holds quarterly risk management meetings, chaired by a non-executive Director, coordinated by the Managing Director involving the senior management team to review its risk profile.

The Managing Director, Managers of the Divisions and the Risk Officer are responsible for the evaluation of emerging risks and for providing appropriate recommendation and implementation of required action, and where required, amendment of the RMS.

The Managing Director will advise the Board of any changes to the RMS. The Board is responsible for approving RMS changes and reviews the RMS on at least an annual basis. Management has identified what it considers to be some of the more significant exposures to risk and regular reports on these risks are presented to the Board.

The Company has identified the need to establish a comprehensive enterprise risk management framework that will be designed to identify, assess, measure and manage exposure to risk. Its primary objective will be to protect the Company from events that hinder the sustainable achievement of the Company's performance objectives, including failing to exploit opportunities.

The following elements of the Company's risk management framework include:

- The Board's responsibility for risk management and their opinion on the effectiveness of the process;
- The risk strategy, key principles and policy for the overall management and governance of enterprise risk management including roles, responsibilities and reporting structures; and
- The approach followed to build an enterprise view of the risks faced by the Company.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

4.2 Terms and conditions of contracts

The Company issues two distinct types of insurance contracts. The first type of contract is a guarantee policy, wherein the Company undertakes to guarantee to a beneficiary the performance of a specific contract in terms of an agreement. This is in the form of monetary compensation in the event of failure to deliver in terms of the contract, but the contract may have the option to make specific delivery. Two types of cover are offered in this regard, construction performance and related bonds; and financial or payment bonds.

The other type of policy issued is in the form of trade credit insurance for policyholders who provide goods or services on credit to commercial undertakings. Under this policy the Company undertakes to indemnify the policyholder for loss of collection on debtors that default on payment.

In both of these types of contract, the event trigger for a claim is the financial failure of the business undertaking to which the contract relates. For as long as the business is financially solvent, it is in a position to make specific performance, and the policyholder is not entitled to claim under the terms of the contract.

The Company underwrites several other classes of insurance, through partnership agreements with Underwriting Management Agencies ("UMA"). These include professional indemnity cover, motor vehicle and related cover and contractor’s all risk cover in the engineering sector as well as fire and marine. In terms of the partnership agreements the UMA's are entitled to an administration fee and a percentage profit share in return for underwriting and policy administration services.

4.3 Insurance risk

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

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

The Company’s main business can be broadly split into the following categories; guarantees and bonds, credit insurance business, underwriting management agencies, and reinsurance inwards. The first three categories are dealt with under Credit, surety and other insurance risk below and the reinsurance inwards under Retrocession insurance risks below.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

4.3 Insurance risk (continued)

The Company provides policies of guarantee in the construction sector, deferred payment bonds to the Department of Customs & Excise, trade credit insurance for both local and export debtor default as well as a variety of products underwritten through strategic partnerships with Underwriting Management Agencies. The business generated by the UMA's includes professional indemnity cover, motor vehicle and related cover, contractor's all risks within the engineering sector and fire and marine insurance. It is the Company's policy to enter into partnership agreements with UMA's that share the Company's values, and has similar approaches to managing risks.

Events giving rise to a claim usually occurs with the insolvency and liquidation of the contractor, freight forwarder/importer or buyer, which results in the inability to perform in terms of the contract or obligation. The claim or default will be notified to the Company in terms of the specific policy conditions.

The Company's business can be classified as short to medium-term business, due to the fact that the Company may only be notified of a claim from six months or longer after the Company has accepted the risk. The average period of a guarantee is generally eighteen months. Trade credit limits are issued for outstanding debtors of up to three months.

Credit, surety and other insurance risks

(a) Frequency and severity of claims

The frequency and severity of claims can be affected by several factors. The most significant are the size of the market in which the Company does business and the size of the contracts or debtors. By increasing penetration of the market, newer and smaller clients are covered, which could result in more frequency of claims, and by covering larger risks for established clients, the severity could increase. Other factors influencing frequency and severity of claims include: economy (high interest rates lead to higher insolvencies, high inflation leads to increased costs, a slowing of the economy generally results in lower sales and poor financial results), competition (resulting in price cutting without the relevant decrease in costs) and resources (both in the form of skilled labour and materials to complete contracts). The nature of claims and the longer tail of business make the calculation of liabilities a critical element in the credit and surety insurer's accounting records.

The Company manages these risks through its underwriting strategy, reinsurance arrangements and proactive claims handling. Limits are set according to mandates approved by the Board, as recommended by management. The mandate sets out how many underwriters must authorise the cover limit. The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and that alternative loss mitigation processes are employed.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

4.3 Insurance risk (continued)

Credit, surety and other insurance risks (continued)

(a) Frequency and severity of claims (continued)

Underwriting limits are in place to enforce proper segregation of authority by delegating authority in accordance with seniority and experience of staff and following risk selection criteria. These limits are set after analysis of the annual financial statements of a prospective client and assessing the financial strength and operational capacity relative to the level of cover sought according to predefined criteria. The prospective client must be solvent and there must be sufficient motivation that they will be able to be profitable in the future. Reviews are performed at least annually. Where a deterioration of the client's financial position is discovered, more regular reviews are performed, and if necessary the facility is suspended.

In accordance with the terms of the credit insurance policy, when "catastrophe" cover is bought, deductibles are imposed in the form of an excess. The Company has the right to reject certain risks and relies on the interpretation of the law when assessing the legitimacy of a claim. Insurance contracts also entitle the Company to pursue third parties for recovery of some or all costs incurred in settling a claim. Furthermore, the Company's strategy limits the total exposure to any one client according to limits and sub-limits in accordance with the financial substance of the client. The Company also has reinsurance quota share and excess of loss agreements in place to manage the net exposure in relation to its own equity capital. Reinsurance arrangements are reviewed annually and put in place after extensive analysis of the Company's capital requirements through the use of dynamic financial analysis, and internal models calculating the most probable loss situation. The excess of loss treaties limit the Company's net exposure in the case of large losses in order to protect shareholders' equity. Only reinsurers with a rating of A- or higher (local rating or international rating of parent company) are participants in the treaties. Currently 78.5% of the credit and surety risk goes to treaty participants with an A+ or higher rating. By spreading the ceded risk across several reinsurers, the risk of failure to recover from reinsurance agreements is reduced.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

4.3 Insurance risk (continued)

Credit, surety and other insurance risks (continued)

(a) Frequency and severity of claims (continued)

	2014		Restated 2013	
Reinsurer	**Reinsurer surety risk ceded %**	**Credit rating**	**Reinsurer surety risk ceded %**	**Credit rating**
Hannover Re Africa	**17.5**	**AA-**	17.5	A-(-)
SCOR Africa	**17.5**	**A+(+)**	17.5	A+
Swiss Re	**17.5**	**AA-**	17.5	AA-
Arch re (previously Ariel)	**10.5**	**A+**	10.5	A+
R & V Re	**10.5**	**AA-**	10.5	AA-
Atradius Re	**8.5**	**A**	8.5	A
Axis Re	**6.0**	**A+**	6.0	A+
National Borg	**-**		5.0	A-
Partner Re	**5.0**	**A+**	0	
Everest Re	**2.0**	**A+**	2.0	A+
Munich Re	**5.0**	**AA-**	5.0	A-(-)
Total	**100**		100	

The Company has developed expertise in claims handling. Engineers, quantity surveyors and lawyers are employed to ensure that contracts are professionally assessed and monitored during potential claim stages, and that any claims are made in strict accordance with the legal intent of the contract. This results in proactively mitigating loss by ensuring adequate resources are deployed to minimise claim settlements and in post-loss recovery maximisation.

