



**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 2020

**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:	FluidRock Co Sec (Pty) Ltd

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) under supervision of Mr D de Klerk CA(SA).

<b>CONTENTS</b>	<b>PAGE</b>
Directors' responsibility for financial reporting	2
Company Secretary compliance statement	2
Report of the Audit Committee	3 - 5
Directors' report	6 - 11
Independent auditor's report	12 - 18
Consolidated and separate statements of Comprehensive Income	19
Consolidated and separate statements of Financial Position	20
Consolidated and separate statements of Changes in Equity	21 - 22
Consolidated and separate statements of Cash Flows	23
Notes to the financial statements	24 - 101

**DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING**

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. The financial statements presented on pages 19 to 101 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. 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 12 to 18.

The financial statements were approved by the Board of Directors on 17 September 2020 and are signed on its behalf by:



Dr RJ Khoza  
Chairman



D de Klerk  
Group Chief Financial Officer

**COMPANY SECRETARY COMPLIANCE STATEMENT**

In our capacity as Company Secretary, we hereby certify, in terms of the Companies Act, 71 of 2008, that for the year ended 30 June 2020, 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 our knowledge and belief, true, correct and up to date.



FluidRock Co Sec (Pty) Ltd  
Company Secretary

The Audit Committee presents its report for the financial year ended 30 June 2020.

#### 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, 2018. 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, 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, 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.

#### 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.

##### 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, in consultation with executive management, agreed to the engagement letter, including its terms and conditions, audit plan and budgeted audit fees, for the 2020 financial year.

A formal procedure governs the process whereby the auditor is considered for other non-audit related services. For the year ended 30 June 2020, the external auditor provided non-audit services to the Group. The committee affirms that these services did not impair the external auditor's independence.

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.

##### Financial statements and accounting practices

The committee has reviewed the accounting policies and the 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 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 would also like to draw attention to key audit matters reported in the audit report contained on pages 12 to 18 in these annual financial statements.

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

**ROLES AND RESPONSIBILITIES (continued)**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. 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 on whether or not the Group will be a going concern. Management provided regular feedback to the Board of Directors and the committee in the light of the volatility and uncertainty that were experienced in the operating environment, the markets and economy. Also refer to the Directors' Report on page 6 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.

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.

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 committee approved internal audit's annual audit plan for the 2020 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.

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.

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.

Combined assurance

The combined assurance framework was approved at the Audit and Risk 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. A combined assurance forum was established during the financial year where overarching issues are discussed and assurance activities are co-ordinated. This forms the basis for the assurance plan which is tabled at the Audit and Risk committees for approval.

**ROLES AND RESPONSIBILITIES (continued)**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.

**MEMBERSHIP, ATTENDANCE AND ASSESSMENT**

For the 9-month period ending 31 March 2020, the Audit Committee consisted of three independent non-executive directors. 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.

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, external auditor, internal auditor and other assurance providers (actuarial, legal and compliance) attend meetings by invitation only. The committee held four meetings during the financial year. Details of the members as well as their role and attendance at meetings are indicated below:

Name of member	Qualification	Date appointed	Date resigned	Meetings and attendance			
				2019-09-17	2019-11-14	2020-03-04	2020-05-20
BB Moroole <sup>(1)</sup>	B Com (Hons), CA(SA)	Sept 2018	May 2020	Chair	Chair	Chair	-
R Mothapo <sup>(2)</sup>	B.Econ Sc, BSc (Hons), FASSA	Sept 2017	Jul 2020	Member	Member	Member	Acting chair
SIM Braudo <sup>(3)</sup>	B Econ Sc, BSc (Hons), FIA, CFA	June 2019	-	Member	Member	Member	Member
GR Burger <sup>(4)</sup>	B Acc (Hons), CA(SA), H Dip BDP, MBL	May 2020	-	-	-	-	Member
EDJ Ashkar <sup>(4)</sup>	B Com (Hons), CA(SA)	July 2020	-	-	-	-	-

(1) Ms BB Moroole, an independent non-executive director, resigned on 4 May 2020 as non-executive director.

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

(3) Mr SIM Braudo, an independent non-executive director, was appointed as interim acting chairman after the financial year.

(4) Mr GR Burger and Mr EDJ Ashkar, both non-executive directors, were appointed as interim members of the committee whilst the Board of Directors deliberates the membership of the committee.

The Board of Directors deliberated the membership of the committee at their meeting of 17 September 2020. Ms NB Radebe was approved as the chairperson and Mr S Braudo and Mr MD Collier as members of the committee. All of the new members are independent non-executive directors.



SIM Braudo

Chairman: Audit Committee

17 September 2020

## 1. NATURE OF BUSINESS

Assupol Holdings Limited ('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.

The shares of Assupol Holdings are listed on the 4Africa Exchange (4AX). The directors are not aware of any non-compliance with the listing requirements.

## 2. SIGNIFICANT DEVELOPMENTS DURING THE YEAR

### COVID-19 pandemic: Going concern

Following the first reported COVID-19 infections in China in December 2019, the virus rapidly spread worldwide, leaving a devastating effect on the global economy and societies. In early March 2020 the first instance of a COVID-19 infection was reported in South Africa. Fairly shortly thereafter, on 27 March 2020, the South African government announced a lock-down period that entailed a severe restriction on various activities. These restrictions were eased over time as government's assessment of the situation moved from COVID-19 alert level 5 to level 2. At the date of approval of these financial statements, the country was at level 2.

The core business of the Assupol Group, namely long term insurance, was classified by government as an essential service. Assupol's operations were able to continue, with the exception of new business generation in its face-to-face environment during the lock down period. The most significant financial impact on the Assupol Group during the financial year was the loss of approximately two months' new business volumes while still incurring fixed expenses, as well as the negative effect of the pandemic on the investment markets.

The directors' and management's immediate reaction was a rigorous assessment of the Group as a going concern and its operations and activities. The outcomes of the existing Own Risk and Solvency Assessment (ORSA) and resilience of business within the COVID-19 environment were tested. The assessment also included the impact of the Moody Investors Service's downgrade of the sovereign debt rating of the government of South Africa to below investment grade at the end of March 2020. Regular assessments have since been performed. Various scenarios were also considered in the 5-year budget and forecast that was approved by the Board of Directors in June 2020. In all of these scenarios the Group will be able to continue as a going concern with sufficient liquidity in place and with a solvency ratio being maintained well above the minimum margin.

The impact of the pandemic on the financial results reported in these annual financial statements, and the Group's response were as follow:

- The restriction on sales in the face-to-face environment resulted in a 25.2% decrease in new business units in the individual risk and savings business if compared to the previous financial year.
- Additional spend of R9.9 million was incurred to enable employees to work remotely with a minimum impact on the effectiveness of operations as well as to provide for the necessary health and safety requirements in the Group's buildings to protect employees, the sales force and clients.
- The Group supported its tied sales force paying R23.9 million during the lock down period when face-to-face sales were restricted within the regulatory limitation.
- Expenses were managed by adjusting for potential savings as a result of the lock down period. Furthermore it was decided not to retrench any employees but rather to delay salary increases and not paying any bonuses to management.
- The excess renewal expense reserve was not released to ensure sufficient reserves remain for the potential impact of COVID-19 on the growth of the in force book.
- Volatility in investment markets resulted in an underperformance against long-term return assumptions.
- During the initial lock down period the Group experienced an improvement in mortality but the experience worsened subsequently. Based on the Group's own mortality experience, and supported by the South African Medical Research Council (SAMRC) statistics and the COVID-19 considerations for assurance actuaries issued by the Actuarial Society of South Africa, explicit COVID-19 mortality reserves for the group related business and individual business of R77.9 million after tax were provided for.
- The Group prioritised the preservation of capital in the decisions taken, including the dividend recommendation.

### Developments within the Assupol Group

During the financial year, the Prudential Authority of South Africa has converted Assupol Life Limited's license to conduct insurance business under the Insurance Act, 2017.

Assupol Investment Holdings Proprietary Limited acquired a 51% share in Assupol Wealth Proprietary Limited. This will ensure that the Group expands its financial service offerings in an effort to diversify its income stream.

### 3. GROUP RESULTS

Details of the Assupol Group's financial performance are set out in the financial statements and notes thereto on pages 19 to 101.

Despite the severe impact of COVID-19, the Group managed to deliver a resilient performance during the financial year. The new business volumes were affected by the restrictions on face-to-face sales and the continuation of the mandate requirements in the pensioner market that were introduced by government in the previous financial year.

The impact on the returns on the investment markets, taking in account the pandemic and the Moody's downgrade, was significant with an underperformance of after-tax returns on excess assets against the long-term investment return assumption by R68 million (2019: overperformance of R32 million). The investment return achieved on excess assets was 1.22% (2019: 10.73%)

Expenses were under pressure during the financial year and various management actions were implemented. As the pandemic continues with some uncertainty of the ultimate outcome, it was decided not to release the renewal expense reserve component of policyholder liabilities. An amount of R137.8 million after taxation was released in the previous financial year.

The Group maintained its commitment to contribute to South Africa's social development agenda by contributing R10.0 million to the upgrade of ablution facilities of rural schools in South Africa. Furthermore an amount of R23.9 million was incurred by the Group to support its field sales force during the restriction imposed on face-to-face sales.

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

<b>Earnings performance</b>	<b>2020</b>	<b>2019</b>	<b>% change</b>
Gross insurance premium revenue (R'm)	4 004	3 458	15.79%
Net profit attributable to ordinary shareholders (R'm)	564	907	-37.82%
Value of new business (R'm)	350	479	-26.92%
Return on equity (%)	13%	23%	

The adjusted operating profit, a metric which reflects management's view of the underlying long-term profitability of the Group, showed a decrease of -1.37% (2019: 13.61%). It should however be mentioned that in the uniquely complex environment that has developed in a relative short period of time, shortly before the Group's financial year end, uncertainty around the longer term implications and resultant outcomes remains.

<b>Adjusted operating profit (R'm)</b>	<b>2020</b>	<b>2019</b>	<b>% change</b>
Net profit attributable to ordinary shareholders	564	907	-37.82%
Adjustment on investment returns on excess assets	68	(32)	-312.50%
Non-recurring transactions	4	41	-90.24%
Non-recurring economic assumption adjustments	(8)	(37)	-78.38%
Other non-recurring actuarial adjustments	162	(78)	-307.69%
<b>Adjusted operating profit</b>	<b>790</b>	<b>801</b>	<b>-1.37%</b>

The adjusted operating profit is calculated by adjusting the reported profit to exclude the impact of short-term market fluctuations on the investment returns of excess assets, as well as non-recurring transactions or events such as the discontinuation of a business relationship, non-recurring actuarial adjustments and non-core transactions. The calculation does not take into account the economic impact of actuarial adjustments on new business during a financial period.

Where a non-recurring transaction continues to occur in a subsequent financial year, the transaction is reassessed to determine whether or not it should be included in the adjusted operating profit.

<b>New business (R'm)</b>	<b>2020</b>	<b>2019</b>	<b>% change</b>
Recurring premiums	959	1 026	-6.53%
Single premiums	444	376	18.04%
<b>Total new business premiums</b>	<b>1 403</b>	<b>1 402</b>	<b>0.07%</b>
Annual premium equivalent (APE)	1 003	1 063	-5.64%
Present value of new business premiums (PV NBP)	4 703	4 704	-0.02%
Value of new business margin	7.4%	10.2%	-2.74%

**4. GROUP EMBEDDED VALUE RESULTS**

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.

Uncovered business includes the value of Assupol Holdings as well as other subsidiaries in the Group that are not included in the value of covered business.

