



ASSUPOL HOLDINGS LIMITED AND ITS SUBSIDIARIES

Incorporated in the Republic of South Africa
(Registration no. 2010/015888/06)
4AX Share code: 4AASP
ISIN: ZAE400000051

UNAUDITED CONDENSED INTERIM FINANCIAL RESULTS
for the six months ended 31 December 2020

ASSUPOL HOLDINGS LIMITED and its subsidiaries

GROUP REVIEW

for the six months ended 31 December 2020

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Assupol Holdings Limited and its subsidiaries ('the Group') presents its unaudited condensed interim financial results for the six months ended 31 December 2020.

Assupol Holdings Limited ('Assupol Holdings' or 'the company') is incorporated and domiciled in South Africa. Its registered office and principal place of business is at Summit Place Office Park, Building 6, 221 Garstfontein Road, Menlyn, Pretoria. The company's shares are listed on the exchange operated by 4Africa Exchange Proprietary Limited ('4AX'). The directors are aware of their responsibilities in terms of the 4AX Listing Requirements and confirm that Assupol Holdings complies with these requirements.

These unaudited condensed interim financial results were approved by the company's board of directors for issue on 26 March 2021.

Group results

The first wave of the COVID-19 pandemic in South Africa and the related death claims became apparent towards the end of the Group's financial year ending June 2020. The Group reported in its annual financial statements for that year that it has established explicit reserves of R77.39 million (after tax) to provide for the excess claims. Those reserves were sufficient to cover the claims of the first wave. In December 2020 another surge in reported deaths started to emerge and it was clear that a second wave has hit South Africa. Assupol has experienced a similar increase in COVID-19 related claims during this period. Based on the Group's own mortality experience and COVID-19 considerations for assurance actuaries issued by the Actuarial Society of South Africa, explicit COVID-19 mortality reserves of R145.6 million (after tax) were provided for the expected excess claims relating to the second wave.

Despite the severe impact of the pandemic, affecting all aspects of previously perceived normality, the Group has delivered a resilient performance for the six months ended December 2020.

Although the sales environment was challenged by the restrictive measures imposed by the lockdown regulations, the new business volumes were very encouraging; resulting in an outperformance of the expected sales and growth numbers, with the direct marketing distribution channel recording a year-on-year sales growth of 12.6%. Noticeable was the new business annual premium equivalent that showed a decrease of only 17.0% compared to the comparative period in the previous financial year, despite the restrictions in the face-to-face distribution channel.

The net investment return (after tax) earned by the shareholders' fund for the six month period was R116.1 million. The return for the period was 9.8% compared to 3.0% for the comparable period in the previous financial year and 1.2% for the year ended June 2020.

The valuation interest rate used in the valuation of the policyholder liabilities has decreased since the June 2020 year end, improving the after-tax profit by R18.1 million.

The management of expenses has always been regarded as a key focus area in the Group and this has proven to be valuable in these uncertain times. Furthermore staff salary increases were delayed for six months and management did not receive any cash bonuses. Specific COVID related spend was at R3.8m for the six month period.

The key financial performance information for the Assupol Group for the six month period ended 31 December 2020 is set out below.

	Six months ended 31 December 2020	Six months ended 31 December 2019	Change	Year ended 30 June 2020
	<i>Unaudited</i>	<i>Unaudited</i>		<i>Audited</i>
Earnings performance				
Gross insurance premium revenue (R'm)	2 121	2 010	5.5%	4 004
Net profit attributable to ordinary shareholders (R'm)	261	357	-26.9%	564
Value of new business (R'm)	192	263	-27.0%	350
Adjusted operating profit (R'm) ^(a)	311	375	-17.1%	790
Return on equity	6%	8%		13%
New business				
Recurring premiums (R'm)	529	608	-13.0%	959
Single premiums (R'm)	48	345	-86.1%	444
Total new business premiums (R'm)	577	953	-39.5%	1 403
Annual premium equivalent (APE) (R'm)	534	643	-17.0%	1 003
Present value of new business premiums (PV NBP) (R'm)	2 167	2 889	-25.0%	4 703
Value of new business margin	8.9%	9.1%	-2.4%	7.4%

(a) The adjusted operating profit is calculated by adjusting the reported profit to exclude the impact of short-term market fluctuations on the investment returns of excess assets (shareholder funds), as well as non-recurring transactions or events such as the discontinuation of a business relationship, non-recurring actuarial adjustments and non-core transactions. The calculation does not take into account the economic impact of actuarial adjustments on new business during a financial period. Where a non-recurring transaction continues to occur in a subsequent financial year, the transaction is reassessed to determine whether or not it should be included in the adjusted operating profit.

