



ASSUPOL HOLDINGS LIMITED AND ITS SUBSIDIARIES

(Registration no. 2010/015888/06)

4AX Share code: 4AASP

ISIN: ZAE400000051

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2021

GENERAL INFORMATION

Registration number:	2010/015888/06
Country of incorporation:	Republic of South Africa
Registered address:	Summit Place Office Park, Building 6 221 Garstfontein Road Menlyn Pretoria 0181
Postal address:	PO Box 35900 Menlo Park Pretoria 0102
Auditor:	PricewaterhouseCoopers Incorporated Registered auditor Johannesburg
Company secretary:	Ms T Nkomo

These annual financial statements have been prepared as required by the Companies Act, 71 of 2008 (as amended), and have been compiled by Ms R Boonzaaier CA(SA), Senior Executive Manager: Group Finance, under supervision of Mr D de Klerk CA(SA), Group Chief Financial Officer.

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The directors are responsible for the preparation, integrity and fair presentation of the annual financial statements of Assupol Holdings Limited ('Assupol Holdings') and its subsidiaries (collectively 'Assupol Group' or the 'Group'). The financial statements presented on pages 21 to 102 have been prepared in accordance with International Financial Reporting Standards (IFRS), the manner required by the Companies Act, 71 of 2008, and by the Insurance Act, 18 of 2017, in South Africa, and include amounts based on judgements and estimates made by management.

The going concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the company or any company within the Assupol Group (with the exception of those companies that are in the process of being wound up) will not be a going concern in the foreseeable future based on forecasts and available cash resources. These financial statements support the viability of the company and the Assupol Group.

The financial statements have been audited by the independent auditor, PricewaterhouseCoopers Incorporated, who has been given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the Board of Directors and committees of the Board of Directors ('Board'). The directors believe that all the representations made to the independent auditor during its audit are valid and appropriate. The directors further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

The audit report of PricewaterhouseCoopers Incorporated is presented on pages 14 to 20.

The financial statements were approved by the Board of Directors on 23 September 2021 and are signed on its behalf by:



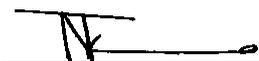
Dr RJ Khoza
Chairman



D de Klerk
Group Chief Financial Officer

COMPANY SECRETARY COMPLIANCE STATEMENT

In my capacity as Company Secretary, I hereby certify, in accordance with the provisions of section 88(2)(e) Companies Act, 71 of 2008, that for the year ended 30 June 2021, the company has lodged with the Registrar of Companies all such returns and notices as required of a public company in terms of this legislation, and that all such returns and notices are, to the best of my knowledge and belief, true, correct and up to date.



T Nkomo
Company Secretary

The Audit Committee presents its report for the financial year ended 30 June 2021.

APPOINTMENT

The Audit Committee is a statutory committee of the Board of Directors of Assupol Holdings, in terms of section 94(7) of the Companies Act, 71 of 2008. The members of the Audit Committee are appointed by the shareholders at the annual general meeting.

The Prudential Authority granted Assupol Life exemption from establishing its own audit committee in terms of section 66 of the Insurance Act, 18 of 2017, and section 7.3 of the Prudential Standard Governance and Operational Standards for Insurers (GOI 2), subject to the following conditions:

- The composition of the committee must at all times comply with the requirements of section 94(4) of the Companies Act, 2008, and any deviation thereof will constitute non-compliance and the necessary regulatory actions will be taken against Assupol Life;
- The committee must formally accept full responsibility and accountability for the functions of the audit committee as contemplated in the Companies Act, 71 of 2008 and in GOI 2; and
- The Prudential Authority, through the Board of Assupol Holdings, shall at all times have full access to the work of the committee and any matters relating to Assupol Life and the committee shall avail itself to the Prudential Authority at all times to discuss matters pertaining to Assupol Life.

TERMS OF REFERENCE

The Board has approved the terms of reference of the Audit Committee. The committee has conducted its affairs in compliance with these terms of reference.

MEMBERSHIP, ATTENDANCE AND ASSESSMENT

Members of the committee satisfy the requirements to serve as members due to their non-executive and independent designation in the governance structures of the Group, which are in compliance with the principles of the King Report on Corporate Governance for South Africa (King IV). In addition, the members have adequate knowledge and experience to carry out their duties.

Following the resignation of the previous chair, Ms BB Moroole, in May 2020, the Board of Directors temporarily appointed Mr GR Burger, a non-executive director, to the Audit Committee and Mr R Mothapo was appointed as acting chair. During July 2020, Mr R Mothapo resigned and the board temporarily appointed Mr EDJ Ashkar, a non-executive director, to the Audit Committee and Mr SIM Braudo as the acting chair. Ms NB Duker was appointed as chair in November 2020.

The Audit Committee should meet at least twice a year as required in its terms of reference. The Group Chief Executive Officer, Assupol Life Chief Executive Officer, Group Chief Financial Officer, Chief Risk Officer, Group Legal and Compliance Officer, external auditor, internal auditor, Head of Actuarial Control Function, and other assurance providers (actuarial, legal and compliance) attend meetings by invitation only to provide the committee with greater insight into specific issues or areas of the Group. The Chairperson of the committee has regular contact with the management team to discuss relevant matters directly over and above the closed sessions at the interim and year-end reporting periods. The Group's external and internal auditors have direct access to the committee, over and above closed sessions without management at every meeting, on any matter that they regard as relevant to the fulfilment of the committee's responsibilities.

The committee held four meetings and a combined meeting with the Actuarial Committee during the financial year. Details of the members as well as their role, qualifications and attendance at meetings are indicated below:

Name of member	Qualification	Date appointed	Meetings and attendance				
			2020/09/16	2020/11/06	2020/11/18	2021/03/03	2021/05/26
NB Duker	B Com (Hons), CA(SA)	October 2020	Invitee	Member	Chair	Chair	Chair
SIM Braudo	B Econ Sc, BSc (Hons), FIA, CFA	June 2019	Chair	Chair	Member	Member	Member
MD Collier	HND/BA Business Studies, WABC Business Coach	October 2020	-	Member	Member	Member	Member
LJ Sennelo	B Com (Hons), CA(SA)	May 2021	-	-	-	-	Member
GR Burger ⁽²⁾	B Acc (Hons), CA(SA), H Dip BDP, MBL	May 2020	Member	-	-	-	-
EDJ Ashkar ⁽²⁾	B Com (Hons), CA(SA)	July 2020	Member	-	-	-	-

(1) Mr R Mothapo, an independent non-executive director, resigned as non-executive director on 9 July 2020.

(2) Mr GR Burger and Mr EDJ Ashkar, both non-executive directors, were appointed as interim members of the committee whilst the Board of Directors deliberated the membership of the committee. Both resigned from the committee in September 2020.

ROLES AND RESPONSIBILITIES

The Audit Committee's role and responsibilities include statutory duties in terms of the Companies Act and additional responsibilities assigned to it by the Board. The main objective of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities, in particular with regard to evaluation of the adequacy and efficiency of accounting policies, internal controls and financial and corporate reporting processes. In addition, the committee assesses the independence and effectiveness of the external auditors. This report aims to provide details on how the Audit Committee has satisfied its various statutory obligations during the year, as well as discuss some of those significant matters that arose during the year under review and how these have been responded to by the committee in order to ensure the integrity of the Group's financial reporting.

External auditor appointment and independence

The committee is satisfied that the external auditor is independent in accordance with King IV, which includes consideration of previous appointments of the auditor, the extent of non-audit work undertaken by the auditor for the Group and compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors. The auditor provided requisite assurance that internal governance processes within the audit firm support and demonstrate its claim to independence.

Assupol Holdings is considered a public interest company. The audit firm, PricewaterhouseCoopers, has been the auditor since the demutualisation of Assupol Life in 2010. PricewaterhouseCoopers has an internal rotation requirement whereby the engagement partner is rotated every 5 years. In terms of the mandatory audit firm rotation rule implemented by the Independent Regulatory Board for Auditors (IRBA), PricewaterhouseCoopers will be eligible to audit the Assupol Group until June 2023. The committee has already started the process to find a replacement firm.

The external auditor had direct and unrestricted access to the chairman of the Audit Committee. The committee is satisfied with the quality of the external audit work that was performed. The factors considered were specifically the feedback from management as well as the interaction between the committee and the external auditor.

The committee, in consultation with executive management, agreed to the engagement letter, including its terms and conditions, audit plan and budgeted audit fees, for the 2021 financial year.

The committee understood and assessed the procedures performed by PricewaterhouseCoopers as detailed in their audit plan to the committee and further confirmed in their final report to the committee. A review of the external auditors' report on the year end audit and the key audit matters was conducted by the committee (more detail is provided under "Financial statements and accounting practices" below). The monitoring of the effectiveness of the external auditors in terms of their audit quality, expertise and independence, as well as the content and execution of the audit plan was also performed by the Audit Committee. This included reviewing the findings and recommendations of the external auditors and confirming that there were no unresolved matters.

There were no reportable irregularities which were identified and reported by the external auditors in terms of the Auditing Profession Act, 26 of 2005, of South Africa.

All decision letters and explanations issued by the Independent Regulatory Board for Auditors in South Africa (IRBA) or any other regulator, and any summaries relating to monitoring procedures or deficiencies (if applicable) issued by the audit firm to confirm the suitability for appointment of the audit firm and the designated individual partner, Mr L Sihiya. To this end, the committee recommended the re-appointment of PricewaterhouseCoopers Inc. as the registered independent auditor after satisfying itself through enquiry that PricewaterhouseCoopers and Mr L Sihiya, the engagement partner, are independent as defined in terms of the Companies Act of South Africa, 71 of 2008, and IRBA.

A formal procedure governs the process whereby the auditor is considered for other non-audit related services. For the year ended 30 June 2021, the external auditor provided non-audit services to the Group. The committee affirms that these services did not impair the external auditor's independence.

ROLES AND RESPONSIBILITIES (continued)Financial statements and accounting practices

The committee has reviewed the accounting policies and the interim and year-end financial statements of the Group with both management and the external auditor and is satisfied that they are appropriate and comply with International Financial Reporting Standards (IFRS). Accounting estimates and assumptions, accounting treatments, significant unusual transactions and key accounting judgements which have the potential for significant adjustment of the overall financial statements are specifically listed in note 3 to the annual financial statements. The committee has considered the appropriateness of key audit matters reported in the external audit opinion contained on pages 14 to 20 in these annual financial statements and considered the significant audit matters relating to the Group annual financial statements and how these were addressed by the committee.

Material matter

Valuation of policyholder assets and liabilities under insurance contracts

Manner addressed by the committee

The Group's valuation methodologies and practices for the policyholder assets and liabilities under insurance contracts are monitored and implemented by the Risk and Investment Committee and the Actuarial Committee. Both these committees have reporting responsibilities to the Audit Committee. The work performed by these committees in this regard included:

- A detailed review of the fit and purpose of the valuation practices and methodologies, with a specific focus on impact on COVID-19 on the Group's business and relevant scenarios from the Own Risk and Solvency Assessment (ORSA).
- An impact assessment on the reported results, whilst also benchmarking to peers and the industry at large, through independent guidance and feedback from the Head of Actuarial Control Function and external auditors.

The committee also reviewed the accounting policies of the Group, with a particular focus on the valuation requirements arising from IFRS 4 Insurance Contracts and IAS 39 Financial Instruments.

Over the course of the financial year, management reported to the committees of Risk and Investment, Actuarial and Audit on the valuation models and outcomes which formed the basis of the quarterly management reporting as well as interim and year end financial statements reporting. The processes, key areas of judgement and outcomes were found to be appropriate.

Refer to notes 2.17.3, 3.1, 4, 5 and 28 to the financial statements.

Based on processes and assurances obtained, the committee recommended the financial statements to the Board for approval.

Financial controls, actuarial controls and risk management

The committee reviewed a written assessment on the effectiveness of the design and implementation of internal financial controls, actuarial controls, and risk management as considered through feedback from the Risk and Investment Committee. Nothing has come to the committee's attention that causes it to believe that the system of internal financial controls, actuarial controls, and risk management is not effective, or has resulted in any material financial loss, fraud, corruption or error; or that the internal financial controls do not form a sound basis for the preparation of reliable financial statements.

Going concern

The committee has reviewed documented assessments prepared by management and presented on a regular basis, on the going concern status of the Assupol Group. Specific attention was placed by the committee on the impact of the COVID-19 pandemic. Management provided regular feedback to the Board of Directors and the committee on the volatility and uncertainty that were experienced in the operating environment, the markets and economy. Also refer to the Directors' Report on page 7 for more information of the impact on the Group and actions undertaken by the Group in respect of COVID-19.

The Board of Directors' statement on the going concern status of the Assupol Group, as supported by the committee, is disclosed on page 2.

Combined assurance

The combined assurance framework was approved at the Audit and the Risk and Investment Committee meetings in May 2020. The combined assurance strategy entails risk identification, identification of controls, identification of assurance providers, planning, assurance activities, the assurance result, corrective actions, as well as reporting. The combined assurance forum discuss overarching issues and co-ordinate assurance activities. This forms the basis for the assurance plan which is tabled at the Audit Committee as well as the Risk and Investment Committee for approval.

ROLES AND RESPONSIBILITIES (continued)Governance of risk and information technology

The committee forms an integral part of the risk management framework and the governance of information technology. The Board of Directors specifically assigns oversight of the Group's financial risk management function to the committee in respect of financial reporting risks, internal financial controls, fraud and information technology risks relating to financial reporting, and compliance with laws and regulations.

On a quarterly basis, the committee received feedback from the chairman of the Risk and Investment Committee on matters pertaining to risk, combined assurance and information technology. No adverse matters were noted.

Internal audit

The committee is responsible for ensuring that the Group's internal audit function is independent and has the necessary resources, standing and authority within the Group to enable it to discharge its duties. In addition, the committee oversees co-operation between the internal and external auditors, and serves as a link between the Board and these functions.

The execution of the internal audit work was outsourced to Ernst & Young. The internal audit service provider reports directly to the Audit Committee and is responsible for reviewing and providing assurance on the adequacy of the internal control environment. The service provider reports the findings of the internal audit work to the committee on a regular basis and has direct unrestricted access to the committee, primarily through its chairman.

The committee approved internal audit's annual audit plan for the 2021 financial year.

The committee also assesses the performance of the internal auditor and the internal audit function, and is satisfied with the overall effectiveness of the chief audit executive and the arrangements for the internal audit function.

Ernst & Young confirmed, though a negative assurance statement, the strength of the internal control environment that supports the reporting for the year under review. The committee befittingly used this confirmation in concluding on the control environment and the reported results.

Evaluation of the expertise and experience of the Group Chief Financial Officer and the finance function

The committee is satisfied that the Group Chief Financial Officer has appropriate expertise and experience. Furthermore, the committee has considered and satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function, and experience of the senior members of management responsible for this function. In making these assessments, the committee has obtained feedback from both internal and external audit.

Integrated report

The committee fulfils an oversight role regarding the Group's integrated report and the reporting process. The committee considered the Group's sustainability information as disclosed in the integrated report and has assessed its consistency with operational and other information known to the Audit Committee members, and with the annual financial statements.

Regulatory and compliance matters

The impact of pending regulatory and compliance matters that could affect the internal financial and other controls, financial statements, or other matters relating to the roles and responsibilities of the committee is discussed at the meetings of the Audit Committee.



NB Duker
Chairman: Audit Committee
23 September 2021

The Board is pleased to present the audited financial statements of Assupol Holdings Limited ('Assupol Holdings or the company) and its subsidiaries for the year ended 30 June 2021. The Board is of the opinion that the Group is in compliance with the Companies Act, 71 of 2008 as well as the company's Memorandum of Incorporation.

The shares of Assupol Holdings are listed on the 4Africa Exchange (4AX). The directors are aware of their responsibilities in terms of the 4AX Listings Requirements and are not aware of any non-compliance with the listing requirements.

NATURE OF BUSINESS

Assupol Holdings is incorporated in South Africa and acts as the ultimate holding company of the Assupol Group. During the year under review the Assupol Group continued to provide a range of financial services to its chosen markets. For more detailed information regarding the nature of business per subsidiary, refer to note 40 to the financial statements.

CORPORATE ACTIVITIES

Update on the impact of the COVID-19 pandemic

After nearly two years since the first reported case of an infection, the COVID-19 pandemic continued to impact the previously perceived "normal" business and economic environment globally. The Group has experienced various challenges in its sales activities and operations that were exacerbated by the second and third waves of the pandemic that swept through South Africa during the Group's financial year. Although the vaccine rollout has commenced and begun gaining traction in South Africa, the uncertainty related to evolution and impact of the pandemic and its associated waves still remains.

The lockdown restrictions imposed by the South African government, especially during the peak of these waves curbed the Group's normal face-to-face sales activities. Management, through the assistance of a motivated and committed Information Technology team, were quick to respond, in an innovative manner, by providing its sales force with a "no touch" solution to enable the sales team to service clients remotely.

The Group's death claims exceeded its long-term expectations by 30%. Management continuously performed assessments of the appropriateness of the COVID-19 reserve. Based on the Group's own mortality experience since the start of the pandemic, the statistics of the South African Medical Research Council and the expectations of the industry in South Africa, the explicit reserve was adjusted and amounted to R228 million (2020: R108 million) before taxation at the end of the financial year. The Group's persistency experience was monitored but no notable adverse impact was experienced with the exception of the Direct Marketing distribution channel.

The Group reported a decrease of 2.5% in expenses that can be partially be attributed to the impact of lockdown restrictions on business activities but also to specific management actions to preserve capital in uncertain circumstances. COVID-19 related spend, such as providing connectivity to employees that work from home, amounted to R13.2 million (2020: R9.9 million).

Assupol prides itself of always understanding and remaining aware of the underlying cultural and socio-economic factors in the communities in which it operates and where its policyholders reside and work. Since the pandemic reached South Africa, the Group was acutely aware of the hardships that our clients, including essential workers, and their communities experienced. At the onset of the pandemic Assupol financially supported its tied sales force when face-to-face sales were restricted. Furthermore the Group has made a specific effort to continue paying claims within 24 hours despite a significant increase in claims, especially during the peak of the waves.

Direct Marketing distribution channel

This distribution channel continued to generate new business for the Group when restrictions were placed on face-to-face interactions. However the unique challenges in this environment such as the cost of lead generation and the survival rate of policies on book necessitated a revisitation of the channel's strategy.

Cornerstone distribution channel

At the outset of the financial year, an agreement was reached to enhance the premium collection method in this distribution channel. As a result the sales activities in this channel have returned to levels experienced in the past.

GROUP RESULTS

Details of the Assupol Group's financial performance are set out in the attached financial statements and notes thereto on pages 21 to 102.

Despite the adverse impact of the COVID-19 pandemic on the businesses within the Group, the financial results for the year ended 30 June 2021 demonstrate a resilience as a testament to impeccable management under incredibly trying circumstances.

Actuarial assumption and modeling adjustments detracted R353.5 million (2020: R123.6 million) from the profit after taxation. This included the following significant adjustments:

- Explicit COVID-19 reserving for the remainder of the third wave and a possible fourth wave amounting -R164.5 million (2020: -R77.9 million).
- The renewal expense per policy was increased for individual business as well as the Cornerstone business channel and amounted to -R79.0 million (2020: Rnil). The main reason for this increase was due to the strain that the pandemic has placed on the growth in new business units.
- The investment return assumptions for both the unit and non-unit reserves were increased, as well as the inflation assumption to the tune of -R96.4 million (2020: R121.2 million).

The after taxation returns on shareholders assets outperformed the long-term investment return assumption by R43 million (2020: Underperformance of R68 million). The investment return achieved on shareholders funds was 16.97% (2020: 1.22%).

The Group contributed to South Africa's social development agenda by upgrading the ablution facilities of rural schools in South Africa to an amount of R10.0 million.

The **key financial performance statistics** for the Assupol Group for the year under review are set out below:

Earnings performance	2021	2020	% change
Gross insurance premium revenue (R'm)	4 359	4 004	8.87%
Profit attributable to ordinary shareholders (R'm)	353	564	-37.41%
Value of new business (R'm) (IFRS base)	394	390	1.16%
Return on equity (%)	8%	13%	-

The **adjusted operating profit** is a metric that reflects management's view of the underlying long-term profitability of the Group.

It has showed a decrease of -1.72% (2020: 1.52%). It should however be mentioned that the pandemic brought about a complex environment where uncertainty remains around the longer term implications and resultant outcomes.

Adjusted operating profit (R'm)	2021	2020	% change
Profit for the year	352	564	-37.59%
Adjustment on investment returns on shareholders funds	(43)	68	-163.24%
Non-recurring transactions	309	27	1044.44%
Non-recurring economic assumption adjustments	(20)	(8)	150.00%
Other non-recurring actuarial adjustments	201	162	24.07%
Adjusted operating profit	799	813	-1.72%

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 shareholders 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 consider 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. The metric calculated in the previous financial year was reassessed as more information regarding the impact of the pandemic became available and as a result the calculation of the previously reported 2020 adjusted operating profit of R790 million was revised to be R813 million.

Two adjustments were included that pertain to the impact that the lock down restrictions had on the generation of new business, especially in the face-to-face sales environment. An adjustment was made to recognise the commission saving that occurred due to the change in the sales pattern brought about by the lock down period, and another adjustment was done to nullify the impact that the loss of new business had on the recovery of initial expenses. The first adjustment decreased the adjusted operating profit and the second increased it.

DIRECTORS' REPORT for the year ended 30 June 2021

An analysis of the total **new business premiums written** during the financial year is provided below.

New business (R'm)	2021	2020	% change
Recurring premiums	549	959	-42.74%
Single premiums	224	444	-49.59%
Total new business premiums	773	1 403	-44.91%
Annual premium equivalent (APE)	571	1 003	-43.07%
Present value of new business premiums (PV NBP)	4 225	4 703	-10.16%
Value of new business margin *	9.3%	- *	- *

* The value of new business margin of 2020 was 7.4% on the previous statutory basis and cannot be compared to the 2021 reported number. Refer to the change in the calculation noted under the embedded value below.

The **embedded value** represents an estimated value of the Group that comprises shareholders' funds which is the aggregate of free surplus funds and required capital to support the in-force business; plus the present value of in-force business; less the cost of required capital.

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.

Other Group operations include the value of Assupol Holdings as well as other subsidiaries in the Group that are not included in the value of covered business.

In June 2021 the Board approved a change in the calculation of the embedded value to replace the use of the previous statutory basis ('SVM base') in the calculation of covered business with an IFRS based approach ('IFRS base').

Group embedded value (R'm)	2021 IFRS base	2020 IFRS base	2020 SVM base
Shareholders' funds	4 582	4 417	1 141
Value of in-force business	1 939	2 066	4 851
Gross	2 494	2 589	5 325
Cost of required capital	(555)	(522)	(474)
Embedded value of covered business	6 520	6 483	5 992
Embedded value of other Group operations	3	10	10
Group embedded value at year end	6 523	6 493	6 002
Return on embedded value (%)	4.19%	17.80%	18.40%

DIRECTORS' REPORT for the year ended 30 June 2021

As disclosed below, the impact of the change in the calculation of the embedded value for covered business at 30 June 2020 increased the previous reported value of R5 992 million, using the statutory basis, to R6 483 million on the IFRS based approach.

Embedded value earnings (R'm)	Adjusted net worth	Value of in-force	Cost of required capital	Total
Embedded value at 30 June 2020 - Covered business				
As previous reported (SVM base)	1 141	5 325	(474)	5 992
Adjustment for the change in base	3 276	(2 736)	(48)	491
Embedded value at 30 June 2020 (IFRS base)	4 417	2 589	(522)	6 483
Opening adjustments	15	-	-	15
Embedded value as at the beginning of the year	4 432	2 589	(522)	6 498
Dividends paid	(232)	-	-	(232)
Deferred bonus shares	25	-	-	25
Embedded value after adjustments	4 225	2 589	(522)	6 291
Unwinding of risk discount rate	-	277	(53)	224
Expected profits	447	(447)	-	-
New business	98	392	(96)	394
Operating experience variations	(246)	(194)	5	(435)
Taxation	(28)	-	-	(28)
Assumption changes	(278)	(142)	25	(395)
Investment experience	347	12	86	445
Miscellaneous	15	9	-	24
Embedded value at 30 June 2021 - Covered business	4 580	2 496	(555)	6 520
Embedded value at 30 June 2020 - Other Group operations	3	7	-	10
Dividends paid	1	-	-	1
Embedded value after adjustments	4	7	-	11
Net profits	(1)	-	-	(1)
Holdings company expense adjustment	-	(51)	-	(51)
Market value adjustment	-	44	-	44
Embedded value at 30 June 2021 - Other Group operations	3	-	-	3
Group embedded value at 30 June 2021	4 583	2 496	(555)	6 523

SHARE STATISTICS

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

	2021	2020	% change
Share price - closing (R) *	8.00	7.25	10.34%
Market capitalisation (R'm) *	3 409	3 059	11.44%
Earnings per share (cents)	84	140	-39.81%
Diluted earnings per share (cents)	83	138	-39.93%
Diluted adjusted operating profit per share (R)	1.88	1.85	1.44%
Group embedded value per share (R)	15.31	15.39	-0.51%
Dividends per qualifying ordinary shares (cents)	42	55	-23.64%

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

DIRECTORS' REPORT for the year ended 30 June 2021

BOARD OF DIRECTORS

The directors of the company as at 30 June 2021 were:

Name	Board committee involvement	Date appointed
<i>Non-executive directors</i>		
Dr RJ Khoza (Chairman)	Member: Nominations Committee, Remuneration Committee	20 May 2019
EDJ Ashkar	Member: Actuarial Committee, Nominations Committee, Remuneration Committee	20 Feb 2013
GR Burger	Member: Risk and Investment Committee	6 May 2019
SIM Braudo	Chairman: Actuarial Committee, Remuneration Committee Member: Audit Committee	6 May 2019
MD Collier	Chairman: Risk and Investment Committee Member: Audit Committee, Nominations Committee	6 Aug 2020
NB Duker	Chairman: Audit Committee, Social and Ethics Committee Member: Risk and Investment Committee	1 Oct 2020
NE Gubb	Member: Nomination Committee, Social and Ethics Committee	7 May 2013
LJ Sennelo	Chairman: Nominations Committee Member: Audit Committee, Remunerations Committee	11 May 2021
<i>Executive directors</i>		
CJ van Dyk (Group Chief Executive Officer)	Member: Actuarial Committee, Risk and Investment Committee	30 Sep 2013
D de Klerk (Group Chief Financial Officer)	Member: Actuarial Committee	30 Jul 2010
MB Mokwena-Halala (Chief Executive Officer: Assupol Life)	-	30 Jul 2010
SL Ndwalaza (Human Resources)	Member: Social and Ethics Committee	1 Sep 2012

Mr R Mothapo that was appointed on 18 August 2017 stepped down as non-executive director with effect from 9 July 2020.

Mr SRL Mbili was appointed on 8 September 2021 as a non-executive director by the shareholders. His appointment is subject to the approval of the Prudential Authority in terms of the Insurance Act no 18 of 2017.

PRESCRIBED OFFICERS

Name	Position held in Group	Date appointed
MS Keetse	Group Head: Legal and compliance	1 Jan 2020
EZ Mngoma	Group Executive: Sales	1 Jul 2017
EN Nelwamondo	Chief Information Officer	1 Jan 2019
MP Salmon	Chief Risk Officer	1 Jan 2017

Mr J Dippenaar that was appointed on 1 September 2015 has resigned as Chief Risk Officer with effect from 1 October 2020. Mr MP Salmon, previously the Head of Strategy, was appointed as the Chief Risk Officer. The functions of the Head of Strategy were assumed by the Group Chief Executive Officer.