Group embedded value (R'm)	2020	2019
Shareholders' funds	1 141	1 275
Value of in-force business	4 851	4 113
Gross	5 325	4 491
Cost of required capital	(474)	(378)
Embedded value of covered business	5 992	5 388
Embedded value of non-covered business	10	34
Group embedded value at year end	6 002	5 422
Return on embedded value (%)	18.40%	29.05%

Embedded value earnings (R'm)	Adjusted net worth	Value of in-force	Cost of required capital	Total
Embedded value at 30 June 2019 - Covered business	1 276	4 490	(378)	5 388
Opening adjustments	-	7	-	7
Embedded value as at the beginning of the year	1 276	4 497	(378)	5 395
Dividends paid	(336)	-	-	(336)
Deferred bonus shares	34	-	-	34
Embedded value after adjustments	974	4 497	(378)	5 093
Unwinding of risk discount rate	-	522	(42)	480
Expected profits	954	(954)	-	-
New business	(467)	898	(81)	350
Operating experience variations	(56)	83	14	41
Tax	7	-	-	7
Assumption changes	(173)	283	(48)	62
Investment experience	(108)	1	61	(46)
Miscellaneous	10	(5)	-	5
Embedded value at 30 June 2020 - Covered business	1 141	5 325	(474)	5 992
Embedded value at 30 June 2019 - Non-covered business	8	26	-	34
Dividends paid	(18)	-	-	(18)
Embedded value after adjustments	(10)	26	-	16
Net profits	13	-	-	13
Holdings company expense adjustment	-	(44)	-	(44)
Market value adjustment	-	25	-	25
Embedded value at 30 June 2020 - Non-covered business	3	7	-	10
Group embedded value at 30 June 2020	1 144	5 332	(474)	6 002

## 5. SHARE STATISTICS

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

	2020	2019	% change
Share price - closing (R) *	7.25	10.30	-29.61%
Market capitalisation (R'm) *	3 059	4 346	-29.61%
Earnings per share (cents)	140	239	-41.41%
Diluted earnings per share (cents)	138	220	-37.34%
Diluted adjusted operating profit per share (R)	1.85	1.89	-2.01%
Group embedded value per share (R)	14.22	12.85	10.64%
Dividends per qualifying ordinary shares (cents)	55	89	-38.20%

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

## 6. BOARD OF DIRECTORS

The directors of the company at 30 June 2020, were:

Name	Board committee involvement	Date appointed
<i>Non-executive directors</i>		
Dr RJ Khoza (Chairman)	Member: Nominations Committee, Social and Ethics Committee, Remuneration Committee	20 May 2019
EDJ Ashkar	Chairman: Nomination Committee, Social and Ethics Committee Member: Actuarial Committee, Growth and Innovation Committee, Investment Committee, Remuneration Committee	20 Feb 2013
GR Burger	Member: Audit Committee, Risk Committee	6 May 2019
SIM Braudo	Chairman: Actuarial Committee, Growth and Innovation Committee Member: Audit Committee, Investment Committee, Risk Committee	6 May 2019
NE Gubb	Chairman: Investment Committee Member: Growth and Innovation Committee, Nomination Committee	7 May 2013
R Mothapo	Chairman: Audit Committee, Remuneration Committee, Risk Committee Member: Actuarial Committee	18 Aug 2017
<i>Executive directors</i>		
CJ van Dyk (Group Chief Executive Officer)	Member: Actuarial Committee, Growth and Innovation Committee, Investment Committee, Risk Committee	30 Sep 2013
D de Klerk (Group Chief Financial Officer)	Member: Actuarial Committee, Growth and Innovation Committee, Investment Committee	30 Jul 2010
MB Mokwena-Halala (Chief Executive Officer: Assupol Life)	Member: Growth and Innovation Committee, Investment Committee	30 Jul 2010
SL Ndwalaza (Human Resources)	Member: Social and Ethics Committee	1 Sep 2012

Ms Z Saban, Mr IO Greenstreet, and Ms B Moroole resigned as non-executive directors with effect from 27 September 2019, 1 April 2020, and 4 May 2020 respectively.

Mr R Mothapo stepped down as non-executive director with effect from 9 July 2020.

Mr SIM Braudo was appointed as acting interim chairman of the Audit Committee and chairman of the Remuneration Committee with effect from 9 July 2020.

Ms NE Gubb was appointed as chairman of the Growth and Innovation Committee with effect from 9 July 2020.

Mr MD Collier and Ms NB Radebe were appointed as independent non-executive directors with effect from 12 August 2020 and 16 September 2020 respectively.

**7. PRESCRIBED OFFICERS**

Name	Position held in Group	Date appointed
J Dippenaar	Chief Risk Officer	1 Sep 2015
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	Head of Strategy	1 Jan 2017

Mr J Dippenaar has resigned with effect from 1 October 2020. The company is in the process of appointing a replacement.

**8. DETAILS OF SERVICE CONTRACTS**

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

**9. 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 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.

**10. HEAD OF ACTUARIAL CONTROL FUNCTION**

In terms of the Insurance Act, 18 of 2017, Mr R Subotzky is the Head of Actuarial Control Function of Assupol Life Limited.

**11. COMPANY SECRETARY**

The company secretary, Mr SJ de Beer, resigned at 31 December 2019. FluidRock Co Sec (Pty) Ltd was appointed with effect from 1 January 2020.

**12. 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 final quarter in the 2020 calendar year.

**13. 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.

**14. SHARE CAPITAL**

The issued share capital of the company as at 30 June 2020 is shown below. Refer note 24.

	2020 R'000	2019 R'000
371 703 618 ordinary shares of R0.001 each	573 325	543 948
44 202 985 'A' ordinary redeemable no par value shares	30 000	30 000
69 661 'B' no par value shares	417	28 843
5 999 724 'B1' no par value shares	36 742	36 742
Total share capital	640 484	639 533

During the financial year 4 750 647 'B' shares that were issued as a deferred bonus in 2016, have vested and are disclosed as ordinary shares.

The company has received approval from the Prudential Authority of South Africa for the issue of 'B2' no par value shares. The shares were not issued at year-end. The company has also submitted an application to the Prudential Authority for the issue of 'B3' no par value shares. The shares were not issued at year-end as the company is still waiting for authorisation from the Prudential Authority. The 'B2' and 'B3' shares were awarded to senior management in September 2018 and September 2019 respectively in terms of the deferred bonus scheme (refer note 26).

The commitment dates for the 'A1' and 'A2' ordinary redeemable no par value shares were on 17 October 2017 and 17 October 2019 respectively. These shares are since unconditional and rank *pari passu* with ordinary shares in all respects.

**15. SHAREHOLDERS' DIVIDEND**

Dividends were declared in respect of the following financial years:

<b>cents per share</b>	<b>2020</b>	<b>2019</b>
Ordinary dividend	55	60
Special dividend	-	29

*For the 2019 financial year*

On 27 September 2019 the Board of Directors declared an ordinary dividend of 60 cents and special dividend of 29 cents per qualifying ordinary share. Furthermore, the Board declared a trickle dividend of 13.66 cents in respect of the 'A2' ordinary redeemable shares. This was declared in terms of the company's dividend policy to shareholders recorded at close of business on 11 October 2019. The dividends were paid on 14 October 2019.

*For the 2020 financial year*

After the reporting period, on 22 September 2020, the Board of Directors declared an ordinary dividend of 55 cents on qualifying shares. The qualifying shares included the listed ordinary shares, excluding shares held by the Share Incentive Trust, as well as the 'A' ordinary redeemable no par value shares.

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 tax 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>	9 October 2020
Record date	9 October 2020
Trading <i>ex dividend</i> commences	12 October 2020
Dividend payment date	12 October 2020



## *Independent auditor's report*

To the Shareholders of Assupol Holdings Limited

### *Report on the audit of the consolidated and separate financial statements*

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#### *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 2020, 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 Limited's consolidated and separate financial statements set out on pages 19 to 101 comprise:

- the consolidated and separate statements of financial position as at 30 June 2020;
- 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.

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#### *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)*.

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## Our audit approach

### Overview

	<p>Overall group materiality</p> <p><i>Overall group materiality: R40 million, which represents 1% of consolidated insurance premiums revenue.</i></p>
	<p><b>Group audit scope</b></p> <p><i>Our group scoping included full scope audits on four out of the eight components, based on financial significance, audit risks and statutory audit requirements for four components. Assupol Life Limited is the most significant component within the Group.</i></p>
	<p><b>Key audit matters</b></p> <p><i>Valuation of policyholder assets and liabilities under insurance contracts.</i></p>

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>R40 million.</i>
<i>How we determined it</i>	<i>1% of consolidated insurance premiums revenue.</i>
<i>Rationale for the materiality benchmark applied</i>	<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 with quantitative materiality thresholds used for profit-oriented companies in this sector.</i></p>

### **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 eight components within the Group. The group engagement team performed full scope audits for four components based on financial significance, audit risks and statutory audit requirements. One of these four 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.

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### *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 following key audit matter relate to the consolidated financial statements. We have determined that there are no key audit matters in respect of the separate financial statements to communicate in our report.

**Key audit matter****How our audit addressed the key audit matter****Valuation of policyholder assets and liabilities under insurance contracts**

(Refer to notes 2.18.3, 3.1, 4, 5 and 28 to the consolidated financial statements)

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.

Management valued net policyholder assets and liabilities arising from insurance contracts of R2 953.4 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).

The valuation of the policyholder assets and liabilities took into account key economic and non-economic assumptions which were then applied to projected future cash flows.

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:

- Discount rates;
- Investment returns; and
- Inflation rates.

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:

- Future mortality;
- Withdrawals; and
- Renewal expenses.

Using our actuarial expertise, we tested the valuation of policyholder assets and liabilities under insurance contracts by performing the following procedures:

- We attended relevant meetings to obtain an understanding of the Group's actuarial control environment and governance, such as the functioning of the Actuarial Committee which approves the methodology and assumption changes, against industry practice and regulatory requirements. During these meetings, we understood the governance processes in relation to assumption and model changes, including those relating to Covid-19, and challenged the appropriateness of these assumptions and model changes relative to industry and market developments.
- We tested a sample of the underlying data and key management reconciliations 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 and we found management's valuation methodology to be consistent with these.
- We examined management's *Analysis of Surplus* (AoS), which shows sources of profit and how it relates to the change in insurance contract provisions as disclosed on the consolidated statement of comprehensive income. The AoS was found to be consistent with the carrying amounts of the policyholder assets and liabilities.
- We assessed the reasonableness of economic assumptions through

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:

- 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.
- comparison to available market observable data, and assessed the Group's underlying methodology against SAP 104. The assumptions were found to be within an appropriate range, taking into account the Group's circumstances and their underlying methodology.
- Our assessment of the the non-economic assumptions included the following, which resulted in us accepting management's assumptions:
    - We assessed the reasonableness of the base non-economic assumptions by comparing the assumptions to the most recent experience investigations conducted by management and our knowledge of the business.
    - We assessed management's process to determine the impact of Covid-19 on each of the assumptions. This was done by comparing these to the guidance issued by the Actuarial Society of South Africa (ASSA), the South African Medical Research Council (SAMRC) models, as well as to other sources of industry data.

### *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 2020", 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 2020 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.

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### *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.

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### *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.

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### *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 87 years.

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*PricewaterhouseCoopers Inc.*

PricewaterhouseCoopers Inc.  
Director: DT van den Berg  
Registered Auditor  
Johannesburg  
22 September 2020

## STATEMENTS OF COMPREHENSIVE INCOME for the year ended 30 June 2020

	NOTES	CONSOLIDATED		COMPANY	
		2020 R'000	2019 R'000	2020 R'000	2019 R'000
Insurance premiums revenue		4 003 620	3 458 166	-	-
Insurance premiums ceded to reinsurers		(122 411)	(101 417)	-	-
Net insurance premium revenue	7	3 881 209	3 356 749	-	-
Commission received on outward reinsurance		6 783	3 154	-	-
Fee income	8	81 489	75 651	-	-
Investment income on financial assets	9	-	-	332 082	348 305
- at fair value through profit or loss	9	255 200	205 820	-	-
- at amortised cost	9	143 517	87 303	1 473	1 707
Net fair value (losses) / gains on financial assets	10	(156 442)	16 443	-	-
Other income	11	3 542	(185)	40	2
<b>Income</b>		<b>4 215 298</b>	<b>3 744 935</b>	<b>333 595</b>	<b>350 014</b>
Insurance benefits and claims		(1 189 242)	(1 073 840)	-	-
Insurance claims recovered from reinsurers		97 814	88 605	-	-
Net insurance benefits and claims	12	(1 091 428)	(985 235)	-	-
Commission expenses	13	(823 150)	(824 359)	-	-
Operating and administrative expenses	14	(1 252 635)	(1 136 925)	(27 747)	(48 178)
Investment management expenses		(13 411)	(13 590)	-	-
Change in insurance contract provisions	28	(21 418)	568 835	-	-
Value adjustments on investment contract liabilities	29	(191 247)	(186 445)	-	-
<b>Expenses</b>		<b>(3 393 289)</b>	<b>(2 577 719)</b>	<b>(27 747)</b>	<b>(48 178)</b>
<b>Result of operating activities</b>		<b>822 009</b>	<b>1 167 216</b>	<b>305 848</b>	<b>301 836</b>
Finance charges	15	(35 523)	(16 736)	-	-
<b>Profit before taxation</b>		<b>786 486</b>	<b>1 150 480</b>	<b>305 848</b>	<b>301 836</b>
Income tax expense	16	(222 381)	(243 441)	(313)	(93)
<b>PROFIT FOR THE YEAR</b>		<b>564 105</b>	<b>907 039</b>	<b>305 535</b>	<b>301 743</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>564 105</b>	<b>907 039</b>	<b>305 535</b>	<b>301 743</b>
<b>Profit attributable to:</b>					
Owners of Assupol Holdings Ltd		564 152	907 039	305 535	301 743
Non-controlling interests		(47)	-	-	-
		564 105	907 039	305 535	301 743
<b>Total comprehensive income attributable to:</b>					
Owners of Assupol Holdings Ltd		564 152	907 039	305 535	301 743
Non-controlling interests		(47)	-	-	-
		564 105	907 039	305 535	301 743
<b>Group earnings per share (cents)</b>					
Basic earnings per share (cents)	17	139.93	238.81		
Diluted earnings per share (cents)	17	138.11	220.42		