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GROUP REVIEW
for the six months ended 31 December 2020 (continued)

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	Six months ended 31 December 2020	Six months ended 31 December 2019	Change	Year ended 30 June 2020
	<i>Unaudited</i>	<i>Unaudited</i>		<i>Audited</i>
Group embedded value (R'm)				
Shareholders' funds	993	1 148		1 141
Value of in-force business	5 193	4 408		4 851
Gross	5 787	4 821		5 325
Cost of required capital	(594)	(413)		(474)
Embedded value of covered business ^(a)	6 186	5 556		5 992
Embedded value of non-covered business ^(b)	13	12		10
Closing group embedded value	6 199	5 568	11.3%	6 002
Return on embedded value (%)	6.1%	9.9%		18.4%

(a) Covered business is business written under a life insurance license and is valued by using the methodology outlined in the Advisory Practice Note, APN 107, of the Actuarial Society of South Africa.

(b) Non-covered business includes the value of Assupol Holdings as well as other subsidiaries in the Group that are not included in the value of covered business.

The main contributors to embedded value ('EV') earnings are the unwinding of the risk discount rate and new business.

	Six months ended 31 December 2020				Six months ended 31 December 2019 Total	Year ended 30 June 2020 Total
	Adjusted net worth	Value of in-force	Cost of required capital	Total		
Covered business EV						
Opening EV	1 141	5 325	(474)	5 992	5 388	5 388
Opening adjustments ^(c)	-	-	11	11	1	7
Opening EV (adjusted)	1 141	5 325	(463)	6 003	5 389	5 395
Dividends paid ^(c)	(232)	-	-	(232)	(336)	(336)
Deferred bonus shares	14	-	-	14	18	34
EV after adjustments	923	5 325	(463)	5 785	5 071	5 093
Unwinding of risk discount rate	-	275	(23)	252	240	480
Expected profits	495	(495)	-	-	-	-
New business	(262)	509	(48)	199	263	350
Operating experience variations	(34)	1	14	(19)	-	41
Tax	(19)	-	-	(19)	(1)	7
Assumption changes	(146)	170	(107)	(83)	(41)	62
Investment experience	40	2	33	75	55	(46)
Miscellaneous	0	(4)	-	(4)	(30)	5
Closing EV	997	5 783	(594)	6 186	5 556	5 992
Non-covered business EV						
Opening EV	3	7	-	10	34	34
Dividends paid ^(d)	-	-	-	-	(18)	(18)
EV after adjustments	3	7	-	10	16	16
Net profits	-	-	-	-	13	13
Group expense adjustment	-	(45)	-	(45)	(44)	(44)
Market value adjustment	-	48	-	48	27	25
Closing EV	3	10	-	13	12	10
Total closing group EV	1 000	5 793	(594)	6 199	5 568	6 002

(c) Opening adjustments consist of modelling changes that affects the opening EV value of existing business. The adjustment for the period ended December 2020 pertains to the COVID-19 mortality reserve that was incorrectly assumed to be a long-term liability.

(d) The total dividend of R232 million paid by Assupol Holdings on 12 October 2020 consisted of the dividend received from covered business.

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GROUP REVIEW
for the six months ended 31 December 2020 (continued)

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Key statistics relating to the issued shares of Assupol Holdings are provided below:

	Six months ended 31 December 2020	Six months ended 31 December 2019	Change	Year ended 30 June 2020
Share statistics	<i>Unaudited</i>	<i>Unaudited</i>		<i>Audited</i>
Share price - closing (R) ⁽¹⁾	8.75	10.99	-20.4%	7.25
Number of ordinary shares in issue ('000)	421 975	421 975	0.0%	421 975
Market capitalisation (R'm) ⁽¹⁾	3 692	4 638	-20.4%	3 059
Earnings per share (cents)	63	87	-28.2%	140
Diluted earnings per share (cents)	62	87	-28.7%	138
Group embedded value per share (R)	14.69	13.20	11.3%	14.22
Dividend per qualifying ordinary share (cents) ⁽²⁾				55

1. Market information is based on the 4AX exchange on which the company's shares trade.

2. It is the policy of the company to declare a dividend on an annual basis. The dividends per qualifying share were declared as follows:

- In respect of the year ended 30 June 2020: On 22 September 2020 the Board declared an ordinary dividend of 55 cents per qualifying share (payable on 12 October 2020).
- In respect of the year ended 30 June 2019 the dividend was declared on 27 September 2019 and paid on 14 October 2019: An ordinary dividend of 60 cents and special dividend of 29 cents, resulting in a total gross dividend of 89 cents per qualifying share. Furthermore a trickle dividend of 13.66 cents was declared for the 'A2' ordinary shares.