DETAILS OF SERVICE CONTRACTS

The Group has permanent employee contracts with all the executive directors and prescribed officers.

BOARD COMMITTEES

In the conversion of the insurance license of Assupol Life, the Prudential Authority granted Assupol Life exemption from establishing its own audit committee in terms of section 66 of the Insurance Act, 18 of 2017, and section 7.3 of the Prudential Standard Governance and Operational Standards for Insurers (GOI 2). Exemption was also granted to Assupol Life to establish its own Risk and Remuneration Committees, as required in terms of section 7.4 of the GOI 2.

The Board dissolved the Growth and Innovation Committee on 19 November 2020. The functions thereof were assumed by the Board.

It is the intention of the Board of Directors to dissolve the standalone Investment Committee as stipulated in the Memorandum of Incorporation. This decision is subject to approval by a majority of shareholders at the annual general meeting scheduled for the fourth quarter of the 2021 calendar year. For the interim period, the Investment Committee was incorporated into the Risk Committee and is currently known as the Risk and Investment Committee.

HEAD OF ACTUARIAL CONTROL FUNCTION

In terms of the Insurance Act, 18 of 2017, Mr R Subotzky has continued in office as the Head of Actuarial Control Function of Assupol Life Limited.

COMPANY SECRETARY

The company secretary, FluidRock Co Sec (Pty) Ltd, has resigned during the financial year. Ms T Nkomo was appointed with effect from 1 April 2021.

AUDITOR

In accordance with section 90 of the Companies Act, 71 of 2008, the Audit Committee, on behalf of the Board of Directors, nominated PricewaterhouseCoopers Incorporated for appointment as external auditor. This appointment will be subject to approval by a majority of shareholders at the annual general meeting scheduled for the fourth quarter in the 2021 calendar year.

Although the current auditor will be eligible to audit the Assupol Group until the financial year ending June 2023, the Board of Directors is in the process to address the mandatory audit firm rotation rule as implemented by the Independent Regulatory Board for Auditors (IRBA).

SUBSIDIARIES

The Assupol Group's material interests in subsidiaries are set out in note 40 to the financial statements. These companies were subsidiaries throughout the year. The subsidiaries are involved in the financial services industry in South Africa.

SHARE CAPITAL

The issued share capital of the company as at 30 June 2021 is shown below. Refer note 24.

	2021 R'000	2020 R'000
421 714 290 no par value ordinary shares (2020: 377 511 305 ordinary shares of R0.001 each)	640 495	573 325
'A' ordinary redeemable no par value shares (2020: 44 202 985 shares)	-	30 000
69 661 'B' no par value shares	417	417
192 039 'B1' no par value shares	1 392	36 742
4 185 985 'B2' no par value shares	39 791	-
Total share capital	682 095	640 484

At the annual general meeting of Assupol Holdings on 19 November 2020 the following was resolved and the Memorandum of Incorporation was adjusted accordingly:

- The authorised and issued ordinary shares of the company be converted from ordinary shares with a par value of R0.001 to ordinary shares with no par value.
- The authorised and issued 'A' ordinary redeemable no par value shares be reclassified as ordinary shares with no par value.

During the financial year 5 807 685 'B1' shares that were issued as a deferred bonus in 2017, have vested and are disclosed as ordinary shares.

The company issued 4 185 985 'B2' no par value shares during the financial year. The 'B3' and 'B4' shares were awarded to senior management in September 2019 and September 2020 respectively in terms of the deferred bonus scheme (refer note 26) but have not been issued as yet due to the requisite approval from the Prudential Authority.

SHAREHOLDERS' DIVIDEND

Dividends were declared in respect of the following financial years:

cents per share	2021	2020
Ordinary dividend	42	55

For the 2020 financial year

On 22 September 2020 the Board of Directors declared an ordinary dividend of 55 cents per qualifying ordinary share. This was declared in terms of the company's dividend policy to shareholders recorded at close of business on 9 October 2020. The dividends were paid on 12 October 2020.

For the 2021 financial year

After the reporting period, on 28 September 2021, the Board of Directors declared an ordinary dividend of 42 cents on qualifying shares.

The qualifying shares included the listed ordinary shares but excluding shares held by the Share Incentive Trust. It will also include those 'B' shares that qualify to be converted to ordinary shares after the restricted period ends in September 2021 and that are unrestricted at record date.

The declaration was done after careful consideration of solvency and liquidity requirements of the Group as well as the prioritisation of the preservation of capital by entities is emphasized.

The dividends have been declared from retained earnings. A dividend withholding taxation of 20% will be applicable to all shareholders who are not exempt.

The following dates will apply to the dividend:

Last date to trade <i>cum dividend</i>	15 October 2021
Record date	15 October 2021
Trading <i>ex dividend</i> commences	18 October 2021
Dividend payment date	18 October 2021



Independent auditor's report

To the Shareholders of Assupol Holdings Limited

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Assupol Holdings Limited (the Company) and its subsidiaries (together the Group) as at 30 June 2021, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Assupol Holdings consolidated and separate financial statements set out on pages 21 to 102 comprise:

- the consolidated and separate statements of financial position as at 30 June 2021;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

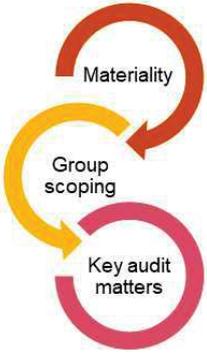
*PricewaterhouseCoopers Inc., 4 Lisbon Lane, Waterfall City, Jukskei View, 2090
Private Bag X36, Sunninghill, 2157, South Africa
T: +27 (0) 11 797 4000, F: +27 (0) 11 209 5800, www.pwc.co.za*

Chief Executive Officer: L S Machaba

The Company's principal place of business is at 4 Lisbon Lane, Waterfall City, Jukskei View, where a list of directors' names is available for inspection.
Reg. no. 1998/012055/21, VAT reg.no. 4950174682.

Our audit approach

Overview

	Overall group materiality <ul style="list-style-type: none"> Overall group materiality: R43.6 million, which represents 1% of the consolidated insurance premiums revenue.
	Group audit scope <ul style="list-style-type: none"> Our group scoping included full scope audits on three out of seven components, based on financial significance, audit risks and statutory audit requirements. Assupol Life Limited is the most significant component within the Group. We performed analytical procedures on the remaining non-significant components.
	Key audit matters <ul style="list-style-type: none"> Valuation of policyholder assets and liabilities under insurance contracts.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

<i>Overall group materiality</i>	<i>R43.6 million</i>
<i>How we determined it</i>	<i>1% of consolidated insurance premiums revenue</i>



<p><i>Rationale for the materiality benchmark applied</i></p>	<p><i>We chose consolidated insurance premiums revenue as the benchmark because, in our view, it was the benchmark which was least affected by Covid-19. The current environment has resulted in volatility in consolidated profit before tax and consolidated insurance premiums revenue was the benchmark that provided the most representative reflection of the activities in the Group.</i></p> <p><i>We chose 1% which is consistent which is within quantitative materiality thresholds that we consider to be appropriate.</i></p>
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How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

There are seven components within the Group. The group engagement team performed full scope audits for three components based on financial significance, audit risks and statutory audit requirements. One of these three components, Assupol Life Limited is the most significant in the Group. We performed analytical review procedures on the remaining components to support our conclusion that the work performed was sufficient and appropriate to support our group audit opinion.

All testing was performed centrally by the group audit team. By performing the procedures outlined below, we obtained sufficient and appropriate audit evidence regarding the financial information of the Group to provide a basis for our opinion on the consolidated financial statements as a whole.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter discussed in the table below relates to the consolidated financial statements. We have determined that there are no key audit matters with regard to the audit of the separate financial statements of the Company for the current period to communicate in our report.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p>Valuation of policyholder assets and liabilities under insurance contracts</p> <p>Refer to the following sections in the consolidated financial statements for disclosures as it relates to this key audit matter:</p> <ul style="list-style-type: none"> • Note 2.17.3 - Policyholder contracts - Investment and insurance (Insurance Contracts); • Note 3.1 - Critical Accounting Estimates (Policyholder liabilities / assets under long-term insurance contracts); 	

<ul style="list-style-type: none"> • Note 4 - Assumptions and estimates relating to policyholder (Assets) / Liabilities; • Note 5 - Risk Management; and • Note 28 - Policyholder (Assets)/Liabilities under Insurance Contracts. <p>The Group issues contracts that transfer insurance risk or financial risk or, in some cases, both. An insurance contract is a contract under which the insurer accepts significant insurance risk from the policyholder. Such contracts may also transfer financial risk. The Group defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that is significantly more than the benefits payable if the insured event did not occur.</p> <p>Management valued net policyholder assets and liabilities arising from insurance contracts of R2 596.3 million as disclosed in note 28 using a discounted cash flow method in terms of the Financial Soundness Valuation (FSV) method using the Actuarial Society of South Africa's guidance as contained in Standard of Actuarial Practice note 104 (SAP 104) and the Actuarial Practice Notes (APNs).</p> <p>The valuation of the policyholder assets and liabilities under insurance contracts took into account key economic and non-economic assumptions which were then applied to projected future cash flows.</p> <p>Economic assumptions which are based on market observable data as at the end of the financial year that were applied by management included the following:</p> <ul style="list-style-type: none"> • Discount rates; • Investment returns; and • Inflation rates. <p>Non-economic assumptions are set based on experience investigations performed by the Group and therefore contain judgement and an element of subjectivity. The key non-economic assumptions that were applied by management include the following:</p> <ul style="list-style-type: none"> • Future mortality; 	<p>Utilising our actuarial expertise, we tested the valuation of policyholder assets and liabilities under insurance contracts by performing the following procedures:</p> <ul style="list-style-type: none"> • We attended the Actuarial Committee meetings to obtain an understanding of the Group's actuarial control environment and governance. During these meetings, we understood the governance processes in relation to assumption and model changes, as well as the impact of Covid-19. No matters were noted for further consideration. • We compared a sample of the underlying data between the policyholder administration system and the data used in the valuation. No material differences were noted. • We compared the valuation methodology used by management against the Group's accounting policy, guidance of SAP 104 and industry practice. We found management's valuation methodology to be consistent with these. • We examined management's <i>Analysis of Surplus (AoS)</i>, which shows sources of profit and how it relates to the change in insurance contract provisions as disclosed in the consolidated statement of comprehensive income. • We assessed the reasonableness of economic assumptions by comparing these to a range of available market observable data. The assumptions were found to be reasonable, taking into account the Group's circumstances. • Our assessment of the non-economic assumptions included the following: <ul style="list-style-type: none"> ○ We assessed the reasonableness of the non-
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<ul style="list-style-type: none"> • Withdrawals; and • Renewal expenses. <p>We considered the valuation of policyholder assets and liabilities under insurance contracts to be a matter of most significance to our current year audit due to the following:</p> <ul style="list-style-type: none"> • The subjectivity and the significant judgement applied by management in setting key assumptions, which could result in a material change in the valuation. This was particularly the case in respect of the non-economic assumptions, in light of the Covid-19 pandemic; and • The magnitude of the policyholder assets and liabilities under insurance contracts balance in relation to total assets and liabilities. 	<p>economic assumptions with references to the most recent experience investigations conducted by management and our knowledge of the business.</p> <ul style="list-style-type: none"> ○ We assessed management's process to determine the Covid-19 adjustments to each of the assumptions. This was done with reference to actual experience over the past year, the South African Medical Research Council (SAMRC) statistics, as well as other sources of industry data. <p>The non-economic assumptions were found to be reasonable, taking into account the Group's circumstances.</p>
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Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Assupol Holdings Limited and its subsidiaries Annual Financial statements for the year ended 30 June 2021", which includes the Directors' Report, the Report of the Audit Committee and the Company Secretary compliance statement as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the document titled "Assupol Holdings Limited 2021 Integrated Report", which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors

determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Assupol Holdings Limited for 88 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: L. Sihya

Registered Auditor

Johannesburg, South Africa

28 September 2021

STATEMENTS OF COMPREHENSIVE INCOME for the year ended 30 June 2021

	NOTES	CONSOLIDATED		COMPANY	
		2021 R'000	2020 R'000	2021 R'000	2020 R'000
Insurance premiums revenue		4 359 112	4 003 620	-	-
Insurance premiums ceded to reinsurers		(145 113)	(122 411)	-	-
Net insurance premium revenue	7	4 213 999	3 881 209	-	-
Commission received on outward reinsurance		74	6 783	-	-
Fee income	8	75 183	81 489	-	-
Investment income on financial assets	9	-	-	232 207	332 082
- at fair value through profit or loss	9	226 360	255 200	-	-
- at amortised cost	9	157 073	143 517	2 692	1 473
Net fair value gains / (losses) on financial assets	10	367 539	(156 442)	-	-
Other income	11	692	3 542	-	40
Income		5 040 920	4 215 298	234 899	333 595
Insurance benefits and claims		(2 016 378)	(1 189 242)	-	-
Insurance claims recovered from reinsurers		261 272	97 814	-	-
Net insurance benefits and claims	12	(1 755 106)	(1 091 428)	-	-
Commission expenses	13	(888 404)	(823 150)	-	-
Operating and administrative expenses	14	(1 221 934)	(1 252 635)	(7 715)	(27 747)
Investment management expenses		(11 850)	(13 411)	-	-
Change in insurance contract provisions	28	(279 036)	(21 418)	-	-
Value adjustments on investment contract liabilities	29	(322 265)	(191 247)	-	-
Expenses		(4 478 595)	(3 393 289)	(7 715)	(27 747)
Result of operating activities		562 325	822 009	227 184	305 848
Finance charges	15	(38 312)	(35 523)	-	-
Profit before taxation		524 013	786 486	227 184	305 848
Income taxation expense	16	(171 685)	(222 381)	(832)	(313)
PROFIT FOR THE YEAR		352 328	564 105	226 352	305 535
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		352 328	564 105	226 352	305 535
Profit attributable to:					
Owners of Assupol Holdings Ltd		352 680	564 152	226 352	305 535
Non-controlling interests		(352)	(47)	-	-
		352 328	564 105	226 352	305 535
Total comprehensive income attributable to:					
Owners of Assupol Holdings Ltd		352 680	564 152	226 352	305 535
Non-controlling interests		(352)	(47)	-	-
		352 328	564 105	226 352	305 535
Group earnings per share (cents)					
Basic earnings per share (cents)	17	84.2	139.9		
Diluted earnings per share (cents)	17	83.0	138.1		

STATEMENTS OF FINANCIAL POSITION as at 30 June 2021

	NOTES	CONSOLIDATED		COMPANY	
		2021 R'000	2020 R'000	2021 R'000	2020 R'000
ASSETS					
Property and equipment	18	200 085	235 119	-	-
Intangible assets	19	181 269	151 168	-	-
Investments in subsidiaries	20	-	-	813 390	784 436
Financial assets - Investments					
At fair value through profit or loss					
Equity securities	21	1 564 654	1 418 923	-	-
Debt securities	21	2 222 110	1 573 542	-	-
Deposits and money market securities	21	1 051 868	1 031 739	-	-
At amortised cost					
Deposits and money market securities	21	1 869 308	1 622 487	-	-
Policyholder assets					
Insurance contracts	28	2 596 284	2 953 398	-	-
Reinsurance assets	28	100 593	22 515	-	-
Insurance and other receivables	22	204 421	141 370	1 824	41 541
Current taxation	35	2 612	-	-	-
Cash and cash equivalents	23	384 400	424 550	39 064	15 309
TOTAL ASSETS		10 377 604	9 574 811	854 278	841 286
EQUITY					
Share capital	24	682 095	640 484	682 095	640 484
Treasury shares	25, 26	(45 615)	(39 498)	(41 434)	(36 993)
Employee benefits reserve	26	203 651	210 047	203 651	210 047
Black Economic Empowerment reserve	27	14 300	14 300	14 300	14 300
Retained earnings		3 813 346	3 689 366	(16 437)	(13 498)
Capital and reserves attributable to owners of Assupol Holdings		4 667 777	4 514 699	842 175	814 340
Non-controlling interest		(399)	(47)	-	-
TOTAL EQUITY		4 667 378	4 514 652	842 175	814 340
LIABILITIES					
Policyholder liabilities: Investment contracts					
At fair value through profit or loss	29	1 995 293	1 684 556	-	-
At amortised cost	29	1 925 292	1 692 321	-	-
Other liabilities	30	412 046	428 301	-	-
Employee benefits	31	76 404	75 265	-	-
Deferred revenue liability	32	478	610	-	-
Deferred taxation liability	33	798 961	809 208	-	-
Insurance and other payables	34	501 752	360 101	12 095	26 724
Current taxation	35	-	9 797	8	222
TOTAL LIABILITIES		5 710 226	5 060 159	12 103	26 946
TOTAL EQUITY AND LIABILITIES		10 377 604	9 574 811	854 278	841 286

STATEMENTS OF CHANGES IN EQUITY for the year ended 30 June 2021

	SHARE CAPITAL R'000	TREASURY SHARES R'000	EMPLOYEE BENEFITS RESERVE R'000	BEE RESERVE R'000	RETAINED EARNINGS R'000	NON- CONTROLLING INTEREST R'000	TOTAL EQUITY R'000
COMPANY							
Balance at 30 June 2019	639 533	(65 601)	204 367	14 300	14 038	-	806 637
Cost of incentive shares	-	-	1 026	-	-	-	1 026
Share incentive options exercised	-	1	(1)	-	-	-	-
Deferred bonus recognition	-	-	33 262	-	-	-	33 262
Dividend paid	-	-	-	-	(353 995)	-	(353 995)
Vesting of deferred bonus shares	-	28 607	(28 607)	-	-	-	-
Assupol Life's deferred bonus shares	-	-	-	-	20 000	-	20 000
Adjustment of redemption on preference shares	951	-	-	-	924	-	1 875
Profit for the year	-	-	-	-	305 535	-	305 535
Balance at 30 June 2020	640 484	(36 993)	210 047	14 300	(13 498)	-	814 340
Cost of incentive shares	-	-	536	-	-	-	536
B2' shares issued	39 791	(39 791)	-	-	-	-	-
Deferred bonus recognition	-	-	28 418	-	-	-	28 418
Dividend paid	-	-	-	-	(231 059)	-	(231 059)
Vesting of deferred bonus shares	-	35 350	(35 350)	-	-	-	-
Adjustment of redemption on preference shares	1 820	-	-	-	1 768	-	3 588
Profit for the year	-	-	-	-	226 352	-	226 352
Balance at 30 June 2021	682 095	(41 434)	203 651	14 300	(16 437)	-	842 175

STATEMENTS OF CHANGES IN EQUITY for the year ended 30 June 2021

	SHARE CAPITAL R'000	TREASURY SHARES R'000	EMPLOYEE BENEFITS RESERVE R'000	BEE RESERVE R'000	RETAINED EARNINGS R'000	NON- CONTROLLING INTEREST R'000	TOTAL EQUITY R'000
CONSOLIDATED							
Balance at 30 June 2019	639 533	(68 106)	204 367	14 300	3 477 328	-	4 267 422
Cost of incentive shares	-	-	1 026	-	-	-	1 026
Share incentive options exercised	-	1	(1)	-	-	-	-
Deferred bonus recognition	-	-	33 262	-	-	-	33 262
Dividend paid	-	-	-	-	(353 038)	-	(353 038)
Vesting of deferred bonus shares	-	28 607	(28 607)	-	-	-	-
Adjustment of redemption on preference shares	951	-	-	-	924	-	1 875
Profit for the year	-	-	-	-	564 152	(47)	564 105
Balance at 30 June 2020	640 484	(39 498)	210 047	14 300	3 689 366	(47)	4 514 652
Cost of incentive shares	-	-	536	-	-	-	536
B2' shares issued	39 791	(39 791)	-	-	-	-	-
Treasury shares acquired	-	(1 676)	-	-	-	-	(1 676)
Deferred bonus recognition	-	-	28 418	-	-	-	28 418
Dividend paid	-	-	-	-	(230 468)	-	(230 468)
Vesting of deferred bonus shares	-	35 350	(35 350)	-	-	-	-
Adjustment of redemption on preference shares	1 820	-	-	-	1 768	-	3 588
Profit for the year	-	-	-	-	352 680	(352)	352 328
Balance at 30 June 2021	682 095	(45 615)	203 651	14 300	3 813 346	(399)	4 667 378

STATEMENTS OF CASH FLOWS for the year ended 30 June 2021

	NOTES	CONSOLIDATED		COMPANY	
		2021	2020	2021	2020
		R'000	Restated R'000	R'000	R'000
Cash flows from operating activities					
Cash generated from / (utilised in) operations *	36	820 411	1 304 685	21 007	(309 088)
Net acquisition of financial instruments					
at fair value through profit or loss		(446 889)	(610 903)	-	-
at amortised cost *		(101 233)	(339 797)	-	-
Interest received	9	202 916	214 621	2 692	333 555
Dividends received	9	34 929	59 183	232 207	332 082
Dividends paid		(230 468)	(353 038)	(231 059)	(353 995)
Interest paid	15	(38 312)	(35 523)	-	-
Taxation (paid) / received	37	(194 388)	(290 575)	(1 092)	298
Net cash flows from operating activities		46 966	(51 347)	23 755	2 852
Cash flows from investing activities					
Acquisition of property and equipment		(18 619)	(39 561)	-	-
Acquisition of intangible assets	19	(44 000)	(13 609)	-	-
Proceeds on disposal of equipment		3 417	2 713	-	-
Payment for acquisition of subsidiary	41	-	-	-	-
Net cash flows from investing activities		(59 202)	(50 457)	-	-
Cash flows from financing activities					
Increase in treasury shares	26	(1 676)	-	-	-
Increase in subordinated debt *	30	-	124 137	-	-
Payment of subordinated debt *	30	-	(44)	-	-
Payment of principal lease payments	30	(26 238)	(22 551)	-	-
Net cash flows from financing activities		(27 914)	101 542	-	-
Net (decrease) / increase in cash and cash equivalents		(40 150)	(262)	23 755	2 852
Cash and cash equivalents at beginning of the year		424 550	424 812	15 309	12 457
Cash and cash equivalents at end of the year	23	384 400	424 550	39 064	15 309

* The consolidated amount reported in the previous financial year was restated to exclude the non-cash increase in financial assets carried at amortised cost and a non-cash amount included in subordinated debt.

1. GENERAL INFORMATION

Assupol Holdings Limited ('Assupol Holdings' or 'the company') and its subsidiaries (collectively referred to as the 'Assupol Group' or 'Group') operate mainly in the financial services industry, with all products and services offered only in the Republic of South Africa.

Assupol Life Limited ('Assupol Life'), the life insurance subsidiary of Assupol Holdings, underwrites life insurance risks, such as those associated with death, disability and dread disease. The company also issues a diversified portfolio of investment contracts, consisting both fixed and variable return portfolios, to provide its customers with solutions for their savings and retirement needs.

Assupol Investment Holdings Proprietary Limited ('Assupol Investment Holdings') holds the investments in the non-life subsidiaries. The majority of the non-life subsidiaries with the exception of Assupol Wealth Proprietary Limited ("Assupol Wealth"), are dormant and in the process of being wound down with the intent to deregister the companies. The dormant companies include Cornerstone Brokers Corporate Proprietary Limited ('Cornerstone Brokers'), Siebador Sewentien Proprietary Limited ('Siebador Sewentien'), and Top Top Business Consultants Proprietary Limited ("Top Top Business Consultants").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise indicated. All amounts are shown in thousands of South African Rand, rounded to the nearest thousand, unless otherwise indicated.

2.1 Basis of preparation

The consolidated financial statements of the Assupol Group and the financial statements of the company have been prepared in accordance with International Financial Reporting Standards (IFRS), the Companies Act, 71 of 2008, in South Africa, the SAICA Financial Reporting Guidelines as issued by the Accounting Practices Committee, the Financial Pronouncements as issued by the Financial Reporting Standards Council, as well as the reporting requirements of 4Africa Exchange (4AX).

IFRS comprises International Financial Reporting Standards, International Accounting Standards (IAS) and Interpretations, and are set by the International Accounting Standards Board (IASB).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company and Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3 to the financial statements.

The Group and the company prepare the audited financial statements on a going concern basis. The assets and liabilities are valued on the historical cost basis, except for the following items:

Carried at fair value

- Financial assets designated as 'at fair value through profit or loss';
- Financial liabilities for policyholder liabilities under investment contracts designated as 'at fair value through profit or loss'.

Carried at a different measurement basis

- Policyholder liabilities / assets under insurance contracts are valued in terms of the Financial Soundness Valuation (FSV) basis contained in the Actuarial Society of South Africa's Actuarial Practice Note SAP104 and described in accounting policy 2.17.3.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.1 Basis of preparation (continued)****2.1.1 Standards and interpretations not yet effective**

The following accounting standards that are applicable to the Group have been amended by the International Accounting Standards Board (IASB), but with effective dates that are after the Group's current reporting period. The Group will comply with the amendments from the effective date. The standards have not been early adopted and the impact thereof is currently being assessed. The effective date that is indicated below represents financial periods beginning on or after that specific date, unless otherwise indicated.

- *IFRS 17 - Insurance contracts (effective 1 January 2023)*

The standard eliminates inconsistencies and weaknesses in existing practices by providing a single principle-based framework to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. It also provides requirements for presentation and disclosure items to enhance comparability between entities.

The first set of financial results for the Assupol Group that will incorporate IFRS 17 in full, will be the annual financial statements for the year ending 30 June 2024.

The Group's IFRS 17 steering committee manages the process and reports to the Audit Committee on a quarterly basis. The committee meets on a monthly basis and is supported by various work groups. During the financial year developments have been focused on the end-to-end actuarial modelling, an assessment of the accounting systems, data flows between various functions, product classification, and expense attribution. Assupol is participating in various industry forums to ensure that its interpretation and application of the standard is appropriate.

2.1.2 Temporary exemption from IFRS 9 - Financial instruments (effective 1 January 2018)

The standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, as well as a new impairment model for financial assets. This standard replaces the multiple classification and measurement models in IAS 39 (Financial instruments - recognition and measurement) with a single model that has only two classification categories: amortised cost and fair value.

The Group elected to defer the implementation of this standard to coincide with the implementation of IFRS 17 as a result of an assessment performed by management in line with the deferral provisions in IFRS 4. 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 amendment of IFRS 4 - Insurance contracts requires entities to disclose the fair value at the end of its reporting period and the change in fair value during the period for groups of financial assets with contractual cash flows that are solely payments of principal and interest (SPPI) and other financial assets separately.

The company implemented IFRS 9 in the year ended June 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.2 *Temporary exemption from IFRS 9 - Financial instruments (effective 1 January 2018) (continued)*

The Group has assessed its financial instruments to determine whether or not it contains contractual cash flows that meet the SPPI criteria. The table below summarises the results of this assessment.