## STATEMENTS OF FINANCIAL POSITION as at 30 June 2020

	NOTES	CONSOLIDATED		COMPANY	
		2020 R'000	2019 R'000	2020 R'000	2019 R'000
<b>ASSETS</b>					
Property and equipment	18	235 119	249 311	-	-
Intangible assets	19	151 168	146 830	-	-
Investments in subsidiaries	20	-	-	784 436	770 526
Financial assets - Investments					
At fair value through profit or loss					
Equity securities	21	1 418 923	1 264 833	-	-
Debt securities	21	1 573 542	1 340 178	-	-
Deposits and money market securities	21	1 031 739	964 732	-	-
At amortised cost					
Deposits and money market securities	21	1 622 487	1 157 777	-	-
Policyholder assets					
Insurance contracts	28	2 953 398	2 994 440	-	-
Reinsurance assets	28	22 515	2 891	-	-
Insurance and other receivables	22	141 370	124 140	41 541	41 524
Current taxation	35	-	-	-	389
Cash and cash equivalents	23	424 550	424 812	15 309	12 457
<b>TOTAL ASSETS</b>		<b>9 574 811</b>	<b>8 669 944</b>	<b>841 286</b>	<b>824 896</b>
<b>EQUITY</b>					
Share capital	24	640 484	639 533	640 484	639 533
Treasury shares	25, 26	(39 498)	(68 106)	(36 993)	(65 601)
Employee benefits reserve	26	210 047	204 367	210 047	204 367
Black Economic Empowerment reserve	27	14 300	14 300	14 300	14 300
Retained earnings		3 689 366	3 477 328	(13 498)	14 038
Capital and reserves attributable to owners of Assupol Holdings		4 514 699	4 267 422	814 340	806 637
Non-controlling interest		(47)	-	-	-
<b>TOTAL EQUITY</b>		<b>4 514 652</b>	<b>4 267 422</b>	<b>814 340</b>	<b>806 637</b>
<b>LIABILITIES</b>					
Policyholder liabilities: Investment contracts					
At fair value through profit or loss	29	1 684 556	1 565 953	-	-
At amortised cost	29	1 692 321	1 209 987	-	-
Other liabilities	30	428 301	318 996	-	-
Employee benefits	31	75 265	91 414	-	-
Deferred revenue liability	32	610	656	-	-
Deferred tax liability	33	809 208	861 127	-	-
Insurance and other payables	34	360 101	328 317	26 724	18 259
Current taxation	35	9 797	26 072	222	-
<b>TOTAL LIABILITIES</b>		<b>5 060 159</b>	<b>4 402 522</b>	<b>26 946</b>	<b>18 259</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>9 574 811</b>	<b>8 669 944</b>	<b>841 286</b>	<b>824 896</b>

## STATEMENTS OF CHANGES IN EQUITY for the year ended 30 June 2020

	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
<b>COMPANY</b>							
<b>Balance at 30 June 2018</b>	639 438	(65 601)	167 485	14 300	33 137	-	788 759
Cost of incentive shares	-	-	1 448	-	-	-	1 448
Deferred bonus recognition	-	-	35 434	-	-	-	35 434
Dividend paid	-	-	-	-	(361 982)	-	(361 982)
Assupol Life's deferred bonus shares	-	-	-	-	41 048	-	41 048
Adjustment of redemption on preference shares	95	-	-	-	92	-	187
Profit for the year	-	-	-	-	301 743	-	301 743
<b>Balance at 30 June 2019</b>	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
<b>Balance at 30 June 2020</b>	640 484	(36 993)	210 047	14 300	(13 498)	-	814 340

## STATEMENTS OF CHANGES IN EQUITY for the year ended 30 June 2020

	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
<b>CONSOLIDATED</b>							
<b>Balance at 30 June 2018</b>	639 438	(68 106)	167 485	14 300	2 931 147	-	3 684 264
Cost of incentive shares	-	-	1 448	-	-	-	1 448
Deferred bonus recognition	-	-	35 434	-	-	-	35 434
Dividend paid	-	-	-	-	(360 950)	-	(360 950)
Adjustment of redemption on preference shares	95	-	-	-	92	-	187
Profit for the year	-	-	-	-	907 039	-	907 039
<b>Balance at 30 June 2019</b>	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
<b>Balance at 30 June 2020</b>	640 484	(39 498)	210 047	14 300	3 689 366	(47)	4 514 652

## STATEMENTS OF CASH FLOWS for the year ended 30 June 2020

	NOTES	CONSOLIDATED		COMPANY	
		2020 R'000	2019 R'000	2020 R'000	2019 R'000
<b>Cash flows from operating activities</b>					
Cash generated from / (utilised in) operations	36	1 429 598	1 074 776	(309 088)	(12 851)
Net acquisition of financial instruments					
at fair value through profit or loss		(610 903)	(318 220)	-	-
at amortised cost		(464 710)	(401 253)	-	-
Interest received	9	214 621	197 818	333 555	1 707
Dividends received	9	59 183	28 741	332 082	348 305
Dividends paid		(353 038)	(360 950)	(353 995)	(361 982)
Interest paid	15	(35 523)	(16 736)	-	-
Taxation paid	37	(290 575)	(193 080)	298	(120)
<b>Net cash flows from operating activities</b>		<b>(51 347)</b>	<b>11 096</b>	<b>2 852</b>	<b>(24 941)</b>
<b>Cash flows from investing activities</b>					
Acquisition of property and equipment		(39 561)	(32 592)	-	-
Acquisition of intangible assets	19	(13 609)	(9 500)	-	-
Proceeds on disposal of equipment		2 713	1 927	-	-
Payment for acquisition of subsidiary	41	-	-	-	-
<b>Net cash flows from investing activities</b>		<b>(50 457)</b>	<b>(40 165)</b>	<b>-</b>	<b>-</b>
<b>Cash flows from financing activities</b>					
Increase in subordinated debt	30	145 642	127 591	-	-
Payment of subordinated debt	30	(21 549)	(1 614)	-	-
Payment of principal lease payments	30	(22 551)	(18 794)	-	-
<b>Net cash flows from financing activities</b>		<b>101 542</b>	<b>107 183</b>	<b>-</b>	<b>-</b>
Net (decrease) / increase in cash and cash equivalents		(262)	78 114	2 852	(24 941)
Cash and cash equivalents at beginning of the year		424 812	346 698	12 457	37 398
<b>Cash and cash equivalents at end of the year</b>	23	<b>424 550</b>	<b>424 812</b>	<b>15 309</b>	<b>12 457</b>

## 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 are dormant and in the process of being wound down with the intent to deregister the companies. These companies include Cornerstone Brokers Corporate Proprietary Limited ('Cornerstone Brokers'), Siebador Sewentien Proprietary Limited ('Siebador Sewentien'), and Top Top Business Consultants. On 1 April 2020 the Group acquired 51% of Assupol Wealth Proprietary Limited ("Assupol Wealth"), a financial services provider.

## 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 2.18.3.

## 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 meets on a monthly basis. The steering committee 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 IT architecture and systems, 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 previous financial year.

## 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			
	Amortised cost meeting		Total	Other financial instruments
	SPPI * R'000	FVTPL ** R'000	R'000	R'000
<b>Local listed shares</b>				
Opening balance	-	955 118	955 118	-
Contributions	-	305 135	305 135	-
Withdrawals	-	(70 087)	(70 087)	-
Increase / (decrease) in fair value	-	(160 048)	(160 048)	-
Investment income	-	62 851	62 851	-
Fees	-	(956)	(956)	-
Closing balance	-	1 092 013	1 092 013	-
<b>Global unit trusts</b>				
Opening balance	-	309 715	309 715	-
Contributions	-	56 913	56 913	-
Withdrawals	-	(109 447)	(109 447)	-
Increase / (decrease) in fair value	-	65 281	65 281	-
Investment income	-	4 129	4 129	-
Fees	-	319	319	-
Closing balance	-	326 910	326 910	-
<b>Debt securities</b>				
Opening balance	-	1 340 178	1 340 178	-
Contributions	-	374 603	374 603	-
Withdrawals	-	(199 494)	(199 494)	-
Increase / (decrease) in fair value	-	(62 447)	(62 447)	-
Investment income	-	124 047	124 047	-
Fees	-	(3 345)	(3 345)	-
Closing balance	-	1 573 542	1 573 542	-
<b>Deposits and money markets securities</b>				
Opening balance	1 157 777	964 732	2 122 509	-
Contributions	401 731	1 079 314	1 481 045	-
Withdrawals	(58 696)	(1 076 630)	(1 135 326)	-
Increase / (decrease) in fair value	1 145	(373)	772	-
Investment income	124 713	65 763	190 476	-
Fees	(4 183)	(1 067)	(5 250)	-
Closing balance	1 622 487	1 031 739	2 654 226	-
<b>Other receivables</b>				
Opening balance	11 204	-	11 204	15 975
Accrued interest	612	-	612	189
Additions	-	-	-	12 669
Repayment received	(3 938)	-	(3 938)	(72)
Closing balance	7 878	-	7 878	28 761
<b>Cash and cash equivalents</b>				
Opening balance	424 812	-	424 812	-
Net contributions received	(262)	-	(262)	-
Closing balance	424 550	-	424 550	-

\* 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 2.18.

**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 are 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 tax 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 tax includes South African corporate tax payable as well as capital gains tax.

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 tax

Dividend withholding tax is a tax 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 tax 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 tax liabilities or assets by applying corporate enacted or substantially enacted tax rates to the temporary differences existing at each end of a reporting period between the tax 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 tax arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for.

The Group recognises deferred tax assets if the directors of the Group consider it probable that future taxable income will be available against which the unused tax 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 2.18.2 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 tax and deferred tax 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).

**2.14 Loans to policyholders**

Loans to policyholders are classified as 'financial assets carried 'at amortised cost'.' (refer to note 2.12.2). Loans were granted to a maximum of 75% of the cash value (the policy value less policy cost balance) of the respective policy. Interest is charged at a prime linked rate. If any bad debt arises, it is written off during the year in which it is identified. The granting of loans to policyholders was discontinued in September 2015 and the final outstanding balance was repaid during the financial year.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****2.15 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.

**2.16 Share capital**

Ordinary and preference shares are classified as equity.

**2.17 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)

### 2.18 Policyholder contracts - Investment and insurance

#### 2.18.1 *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.

#### 2.18.2 *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)

### 2.18 Policyholder contracts - Investment and insurance (continued)

#### 2.18.2 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.

#### 2.18.3 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). Also included in the liability are HIV/AIDS reserves as calculated in accordance with APN105.

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)

### 2.18 Policyholder contracts - Investment and insurance (continued)

#### 2.18.3 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 TSM Real World 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)****2.19 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.

**2.19.1 Financial liabilities excluding policyholder liabilities under investment contracts**Initial 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.

**2.19.2 Policyholder liabilities under investment contracts**Initial 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 2.18.2 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.