The majority of insurance risk is concentrated in Southern Africa, with only pre-approved countries outside of South Africa being underwritten. Only clients with a South African base/head office are covered in outside territories, and the client's South African holding company stands surety for foreign subsidiaries.

By being a niche player, the Company is exposed to higher concentrations of risk. However, this risk is managed by following underwriting guidelines to limit the extent of exposure to any one debtor / company or industry. Past experience indicates that the larger risk exposures are generally more robust businesses and should have a lower probability of failure. The highest concentrations of exposure are in the construction and retail sectors. This risk is mitigated through careful selection of clients and the business they are in.

Risk to any one company is limited across all products, and is set according to internal limits and reinsurance agreements. Where limits in excess of these arrangements are required, the Company enters into facultative agreements with its panel of reinsurers.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

4.3 Insurance risk (continued)

Credit, surety and other insurance risks (continued)

(a) Frequency and severity of claims (continued)

Exposures are currently in the following industry sectors:

Industry sector	2014 % Exposure	Restated 2013 % Exposure
Engineering	**38**	28
Property	**1**	23
Manufacturing and retail	**21**	17
Liability	**15**	10
Construction	**15**	12
Motor	**3**	5
Freight	**2**	2
Marine	**2**	1
Mining	**3**	2
Total	**100**	100

The Company would consider that its most significant exposure would arise in the event of substantial bank rate increases. Highly geared companies are therefore identified, managed and monitored throughout financial periods.

There is limited scope to change premium rates on most of the guarantee business. Exposure to unexpected changes in trends can only be addressed at renewal, although credit insurance policies have a 30 day notice period. Policies issued for the term of a contract have a fixed premium rate.

(b) Sources of uncertainty in the estimation of future claim payments

Claims on credit and surety contracts are payable on a claims-occurrence basis. The Company is liable for all insured events that occurred during the term of the contract. However, termination of surety contracts is usually on the completion of the project. Due to surety contracts usually being issued for extended periods of time and for the liabilities of a third party, the claims are generally settled over a long period of time and consequently an element of the claims provision relates to incurred but not reported claims (IBNR).

There are several variables that effect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of surety bonds, such as the prolonged duration of contracts, their complexity, the salvage prospects, and the loss mitigation measures adopted by the Company in delivering in terms of the guarantee.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

4.3 Insurance risk (continued)

Credit, surety and other insurance risks (continued)

(b) Sources of uncertainty in the estimation of future claim payments (continued)

The estimated costs of the claims include direct expenses (mainly legal and professional) to be incurred in settling claims. Recoveries are only accounted for when received, and are not provided for in the estimation. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures, by attending meetings with the relevant parties and employing the services of experts in quantifying the expected losses. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for all contracts comprises a provision for IBNR, a provision for reported claims not yet paid, and a provision for unexpired risks, if applicable, at the statement of financial position date.

In calculating the estimated cost of unpaid claims that have been reported, the Company provides for the most likely cost of settling the claim against the default reported after considering all the facts and circumstances on hand, and provides for them on a case-by-case basis. Although the Company does utilise the services of attorneys in some of its claim settlement negotiation, there are no significant litigation or legislative risks.

The IBNR estimation is subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where information about the claim event is available. IBNR claims may not be apparent to the insured until sometime after the event that gave rise to the claim has occurred. IBNR is provided for based on a fixed percentage.

The provision has been compared with the recommendations included in the future Solvency Assessment and Management ("SAM") Regulation. At this stage no adjustments have been made in the annual financial statements in terms of SAM.

(c) Retrocession insurance risks

From time to time the Company accepts reinsurance inwards from other insurance companies. Usually this applies to types of risks that we would cover ourselves on a direct basis, namely credit and surety business, or business relating to this type of insurance. The Company has concluded agreements to accept reinsurance inwards in certain construction guarantees underwritten in Australia and Sweden.

4.4 Financial risk

The Company's activities expose it to a variety of financial risks, including the effects of changes in debt and equity markets, foreign currency exchange rates and interest rates. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

The Company does not engage in any derivative dealings, but manages foreign currency accounts in terms of approval from the South African Reserve Bank to support foreign insurance liabilities and invests excess liquidity in fixed interest rate instruments.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

4.4 Financial risk (continued)

The following tables reconcile the Statement of financial position to the classes and portfolio's used in the Company's risk management framework:

	2014	Restated 2013
	R'000	R'000
Financial & insurance assets		
Equity securities		
Fair value through profit or loss		
- listed securities	**86 978**	107 801
- unlisted securities	**97 893**	83 582
Debt instruments		
Fair value through profit or loss		
- unlisted debt instruments	**43 821**	39 880
Held-to-maturity		
- unlisted debt instruments	**38 097**	43 337
Receivables due from contract holders	**151 193**	152 181
Other loans and receivables	**458 867**	399 171
Reinsurance assets	**390 170**	429 060
Cash and cash equivalents	**363 641**	386 369
Total financial and insurance assets	**1 630 660**	1 641 381
Financial insurance liabilities		
Short term insurance contracts	**805 397**	790 066
Trade and other payables	**252 998**	346 961
Total financial and insurance liabilities	**1 058 395**	1 137 027

	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
2014	**R'000**	**R'000**	**R'000**	**R'000**
Listed - ordinary shares	**86 978**	**-**	**-**	**86 978**
Listed - preference shares	**-**	**-**	**-**	**-**
Unlisted - ordinary shares	**-**	**97 893**	**-**	**97 893**
Unlisted - preference shares	**-**	**10 000**	**33 821**	**43 821**
Unlisted - debt instruments	**-**	**38 097**	**-**	**38 097**
	86 978	**145 990**	**33 821**	**266 789**
2013 Restated				
Listed - ordinary shares	91 077	-	-	91 077
Listed - preference shares	16 724	-	-	16 724
Unlisted - ordinary shares	-	83 582	-	83 582
Unlisted - preference shares	-	10 000	29 880	39 880
Unlisted - debt instruments	-	43 337	-	43 337
	107 801	136 919	29 880	274 600

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

4.4 Financial risk (continued)

4.4.1 Credit risk

Concentrations of credit risk with respect to amounts due from agents are limited due to the Company's large number of customers, who are dispersed throughout Southern Africa and have a variety of principals and end markets in which they operate. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Company's trade receivables. The aggregate exposure to credit risk is R1 254 326 000 (2013: R 1 173 085 000). Only reinsurers with at least an A- rating are used to participate on treaties, thereby reducing the credit risk exposure.