The qualifying shares for the dividend declaration of September 2020 included the 'A' ordinary redeemable no par value shares and the listed ordinary shares, excluding shares held by the Share Incentive Trust.

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**STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 31 December 2020**

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<i>R'000</i>	Six months ended 31 December 2020 <i>Unaudited</i>	Six months ended 31 December 2019 <i>Unaudited</i>	Year ended 30 June 2020 <i>Audited</i>
Insurance premium revenue	2 120 850	2 010 261	4 003 620
Insurance premium ceded to reinsurers	(69 383)	(58 017)	(122 411)
<i>Net insurance premium revenue</i>	2 051 467	1 952 244	3 881 209
Commission received on outward reinsurance	213	4 822	6 783
Fee income	33 464	40 652	81 489
Investment income on financial assets			
- at fair value through profit or loss	119 933	133 257	255 200
- at amortised cost	71 432	58 279	143 517
Net fair value gains on financial assets	187 259	(31 833)	(156 442)
Other income	(714)	(2 003)	3 542
Income	2 463 054	2 155 418	4 215 298
Insurance benefits and claims	(926 323)	(574 938)	(1 189 242)
Insurance claims recovered from reinsurers	119 378	51 050	97 814
<i>Net insurance benefits and claims</i>	(806 945)	(523 888)	(1 091 428)
Commission expenses	(443 750)	(464 705)	(823 150)
Operating and administrative expenses	(624 431)	(640 429)	(1 252 635)
Investment management expenses	(5 333)	(7 105)	(13 411)
Change in insurance contract provisions	(24 844)	155 914	(21 418)
Fair value adjustments on investment contract liabilities	(162 186)	(153 635)	(191 247)
Expenses	(2 067 489)	(1 633 848)	(3 393 289)
Result of operating activities	395 565	521 570	822 009
Finance charges	(19 291)	(16 070)	(35 523)
Profit before taxation	376 274	505 500	786 486
Income tax expense	(115 088)	(148 347)	(222 381)
PROFIT FOR THE YEAR	261 186	357 153	564 105
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR	261 186	357 153	564 105
Profit attributable to:			
Owners of Assupol Holdings	261 314	357 153	564 152
Non-controlling interests	(128)	-	(47)
	261 186	357 153	564 105
Total comprehensive income attributable to:			
Owners of Assupol Holdings	261 314	357 153	564 152
Non-controlling interests	(128)	-	(47)
	261 186	357 153	564 105
Group earnings per share (cents)			
Basic earnings per share	62.64	87.21	139.93
Diluted earnings per share	61.81	86.70	138.11

ASSUPOL HOLDINGS LIMITED and its subsidiaries
STATEMENT OF FINANCIAL POSITION
as at 31 December 2020