**2.20 Employee benefits****2.20.1 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.

**2.20.2 Leave pay accrual**

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

**2.20.3 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)

### 2.21 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 impact and response from the Group to the COVID-19 pandemic that were considered in this regard, included:

- The restriction on sales in the face-to-face environment that resulted in a 25.2% decrease in new business units in the individual risk and savings business if compared to the previous financial year.
- Additional COVID-19 related expenses of R9.9 million was incurred.
- Support that was provided to tied sales force of R23.9 million during the lock down period when face-to-face sales were restricted within the regulatory limitation.
- Expenses were managed by adjusting for potential savings as a result of the lock down period.
- The excess renewal expense reserve was not released to ensure sufficient reserves remain for the potential impact of COVID-19 on the growth of the in force book.
- The volatility in investment markets that has resulted in an underperformance against long-term return assumptions.
- The worsening of the Group's mortality experience. Based on the Group's own mortality experience, and supported by the South African Medical Research Council (SAMRC) statistics and the COVID-19 considerations for assurance actuaries issued by the Actuarial Society of South Africa, explicit COVID-19 mortality reserves for the group related business and individual business of R77.9 million after tax were provided for.
- The prioritisation of the preservation of capital.

The assets under long-term insurance contracts decreased by R21.4 million resulting in a net year-end asset balance of R2 975.9 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 tax

The Group is subject to tax in South Africa. There may be transactions and calculations for which the ultimate tax determination has an element of uncertainty during the ordinary course of business. The Group recognises liabilities based on objective estimates of the amount of tax that may be due. Where the final tax determination is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provisions in the period in which such determination was made. The corporate tax rate in South Africa is 28% (2019: 28%).

Assupol Life have four separate tax 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 R1.5 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 tax 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) and guaranteed-income single-premium plan (GISP) business written. As a result a deferred tax asset of R116.5 million (2019: R118.2 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;
- 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 tax legislation, and
- It was assumed that there will be no surrenders of GRSP and GISP products in the first 3 years and 20% surrenders in years 4 and 5. Management will monitor this assumption annually as there is currently no sufficient experience available to inform another view. If the assumption for year 4 and 5 was 10%, the deferred tax asset would increase to R129.7m.

#### 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 2020 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 2020 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 4.42% (2019: 5.42%) 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	
	2020	2019
Debt securities and other loans	6.70%	7.70%
Deposits and money market securities	4.70%	5.70%
Equity securities	10.20%	11.20%
Policyholder loans	12.20%	13.20%
Loans to personnel	6.70%	7.70%
Foreign investments	5.70%	6.70%
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	
	2020	2019
Debt securities and other loans	6.70%	7.70%
Non unit linked business (excluding with-profits business)	6.70%	7.70%
With-profits business	6.70%	7.70%
Unit linked business	6.70%	8.10%

*Economic: Tax*

Future taxation and taxation relief is 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 tax 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 tax 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	2020 margin adjustment	2019 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:

- Modelling and data changes deriving from a modelling review on the Progress Legacy and Progress Accident policies.

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.
- The terminal bonus (2020: 165%; 2019: 200%) and reversionary bonus rates (2020: 1.00%; 2019: 2.75%) for Conventional With-Profit business were reduced in line with market experience.
- The per policy renewal expense assumption for Cornerstone business was increased by R12.06 (2019: R0.00) per annum.
- Explicit short-term COVID-19 reserves were included for Individual and Group business based on the estimated deviation of long term experience.
- 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 decreased from 8.1% p.a. to 7.1% p.a., the investment return assumption on the non-unit reserves decreased from 7.7% p.a. to 6.7% p.a. and the expense inflation assumption decreased from 5.42% to 4.42%.
- The real return gap decreased from 2.28% to 2.00%.
- The take-up assumptions for voluntary premium and benefit increases have increased from 60% to 70% for Direct Marketing.
- Reserves for group business were aligned to experience.
- The reserving for Cornerstone business was changed from an as-and-when basis to initial advanceable commission.
- The charging structure for savings business that commenced before 2009 was aligned to the current structure. Allocation charges were reduced and maturity benefits were added to existing premium paying savings policies.

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

	<b>CONSOLIDATED</b>	
	<b>2020</b>	<b>2019</b>
	R'000	R'000
Modelling changes and data refinements on opening liabilities	(2 064)	6 213
Change in APN110 reserve	1 182	4 095
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	(77 935)	-
Change in withdrawal rate and not-taken-up assumptions	(103 779)	(24 410)
Change in investment return assumptions and Inflation assumptions	121 203	100 137
Change in real return gap	(80 151)	(46 364)
Voluntary premium and benefit increases	(6)	(6)
Group business	(2 812)	(3 064)
Cornerstone reserving	45 244	882
Pre-2009 savings business	(14 147)	-
Change in renewal expense assumptions	-	137 756
<b>Total change in basis</b>	<b>(123 565)</b>	<b>175 240</b>

## 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.

	2020			2019		
	Total (asset) / liability	Change	% change	Total (asset) / liability	Change	% change
	R'000	R'000		R'000	R'000	
Main basis	(2 975 913)			(2 997 331)		
Renewal expenses +10%	(2 516 037)	459 876	15%	(2 633 560)	363 771	12%
Inflation +1%	(2 513 193)	462 720	16%	(2 648 952)	348 379	12%
Investment return -1%	(2 672 032)	303 881	10%	(2 829 671)	167 660	6%
Withdrawals +10%	(2 946 852)	29 061	1%	(2 964 317)	33 014	1%
Risk experience +10%	(2 143 618)	832 295	28%	(2 344 572)	652 759	22%

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 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%	(2 493 522)	459 876	(22 515)	-
Inflation +1%	(2 490 679)	462 719	(22 514)	1
Investment return -1%	(2 648 206)	305 192	(23 826)	(1 311)
Withdrawals +10%	(2 924 447)	28 951	(22 405)	110
Risk experience +10%	(1 946 202)	1 007 196	(197 416)	(174 901)

  

30 June 2019	Insurance contracts	Change	Reinsurance assets	Change
	R'000	R'000	R'000	R'000
Main basis	(2 994 440)		(2 891)	
Renewal expenses +10%	(2 630 669)	363 771	(2 891)	-
Inflation +1%	(2 646 061)	348 379	(2 891)	-
Investment return -1%	(2 825 789)	168 651	(3 883)	(992)
Withdrawals +10%	(2 961 230)	33 210	(3 087)	(196)
Risk experience +10%	(2 213 070)	781 370	(131 502)	(128 611)

## 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.

At the date of these financial statements the Group was in the process to restructure the membership of the committees following the resignation of some directors. Interim measures have been put in place while the appointment of new directors is concluded and approved by the Prudential Authority of South Africa. In the normal course of business, the compilation of the committees is as 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 three non-executive directors and meets on a quarterly basis.
- The Risk Committee is tasked with ensuring that a proper risk management framework and appropriate reporting channels are implemented for the entire Assupol Group. The committee is chaired by an independent non-executive director, comprises three non-executive directors and one executive director, and 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.

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

- 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 Investment Committee 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 four non-executive directors and three 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 Growth and Innovation Committee's role is to support executive management in facilitating the delivery of proposals within an acceptable timeframe, in accordance with the Board approved strategy and business plan. The chairman of the committee is an independent non-executive director. It comprises five non-executive directors and three executive directors. The committee meets on a quarterly basis.
- 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, 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	2020 % of premium	2019 % of premium
Individual insurance business	Insurance	82.6%	81.6%
Group risk business	Insurance	17.4%	18.4%
<b>Total</b>		<b>100.0%</b>	<b>100.0%</b>

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 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.
  - > An additional provision is held in respect of the potential deterioration of mortality experience as a result of AIDS risks using the ASSA (Actuarial Society of South Africa) AIDS model.
  - > 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	%
<b>30 June 2020</b>						
	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%
<b>Total</b>			<b>100 779 385</b>	<b>100.00%</b>	<b>64 755 337</b>	<b>100.00%</b>
<b>30 June 2019</b>						
	0 - 20 000		29 744 222	34.60%	30 241 621	52.61%
	20 000 - 50 000		16 310 971	18.97%	18 465 290	32.12%
	50 000 - 100 000		4 342 060	5.05%	5 765 021	10.03%
	100 000 - 200 000		7 865 739	9.15%	3 007 862	5.24%
	200 000 - 500 000		10 560 686	12.28%	-	0.00%
	> 500 000		17 146 092	19.95%	-	0.00%
<b>Total</b>			<b>85 969 770</b>	<b>100.00%</b>	<b>57 479 794</b>	<b>100.00%</b>

\* 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. Group schemes were taken under review or terminated during the past two financial years as a risk reducing measure.

Consolidated Scheme size (based on number of lives covered)	2020		2019	
	Number	%	Number	%
0 - 1 000	31	44.29%	161	80.50%
1 000 - 5 000	16	22.86%	14	7.00%
> 5 000	23	32.85%	25	12.50%
<b>Total</b>	<b>70</b>	<b>100.00%</b>	<b>200</b>	<b>100.00%</b>

### 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. The 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 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>	<b>2020</b> R'000	<b>2019</b> R'000
Market-related business (Investment contracts (note 29))		
Individual market-related business	3 376 877	2 775 940
Other business (Insurance contracts (note 28))	(2 975 913)	(2 997 331)
Conventional individual risk business	46 725	59 350
Other individual risk business	(3 116 029)	(3 122 970)
Group risk business	91 351	62 607
Liability for embedded derivatives	2 040	3 682
<b>Total net policyholder (assets) / liabilities</b>	<b>400 964</b>	<b>(221 391)</b>

**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.

<b>30 June 2020</b>	<b>Insurance contracts</b>	<b>Reinsurance assets</b>	<b>Total</b>
	R'000	R'000	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
<b>Total net policyholder liabilities</b>	<b>423 478</b>	<b>(22 514)</b>	<b>400 964</b>
<b>30 June 2019</b>	<b>Insurance contracts</b>	<b>Reinsurance assets</b>	<b>Total</b>
	R'000	R'000	R'000
Market-related business (Investment contracts (note 29))			
Individual market-related business	2 775 940	-	2 775 940
Other business (Insurance contracts (note 28))	(2 994 440)	(2 891)	(2 997 331)
Conventional individual risk business	59 350	-	59 350
Other individual risk business	(3 120 079)	(2 891)	(3 122 970)
Group risk business	62 607	-	62 607
Liability for embedded derivatives	3 682	-	3 682
<b>Total net policyholder liabilities</b>	<b>(218 500)</b>	<b>(2 891)</b>	<b>(221 391)</b>

*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 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 5 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 entities****Structured 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 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
<b>30 June 2020</b>						
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
<b>30 June 2019</b>						
Money Market Instruments						
Money Market Long	6	731 649	15.38%	78 330	0.93%	No
Debt instruments						
Debt Long	3	1 293 058	27.19%	4 400	29.39% **	No
Equity instruments						
Equity Long	3	309 715	6.51%	165 980	0.19%	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	2020 R'000	2019 R'000
At fair value through profit or loss					
Equity securities	x			1 418 923	1 264 833
Debt securities	x	x	x	1 573 542	1 340 178
Deposits and money market securities		x	x	1 031 739	964 732
At amortised cost					
Deposits and money market securities	x	x	x	1 622 487	1 157 777
Insurance and other receivables	x	x		141 370	124 140
Cash and cash equivalents		x		424 550	424 812
Policyholder assets: Insurance contracts	x *	- **	x	2 953 398	2 994 440
Policyholder assets: Reinsurance assets	x *		x	22 515	2 891
Policyholder liabilities	x *		x	3 376 877	2 775 940
Other liabilities			x	428 301	318 996
Insurance and other payables			x	360 101	328 317

\* 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 Investment Committee monitors the compliance on a quarterly basis. As a result the Group's exposure to any single group of companies does not exceed 9.5% (2019: 8.1%).