The Company is exposed to credit risk in the following areas:

- investments and cash;
- amounts due from contract holders;
- amounts due from intermediaries; and
- amounts due from reinsurers.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

4.4 Financial risk (continued)

4.4.1 Credit risk (continued)

The following table provides information with regards the Company's aggregated credit risk exposure for financial assets with external credit ratings as
at 30 June 2014:

	A-	AA-	A	AA	A+	AA+	AAA	Not rated	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
2014									
Debt instruments									
Fair value through profit or loss									
- unlisted debt instruments	-	-	-	10 000	-	-	-	33 821	43 821
Held-to-maturity									
- unlisted debt instruments	-	-	-	-	-	-	-	38 097	38 097
Receivables due from contract holders	-	-	-	-	-	-	-	151 193	151 193
Other loans and receivables	-	-	-	-	-	-	-	458 867	458 867
Reinsurance assets	-	-	-	-	-	-	-	390 170	390 170
Cash and cash equivalents	-	13 041	72 564	263 527	-	-	14 477	32	363 641

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

4.4 Financial risk (continued)

4.4.1 Credit risk (continued)

The following table provides information with regards the Company's aggregated credit risk exposure for financial assets with external credit ratings as
at 30 June 2013 (continued):

	A-	AA-	A	AA	AA+	AAA	Not rated	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
2013 Restated								
Debt instruments								
Available-for-sale								
- unlisted debt instruments	-	-	10 000	-	-	-	29 880	39 880
Held-to-maturity								
- unlisted debt instruments	-	-	-	-	-	-	43 337	43 337
Receivables due from contract holders	-	-	-	-	-	-	152 181	152 181
Other loans and receivables	-	-	-	-	-	-	399 171	399 171
Reinsurance assets	-	-	-	-	-	-	429 060	429 060
Cash and cash equivalents	8 439	15 942	-	-	66 172	295 750	66	386 369

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

4.4 Financial risk (continued)

4.4.1 Credit risk (continued)

The Company has no other significant concentrations of credit risk, other than policies issued in the normal course of business. These are managed in terms of strict mandates as negotiated with reinsurance programmes.

Impairment history

The following table provides information regarding the carrying value of financial assets that have been impaired and the ageing of financial assets that are past due but not impaired.

	Neither past due nor impaired	Past due but not impaired				Impaired assets	Impairment	Carrying Value
		30 days	60 days	90 days	120 days			
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
As at 30 June 2014:								
Receivables due from contract holders	**95 917**	**24 191**	**9 738**	**10 464**	**11 137**	**10 196**	**(10 196)**	**151 447**
Other loans and receivables	**458 867**	**-**	**-**	**-**	**-**	**-**	**-**	**458 867**
Total assets	**554 784**	**24 191**	**9 738**	**10 464**	**11 137**	**10 196**	**(10 196)**	**610 314**
As at 30 June 2013 restated:								
Receivables due from contract holders	74 828	28 791	18 543	16 986	3 042	12 204	(12 204)	142 190
Other loans and receivables	399 171	-	-	-	-	3 110	(3 110)	399 171
Total assets	473 999	28 791	18 543	16 986	3 042	15 314	(15 314)	541 361

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

4.4 Financial risk (continued)

4.4.2 Foreign exchange risk

Certain foreign insurance exposures are capped at the ruling exchange rate at the time of issuing the policy, and all foreign policies are reinsured in the same currency in which they are underwritten.

The following tables provide information on the Company's financial assets and liabilities denominated in foreign currencies as at 30 June 2014:

	USD	EURO	GBP	BWP	NAD	AUD	Other	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
As at 30 June 2014								
Receivables due from contract holders	**9 045**	**-**	**-**	**573**	**527**	**12 039**	**10 408**	**32 592**
Cash and cash equivalents	**207**	**11**	**7**	**-**	**-**	**-**	**-**	**225**
Total	**9 252**	**11**	**7**	**573**	**527**	**12 039**	**10 408**	**32 817**
Exchange rates	**10.58**	**14.45**	**18.01**	**1.18**	**1**	**9.96**		
As at 30 June 2013 restated								
Receivables due from contract holders	5 365	-	-	1 726	2 203	24 775	471	34 540
Cash and cash equivalents	-	11	6	-	-	-	-	17
Total	5 365	11	6	1 726	2 203	24 775	471	34 557
Exchange rates	9.89	13.13	15.05	1.16	1	9.05		

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

4.4 Financial risk (continued)

4.4.2 Foreign exchange risk (continued)

In order to produce a sensitivity analysis on foreign exchange fluctuations, a 10% movement either way was applied based on the assumption that currency markets would remain relatively stable. A 10% increase or decrease in exchange rates would have the following effect on the Company's financial assets:

	2014	Restated 2013
	R'000	R'000
10% Increase	**8 415**	2 919
10% Decrease	**(8 415)**	(2 919)

4.4.3 Asset / liability management

A distinction is drawn between insurance and shareholders' funds and the following strategies adopted for each:

The investment philosophy as pertaining to policyholder funds is driven by liquidity considerations and an emphasis on capital preservation. Funds are predominantly invested in cash and fixed interest bearing investments. Shareholder funds are invested in a broader spread of investments, including equities, reflecting the more stable nature of the fund pool and the need for strong, long-term returns while maintaining operational capacity at all times. The extent of investment in equities as expressed as a ratio of shareholder's funds as determined by the Board from time to time, taking into consideration solvency issues and shareholder expectations.

4.4.4 Interest rate risk

The Company's income and operating cash flows are dependent on changes in market interest rates due to the significant cash or near cash investments. The Company policy is to maintain 35% of these investments in fixed interest rate instruments. The balance of the investment portfolio is held in listed equities and managed by independent investment portfolio managers. The Company does not have any borrowings due to the fact that most of the Group's debt securities are in fixed rate financial instruments, as such, the Company's exposure to interest rate risk is nominal.

A 1% increase or decrease in interest rates would have the following result on the Company's income (based on the average effective interest rate of 3.8% (2013: 2.8%) received during the year under review):

	2014	Restated 2013
	R'000	R'000
1% Increase	**4 053**	3 263
1% Decrease	**(4 053)**	(3 263)

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

4.4 Financial risk (continued)

4.4.4 Interest rate risk (continued)

Insurance contracts are not directly sensitive to the level of market interest rates, as they are for fixed limits. The Company has matched the insurance liabilities with a portfolio of cash and fixed interest bearing investments.

4.4.5 Price risk

The Company is exposed to price risk on its equity and debt security portfolios. To minimise this risk these portfolios are managed by investment managers in terms of strict mandates. The terms of these mandates would include the need for significant diversification across companies and industries within the equity portfolios.

Assuming equity markets remain relatively stable, the following table illustrates the effects of price changes on the equity portfolio:

	2014	Restated 2013
	R'000	R'000
Fair value of listed equities	**86 978**	107 801
10% Increase	**95 676**	118 582
10% Decrease	**(78 280)**	(97 021)

4.4.6 Assumption risk

There is a risk that the assumptions used in deriving rates could be incorrect, thereby resulting in either over-priced or under-priced products. The Company does not, however, have much control over the price of its products due to competitive market forces. To minimise this risk, full underwriting is performed for each client before policies are issued. In this way the risk of assuming risk that is higher than the expected loss is reduced, as the most probable loss is calculated on each client. Rather than "price" high-risk cover at higher rates, higher than acceptable risk cover is declined. Where the risk is calculated as being higher than normal, collateral or security is taken in order to increase any potential recovery.

4.4.7 Expense risk

Expense risk is the risk that the actual expenses are greater than expected. Factors impacting this risk could be a stagnation or reduction in new business volumes (making it difficult to cover fixed expenses), or an unexpected sudden increase in expenses. This risk is managed through the budgeting process, by monitoring costs by division and the implementation of efficiency strategies when required.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

4.4 Financial risk (continued)

4.4.8 Legal risk

The contracts written by the Company do involve a significant "legal" content, as each contract is specifically entered into to suit the client's requirements. Each of the types of guarantees issued are based on a set structure for the terms and conditions, which have been drafted by lawyers and tested by the courts over the years. To provide for any possible risk that a dispute may arise resulting in court ruling against the Company, all reported claims are provided for at best estimate.