	Financial instruments			Other financial instruments R'000
	Amortised cost meeting SPPI *	FVTPL **	Total	
	R'000	R'000	R'000	
Equity instruments				
Opening balance	-	1 092 013	1 092 013	-
Contributions	-	149 600	149 600	-
Withdrawals	-	(309 975)	(309 975)	-
Increase / (decrease) in fair value	-	228 921	228 921	-
Investment income	-	35 143	35 143	-
Fees	-	(943)	(943)	-
Closing balance	-	1 194 759	1 194 759	-
Global unit trusts				
Opening balance	-	326 910	326 910	-
Contributions	-	39 836	39 836	-
Withdrawals	-	(41 660)	(41 660)	-
Increase / (decrease) in fair value	-	40 817	40 817	-
Investment income	-	4 053	4 053	-
Fees	-	(61)	(61)	-
Closing balance	-	369 895	369 895	-
Debt securities				
Opening balance	-	1 573 542	1 573 542	-
Contributions	-	518 545	518 545	-
Withdrawals	-	(105 985)	(105 985)	-
Increase / (decrease) in fair value	-	97 148	97 148	-
Investment income	-	142 930	142 930	-
Fees	-	(4 070)	(4 070)	-
Closing balance	-	2 222 110	2 222 110	-
Deposits and money markets securities				
Opening balance	1 622 487	1 031 739	2 654 226	-
Contributions	149 610	940 344	1 089 954	-
Withdrawals	(47 176)	(964 335)	(1 011 511)	-
Increase / (decrease) in fair value	130	517	647	-
Investment income	145 523	44 656	190 179	-
Fees	(1 265)	(1 054)	(2 319)	-
Closing balance	1 869 309	1 051 867	2 921 176	-
Other receivables				
Opening balance	7 878	-	7 878	28 761
Accrued interest	420	-	420	500
Additions	-	-	-	(11 368)
Repayment received	(1 252)	-	(1 252)	-
Closing balance	7 046	-	7 046	17 893
Cash and cash equivalents				
Opening balance	424 550	-	424 550	-
Net contributions received	(40 150)	-	(40 150)	-
Closing balance	384 400	-	384 400	-

* SPPI: Solely payments of principal and interest

** FVTPL: Fair value through profit or loss

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation

The Group's financial statements represent the consolidated financial position and changes therein, operating results, and cash flow information of the company and all of its subsidiaries.

2.2.1 Interest in subsidiaries (refer notes 5.4.1.b and 40).

Under IFRS 10 all entities, including structured entities such as collective investment schemes, over which the Group has control are regarded as subsidiaries. The Group controls an entity when the Group is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. The shares held by the Assupol Share Incentive Trust have been consolidated into the financial results of the Group as the Group has effective control over these shares.

Investments in subsidiaries are accounted for at cost less accumulated impairment losses in the stand-alone financial statements of the company.

The Group applies the acquisition method of accounting to account for the acquisition of subsidiaries. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are derecognised from the date that control ceases. The Group recognises identifiable assets and liabilities, and contingent liabilities acquired in its statement of financial position at their fair values at the date of acquisition. It eliminates all inter-company transactions, balances and unrealised surpluses and deficits on transactions between companies in the Group. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Therefore, the cost of the acquisition is measured as the fair value of assets given and liabilities assumed at date of exchange and costs directly attributable to the acquisition.

The interest of non-controlling shareholders is stated at their proportionate share of the subsidiary's identifiable net assets on an acquisition-by-acquisition basis. Once the company no longer controls or has significant influence over a subsidiary, the investment is treated as a financial instrument in terms of IFRS 9.

2.2.2 Subsidiaries under common control

Common control is defined as a business combination in which all the combining entities are ultimately controlled by the same party both before and after the business combination and control is not transitory.

The cost of an acquisition of a subsidiary under common control is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. On acquisition the carrying values of assets and liabilities are not restated to fair value. Under the principles of predecessor accounting, the Group incorporates assets and liabilities at their pre-combination carrying amounts. Any excess/deficit of the purchase price over the ultimate holding company's pre-combination recorded net asset value of the subsidiary is adjusted directly to equity.

2.3 Foreign currency translation

2.3.1 Functional and presentation currency

The Group presents its financial statements in South African Rand (ZAR), the functional currency of the holding company and its subsidiaries.

2.3.2 Transactions and balances

The Group converts transactions in foreign currencies to South African Rand at the spot rate on the transaction date. Monetary assets and liabilities in foreign currencies are translated to South African Rand using the rates of exchange ruling at the financial year-end. Any translation differences are included in profit or loss in the period in which the difference occurs in 'net fair value gains on financial assets'.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.4 Revenue recognition and other income and expenses***2.4.1 Revenue recognition**2.4.1.a Revenue in terms of IFRS 4**(i) Insurance premiums received*

Refer to the accounting policy on Policyholder contracts - Investment and insurance, note 2.17.

*2.4.1.b Revenue in terms of IFRS 15**(i) Fee income*

Fee income includes income from the administration of investment contracts on behalf of policyholders. A management fee is charged to manage the investments of the contracts and is recognised over time as the customer receives the benefits as the services are performed. The fee income is calculated by using an agreed percentage and is payable monthly in arrears. Each management fee contract is seen as a single performance obligation to provide the services to the customer over the duration of the contract. Therefore, revenue from administration of investment contracts is recognised and recorded monthly.

Surrender charges are levied on an investment contract when it is prematurely terminated or lapsed due to non-payment of premiums. This is done to recover any unrecouped expenses incurred when the contract was issued. Surrender charges are seen as separate performance obligation and are recognised when they are paid i.e. at a point in time.

*2.4.2 Other income**2.4.2.a Income in terms of IFRS 4**(i) Reinsurance premiums received*

Reinsurance premiums are recognised when due in accordance with the terms of each insurance contract.

*2.4.2.b Income in terms of IAS 39**(i) Investment income*

Investment income is recognised in the following manner:

- Dividends are brought to account once the last date of registration has passed.
- Interest for all interest-bearing financial instruments is recognised within investment income, and is accounted for on the effective interest rate method.

2.4.2.c Other sundry income

Other sundry income comprises mainly of profit on disposal of equipment.

2.4.3 Acquisition costs of insurance and investment contracts

Acquisition costs on investment contracts with investment management services are recognised as deferred acquisition costs. The annual amortisation of the deferred acquisition costs is included in the acquisition cost expense.

Acquisition costs for the guaranteed single premium products are recognised within the fair value of the contract at initial recognition.

Acquisition costs on insurance contracts include both new business and renewal commissions as well as expenses related thereto, including sales managers' remuneration and production bonuses payable. These acquisition costs are expensed as incurred.

2.4.4 Operating and administration expenses

Operating and administration expenses include head office and branch administration expenditure, marketing and development expenditure as well as all other non-commission related expenditure, and are expensed as incurred.

2.4.5 Finance charges

Interest expense is recognised as finance charges in profit or loss using the effective interest rate method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.5 Reinsurance contracts held**

Reinsurance contracts are contracts entered into by the Group with reinsurers under which the Group is compensated for the entire or a portion of losses arising on one or more of the insurance contracts issued by the Group.

The expected benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due by reinsurers (classified within insurance and other receivables), as well as longer-term receivables (classified as reinsurance assets), if any, that are dependent on the present value of expected claims and benefits arising net of expected premiums payable under the related reinsurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured contracts and in accordance with the terms of each reinsurance contract.

Insurance premiums received on reinsurance agreements

Insurance premiums received on reinsurance agreements are recognised when receivable. Premiums are shown before deduction of commission. Outstanding premiums are included in receivables.

Insurance premiums ceded to reinsurers

Insurance premiums ceded to reinsurers are recognised when due for payment, and calculated in terms of the reinsurance contract. Premiums are shown before accrual of commission. Unpaid premiums are included in payables.

Insurance claims incurred in respect of reinsurance agreements

Insurance claims incurred in respect of reinsurance agreements are recognised when the claim is received from the party that was reinsured.

Insurance claims recovered from reinsurers

Insurance claims recovered from reinsurers are recognised in profit or loss in the same period as the related claim at the undiscounted amount receivable in terms of the contracts.

2.6 Taxation**2.6.1 Current taxation**

The charge for current taxation is based on the results for the year as adjusted for items which are non-taxable or disallowed. It is calculated using taxation rates and legislation that have been enacted by the end of the reporting period.

Current taxation includes South African corporate taxation payable as well as capital gains taxation.

Taxation in respect of the South African life insurance operations is determined using the 'five fund' method applicable to life insurance companies.

2.6.2 Dividend withholding taxation

Dividend withholding taxation is a taxation on distributions to beneficial owners and levied at 20%. A beneficial owner is the person entitled to the benefit of the dividend attaching to a share. The taxation is payable by the beneficial owners and not the Group.

2.6.3 Deferred taxation

The Group calculates deferred taxation using the liability method. It calculates deferred taxation liabilities or assets by applying corporate enacted or substantially enacted taxation rates to the temporary differences existing at each end of a reporting period between the taxation values of assets and liabilities and their carrying amount in the financial statements, where such temporary differences are expected to result in taxable or deductible amounts in determining taxable income for future periods when the carrying amount of the assets and liabilities are recovered or settled. If the deferred income taxation 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 or loss, it is not accounted for.

The Group recognises deferred taxation assets if the directors of the Group consider it probable that future taxation income will be available against which the unused taxation losses can be utilised. The major categories of assets and liabilities giving rise to a deferred taxation balance are policyholder valuation basis on investment contracts, policyholder liabilities special transfers, deferred acquisition costs, deferred revenue liabilities, and unrealised gains on investments and intangible assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.7 Dividend distributions**

Dividend distributions to the company's shareholders are recognised in the Statement of Changes in Equity when declared. If they have not yet been paid, it is disclosed as a liability in the financial statements in the period in which the dividends were approved by the company's directors.

2.8 Recognition of assets, liabilities and provisions**2.8.1 Assets**

The Group recognises assets when it obtains control of a resource as a result of past events, and from which future economic benefits are expected to flow to the Group.

2.8.2 Liabilities and provisions

The Group recognises liabilities, including provisions when:

- it has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate of the amount of the obligation can be made.

If the effect of discounting is material, provisions are discounted using an appropriate discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The Group recognises a provision for onerous contracts, except on insurance contracts (for which the liability adequacy test is required), when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

2.9 Property and equipment**2.9.1 Measurement**

Equipment is initially recorded at cost and subsequently measured at historical cost less accumulated depreciation and impairment.

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

The measurement of right-of-use assets is described in note 2.10.

2.9.2 Depreciation

The Group depreciates property and equipment on a straight-line basis at rates calculated to reduce the book value of these assets to estimated residual values over their expected useful lives. Management reviews useful lives annually to evaluate their appropriateness and current and future depreciation charges are adjusted accordingly.

The periods of depreciation (for both owned and leased assets) are as follows:

- | | |
|---------------------------------|--------------|
| • Office equipment | 5 - 10 years |
| • Computer equipment | 3 - 5 years |
| • Motor vehicles | 5 years |
| • Right-of-use asset: Property | 2 - 10 years |
| • Right-of-use asset: Equipment | 3 - 5 years |

There has been no change to useful lives from those applied in the previous financial year. The residual values and useful lives are reassessed on an annual basis.

The Group impairs an asset to its recoverable amount when there is an impairment indicator in the carrying value of the asset.

2.9.3 Gains and losses on disposal

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the Statement of Comprehensive Income in 'other income'.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.10 Accounting for leases - where the Group is the lessee**

Assets and liabilities arising from a lease are initially measured at present value.

Lease liabilities are determined as the net present value of the lease payments less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate. Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct cost, and restoration costs. The right-of-use assets are included in Property and Equipment. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases, i.e. leases with a lease term of 12 months or less, and leases of low-value assets are recognised on a straight line basis as an expense in profit or loss.

2.11 Intangible assets**2.11.1 Deferred acquisition costs (DAC)**

Refer note 2.17.2 for the accounting treatment of the DAC intangible asset.

2.11.2 Goodwill

All business combinations are accounted for by applying the acquisition method of accounting. The cost of the business combination is the fair value of the purchase consideration due at the date of acquisition. Goodwill represents the excess of the purchase price consideration of an acquisition over the attributable fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Goodwill that arises in a business combination is not amortised, and is carried at cost less accumulated impairments.

Impairment tests are performed annually on all cash generating units to which goodwill can be allocated. A cash generating unit is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows generated by other groups of assets. Impairment losses recognised against goodwill may not be reversed.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired (including contingent liabilities) over the cost of acquisition. Negative goodwill is recognised in profit in the year in which it arises.

2.11.3 Trademark and customer relationships

Acquired trademark and customer relationships are initially accounted for at fair value and subsequently shown at cost less accumulated amortisation. Trademarks and customer relationships have a finite useful life and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and customer relationships over their estimated useful lives of 5 years.

2.11.4 IT development cost

IT development cost that are directly attributable to the design and testing of identifiable and unique IT development projects are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the project so that it will be available for use;
- it can be demonstrated how the project will generate probable future economic benefits; and
- the expenditure attributable to the development can be reliably measured.

Directly attributable cost that are capitalised include employee cost, consulting fees and other cost that can be directly attributed to the development project.

It is initially accounted for at cost and is subsequently carried at cost less accumulated amortisation less impairment. It is amortised from the point at which the asset is ready for use and amortisation reflects the pattern of benefits. The development cost has a finite useful life.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.12 Financial assets**

Financial assets carried on the Statement of Financial Position include all assets, except for property and equipment, intangible assets, current taxation and deferred taxation assets.

Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred and the Group has also transferred substantially all risks and rewards of ownership.

The Group classifies its financial assets into the following categories:

- Financial assets designated as 'at fair value through profit or loss'; and
- Financial assets carried 'at amortised cost'.

The Group does not currently hold any held-to-maturity or available-for-sale financial assets.

2.12.1 Financial assets designated as 'at fair value through profit or loss'Initial classification and recognition

Assets are designated on initial recognition as 'at fair value through profit or loss' to the extent that it produces more relevant information because it:

- results in the reduction of measurement inconsistency (for accounting mismatch) that would arise as a result of measuring assets and liabilities and the gains and losses on them on a different basis; or
- is managed as a group of financial assets and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and this is the basis on which information about the assets is provided internally to the entity's key management personnel.

Financial assets classified as 'at fair value through profit or loss' consist of local listed shares, local and global unit trusts, corporate and government bonds, debt securities in parastatals, utilities and municipalities, investment in insurance policies, deposits and money market securities.

Financial assets listed in this category are recognised initially at fair value on trade date, which is the date on which the Group assumes or transfers substantially all risks and rewards of ownership. Transaction costs are expensed as incurred.

Subsequent measurement

Assets in this category are subsequently measured at fair value and the fair value adjustments are recognised in the Statement of Comprehensive Income in 'investment income' or 'net fair value gains on financial assets'. No impairment test is therefore necessary on this asset class.

2.12.2 Financial assets carried 'at amortised cost'.Initial classification and recognition

Financial assets in this category, are classified as loans and receivables and other financial assets, i.e. assets that do not meet the definition of loan and receivables or assets not classified 'at fair value through profit or loss'. These assets are recognised initially at fair value on trade date plus transaction costs that are directly attributable to their acquisition. The trade date is the date on which the Group commits to purchase or sell the financial assets.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent measurement and impairment

Assets in this category are subsequently measured at amortised cost, using the effective interest rate method.

The impairment for financial assets in this category is recognised in accordance with 2.13.1.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.13 Impairment of assets***2.13.1 Financial assets carried at amortised cost*

At the end of a reporting period the Group assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in payments;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group, including:
 - > adverse changes in the payment status of debtors in the Group; or
 - > national economic conditions that correlate with defaults on the assets in the Group.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred on insurance and other receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

Where a clawback debtor included in sundry insurance receivables has been impaired and is still outstanding after 3 years, the receivable balance and the impairment amount are written off.

2.13.2 Impairment of other non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell 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 (cash-generating units).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.14 Cash and cash equivalents**

Cash and cash equivalents comprise balances with banks, money at call, notice deposits and cash on hand, but do not include money market securities held for investment. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Instruments included in cash and cash equivalents are those with maturity dates of three months or less.

2.15 Share capital

Ordinary and preference shares are classified as equity.

2.16 Equity-settled share-based payments

The equity-settled share-based payments in the Group include the share incentive shares to certain qualifying employees, the deferred bonus scheme and other share incentives.

Equity-settled share-based payments to employees of the Group are measured at the fair value of the equity instruments at the grant date. The fair value of the treasury shares pertaining to the share incentive shares is the value of the options less the value of the notional loan at date of issue.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the applicable vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in the employee benefits reserve. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimate, if any, is recognised in profit or loss so that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Unvested shares relating to equity-settled share-based payments are held as treasury shares until such time as the counterparty elects to exercise their share option, at which time the treasury share and the corresponding employee benefit reserve charge are netted off against each other. In the event that the option is not exercised within the appropriate window, the respective ordinary shares and related treasury shares are cancelled.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Policyholder contracts - Investment and insurance

2.17.1 Investment and insurance contract classification

The Group issues contracts that transfer insurance risk or financial risk or, in some cases, both.

An insurance contract is a contract under which the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Such contracts may also transfer financial risk. The Group defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are significantly more than the benefits payable if the insured event did not occur. Any reference to "insurance liabilities" or "policyholders liabilities" also includes policyholder assets.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

2.17.2 Investment contracts

The Group issues investment management contracts with fixed and guaranteed terms, and without fixed and guaranteed terms (unit linked).

Valuation

Investment contracts without fixed and guaranteed terms are financial liabilities of which the fair value is dependent on the fair value of the underlying financial assets and are designated at inception as 'at fair value through profit or loss'.

The Group's valuation methodologies incorporate all factors that market participants would consider and are based on observable market data. The fair value of a unit linked financial liability is determined by using the current unit price that reflects the fair values of the financial assets contained within the Group's unitised investment funds linked to the financial liability, multiplied by the number of units attributed to the policyholder at the end of the reporting period.

Investment contract liabilities measured at fair value are taken as the maximum of the amount repayable on demand or the statutory calculated liability.

Investment contracts with fixed and guaranteed terms are financial liabilities that are initially recognised at fair value net of acquisition cost, and are classified at inception as financial liabilities held 'at amortised cost'.

Investment management fees on investment contracts and deferred revenue liability (DRL)

Investment management fees on investment contracts without fixed and guaranteed terms are recognised when the performance obligations of the contracts have been fulfilled.

Fees are charged to the customer on a monthly basis, by making a deduction from invested funds, or by deducting the fee from the premium prior to the purchase of the investment units.

A deferred revenue liability is recognised in respect of upfront fees, which are directly attributable to a contract, that are charged when securing the investment management service contract. The deferred revenue liability is released to revenue when the services are provided as the customer received the benefit simultaneously. Therefore revenue is recognised and released on a monthly basis over the expected duration of the contract.

Amounts received and claims incurred on investment contracts

Amounts received under investment contracts, such as premiums and investment returns, are credited to investment contract liabilities. Claims incurred are recorded as deductions from investment contract liabilities.

Deferred acquisition costs (DAC) in respect of investment contracts

Commissions paid and other incremental acquisition costs are incurred when new investment contracts are entered into or existing investment contracts are renewed. These costs, if specifically attributable to an investment contract with an investment management service element, are deferred and amortised on a straight-line basis over the average expected life of the contract, as they represent the right to receive future management fees.

A deferred acquisition cost asset is recognised for all applicable contracts with the amortisation being calculated per contract.

An impairment test is conducted annually at the end of the reporting period on the deferred acquisition cost balance on a per-policy basis, to ensure that the amount will be recovered from future revenue generated by the applicable remaining investment contracts. An impairment is recognised when the contract is prematurely cancelled and the impairment charge is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Policyholder contracts - Investment and insurance (continued)

2.17.2 Investment contracts (continued)

Receivables and payables related to investment contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and policyholders.

If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in profit or loss. The Group gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets at amortised cost. The impairment loss is also calculated under the same method used for these financial assets. These processes are described in accounting policy 2.13.

2.17.3 Insurance contracts

Valuation

Defined insurance contracts may be measured under existing local practice in terms of IFRS 4 - Insurance contracts. Assupol Life have applied the actuarial practice notes relating to the South African long-term insurance industry to determine the accounting policy with regards to the liabilities in respect of issued insurance contracts at the adoption of IFRS.

Policyholder liabilities/assets are determined on a discounted cash flow method in terms of the Financial Soundness Valuation Method and Assumptions (FSV), as contained in the Standards of Actuarial Practice (SAP) and Actuarial Practice Notes (APN) of the Actuarial Society of South Africa (SAP104 and APN110).

The liability with regard to insurance business is calculated each year using assumptions that are consistent with the market value / fair value of the assets on that date. In determining the liability, based on a discounted cash flow approach, the discount rate is derived from the expected returns of the appropriate portfolio of assets supporting this business.

In the valuation of policyholder contracts, provision is made for:

- The best estimate of future experience;
- The compulsory margins prescribed in SAP104;
- Reserves for minimum maturity values and other guaranteed benefits arising from minimum contractual investment returns, as calculated per APN110; and
- Discretionary margins are held where required to reflect possible variability in expected experience or ensure that profit or risk margins in the premium rate are not recognised before the economic benefit is likely to flow to Assupol Life.

The FSV method (as prescribed by SAP104) for valuing insurance contracts makes implicit allowance for the deferral of acquisition costs in the insurance liability and therefore all acquisition costs on insurance contracts are expensed when incurred.

The policyholder contract assumptions are reviewed annually. Any changes in assumptions and/or other changes to the liability calculation are effected in profit or loss as they occur.

The measurement basis for the insurance contracts are divided into the following three categories, based on the nature of the contracts.

- Non-profit insurance contracts

These contracts offer defined benefits that are payable on death. These policies do not participate in annual bonus distributions.

The policyholder asset / liability is calculated as the discounted value of the expected future benefit payments, plus the future administrative expenses that are directly related to the contract, less the discounted value of expected future premiums.

- Market related contracts

Liabilities for individual market related policies, where benefits are in part dependent on the performance of underlying investment portfolios, are taken as the aggregate value of the policies' investment in the investment portfolio at the valuation date, reduced by the excess of the present value of the expected future risk and expense charges (excluding any explicit profit charges) over the present value of the expected future risk benefits and expenses on a policy by policy cash flow basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Policyholder contracts - Investment and insurance (continued)

2.17.3 Insurance contracts (continued)

- Group insurance contracts

The post claim liability consists of two elements namely claims that have been reported i.e. outstanding reported claims, as well as claims that have not yet been reported i.e. incurred but not reported (IBNR). Outstanding reported claims are included in 'insurance and other payables'. An IBNR provision is held as part of the insurance contracts liabilities. The IBNR provisions are either based on a percentage of the premiums payable or Bornhuetter-Ferguson run-off triangles. The Bornhuetter-Ferguson method of estimating outstanding claims combines an estimated loss ratio method with a projection method, which refers to methods such as the basic chain ladder method that is based on past claim amounts and / or numbers.

Outstanding claims provisions

Claims that have been reported, and are not yet paid, are shown as outstanding claims and are stated gross of reinsurance.

Embedded derivatives

Derivatives embedded in an insurance contract are not separated and measured at fair value if the embedded derivative itself qualifies for recognition as an insurance contract. As such, the Group does not separately measure any embedded derivatives as they qualify for recognition as an insurance contract and are measured as insurance contracts. The liability in respect of the investment guarantees underlying maturity and death benefits on the 'Conventional with-profits' policies and some of the 'New Series Universal Business' policies are measured in accordance with the actuarial guidance note APN110. Future asset returns are projected stochastically using a recognised actuarial model, i.e. the XSG risk-neutral model. The model has been calibrated to current market conditions in South Africa. The costs arising from the guarantees are calculated in each simulation and the liability is then calculated based on the mean present value of these costs.

Liability adequacy test

At each end of a reporting period the adequacy of the insurance liabilities is assessed. If the assessment shows that the carrying amount of the insurance liabilities (as measured under a prospective gross premium valuation basis), net of any related intangible present value of acquired in-force business (PVIF) assets, is inadequate in the light of the estimated future cash flows (based on the best estimate basis underlying the FSV basis, but excluding compulsory margins as prescribed in SAP104), the deficiency is recognised in profit or loss.

Premium income

Premium income on insurance contracts is shown gross of outward reinsurance. Premiums are shown before deduction of commission and administration fees. Premium income received in advance is included in insurance and other payables.

Premium income originates from various sources, and is recognised as follows:

- Individual insurance contracts - recurring: when due;
- Individual insurance contracts - single: when received; and
- Group schemes: when received.

Insurance benefits and claims

Claims on insurance contracts that include death, disability, maturity, and surrender payments, are recognised in profit or loss when incurred, based on the estimated liability for compensation owed to policyholders. It also includes claims that arise from death and disability events that have occurred up to the end of the reporting period even if the claims were not reported to the life insurer (IBNR claims).

Reinsurance recoveries are accounted for in the same period as the related claim.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.18 Other liabilities**

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity.

Financial liabilities carried on the Statement of Financial Position include all liabilities except for policyholder liabilities under insurance contracts, employee benefits, deferred revenue liability, deferred taxation as well as current taxation.

A liability is derecognised when it is legally extinguished.

2.18.1 Financial liabilities excluding policyholder liabilities under investment contractsInitial classification and recognition

Financial liabilities are initially recognised at fair value.

Subsequent measurement

Financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

2.18.2 Policyholder liabilities under investment contractsInitial classification and recognition

These financial liabilities are accounted for 'at fair value through profit or loss' and 'at amortised cost'.

Subsequent measurement

Refer to accounting policy 2.17.2 for a detailed description of the valuation of these contracts.

Liabilities classified at 'fair value through profit or loss' are subsequently carried at fair value and changes in fair value are recognised in the Statement of Comprehensive Income under 'value adjustments on investment contract liabilities'.

Financial liabilities classified 'at amortised cost' are subsequently carried at amortised cost, using the effective interest rate method.

2.19 Employee benefits**2.19.1 Retirement fund**

The Group contributes to a defined contribution pension fund for employees. The fund is registered in terms of the Pension Funds Act, 24 of 1956. Contributions in respect of current service cost are based on a percentage of pensionable earnings and are accounted for in profit or loss as incurred. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due.

2.19.2 Leave pay accrual

The Group recognises in full employees' rights to annual leave entitlement in respect of past service.

2.19.3 Bonus provision

A provision is raised for employee bonuses, based on a percentage of their annual package. Bonuses arise as a result of a constructive obligation and are payable to employees at the discretion of the Board of Directors, taking cognisance of the financial results and individual key performance areas for the year under review.

A provision is raised for the cash bonuses of executive and senior management, based on the Group's bonus scheme.

In terms of the bonus scheme the deferred bonus component is issued in shares of which the right to trade is restricted for a period of 3 years. The economic benefit of bonus shares issued is restricted for the vesting period of 3 years. The expense of the deferred bonus is recognised over the period of the restriction from the date that the bonus is awarded. The deferred bonus is accounted for as an equity-settled share-based payment - refer note 26.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Segment information

Operating segments are reported in a manner consistent with the integral reporting provided to the chief operating decision-maker. The chief operating decision-maker empowered to make strategic decisions and which is responsible for allocating resources and assessing performance of the operating segments has been identified as the Group Executive Committee.

The Group discloses its operating segments according to the entities in the Group that are regularly under review by the Group Executive Committee.

The Group's operations are analysed across three reportable operating segments. This is consistent with the way the Group manages the business. The reportable operating segments are based on the categorisation of the entities in the Group with similar business activities. The segments are life insurance, intermediaries, and other.

Segment information is prepared in conformity with the measure that is reported to the Group Executive Committee. The values are reconciled to the consolidated annual financial statements. The measures reported by the Group is in accordance with the accounting policies adopted for preparing and presenting the consolidated annual financial statements.

The segment revenue and expenses comprise of all revenue and expenses which are directly attributable to the segment, or can be allocated to the segment on a reasonable basis. Only those segment assets and liabilities that are directly attributable to the segment or can be reasonably allocated, are disclosed in the segment report.

3. CRITICAL ACCOUNTING ESTIMATES

The Group makes estimates and assumptions concerning the future. The resulting estimates will, by definition, 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 year 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 estimates made by the Group. The assumptions and estimates used to arrive at these liabilities / assets are described in note 4 to the financial statements.