**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:

	2020 R'000	2019 R'000
Global unit trusts	326 910	309 715
Foreign currency amount (US\$)	18 840	21 968
Insurance policy - Global bonds	59 143	44 700
Foreign currency amount (US\$)	3 408	3 171
Closing exchange rate at year-end	17.3522	14.0984
Average exchange rate during the year	15.8612	14.1597

Overall, foreign exchange risk is considered to be within acceptable risk levels and managed effectively, as it represents only 3.6% (2019: 3.8%) 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 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 a term of five 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	
<b>30 June 2020</b>					
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%
<b>Total</b>	<b>2 851 297</b>	<b>534 526</b>	<b>(170 203)</b>	<b>2 461 096</b>	
<b>30 June 2019</b>					
At fair value through profit or loss					
Debt securities					
Corporate bonds *	2 420	-	2 420	-	N/a
Insurance policy - Global bonds **	44 700	-	44 700	-	N/a
Deposits and money market securities	964 732	2 553	230 528	731 651	8.03%
Unit trusts	1 293 058	-	-	1 293 058	8.37%
At amortised cost					
Deposits and money market securities ***	1 157 777	-	1 157 777	-	6.93% - 10.39%
Receivables (interest-bearing)	105 329	94 125	11 204	-	12.42%
Receivables (provision for impairment)					
Premiums receivable	(57 444)	-	-	-	0.00%
Sundry insurance receivables	(78 099)	-	-	-	0.00%
Receivables (non interest-bearing)	154 354	-	-	-	0.00%
Cash and cash equivalents	424 812	424 812	-	-	5.74%
Policyholder liability - Investment contracts	(1 209 987)	-	(1 209 987)	-	6.93% - 10.39%
Subordinated debt	(125 977)	(863)	(125 114)	-	10.03% - 10.29%
<b>Total</b>	<b>2 675 675</b>	<b>520 627</b>	<b>111 528</b>	<b>2 024 709</b>	

\* 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 tax	
		2020 R'000	2019 R'000	2020 R'000	2019 R'000
Assumption description	%				
Non-market long-term assumptions					
Mortality and morbidity	+10%	634 039	520 688	(456 508)	(374 895)
	-10%	(656 493)	(536 987)	472 675	386 631
Withdrawals	+10%	3 744	27 486	(2 696)	(19 790)
	-10%	18 375	(13 318)	(13 230)	9 589
Renewal expense per policy	+10%	445 077	367 424	(320 455)	(264 545)
	-10%	(444 187)	(366 626)	319 815	263 970
Economic assumptions					
Interest rate	+1%	(196 664)	(113 517)	134 436	74 570
	-1%	286 710	168 320	(198 723)	(113 482)
Inflation	+1%	445 692	349 744	(319 509)	(251 254)
	-1%	(374 445)	(295 937)	268 211	212 513
Equity prices	+10%	99 755	96 935	(71 824)	(65 216)
	-10%	(99 733)	(96 912)	71 808	65 199

## 5. RISK MANAGEMENT (continued)

## (v) Market risk sensitivity analysis (continued)

Possible changes on the 2019 policyholders' assets / liabilities are separately disclosed for insurance contracts and reinsurance assets below.

## 30 June 2020

Assumption description	Change in variable	Impact to policyholders' assets / liabilities		Impact on ordinary shareholders' equity and attributable profit after tax	
		Insurance contracts	Reinsurance assets	Insurance contracts	Reinsurance assets
		R'000	R'000	R'000	R'000
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

## 30 June 2019

Assumption description	Change in variable	Impact to policyholders' assets / liabilities		Impact on ordinary shareholders' equity and attributable profit after tax	
		Insurance contracts	Reinsurance assets	Insurance contracts	Reinsurance assets
		R'000	R'000	R'000	R'000
Non-market long-term assumptions					
Mortality and morbidity	+10%	649 299	(128 611)	(467 495)	92 600
	-10%	(668 464)	131 477	481 294	(94 664)
Withdrawals	+10%	27 681	(195)	(19 930)	141
	-10%	(13 529)	211	9 741	(152)
Renewal expense per policy	+10%	367 424	-	(264 545)	-
	-10%	(366 626)	-	263 970	-
Economic assumptions					
Interest rate	+1%	(113 888)	831	82 000	(598)
	-1%	168 816	(991)	(121 547)	714
Inflation	+1%	349 744	-	(251 816)	-
	-1%	(295 937)	-	213 074	-
Equity prices	+10%	96 512	8	(69 489)	(6)
	-10%	(96 489)	(8)	69 472	6

## 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.

No significant credit risk exists with policy loans as the policy will lapse should the loan exceed the value of the contract.

#### (i) Credit risk on investments

The 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 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	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
At fair value through profit or loss				
Debt securities				
Corporate bonds	556	2 420	-	-
Insurance policy - Global bonds	59 143	44 700	-	-
Unit trust	1 513 843	1 293 058	-	-
Deposits and money market securities	1 031 739	964 732	-	-
At amortised cost				
Deposits and money market securities	1 622 487	1 157 777	-	-
Insurance receivables				
Premium receivables - Insurance contracts	20 008	17 170	-	-
Premium receivables - Other	12 258	18 870	-	-
Sundry insurance receivables	23 931	23 466	-	-
Reinsurance recoveries	48 534	36 814	-	-
Loans to policyholders - Insurance contracts	-	641	-	-
Other receivables:				
Other sundry receivables	28 761	15 975	41 541	41 524
Loans to personnel and other loans	7 878	11 204	-	-
Cash and cash equivalents	424 550	424 812	15 309	12 457
<b>Total</b>	<b>4 793 688</b>	<b>4 011 639</b>	<b>56 850</b>	<b>53 981</b>
Analysis per credit ratings				
Local debt securities (National long-term rating)	1 514 400	1 295 478	-	-
AAA	1 514 400	2 420	-	-
AA+, AA, AA-	-	1 293 058	-	-
Deposits and money market securities (National long-term rating)	2 654 226	2 122 509	-	-
AAA	1 869 185	1 389 366	-	-
AA+, AA, AA-	785 041	732 001	-	-
A+, A, A-	-	1 142	-	-
Cash and cash equivalents (National long-term rating)	424 550	424 812	15 309	12 457
AA+, AA, AA-	(187)	424 812	15 301	12 449
A+, A, A-	-	-	8	8
Unrated	141 370	124 140	41 541	41 524
Insurance receivables	104 731	96 961	-	-
Other receivables	36 639	27 179	41 541	41 524
Global debt securities (Long term issuer default rating -Local currency)	59 142	44 700	-	-
AAA	29 200	21 616	-	-
AA+, AA, AA-	9 893	7 590	-	-
A+, A, A-	11 550	8 880	-	-
BBB+, BBB, BBB-	8 499	6 614	-	-
<b>Total</b>	<b>4 793 688</b>	<b>4 011 639</b>	<b>56 850</b>	<b>53 981</b>

## 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 as 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 both outstanding premium debtors and policyholder loans, are analysed below:

		CONSOLIDATED		COMPANY	
		2020 R'000	2019 R'000	2020 R'000	2019 R'000
Policyholder receivables	<i>Gross</i>	107 614	94 125	-	-
	<i>Impairment provision</i>	(75 348)	(57 444)	-	-
	<i>Net</i>	32 266	36 681	-	-

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

	CONSOLIDATED		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Debt securities	1 573 542	1 340 178	-	-
Neither past due, nor impaired	1 573 542	1 340 178	-	-
Deposits and money market securities	2 654 226	2 122 509	-	-
Neither past due, nor impaired	2 654 226	2 122 509	-	-
Insurance receivables	104 731	96 961	-	-
Neither past due, nor impaired	74 163	63 984	-	-
Past due				
0 to 2 months	22 970	22 401	-	-
3 to 5 months	24 654	25 757	-	-
More than 5 months	176 183	120 362	-	-
Impairment provisions	(193 238)	(135 543)	-	-
Other receivables	36 639	27 179	41 541	41 524
Neither past due, nor impaired	34 935	24 799	41 541	41 524
Past due				
0 to 2 months	919	827	-	-
More than 5 months	785	1 552	-	-
Cash and cash equivalents	424 550	424 812	15 309	12 457
Neither past due, nor impaired	424 550	424 812	15 309	12 457
<b>Total</b>	<b>4 793 688</b>	<b>4 011 639</b>	<b>56 850</b>	<b>53 981</b>

**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 Investment Committee.
- The head of actuarial control function performs 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. Unutilised 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>	<b>INSURANCE CONTRACTS</b>		<b>INVESTMENT CONTRACTS</b>	
	<b>2020</b> R'000	<b>2019</b> R'000	<b>2020</b> R'000	<b>2019</b> R'000
<i>Unit liabilities</i>				
Within 1 year	70 183	66 034	145 100	155 692
2 to 5 years	102 281	111 219	417 693	446 405
6 to 10 years	54 894	67 104	406 975	376 823
11 to 20 years	32 608	36 200	532 277	482 103
Over 20 years	33 830	28 428	172 788	159 914
<b>Total unit liabilities</b>	<b>293 796</b>	<b>308 985</b>	<b>1 674 833</b>	<b>1 620 937</b>
<i>Non-unit liabilities</i>				
Within 1 year	87 028	31 420	9 885	2 972
2 to 5 years	19 064	17 547	1 589 695	1 050 958
6 to 10 years	(147 214)	(140 041)	1 858	3 055
11 to 20 years	(427 251)	(410 736)	621	855
Over 20 years	(2 110 056)	(2 390 256)	1 202	1 027
<b>Total</b>	<b>(2 578 429)</b>	<b>(2 892 066)</b>	<b>1 603 261</b>	<b>1 058 867</b>
Effect of discounting cash flows	(2 455 701)	(2 375 979)	42 439	66 202
Effect of compulsory margins	1 672 535	1 898 620	56 344	29 934
Undiscounted liabilities (including IBNR reserves)	91 886	63 109	-	-
<b>Total non-unit liabilities</b>	<b>(3 269 709)</b>	<b>(3 306 316)</b>	<b>1 702 044</b>	<b>1 155 003</b>
<b>TOTAL</b>				
Within 1 year	157 211	97 454	154 985	158 664
2 to 5 years	121 345	128 766	2 007 388	1 497 363
6 to 10 years	(92 320)	(72 937)	408 833	379 878
11 to 20 years	(394 643)	(374 536)	532 898	482 958
Over 20 years	(2 076 226)	(2 361 828)	173 990	160 941
Effect of discounting cash flows	(2 455 701)	(2 375 979)	42 439	66 202
Effect of compulsory margins	1 672 535	1 898 620	56 344	29 934
Undiscounted liabilities (including IBNR reserves)	91 886	63 109	-	-
<b>Total policyholder liabilities</b>	<b>(2 975 913)</b>	<b>(2 997 331)</b>	<b>3 376 877</b>	<b>2 775 940</b>

**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	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Equity securities	983 059	945 089	-	-
Debt securities	292 760	296 664	-	-
Deposits and money market securities	692 810	688 169	-	-
<b>Total</b>	<b>1 968 629</b>	<b>1 929 922</b>	<b>-</b>	<b>-</b>

The expected liquidity requirement for undiscounted expected cash flows for unit liabilities for the next year is R215 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 R97 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	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Policyholder assets	(4 637 955)	(4 306 076)	-	-
Policyholder liabilities	1 684 556	1 311 637	3 376 877	2 775 940
Reinsurance assets	(22 514)	(2 891)	-	-
<b>Total net policyholder (assets) / liabilities</b>	<b>(2 975 913)</b>	<b>(2 997 331)</b>	<b>3 376 877</b>	<b>2 775 940</b>

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	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Insurance contracts				
Linked and conventional business	334 607	364 173	266 768	298 985
Other business	(3 288 005)	(3 358 613)	-	-
Reinsurance assets	(22 515)	(2 891)	-	-
Investment contracts	3 376 877	2 775 940	3 091 290	2 576 369
<b>Total policyholder liabilities</b>	<b>400 964</b>	<b>(221 391)</b>	<b>3 358 058</b>	<b>2 875 354</b>

## 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	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Lease liabilities	222 993	249 949	-	-
Contractual undiscounted cash flows				
Within 1 year	37 063	35 025	-	-
2 to 5 years	160 007	156 657	-	-
More than 5 years	25 923	58 267	-	-
Subordinated debt	329 625	352 168	-	-
Contractual undiscounted cash flows				
Within 1 year	25 403	21 634	-	-
2 to 5 years	304 222	330 534	-	-
Insurance and other payables	360 101	328 317	26 724	18 259
Contractual undiscounted cash flows				
Within 1 year	206 496	176 874	-	-
Open ended	153 605	151 443	26 724	18 259
Total	912 719	930 434	26 724	18 259

**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.

	2020	2019
Available solvency capital (R'm)	6 947	5 936
Solvency Capital Requirement (R'm)	3 758	3 421
Surplus above solvency requirement (R'm)	3 189	2 515
Capital ratio at year end (times covered)	1.85	1.73

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	10.03%	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
<b>For the year ended 30 June 2020</b>					
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
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
<b>For the year ended 30 June 2019</b>					
Local listed shares	943 815	-	-	943 815	943 815
Derivatives: Equity options	11 303	-	-	11 303	11 303
Unit trusts					
Global	309 715	-	-	309 715	309 715
Debt securities					
Corporate bonds	2 420	-	-	2 420	2 420
Insurance policy	44 700	-	-	44 700	44 700
Unit trust	1 293 058	-	-	1 293 058	1 293 058
Deposits and money market securities	964 732	1 157 777	-	2 122 509	2 154 585
Other receivables	-	27 179	-	27 179 *	27 179
Cash and cash equivalents	-	424 812	-	424 812 *	424 812
Investment contract liabilities	1 565 953	-	1 209 987	2 775 940	2 743 321
Other liabilities	-	-	318 996	318 996	319 998
Accounts payable	-	-	49 553	49 553 *	49 553

\* Where the payment terms are less than 90 days the carrying value approximates fair value. Furthermore, policyholder loans are secured by an underlying cash value of the policy on which the loan is granted.