4.4.9 Reputation risk

Although the Company has maintained a low profile in the market place, any negative publicity could have a serious impact on business. To manage this risk the Company has developed a strong culture for openness, honesty and integrity. In all its dealings with clients the Company strives to resolve disputes according to what is considered fair and correct in law. For this purpose the services of engineering and legal professionals are used in high value claims.

The Company is also a member of relevant industry forums and actively attends meetings and interest groups to ensure that it is kept up to date with current developments in the market it serves. It also plays a part in discussion on future industry regulation and market initiatives.

4.4.10 Liquidity risk

The Company is exposed to daily calls on its available cash resources mainly from claims arising from short-term contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. Due to the unforeseen nature of claim payment requirements, the Company keeps at least 35% of its investments in cash or near cash instruments. Cash flow forecasts are prepared annually and updated monthly to ensure that adequate resources are available to meet all obligations.

4.4.11 Product and pricing risk

The competition in the credit market is very strong with the result that prices quoted are in a narrow range and determined by market forces. The Company has tried to develop alternative products that do not compete directly in this market and thereby reduce competitive pricing. Each policyholder is assessed and depending on its own risk management systems in operation, a price is negotiated. The debtors covered by the policy are underwritten to establish whether they are acceptable risks, and if so, are issued with limits in accordance with the policyholders' requirements and the Company's appetite for the level of exposure.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

4.4 Financial risk (continued)

4.4.11 Product and pricing risk (continued)

The surety business individually underwrites each risk and depending on the assessment, a rate is quoted. The major banks in South Africa are the main competitors in this market and so the price is always influenced by what rates the banks charge, which provides some assurance of independent risk assessment and price determination.

In all cases, rather than increase the rates to cover higher than normal risks, cover is usually declined for unacceptably high risk exposures.

4.4.12 Operational risk

In line with pending changes to regulation in the insurance industry, the company is currently reviewing its approach to managing and reporting on operational risk. System based risk registers have been implemented in each of the divisions and partners, in order to record, monitor and report on identified risks and their respective controls. These registers form the basis of managing the operational risk in the Company, and a project is currently under way to ensure adequate documentation of all policies and procedures for internal control management are in place.

Ultimately the Board is responsible for ensuring that there is an effective risk management function that addresses all known risks in the Company. An enterprise risk management framework has been developed that sets out the manner in which risks are managed and the reporting requirements. A Solvency Assessment and Management ("SAM") Committee has been formed in addition to the Risk Committee, to specifically monitor progress on the SAM project.

The Risk Committee presents a quarterly report to the Audit Committee and Board, which includes the key risks identified in the Company. This process will continue to be developed to meet the changing environment both from a risk perspective as well as regulatory requirements and best practice.

4.4.13 Capital management

The Company's objectives when managing capital are:

- To comply with the insurance capital requirements by the regulators of the insurance markets, the Financial Services Board. The Company does not maintain a minimum threshold above the regulatory requirements, but does ensure that the capital is always adequate to write business in the Republic of South Africa,
- To safeguard the Company's ability to continue as a going concern so that it can provide returns for shareholders and benefits for the other stakeholders, and
- To provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.

5. PLANT AND EQUIPMENT

	Furniture and equipment R'000	Vehicles R'000	Total R'000
As at 30 June 2014			
Cost	**18 534**	**530**	**19 064**
Accumulated depreciation	**(13 398)**	**(458)**	**(13 856)**
	5 136	**72**	**5 208**
Year ended 30 June 2014			
Opening net book value	**6 232**	**107**	**6 339**
Additions	**1 232**	**-**	**1 232**
Disposals	**(60)**	**-**	**(60)**
Depreciation charge	**(2 268)**	**(35)**	**(2 303)**
Closing net book value	**5 136**	**72**	**5 208**
As at 30 June 2013			
Cost	17 414	530	17 944
Accumulated depreciation	(11 182)	(423)	(11 605)
	6 232	107	6 339
Year ended 30 June 2013			
Opening net book value	5 483	201	5 684
Additions	3 052	-	3 052
Disposals	(14)	-	(14)
Depreciation charge	(2 289)	(94)	(2 383)
Closing net book value	6 232	107	6 339

Depreciation expense has been included in other operating expenses (refer to note 20).

6. INTANGIBLE ASSETS

	Computer software R'000	Total R'000
As at 30 June 2014		
Cost	**39 936**	**39 936**
Accumulated amortisation	**(25 252)**	**(25 252)**
	14 684	**14 684**
Year ended 30 June 2014		
Opening net book value	**21 677**	**21 677**
Additions	**1 418**	**1 418**
Disposables and write offs	**(1 985)**	**(1 985)**
Amortisation	**(6 426)**	**(6 426)**
Closing net book value	**14 684**	**14 684**
As at 30 June 2013		
Cost	40 503	40 503
Accumulated amortisation	(18 826)	(18 826)
	21 677	21 677
Year ended 30 June 2013		
Opening net book value	19 251	19 251
Additions	8 880	8 880
Amortisation	(6 454)	(6 454)
Closing net book value	21 677	21 677

Amortisation expense has been included in other operating expenses (refer to note 20).

	2014	2013
	R'000	R'000

7. DEFERRED TAXATION

Deferred tax assets		
- provisions	**7 696**	-
- tax loss	**18 343**	10 982
Deferred tax asset at end of the year	**26 039**	10 982
Deferred tax liabilities		
- intangible assets	**(3 325)**	(3 774)
- plant and equipment	**(378)**	(425)
- provision for income	**(11 055)**	(15 846)
- unrealised gains in investments	**(19 285)**	(2 798)
- statutory reserves	**(11 437)**	-
Deferred tax liability at end of the year	**(45 480)**	(22 843)
Total net deferred tax account	**(19 441)**	(11 861)
The total movement on the net deferred account is as follows:		
Opening balance	**(11 861)**	(3 720)
Charge to statement of comprehensive income	**(7 580)**	(8 141)
Charge to other comprehensive income	**-**	-
Closing balance	**(19 441)**	(11 861)

7. DEFERRED TAXATION (continued)

The movement in the deferred tax assets and liabilities during the year is as follows:

(a) Deferred tax assets	**Provisions R'000**	**Tax loss R'000**	**Total R'000**
As at 30 June 2012 restated	11 363	-	11 363
Charged to the statement of comprehensive income	(381)	-	(381)
As at 30 June 2013 restated	10 982	-	10 982
Charged to the statement of comprehensive income	**(3 286)**	**18 343**	**15 057**
As at 30 June 2014	**7 696**	**18 343**	**26 039**

(b) Deferred tax liabilities	**Intangible assets R'000**	**Property and equipment R'000**	**Prepaid expenses R'000**	**Statutory reserves R'000**	**Unrealised gains on investments R'000**	**Total R'000**
As at 30 June 2012 restated	(2 215)	(101)	-	-	(12 767)	(15 083)
Charged to the statement of comprehensive income	(1 559)	(324)	(2 798)	-	(3 079)	(7 760)
As at 30 June 2013 restated	(3 774)	(425)	(2 798)	-	(15 846)	(22 843)
Charged to the statement of comprehensive income	**449**	**47**	**(8 257)**	**(11 437)**	**(3 439)**	**(22 637)**
As at 30 June 2014	**(3 325)**	**(378)**	**(11 055)**	**(11 437)**	**(19 285)**	**(45 480)**

8. FINANCIAL ASSETS

The Company's financial assets are summarised by measurement category in the table below:

		2014	Restated 2013
		R'000	R'000
Fair value through profit or loss		**228 692**	231 263
Held-to-maturity		**38 097**	43 337
Loans and receivables including insurance receivables	Note 10	**610 060**	551 352
Total financial assets		**876 849**	825 952
Fair value through profit or loss			
Equity securities			
- listed		**86 978**	107 801
- unlisted		**97 893**	83 582
Debt instruments			
- unlisted		**43 821**	39 880
Total available-for-sale financial assets		**228 692**	231 263
Held-to-maturity financial assets			
Debt instruments		**38 097**	43 337
Total held-to-maturity financial assets		**38 097**	43 337

	Fair value through profit or loss R'000	**Held-to-maturity R'000**	**Total R'000**
As at 30 June 2012	208 555	21 903	230 458
Additions	51 691	21 434	73 125
Disposals	(61 964)	-	(61 964)
Fair value gains	32 981	-	32 981
As at 30 June 2013 restated	231 263	43 337	274 600
Additions	**49 646**	**202**	**49 848**
Disposals	**(90 826)**	**(5 442)**	**(96 268)**
Fair value gains	**38 609**	**-**	**38 679**
As at 30 June 2014	**228 692**	**38 097**	**266 789**

9. INSURANCE LIABILITIES AND REINSURANCE CONTRACTS

	2014	2013
	R'000	R'000
Gross		
Outstanding claims reported	**410 383**	424 015
Claims incurred but not reported	**103 444**	97 465
Unearned premiums	**324 365**	299 190
Deferred reinsurance commission	**(32 795)**	(30 604)
Total insurance liabilities	**805 397**	790 066
Recoverable from reinsurers		
Outstanding claims reported	**(238 837)**	(273 414)
Claims incurred but not reported	**(63 201)**	(57 308)
Unearned premiums	**(124 283)**	(127 583)
Deferred acquisition costs and reinsurance commission	**36 151**	29 245
Total reinsurers' share of insurance liabilities	**(390 170)**	(429 060)
Net		
Outstanding claims reported	**171 546**	150 601
Claims incurred but not reported	**40 243**	40 157
Unearned premiums	**200 082**	171 607
Deferred acquisition costs	**3 356**	(1 359)
Total net insurance liabilities	**415 227**	361 006

The carrying value of all the above insurance liabilities and reinsurance contracts approximates fair value.

During the current year a decision was made to reclassify the deferred acquisition costs incurred from sundry debtors (note 10) and sundry creditors (note 15) to insurance liabilities and reinsurance contracts. The 2013 comparable results have been amended accordingly for consistency.

9. INSURANCE LIABILITIES AND REINSURANCE CONTRACTS (continued)

Analysis of movement in outstanding claims and IBNR

	Gross R'000	Reinsured R'000	Net R'000
Year ended 30 June 2014			
Balance at beginning of the year			
- outstanding claims	**424 015**	**(273 414)**	**150 601**
- incurred but not reported	**97 465**	**(57 308)**	**40 157**
	521 480	**(330 722)**	**190 758**
Claims paid during the year (note 19)	**(491 110)**	**294 158**	**(196 952)**
Increase in outstanding claim reserves	**477 476**	**(259 582)**	**217 894**
Increase in incurred but not reported reserve	**5 981**	**(5 892)**	**89**
Balance at end of the year	**513 827**	**(302 038)**	**211 789**
Balance at year end is made up as follows:			
- outstanding claims	**410 383**	**(238 837)**	**171 546**
- incurred but not reported	**103 444**	**(63 201)**	**40 243**
	513 827	**(302 038)**	**211 789**

Year ended 30 June 2013			
Balance at beginning of the year			
- outstanding claims reported	322 361	(178 087)	144 274
- incurred but not reported (IBNR)	97 237	(50 737)	46 500
	419 598	(228 824)	190 774
Claims paid during the year	(519 683)	256 837	(262 846)
Increase in outstanding claim reserves	621 337	(352 164)	269 173
Increase/(decrease) in incurred but not reported reserve (IBNR)	228	(6 571)	(6 343)
Balance at end of the year	521 480	(330 772)	190 758
Balance at year end is made up as follows:			
- outstanding claims reported	424 015	(273 414)	150 601
- incurred but not reported (IBNR)	97 465	(57 308)	40 157
	521 480	(330 722)	190 758

10. RECEIVABLES INCLUDING INSURANCE RECEIVABLES

	2014	Restated 2013
	R'000	R'000
Receivables arising from insurance contracts		
- due from agents, brokers and intermediaries	**130 449**	149 236
- impairment provision	**(10 196)**	(12 204)
- due from reinsurance contracts	**30 940**	15 149
Other receivables		
- amounts due from related parties (note 25)	**206 131**	97 794
- impairment provision	**-**	(3 110)
- prepaid expenses	**3 772**	523
- sundry debtors	**248 964**	303 964
Total receivables including insurance receivables	**610 060**	551 352

The carrying value of receivables including reinsurance receivables approximates the fair value.

During the current year a decision was made to reclassify the deferred acquisition costs receivable from reinsurers from sundry debtors to insurance liabilities and reinsurance contracts (note 9). The 2013 comparable results have been restated accordingly for consistency.

11. CASH AND CASH EQUIVALENTS

	2014	2013
	R'000	R'000
Cash at bank and in hand	**190 750**	252 741
Short-term bank deposits	**172 891**	133 628
Total cash and cash equivalents	**363 641**	386 369

The effective interest rate on short-term bank deposits was 3.8% (2013 - 2. 8%).

12. SHARE CAPITAL AND SHARE PREMIUM

	2014	2013
	R'000	R'000
Authorised		
10 000 000 ordinary shares at 1 cent each	**100**	100
Issued		
4 665 501 (2013: 4 665 500) ordinary shares of 1 cent each	**47**	47
Share premium	**189 003**	134 403
	189 050	134 450

	2014	2013
	R'000	R'000

12. SHARE CAPITAL AND SHARE PREMIUM (continued)

	Share capital R'000	**Share premium R'000**
Year ended 30 June 2014		
Opening balance	**47**	**134 403**
Share issue	*****	**54 600**
As at 30 June 2014	**47**	**189 003**
Year ended 30 June 2013		
Opening balance	47	134 403
Share issue	-	-
As at 30 June 2013	47	134 403

*denotes items less than R 1 000

During the current year 1 ordinary shares at 1 cent was issued to Lomhold Proprietary Limited, increasing the number of issued ordinary shares to 4 665 501.
The unissued shares are under the control of the directors until the next annual general meeting of the Company.

	2014	2013
	R'000	R'000

13. NON-DISTRIBUTABLE RESERVES

Capital contribution reserve	**2 000**	2 000
	2 000	2 000

13.1 Capital contribution reserve

Balance at beginning of the year	**2 000**	2 000
Balance at end of the year	**2 000**	2 000

In prior years the Company transferred R2 000 000 to a non-distributable reserve at the request of the FSB to increase the amount recognised as capital for regulatory purposes. This was a condition for granting a full, unrestricted short-term insurance license in October 1999.

14. EMPLOYEE BENEFITS

	2014 R'000	2013 R'000
Bonus provision	**-**	11 643
Leave pay provision	**4 198**	3 802
Profit right provision	**4 125**	10 417
	8 323	25 862

	Bonus provision R'000	**Leave pay provision R'000**	**Profit right provision R'000**	**Total R'000**
As at 30 June 2012	7 044	3 049	19 053	29 146
Amounts utilised	(7 044)	(201)	(8 636)	(15 881)
Additional provision raised	11 643	954	-	12 597
As at 30 June 2013	11 643	3 802	10 417	25 862
Amounts utilised	**(11 643)**	**-**	**(6 292)**	**(17 935)**
Additional provision raised	**-**	**396**	**-**	**396**
As at 30 June 2014	**-**	**4 198**	**4 125**	**8 323**

15. TRADE AND OTHER PAYABLES

	2014 R'000	2013 R'000
Accrued expenses	**2 310**	1 464
Amounts due to related parties (note 25)	**322**	63 325
Payables under reinsurance contracts	**222 563**	193 280
Sundry creditors	**15 119**	77 471
Trade creditors	**12 684**	11 421
Total trade and other payables	**252 998**	346 961

The carrying value of trade and other payables approximates the fair value.