The following methodology was used to determine the COVID-19 reserves:

- A scenario was established to quantify the best estimate of the most likely financial outcome based on all relevant and reliable external data sources, whilst recognising that the range of outcomes is large.
- Consideration was given to the Group's own actual experience compared to the long term assumptions and the experience published by the South African Medical Research Council.
- The rate at which the South African government intent to vaccinate the population and the fact that a large portion of the Group's policyholders are first line workers, were considered.
- A pre-tax reserve of R109.6 million for individual business and R30.6 million for group business was set up for the remainder of the third wave.
- A further reserve was set up for the possibility of a fourth wave towards the end of the 2021 calendar year at R65.4 million and R20.4 million before taxation for individual and group business respectively.

The assets under long-term insurance contracts decreased by R279.0 million resulting in a net year-end asset balance of R2 696.9 million (net of reinsurance).

For further information refer note 28 to the financial statements.

3.2 Impairment of goodwill

Impairment tests are performed on all cash generating units ('CGU') to which goodwill is allocated. A cash generating unit is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows generated by other groups of assets. Impairment losses recognised against goodwill may not be reversed. In assessing a possible impairment, judgements and estimates are made of the future cash flows and the appropriate discount rates in determining the value of the cash generating unit. For further information, refer note 19 to the financial statements.

3. CRITICAL ACCOUNTING ESTIMATES (continued)

3.3 Current and deferred taxation

The Group is subject to taxation in South Africa. There may be transactions and calculations for which the ultimate taxation determination has an element of uncertainty during the ordinary course of business. The Group recognises liabilities based on objective estimates of the amount of taxation that may be due. Where the final taxation determination is different from the amounts that were initially recorded, such difference will impact the income taxation and deferred taxation provisions in the period in which such determination was made. The corporate taxation rate in South Africa is 28% (2020: 28%).

Assupol Life has four separate taxation funds namely the individual policyholders' fund (IPF) (taxed at 30% in both years), the untaxed policyholders' fund (UPF) (not taxed), risk policy fund (RPF) (taxed at 28% in both years) and the corporate fund (taxed at 28% in both years). Assupol Life has not issued any insurance contracts to corporate entities, hence does not maintain a separate corporate policyholder fund. With the establishment of the RPF in 2016, Assupol Life elected to move all its individual risk business to the RPF with the group business remaining in the IPF.

In terms of the taxation methodology applied in the IPF, Assupol Life has accumulated ("I-E") losses in excess of R1.3 billion as a result of the deductible expenses ("E") (being mostly commission expenses for risk policies) far exceeding the taxable income ("I") (being mostly investment income from the investment policies). With new business written in the IPF, constituting mostly investment policies, the fund has started generating excess "I" over "E" resulting in the utilisation of the assessed loss.

Deferred taxation assets are assessed for probable recoverability based on applicable estimated future business performance and related taxable projected income.

Management has performed projections that indicate that the recovery of the assessed loss in the IPF remains probable due to the volumes of guaranteed-return single-premium policies (GRSP), guaranteed-income single-premium plan (GISP) and linked policies being written. As a result a deferred taxation asset of R110.7 million (2020: R116.5 million) was recognised in terms of IAS 12: Income taxes. A component of this amount relates to the existing savings book. These projections were based on the following assumptions:

- A 5-year projection term was used as it coincides with the Group's business planning cycle. Where GRSP or GISP products were sold with terms in excess of 5 years, this was also incorporated;
- No new business was incorporated due to the uncertainty around the timing and quantum of sales relating to the single-premium business;
- Investment returns remain uncertain, with the single-premium business being particularly sensitive to changes in the interest rates;
- There is uncertainty around future changes to taxation legislation; and
- It was assumed that surrenders for GRSP and GISP products will only occur in the last two years of the term of the product, with a 20% assumption for each of the last two years. Management will monitor this assumption annually as there is currently no sufficient experience available to inform another view. If the assumption was 10%, the deferred taxation asset would increase to R122.1m.

During the year, a new linked portfolio was included in the business line for Assupol Life. For this line, the following assumptions were made for the modelling of the assessed taxation loss:

- Interest was modelled using the effective interest rate principal following from the underlying investment notes;
- For the return assumption over the 5-year period relating to capital growth, a total return of 60% over five years were assumed, based on the nominal component exposed to growth; and
- Partial surrenders to occur at end of year 1 and 3, based on 50% of the original nominal value, plus accrued interest.

3.4 Leases

The Group has lease agreements for various properties and equipment. These agreements are typically for fixed periods of 1 to 10 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants but leased assets may not be used as security for borrowing purposes. Extension and termination options are included in a number of property leases. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. These options are not included in the calculation of the right-of-use assets or lease liability as the majority of these contracts are not extended beyond the lease term and termination cost cannot be determined on a reliable basis.

The Group has applied IFRS 16 to all qualifying leases. At date of recognition, the company recognises the right-of-use asset and lease liability. The right-of-use asset is initially measured at cost, which comprise the initial amount of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The lease liability is initially measured at the present value of the lease payments at date of recognition.

The incremental borrowing rate applied to the lease liabilities relating to property leases ranges between 7.03% and 9.27%. Finance charges on the head office building has been determined as the rate implicit within the lease of 7.03%. The incremental borrowing rate applied to the lease liabilities relating to equipment leases ranges between 6.15% and 11.55%.

4. ASSUMPTIONS AND ESTIMATES RELATING TO POLICYHOLDER (ASSETS) / LIABILITIES

The valuation of insurance assets / liabilities is a function of methodology and assumptions. The methodology is described in the accounting policies. The assumptions used are best estimate assumptions, with the addition of explicit compulsory margins as prescribed by SAP104 of the Actuarial Society of South Africa, liabilities for minimum contractual investment returns as prescribed by APN110, as well as additional allowed discretionary margins.

4.1 Assumptions for discounted liabilities

The key assumptions used in the calculation of the insurance liabilities are based on recent experience investigations of Assupol Life's business. Every year each assumption is reviewed based on the results of the most recent experience investigations. The intention is to arrive at a best estimate of Assupol Life's experience. Once the best estimate is determined, compulsory margins (per the Actuarial Society of South Africa's Standard of Actuarial Practice SAP104) are incorporated as described above. Where data is not credible, more prudent assumptions are used based on industry data where available. However, for the bulk of Assupol Life's business, internal data was used. To allow for the expected claims due to AIDS, the AIDS tables produced by the Actuarial Society of South Africa were used. The results of the internal mortality investigations were used to establish current levels relative to these tables.

The results of the experience investigations are briefly described below:

Demographic: Mortality

A detailed mortality investigation was undertaken for homogeneous groupings of business for the year ending 30 June 2021 based on the in-force data file, movements and claims in the year. These results were used to set the mortality and AIDS assumptions relative to the latest published local assured lives and AIDS tables. The impact of the changes made is disclosed in note 4.4.

Demographic: Withdrawal

A detailed withdrawal investigation was carried out for the year ending 30 June 2021 based on homogeneous groupings of business. Based on this investigation (and those carried out for the previous year), the withdrawal assumptions for the main classes of business were set to reflect the recent and expected future experience. The impact of the changes made is disclosed in note 4.4.

Operational: Expenses

- The current assumed level of future expense inflation is 5.21% (2020: 4.7%) per annum for Assupol Life. This level of inflation is supported by Assupol Life's actual expense experience, the inflation implied by the fixed and index linked yield curves, the South African Reserve Bank's long-term inflation target of between 3% and 6%, and the assumption that life companies typically suffer expense increases slightly above general inflation.
- The allocation of total expenses between initial and renewal is based on management's best estimate for both group and individual business. The analysis compares historic expenses (last year's assumptions plus inflation) and budgets.
- Once-off expenses are identified and excluded from the analysis.

Economic: Investment returns

The investment return assumption for all classes of business was determined based on:

- The current zero coupon yield curve (assuming appropriate duration); less
- A compulsory margin (prescribed as being 0.25%).

The following long-term assumptions were applied for each asset class (net of any credit default allowance):

	Assupol Life	
	2021	2020
Debt securities and other loans	7.40%	6.70%
Deposits and money market securities	5.40%	4.70%
Equity securities	10.90%	10.20%
Policyholder loans	12.90%	12.20%
Loans to personnel	7.40%	6.70%
Foreign investments	6.40%	5.70%
Net current assets	0.00%	0.00%

4. ASSUMPTIONS AND ESTIMATES RELATING TO POLICYHOLDER (ASSETS) / LIABILITIES (continued)**4.1 Assumptions for discounted liabilities (continued)**

The expected long-term returns assumptions used in the valuation are:

	Assupol Life	
	2021	2020
Debt securities and other loans	7.40%	6.70%
Non unit linked business (excluding with-profits business)	7.40%	6.70%
With-profits business	7.40%	6.70%
Unit linked business	7.40%	6.70%

Economic: Taxation

Future taxation and taxation relief are allowed for at the rates and on the bases applicable to section 29A of the Income Tax Act, 58 of 1962, at the end of the reporting period. Assupol Life's current taxation position is taken into account, and taxation rates, consistent with that position and the likely future changes in that position, are allowed for. In particular, the Individual Policyholder Fund is in a taxation loss position and is expected to stay in that position for the foreseeable future.

The above-mentioned assumptions have been taken into account in the valuation together with inclusion of compulsory margins as prescribed by SAP104. The compulsory margins used during the year under review are as follows:

Assumption	2021 margin adjustment	2020 margin adjustment
Investment return	0.25% increase/decrease *	0.25% increase/decrease *
Mortality	7.5% increase	7.5% increase
Expenses	10.0% increase	10.0% increase
Expense inflation	10.0% increase	10.0% increase
Lapses (where relevant)	25.0% increase/decrease *	25.0% increase/decrease *
Surrenders (where relevant)	10.0% increase/decrease *	10.0% increase/decrease *

* Depending on which change increases the liability.

4.2 Assumptions for undiscounted liabilities

IBNR provisions are calculated for the annually renewable group business. These are either based on a percentage of the premiums payable or Bornhuetter-Ferguson run-off triangles. These have been established at a level which is appropriate based on historic trends.

The Bornhuetter-Ferguson method of estimating outstanding claims combines an estimated loss ratio method with a projection method. Here, 'projection method' refers to methods such as the basic chain ladder method which are based on past claim amounts and/or numbers.

The Bornhuetter-Ferguson method therefore improves on the sole use of a loss ratio method by taking account of the information provided by the latest development pattern of the claims, whilst the addition of the loss ratio to a projection method serves to add some stability against distortions in the development pattern.

4.3 Assumptions for investment contracts

The account balance as a minimum is held in all instances and this is fully matched by the underlying assets.

4. ASSUMPTIONS AND ESTIMATES RELATING TO POLICYHOLDER (ASSETS) / LIABILITIES (continued)**4.4 Effect of changes in assumptions**

Modelling changes and data refinements were made to the opening reserves rather than the closing reserves to improve the comparability of the expected and actual cash flows in the analysis of surplus (AOS). The main adjustments were made in respect of the following:

- Minor modelling and data changes deriving from Ackermans' new agreement where referral payments are required to be modelled retrospectively and a review on the Ultimate Retirement Income 4Life (URI 4Life) product.

The following changes were made to the actuarial valuation basis when compared to last year's basis:

- The stochastic reserve was updated in line with market experience.
- Explicit COVID-19 reserves for remainder of the third wave and possible fourth wave were included for individual and group business based on the estimated deviation of long term experience.
- Mortality assumption for the Progress 4Sure business were aligned to experience and reinsurance risk rates were adjusted accordingly.
- The withdrawal and not-taken-up assumptions were updated in accordance to the most recent withdrawal experience investigation.
- The investment return assumption on the unit reserves increased from 7.1% p.a. to 7.8% p.a., the investment return assumption on the non-unit reserves increased from 6.7% p.a. to 7.4% p.a. and the expense inflation assumption increased from 4.7% to 5.4%.
- The real return gap decreased from 2.00% to 2.10%, resulting in expense inflation to decrease from 5,4% to 5,21%.
- The take-up assumptions for voluntary premium and benefit increases have increased from 70% to 75% for Direct Marketing.
- Reserves for group business were aligned to experience.
- A business decision was taken to align the claw-back scales for funeral business, sold through brokers and franchises, to the scales applied for risk business.
- The renewal expense assumption was increased by 7.1% and by 6.5% for Cornerstone business.

The following table quantifies the impact of changes on the net profit after taxation, i.e. increase / (decrease) in profit, made in the assumptions from the previous periods.

	CONSOLIDATED	
	2021	2020
	R'000	R'000
Modelling changes and data refinements on opening liabilities	(1 165)	(2 064)
Change in APN110 reserve	243	1 182
Conventional reversionary and terminal bonus rates	-	7 117
Change in renewal expense assumptions: Cornerstone business	-	(17 417)
Change in mortality assumptions: Explicit COVID-19 reserves	(164 491)	(77 935)
Change in mortality assumptions	(27 811)	-
Change in withdrawal rate and not-taken-up assumptions	(14 923)	(103 779)
Change in investment return assumptions and Inflation assumptions	(96 440)	121 203
Change in real return gap	59 025	(80 151)
Voluntary premium and benefit increases	(5)	(6)
Group business	(16 397)	(2 812)
Change in claw-back scale	(12 548)	-
Cornerstone reserving	-	45 244
Pre-2009 savings business	-	(14 147)
Change in renewal expense assumptions	(78 965)	-
Total change in basis	(353 477)	(123 565)

4. ASSUMPTIONS AND ESTIMATES RELATING TO POLICYHOLDER (ASSETS) / LIABILITIES (continued)

4.5 Sensitivity analysis

The sensitivity of the insurance liabilities to the main assumptions was tested by calculating the effect of certain assumptions not being met. In each case below, one assumption changes whilst all the other assumptions remain constant. The size of the sensitivities was chosen to illustrate the impacts for changes in key variables that would have a significant impact on the insurance liabilities, as well as to facilitate comparison with the sensitivities disclosed by other major insurers.

	2021			2020		
	Total (asset) / liability	Change	% change	Total (asset) / liability	Change	% change
	R'000	R'000		R'000	R'000	
Main basis	(2 696 877)			(2 975 913)		
Renewal expenses +10%	(2 225 834)	471 043	17%	(2 538 551)	437 362	15%
Inflation +1%	(2 239 087)	457 790	17%	(2 535 707)	440 206	15%
Investment return -1%	(2 406 984)	289 893	11%	(2 695 858)	280 055	9%
Withdrawals +10%	(2 696 973)	(96)	0%	(2 969 257)	6 656	0%
Risk experience +10%	(2 046 652)	650 225	24%	(2 341 034)	634 879	21%

The above figures combine discounted and undiscounted liabilities. The latter is not sensitive to the assumptions as they are valued retrospectively.

The sensitivities for the total liabilities are separately disclosed for the insurance contracts and reinsurance assets below.

30 June 2021	Insurance contracts	Change	Reinsurance assets	Change
	R'000	R'000	R'000	R'000
Main basis	(2 596 284)		(100 593)	
Renewal expenses +10%	(2 125 241)	471 043	(100 593)	-
Inflation +1%	(2 138 495)	457 789	(100 593)	-
Investment return -1%	(2 304 648)	291 636	(102 336)	(1 743)
Withdrawals +10%	(2 596 735)	(451)	(100 239)	354
Risk experience +10%	(1 761 603)	834 681	(285 050)	(184 457)

30 June 2020	Insurance contracts	Change	Reinsurance assets	Change
	R'000	R'000	R'000	R'000
Main basis	(2 953 398)		(22 515)	
Renewal expenses +10%	(2 516 037)	437 362	(22 515)	-
Inflation +1%	(2 513 193)	440 206	(22 515)	-
Investment return -1%	(2 672 032)	281 367	(23 826)	(1 311)
Withdrawals +10%	(2 946 852)	6 547	(22 405)	110
Risk experience +10%	(2 143 618)	809 781	(197 416)	(174 901)

5. RISK MANAGEMENT

The Assupol Group has adopted a risk management framework that is based on the ISO31000 standard. The risk management framework, together with associated policies required in terms of the Governance and Operational Standards for Insurers (GOIs) and compliance with the Solvency Assessment and Management (SAM) framework of the Prudential Authority of South Africa, embody the formal risk management efforts of the Group. Management is continually reviewing and improving on the formal risk management efforts in order to further enhance the sustainability of the Group's business.

As a custodian of policyholder funds, a key risk for the Group is that the proceeds from its assets will not be sufficient to fund the obligations arising from its insurance and investment contracts. The risk arises from the presence of financial or insurance risk in the contracts issued by the Group.

5.1 Governance and Operational Standards for Insurers

The Board implemented the requirements of the standards of which the salient features are:

- The composition and governance of the Board of Directors;
- The appointment of the heads of the control functions;
- The establishment of the control functions namely risk management, compliance, internal audit and actuarial; and
- The key risk management policies, namely:
 - Fit and Proper policy
 - Remuneration policy
 - Investment policy (also incorporating asset-liability management, liquidity risk management and concentration risk as it relates to investment management)
 - Underwriting Risk Management policy
 - Reinsurance policy
 - Concentration Risk Management policy (excluding investment concentration risk)
 - Operational Risk Management policy
 - Risk Management policy
 - Insurance Fraud Risk Management policy
 - ORSA policy
 - Outsourcing policy
 - Business Continuity Management policy
 - Capital Management policy; and
 - Information Technology policy.

5.2 Responsibility for risk management

The Board of Directors acknowledges its responsibility for establishing and communicating appropriate risk and control policies and ensuring that adequate risk management processes are in place.

The Group has a number of committees which deals with the various aspects relating to policies for accepting risks, including selection and approval of risks to be insured, use of limits and avoiding undue concentrations of risk, underwriting strategies to ensure the appropriate risk classification and premium levels.

During the financial year, the Group restructured the committees as well as the membership of the committees following the resignation of some directors. The Growth and Innovation Committee was dissolved and the functions thereof assumed by the Board of Directors. Furthermore, it is the intention of the Board of Directors to dissolve the standalone Investment Committee as stipulated in the Memorandum of Incorporation. This decision is subject to approval by a majority of shareholders at the annual general meeting scheduled for the fourth quarter of the 2021 calendar year. For the interim period, the Investment Committee was incorporated into the Risk Committee and is currently known as the Risk and Investment Committee.

The compilation of the committees is described below:

- The Audit Committee assists the Board of Directors in its evaluation of the adequacy, effectiveness and efficiency of the internal control systems, accounting practices, information systems, auditing and actuarial valuation processes applied by the long-term insurer in the day-to-day management of the Group. It reviews the accounting policies and financial statements of the Group. It also oversees the internal audit and external audit processes, and facilitates and promotes communication between the external auditor, internal auditor, Head of Actuarial Control Function and executive management. The committee is chaired by an independent non-executive director, comprises four independent non-executive directors and meets on a quarterly basis.

5 RISK MANAGEMENT (continued)**5.2 Responsibility for risk management (continued)**

- The Risk and Investment Committee is tasked with ensuring that a proper risk management framework and appropriate reporting channels are implemented for the entire Assupol Group. It furthermore oversees the asset management process of the Assupol Group according to guidelines and objectives set by the Investment Policy document and in conjunction with the Asset Liability Matching analysis as compiled by the statutory actuary. The committee is chaired by an independent non-executive director, comprises three non-executive directors and one executive director. The committee meets on a quarterly basis.
- The mandate of the Nomination Committee includes considering and recommending to the Board nominees to serve on the Board, considering and recommending to the Board the removal of any non-executive Director, and considering and recommending to the Board new nominees to fill vacancies as and when they arise. The committee is chaired by a non-executive director. It comprises three non-executive directors and meets at least once a year.
- The Remuneration Committee is tasked to consider and determine the remuneration policy of all employees of the Assupol Group. The Group Remuneration Committee is chaired by an independent non-executive director. The committee comprises three non-executive directors and meets on a quarterly basis.
- A Social and Ethics Committee was established to address the statutory duties as prescribed in regulation 43(5) of the Companies Act, 71 of 2008. The committee is chaired by an independent non-executive director. It comprises one executive director and two non-executive directors. The committee meets on a quarterly basis.
- The Actuarial Committee supports the Board of Directors with its obligations under Solvency Assessment and Management (SAM), and its reporting responsibilities under IFRS. The committee also evaluates, considers and where necessary makes recommendations to the Board and management regarding actuarial assumptions and projections. The committee consists of two executive and two non-executive directors and is chaired by an independent non-executive director. The committee meets at least quarterly.
- The Group Executive Committee (Exco) monitors the operations of all companies in the Assupol Group and the implementation of the strategic vision of the Board of Directors. The committee comprises of the executive directors and the prescribed officers of Assupol Holdings and meets on a monthly basis. The committee is supported by Assupol Life's Executive Committee.
- The Assupol Life Executive Committee performs all executive functions delegated to it by the Board of Directors of Assupol Life and oversees the proper administration and reporting of business performance and overall sales and industry risks. The committee is chaired by the Assupol Life Chief Executive Officer and meets on a monthly basis.
- Risk management is implemented at an operational level through a number of committees that meet on an ad-hoc basis, including amongst others the Assupol Life Management Committee, Credit Control Committee, Procurement Committee, Group Actuarial Committee, Risk Steering Committee, Taxation Committee, Claims Risk Forum, Expense Management Forum, Sales Forum, IFRS17 Steering Committee, Information Technology Forum, and Operational Forum.

5 RISK MANAGEMENT (continued)**5.3 Insurance risk**

Insurance risk is the risk that benefit payments and related expenses exceed those allowed for within Assupol Life's insurance liabilities. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year. The timing is specifically influenced by future mortality, morbidity, and withdrawal rates about which assumptions are made in order to place a value on the liabilities. Deviations from assumptions will result in actual cash flows different from those projected in liability calculations. As such, each assumption represents a source of uncertainty.

The larger the portfolio of uncorrelated insurance risks, the smaller the relative variability about the expected outcome will be. A larger population of insured risks leads to more diversified insurance risks, and in turn, reduces the deviations from the base risk assumptions.

The following table analyses the contracts offered by the Group and provides an indication of where the concentration of the risk lies.

Contracts offered by the Group	Contract type	2021 % of premium	2020 % of premium
Individual insurance business	Insurance	83.5%	82.6%
Group risk business	Insurance	16.5%	17.4%
Total		100.0%	100.0%

The Sales Committee, comprising the Group Executive: Sales and the regional managers in the Group, meets on a quarterly basis to discuss and monitor market, sales and product related matters. Geographical and industry statistics of policyholders are analysed and decisions are taken accordingly to ensure pro-active interventions.

The actuarial valuations department performs the following tasks for Assupol Life of which the outcome is reported at the relevant board committees and management committees.

- Monthly monitoring of solvency position;
- Quarterly experience monitoring (such as expense, mortality, withdrawal and economic experience against assumptions); and
- Quarterly analysis of surplus monitoring.

The Head of Actuarial Control Function is tasked with the following (in addition to the required annual statutory responsibilities):

- Quarterly parallel run confirming the statutory and financial reporting valuations produced by the in-house valuation division;
- A biennial asset liability modelling exercise as described in note 5.4.2.c; and
- Premium rates certification as described in note 5.3.1.

The Actuarial Committee supports the Head of Actuarial Control Function in his responsibility for the oversight of insurance risk.

5.3.1 Mortality and morbidity risk

Underwriting processes are in place to manage exposure to death and disability risks. The most significant measures are:

- Premium rates are required to be certified by the Head of Actuarial Control Function as being financially sound.
- Annual experience investigations are conducted, and are supplemented by quarterly reviews, to set premium rates.
- Reinsurance arrangements are negotiated in order to limit the risk on any individual contract.
- All new premium rates are approved and authorised by the Head of Actuarial Control Function prior to being issued.
- New products are also reviewed and approved by the Actuarial and the Risk and Investment Committee.

Factors affecting mortality and morbidity risks:

- The most significant factors that could substantially increase the frequency of claims, resulting in more or earlier claims (mortality and morbidity risk), are:
 - > pandemics such as COVID-19 or epidemics such as AIDS or extensive drug-resistant tuberculosis;
 - > widespread changes in lifestyle (smoking, exercise, eating, sexual practices);
 - > the income bracket (the lower-income market is more susceptible to extreme weather conditions, and has less access to quality medical care); and
 - > the sector of employment (such as SAPS members that are exposed to the violent element of society).
- Adverse economic conditions can potentially affect the quantity of morbidity claims where benefits are determined in terms of the ability to perform an occupation.

5. RISK MANAGEMENT (continued)**5.3.1 Mortality and morbidity risk (continued)**

The nature of risks varies depending on the class of business. The material classes of business most affected by these risks are discussed below:

Individual insurance business

- These are contracts providing benefits on death, disability, critical illness and accident that are sold directly to individuals.
- How risks are managed:
 - > Risk premiums on most conventional and market-related contracts may be adjusted within the terms and conditions of the contracts.
 - > Premium rates are differentiated on the basis of age, gender, socio-economic rating, smoker status level, and the results of underwriting investigations. This is done to reduce the cross-subsidisation of risks and the possibility of anti-selection. Experience investigations have shown these are reliable indicators of the risk exposure.
 - > All applications are subject to underwriting rules. Applications for risk cover above certain limits are reviewed by experienced underwriters and evaluated against established standards.
 - > Compulsory testing for HIV is carried out in all cases where the applications for risk cover exceed limits specified for specific products. Where HIV tests are not required, this is fully reflected in the pricing and experience is closely monitored.
 - > Underwriting is done to identify abnormal risks and, if necessary, take appropriate actions such as additional premium loadings, exclusions or alteration of benefit terms.
 - > Reinsurance arrangements are used for specific products where the single risk for a policy is high or where business does not have sufficient experience as yet. The arrangements for those products are to limit the risk of any single policy. A portion of every sum assured is reinsured up to the retention level. Sums assured above the retention level are reinsured on a renewable risk premium basis for Assupol Life. Facultative arrangements are used for sub-standard lives and large sums assured. No catastrophe cover has been purchased, as the quota share reinsurance is deemed sufficient currently. Reinsurance optimisation reviews are also performed.
 - > Frequent experience investigations are carried out to monitor the experience against actuarial assumptions. Recommendations on corrective actions are discussed at the Actuarial Committee.

The table below shows the concentration of individual insurance contract benefits by sum assured at risk.

<i>Consolidated</i>	Sum assured at risk		Before reinsurance		After reinsurance *	
	R		R'000	%	R'000	%
30 June 2021						
	0 -	20 000	34 350 376	29.63%	33 970 166	46.46%
	20 000 -	50 000	23 520 918	20.29%	24 741 117	33.84%
	50 000 -	100 000	5 375 637	4.64%	7 092 683	9.70%
	100 000 -	200 000	7 924 379	6.84%	5 010 412	6.86%
	200 000 -	500 000	14 339 462	12.37%	2 295 157	3.14%
	>	500 000	30 411 967	26.23%	-	0.00%
Total			115 922 739	100.00%	73 109 535	100.00%
30 June 2020						
	0 -	20 000	32 359 463	32.11%	32 038 333	49.48%
	20 000 -	50 000	19 611 408	19.46%	21 061 616	32.52%
	50 000 -	100 000	4 882 076	4.84%	6 136 593	9.48%
	100 000 -	200 000	7 910 938	7.85%	4 066 979	6.28%
	200 000 -	500 000	12 403 482	12.31%	1 451 816	2.24%
	>	500 000	23 612 018	23.43%	-	0.00%
Total			100 779 385	100.00%	64 755 337	100.00%

* The sum assured at risk for each individual policy reduces when the policy is reinsured. The analysis of the "Before reinsurance" sum insured at risk and the "After reinsurance" sum insured at risk have been individually assessed as the sum insured at risk is reduced when the policy is reinsured, this will result in a movement between categories from a higher "Before reinsurance" category to a lower "After reinsurance" category.