## 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
<b>For the year ended 30 June 2020</b>					
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
<b>For the year ended 30 June 2019</b>					
Other receivables	-	41 524	-	41 524 *	41 524
Cash and cash equivalents	-	12 457	-	12 457 *	12 457
Other payables	-	-	18 259	18 259 *	18 259

\* Where the payment terms are less than 90 days the carrying value approximates fair value. Furthermore, policyholder loans are secured by an underlying cash value of the policy on which the loan is granted.

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 4.43%
- 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: 3.36%;
  - > Risk free rate: 4.35% to 4.75%;
  - > Equity index level strike: 43 590 to 51 091 (index level 50 175 at year-end);
  - > Equity volatility: 23.85% to 24.57%;

**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
<b>Consolidated 2020</b>				
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
<b>Total financial assets</b>	<b>2 277 672</b>	<b>3 531 216</b>	<b>36 639</b>	<b>5 845 527</b>
Net investment contract liabilities*	-	3 226 937	-	3 226 937
Other liabilities - Subordinated debt	272 784	-	-	272 784
<b>Total financial liabilities</b>	<b>272 784</b>	<b>3 226 937</b>	<b>-</b>	<b>3 499 721</b>
<b>Consolidated 2019</b>				
Local listed shares	943 815	-	-	943 815
Derivatives				
Equity options	-	11 303	-	11 303
Bond options	-	2 420	-	2 420
Unit trusts				
Global	309 715	-	-	309 715
Debt securities				
Insurance policy - Global bonds	44 700	-	-	44 700
Unit trusts	-	1 293 058	-	1 293 058
Deposits and money market securities*	734 204	1 420 381	-	2 154 585
Insurance receivables	-	19 511	-	19 511
Other receivables	-	-	27 179	27 179
<b>Total financial assets</b>	<b>2 032 434</b>	<b>2 746 673</b>	<b>27 179</b>	<b>4 806 286</b>
Net investment contract liabilities*	-	2 743 321	-	2 743 321
Other liabilities - Subordinated debt	126 979	-	-	126 979
<b>Total financial liabilities</b>	<b>126 979</b>	<b>2 743 321</b>	<b>-</b>	<b>2 870 300</b>

\* 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 risks

#### 5.5.1 *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 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**

	<b>Life insurance</b>	<b>Interme- diaries</b>	<b>Other</b>	<b>Reporting adjustments</b>	<b>Total</b>
	R'000	R'000	R'000	R'000	R'000
<b>For the year ended 30 June 2020</b>					
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
<b>Income</b>	<b>4 212 217</b>	<b>572</b>	<b>20</b>	<b>2 489</b>	<b>4 215 298</b>
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)
<b>Expenses</b>	<b>(3 380 208)</b>	<b>(73)</b>	<b>(162)</b>	<b>(12 846)</b>	<b>(3 393 289)</b>
<b>Result of operating activities</b>	<b>832 009</b>	<b>499</b>	<b>(142)</b>	<b>(10 357)</b>	<b>822 009</b>
Finance charges	(35 522)	(1)	-	-	(35 523)
<b>Profit / (loss) before taxation</b>	<b>796 487</b>	<b>498</b>	<b>(142)</b>	<b>(10 357)</b>	<b>786 486</b>
Income tax expense	(221 924)	(102)	72	(427)	(222 381)
<b>Profit / (loss) for the year</b>	<b>574 563</b>	<b>396</b>	<b>(70)</b>	<b>(10 784)</b>	<b>564 105</b>
<b>Total comprehensive income / (loss) for the year</b>	<b>574 563</b>	<b>396</b>	<b>(70)</b>	<b>(10 784)</b>	<b>564 105</b>

## 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
<b>For the year ended 30 June 2019</b>					
Net insurance premium revenue	3 356 749	-	-	-	3 356 749
Commission received on outward reinsurance	3 154	-	-	-	3 154
Fee income	75 651	-	-	-	75 651
Investment income and net fair value gains on financial assets	304 257	1 238	1 240	2 831	309 566
Other income	(885)	47 431	-	(46 731)	(185)
<b>Income</b>	<b>3 738 926</b>	<b>48 669</b>	<b>1 240</b>	<b>(43 900)</b>	<b>3 744 935</b>
Net insurance benefits and claims	(985 235)	-	-	-	(985 235)
Commission expenses	(827 288)	-	-	2 929	(824 359)
Operating and administrative expenses	(1 112 696)	(18 089)	(13)	(6 127)	(1 136 925)
Investment management expenses	(13 590)	-	-	-	(13 590)
Change in insurance contract provisions	568 835	-	-	-	568 835
Fair value adjustments on: investment contracts liabilities	(186 445)	-	-	-	(186 445)
<b>Expenses</b>	<b>(2 556 419)</b>	<b>(18 089)</b>	<b>(13)</b>	<b>(3 198)</b>	<b>(2 577 719)</b>
<b>Result of operating activities</b>	<b>1 182 507</b>	<b>30 580</b>	<b>1 227</b>	<b>(47 098)</b>	<b>1 167 216</b>
Finance charges	(16 713)	(9)	-	(14)	(16 736)
<b>Profit / (loss) before taxation</b>	<b>1 165 794</b>	<b>30 571</b>	<b>1 227</b>	<b>(47 112)</b>	<b>1 150 480</b>
Income tax expense	(243 290)	422	(343)	(230)	(243 441)
<b>Profit / (loss) for the year</b>	<b>922 504</b>	<b>30 993</b>	<b>884</b>	<b>(47 342)</b>	<b>907 039</b>
<b>Total comprehensive income / (loss) for the year</b>	<b>922 504</b>	<b>30 993</b>	<b>884</b>	<b>(47 342)</b>	<b>907 039</b>

**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
<b>For the year ended 30 June 2020</b>					
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
<b>For the year ended 30 June 2019</b>					
Financial assets - Investments	4 727 520	-	-	-	4 727 520
Policyholder assets	2 997 331	-	-	-	2 997 331
Total other assets	850 062	38 009	156	56 866	945 093
Policyholder liabilities	2 775 940	-	-	-	2 775 940
Total other liabilities	1 653 348	150	31	(26 947)	1 626 582
Additions to non-current assets	54 407	36	-	-	54 444
Depreciation	53 747	407	-	-	54 154
Amortisation of intangible assets	18 055	-	-	-	18 055
Impairment of intangible assets	8 694	-	-	-	8 694

**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.

	2020	2019
Individual insurance business	82.6%	81.6%
Group risk business	17.4%	18.4%
Total	100.0%	100.0%

	CONSOLIDATED		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
<b>7. NET INSURANCE PREMIUM REVENUE</b>				
Gross individual premiums	3 041 490	2 549 189	-	-
Gross group scheme and grouped individual premiums	958 248	872 409	-	-
Gross inward reinsurance premiums	3 882	36 568	-	-
Outward reinsurance premiums paid	(122 411)	(101 417)	-	-
<b>Total net insurance premium revenue</b>	<b>3 881 209</b>	<b>3 356 749</b>	<b>-</b>	<b>-</b>
<b>8. FEE INCOME</b>				
Investment management fee charges	74 357	67 766	-	-
Policy fee	49 523	46 141	-	-
Management fees	24 834	21 625	-	-
Surrender charges	6 763	7 775	-	-
Amortisation of deferred revenue	369	110	-	-
<b>Total fee income</b>	<b>81 489</b>	<b>75 651</b>	<b>-</b>	<b>-</b>
<b>9. INVESTMENT INCOME ON FINANCIAL ASSETS</b>				
At fair value through profit or loss	255 200	205 820	-	-
Interest received on financial assets (note 21)	196 017	177 079	-	-
Dividends received	59 183	28 741	-	-
At amortised cost	143 517	87 303	1 473	1 707
Interest received on financial assets	124 913	66 564	-	-
Interest received on insurance and other receivables	801	1 147	-	-
Policyholder loans	-	128	-	-
Loans to personnel	801	1 019	-	-
Cash and cash equivalents	17 803	19 592	1 473	1 707
At cost: Dividends received	-	-	332 082	348 305
<b>Total investment income</b>	<b>398 717</b>	<b>293 123</b>	<b>333 555</b>	<b>350 012</b>
<b>10. NET FAIR VALUE (LOSSES) / GAINS ON FINANCIAL ASSETS</b>				
At fair value through profit or loss				
From equity securities				
Local listed shares	(156 719)	(30 416)	-	-
Global unit trusts	65 281	17 308	-	-
From debt securities				
Local debt securities	(74 254)	36 256	-	-
Global debt securities	12 933	2 242	-	-
Structured products	(3 683)	(8 947)	-	-
<b>Total net fair value (losses) / gains on financial assets</b>	<b>(156 442)</b>	<b>16 443</b>	<b>-</b>	<b>-</b>

	CONSOLIDATED		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
<b>11. OTHER INCOME</b>				
Profit on disposal of equipment	154	249	-	-
Other income / (loss)	3 388	(434)	40	2
<b>Total other income</b>	<b>3 542</b>	<b>(185)</b>	<b>40</b>	<b>2</b>
<b>12. NET INSURANCE BENEFITS AND CLAIMS</b>				
Individual benefits	718 263	631 330	-	-
Death and disability claims	628 842	532 331	-	-
Accident and dread disease claims	19 030	16 012	-	-
Maturities	98 881	94 370	-	-
Annuities	24 160	125	-	-
Surrenders	35 560	36 963	-	-
Inward reinsurance claims	9 604	40 134	-	-
Outward reinsurance recoveries	(97 814)	(88 605)	-	-
Group scheme and grouped individual benefits	373 165	353 905	-	-
<b>Total net insurance benefits and claims</b>	<b>1 091 428</b>	<b>985 235</b>	<b>-</b>	<b>-</b>
<b>13. COMMISSION EXPENSES</b>				
Insurance contracts				
Commission paid	809 502	811 880	-	-
Investment contracts				
Amortisation of intangible asset (DAC)	13 648	12 479	-	-
<b>Total commission expenses</b>	<b>823 150</b>	<b>824 359</b>	<b>-</b>	<b>-</b>

	CONSOLIDATED		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
<b>14. OPERATING AND ADMINISTRATIVE EXPENSES</b>				
Office costs	340 061	307 114	701	665
Employee costs	470 730	442 979	-	-
Advertising and promotions	241 576	206 045	-	-
Provision for impairments on receivables	17 904	15 434	-	-
Training and development costs	14 140	15 690	-	-
Share register and trading cost	1 016	1 011	1 016	1 011
Strategic projects	141	5 991	141	5 991
Impairment of investment in subsidiaries	-	-	20 378	35 477
Other	167 067	142 661	5 511	5 034
<b>Total operating and administrative expenses</b>	<b>1 252 635</b>	<b>1 136 925</b>	<b>27 747</b>	<b>48 178</b>
Operating and administrative expenses include the following:				
Depreciation on property and equipment	58 955	54 154	-	-
Owned computer equipment	16 248	12 208	-	-
Motor vehicles	7 853	6 142	-	-
Office equipment	4 057	3 687	-	-
Right-to-use assets: Property	30 155	31 534	-	-
Right-to-use assets: Equipment	642	583	-	-
Auditors' remuneration	6 580	5 716	699	660
Audit fees - current year	2 270	2 181	-	-
Audit fees - prior years	4 310	3 535	699	660
Repairs and maintenance	17 930	19 321	-	-
Professional services	43 821	35 662	856	989
Actuarial services	4 995	6 333	-	-
Legal	4 208	5 467	689	88
Information technology	14 830	10 490	-	-
Professional and consulting	19 788	13 372	167	901
Lease rentals	16 293	16 159	-	-
Office equipment	124	71	-	-
Office buildings	16 169	16 088	-	-
Amortisation of intangible assets (excluding DAC)	5 577	5 576	-	-
Trademark and customer relationships	5 577	5 576	-	-
Impairment of intangible assets (note 19)	9 351	8 694	-	-
Deferred acquisition cost (DAC) <sup>(1)</sup>	9 351	8 694	-	-

(1) The impairment of the deferred acquisition cost is effected 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	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
<b>14. OPERATING AND ADMINISTRATIVE EXPENSES (continued)</b>				
Employee costs <sup>(1)</sup>	470 730	442 979	-	-
Salaries and wages	368 816	310 479	-	-
Leave pay	11 363	1 419	-	-
Bonus	20 583	64 408	-	-
Pension costs - defined contribution plan	35 680	29 790	-	-
Equity-settled share-based payments:				
Share incentive scheme	-	59	-	-
Deferred bonus	33 262	35 435	-	-
Other share incentives	1 026	1 389	-	-
Total directors' emoluments <sup>(2)</sup>	58 586	67 455	3 609	3 128
Executive directors (including the prescribed officers)	46 711	58 282	-	-
Non-executive directors	11 875	9 173	3 609	3 128

(1) The number of permanent salaried staff, contract and temporary workers at 30 June 2020 was 1017 (30 June 2019: 960).