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<i>R'000</i>	Six months ended 31 December 2020 <i>Unaudited</i>	Six months ended 31 December 2019 <i>Unaudited</i>	Year ended 30 June 2020 <i>Audited</i>
ASSETS			
Property and equipment	222 087	256 123	235 119
Intangible assets	160 038	149 942	151 168
Financial assets: Investments			
At fair value through profit or loss			
Equity securities	1 625 783	1 353 906	1 418 923
Debt securities	1 706 462	1 465 231	1 573 542
Deposits and money market securities	893 260	850 561	1 031 739
At amortised cost			
Deposits and money market securities	1 696 981	1 480 172	1 622 487
Policyholder assets			
Insurance contracts	2 900 938	3 149 392	2 953 398
Reinsurance asset	50 130	3 853	22 515
Insurance and other receivables	149 754	134 422	141 370
Current taxation	16 346	-	-
Cash and cash equivalents	417 269	344 169	424 550
TOTAL ASSETS	9 839 048	9 187 771	9 574 811
EQUITY			
Share capital	640 484	639 533	640 484
Treasury shares	(39 498)	(68 106)	(39 498)
Employee benefits reserve	224 462	221 881	210 047
Black Economic Empowerment reserve	14 300	14 300	14 300
Retained earnings	3 720 218	3 481 448	3 689 366
Capital and reserves attributable to owners of Assupol Holdings	4 559 966	4 289 056	4 514 699
Non-controlling interest	(176)	-	(47)
TOTAL EQUITY	4 559 790	4 289 056	4 514 652
LIABILITIES			
Policyholder liabilities: Investment contracts			
At fair value through profit or loss	1 785 095	1 620 653	1 684 556
At amortised cost	1 764 691	1 538 099	1 692 321
Other liabilities	420 353	439 234	428 301
Employee benefits	60 093	49 874	75 265
Deferred revenue liability	608	657	610
Deferred tax liability	840 518	879 157	809 208
Insurance and other payables	407 875	341 370	360 101
Current taxation	25	29 672	9 797
TOTAL LIABILITIES	5 279 258	4 898 715	5 060 159
TOTAL EQUITY AND LIABILITIES	9 839 048	9 187 771	9 574 811

ASSUPOL HOLDINGS LIMITED and its subsidiaries

**STATEMENT OF CHANGES IN EQUITY
for the six months ended 31 December 2020**

<i>R'000</i>	SHARE CAPITAL	TREASURY SHARES	EMPLOYEE BENEFITS RESERVE	BEE RESERVE	RETAINED INCOME	NON- CONTROLLING INTEREST	TOTAL CAPITAL
Balance at 30 June 2019	639 533	(68 106)	204 367	14 300	3 477 328	-	4 267 422
Cost of incentive shares	-	-	513	-	-	-	513
Deferred bonus recognition	-	-	17 001	-	-	-	17 001
Dividend paid	-	-	-	-	(353 038)	-	(353 038)
Adjustment of redemption on preference shares	-	-	-	-	5	-	5
Profit for the period	-	-	-	-	357 153	-	357 153
Balance at 31 December 2019	639 533	(68 106)	221 881	14 300	3 481 448	-	4 289 056
Cost of incentive shares	-	-	513	-	-	-	513
Share incentive options exercised	-	1	(1)	-	-	-	-
Deferred bonus recognition	-	-	16 261	-	-	-	16 261
Vesting of deferred bonus shares	-	28 607	(28 607)	-	-	-	-
Adjustment of redemption on preference shares	951	-	-	-	919	-	1 870
Profit for the period	-	-	-	-	206 999	(47)	206 952
Balance at 30 June 2020	640 484	(39 498)	210 047	14 300	3 689 366	(47)	4 514 652
Cost of incentive shares	-	-	268	-	-	-	268
Deferred bonus recognition	-	-	14 147	-	-	-	14 147
Dividend paid	-	-	-	-	(230 468)	-	(230 468)
Adjustment of redemption on preference shares	-	-	-	-	6	(1)	5
Profit for the period	-	-	-	-	261 314	(128)	261 186
Balance at 31 December 2020	640 484	(39 498)	224 462	14 300	3 720 218	(176)	4 559 790

ASSUPOL HOLDINGS LIMITED and its subsidiaries

**CONDENSED STATEMENT OF CASH FLOWS
for the six months ended 31 December 2020**

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<i>R'000</i>	Six months ended 31 December 2020 <i>Unaudited</i>	Six months ended 31 December 2019 <i>Unaudited</i>	Year ended 30 June 2020 <i>Audited</i>
Cash flows from operating activities			
Cash generated from operations	294 259	600 382	1 429 598
Net acquisition of financial instruments			
at fair value through profit or loss	(14 042)	(131 788)	(610 903)
at amortised cost	(74 494)	(322 395)	(464 710)
Interest received	175 237	168 761	214 621
Dividends received	16 128	22 775	59 183
Dividends paid	(230 468)	(353 038)	(353 038)
Finance charges	(19 291)	(16 070)	(35 523)
Taxation paid	(109 896)	(126 717)	(290 575)
Net cash flows from operating activities	37 434	(158 090)	(51 347)
Cash flows from investing activities			
Acquisition and disposal of property and equipment	(17 045)	(30 852)	(39 561)
Acquisition of intangible assets	(15 303)	(6 834)	(13 609)
Proceeds on disposal of equipment	160	1 729	2 713
Net cash flows from investing activities	(32 188)	(35 957)	(50 457)
Cash flows from financing activities			
Increase in subordinated debt	12 804	132 965	145 642
Payment of subordinated debt	(12 804)	(8 872)	(21 549)
Payment of principal lease payments	(12 526)	(10 689)	(22 551)
Net cash flows from financing activities	(12 526)	113 404	101 542
Net increase in cash and cash equivalents	(7 281)	(80 643)	(262)
Cash and cash equivalents at beginning of the year	424 550	424 812	424 812
Cash and cash equivalents at end of the year	417 269	344 169	424 550