During the current year a decision was made to reclassify the deferred reinsurance commission incurred from sundry creditors to insurance liabilities and reinsurance contracts (note 9).
The 2013 comparable results have been restated accordingly for consistency.

	2014	2013
	R'000	R'000

16. NET INSURANCE PREMIUM REVENUE

Insurance contracts		
- gross written premium	**1 048 392**	1 212 868
- change in unearned premium provision	**(25 204)**	(41 490)
Insurance premium revenue	**1 023 188**	1 171 378
Reinsurance contracts		
- reinsurance premium	**(559 110)**	(600 966)
- change in unearned premium provision - reinsurers' portion	**(3 266)**	27 042
Insurance premium revenue ceded to reinsurers	**(562 376)**	(573 924)
Net insurance premium revenue	**460 812**	597 454

	2014	2013
	R'000	R'000

17. INVESTMENT INCOME

Fair value through profit or loss		
- dividend income	**3 413**	3 621
- fair value movement	**15 004**	23 510
- interest income	**5 927**	3 579
Cash and cash equivalents interest income	**14 219**	9 007
Held-to-maturity		
- interest income	**5 388**	6 084
Profit on sale of investments, other than fair value through profit or loss	**-**	165
Loans and receivables interest income	**17 573**	8 118
	61 524	54 084

	2014	2013
	R'000	R'000

18. OTHER OPERATING INCOME

Other operating income comprises of:

Aviation income	**579**	1 590
Other income	**1 215**	2 930
Profit share from AssetInsure Proprietary Limited	**-**	8 325
	1 794	12 845

	2014	2013
	R'000	R'000

19. NET INSURANCE CLAIMS AND LOSS ADJUSTMENT EXPENSES

Current year claims paid	**(491 110)**	(519 683)
Movement in incurred but not reported provision	**(5 981)**	(228)
Movement in outstanding claims provision	**13 583**	(101 654)
Insurance claims and loss adjustment expenses	**(483 508)**	(621 565)
Recoveries from reinsurers	**294 158**	256 837
Reinsurers' portion of incurred but not reported provision	**5 892**	6 571
Reinsurers' portion of outstanding claims provision	**(34 579)**	95 327
Insurance claims and loss adjustment expenses recovered from reinsurers	**265 471**	358 735
Net insurance claims and loss adjustment expenses	**(218 037)**	(262 830)

20. OTHER OPERATING EXPENSES

	2014	2013
	R'000	R'000
Amortisation	**6 426**	6 454
Auditor's remuneration		
- audit fees	**3 919**	4 001
Depreciation	**2 303**	2 383
Directors' remuneration		
- as directors	**7 168**	4 786
- for other services		
- salaries	**12**	12
- bonuses	**2 866**	2 246
- provident fund contributions	**339**	307
Employee benefit expense		
- salaries and bonuses	**86 754**	86 637
Professional fees	**9 930**	12 804
Operating lease rentals		
- premises	**11 046**	7 870
Other expenses	**52 055**	42 254
Other staff costs	**6 580**	7 097
Repairs and maintenance	**1 298**	15 424
Interest Expense	**7 743**	2 147
	198 439	194 422

Included in other expenses is the reversal of the profit share earned from AssetInsure Proprietary Limited amounting to R 5 930 000in the current year.

21. TAXATION EXPENSE

	2014 R'000	Restated 2013 R'000
South African normal taxation		
- current taxation	**-**	11 816
- prior year under provision	**81**	288
Foreign withholding taxation	**1 001**	962
Deferred taxation		
- current year	**6 939**	8 141
- prior year	**641**	
	8 662	21 207

Taxation rate reconciliation:	**%**	%
South African normal tax rate	**28.0**	28.0
Capital gains tax	**(6.41)**	(1.22)
Foreign withholding tax	**2.07**	-
Deductible expenses	**(2.04)**	-
Non-deductible expenses	**1.46**	(3.68)
Non-taxable income	**(5.39)**	(1.67)
Prior year under provision	**0.17**	0.39
Effective tax rate	**17.86**	21.82

22. NOTES TO THE STATEMENT OF CASH FLOWS

22.1 Cash (utilised)/generated by operations

	2014 R'000	2013 R'000
Results of operating activities	**48 490**	97 291
Adjusted for:		
Increase in net technical provisions	**54 221**	32 633
Depreciation	**2 303**	2 383
Amortisation	**6 426**	6 454
Intangible assets written off	**1 985**	-
Profit on disposal of investments	**(23 675)**	(9 471)
Investment income	**(61 454)**	(54 084)
Increase in trade and other receivables	**(58 962)**	(82 046)
Increase/(decrease) in trade and other payables	**(111 248)**	162 764
	(141 914)	155 924

	2014	2013
	R'000	R'000

22. NOTES TO THE STATEMENT OF CASH FLOWS (continued)

22.2 Taxation paid

Balance at beginning of the year	**(1 586)**	(5 024)
Taxation expense for the year	**(1 082)**	(13 066)
Balance at end of the year	**(5 908)**	1 586
	(8 576)	(16 504)

23. OPERATING LEASE COMMITMENTS

The future minimum lease payments under an operating lease for office premises are:

Not later than 1 year	**8 880**	5 466
Later than 1 year and not later than 5 years	**15 512**	12 735
Later than 5 years	**-**	-
	24 392	18 201

24. RETIREMENT BENEFIT INFORMATION

All employees of the Company are members of the Lombard Insurance Company Limited Provident Fund. The fund is a defined contribution fund and is governed by the Pension Funds Act, 1956. As at 30 June 2014, the provident fund had accumulated funds of R 46 459 882 (2013: R35 346 071).

25. RELATED PARTY TRANSACTIONS

The Company is controlled by Lomhold Proprietary Ltd, a South African registered company, which owns 100% of the Company's shares. Lomhold Proprietary Limited is an associate of The Hollard Insurance Company Limited ('Hollard") - incorporated in the Republic of South Africa, which owns 21.88% (2013: 38.17%) of the shares of Lomhold Proprietary Limited, the remaining shares are held by Cast Arena Trade & Invest 187 Proprietary Limited – 19.87% (2013: 18.5%), Lombard Consolidated Proprietary Limited – 49.13% (2013: 21.65%), IVM Intersurer BV – 8.12% (2013: 7.56%), CG Japhet – 1.00% (2013: 0.57%) and management 0% (2013: 13.55%).

There is a co-insurance arrangement in place with Hollard, whereby they participate in 30% of the risk on certain clients that they refer to Lombard Insurance Company Limited. The year-end balance relates to premiums due to Hollard on this particular line of business.

During the year the Company issued a limited insurance guarantee to Fulcrum Group Proprietary Limited on Nedbank's standard terms and conditions for the full amount of the facility.
The facility is currently R345 million (2013 restated: R 189 million)

As at year end, Lombard Insurance Company has given, in the normal course of business, a guarantee in favour of Standard Bank Limited for R25 million in respect of debts owed by Lombard Trade Finance Proprietary Limited.