(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.

	CONSOLIDATED		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
<b>15. FINANCE CHARGES</b>				
Lease liability (notes 3.4 and 34)	(14 017)	(14 985)	-	-
Subordinated debt	(21 505)	(1 728)	-	-
Other financiers	(1)	(23)	-	-
Total interest expense	(35 523)	(16 736)	-	-

	CONSOLIDATED		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
<b>16. INCOME TAX EXPENSE</b>				
Current tax	(274 300)	(222 183)	(313)	(93)
Deferred tax (note 33)	51 919	(21 258)	-	-
<b>Total income tax expense - South African normal tax</b>	<b>(222 381)</b>	<b>(243 441)</b>	<b>(313)</b>	<b>(93)</b>

**Reconciliation of tax rate**

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

	CONSOLIDATED		COMPANY	
	2020 %	2019 %	2020 %	2019 %
Standard rate of taxation	28.00	28.00	28.00	28.00
Adjusted for:				
Non taxable income	(32.72)	(20.83)	(30.40)	(28.91)
Non deductible expenses	2.15	2.95	2.50	1.05
Capital gains not subject to tax	(0.06)	(0.18)	-	-
Amounts not credited to profit or loss <sup>(1)</sup>	31.06	11.13	-	-
Overprovision of prior years	(0.15)	(0.19)	-	-
Unutilised tax losses	-	(0.03)	-	(0.11)
Non-income generating expenses	-	0.31	-	-
<b>Effective tax rate</b>	<b>28.28</b>	<b>21.16</b>	<b>0.10</b>	<b>0.03</b>

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

	CONSOLIDATED	
	2020 R'000	2019 R'000
<b>17. GROUP EARNINGS PER SHARE</b>		
Total earnings attributable to ordinary shareholders	564 152	907 039
Effect of restricted share plans	24 687	26 556
<b>Total diluted earnings attributable to ordinary shareholders</b>	<b>588 839</b>	<b>933 595</b>
Weighted average number of shares in issue *	403 170	379 818
Effect of restricted share plans	13 767	12 169
Effect of BEE transaction	9 403	31 574
<b>Diluted average number of shares in issue</b>	<b>426 340</b>	<b>423 561</b>
Group earnings per share (cents):		
Basic (cents)	140	239
Diluted (cents)	138	220

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 'B2' and 'B3' non par value shares of 4.41 million and 1.52 million that were not issued at year-end. Refer note 24.

<i>Consolidated</i>	<b>Office equipment</b> R'000	<b>Computer equipment</b> R'000	<b>Motor vehicles</b> R'000	<b>Right-of-use asset: Property</b> R'000	<b>Right-of-use asset: Equipment</b> R'000	<b>Total</b> R'000
<b>18. PROPERTY AND EQUIPMENT</b>						
<b>For the year ended 30 June 2020</b>						
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
<b>At 30 June 2020</b>						
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
<b>For the year ended 30 June 2019</b>						
Net book value						
at beginning of year	22 632	35 093	18 188	174 786	-	250 699
Additions	3 727	18 627	10 238	18 648	3 204	54 444
Disposals	(474)	(120)	(1 084)	-	-	(1 678)
Depreciation charge	(3 687)	(12 208)	(6 142)	(31 534)	(583)	(54 154)
Net book value at end of year	22 198	41 392	21 200	161 900	2 621	249 311
<b>At 30 June 2019</b>						
Cost	44 761	96 928	35 194	220 246	3 204	400 333
Accumulated depreciation	(22 563)	(55 536)	(13 994)	(58 346)	(583)	(151 022)
<i>Non-current asset</i>	22 198	41 392	21 200	161 900	2 621	249 311

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

<i>Consolidated</i>	Goodwill <sup>(1)</sup>	Deferred acquisition cost (DAC) <sup>(2)</sup>	IT development cost <sup>(3)</sup>	Trademark and customer relationships <sup>(4)</sup>	Total
	R'000	R'000	R'000	R'000	R'000
<b>19. INTANGIBLE ASSETS</b>					
<b>For the year ended 30 June 2020</b>					
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
<b>At 30 June 2020</b>					
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
<b>For the year ended 30 June 2019</b>					
Net carrying amount at beginning of year	75 134	34 653	-	27 881	137 668
Additions	-	-	9 500	-	9 500
New business	-	26 411	-	-	26 411
Impairment	-	(8 694)	-	-	(8 694)
Amortisation charge	-	(12 479)	-	(5 576)	(18 055)
Net carrying amount at end of year	75 134	39 891	9 500	22 305	146 830
<b>At 30 June 2019</b>					
Cost	85 608	61 425	9 500	27 881	184 414
Accumulated impairment / amortisation	(10 474)	(21 534)	-	(5 576)	(37 584)
Net carrying amount at end of year	75 134	39 891	9 500	22 305	146 830
Non-current asset	75 134	28 101	9 500	22 305	135 040
Current asset	-	11 790	-	-	11 790

(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 10.2% (2019: 11.2%). 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 R9.351 million (2019: R8.694 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	
	2020 R'000	2019 R'000
<b>20. INVESTMENTS IN SUBSIDIARIES (Unlisted)</b>		
Balance at beginning of year	770 526	769 121
Equity-settled share-based payments		
Share incentive scheme - Assupol Life	-	59
Deferred bonus - Assupol Life	33 262	35 434
Other share incentives - Assupol Life	1 026	1 389
Impairment of investment in Assupol Investment Holdings	(20 378)	(35 477)
<i>Non-current asset</i> - unlisted equity investments	784 436	770 526
Unlisted equity investments, valued at cost, comprise the following:	784 436	770 526
Assupol Life	767 553	733 459
Assupol Investment Holdings	16 883	37 067

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

The investment in Assupol Investment Holdings was impaired as a result the decrease in the fair value of its subsidiaries. The method used to determine the value of a possible impairment was to compare the fair value of the related subsidiary less cost of disposal with the investment in the subsidiary.

	CONSOLIDATED		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
<b>21. FINANCIAL ASSETS - INVESTMENTS</b>				
<b>At fair value through profit or loss (designated) <sup>(4)</sup></b>				
Equity securities - quoted and listed	1 418 923	1 264 833	-	-
Local listed shares	1 092 013	955 118	-	-
Global unit trusts	326 910	309 715	-	-
<b>Total equity securities</b>	<b>1 418 923</b>	<b>1 264 833</b>	<b>-</b>	<b>-</b>
Debt securities - quoted and listed (local) <sup>(1)</sup>	1 514 399	1 295 478	-	-
Corporate bonds	556	2 420	-	-
Unit trusts	1 513 843	1 293 058	-	-
Insurance policy - Global bonds <sup>(2)</sup>	59 143	44 700	-	-
<b>Total debt securities</b>	<b>1 573 542</b>	<b>1 340 178</b>	<b>-</b>	<b>-</b>
Deposits and money market securities	1 031 739	964 732	-	-
<b>Total at fair value through profit or loss (designated) (4)</b>	<b>4 024 204</b>	<b>3 569 743</b>	<b>-</b>	<b>-</b>
<b>At amortised cost</b>				
Deposits and money market securities <sup>(3)</sup>	1 622 487	1 157 777	-	-
<b>Total at amortised cost</b>	<b>1 622 487</b>	<b>1 157 777</b>	<b>-</b>	<b>-</b>
<b>Total financial assets - investments</b>	<b>5 646 691</b>	<b>4 727 520</b>	<b>-</b>	<b>-</b>
<i>Non-current asset</i>				
Deposits and money market securities	1 576 919	1 157 777	-	-
<i>Current asset</i>				
Equity securities - quoted and listed	1 418 923	1 264 833	-	-
Debt securities - quoted and listed (local)	1 573 542	1 340 178	-	-
Deposits and money market securities	1 077 307	964 732	-	-

(1) Listed debt securities in this category include floating-rate instruments and other debt securities. Corporate bonds paid a yield that varied between 0.00% and 10.80% (2019: 7.47% and 8.37%).

(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 10.39% (2019: 6.93% 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	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
<b>21. FINANCIAL ASSETS - INVESTMENTS (continued)</b>				
Analysis of movements in financial assets - investments:				
Balance at beginning of year	4 727 520	3 991 604	-	-
Additions				
At fair value through profit or loss	882 031	452 227	-	-
At amortised cost	339 997	334 689	-	-
Disposals at carrying value	(526 328)	(339 593)	-	-
Net fair value gains	(156 442)	16 443	-	-
Interest received				
At fair value through profit or loss	196 017	176 845	-	-
At amortised cost	124 713	66 564	-	-
Dividends received	59 183	28 741	-	-
Balance at end of year	5 646 691	4 727 520	-	-

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
<b>30 June 2020</b>						
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
<b>Total</b>	<b>3 939 163</b>	<b>130 609</b>	<b>1 576 919</b>	<b>-</b>	<b>-</b>	<b>5 646 691</b>

**30 June 2019**

Equity securities						
Local listed shares	943 815	-	-	-	-	943 815
Derivatives: Equity options	11 303	-	-	-	-	11 303
Local and global unit trusts	309 715	-	-	-	-	309 715
Debt securities						
Corporate bonds						
Fixed rate	-	2 420	-	-	-	2 420
Unit trust	1 293 058	-	-	-	-	1 293 058
Insurance policy						
Global bonds	44 700	-	-	-	-	44 700
Deposits and money market securities						
Fixed rate	-	230 529	1 157 777	-	-	1 388 306
Floating rate	-	2 553	-	-	-	2 553
Unit trust	731 650	-	-	-	-	731 650
<b>Total</b>	<b>3 334 241</b>	<b>235 502</b>	<b>1 157 777</b>	<b>-</b>	<b>-</b>	<b>4 727 520</b>

	CONSOLIDATED		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
<b>22. INSURANCE AND OTHER RECEIVABLES</b>				
Premiums receivable	32 266	36 040	-	-
Gross premiums outstanding	107 614	93 484	-	-
Provision for impairment <sup>(1)</sup>	(75 348)	(57 444)	-	-
Sundry insurance receivables <sup>(2)</sup>	23 931	23 466	-	-
Gross receivables outstanding	82 533	101 565	-	-
Provision for impairment <sup>(3)</sup>	(58 602)	(78 099)	-	-
Other sundry receivables	28 761	15 975	41 541	41 524
Reinsurance recoveries	48 534	36 814	-	-
Loans to personnel	7 878	11 204	-	-
Loans to policyholders	-	641	-	-
<b>Total insurance and other receivables</b>	<b>141 370</b>	<b>124 140</b>	<b>41 541</b>	<b>41 524</b>
<i>Non-current asset</i>	31 072	34 009	-	-
<i>Current asset</i>	110 298	90 131	41 541	41 524
<i>Interest bearing receivables</i>	115 492	105 329	-	-
<i>Provisions for impairment</i>	(133 950)	(135 543)	-	-
<i>Non-interest bearing receivables</i>	159 828	154 354	41 541	41 524
Total insurance and other receivables consist of:				
Insurance receivables	104 731	96 961	-	-
Premiums receivable - insurance contracts	20 008	17 170	-	-
Premiums receivable - other	12 258	18 870	-	-
Sundry insurance receivables	23 931	23 466	-	-
Reinsurance recoveries	48 534	36 814	-	-
Loans to policyholders	-	641	-	-
Other receivables	36 639	27 179	41 541	41 524
Other sundry receivables	28 761	15 975	41 541	41 524
Loans to personnel	7 878	11 204	-	-
<b>Total insurance and other receivables</b>	<b>141 370</b>	<b>124 140</b>	<b>41 541</b>	<b>41 524</b>
(1) Movements in provision for impairment of premiums receivable:				
Balance at beginning of year	57 444	42 010	-	-
Recognised in profit or loss	17 904	15 434	-	-
Balance at end of year	75 348	57 444	-	-

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.