SEGMENT REPORT

for the six months ended 31 December 2020

The Group's operating segments are based on the legal entities within the Group and are categorised according to similar business activities. The chief operating decision maker makes decisions about resource allocation on the performance of an entity and financial information is provided on that basis. Reporting adjustments are those accounting reclassifications and entries that are required to produce IFRS compliant results. These adjustments also include the results of the Group's holding company as well as the company where the investments in the non-life entities are held.

<i>R'000</i>	Six months ended 31 December 2020 <i>Unaudited</i>	Six months ended 31 December 2019 <i>Unaudited</i>	Year ended 30 June 2020 <i>Audited</i>
Revenue			
Segment revenue	2 462 405	2 156 126	4 212 809
Life insurance	2 462 280	2 155 748	4 212 217
Intermediaries	124	374	572
Other	1	4	20
Reporting adjustments	649	(708)	2 489
Group revenue for the period	2 463 054	2 155 418	4 215 298
Profit after taxation			
Segment profit after taxation	263 736	360 867	574 889
Life insurance	264 099	360 670	574 563
Intermediaries	(111)	203	396
Other	(252)	(6)	(70)
Reporting adjustments after taxation	(2 550)	(3 714)	(10 784)
Group profit for the period	261 186	357 153	564 105
Group comprehensive income for the period	261 186	357 153	564 105
Assets and liabilities			
Segment assets	9 743 677	9 143 060	9 536 809
Life insurance	9 740 956	9 110 532	9 503 585
Intermediaries	2 631	32 379	32 763
Other	90	149	461
Reporting adjustments	95 371	44 711	38 002
Group assets	9 839 048	9 187 771	9 574 811
Segment liabilities	5 276 941	4 922 915	5 085 873
Life insurance	5 276 327	4 922 876	5 085 265
Intermediaries	179	8	200
Other	435	31	408
Reporting adjustments	2 317	(24 200)	(25 714)
Group liabilities	5 279 258	4 898 715	5 060 159

1. GENERAL INFORMATION

Assupol Holdings and its subsidiaries operate in the financial services industry and all products and services are offered only in the Republic of South Africa.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Group has applied the provisions of the Companies Act, no 71 of 2008 as amended, which allows for summarised financial results as disclosed in this report.

This unaudited condensed interim financial results for the six months ended 31 December 2020 has been prepared in accordance with the International Financial Reporting Standard IAS 34 and the reporting requirements of 4AX.

The condensed interim financial results have not been audited. Furthermore, the shareholders of Assupol Holdings waived the requirement for the interim financial results to be reviewed at the annual general meeting of the company held on 19 November 2020.

The interim results does not include all the notes normally included in the annual financial statements. Accordingly, this report is to be read in conjunction with the annual financial statements for the year ended 30 June 2020 and any public announcements made by the Group during the interim reporting period. The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

The Group's operations are cyclical over the 12 month period of a financial year. The actuarial assumptions are reviewed in March of each year and adjustments are made where necessary. Consequently, the results of the second six months of a financial year could differ significantly from the first six months.

The Group elected to defer the implementation of IFRS 9 - Financial Instruments to coincide with the implementation of IFRS 17 - Insurance Contracts as a result of an assessment performed by management in line with the deferral provisions in IFRS 4 - Insurance Contracts. Based on this assessment it was concluded that the Group meets these provisions due to the fact that the Group's insurance liabilities exceed 80% of total liabilities. There has been no change in the Group's activities that warrants a reassessment of applying the temporary exemption from IFRS 9. The Group has not previously applied IFRS 9 and qualified for the exemption from the period preceding 1 April 2016.

The unaudited condensed interim financial results have been compiled by R Boonzaaier CA(SA) under supervision of D de Klerk CA(SA), Group Chief Financial Officer.