5. RISK MANAGEMENT (continued)**5.3.1 Mortality and morbidity risk (continued)****Group scheme and grouped individual insurance business**

- These are contracts that provide life and/or accidental death cover to members of a group of which all members have a specific commonality (e.g. clients or employees of a specific company).
- Factors specifically affecting this class:
 - > Contracts are similar to individual insurance contracts but there is a greater risk of correlation between claims on group schemes because the assured lives live in the same geographical location or work in the same industry.
 - > Underwriting processes may be streamlined, with cover supplied up to certain limits without underwriting.
- How risks are managed:
 - > Group rates are calculated (where reliably available) based on the rating class of the group, the historical experience of the group and, if the group is only located in a single province, then the province is evaluated as well. The rates therefore on average reflect the actual mortality experience, hence reducing mortality risk. There is residual mortality risk resulting from delays in identifying worsening experience and adjusting charges as well as marketing pressures.
 - > Rates are reviewed monthly, based on scheme experience, and can be amended with a one-month notice period.
 - > Rate reviews take into account known trends such as experience due to AIDS.
 - > Regular profitability assessments are performed by management.

The table below shows the concentration of group schemes by scheme size.

<i>Consolidated</i> Scheme size (based on number of lives covered)	2021		2020	
	Number	%	Number	%
0 - 1 000	28	42.42%	31	44.29%
1 000 - 5 000	15	22.73%	16	22.86%
> 5 000	23	34.85%	23	32.85%
Total	66	100.00%	70	100.00%

5.3.2 Business retention risk

- Policyholders generally have a right to pay reduced or no future premiums, or to terminate the contract completely before expiry of the contract term.
- Factors affecting these risks:
 - > Economic conditions and/or consumer trends can strongly influence business retention rates.
 - > A lack of affordability testing (economic power and personal financial planning skill of the policyholders) by the intermediaries, especially within the lower-income market, can adversely affect business retention levels.
 - > Expenses incurred in the acquisition of contracts are expected to be recouped over the term of the policy. These may not be recovered where the premiums are reduced or the contract terminated early.
 - > Terminations can have the effect of increasing insurance risk - e.g. policyholders whose health has deteriorated are less likely on average to terminate a contract providing death benefits.
 - > The liability held for some contracts may be less than the termination benefit payable. The net group surplus will reduce if these contracts terminate early.
- How risks are managed:
 - > Where withdrawal benefits are payable on termination, these can be adjusted to recover certain expenses. However, market and legislative forces restrict the extent to which this may be done.
 - > The business retention rates of all intermediaries are monitored monthly on an individual basis, and corrective action can be suggested and implemented, e.g. the preference of new business sources from deduction methods with improved premium recovery rates.
 - > The various premium collection methods are being evaluated for effectiveness. New premium collection methods are investigated to diversify premium recoveries. Preference is given to reliable, regulated and secure premium deduction facilities.
 - > Commission clawback terms included in contracts with intermediaries enable the Group to mitigate some of the risk of early termination.
 - > Frequent withdrawal investigations are carried out to monitor the experience against actuarial assumptions. Recommendations and corrective actions are discussed at the Actuarial Committee.
 - > The Credit Control Committee awards new intermediary contracts only to brokers that have the required experience, qualifications and industry accreditation.

5. RISK MANAGEMENT (continued)5.4 Financial risk management5.4.1 Financial risk

Financial risk is the risk that an entity will not have adequate cash flows to meet financial obligations. The Assupol Group and the company are exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. The key financial risk is that of the proceeds from the Group's financial assets being insufficient to fund the obligations arising from its insurance and investment contract liabilities. The key mitigating actions include:

- The life company within the Group matches its assets and liabilities as accurately as is practically and optimally possible. GRSP and GISP liabilities are matched at inception with an asset with the same term and return at least equal to the guaranteed return offered to the client. The Risk and Investment Committee reviews the asset management arrangements of the Group and monitors investment performance in terms of mandates and set benchmarks.
- An asset liability modelling exercise is performed every second year. At the quarterly meetings of the Risk and Investment Committee the actual asset allocations are monitored against strategic asset allocations for each portfolio.
- The excess assets are exposed to market fluctuations, which may reduce the value of assets supporting the capital position. This is mitigated by having clearly defined sub-portfolios within the shareholder portfolio, with an appropriate asset allocation strategy for each portfolio, so that the level of market risk is appropriate relative to the aim of the sub-portfolio.
- The main financial risks to which the Group is exposed are described below under various contract categories. Each category represents distinct financial risks. Some categories may include both insurance and investment contracts.

The table below analyses the net total policyholder liabilities between market-related and other business at the end of the reporting period.

<i>Consolidated</i>	2021 R'000	2020 R'000
Market-related business (Investment contracts (note 29))		
Individual market-related business	3 920 585	3 376 877
Other business (Insurance contracts (note 28))	(2 696 877)	(2 975 913)
Conventional individual risk business	40 203	46 725
Other individual risk business	(2 876 207)	(3 116 029)
Group risk business	137 197	91 351
Liability for embedded derivatives	1 930	2 040
Total net policyholder liabilities	1 223 708	400 964

5. RISK MANAGEMENT (continued)**5.4.1 *Financial risk (continued)***

An analysis between insurance contracts and reinsurance assets of the total net policyholder liabilities as disclosed in the table above is provided below.

30 June 2021	Insurance contracts R'000	Reinsurance assets R'000	Total R'000
Market-related business (Investment contracts (note 29))			
Individual market-related business	3 920 585	-	3 920 585
Other business (Insurance contracts (note 28))	(2 596 285)	(100 592)	(2 696 877)
Conventional individual risk business	40 203	-	40 203
Other individual risk business	(2 775 615)	(100 592)	(2 876 207)
Group risk business	137 197	-	137 197
Liability for embedded derivatives	1 930	-	1 930
Total net policyholder liabilities	1 324 300	(100 592)	1 223 708
30 June 2020	Insurance contracts R'000	Reinsurance assets R'000	Total R'000
Market-related business (Investment contracts (note 29))			
Individual market-related business	3 376 877	-	3 376 877
Other business (Insurance contracts (note 28))	(2 953 399)	(22 514)	(2 975 913)
Conventional individual risk business	46 725	-	46 725
Other individual risk business	(3 093 515)	(22 514)	(3 116 029)
Group risk business	91 351	-	91 351
Liability for embedded derivatives	2 040	-	2 040
Total net policyholder liabilities	423 478	(22 514)	400 964

Market-related business

- The Assupol Group holds the assets on which unit prices are based in accordance with policy terms and conditions.
- The Group is not exposed to significant market risk on these funds, as the liability moves in line with the underlying assets.
- The Group earns management fees as a percentage of the fair value of the asset portfolio. These fees are volatile to the extent that these assets are subject to interest rate and market price risk, but are always positive.
- The unit-linked investment portfolios are rebalanced on a monthly basis.

Conventional business

- Bonuses are declared taking into account a number of factors, including actual investment returns, previous bonus rates declared and policyholders' reasonable expectations. Bonuses are generally designated as reversionary bonuses, which can never be removed or reduced, or terminal bonuses, which can be removed or reduced.

5. RISK MANAGEMENT (continued)**5.4.1.a Investment guarantees**

- Clients of Assupol Life can choose into which type of investment fund their premiums should be deposited. One of these investment funds is the 'guaranteed fund' where the capital invested (but not the growth on the fund) is guaranteed to the client. These guarantees are spread amongst the various products that offer this investment fund. The Risk and Investment Committee is charged with monitoring the 'guaranteed fund'.
- Liabilities arising from these guarantees are valued in accordance with valuation techniques described in APN110. These liabilities are sensitive to movements in interest rates and equity prices and their volatilities. The exposure is hedged through the implementation of structured products, employing derivatives to ensure that the capital is protected, while also allowing for some participation in positive market returns. These derivatives are concluded with highly rated banks. The derivatives expose the Group to credit risk (For further information refer note 5.4.2.b). The exposure is not deemed to be material in the context of Assupol Life's results.
- Assupol Life also offers single premium investment products. These products have a term of a maximum of 9 years, offering either a guaranteed maturity value or a guaranteed monthly income. In terms of these contracts, investment contract holders are not entitled to receive more than the guaranteed value as determined at inception. The risk is managed by investing in assets that will provide the guaranteed cash flows of the policy.
- Valuation of the liabilities of these single premium investment products is based on the discounted guaranteed cash flows, as determined at the inception of the contract, using the valuation interest rate.

5.4.1.b Investments in structured and other entitiesStructured entities

The Group has assessed its interests in collective investment schemes and other entities. Judgement is required in the assessment of whether the Group has control or significant influence in terms of the variability of returns from the Group's investment in the funds.

Based on the assessment of control or significant influence on the funds in which Assupol Life has an interest in, none of these schemes have met the definition of either a subsidiary, associate, or joint venture and therefore these funds were not consolidated in the Group's results.

The instruments held in structured entities included in the table below were selected by the Risk and Investment Committee and satisfy the requirements from an Asset Liability Matching perspective. These instruments are included in financial assets at fair value through profit or loss in the statement of financial position. For further information refer to note 21.

The table below provides a summary of the relevant instruments held by Assupol Life, the strategy for obtaining these instruments, as well as the reason for not consolidating.

Instrument type and strategy	Number of instruments	Total market value of instruments R'000	Market value as % of Assupol's investment portfolio	Market capitalisation of all issuers * R'm	Investment value as % of issuer market capitalisation * %	Control or significant influence
30 June 2021						
Money Market Instruments						
Money Market Long	7	916 246	13.66%	102 199	0.90%	No
Debt instruments						
Debt Long	3	1 732 333	25.83%	8 500	20.38% **	No
Equity instruments						
Equity Long	4	369 894	5.51%	221 836	0.17%	No
30 June 2020						
Money Market Instruments						
Money Market Long	7	947 253	16.54%	90 588	1.05%	No
Debt instruments						
Debt Long	3	1 513 843	26.44%	6 600	22.94% **	No
Equity instruments						
Equity Long	4	326 909	5.71%	196 625	0.17%	No

* All inclusive price

** This is not significant influence as the Group exercises no influence over key management decisions which include the setting of budgets or the appointment of key personnel.

5. RISK MANAGEMENT (continued)**5.4.1.b Investments in structured and other entities (continued)**Other entities

The Group has assessed its control over the three trusts that were created during the demutualisation of Assupol Life.

It was concluded that the Group has no control or significant influence over the Assupol Members' Trust. The Assupol Members' Trust is a bewind trust where the independent trustees manage the funds of the beneficiaries for their benefit in terms of the demutualisation scheme (i.e. qualifying policyholders of Assupol Life prior to demutualisation). The trustees are approved by the Financial Sector Conduct Authority of South Africa and the Group has no exposure or rights to variable returns from the Trust.

It was also concluded that the Group has no control or significant influence over the Assupol Community Trust. As a result of the demutualisation scheme and the 'public benefit organisation' status of the Trust, restrictions were placed on the Trust by the Financial Sector Conduct Authority of South Africa and the South African Revenue Services in aspects such as changes to the trust deed, appointment of trustees and distributions of trust funds. The Group has no exposure or right to variable returns from the Trust.

In respect of the Assupol Share Incentive Trust the Group has control over the shares held by the Share Incentive Trust and the Trust was consolidated into the financial results of the Group. For more information refer note 26.

5.4.2 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk, that can affect the values of the Group's financial assets and liabilities, as well as the Group's insurance contract assets and liabilities. A focus point of the Group's overall risk management programme is on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. If deemed necessary, the Group uses derivative financial instruments to hedge certain risk exposures. There are currently no derivative contracts entered into for hedging purposes.

An analysis of the components affected by financial risk factors is depicted below:

	Market risk	Credit risk	Liquidity risk	2021 R'000	2020 R'000
At fair value through profit or loss					
Equity securities	x			1 564 654	1 418 923
Debt securities	x	x	x	2 222 110	1 573 542
Deposits and money market securities		x	x	1 051 868	1 031 739
At amortised cost					
Deposits and money market securities	x	x	x	1 869 308	1 622 487
Insurance and other receivables	x	x		204 421	141 370
Cash and cash equivalents		x		384 400	424 550
Policyholder assets: Insurance contracts	x *	- **	x	2 596 284	2 953 398
Policyholder assets: Reinsurance assets	x *		x	100 593	22 515
Policyholder liabilities	x *		x	3 920 585	3 376 877
Other liabilities			x	412 046	428 301
Insurance and other payables			x	501 752	360 101

* The assumptions used to determine the value of the policyholder assets and liabilities are affected by the historical market experience. For a market risk sensitivity analysis of these assumptions, refer note 5.4.2.a (v).

** No residual credit risk exists after applying best estimate lapse and withdrawal assumptions.

Concentration risk is the risk of loss associated with inadequately diversified asset portfolios. To manage this risk, the prudential regulations with reference to issuer limits, as stipulated in Regulation 28 of the Pension Fund Act, 24 of 1956, was adopted as part of all the segregated mandates. In addition, the portfolios in total also need to be compliant with Regulation 28. The compliance with Regulation 28 is monitored on a regular basis by management. Breaches are reported as they occur and the required action is taken. The Risk and Investment Committee monitors the compliance on a quarterly basis. As a result the Group's exposure to any single group of companies or entity does not exceed 15.5% (2020: 9.5%) of total assets.

5. RISK MANAGEMENT (continued)**5.4.2.a Market risk**

Market risk is the risk of adverse financial impact due to changes in fair values or future cash flows of financial instruments from fluctuations in foreign currency exchange rates, equity prices and interest rates.

(i) Foreign exchange risk

Foreign exchange risk is the risk that the Rand value of a financial instrument, as in the case of investment assets, will fluctuate due to changes in foreign exchange rates.

The Group has unit trusts which have offshore components that are all denominated in US dollars, and are listed as 'global unit trusts' in note 21. These investments were made for the purpose of obtaining a favourable international exposure to foreign currency and to diversify investment exposure to international markets. The assets are held in the linked policyholder funds in order to obtain the relevant exposure for policyholders; thus no foreign currency exposure to shareholders. The currency exposure at year-end is as follows:

	2021 R'000	2020 R'000
Global unit trusts	369 895	326 910
Foreign currency amount (US\$)	25 915	18 840
Insurance policy - Global bonds	50 402	59 143
Foreign currency amount (US\$)	3 531	3 408
Closing exchange rate at year-end	14.2734	17.3522
Average exchange rate during the year	15.3941	15.8612

Overall, foreign exchange risk is considered to be within acceptable risk levels and managed effectively, as it represents only 3.7% (2020: 3.6%) of total financial assets.

(ii) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in the market place.

The Assupol Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated Statement of Financial Position at 'fair value through profit or loss'. The Group is not directly exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

Equity securities are reflected at fair values, which are susceptible to market fluctuations. The stock selection and investment analysis process is supported by the proper execution of an investment management process, which is delegated to the Risk and Investment Committee.

(iii) Interest rate risk: Cash flow and fair value

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in interest rates, which may result in a mismatch between assets and liabilities.

Changes in market interest rates have a direct effect on the contractually determined cash flows associated with floating rate financial assets and financial liabilities, and on the fair value of other investments. Fair values of fixed interest rate investments included in the Group's investment portfolios are subject to changes in prevailing market interest rates. For more information on the maturity profiles of the financial assets, refer note 21 to the financial statements.

Investments that will be directly impacted by changes in market interest rates are analysed below. Accounts receivable where settlement is expected within 90 days and interest-free loans are not included in the analysis since the effect of interest rate risk on these balances is not considered material, given the short-term duration of the underlying cash flows.

5. RISK MANAGEMENT (continued)

5.4.2.a Market risk (continued)

The Group issues guaranteed single premium investment products. These products have of a maximum of 9 years, offering either a guaranteed maturity value or a guaranteed monthly income. In terms of these contracts investment contract holders are not entitled to receive more than the guaranteed value determined at inception. Surrender charges apply should a policyholder terminate the contract before the maturity date. The risk is managed by investing in assets that provide the guaranteed cash flows of the policy.

Consolidated	Carrying value R'000	Exposed to:			Effective interest rate at year-end %
		Cash flow interest rate risk R'000	Fair value interest rate risk R'000	Both cash flow interest rate and fair value risk R'000	
30 June 2021					
At fair value through profit or loss					
Debt securities					
Government bonds	439 374	-	439 374	-	2.47%
Insurance policy - Global bonds **	50 402	-	50 402	-	N/a
Deposits and money market securities	1 051 868	6 336	129 286	916 246	3.54%
Unit trusts	1 732 334	-	-	1 732 334	7.49%
At amortised cost					
Deposits and money market securities ***	1 869 308	-	1 869 308	-	2.71% - 9.96%
Receivables (interest-bearing)	163 390	156 344	7 046	-	12.64%
Receivables (provision for impairment)					
Premiums receivable	(96 265)	-	-	-	0.00%
Sundry insurance receivables	(87 330)	-	-	-	0.00%
Receivables (non interest-bearing)	224 626	-	-	-	0.00%
Cash and cash equivalents	384 400	384 400	-	-	2.93%
Policyholder liability - Investment contracts	(1 925 292)	-	(1 925 292)	-	2.71% - 9.96%
Subordinated debt	(250 070)	(863)	(249 207)	-	6.91% - 10.29%
Total	3 556 745	546 217	320 917	2 648 580	
30 June 2020					
At fair value through profit or loss					
Debt securities					
Corporate bonds *	556	-	556	-	N/a
Insurance policy - Global bonds **	59 143	-	59 143	-	N/a
Deposits and money market securities	1 031 739	3 225	81 261	947 253	4.04%
Unit trusts	1 513 843	-	-	1 513 843	10.80%
At amortised cost					
Deposits and money market securities ***	1 622 487	-	1 622 487	-	2.71% - 10.39%
Receivables (interest-bearing)	115 492	107 614	7 878	-	12.45%
Receivables (provision for impairment)					
Premiums receivable	(75 348)	-	-	-	0.00%
Sundry insurance receivables	(58 602)	-	-	-	0.00%
Receivables (non interest-bearing)	159 828	-	-	-	0.00%
Cash and cash equivalents	424 550	424 550	-	-	2.44%
Policyholder liability - Investment contracts	(1 692 321)	-	(1 692 321)	-	2.71% - 10.39%
Subordinated debt	(250 070)	(863)	(249 207)	-	6.91% - 10.29%
Total	2 851 297	534 526	(170 203)	2 461 096	

* The corporate bonds consist of the bond options used within the guaranteed portfolio therefore no effective interest rate. The previous financial year included bonds that had an effective rate.

** Global bond exposure is obtained through the insurance policy and not by holding the underlying instruments. The insurance policy can be terminated with 30 days' notice.

*** Deposits and money markets securities carried at amortised cost are valued individually on a contract basis and not a portfolio basis.

5. RISK MANAGEMENT (continued)**5.4.2.a Market risk (continued)****(iv) Hedging**

There are currently no derivative contracts entered into by the Group for hedging purposes.

(v) Market risk sensitivity analysis

The table below summarises the impact of each possible change to the risk variables outlined in the risk management section of this report to the Group's profit or loss (after corporate taxation) and to the total policyholder liabilities. The changes are affecting the financial assets and liabilities, as well as insurance assets and liabilities. This is a management estimate (based on market information available, understanding of the business and the consequent impact of possible changes) and not an earnings forecast.

Positive numbers in the table below represent an increase to policyholders' liabilities and profit after taxation respectively, and correspondingly, negative numbers indicate a decrease. The size of the changes was chosen to facilitate comparison with the sensitivities disclosed by other major insurers. In each case below, one assumption changes whilst all the other assumptions remain constant. As the economic assumptions relate to both policyholder liabilities under insurance and investment contracts, there is no added benefit in splitting the disclosures.

The non-market long-term assumptions address possible changes as a result of insurance risks identified and described in notes 4.1 and 5.3. The economic assumptions address possible changes as a result of market risks identified and described in note 5.4.2.a.

<i>Consolidated</i>	Change in variable	Impact to total policyholders' assets / liabilities		Impact on ordinary shareholders' equity and attributable profit after taxation	
		2021 R'000	2020 R'000	2021 R'000	2020 R'000
Assumption description	%				
Non-market long-term assumptions					
Mortality and morbidity	+10%	649 423	634 039	(467 585)	(456 508)
	-10%	(670 844)	(656 493)	483 008	472 675
Withdrawals	+10%	(2 815)	3 744	2 027	(2 696)
	-10%	26 394	18 375	(19 004)	(13 230)
Renewal expense per policy	+10%	479 303	445 077	(345 098)	(320 455)
	-10%	(478 377)	(444 187)	344 431	319 815
Economic assumptions					
Interest rate	+1%	(208 151)	(196 664)	149 869	134 436
	-1%	295 410	286 710	(212 695)	(198 723)
Inflation	+1%	463 410	445 692	(333 174)	(319 509)
	-1%	(391 226)	(374 445)	281 201	268 211
Equity prices	+10%	109 899	99 755	(79 127)	(71 824)
	-10%	(109 871)	(99 733)	(109 871)	71 808

5. RISK MANAGEMENT (continued)

(v) Market risk sensitivity analysis (continued)

Possible changes on the policyholders' assets / liabilities are separately disclosed for insurance contracts and reinsurance assets below.

Assumption description	Change in variable	Impact to policyholders' assets / liabilities		Impact on ordinary shareholders' equity and attributable profit after taxation	
		Insurance contracts	Reinsurance assets	Insurance contracts	Reinsurance assets
		R'000	R'000	R'000	R'000
30 June 2021					
Non-market long-term assumptions					
Mortality and morbidity	+10%	833 880	(184 458)	(600 394)	132 809
	-10%	(859 932)	189 088	619 151	(136 144)
Withdrawals	+10%	(3 169)	354	2 281	(255)
	-10%	26 894	(499)	(19 363)	360
Renewal expense per policy	+10%	479 303	-	(345 098)	-
	-10%	(478 377)	-	344 431	-
Economic assumptions					
Interest rate	+1%	(209 505)	1 354	150 844	(975)
	-1%	297 153	(1 743)	(213 950)	1 255
Inflation	+1%	463 410	-	(333 655)	-
	-1%	(391 226)	-	281 682	-
Equity prices	+10%	109 895	4	(79 124)	(3)
	-10%	(109 866)	(5)	79 104	(188 975)
30 June 2020					
Non-market long-term assumptions					
Mortality and morbidity	+10%	808 941	(174 902)	(582 437)	125 929
	-10%	(836 100)	179 606	601 992	(129 316)
Withdrawals	+10%	3 635	109	(2 617)	(79)
	-10%	18 616	(241)	(13 403)	174
Renewal expense per policy	+10%	445 077	-	(320 455)	-
	-10%	(444 187)	-	319 815	-
Economic assumptions					
Interest rate	+1%	(197 156)	952	141 952	(686)
	-1%	287 527	(1 312)	(207 019)	945
Inflation	+1%	445 692	-	(320 898)	-
	-1%	(374 445)	-	269 600	-
Equity prices	+10%	99 749	6	(71 819)	(4)
	-10%	(99 727)	(7)	71 803	5

5. RISK MANAGEMENT (continued)**5.4.2.b Credit risk**

Credit risk is the risk that a counterparty will fail to discharge an obligation on an asset held and cause the Group to incur a financial loss.

Balances where the Group has exposure to credit risk include all financial assets (excluding equity securities).

Fair values of investments may be affected by the creditworthiness of the issuer of securities. The investment policy formally defines that the exposure to any institution in which the Group has placed deposits, or to which it has credit risk exposure, is limited to the provisions of the Insurance Act, 18 of 2017. Provisions of the Act have the effect of limiting exposure to individual issuers due to the inadmissibility of assets for regulatory purposes if specified limits are breached. The investment mandates include provisions to limit the exposure to a single issuer. Bonds and cash exposure are diversified through this process.

Amounts receivable in terms of long-term insurance business are limited to and secured by the underlying value of the unpaid policy benefits in terms of the policy contract.

The Group is exposed to credit risk in any reinsurance assets held. If a reinsurer fails to pay a claim, the Group remains liable for the payment to the policyholder. Reinsurance is placed with reputable international companies. The credit rating of the reinsurer is assessed by Assupol Life on an annual basis and on a change in the status of the reinsurer. The credit rating of the current reinsurers is ranging between AA+ and AA- as per the external rating agency, S&P.

(i) Credit risk on investments

The Risk and Investment Committee is charged with managing credit risk relating to investments. An investment policy has been compiled to describe the investment process and mandates given to the investment managers.

These mandates are given taking the following requirements into consideration:

- Limits in each asset class
 - > The percentage of assets invested in an asset class is fixed and will be determined by the Risk and Investment Committee and the investment mandate agreed upon.
- Percentage limits in a single holding
 - > Investment managers mandates are issued in accordance with limitations set by the Insurance Act, 18 of 2017, and regulation 28 of the Pension Fund Act, 24 of 1956.
- Quality of holdings
 - > Investment managers are only allowed to invest in listed shares, including listed property shares, that fall within their investment mandates. Where an investment becomes unlisted whilst included in the mandate, the manager may retain the shares only if it cannot be sold.
 - > Investment managers are only allowed to invest in A to AAA rated local listed bonds. For non South African assets the rating must be investment grade. Credit risk is reduced by only investing in the bonds that are rated at these levels by an accredited rating agency operating in South Africa, or the equivalent ratings of any accredited international rating agency.
 - > Investments in money market instruments must have a short-term rating of at least F1 and a long-term rating of at least A, as rated by an accredited rating agency.
- Collective investment instruments
 - > Collective investments can include any investment through a life license or investment through a unit trust. Investments of this type must only be through a vehicle that is registered with the financial services regulator in South Africa and are subject in all respects to the requirements of the Unit Trust Control Act, 54 of 1981, the Insurance Act, 18 of 2017, or the Collective Investment Schemes Control Act, 45 of 2002.

5. RISK MANAGEMENT (continued)

5.4.2.b Credit risk (continued)

The exposure to credit risk from the financial assets at the end of the reporting period was:

	CONSOLIDATED		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
At fair value through profit or loss				
Debt securities				
Corporate bonds	-	556	-	-
Government bonds	439 374	-	-	-
Insurance policy - Global bonds	50 402	59 143	-	-
Unit trust	1 732 334	1 513 843	-	-
Deposits and money market securities	1 051 868	1 031 739	-	-
At amortised cost				
Deposits and money market securities	1 869 308	1 622 487	-	-
Insurance receivables				
Premium receivables - Insurance contracts	60 079	20 008	-	-
Premium receivables - Other	-	12 258	-	-
Sundry insurance receivables	9 501	23 931	-	-
Reinsurance recoveries	109 902	48 534	-	-
Other receivables:				
Other sundry receivables	17 893	28 761	1 824	41 541
Loans to personnel and other loans	7 046	7 878	-	-
Cash and cash equivalents	384 400	424 550	39 064	15 309
Total	5 732 107	4 793 688	40 888	56 850
Analysis per credit ratings				
Local debt securities (National long-term rating)	2 171 709	1 514 400	-	-
AAA	439 375	1 514 400	-	-
AA+, AA, AA-	1 732 334	-	-	-
Deposits and money market securities (National long-term rating)	2 921 176	2 654 226	-	-
AAA	2 159 421	1 869 185	-	-
AA+, AA, AA-	758 448	785 041	-	-
A+, A, A-	3 307	-	-	-
Cash and cash equivalents (National long-term rating)	384 400	424 550	39 064	15 309
AAA	384 502	424 737	-	-
AA+, AA, AA-	(102)	(187)	39 055	15 301
A+, A, A-	-	-	9	8
Unrated	204 421	141 370	1 824	41 541
Insurance receivables	179 482	104 731	-	-
Other receivables	24 939	36 639	1 824	41 541
Global debt securities (Long term issuer default rating -Local currency)	50 401	59 142	-	-
AAA	25 233	29 200	-	-
AA+, AA, AA-	8 429	9 893	-	-
A+, A, A-	8 990	11 550	-	-
BBB+, BBB, BBB-	7 749	8 499	-	-
Total	5 732 107	4 793 688	40 888	56 850

5. RISK MANAGEMENT (continued)

5.4.2.b Credit risk (continued)

Credit rating used:

The rating used for local assets is the National Long-Term rating issued by rating agencies. This rating gives a relative credit quality for the issuer and/or entity in relation to the government of the Republic of South Africa. The rating used for global assets is the Long-Term Issuer Default rating (Local currency) issued by rating agencies. If there is no rating available from a rating agency an internal model is used. The internal rating scale is based on internal definitions and influenced by definitions published by mainly the external rating agency Moody's. Other external rating agencies such S&P and GCR are considered where necessary.