	Amounts received from related parties R'000	Amounts paid to related parties R'000	Amounts due from related parties R'000	Amounts due to related parties R'000
2014				
Parent				
LomHold Proprietary Limited	**-**	**-**	**121 745**	**-**
	-	**-**	**121 745**	**-**
Other				
The Hollard Insurance Company Limited	**-**	**-**	**-**	**(224)**
BrightRock Proprietary Limited	**-**	**-**	**-**	**-**
Cape Finance Corporation Limited	**426**	**-**	**7 600**	**-**
Commercial Crime Concepts Proprietary Limited	**2 525**	**(1 699)**	**1 907**	**-**
Consort Technical Underwriting Managers Proprietary Limited	**-**	**(30 560)**	**1 902**	**-**
Deposit Advantage Proprietary Limited	**-**	**-**	**-**	**-**
S Emms	**87**	**-**	**-**	**-**
Factory and Industrial Proprietary Limited	**-**	**(8 410)**	**-**	**-**
Financial Management International Limited	**-**	**-**	**5 079**	**-**
First Marine Acceptances Proprietary Limited	**-**	**-**	**-**	**-**
Fulcrum Group Proprietary Limited	**714**	**(801)**	**-**	**(98)**
HCV Underwriting Managers Proprietary Limited				
Helm Underwriting Management Services Proprietary Limited	**-**	**-**	**-**	**-**

25. RELATED PARTY TRANSACTIONS (continued)

	Amounts received from related parties R'000	Amounts paid to related parties R'000	Amounts due from related parties R'000	Amounts due to related parties R'000
Horizon Underwriting Management Services (Pty) Ltd	-	(17 544)	531	-
Leppard and Associates Proprietary Limited	-	(19 861)	9 453	-
Lombard Consolidated Proprietary Limited	-	-	55 100	-
Lombard Life Limited	2 744	-	218	-
Lombard Trade Finance Proprietary Limited	804	-	111	-
LomShelf01 Proprietary Limited	-	-	2 433	-
LomVest Proprietary Limited	-	-	-	-
B Muller	87	-	-	-
PinnAfrica Insurance Limited	-	-	52	-
PinnAfrica Insurance Underwriting Managers Proprietary Limited	-	-	-	-
	7 387	(78 875)	84 386	(322)
Total	7 387	(78 875)	206 131	(322)

Amounts due from/(to) related parties disclosed as follows:

Receivables including reinsurance receivables – amounts due from related parties (note 10)	206 131	-
Trade and other payables - amounts due to related parties (note 15)	-	(322)
Total	206 131	(322)

25. RELATED PARTY TRANSACTIONS (continued)

2013 (continued)	**Amounts received from related parties R'000**	**Amounts paid to related parties R'000**	**Amounts due from related parties R'000**	**Amounts due to related parties R'000**
Parent				
LomHold Proprietary Limited	-	-	74 282	-
	-	-	74 282	-
Other				
The Hollard Insurance Company Limited	-	-	-	(418)
BrightRock Proprietary Limited	-	-	-	-
Cape Finance Corporation Limited	512	-	7 600	-
Commercial Crime Concepts Proprietary Limited	3 086	(1 039)	646	-
Consort Technical Underwriting Managers Proprietary Limited	47	(31 343)	796	-
Deposit Advantage Proprietary Limited	3 342	-	-	-
S Emms	142	-	1 968	-
Factory and Industrial Proprietary Limited	221	(15 720)	1 861	-
Financial Management International Limited	459	-	5 079	-
First Marine Acceptances Proprietary Limited	6	(9 325)	-	(2 894)
Fulcrum Group Proprietary Limited	1 046	-	-	-
HCV Underwriting Managers Proprietary Limited				
Helm Underwriting Management Services Proprietary Limited	-	(6 428)	-	(712)
Horizon Underwriting Management Services (Pty) Ltd	13	(15 753)	-	-
Leppard and Associates Proprietary Limited	17	(12 972)	-	(5 041)
Lombard Life Limited	2 744	-	-	(1 812)
Lombard Trade Finance Proprietary Limited	1 497	-	96	-
LomShelf01Proprietary Limited	-	-	2 435	-
LomVest Proprietary Limited	-	-	-	(51 987)
B Muller	142	-	1 968	-
PinnAfrica Insurance Limited	-	-	-	(461)
PinnAfrica Insurance Underwriting Managers Proprietary Limited	-	(11 988)	1 063	-
	13 274	(104 568)	23 512	(63 325)
Total	13 274	(104 568)	97 794	(63 325)

25. RELATED PARTY TRANSACTIONS (continued)

Amounts due from/(to) related parties disclosed as follows:

Receivables including reinsurance receivables – amounts due from related parties (note 10)	97 794	-
Trade and other payables - amounts due to related parties (note 15)	-	(63 325)
Total	97 794	(63 325)

As at year end, Lombard Insurance Company has given, in the normal course of business, a guarantee in favour of Standard Bank Limited for R25 million in respect of debts owed by Lombard Trade Finance Proprietary Limited.

26. DIRECTORS' REMUNERATION

Remuneration in respect of directors is as follows:

Directors' remuneration and other benefits for services as director:

	For services as director R'000	Salary R'000	Bonuses and performance related payments R'000	Pension contributions under any pension scheme, not otherwise disclosed R'000	Total R'000
Director 1	**786**	**-**	**-**	**6**	**792**
Director 2	**250**	**-**	**-**	**-**	**250**
Director 3	**187**	**-**	**-**	**-**	**187**
Director 4	**250**	**-**	**-**	**-**	**250**
Director 5	**500**	**-**	**-**	**-**	**500**
Director 6	**500**	**-**	**-**	**-**	**500**
Director 7	**2 669**	**12**	**1 571**	**2**	**4 254**
Director 8	**1 776**	**-**	**1 295**	**331**	**3 402**
Director 9	**250**	**-**	**-**	**-**	**250**
2014	**7 168**	**12**	**2 866**	**339**	**10 385**

26. DIRECTORS' REMUNERATION (continued)

Remuneration in respect of directors is as follows:

Directors' remuneration and other benefits for services as director:

	For services as director R'000	Salary R'000	Bonuses and performance related payments R'000	Pension contributions under any pension scheme, not otherwise disclosed R'000	Total R'000
Director 1	639	-	-	25	664
Director 2	122	-	-	-	122
Director 3	138	-	-	-	138
Director 4	208	-	-	-	208
Director 5	-	-	-	-	-
Director 6	-	-	-	-	-
Director 7	2 114	12	1 199	2	3 327
Director 8	1 443	-	1 047	280	2 770
Director 9	122	-	-	-	122
2013	4 786	12	2 246	307	7 351

Per the assessment performed by the directors of the Company, no prescribed officers were identified for the Company.

27. CONTINGENCIES AND COMMITMENTS

Management is not aware of any contingent liabilities or commitments for the year between the statement of financial position date and the signing date of the audited annual financial statements.

28. EVENTS SUBSEQUENT TO STATEMENT OF FINANCIAL POSITION DATE

The directors are not aware of any other matter or circumstance arising since the end of the financial year that would affect the operations of the Company or the results of those operations significantly.

29. RESTATEMENT DUE TO CHANGE IN ACCOUNTING POLICY

The accounting policies used in the preparation of the Annual financial statements are compliant with IFRS and are consistent with the previous financial year, except for the change in accounting policy as disclosed below:

Financial assets

Financial assets available-for-sale

During the current financial year the accounting policy for financial assets were changed from "Available for sale" to Fair value through profit and loss" to ensure that returns generated on assets backing insurance liabilities are reflected in the statement of comprehensive income where the movement on the underlying insurance liabilities are shown.