3. SUMMARY OF CRITICAL ACCOUNTING ESTIMATES

The Group makes estimates and assumptions concerning the future. The resulting estimates will seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are addressed below.

3.1 Policyholder liabilities / assets under long-term insurance contracts

The determination of the liabilities / assets under long-term insurance contracts is dependent on assumptions and estimates made by the Group. The valuation interest rate used in the valuation of the policyholder liabilities decreased since the June 2020 year end, resulting in a decrease in the value of liabilities by R25.1 million.

The assets under long-term insurance contracts decreased by R24.8 million resulting in a net balance at the end of the period of R2 951 million (net of reinsurance).

The Group observed an increase in mortality claims towards the end of the reporting period that was in line with the second wave of the COVID-19 pandemic that was reported by the South African Medical Research Council. Based on this experience and COVID-19 considerations for assurance actuaries issued by the Actuarial Society of South Africa, an explicit COVID-19 mortality reserve of R145.6 million (after tax) were provided for the expected excess claims relating to the second wave.

3.2 Other assumptions and estimates

Other assumptions and estimates for the period ended 31 December 2020 addressed the following items:

- Impairment tests are performed on all cash generating units to which goodwill is allocated;
- The calculation of current and deferred tax; and
- Measurement and accounting of lease assets, liabilities and finance charges in terms of IFRS16.

4. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, cash flow and interest rate risk), credit risk and liquidity risk. These risks can affect the values of the Group's financial assets and liabilities, as well as the Group's insurance contract assets and liabilities.

4. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

4.2 Liquidity risks arising out of the subordinated debt agreement

The table below analyses the settlement value for the subordinated debt agreement differentiating between relevant maturity groupings, based on the remaining period at the end of the reporting period to the contractual maturity date.

<i>R'000</i>	Six months ended 31 December 2020 <i>Unaudited</i>	Six months ended 31 December 2019 <i>Unaudited</i>	Year ended 30 June 2020 <i>Audited</i>
Contractual undiscounted cash flows			
Within 1 year	25 401	25 498	25 403
1 to 2 years	25 401	25 428	25 403
3 to 5 years	266 013	291 443	278 819
Total	316 814	342 369	329 625

4.3 Fair value estimation

The tables below analyses each class of financial instrument and insurance contracts, per category.

December 2020 (R'000)	Financial assets and liabilities at FVTPL on initial recognition	Financial assets at amortised cost	Financial liabilities at amortised cost	Total carrying amount	Fair value
Financial assets - Investments	4 225 505	1 696 981	-	5 922 486	6 065 910
Insurance and other receivables	-	60 006	-	60 006	60 006
Cash and cash equivalents	-	417 269	-	417 269	417 269
Investment contract liabilities	1 785 095	-	1 764 691	3 549 786	3 698 933
Other liabilities	-	-	420 353	420 353	440 770
Payables	-	-	41 378	41 378	41 378
December 2019 (R'000)					
Financial assets - Investments	3 669 698	1 480 172	-	5 149 870	5 167 455
Insurance and other receivables	-	59 928	-	59 928	59 928
Cash and cash equivalents	-	344 169	-	344 169	344 169
Investment contract liabilities	1 620 653	-	1 538 099	3 158 752	3 177 025
Other liabilities	-	-	439 234	439 234	442 034
Payables	-	-	54 520	54 520	54 520
June 2020 (R'000)					
Financial assets - Investments	4 024 204	1 622 487	-	5 646 691	5 796 630
Insurance and other receivables	-	36 639	-	36 639	36 639
Cash and cash equivalents	-	424 550	-	424 550	424 550
Investment contract liabilities	1 684 556	-	1 692 321	3 376 877	3 226 937
Other liabilities	-	-	428 301	428 301	451 015
Payables	-	-	59 683	59 683	59 683

4. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

4.4 Fair value hierarchy

The measurement at fair value, grouped into levels 1 to 3, is based on the degree to which the fair value is observable:

- Level 1: Valued with reference to quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs for the asset or liability that are not based on observable market data thus unobservable inputs.