Rating definition:

AAA	Highest quality: An extremely strong capacity to meet its financial obligations.
AA+, AA, AA-	Very high quality: A very strong capacity to meet its financial obligations.
A+, A, A-	High quality: A strong capacity to meet its financial obligations but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions.
BBB+, BBB, BBB-	Good quality: The expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate but adverse business or economic conditions are more likely to impair this capacity.

The analysis of overall credit risk exposure indicates that the Group has policyholder receivables that are impaired at the end of the reporting period. The assets, that include outstanding premium debtors, are analysed below:

		CONSOLIDATED		COMPANY	
		2021 R'000	2020 R'000	2021 R'000	2020 R'000
Policyholder receivables	<i>Gross</i>	156 344	107 614	-	-
	<i>Impairment provision</i>	(96 265)	(75 348)	-	-
	<i>Net</i>	60 079	32 266	-	-

The table below provides information regarding the aging of assets which expose the Group to credit risk.

	CONSOLIDATED		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Debt securities	2 222 110	1 573 542	-	-
Neither past due, nor impaired	2 222 110	1 573 542	-	-
Deposits and money market securities	2 921 176	2 654 226	-	-
Neither past due, nor impaired	2 921 176	2 654 226	-	-
Insurance receivables	179 482	104 731	-	-
Neither past due, nor impaired	163 759	74 163	-	-
Past due				
0 to 2 months	29 986	22 970	-	-
3 to 5 months	15 829	24 654	-	-
More than 5 months	153 503	176 183	-	-
Impairment provisions	(183 595)	(193 238)	-	-
Other receivables	24 939	36 639	1 824	41 541
Neither past due, nor impaired	22 201	34 935	1 824	41 541
Past due				
0 to 2 months	1 953	919	-	-
More than 5 months	785	785	-	-
Cash and cash equivalents	384 400	424 550	39 064	15 309
Neither past due, nor impaired	384 400	424 550	39 064	15 309
Total	5 732 107	4 793 688	40 888	56 850

5. RISK MANAGEMENT (continued)**5.4.2.b Credit risk (continued)****(ii) Collateral coverage**

None of the entities in the Group has any collateral coverage on their financial assets.

5.4.2.c Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due. Refer to the maturity profiles included in the note to policyholder liabilities (note 28).

- Liquidity requirements and cash resources are monitored by the Risk and Investment Committee.
- The Head of Actuarial Control Function reviews an asset liability modelling exercise to ensure that the asset mix of Assupol Life is appropriate. This involves looking at the asset / liability profile and the appropriateness of the assets vis-à-vis the liabilities, bearing in mind issues of volatility, liquidity and the expected future cash flows of the business. Unitised funds are invested in accordance with the mandate of the individual portfolios. The results of this model are incorporated in the ongoing investment strategy of Assupol Life to ensure that policyholder expectations and liquidity requirements are met.
- Appropriate assets back the Group's liabilities. The Group has significant liquid resources and continues to experience positive net cash flows.

(i) Liquidity risks arising out of obligations to policyholders

The liquidity risk associated with obligations to policyholders is managed by considering the timing of undiscounted cash inflows / outflows as depicted below. In the table below the net cash inflows and outflows are shown as positive and negative amounts respectively.

<i>Consolidated</i>	INSURANCE CONTRACTS		INVESTMENT CONTRACTS	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
<i>Unit liabilities</i>				
Within 1 year	72 026	70 183	165 870	145 100
2 to 5 years	103 121	102 281	456 617	417 693
6 to 10 years	49 548	54 894	448 023	406 975
11 to 20 years	31 780	32 608	612 166	532 277
Over 20 years	31 809	33 830	193 061	172 788
Total unit liabilities	288 284	293 796	1 875 737	1 674 833
<i>Non-unit liabilities</i>				
Within 1 year	15 600	87 028	767 600	9 885
2 to 5 years	24 411	19 064	1 030 394	1 589 695
6 to 10 years	(86 592)	(147 214)	107 324	1 858
11 to 20 years	(244 102)	(427 251)	-	621
Over 20 years	(1 078 033)	(2 110 056)	4 374	1 202
Total	(1 368 716)	(2 578 429)	1 909 692	1 603 261
Effect of discounting cash flows	(4 613 014)	(2 455 701)	82 334	42 439
Effect of compulsory margins	2 683 754	1 672 535	52 822	56 344
Undiscounted liabilities (including IBNR reserves)	312 815	91 886	-	-
Total non-unit liabilities	(2 985 161)	(3 269 709)	2 044 848	1 702 044
TOTAL				
Within 1 year	87 626	157 211	933 470	154 985
2 to 5 years	127 532	121 345	1 487 011	2 007 388
6 to 10 years	(37 044)	(92 320)	555 347	408 833
11 to 20 years	(212 322)	(394 643)	612 166	532 898
Over 20 years	(1 046 224)	(2 076 226)	197 435	173 990
Effect of discounting cash flows	(4 613 014)	(2 455 701)	82 334	42 439
Effect of compulsory margins	2 683 754	1 672 535	52 822	56 344
Undiscounted liabilities (including IBNR reserves)	312 815	91 886	-	-
Total policyholder liabilities	(2 696 877)	(2 975 913)	3 920 585	3 376 877

5. RISK MANAGEMENT (continued)*5.4.2.c Liquidity risk (continued)*

The unit liabilities above are calculated based on the value of the assets below as these assets are invested in accordance with the mandate chosen by the policyholder:

	CONSOLIDATED		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Equity securities	1 101 440	983 059	-	-
Debt securities	355 019	292 760	-	-
Deposits and money market securities	707 562	692 810	-	-
Total	2 164 021	1 968 629	-	-

The expected liquidity requirement for undiscounted expected cash flows for unit liabilities for the next year is R238 million. The Group has sufficient cash and cash equivalents to cover this risk.

The expected liquidity requirement for undiscounted expected cash flows for non-unit liabilities for the next year is an outflow of R783 million and therefore no provision is needed for liquidity purposes due to sufficient cash equivalents.

The table below indicates the composition of the insurance and investment policyholder contracts as well as the related reinsurance based on the underlying portfolios.

<i>Consolidated</i>	INSURANCE CONTRACTS		INVESTMENT CONTRACTS	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Policyholder assets	(4 591 577)	(4 637 955)	-	-
Policyholder liabilities	1 995 292	1 684 556	3 920 585	3 376 877
Reinsurance assets	(100 592)	(22 514)	-	-
Total net policyholder (assets) / liabilities	(2 696 877)	(2 975 913)	3 920 585	3 376 877

The table below shows the carrying value of policyholder liabilities and the cash surrender value that relate to the respective policies.

<i>Consolidated</i>	CARRYING VALUE		SURRENDER VALUE	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Insurance contracts				
Linked and conventional business	324 342	334 607	265 047	266 768
Other business	(2 920 626)	(3 288 005)	-	-
Reinsurance assets	(100 593)	(22 515)	-	-
Investment contracts	3 920 585	3 376 877	3 542 160	3 091 290
Total policyholder liabilities	1 223 708	400 964	3 807 206	3 358 058

5. RISK MANAGEMENT (continued)

(ii) *Liquidity risks arising out of obligations on financial liabilities (excluding policyholder liabilities)*

The table below analyses the settlement value for financial liabilities (excluding policyholder liabilities) differentiating between relevant maturity groupings, based on the remaining period at the end of the reporting period to the contractual maturity date.

	CONSOLIDATED		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Lease liabilities	195 746	222 993	-	-
Contractual undiscounted cash flows				
Within 1 year	38 689	37 063	-	-
2 to 5 years	157 057	160 007	-	-
More than 5 years	-	25 923	-	-
Subordinated debt	304 219	329 625	-	-
Contractual undiscounted cash flows				
Within 1 year	25 401	25 403	-	-
2 to 5 years	278 818	304 222	-	-
Insurance and other payables	501 752	360 101	12 095	26 724
Contractual undiscounted cash flows				
Within 1 year	336 484	206 496	-	-
Open ended	165 268	153 605	12 095	26 724
Total	1 001 717	912 719	12 095	26 724

5. RISK MANAGEMENT (continued)**5.4.3 Capital risk management****5.4.3.a Capital management policies and objectives**

The Group's capital management philosophy is to:

- Optimise the return on capital within the overarching risk tolerance ranges including all regulatory requirements;
- Ensure a sustainable business and providing shareholders with appropriate returns at an acceptable risk; and
- Ensure that the strategy of the Group can be executed successfully.

The capital management plan also ensures alignment of capital to risks and ensures that the reward is commensurate the risk taken.

5.4.3.b Solvency Capital Requirement

The risk-based financial soundness framework, Solvency Assessment and Management (SAM), commenced when the Insurance Act, 18 of 2017, became effective. The act determines the calculation of the Solvency Capital Requirement (SCR).

Assupol Life is required to maintain at all times its business in a financially sound condition by holding eligible own funds equal to its SCR. The SCR measurement is intended to provide a 99.5% confidence level that Assupol Life will be able to meet its existing liabilities.

	2021	2020
Available solvency capital (R'm)	7 011	6 947
Solvency Capital Requirement (R'm)	4 010	3 758
Surplus above solvency requirement (R'm)	3 001	3 189
Capital ratio at year end (times covered)	1.75	1.85

The Group and its individually regulated operations have complied with all externally and internally imposed capital requirements throughout the period.

5.4.3.c Subordinated debt structure

In the previous financial year the Group entered into a subordinated debt structure. In terms of the agreement, the company has access to a draw down facility of R250 million. At the end of the current financial year, the full facility was utilised mainly for the funding of new business.

The maturity profile of the subordinated debt is shown below:

	Date drawn	Tenor	Interest	Interest rate	Amount drawn R'000	Capital repayment
Draw 1	Feb 2019	4 years	Floating	6.69%	863	End of term
Draw 2	May 2019	4 years	Fixed	10.29%	62 500	End of term
Draw 3	Jun 2019	4 years	Fixed	10.25%	62 500	End of term
Draw 4	Sep 2019	4 years	Fixed	9.98%	62 500	End of term
Draw 5	Dec 2019	4 years	Fixed	10.17%	61 638	End of term

A facility fee of 0.3% plus VAT was paid at the start of the contract on the total facility amount. A commitment fee of 0.7% was charged on the undrawn amount during the 12-month period until January 2020.

The agreement does allow for early redemption, subject to penalties. However, these dates are not defined.

5. RISK MANAGEMENT (continued)

5.4.4 *Fair value estimation*

The tables below analyse each class of financial instrument and insurance contracts, per category, as well as provide the fair values, where applicable for both the Group and the company.

Consolidated (R'000)	Financial assets and liabilities at FVTPL	Financial assets at amortised cost	Financial liabilities at amortised cost	Total carrying amount	Fair value
For the year ended 30 June 2021					
Local listed shares	995 210	-	-	995 210	995 210
Derivatives: Equity options	199 549	-	-	199 549	199 549
Unit trusts					
Global	369 895	-	-	369 895	369 895
Debt securities					
Government bonds	439 374	-	-	439 374	439 374
Insurance policy	50 402	-	-	50 402	50 402
Unit trust	1 732 334	-	-	1 732 334	1 732 334
Deposits and money market securities	1 051 868	1 869 308	-	2 921 176	3 005 538
Insurance receivables	-	179 482	-	179 482 *	179 482
Other receivables	-	24 939	-	24 939 *	24 939
Cash and cash equivalents	-	384 400	-	384 400 *	384 400
Investment contract liabilities	1 995 293	-	1 925 292	3 920 585	3 836 222
Other liabilities	-	-	412 046	412 046	429 127
Accounts payable	-	-	69 180	69 180 *	69 180
For the year ended 30 June 2020					
Local listed shares	941 141	-	-	941 141	941 141
Derivatives: Equity options	150 872	-	-	150 872	150 872
Unit trusts					
Global	326 910	-	-	326 910	326 910
Debt securities					
Corporate bonds	556	-	-	556	556
Insurance policy	59 143	-	-	59 143	59 143
Unit trust	1 513 843	-	-	1 513 843	1 513 843
Deposits and money market securities	1 031 739	1 622 487	-	2 654 226	2 804 165
Insurance receivables	-	104 731	-	104 731 *	104 731
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
Accounts payable	-	-	59 683	59 683 *	59 683

* Where the payment terms are less than 90 days the carrying value approximates fair value.

5. RISK MANAGEMENT (continued)

5.4.4 *Fair value estimation (continued)*

Company (R'000)	Financial assets and liabilities at FVTPL	Financial assets at amortised cost	Financial liabilities at amortised cost	Total carrying amount	Fair value
For the year ended 30 June 2021					
Other receivables	-	1 824	-	1 824 *	1 824
Cash and cash equivalents	-	39 064	-	39 064 *	39 064
Other payables	-	-	12 095	12 095 *	12 095
For the year ended 30 June 2020					
Other receivables	-	41 541	-	41 541 *	41 541
Cash and cash equivalents	-	15 309	-	15 309 *	15 309
Other payables	-	-	26 724	26 724 *	26 724

* Where the payment terms are less than 90 days the carrying value approximates fair value.

5.4.5 *Fair value hierarchy*

The table below shows the Group's financial assets and liabilities that are recognised and subsequently measured at fair value analysed by valuation technique on a recurring basis. The Group does not have any held-for-sale financial asset or liabilities subject to non-recurring fair value measurement. The classification of instruments is based on the lowest level input that is significant to the fair value measurement in its entirety.

The fair values of accounts receivable, cash equivalents and accounts payable approximate their carrying values due to their short-term nature and are as a result not measured at fair value nor analysed by valuation technique. Refer notes 22, 23 and 34 for further information on these assets and liabilities.

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. The judgement as to whether a market is active may include, for example, consideration of factors such as the magnitude and frequency of trading activity, the availability of prices and the size of bid/offer spreads. In inactive markets, additional work is required during the valuation process to obtain assurance that the transaction price provides evidence of the fair value or to determine the adjustments to transaction prices that are necessary.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, 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: 3.75% to 4.55%
- The fair value of derivatives is calculated using quoted prices. Where such prices are not available, 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: 3.25% to 4.18%;
 - > Risk free rate: 3.75% to 4.55%
 - > Equity index level strike: 49 869 to 61 600 (index level 60 162 at year-end);
 - > Equity volatility: 19.6% to 30.0%;

5. RISK MANAGEMENT (continued)**5.4.5 Fair value hierarchy (continued)**

- 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 discloses fair value information for financial instruments measured at fair value except where otherwise indicated.

R'000	Level 1	Level 2	Level 3	TOTAL
Consolidated 2021				
Local listed shares	995 210	-	-	995 210
Derivatives				
Equity options	-	199 549	-	199 549
Unit trusts				
Global	369 895	-	-	369 895
Debt securities				
Government bonds	439 374	-	-	439 374
Insurance policy - Global bonds	50 402	-	-	50 402
Unit trusts	-	1 732 334	-	1 732 334
Deposits and money market securities*	922 583	2 082 955	-	3 005 538
Insurance receivables	-	-	-	-
Other receivables	-	-	24 939	24 939
Total financial assets	2 777 464	4 014 838	24 939	6 817 241
Net investment contract liabilities*	-	3 836 222	-	3 836 222
Other liabilities - Subordinated debt	267 151	-	-	267 151
Total financial liabilities	267 151	3 836 222	-	4 103 373
Consolidated 2020				
Local listed shares	941 141	-	-	941 141
Derivatives				
Equity options	-	150 872	-	150 872
Bond options	-	556	-	556
Unit trusts				
Global	326 910	-	-	326 910
Debt securities				
Insurance policy - Global bonds	59 143	-	-	59 143
Unit trusts	-	1 513 843	-	1 513 843
Deposits and money market securities*	950 478	1 853 687	-	2 804 165
Insurance receivables	-	12 258	-	12 258
Other receivables	-	-	36 639	36 639
Total financial assets	2 277 672	3 531 216	36 639	5 845 527
Net investment contract liabilities*	-	3 226 937	-	3 226 937
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 5.4.4. Refer note 21 for carrying amounts.

There were no transfers between the various levels during the current and previous financial years.

5. RISK MANAGEMENT (continued)5.5 Other risks5.5.1 *Intermediary debt exposure*

It is industry practice to pay intermediaries in advance for business submitted to the insurer after receipt of the first premium. As a result, there is an unvested portion of commission payments which is repayable to the insurer should the individual policies lapse or be cancelled. The cumulative effect of poor quality and low quantities of business could result in the intermediary owing money to the insurer, as the clawbacks exceed the commission earnings. These levels are monitored on a monthly basis by the Credit Control Committee and corrective action can be taken should the need arise. There is a risk of non-recovery of amounts owing to the insurer. For further information, refer note 22 to the financial statements.

5.5.2 *Compliance and regulatory risk*

The financial services industry has undergone several regulatory changes during the past few years. More changes are expected and this could have a significant impact on the range and affordability of products that the Group is able to offer to our lower-income clients. The management of the market conduct risk associated with Assupol Life's advisors and brokers is one of the more demanding regulatory requirements.

The Compliance department evaluates and monitors all compliance issues in order to minimise the risk of financial loss or reputational loss as a result of non-compliance. This department provides services to the entire Group and reports to the Risk and Investment Committee.

5.5.3 *Expense risk*

The risk is that the actual operating expenses of the company exceeds those reserved for in the valuation of policyholder liability (as recommended by the Head of Actuarial Control Function). The level of expenses and policy volumes in comparison to the expense levels allowed in the valuation of liabilities, is reported at the quarterly group actuarial meeting that is attended by the Group Executive Committee. Expenses are analysed and monitored on a quarterly basis by the Expense Management Forum and also discussed at the Assupol Life Executive Committee and the Assupol Life Management Committee on a monthly basis. The expense budget is controlled through guidelines as set down by the Assupol Group's Financial Administration Policy.

5.5.4 *Operational risk*

Operational risk is the risk of loss due to inadequate internal processes, people or systems, or occurrence of external events. The risk is actively managed through the Assupol Life Management Committee and various other operational committees while the Assupol Life Executive Committee oversees the proper administration and reporting of these risks. The Solvency Capital Requirement as described in 5.4.3.b includes a provision for the operational risk as per the requirements of the Financial Soundness Standards for Insurers (FSI 4.4).

6. SEGMENT INFORMATION

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.

- Life insurance: This operating segment pertains to Assupol Life that provides life insurance and investment solutions to the group's clients.

- Intermediaries: This segment includes the companies in the Group that provides administrative and marketing services to other intermediaries and the life insurance segment.

- Other: This segment consists of the remaining smaller operating entities in the Assupol Group which include the property company as well as companies that are in the process of being wound down.

- Reporting adjustments: The information in the segment report is presented on the same basis as reported to management. Reporting adjustments are those accounting reclassifications and entries that are required to produce IFRS compliant results. These adjustments also include the results of the holding company of the Group as well as the company that holds the investments of all the non-life subsidiaries in the Group.

6.1 Segment earnings

	Life insurance	Interme- diaries	Other	Reporting adjustments	Total
	R'000	R'000	R'000	R'000	R'000
For the year ended 30 June 2021					
Net insurance premium revenue	4 213 999	-	-	-	4 213 999
Commission received on outward reinsurance	74	-	-	-	74
Fee income	75 183	-	-	-	75 183
Investment income and net fair value gains on financial assets	747 423	72	10	3 467	750 972
Other income	611	81	-	-	692
Income	5 037 290	153	10	3 467	5 040 920
Net insurance benefits and claims	(1 755 106)	-	-	-	(1 755 106)
Commission expenses	(888 404)	-	-	-	(888 404)
Operating and administrative expenses	(1 210 468)	(295)	(1 013)	(10 158)	(1 221 934)
Investment management expenses	(11 850)	-	-	-	(11 850)
Change in insurance contract provisions	(279 036)	-	-	-	(279 036)
Fair value adjustments on investment contracts liabilities	(322 265)	-	-	-	(322 265)
Expenses	(4 467 129)	(295)	(1 013)	(10 158)	(4 478 595)
Result of operating activities	570 161	(142)	(1 003)	(6 691)	562 325
Finance charges	(38 312)	-	-	-	(38 312)
Profit / (loss) before taxation	531 849	(142)	(1 003)	(6 691)	524 013
Income taxation expense	(171 116)	117	279	(965)	(171 685)
Profit / (loss) for the year	360 733	(25)	(724)	(7 656)	352 328
Total comprehensive income / (loss) for the year	360 733	(25)	(724)	(7 656)	352 328

6. SEGMENT INFORMATION (continued)

6.1 Segment earnings (continued)

	Life insurance R'000	Interme- diaries R'000	Other R'000	Reporting adjustments R'000	Total R'000
For the year ended 30 June 2020					
Net insurance premium revenue	3 881 209	-	-	-	3 881 209
Commission received on outward reinsurance	6 783	-	-	-	6 783
Fee income	81 489	-	-	-	81 489
Investment income and net fair value gains on financial assets	239 559	247	20	2 449	242 275
Other income	3 177	325	-	40	3 542
Income	4 212 217	572	20	2 489	4 215 298
Net insurance benefits and claims	(1 091 428)	-	-	-	(1 091 428)
Commission expenses	(823 150)	-	-	-	(823 150)
Operating and administrative expenses	(1 239 554)	(73)	(162)	(12 846)	(1 252 635)
Investment management expenses	(13 411)	-	-	-	(13 411)
Change in insurance contract provisions	(21 418)	-	-	-	(21 418)
Fair value adjustments on: investment contracts liabilities	(191 247)	-	-	-	(191 247)
Expenses	(3 380 208)	(73)	(162)	(12 846)	(3 393 289)
Result of operating activities	832 009	499	(142)	(10 357)	822 009
Finance charges	(35 522)	(1)	-	-	(35 523)
Profit / (loss) before taxation	796 487	498	(142)	(10 357)	786 486
Income tax expense	(221 924)	(102)	72	(427)	(222 381)
Profit / (loss) for the year	574 563	396	(70)	(10 784)	564 105
Total comprehensive income / (loss) for the year	574 563	396	(70)	(10 784)	564 105

6. SEGMENT INFORMATION (continued)**6.2 Other financial detail per reportable segment**

	Life insurance R'000	Interme- diaries R'000	Other R'000	Reporting adjustments R'000	Total R'000
For the year ended 30 June 2021					
Financial assets - Investments	6 707 940	-	-	-	6 707 940
Policyholder assets	2 696 877	-	-	-	2 696 877
Total other assets	862 650	2 589	1 482	106 066	972 787
Policyholder liabilities	3 920 585	-	-	-	3 920 585
Total other liabilities	1 771 082	52	2 297	16 210	1 789 641
Additions to non-current assets	28 602	-	-	-	28 602
Depreciation	60 591	-	-	-	60 591
Amortisation of intangible assets	22 726	-	-	-	22 726
Impairment of intangible assets	8 875	-	-	-	8 875
For the year ended 30 June 2020					
Financial assets - Investments	5 646 691	-	-	-	5 646 691
Policyholder assets	2 975 913	-	-	-	2 975 913
Total other assets	880 981	32 763	461	38 002	952 207
Policyholder liabilities	3 376 877	-	-	-	3 376 877
Total other liabilities	1 708 388	200	408	(25 714)	1 683 282
Additions to non-current assets	47 321	-	-	-	47 321
Depreciation	58 955	-	-	-	58 955
Amortisation of intangible assets	21 592	-	-	-	21 592
Impairment of intangible assets	9 351	-	-	-	9 351

6.3 Segment information from geographical areas

All of the entities in the Group operates within the Republic of South Africa only. No revenue is generated in foreign countries.

6.4 Segment information per product classification

The Group has no exposure to a single customer that exceeds 10% of the total customer base. A customer is defined as a single policyholder. The customer base of Assupol Life is illustrated by the type of contracts that the company offers as a percentage of premium.

	2021	2020
Individual insurance business	83.5%	82.6%
Group risk business	16.5%	17.4%
Total	100.0%	100.0%

	CONSOLIDATED		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
7. NET INSURANCE PREMIUM REVENUE				
Gross individual premiums	3 359 920	3 041 490	-	-
Gross group scheme and grouped individual premiums	993 722	958 248	-	-
Gross inward reinsurance premiums	5 470	3 882	-	-
Outward reinsurance premiums paid	(145 113)	(122 411)	-	-
Total net insurance premium revenue	4 213 999	3 881 209	-	-
8. FEE INCOME				
Investment management fee charges	68 780	74 357	-	-
Policy fee	36 141	49 523	-	-
Management fees	32 639	24 834	-	-
Surrender charges	6 122	6 763	-	-
Amortisation of deferred revenue	281	369	-	-
Total fee income	75 183	81 489	-	-
9. INVESTMENT INCOME ON FINANCIAL ASSETS				
At fair value through profit or loss	226 360	255 200	-	-
Interest received on financial assets (note 21)	191 431	196 017	-	-
Dividends received	34 929	59 183	-	-
At amortised cost	157 073	143 517	2 692	1 473
Interest received on financial assets	145 588	124 913	-	-
Interest received on insurance and other receivables	500	801	-	-
Loans to personnel	500	801	-	-
Cash and cash equivalents	10 985	17 803	2 692	1 473
At cost: Dividends received	-	-	232 207	332 082
Total investment income	383 433	398 717	234 899	333 555
10. NET FAIR VALUE GAINS / (LOSSES) ON FINANCIAL ASSETS				
At fair value through profit or loss				
From equity securities				
Local listed shares	218 641	(156 719)	-	-
Global unit trusts	40 816	65 281	-	-
From debt securities				
Local debt securities	107 711	(74 254)	-	-
Global debt securities	(9 916)	12 933	-	-
Structured products	10 287	(3 683)	-	-
Total net fair value gains / (losses) on financial assets	367 539	(156 442)	-	-

	CONSOLIDATED		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
11. OTHER INCOME				
Profit on disposal of equipment	372	154	-	-
Other income	320	3 388	-	40
Total other income	692	3 542	-	40
12. NET INSURANCE BENEFITS AND CLAIMS				
Individual benefits	1 179 879	718 263	-	-
Death and disability claims	1 151 217	628 842	-	-
Accident and dread disease claims	21 305	19 030	-	-
Maturities	200 018	98 881	-	-
Annuities	31 797	24 160	-	-
Surrenders	23 861	35 560	-	-
Inward reinsurance claims	12 953	9 604	-	-
Outward reinsurance recoveries	(261 272)	(97 814)	-	-
Group scheme and grouped individual benefits	575 227	373 165	-	-
Total net insurance benefits and claims	1 755 106	1 091 428	-	-
13. COMMISSION EXPENSES				
Insurance contracts				
Commission paid	874 862	809 502	-	-
Investment contracts				
Amortisation of intangible asset (DAC)	13 542	13 648	-	-
Total commission expenses	888 404	823 150	-	-

	CONSOLIDATED		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
14. OPERATING AND ADMINISTRATIVE EXPENSES				
Office costs	372 502	340 061	730	701
Employee costs	453 023	470 730	-	-
Advertising and promotions	209 336	241 576	-	-
Provision for impairments on receivables	20 917	17 904	-	-
Training and development costs	8 389	14 140	-	-
Share register and trading cost	1 043	1 016	1 043	1 016
Strategic projects	-	141	-	141
Impairment of investment in subsidiaries	-	-	-	20 378
Other	156 724	167 067	5 942	5 511
Total operating and administrative expenses	1 221 934	1 252 635	7 715	27 747
Operating and administrative expenses include the following:				
Depreciation on property and equipment	60 591	58 955	-	-
Owned computer equipment	16 709	16 248	-	-
Motor vehicles	8 987	7 853	-	-
Office equipment	4 023	4 057	-	-
Right-to-use assets: Property	30 230	30 155	-	-
Right-to-use assets: Equipment	642	642	-	-
Auditors' remuneration	6 868	6 580	728	699
Audit fees - current year	2 270	2 270	-	-
Audit fees - prior years	4 598	4 310	728	699
Repairs and maintenance	16 131	17 930	-	-
Professional services	57 379	43 821	798	856
Actuarial services	5 720	4 995	-	-
Legal	3 994	4 208	3	689
Information technology	16 757	14 830	-	-
Professional and consulting	30 908	19 788	795	167
Lease rentals	16 988	16 293	-	-
Office equipment	72	124	-	-
Office buildings	16 916	16 169	-	-
Amortisation of intangible assets (excluding DAC)	5 576	5 577	-	-
Trademark and customer relationships	5 576	5 577	-	-
Impairment of intangible assets (note 19)	8 875	9 351	-	-
Deferred acquisition cost (DAC) ⁽¹⁾	8 875	9 351	-	-

(1) The impairment of the deferred acquisition cost is affected when any of the underlying contracts where a deferred acquisition cost asset has been recognised become inactive, and no further recovery of the deferred cost is possible.