29. RESTATEMENT DUE TO CHANGE IN ACCOUNTING POLICY (continued)

The change in accounting policy has the following effect on the Statement of Financial Position.

	Notes	2013 Previously reported R'000	2013 Adjusted R'000	2013 Restated R'000
Statement of financial position – restated **As at 30 June 2013**				
ASSETS				
Non-current assets				
Plant and equipment	5	6 339	-	6 339
Intangible assets	6	21 677	-	21 677
Investment in subsidiary	8	-	-	-
Deferred tax asset		-	-	-
Financial assets	9			
- fair value through profit or loss		231 263	-	231 263
- held-to-maturity		43 337	-	43 337
Total non-current assets		302 616	-	302 616
Current Assets				
Reinsurance contracts	10	458 305	-	458 305
Receivables including reinsurance receivables	11	512 116	-	512 116
Cash and cash equivalents	12	386 369	-	386 369
Total current assets		1 356 790	-	1 356 790
Total assets		1 659 406	-	1 659 406
EQUITY				
Capital and reserves				
Share capital and share premium	13	134 450	-	134 450
Non-distributable reserves	14	78 128	(76 128)	2 000
Retained earnings		280 483	76 128	356 611
Total equity		493 061	-	493 061
LIABILITIES				
Deferred tax liability	7	11 861	-	11 861
Insurance liabilities	10	820 670	-	820 670
Employee benefits	15	25 862	-	25 862
Trade and other payables	16	306 366	-	306 366
Current income tax liability		1 586	-	1 586
Total liabilities		1 166 345	-	1 166 345
Total equity and liabilities		1 659 406	-	1 659 406

29. RESTATEMENT DUE TO CHANGE IN ACCOUNTING POLICY (continued)

The change in accounting policy has the following effect on the Statement of Financial Position.

	Notes	2012 Previously reported R'000	2012 Adjusted R'000	2012 Restated R'000
Statement of financial position - restated As at 30 June 2012				
ASSETS				
Non-current assets				
Plant and equipment	5	5 684	-	5 684
Intangible assets	6	19 251	-	19 251
Investment in subsidiary	8	127	-	127
Deferred tax asset		-	-	-
Financial assets	9			
- fair value through profit or loss		208 555	-	208 555
- held-to-maturity		21 903	-	21 903
Total non-current assets		255 520	-	255 520
Current Assets				
Reinsurance contracts	10	329 361	-	329 361
Receivables including reinsurance receivables	11	428 382	-	428 382
Cash and cash equivalents	12	266 285	-	266 285
Total current assets		1 024 028	-	1 024 028
Total assets		1 279 548	-	1 279 548
EQUITY				
Capital and reserves				
Share capital and share premium	13	134 450	-	134 450
Non-distributable reserves	14	57 697	(55 697)	2 000
Retained earnings		251 788	55 697	307 485
Total equity		443 935	-	443 935
LIABILITIES				
Deferred tax liability	7	3 720	-	3 720
Insurance liabilities	10	659 093	-	659 093
Employee benefits	15	29 146	-	29 146
Trade and other payables	16	138 630	-	138 630
Current income tax liability		5 024	-	5 024
Total liabilities		835 613	-	835 613
Total equity and liabilities		1 279 548	-	1 279 548

29. RESTATEMENT DUE TO CHANGE IN ACCOUNTING POLICY (continued)

The restatement as a result of the change in accounting policy has the following effect on the Statement of Comprehensive Income.

	Notes	2013 Previously reported R'000	2013 Adjusted R'000	2013 Restatement R'000
Statement of comprehensive income- restated For the year ended 30 June 2013				
Insurance premium revenue		1 171 378	-	1 171 378
Insurance premium revenue ceded to reinsurers		(573 924)	-	(573 924)
Net insurance premium revenue	17	597 454	-	597 454
Investment income	18	30 574	23 510	54 084
Reinsurance commission		143 317	-	143 317
Net realised gains on fair value through profit or loss financial assets		9 471	-	9 471
Other operating income	19	12 845	-	12 845
Other income		196 207	23 510	219 717
Insurance claims and loss adjustment expenses		(621 565)	-	(621 565)
Insurance claims and loss adjustment expenses recovered		358 735	-	358 735
Net insurance claims and loss adjustment expenses	20	(262 830)	-	(262 830)
Expenses for the acquisition of insurance contracts		(257 818)	-	(257 818)
Expenses for marketing and administration		(4 810)	-	(4 810)
Other operating expenses	21	(194 422)	-	(194 422)
Expenses		(457 050)	-	(457 050)
Result of operating activities		73 781	23 510	97 291
Taxation expense	22	(18 128)	(3 079)	(21 207)
Profit after tax		55 653	20 431	76 084

29. RESTATEMENT DUE TO CHANGE IN ACCOUNTING POLICY (continued)

	2013 Previously reported R'000	2013 Adjusted R'000	2013 Restatement R'000
Statement of comprehensive income-restated (continued) **For the year ended 30 June 2013**			
Other comprehensive income			
- realised gains on disposal of available-for-sale financial assets	(9 471)	9 471	-
- fair value adjustment on available-for-sale financial assets	32 981	(32 981)	-
- tax effect of fair value adjustments of available-for-sale financial assets	(3 079)	3 079	-
Total comprehensive income	76 084	-	76 084

29. RESTATEMENT DUE TO CHANGE IN ACCOUNTING POLICY (continued)

The restatement as a result of the change in accounting policy has the following effect on the Statement of Comprehensive Income.

	Notes	2012 Previously reported R'000	2012 Adjusted R'000	2012 Restatement R'000
Statement of comprehensive income- restated For the year ended 30 June 2012				
Insurance premium revenue		1 146 843	-	1 146 843
Insurance premium revenue ceded to reinsurers		(408 414)	-	(408 414)
Net insurance premium revenue	17	738 429	-	738 429
Investment income	18	28 958	14 145	43 103
Reinsurance commission		127 972	-	127 972
Net realised gains on fair value through profit or loss financial assets		6 712	-	6 712
Other operating income	19	24 736	-	24 736
Other income		188 378	14 145	202 523
Insurance claims and loss adjustment expenses		(667 544)	-	(667 544)
Insurance claims and loss adjustment expenses recovered		248 990	-	248 990
Net insurance claims and loss adjustment expenses	20	(418 554)	-	(418 554)
Expenses for the acquisition of insurance contracts		(224 407)	-	(224 407)
Expenses for marketing and administration		(8 167)	-	(8 167)
Other operating expenses	21	(190 692)	-	(190 692)
Expenses		(423 266)	-	(423 266)
Result of operating activities		84 987	14 145	99 132
Taxation expense	22	(23 908)	5 767	(18 141)
Profit after tax		61 079	19 912	80 991

29. RESTATEMENT DUE TO CHANGE IN ACCOUNTING POLICY (continued)

	2012 Previously reported R'000	2012 Adjusted R'000	2012 Restatement R'000
Statement of comprehensive income-restated (continued) **For the year ended 30 June 2012**			
Other comprehensive income			
- realised gains on disposal of available-for-sale financial assets	(6 712)	6 712	-
- fair value adjustment on available-for-sale financial assets	20 857	(20 857)	-
- tax effect of fair value adjustments of available-for-sale financial assets	5 767	(5 767)	-
Total comprehensive income	80 991	-	80 991