The valuation techniques and assumptions applied for purposes of measuring fair value of financial assets and liabilities are determined as follows:

For level 1:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

For level 2:

- The fair value of other financial assets and financial liabilities (excluding derivatives) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- Observable inputs generally used to measure the fair value of securities classified as level 2 include benchmark yields, reported secondary trades, broker-dealer quotes, issuer spreads, benchmark securities, bids, offers and reference data. The specific inputs used are:
 - > Risk free rate: 4.4% to 4.8%
- The fair value of derivatives is calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. The specific inputs used are:
 - > Dividend yield: 2.9% to 4.4%;
 - > Risk free rate: 4.4% to 4.8%
 - > Equity index level strike: 43 590 to 51 559 (index level 54 380 at period end);
 - > Equity volatility: 23.9% to 24.6%;
- The fair value of financial guarantee contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from the market-based credit information and the amount of loss, given the default.

For level 3:

- When classifying fair value measures within level 3 of the valuation hierarchy the determining factors are generally based on the significance of the unobservable factors when compared to the overall fair value measurement. The Group applies various due diligence procedures, as considered appropriate, to validate the underlying information used in the valuations.

The table below analyses financial instruments carried at fair value by valuation method. There were no transfers between the various levels during the current and previous periods.

December 2020 (R'000)	Level 1	Level 2	Level 3	TOTAL
Local listed shares	1 054 233	-	-	1 054 233
Derivatives	-	154 361	-	154 361
Unit trusts	344 115	-	-	344 115
Debt securities	52 629	1 653 833	-	1 706 462
Deposits and money market securities*	913 001	1 777 573	-	2 690 574
Receivables	874	-	-	874
Total financial assets	2 364 852	3 585 767	-	5 950 619
Net investment contract liabilities*	-	3 698 933	-	3 698 933
Other liabilities - Subordinated debt	272 643	-	-	272 643
Total financial liabilities	272 643	3 698 933	-	3 971 576

* Includes financial instruments designated as 'at amortised cost' as the fair values have been estimated in accordance with note 4.3.

4. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

4.4 Fair value hierarchy (continued)

December 2019 (R'000)	Level 1	Level 2	Level 3	TOTAL
Local listed shares	959 411	234	-	959 645
Derivatives	-	80 955	-	80 955
Unit trusts	314 270	-	-	314 270
Debt securities	45 767	1 418 500	-	1 464 267
Deposits and money market securities*	685 641	1 639 615	-	2 325 256
Receivables	672	-	-	672
Total financial assets	2 005 761	3 139 304	-	5 145 065
Net investment contract liabilities*	-	3 177 025	-	3 177 025
Other liabilities - Subordinated debt	252 849	-	-	252 849
Total financial liabilities	252 849	3 177 025	-	3 429 875

June 2020 (R'000)	Level 1	Level 2	Level 3	TOTAL
Local listed shares	941 141	-	-	941 141
Derivatives	-	151 428	-	151 428
Unit trusts	326 910	-	-	326 910
Debt securities	59 143	1 513 843	-	1 572 986
Deposits and money market securities*	950 478	1 853 687	-	2 804 165
Receivables	-	12 258	36 639	48 897
Total financial assets	2 277 672	3 531 216	36 639	5 845 527
Net investment contract liabilities*	-	3 226 937	-	3 226 936
Other liabilities - Subordinated debt	272 784	-	-	272 784
Total financial liabilities	272 784	3 226 937	-	3 499 721

* Includes financial instruments designated as 'at amortised cost' as the fair values have been estimated in accordance with note 4.3.

5. RELATED PARTY TRANSACTIONS

R'000	Six months ended 31 December 2020 <i>Unaudited</i>	Six months ended 31 December 2019 <i>Unaudited</i>	Year ended 30 June 2020 <i>Audited</i>
Loans to key management			
Balance at end of year	5 780	5 843	6 100
Assupol Life granted a loan to an executive director for the purchase of shares in Assupol Holdings. This was approved as required by the Companies Act, no 71 of 2008, and the Long Term Insurance Act, no 52 of 1998. The loan bears interest at the official prime rate of interest levied by the bankers of Assupol Life and is repayable in November 2022. The Group has sufficient security over this loan.			
Remuneration and restricted incentives - Executive directors and prescribed officers			
Salary, pension fund contributions and other benefits	13 970	13 581	28 177
Restricted incentives	7 281	8 948	18 534
Non-executive directors' fees			
Board and committee fees	5 963	5 775	11 875
<i>Units ('000)</i>			
Securities held by directors and prescribed officers			
Direct beneficial	21 954	19 721	19 471
Indirect beneficial	818	858	1 243