	CONSOLIDATED		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
14. OPERATING AND ADMINISTRATIVE EXPENSES (continued)				
Employee costs ⁽¹⁾	453 023	470 730	-	-
Salaries and wages	354 604	368 816	-	-
Leave pay	(735)	11 363	-	-
Bonus	33 858	20 583	-	-
Pension costs - defined contribution plan	36 342	35 680	-	-
Equity-settled share-based payments:				
Deferred bonus	28 418	33 262	-	-
Other share incentives	536	1 026	-	-
Total directors' emoluments ⁽²⁾	53 817	58 586	3 784	3 609
Executive directors (including the prescribed officers)	42 124	46 711	-	-
Non-executive directors ⁽³⁾	11 693	11 875	3 784	3 609

(1) The number of permanent salaried staff, contract and temporary workers at 30 June 2021 was 1076 (30 June 2020: 1017).

(2) The emoluments of the executive directors and prescribed officers are included in the employee costs above. All executive directors and prescribed officers are eligible for an annual performance bonus. Performance related bonuses are based on the financial performance and indicators of the Group. Refer note 38.

(3) The fees include deemed VAT applicable to non-resident non-executive directors.

	CONSOLIDATED		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
15. FINANCE CHARGES				
Lease liability (notes 3.4 and 34)	(12 911)	(14 017)	-	-
Subordinated debt	(25 401)	(21 505)	-	-
Other financiers	-	(1)	-	-
Total interest expense	(38 312)	(35 523)	-	-

	CONSOLIDATED		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
16. INCOME TAXATION EXPENSE				
Current taxation	(181 933)	(274 300)	(832)	(313)
Capital gains taxation	-	-	-	-
Security transfer taxation	-	-	-	-
Deferred taxation (note 33)	10 248	51 919	-	-
Total income taxation expense - South African normal tax	(171 685)	(222 381)	(832)	(313)

Reconciliation of taxation rate

Taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the weighted average taxation rate applicable to profits of the consolidated companies as follows:

	CONSOLIDATED		COMPANY	
	2021 %	2020 %	2021 %	2020 %
Standard rate of taxation	28.00	28.00	28.00	28.00
Adjusted for:				
Non taxable income	0.81	(32.72)	(28.65)	(30.40)
Non deductible expenses	2.47	2.15	0.98	2.50
Capital gains not subject to taxation	0.15	(0.06)	-	-
Amounts not credited to profit or loss ⁽¹⁾	1.04	31.06	-	-
Under- / (over) provision of prior years	0.29	(0.15)	0.04	-
Effective taxation rate	32.76	28.28	0.37	0.10

(1) This adjustment includes transactions relating to investment contracts that are not recognised in profit or loss.

	CONSOLIDATED	
	2021 R'000	2020 R'000
17. GROUP EARNINGS PER SHARE		
Total earnings attributable to ordinary shareholders	352 680	564 152
Effect of restricted share plans	-	24 687
Total diluted earnings attributable to ordinary shareholders	352 680	588 839
Weighted average number of shares in issue *	418 766	403 170
Effect of restricted share plans	6 301	13 767
Effect of BEE transaction	-	9 403
Diluted average number of shares in issue	425 067	426 340
Group earnings per share (cents):		
Basic (cents)	84.2	139.9
Diluted (cents)	83.0	138.1

The basic earnings per share is the basic earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year.

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue, assuming the conversion of all issued shares with dilutive potential.

The shares relating to the restricted share plans and BEE transaction are excluded from the weighted average number of shares in issue as it was either issued at no or little consideration or are subject to recall. It is included in the diluted average number of shares in issue as it is considered that the conditions were satisfied at the end of reporting period assuming that the end of the current reporting period was the end of the contingency period.

* The weighted average number of shares in issue includes a weighted number of 'B3' and 'B4' non par value shares of 2.03 million and 1.56 million that were not issued at year-end. Refer note 24.

<i>Consolidated</i>	Office equipment	Computer equipment	Motor vehicles	Right-of-use asset: Property	Right-of-use asset: Equipment	Total
	R'000	R'000	R'000	R'000	R'000	R'000
18. PROPERTY AND EQUIPMENT						
For the year ended 30 June 2021						
Net book value						
at beginning of year	21 665	46 534	25 435	139 505	1 980	235 119
Additions	1 269	6 555	10 795	9 983	-	28 602
Disposals	(94)	(429)	(2 522)	-	-	(3 045)
Depreciation charge	(4 023)	(16 708)	(8 988)	(30 229)	(643)	(60 591)
Net book value at end of year	18 817	35 952	24 720	119 259	1 337	200 085
At 30 June 2021						
Cost	49 223	107 466	47 782	237 990	3 204	445 665
Accumulated depreciation	(30 406)	(71 514)	(23 062)	(118 731)	(1 867)	(245 580)
<i>Non-current asset</i>	18 817	35 952	24 720	119 259	1 337	200 085
For the year ended 30 June 2020						
Net book value						
at beginning of year	22 198	41 392	21 200	161 900	2 621	249 311
Additions	3 604	21 618	14 339	7 760	-	47 321
Disposals	(80)	(228)	(2 251)	-	-	(2 559)
Depreciation charge	(4 057)	(16 248)	(7 853)	(30 155)	(641)	(58 954)
Net book value at end of year	21 665	46 534	25 435	139 505	1 980	235 119
At 30 June 2020						
Cost	48 251	101 541	44 452	228 007	3 204	425 455
Accumulated depreciation	(26 586)	(55 007)	(19 017)	(88 502)	(1 224)	(190 336)
<i>Non-current asset</i>	21 665	46 534	25 435	139 505	1 980	235 119

No item of property and equipment has been pledged as security.

<i>Consolidated</i>	Goodwill ⁽¹⁾	Deferred acquisition cost (DAC) ⁽²⁾	IT development cost ⁽³⁾	Trademark and customer relationships ⁽⁴⁾	Total
	R'000	R'000	R'000	R'000	R'000
19. INTANGIBLE ASSETS					
For the year ended 30 June 2021					
Net carrying amount at beginning of year	75 134	38 564	20 742	16 728	151 168
Additions	-	-	44 000	-	44 000
New business	-	17 702	-	-	17 702
Impairment	-	(8 875)	-	-	(8 875)
Amortisation charge	-	(13 542)	(3 608)	(5 576)	(22 726)
Net carrying amount at end of year	75 134	33 849	61 134	11 152	181 269
At 30 June 2021					
Cost	85 608	61 260	67 110	27 881	241 859
Accumulated impairment / amortisation	(10 474)	(27 411)	(5 976)	(16 729)	(60 590)
Net carrying amount at end of year	75 134	33 849	61 134	11 152	181 269
Non-current asset	75 134	22 264	61 134	11 152	169 684
Current asset	-	11 585	-	-	11 585
For the year ended 30 June 2020					
Net carrying amount at beginning of year	75 134	39 891	9 500	22 305	146 830
Additions	-	-	13 609	-	13 609
New business	-	21 672	-	-	21 672
Impairment	-	(9 351)	-	-	(9 351)
Amortisation charge	-	(13 648)	(2 367)	(5 577)	(21 592)
Net carrying amount at end of year	75 134	38 564	20 742	16 728	151 168
At 30 June 2020					
Cost	85 608	63 803	23 109	27 881	200 401
Accumulated impairment / amortisation	(10 474)	(25 239)	(2 367)	(11 153)	(49 233)
Net carrying amount at end of year	75 134	38 564	20 742	16 728	151 168
Non-current asset	75 134	26 309	20 742	16 728	138 913
Current asset	-	12 255	-	-	12 255

(1) Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to the business segment. The recoverable amount of a CGU is determined based on value-in-use calculations which is supported the embedded value in Assupol Life of the Cornerstone policy book. The embedded value is equal to the adjusted net worth of Assupol Life, plus the value of the future profits from the in-force covered business, less the cost of required capital. The risk discount rate used to determine the value of the in-force profits is 10.9% (2020: 10.2%). There are sufficient compulsory margins to support the value of goodwill (refer to the assumptions in note 4).

(2) The impairment relates to policies that have lapsed or have been cancelled during the current and prior years. As the policies are now inactive, the Group will not receive any future fees on the policies. The net value of the impairment is R8.875 million (2020: R9.351 million).

(3) IT development cost consists of a number of projects that is technically and commercially feasible for use. Once a project is completed and ready for use, it is amortised over an estimated life of 3 years which is measured against the pattern of benefits arising from the use thereof.

(4) The trademark and customer relationships are an intangible asset which have been separately identified during the acquisition of Top Top Business Consultants. This asset has an estimated life of 5 years and is amortised over that period.

	COMPANY	
	2021 R'000	2020 R'000
20. INVESTMENTS IN SUBSIDIARIES (Unlisted)		
Balance at beginning of year	784 436	770 526
Equity-settled share-based payments		
Share incentive scheme - Assupol Life	-	-
Deferred bonus - Assupol Life	28 418	33 262
Other share incentives - Assupol Life	536	1 026
Impairment of investment in Assupol Investment Holdings	-	(20 378)
<i>Non-current asset - unlisted equity investments</i>	813 390	784 436
Unlisted equity investments, valued at cost, comprise the following:	813 390	784 436
Assupol Life	796 507	767 553
Assupol Investment Holdings	16 883	16 883

For detail of the ownership interest in each subsidiary, refer note 40.

	CONSOLIDATED		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
21. FINANCIAL ASSETS - INVESTMENTS				
At fair value through profit or loss (designated) ⁽⁴⁾				
Equity securities - quoted and listed	1 564 654	1 418 923	-	-
Local listed shares and derivatives: equity options	1 194 759	1 092 013	-	-
Global unit trusts	369 895	326 910	-	-
Total equity securities	1 564 654	1 418 923	-	-
Debt securities - quoted and listed (local) ⁽¹⁾	2 171 708	1 514 399	-	-
Corporate bonds	-	556	-	-
Government bonds	439 374	-	-	-
Unit trusts	1 732 334	1 513 843	-	-
Insurance policy - Global bonds ⁽²⁾	50 402	59 143	-	-
Total debt securities	2 222 110	1 573 542	-	-
Deposits and money market securities	1 051 868	1 031 739	-	-
Total at fair value through profit or loss (designated) ⁽⁴⁾	4 838 632	4 024 204	-	-
At amortised cost				
Deposits and money market securities ⁽³⁾	1 869 308	1 622 487	-	-
Total at amortised cost	1 869 308	1 622 487	-	-
Total financial assets - investments	6 707 940	5 646 691	-	-
<i>Non-current asset</i>				
Debt securities - quoted and listed (local)	341 846	-	-	-
Deposits and money market securities	1 135 053	1 576 919	-	-
<i>Current asset</i>				
Equity securities - quoted and listed	1 564 654	1 418 923	-	-
Debt securities - quoted and listed (local)	1 880 264	1 573 542	-	-
Deposits and money market securities	1 786 123	1 077 307	-	-

(1) Listed debt securities in this category include floating-rate instruments and other debt securities. Bonds paid a yield that varied between 2.47% and 7.49% (2020: 0.00% and 10.80%).

(2) The insurance policy was entered into to obtain global bond exposure as required for certain savings and investments products the Group sells. The policy relates only to the linked liabilities.

(3) These financial assets relate to the guaranteed single premium products. The interest rate varied between 2.71% and 9.96% (2020: 2.71% and 10.39%)

(4) Designated at fair value through profit and loss as it is managed on a fair value basis to back policyholder assets and policyholder liabilities under investment contracts.

	CONSOLIDATED		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
21. FINANCIAL ASSETS - INVESTMENTS (continued)				
Analysis of movements in financial assets - investments:				
Balance at beginning of year	5 646 691	4 727 520	-	-
Additions				
At fair value through profit or loss	884 569	882 031	-	-
At amortised cost	101 298	339 997	-	-
Disposals at carrying value	(664 041)	(526 328)	-	-
Net fair value gains	367 539	(156 442)	-	-
Interest received				
At fair value through profit or loss	191 431	196 017	-	-
At amortised cost	145 523	124 713	-	-
Dividends received	34 930	59 183	-	-
Balance at end of year	6 707 940	5 646 691	-	-

Contractual maturity profile for financial assets - investments:

<i>Consolidated</i>	Open-ended R'000	0 to 1 year R'000	2 to 5 years R'000	6 to 10 years R'000	> 10 years R'000	TOTAL R'000
30 June 2021						
Equity securities						
Local listed shares	995 210	-	-	-	-	995 210
Derivatives: Equity options	199 549	-	-	-	-	199 549
Local and global unit trusts	369 895	-	-	-	-	369 895
Debt securities						
Government bonds	-	97 528	127 168	97 969	116 709	439 374
Unit trust	1 732 334	-	-	-	-	1 732 334
Insurance policy						
Global bonds	50 402	-	-	-	-	50 402
Deposits and money market securities						
Fixed rate	-	863 541	1 021 230	113 823	-	1 998 594
Floating rate	-	6 336	-	-	-	6 336
Unit trust	916 246	-	-	-	-	916 246
Total	4 263 636	967 405	1 148 398	211 792	116 709	6 707 940

30 June 2020

Equity securities						
Local listed shares	941 141	-	-	-	-	941 141
Derivatives: Equity options	150 872	-	-	-	-	150 872
Local and global unit trusts	326 910	-	-	-	-	326 910
Debt securities						
Corporate bonds						
Fixed rate	-	556	-	-	-	556
Unit trust	1 513 843	-	-	-	-	1 513 843
Insurance policy						
Global bonds	59 143	-	-	-	-	59 143
Deposits and money market securities						
Fixed rate	-	126 828	1 576 919	-	-	1 703 747
Floating rate	-	3 225	-	-	-	3 225
Unit trust	947 254	-	-	-	-	947 254
Total	3 939 163	130 609	1 576 919	-	-	5 646 691

	CONSOLIDATED		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
22. INSURANCE AND OTHER RECEIVABLES				
Premiums receivable	60 079	32 266	-	-
Gross premiums outstanding	156 344	107 614	-	-
Provision for impairment ⁽¹⁾	(96 265)	(75 348)	-	-
Sundry insurance receivables	9 501	23 931	-	-
Gross receivables outstanding	96 831	82 533	-	-
Provision for impairment ⁽²⁾	(87 330)	(58 602)	-	-
Other sundry receivables	17 893	28 761	1 824	41 541
Reinsurance recoveries	109 902	48 534	-	-
Loans to personnel ⁽³⁾	7 046	7 878	-	-
Total insurance and other receivables	204 421	141 370	1 824	41 541
<i>Non-current asset</i>	16 413	31 072	-	-
<i>Current asset</i>	188 008	110 298	1 824	41 541
<i>Interest bearing receivables</i>	163 390	115 492	-	-
<i>Provisions for impairment</i>	(183 595)	(133 950)	-	-
<i>Non-interest bearing receivables</i>	224 626	159 828	1 824	41 541
Total insurance and other receivables consist of:				
Insurance receivables	179 482	104 731	-	-
Premiums receivable - insurance contracts	60 079	20 008	-	-
Premiums receivable - other	-	12 258	-	-
Sundry insurance receivables	9 501	23 931	-	-
Reinsurance recoveries	109 902	48 534	-	-
Other receivables	24 939	36 639	1 824	41 541
Other sundry receivables	17 893	28 761	1 824	41 541
Loans to personnel	7 046	7 878	-	-
Total insurance and other receivables	204 421	141 370	1 824	41 541
(1) Movements in provision for impairment of premiums receivable:				
Balance at beginning of year	75 348	57 444	-	-
Recognised in profit or loss	20 917	17 904	-	-
Balance at end of year	96 265	75 348	-	-

The provision for impairment of premiums receivable relates to premiums on policies on which the premium in arrears exceeds the cash value less any outstanding policy loan balance.

	CONSOLIDATED		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
22. INSURANCE AND OTHER RECEIVABLES (continued)				
(2) Movements in the provision for impairment of sundry insurance receivables:				
Balance at beginning of year	58 602	78 099	-	-
Recognised in profit or loss	28 728	(19 497)	-	-
Balance at end of year	87 330	58 602	-	-

The provision for impairment of sundry insurance receivables mainly relates to broker clawback debtors. The debtors are impaired based on an assessment of the recoverability of each debtor, taking into consideration the activity level of each debtor.

- (3) New housing loans and vehicle finance are no longer granted to staff. The closing balance still includes outstanding balances of loans previously granted. Loans to personnel are measured at amortised cost. Interest on housing loans is charged at 8.0% per annum. Vehicle finance loans bear interest at the official interest rate in accordance with the Income Tax Act, 58 of 1962.

	CONSOLIDATED		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
23. CASH AND CASH EQUIVALENTS				
Bank balances	384 400	424 550	39 064	15 309
Balance at end of year (<i>Current asset</i>)	384 400	424 550	39 064	15 309

The effective interest rate on all short-term bank accounts during the year was 2.93% (2020: 2.44%) for the Group. All cash balances are available on demand.

24. SHARE CAPITAL (Consolidated and company)

Authorised share capital

5 700 000 000 ordinary no par value shares (2020: 5 500 000 000 ordinary shares with a par value of R0.001 each)
 200 'A' preference no par value shares
 100 000 000 'B' no par value shares

At the annual general meeting of Assupol Holdings on 19 November 2020 the following was resolved and the Memorandum of Incorporation was adjusted accordingly:

- The authorised and issued ordinary shares of the company be converted from ordinary shares with a par value of R0.001 to ordinary shares with no par value.
- The authorised and issued 'A' ordinary redeemable no par value shares be reclassified as ordinary shares with no par value. This class of shares was initially created to allow the company to implement BEE structures that can be funded partially or in whole by way of a notional funding mechanism. Also refer note 27.
- The company's authorised ordinary share capital be increased from 5 500 000 000 to 5 700 000 000 ordinary no par value shares. The increase was due to the reclassification of the previous 200 000 000 'A' ordinary redeemable no par value shares.

Rights, preferences and restrictions attached to classes of shares

Ordinary shares

Holders of ordinary shares have the right to participate and vote on any matter at any meeting of the shareholders. Furthermore, shareholders have a right to receive a distribution if declared by the company, and a right to a portion of the remaining total net assets in the case of liquidation.

24. SHARE CAPITAL (Consolidated and company) (continued)*Rights, preferences and restrictions attached to classes of shares (continued)***'A' preference no par value shares**

This class of shares was authorised without specifying associated preferences, rights, limitations or other terms. The Board of Directors determines the associated terms before shares are issued.

'B' no par value shares

'B' shares were authorised without specifying associated preferences, rights, limitations or other terms. The Board of Directors determines the associated terms before shares are issued subject to the prior written approval of the main shareholders. 'B' shares can be designated upon issue as 'B1' and so forth.

During the financial year 5 807 685 'B1' shares that were issued as a deferred bonus in 2017, have vested.

The 'B2' no par value shares were issued during the financial year.

The company has awarded 'B3' and 'B4' no par value shares to employees but still need to submit an application to the Prudential Authority of South Africa for the issue of these shares. Also refer note 26.

Issued share capital

	Number of shares '000	Share capital R'000	Share premium R'000	Total R'000
Ordinary shares				
Balance at 30 June 2019	411 156	30 367	543 581	573 948
Vesting of 'B' no par value shares	4 751	28 426	-	28 426
Adjustment of redemption of preference shares	-	-	951	951
Balance at 30 June 2020	415 907	58 793	544 532	603 325
Vesting of 'B1' no par value shares	5 808	35 350	-	35 350
Adjustment of redemption of preference shares	-	-	1 820	1 820
Balance at 30 June 2021	421 715	94 143	546 352	640 495
'B' no par value shares				
Balance at 30 June 2020	69	417	-	417
Balance at 30 June 2021	69	417	-	417
'B1' no par value shares				
Balance at 30 June 2020	6 000	36 742	-	36 742
Vesting of shares	(5 808)	(35 350)	-	(35 350)
Balance at 30 June 2021	192	1 392	-	1 392
'B2' no par value shares				
Balance at 30 June 2020	-	-	-	-
Issue of shares	4 186	39 791	-	39 791
Balance at 30 June 2021	4 186	39 791	-	39 791
Total balance at 30 June 2020	426 162	135 743	546 352	682 095

	CONSOLIDATED		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
25. TREASURY SHARES (other than share-based payments)				
Balance at beginning of year	(2 505)	(2 505)	-	-
Shares acquired by Assupol Investment Holdings	(1 676)	-	-	-
Balance at end of year	(4 181)	(2 505)	-	-
26. SHARE-BASED PAYMENTS				
A. Treasury shares ⁽¹⁾				
<i>Share incentive scheme</i>	(15)	(15)	(15)	(15)
Balance at beginning of year	(15)	(16)	(15)	(16)
Share incentive options exercised	-	1	-	1
<i>Deferred bonus</i>	(41 419)	(36 978)	(41 419)	(36 978)
Balance at beginning of year	(36 978)	(65 585)	(36 978)	(65 585)
Vesting of deferred bonus shares	35 350	28 607	35 350	28 607
Issue of shares	(39 791)	-	(39 791)	-
Balance at end of year - Unvested shares	(41 434)	(36 993)	(41 434)	(36 993)
B. Employee benefits reserve ⁽²⁾				
<i>Share incentive scheme</i>	31 226	31 226	31 226	31 226
Balance at beginning of year	31 226	31 227	31 226	31 227
Cost of share incentive scheme	-	-	-	-
Options exercised	-	(1)	-	(1)
<i>Deferred bonus</i>	105 728	112 660	105 728	112 660
Balance at beginning of year	112 660	108 005	112 660	108 005
Vesting of deferred bonus shares	(35 350)	(28 607)	(35 350)	(28 607)
Cost of deferred bonus scheme	28 418	33 262	28 418	33 262
<i>Other share incentives</i>	66 697	66 161	66 697	66 161
Balance at beginning of year	66 161	65 135	66 161	65 135
Cost of share incentives	536	1 026	536	1 026
Balance at end of year - Employee benefits reserve	203 651	210 047	203 651	210 047

(1) The treasury shares represent the unvested ordinary shares in terms of share-based payments as described below. These shares are held on behalf of the employees until the restrictions are lifted.

(2) The employee benefits reserve consists of the cumulative share-based payment expenses of any unvested shares and share options that are granted to employees in the Assupol Group.

26. SHARE-BASED PAYMENTS (continued)

Details of the share-based transactions in the company are provided below:

i. Share incentive scheme (Equity-settled)

Qualifying employees were given an option to subscribe to ordinary shares that were allotted to the Assupol Share Incentive Trust. The share options were allocated based on a court-approved formula determined during demutualisation. In terms of the trust deed the right to receive dividends and other distributions from the company will be suspended as long as such shares remain shares of the Assupol Share Incentive Trust.

	Number of shares issued	Number of options allocated
	'000	'000
Options outstanding at 30 June 2019	2 481	912
Options exercised	(800)	(800)
Options outstanding at 30 June 2020	1 681	112
Options exercised	(112)	(112)
Unallocated shares at 30 June 2021	1 568	-

26. SHARE-BASED PAYMENTS (continued)**ii. Deferred bonus scheme (Equity-settled)**

The executive directors and senior management participate in a bonus structure that consists of a cash and deferred component. The bonus is determined by the Remuneration Committee in terms of the agreed bonus structure. The deferred component is issued in ordinary shares ('bonus shares') in the company at the date when the bonus is determined and awarded to the employee. The right to trade the bonus shares is restricted for a period of 3 years.

'B' shares are issued as bonus shares and the economic benefits of these shares, including the receipt of dividends, are restricted. A new block of shares is issued for a specific financial year, e.g. 'B' shares in 2016 and 'B1' shares in 2017. These bonus shares will convert to ordinary shares after the restricted period. The affected employees will receive a cash bonus from their employer at the end of the restricted period where the value of the bonus will equal the total value of dividends declared on ordinary shares during the restricted period.

During the financial year the Board has approved an adjustment to the scheme that will apply to bonus allocations relating to the June 2021 financial year. The adjusted scheme does not affect any results for the financial year ended 30 June 2021.

The deferred component was adjusted by dividing it as follows:

- 50% of the bonus will be issued as 'B' shares in a similar manner as the existing scheme but with a vesting term over 5 years where shares will start to vest from year 2 onwards.

- 50% of the bonus will be linked to phantom shares of which the value will be tracked against the embedded value per share. These shares will also vest over a 5 year period from year 2 onwards. This will be recognised as a cash-settled share-based payment.

In accordance with the accounting policy (refer notes 2.16 and 2.19) the cost of the deferred component is recognised over the period of restriction.

Analysis of movement in deferred bonus component

	CONSOLIDATED		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Balance at beginning of year	(52 275)	(70 637)	-	-
Allocation for financial year	(4 016)	(14 900)	-	-
Recognised in profit or loss	28 418	33 262	-	-
Balance at end of year	(27 873)	(52 275)	-	-

Information on share allocations granted

The allocations were granted annually when the annual financial statements of the preceding financial year are approved by the Board.

Grant date	Value of deferred bonus R'000	Number of shares allocated '000	Type of 'B' share	Recognised in profit or loss	
				Total to date '000	Future recognition '000
15 September 2017	36 526	6 000	B1	36 526	-
14 September 2018	41 048	4 324	B2	37 628	3 420
20 September 2019 ⁽¹⁾	22 228	2 256	B3	12 966	9 262
17 September 2020 ⁽¹⁾	14 900	2 090	B4	3 725	11 175
23 September 2021 ⁽²⁾	4 016	- ⁽²⁾	- ⁽²⁾	-	4 016
Balance at end of year					27 873

(1) The company needs to apply to the Prudential Authority of South Africa for the issue of the 'B3' and 'B4' no par value shares. The cost has been recognised during the financial year to initiate the scheme as no adverse response is expected from the Prudential Authority.

(2) The share allocation will be determined based on the revised scheme as described above.

Fair value of share allocations granted

At date of allocation the fair value of the shares was determined as the 30-day volume-weighted average price (VWAP) of the share trades on the exchange.

26. SHARE-BASED PAYMENTS (continued)**iii. Other share incentives (Equity-settled)**

The company issued shares to prescribed officers in terms of their employment- and restraint of trade agreements. The officers are not entitled to pledge, cede or dispose of these shares unless they have become unrestricted. The officers became entitled to all the economic benefits and rights, including dividends, at the date of issue, with the exception of the shares issued on 1 January 2019. Should their agreements terminate prior to the expiry their employment agreements, various terms and conditions will apply to the officers' entitlement on unrestricted and restricted shares at that date.

The conditions attached to the shares issued on 1 January 2019 are the same as the B-shares issued under the deferred bonus scheme as described in note 26 ii.

Information on share allocations granted

The share allocations were granted when the employment agreements of the specific prescribed officers were concluded.

Grant date	Vesting conditions	Contractual life	Number of shares '000	Fair value granted R'000
January 2017	33% of the shares vest annually from 1 January 2020	5 years	260	1 341
January 2019	100% of the shares vest on 1 January 2022	3 years	90	1 000

Fair value of share allocations granted

At date of allocation the fair value of the shares was determined as the 30-day volume-weighted average price (VWAP) of the share trades on the exchange.

	CONSOLIDATED		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
27. BLACK ECONOMIC EMPOWERMENT RESERVE				
Balance at beginning and end of year	14 300	14 300	14 300	14 300

On 15 October 2012 the company concluded a Broad-Based Black Economic Empowerment transaction with WDB Investment Holdings Proprietary Limited ('WDB'), the investment arm of the WDB Group. The transaction resulted in WDB acquiring a 10% shareholding in Assupol Holdings at that date.

The agreement determined that 12 629 424 'A1' ordinary shares be issued at R2.35 per share with no notional amount and 31 573 561 'A2' ordinary shares be issued at R0.01 each with a notional amount of R3.17 per share. In terms of the agreement the commitment dates of the 'A1' and 'A2' ordinary shares were on 17 October 2017 and 17 October 2019 respectively. After the settlement of the notional loan that was attached to 'A2' shares these shares ranked pari passu with ordinary shares in all respects and was reclassified as ordinary no par value shares during the financial year. Refer note 24 for the resolutions taken at the annual general meeting in November 2020.

	CONSOLIDATED		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
28. POLICYHOLDER (ASSETS) / LIABILITIES UNDER INSURANCE CONTRACTS				
Insurance contracts				
<i>Discounted liabilities</i>	(2 761 239)	(3 069 496)	-	-
Balance at beginning of year	(3 069 496)	(3 082 381)	-	-
Opening modelling adjustments	2 143	6 408	-	-
Expected interest on insurance liabilities	(237 683)	(242 243)	-	-
Expected premiums on insurance liabilities	3 382 375	3 007 972	-	-
Expected claims, expiries and lapses	(1 166 491)	(890 549)	-	-
Expected expenses, commission and charges	(599 019)	(493 599)	-	-
Expected profits	(719 461)	(662 452)	-	-
Additional unit linked returns (policyholders)	21 159	(9 864)	-	-
Experience variations	55 810	36 635	-	-
Changes in estimates (renewal business only)	433 969	158 474	-	-
New business added during the year	(864 545)	(897 897)	-	-
<i>Undiscounted liabilities</i>	164 955	116 098	-	-
Balance at beginning of year	116 098	87 941	-	-
Withdrawals during the year	(1 463)	57 021	-	-
New business added during the year	357	1 842	-	-
Changes in estimates (renewal business only)	76 783	(30 706)	-	-
Expected claims, expiries and lapses	(26 820)	-	-	-
Total insurance contracts	(2 596 284)	(2 953 398)	-	-
Reinsurance contracts				
<i>Discounted liabilities</i>	(100 593)	(22 515)	-	-
Balance at beginning of year	(22 515)	(2 891)	-	-
Expected amortisation on liabilities	21 419	556	-	-
New business added during the year	(2 666)	(3 142)	-	-
Changes in estimates (renewal business only)	(96 831)	(17 038)	-	-
Total reinsurance contracts	(100 593)	(22 515)	-	-
Total insurance (assets) / liabilities	(2 696 877)	(2 975 913)	-	-
Reconciliation of total insurance (assets) / liabilities:				
Balance at beginning of year	(2 975 913)	(2 997 331)	-	-
Recognised in statement of comprehensive income	279 036	21 418	-	-
Balance at end of year	(2 696 877)	(2 975 913)	-	-
<i>Non-current (asset) / liability</i>	(3 043 026)	(3 175 581)	-	-
<i>Current (asset) / liability</i>	346 149	199 668	-	-
Maturity profile - Insurance contract liabilities				
	0 to 1 year R'000	2 to 5 years R'000	> 5 years R'000	TOTAL R'000
Consolidated - 30 June 2021	346 149	199 026	(3 242 052)	(2 696 877)
Consolidated - 30 June 2020	199 668	160 958	(3 336 539)	(2 975 913)

	CONSOLIDATED		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
29. POLICYHOLDER LIABILITIES UNDER INVESTMENT CONTRACTS				
Balance at beginning of year	3 376 877	2 775 940	-	-
Premiums received	701 229	802 442	-	-
Payments of death, surrender and other terminations	(404 884)	(311 632)	-	-
Fees deducted from account balances	(74 902)	(81 120)	-	-
Value adjustment on liabilities	322 265	191 247	-	-
Gross fair value adjustment to liabilities	(29 231)	27 627	-	-
Interest accrued to policyholders	351 496	163 620	-	-
Balance at end of year	3 920 585	3 376 877	-	-
At fair value through profit or loss	1 995 293	1 684 556	-	-
At amortised cost	1 925 292	1 692 321	-	-
Balance at end of year	3 920 585	3 376 877	-	-
<i>Current liability</i>	3 920 585	3 376 877	-	-
<i>Maturity profile - Investment contract liabilities *</i>	0 to 1 year R'000	2 to 5 years R'000	> 5 years R'000	TOTAL R'000
Consolidated - 30 June 2021	987 796	1 559 935	1 372 854	3 920 585
Consolidated - 30 June 2020	155 594	2 105 336	1 115 947	3 376 877

* The maturity profile is presented on an expected basis but due to the surrender option the liability is payable on demand.

	CONSOLIDATED		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
30. OTHER LIABILITIES				
Lease liability ^{(1) (3)}	161 976	178 231	-	-
Balance at beginning of year	178 231	193 019	-	-
Liability raised during the year	9 983	7 763	-	-
Finance charges	12 911	14 017	-	-
Payments made	(39 149)	(36 568)	-	-
Subordinated debt ^{(2) (3)}	250 070	250 070	-	-
Balance at beginning of year	250 070	125 977	-	-
Liability raised during the year	-	124 137	-	-
Finance charges	25 401	21 505	-	-
Payments made	(25 401)	(21 549)	-	-
Total long-term financing obligations	412 046	428 301	-	-
<i>Non-current liability</i>	384 032	403 304	-	-
<i>Current liability</i>	28 014	24 997	-	-

(1) Refer note 3.4 for detail of the estimates and interest rates used in determining the value of the liability.

(2) The subordinated debt agreement with Investec Bank Limited complies with the requirements for Tier 3 subordinated debt as determined in the Prudential Standard FSI 2.3 that were issued by the Prudential Authority of South Africa. The debt is repayable 4 years after the drawdown date. Interest is determined per drawdown and varied at year-end between 6.69% and 10.29%.

(3) This note represents the net debt reconciliation.

	CONSOLIDATED		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
31. EMPLOYEE BENEFITS				
Accrual for leave pay	20 756	24 773	-	-
Balance at beginning of year	24 773	14 542	-	-
Utilised during the year	(3 282)	(1 132)	-	-
Recognised in profit or loss	(735)	11 363	-	-
Provision for bonuses	55 648	50 492	-	-
Balance at beginning of year	50 492	76 872	-	-
Utilised during the year	(34 852)	(54 763)	-	-
Recognised in profit or loss				
Cash bonus (including cash bonus on deferred portion)	40 008	28 383	-	-
Total employee benefits	76 404	75 265	-	-
<i>Current liability</i>	76 404	75 265	-	-

	CONSOLIDATED		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
32. DEFERRED REVENUE LIABILITY				
Balance at beginning of year	610	656	-	-
Deferred revenue relating to new business	149	322	-	-
Amortisation of deferred revenue	(281)	(368)	-	-
Balance at end of year	478	610	-	-
<i>Non-current liability</i>	324	404	-	-
<i>Current liability</i>	154	206	-	-

The deferred revenue liability is up-front fees received from investment policyholders as a prepayment for asset management and related services. These amounts are non-refundable and are released to income as the services are rendered. Approximately 32% of the liability will be recognised in the next financial year and 68% in years 2 to 5.

	CONSOLIDATED		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
33. DEFERRED TAXATION LIABILITY				
Deferred taxation is calculated on all temporary differences under the liability method, using applicable taxation rates.				
Balance at beginning of year	(809 208)	(861 127)	-	-
Movements during year attributable to:	10 247	51 919	-	-
Temporary differences				
Deferred acquisition costs	533	456	-	-
Other timing differences	1 951	2 347	-	-
Unrealised gains	(43 714)	28 987	-	-
Capital loss carried forward	362	(1 252)	-	-
Elimination of negative reserves	80 998	10 061	-	-
Special transfer credit	(17 973)	597	-	-
Adjusted IFRS phasing-in amount	12 355	12 354	-	-
Revaluation of amortised cost liabilities	(18 399)	-	-	-
Assessed loss	(5 866)	(1 631)	-	-
Balance at end of year	(798 961)	(809 208)	-	-
The deferred taxation balance consists of the following:				
Temporary differences				
Deferred acquisition costs	(1 678)	(2 211)	-	-
Other timing differences	12 277	10 326	-	-
Unrealised gains	(26 537)	17 177	-	-
Capital loss carried forward	910	548	-	-
Elimination of negative reserves	(851 201)	(932 199)	-	-
Special transfer credit	12 068	30 041	-	-
Adjusted IFRS phasing-in amount	(37 064)	(49 419)	-	-
Revaluation of amortised cost liabilities	(18 399)	-	-	-
Assessed loss	110 663	116 529	-	-
<i>Non-current liability</i>	(798 961)	(809 208)	-	-

	CONSOLIDATED		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
The offset amounts are: ⁽¹⁾				
Deferred taxation assets	135 918	174 621	-	-
Deferred taxation liabilities	(934 879)	(983 829)	-	-

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

Deferred taxation assets of R110.7 million (2020: R116.5.2 million) have been recognised by the Group. This amount is only a portion of the total assessed loss available for utilisation. The deferred taxation asset that has been raised is in respect of taxation losses which is expected to be utilised in the foreseeable future related to Assupol Life's individual policyholder fund (IPF) as a result of guaranteed single premium business. R39.8m is expected to be utilised in the next financial year. Refer note 3.3.

	CONSOLIDATED		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
34. INSURANCE AND OTHER PAYABLES				
Accounts payable	69 180	59 683	11 435	13 303
Sundry insurance payables	96 088	93 922	-	-
Outstanding claims and benefits payable				
On insurance contracts	292 000	173 604	-	-
On investment contracts	27 866	16 773	-	-
Premiums received in advance	16 618	16 119	-	-
Amounts due to subsidiaries	-	-	660	13 421
Total insurance and other payables	501 752	360 101	12 095	26 724
<i>Non-current liability</i>	-	-	-	-
<i>Current liability</i>	501 752	360 101	12 095	26 724
Insurance and other payables consist of:				
Insurance payables	432 572	300 418	-	-
Sundry insurance payables	96 088	93 922	-	-
Outstanding claims and benefits payable:				
- Insurance contracts	292 000	173 604	-	-
- Investment contracts	27 866	16 773	-	-
Premiums received in advance	16 618	16 119	-	-
Other payables	69 180	59 683	12 095	26 724
Accounts payable	69 180	59 683	11 435	13 303
Amounts due to subsidiaries ⁽¹⁾	-	-	660	13 421
Total insurance and other payables	501 752	360 101	12 095	26 724

(1) The short term loan due to Assupol Life amounts to R0.7 million (2020: R13.4 million) and is unsecured. It is repayable on demand and bears no interest.

	CONSOLIDATED		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
35. CURRENT TAXATION				
Balance at beginning of year	(9 797)	(26 072)	(222)	389
Recognised in profit or loss	(181 979)	(274 300)	(878)	(313)
Taxation paid during the year (note 37)	194 388	290 575	1 092	(298)
Total current taxation	2 612	(9 797)	(8)	(222)

	CONSOLIDATED		COMPANY	
	2021	2020	2021	2020
	R'000	Restated R'000	R'000	R'000
36. CASH GENERATED FROM OPERATIONS				
Reconciliation of profit before taxation to cash generated from operations:				
Profit before taxation	524 013	786 486	227 184	305 848
Movement in policyholder assets / liabilities:	822 744	622 355	-	-
Insurance contracts (note 28)	279 036	21 418	-	-
Investment contracts (note 29)	543 708	600 937	-	-
Items disclosed separately:	(242 441)	(281 136)	(234 853)	(665 637)
Interest received (note 9) *	(202 916)	(214 621)	(2 692)	(333 555)
Dividends received (note 9)	(34 929)	(59 183)	(232 207)	(332 082)
Finance charges (note 15)	12 911	14 018	-	-
Deferred acquisition cost on new business (note 19)	(17 702)	(21 672)	-	-
Penalty paid - SARS	46	-	46	-
Fee income deferred on new business (note 32)	149	322	-	-
Non-cash items:	(364 065)	178 572	3 588	42 253
Interest on financial assets at amortised cost (note 9) *	(145 588)	(124 913)	-	-
Net fair value gains on financial assets (note 10)	(367 539)	156 442	-	-
Depreciation of property and equipment (note 14)	60 591	58 954	-	-
(Profit) / loss on sale of equipment (note 11)	(372)	(154)	-	-
Amortisation of intangible assets (note 19)	22 726	21 592	-	-
Impairment of intangible assets (note 19)	8 875	9 351	-	-
Impairment of investment in subsidiaries (note 14)	-	-	-	20 378
Adjustment of redemption of preference shares	3 588	1 875	3 588	1 875
Amortisation of deferred revenue liability (note 32)	(281)	(368)	-	-
Equity-settled share-based payments (note 14)	28 954	34 288	-	-
Deferred bonus shares to be issued (note 26)	-	-	-	20 000
Accrued interest *	24 981	21 505	-	-
Changes in working capital:	80 160	(1 592)	25 088	8 448
Insurance and other trade receivables (note 22)	(62 630)	(17 227)	39 717	(17)
Employee benefits (note 31)	1 139	(16 149)	-	-
Insurance and other payables (note 34)	141 651	31 784	(14 629)	8 465
Cash generated from operations	820 411	1 304 685	21 007	(309 088)

* The consolidated number reported in the previous financial year was restated to exclude the non-cash increase in financial assets carried at amortised cost and a non-cash amount included in subordinated debt.

	CONSOLIDATED		COMPANY	
	2021	2020	2021	2020
	R'000	R'000	R'000	R'000
37. TAXATION PAID				
Total current taxation	(194 388)	(290 575)	(1 092)	298
Receivable / (payable) at beginning of the year	(9 797)	(26 072)	(222)	389
Recognised in profit or loss	(181 979)	(274 300)	(878)	(313)
Payable at end of the year	(2 612)	9 797	8	222
Total taxation paid	(194 388)	(290 575)	(1 092)	298

38. RELATED PARTY TRANSACTIONS**A. Related parties defined**

All subsidiaries in the Assupol Group, their key management (including immediate family members as defined in IAS 24), as well as entities that have a significant influence over the Group, are deemed related parties.

B. Key management

No salaries for key management of the subsidiaries are paid by the holding company. Assupol Life pays the salaries of key management of Assupol Holdings. Key management is defined as executive and non-executive directors as well as prescribed officers of any subsidiary in the Group.

The directors of the companies in the Group declared that they did not have any material interest in any contract signed by the Group during the year.

Information pertaining to the remuneration, directors' fees and securities held by directors and prescribed officers are disclosed below.

	CONSOLIDATED	
	2021 R'000	2020 R'000
i. Loans to key management (included in note 22)		
Balance at end of year	5 984	6 100
Balance at beginning of year	6 100	7 558
Loan repayments received	(536)	(2 070)
Interest charged	420	612

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, 71 of 2008, and the Long Term Insurance Act, 52 of 1998. The loan bears interest at the official prime rate of interest levied by the bankers of Assupol Life and is repayable over 5 years. The Group has sufficient security over this loan.

	CONSOLIDATED	
	2021 R'000	2020 R'000
ii. Aggregate details of contracts between the Group and key management		
<u>Insurance contracts</u>		
Aggregate insured cover	3 595	3 589
Premiums received	136	128
Claims paid	-	(94)
Surrender value	-	73
<u>Investment contracts</u>	6 398	6 216
Fund value at beginning of year	6 216	721
Premiums received	-	5 240
Resignations	(367)	-
Investment returns credited net of charges	549	401
Commission and other transaction fees	-	(146)
Surrender value	5 937	6 213

38. RELATED PARTY TRANSACTIONS (continued)

A list of the directors and the prescribed officers is disclosed in the Directors' report. All directors and prescribed officers declared that they did not have any material interest in any contract signed by the Assupol Group during the year.

iii. Executive directors' and prescribed officers' remuneration

The Group provides cash as well as non-cash benefits to executive directors, prescribed officers and employees. Bonuses for executive directors, the prescribed officers and senior management are awarded based on an agreed bonus structure as determined by the Group Remuneration Committee and consist of a cash and deferred component. Furthermore, shares linked to employment- and restraint of trade agreements have been issued to prescribed officers. Refer note 26 to the financial statements for more detail on the restrictions and vesting periods that apply to the share schemes.

R'000	CJ van Dyk	D de Klerk	MB Mokwena- Halala	SL Ndwalaza	EZ Mngoma	MS Keetse	MP Salmon	EN Nelwamondo	Total
30 June 2021									
Fixed									
Salary	4 298	2 976	3 658	2 894	2 508	2 469	2 710	2 701	24 214
Other benefits	51	30	47	30	26	17	18	19	238
Pension fund contributions	490	340	418	330	286	281	309	308	2 762
Variable									
Cash bonus	-	-	-	-	249	246	270	269	1 034
Restricted incentives ⁽¹⁾									
Deferred bonus	2 505	2 694	2 914	1 575	1 765	225	1 347	373	13 398
Other share incentives	-	-	-	-	-	-	145	333	478
Total	7 344	6 040	7 037	4 829	4 834	3 238	4 799	4 003	42 124
Accrued and settled	4 839	3 346	4 123	3 254	3 069	3 013	3 307	3 297	28 248
Restricted incentives ⁽¹⁾	2 505	2 694	2 914	1 575	1 765	225	1 492	706	13 876

(1) Restricted incentives are allocations of shares under the conditions of the deferred bonus structure, the share incentive scheme, as well as the other share agreements as described in note 26). The amounts disclosed in the table above are the value of the expense recognised in profit or loss and do not represent an amount paid to the individual.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2021

38. RELATED PARTY TRANSACTIONS (continued)

iii. Executive directors' and prescribed officers' remuneration (continued)

R'000	CJ van Dyk	D de Klerk	MB Mokwena- Halala	SL Ndwalaza	J Dippenaar	EZ Mngoma	MS Keetse ⁽¹⁾	MP Salmon	EN Nelwamondo	Total
30 June 2020										
Fixed										
Salary	4 197	2 904	3 577	2 824	2 644	2 448	1 203	2 644	2 636	25 077
Other benefits	50	29	45	29	27	26	8	18	18	250
Pension fund contributions	475	332	400	322	302	279	138	302	300	2 850
Restricted incentives ⁽²⁾										
Deferred bonus	3 318	3 275	3 765	1 955	1 968	1 779	-	1 348	100	17 508
Other share incentives	-	-	-	-	417	-	-	276	333	1 026
Total	8 040	6 540	7 787	5 130	5 358	4 532	1 349	4 588	3 387	46 711
Accrued and settled	4 722	3 265	4 022	3 175	2 973	2 753	1 349	2 964	2 954	28 177
Restricted incentives ⁽²⁾	3 318	3 275	3 765	1 955	2 385	1 779	-	1 624	433	18 534

(1) Mr MS Keetse was appointed as Group Head: Legal and Compliance with effect from 1 January 2020.

(2) Restricted incentives are allocations of shares under the conditions of the deferred bonus structure, the share incentive scheme, as well as the other share agreements as described in note). The amounts disclosed in the table above are the value of the expense recognised in profit or loss and do not represent an amount paid to the individual.

38. RELATED PARTY TRANSACTIONS (continued)

iv. Summary of restricted incentives

Units ('000)	Balance restricted at beginning of year	Allocated during the year	Unrestricted during the year	Balance restricted at end of year
Deferred bonus structure	6 536	1 148	(3 542)	4 142
D de Klerk	1 187	140	(539)	788
J Dippenaar ⁽¹⁾	712	-	(712)	-
MS Keetse	-	126	-	126
MB Mokwena-Halala	1 363	182	(686)	859
EZ Mngoma	639	126	(207)	558
SL Ndwalaza	701	140	(351)	490
EN Nelwamondo	41	126	-	167
M Salmon	510	126	(196)	440
CJ van Dyk	1 383	182	(851)	714
Other share incentives	264	-	(87)	177
MP Salmon	174	-	(87)	87
EN Nelwamondo	90	-	-	90

(1) Mr J Dippenaar resigned during the financial year.

v. Non-executive directors' fees

R'000	Board fees	Committee fees	Total fees for the year
30 June 2021	6 877	4 500	11 377
RJ Khoza (Chairman)	3 352	-	3 352
EDJ Ashkar	611	1 069	1 680
GR Burger	517	280	797
SIM Braudo ⁽²⁾	558	1 515	2 073
MD Collier ⁽²⁾	504	490	994
NB Duker	531	661	1 192
NE Gubb	610	393	1 003
LJ Sennelo	194	92	286
30 June 2020	6 677	4 779	11 456
RJ Khoza (Chairman)	3 163	-	3 163
EDJ Ashkar	541	981	1 522
GR Burger	471	118	589
SIM Braudo ⁽²⁾	625	1 223	1 848
NE Gubb	541	365	906
IO Greenstreet ⁽²⁾	487	454	941
BB Moroole	365	559	923
R Mothapo	427	1 043	1 470
Z Saban	60	37	96

(2) The fees exclude deemed VAT applicable to non-resident non-executive directors, amounting to R315 956 (2020: R418 256).

38. RELATED PARTY TRANSACTIONS (continued)**vi. Securities held by directors and prescribed officers ⁽¹⁾**

Units ('000)	Direct beneficial	Indirect beneficial	Total
D de Klerk	5 539	573	6 112
MB Mokwena-Halala	2 427	1	2 428
SL Ndwalaza	8 356	-	8 356
EZ Mngoma	911	-	911
MP Salmon	2 097	330	2 427
CJ van Dyk	2 217	-	2 217

(1) The units exclude any securities that are linked to restricted incentives.

	CONSOLIDATED		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
C. Balances with related parties				
Total amounts due to subsidiaries as detailed in note 34				
<i>Operational account with Assupol Life</i>	-	-	(660)	(13 421)
Balance at beginning of year	-	-	(13 421)	(5 096)
Repayments	-	-	19 458	20 000
Transactions funded during the year	-	-	(6 697)	(28 325)
Shareholding in Assupol Holdings (note 25)				
Assupol Investment Holdings	4 181	2 505	-	-

39. COMMITMENTS*Lease commitments*

The Group leases property and equipment under non-cancellable lease agreements. The leases have varying terms, escalation clauses and renewal rights. The lease expenditure is recognised in profit or loss (refer note 14).

The future minimum lease payments under non-cancellable leases are set out in the table below.

	CONSOLIDATED		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
<i>Property</i>				
• Due in 1 year or less	27 310	24 413	-	-
• Due between 1 and 5 years	133 105	126 313	-	-
• Due after 5 years	-	25 316	-	-
Total	160 415	176 042	-	-
<i>Equipment</i>				
• Due in 1 year or less	704	628	-	-
• Due between 1 and 5 years	857	1 561	-	-
Total	1 561	2 189	-	-

40. INTERESTS IN SUBSIDIARIES

Subsidiary name	Issued share capital R'000	Effective holdings		Interest of holding company	
		2021 %	2020 %	2021 R'000	2020 R'000
<i>Subsidiaries of Assupol Holdings</i>					
Assupol Life ⁽¹⁾	490 019	100%	100%	796 507	767 553
Assupol Investment Holdings ⁽²⁾	70 431	100%	100%	16 883	16 883
<i>Subsidiaries of Assupol Investment Holdings</i>					
Assupol Wealth ⁽³⁾	-	51%	51%	-	-
Cornerstone Brokers Corporate ⁽⁴⁾	9 273	100%	100%	587	587
Siebador Sewentien ⁽⁵⁾	1	100%	100%	125	124
Top Top Business Consultants ⁽⁶⁾	1 000	100%	100%	2 049	32 049
<i>Other consolidated entities</i>					
Assupol Share Incentive Trust ⁽⁷⁾	Trust	-	-	-	-

The subsidiaries are unlisted and incorporated in South Africa. Transactions between subsidiaries are listed in note 38 to the annual financial statements.

Nature of business

- (1) A registered long term insurer in terms of the Insurance Act, 18 of 2017.
- (2) An investment holding company that holds the investments in all of the non-life subsidiaries of the Group.
- (3) A registered financial services provider in terms of the Insurance Act, 18 of 2017 - refer note 41.
- (4) The company's operations were sold to Assupol Life on 1 July 2018. It is management's intention to deregister the company.
- (5) The property of Siebador Sewentien was sold in 2019. It is management's intention to deregister the company.
- (6) Financial services provider in terms of the Financial Advisory and Intermediary Services Act, 37 of 2002. The company's operations (to sell insurance products to the general public and to provide administration services to other intermediaries) was sold to Assupol Life on 1 March 2019. It is management's intention to deregister the company.
- (7) The trust manages the ordinary shares that were allotted to the trust and related share options that were allocated to qualifying employees in terms of the demutualisation scheme - refer notes 5.4.1.b and 26 (i.)

41. ACQUISITION OF SUBSIDIARY

In the previous financial year, on 1 April 2020, the Group acquired 51% of the issued share capital of Assupol Wealth, a financial services provider registered in terms of the Insurance Act. This acquisition has expanded the Group's financial service offerings in an effort to diversify its income stream.

The total consideration consisted of R51 which is the value of 51% of the 100 shares issued in the company at R1 each.

42. EVENTS AFTER REPORTING PERIOD**Dividend declaration**

On 23 September 2021 the Board of Directors declared an ordinary dividend of 42 cents per qualifying ordinary share for the year ended 30 June 2021. The dividend is payable on 18 October 2021 to qualifying shareholders registered on 15 October 2021.

The qualifying shares at the date that these financial statements were approved included the listed ordinary shares but excluding shares held by the Share Incentive Trust. It will also include those 'B' shares that qualify to be converted to ordinary shares after the restricted period ends in September 2021 and that are unrestricted at record date (note 26).

The dividends have been declared from retained earnings. A dividend withholding taxation of 20% will be applicable to all shareholders who are not exempt.