- (2) The Group has adopted a new policy during the financial year to write off any clawback debtors included in sundry insurance receivables after a period of 3 years. An amount of R59.2m, that was included in both the gross receivables outstanding and provision for impairment, was written off in the current financial year.

	CONSOLIDATED		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
<b>22. INSURANCE AND OTHER RECEIVABLES (continued)</b>				
(3) Movements in the provision for impairment of sundry insurance receivables:				
Balance at beginning of year	78 099	59 957	-	-
Recognised in profit or loss	(19 497)	18 142	-	-
Balance at end of year	58 602	78 099	-	-

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.

Loans to personnel in respect of vehicle finance are provided to the sales managers of Assupol Life. Housing loans and vehicle finance are no longer granted to other staff but the 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.

The granting of loans to policyholders was terminated in September 2015 and the outstanding balance was repaid during the financial year. These loans were limited to, and secured by, the underlying value of the unpaid policy benefits. The loans attracted interest at prime rate +4% for the Assupol Life book and 14.5% fixed rate for the Prosperity Life book. The directors were satisfied that at initial recognition the value of the loan granted approximated the fair value of the loan, as the loan was guaranteed by the underlying value of the contract. This reduced credit risk as the loan was effectively secured. On subsequent recognition, the loans were measured at amortised cost using the effective interest method.

	CONSOLIDATED		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
<b>23. CASH AND CASH EQUIVALENTS</b>				
Bank balances	424 550	424 812	15 309	12 457
Balance at end of year ( <i>Current asset</i> )	424 550	424 812	15 309	12 457

The effective interest rate on all short-term bank accounts during the year was 2.44% (2019: 5.74%) for the Group. All cash balances are available on demand.

## 24. SHARE CAPITAL (Consolidated and company)

### *Authorised share capital*

5 500 000 000 ordinary shares with a par value of R0.001 each  
 200 000 000 'A' ordinary redeemable no par value shares  
 200 'A' preference no par value shares  
 100 000 000 'B' 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.

#### **'A' ordinary redeemable no par value shares**

These shares are issued at an issue price determined by the Board of Directors. This class of shares has been created to allow the company to implement BEE structures that can be funded partially or in whole by way of a notional funding mechanism. The shares are subject to a directors' determination regarding certain matters, including the interest rate that will accrue in respect of the outstanding notional balance from time to time, as well as the notional price at which the share is issued.

Holders of Class A ordinary shares have the right to vote on any matter that the ordinary shareholders are entitled to vote. Refer note 27 for the directors' determination in respect of these shares.

These shares are only redeemable if a material breach occurs prior to the notional date or if there is an outstanding notional amount after the notional date.

**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 4 750 647 'B' shares that were issued as a deferred bonus in 2016, have vested.

The company has received approval from the Prudential Authority of South Africa to issue 'B2' no par value shares. The shares were not yet issued at year-end. Also refer note 26.

The company has submitted an application to the Prudential Authority of South Africa for the issue of 'B3' no par value shares. The shares were not issued at year-end as the company is still waiting for authorisation from the Prudential Authority. Also refer note 26.

*Issued share capital*

	Number of shares '000	Share capital R'000	Share premium R'000	Total R'000
<b>Ordinary shares</b>				
Balance at 30 June 2018	411 156	30 367	543 486	573 853
Adjustment of redemption of preference shares	-	-	95	95
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
<b>'B' no par value shares</b>				
Balance at 30 June 2019	4 820	28 843	-	28 843
Vesting of shares	(4 751)	(28 426)	-	(28 426)
Balance at 30 June 2020	69	417	-	417
<b>'B1' no par value shares</b>				
Balance at 30 June 2019	6 000	36 742	-	36 742
Balance at 30 June 2020	6 000	36 742	-	36 742
Total balance at 30 June 2020	421 976	95 952	544 532	640 484

	CONSOLIDATED		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
<b>25. TREASURY SHARES (other than share-based payments)</b>				
Balance at beginning and end of year	(2 505)	(2 505)	-	-

	CONSOLIDATED		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
<b>26. SHARE-BASED PAYMENTS</b>				
<b>A. Treasury shares <sup>(1)</sup></b>				
<i>Share incentive scheme</i>	(15)	(16)	(15)	(16)
Balance at beginning of year	(16)	(16)	(16)	(16)
Share incentive options exercised	1	-	1	-
<i>Deferred bonus</i>	(36 978)	(65 585)	(36 978)	(65 585)
Balance at beginning of year	(65 585)	(65 585)	(65 585)	(65 585)
Vesting of deferred bonus shares	28 607	-	28 607	-
Balance at end of year - Unvested shares	(36 993)	(65 601)	(36 993)	(65 601)
<b>B. Employee benefits reserve <sup>(2)</sup></b>				
<i>Share incentive scheme</i>	31 226	31 227	31 226	31 227
Balance at beginning of year	31 227	31 168	31 227	31 168
Cost of share incentive scheme	-	59	-	59
Options exercised	(1)	-	(1)	-
<i>Deferred bonus</i>	112 660	108 005	112 660	108 005
Balance at beginning of year	108 005	72 571	108 005	72 571
Vesting of deferred bonus shares	(28 607)	-	(28 607)	-
Cost of deferred bonus scheme	33 262	35 434	33 262	35 434
<i>Other share incentives</i>	66 161	65 135	66 161	65 135
Balance at beginning of year	65 135	63 746	65 135	63 746
Cost of share incentives	1 026	1 389	1 026	1 389
Balance at end of year - Employee benefits reserve	210 047	204 367	210 047	204 367

(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 staff of 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 '000	Number of options allocated '000
Options outstanding at 30 June 2018	2 531	962
Options exercised	(50)	(50)
Options outstanding at 30 June 2019	2 481	912
Options exercised	(800)	(800)
Options outstanding at 30 June 2020	1 681	112

*Information on options granted*

Type of arrangement            Share incentive scheme  
Vesting conditions            Vesting in 3 tranches over 3, 4 and 5 years, should the employee not resign or be dismissed

The options were granted at different dates, namely:

Grant date	Contractual life	Number of shares issued '000	Options allocated '000	Fair value of options granted	Options exercised '000	Remaining options '000
31 October 2011	10 years	8 243	8 243	R1.88	8 131	112
14 February 2014	10 years	n/a	1 800	R2.97	1 800	-

*Fair value of options granted*

In terms of the demutualisation, an independent valuator was required to determine the fair market value of the shares to be issued to the Assupol Share Incentive Trust. The primary valuation methodology used was the 'Embedded Value' methodology and adjustments for risk factors specific to the Group were made.

The options that have vested and that can be exercised are calculated in terms of the formula in the Share Incentive Scheme Trust Deed. The taxable value of the shares transferred to the shareholders is equal to the 90-day volume-weighted average price (VWAP) of the shares trades on the exchange.

**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.

In accordance with the accounting policy (refer notes 2.17 and 2.20) the cost of the deferred component is recognised over the period of restriction.

*Analysis of movement in deferred bonus component*

	CONSOLIDATED		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Balance at beginning of year	(70 637)	(83 843)	-	-
Allocation for financial year	(14 900)	(22 228)	-	-
Recognised in profit or loss	33 262	35 434	-	-
Balance at end of year	(52 275)	(70 637)	-	-

*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	33 482	3 044
14 September 2018 <sup>(1)</sup>	41 048	4 324	B2	23 945	17 103
20 September 2019 <sup>(2)</sup>	22 228	2 256	B3	5 557	17 228
17 September 2020	14 900	- <sup>(3)</sup>	- <sup>(3)</sup>	-	14 900
Balance at end of year					52 275

(1) The company has received approval from the Prudential Authority of South Africa to issue 'B2' no par value shares. The shares were not yet issued at year-end.

(2) The company has submitted an application to the Prudential Authority of South Africa for the issue of 'B3' no par value shares. The shares were not issued at year-end as the company is still waiting for authorisation from the Prudential Authority. The cost has been recognised during the financial year to initiate the scheme as no adverse response is expected from the Prudential Authority.

(3) The Remuneration Committee is deliberating a possible change in the deferred bonus scheme. This was not finalised at the date of approval of the financial statements.

*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
September 2015	25% of the shares vest annually from 1 September 2017	5 years	1 000	6 901
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	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
<b>27. BLACK ECONOMIC EMPOWERMENT RESERVE</b>				
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 date of the 'A1' ordinary shares was on 17 October 2017 (notional date) where after the shares rank *pari passu* with ordinary shares in all respects.

The commitment date of the 'A2' ordinary shares was 17 October 2019. The notional loan that was attached to these shares was fully settled at that date and the shares now rank *pari passu* with ordinary shares in all respects. This includes the participation in any dividend declared.

	CONSOLIDATED		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
<b>28. POLICYHOLDER (ASSETS) / LIABILITIES UNDER INSURANCE CONTRACTS</b>				
<b>Insurance contracts</b>				
<i>Discounted liabilities</i>	(3 069 496)	(3 082 381)	-	-
Balance at beginning of year	(3 082 381)	(2 505 350)	-	-
Opening modelling adjustments	6 408	(8 467)	-	-
Expected interest on insurance liabilities	(242 243)	(183 405)	-	-
Expected premiums on insurance liabilities	3 007 972	2 553 982	-	-
Expected claims, expiries and lapses	(890 549)	(819 497)	-	-
Expected expenses, commission and charges	(493 599)	(481 888)	-	-
Expected profits	(662 452)	(491 962)	-	-
Additional unit linked returns (policyholders)	(9 864)	(4 727)	-	-
Experience variations	36 635	16 278	-	-
Changes in estimates (renewal business only)	158 474	(152 158)	-	-
New business added during the year	(897 897)	(1 005 187)	-	-
<i>Undiscounted liabilities</i>	116 098	87 941	-	-
Balance at beginning of year	87 941	80 370	-	-
Withdrawals during the year	57 021	1 453	-	-
New business added during the year	1 842	1 856	-	-
Changes in estimates (renewal business only)	(30 706)	4 262	-	-
<b>Total insurance contracts</b>	<b>(2 953 398)</b>	<b>(2 994 440)</b>	<b>-</b>	<b>-</b>
<b>Reinsurance contracts</b>				
<i>Discounted liabilities</i>	(22 515)	(2 891)	-	-
Balance at beginning of year	(2 891)	(3 515)	-	-
Expected amortisation on liabilities	556	1 775	-	-
New business added during the year	(3 142)	(8 045)	-	-
Changes in estimates (renewal business only)	(17 038)	6 894	-	-
<b>Total reinsurance contracts</b>	<b>(22 515)</b>	<b>(2 891)</b>	<b>-</b>	<b>-</b>
<b>Total insurance (assets) / liabilities</b>	<b>(2 975 913)</b>	<b>(2 997 331)</b>	<b>-</b>	<b>-</b>
<b>Reconciliation of total insurance (assets) / liabilities:</b>				
Balance at beginning of year	(2 997 331)	(2 428 496)	-	-
Recognised in statement of comprehensive income	21 418	(568 835)	-	-
<b>Balance at end of year</b>	<b>(2 975 913)</b>	<b>(2 997 331)</b>	<b>-</b>	<b>-</b>
<i>Non-current (asset) / liability</i>	(3 175 581)	(3 105 343)	-	-
<i>Current (asset) / liability</i>	199 668	108 012	-	-
<b>Maturity profile - Insurance contract liabilities</b>				
	0 to 1 year R'000	2 to 5 years R'000	> 5 years R'000	TOTAL R'000
Consolidated - 30 June 2020	199 668	160 958	(3 336 539)	(2 975 913)
Consolidated - 30 June 2019	108 012	133 988	(3 239 331)	(2 997 331)

	CONSOLIDATED		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
<b>29. POLICYHOLDER LIABILITIES UNDER INVESTMENT CONTRACTS</b>				
Balance at beginning of year	2 775 940	2 177 393	-	-
Premiums received	802 442	738 400	-	-
Payments of death, surrender and other terminations	(311 632)	(250 757)	-	-
Fees deducted from account balances	(81 120)	(75 541)	-	-
Value adjustment on liabilities	191 247	186 445	-	-
Gross fair value adjustment to liabilities <sup>(1)</sup>	27 627	107 986	-	-
Interest accrued to policyholders	163 620	78 459	-	-
Balance at end of year	3 376 877	2 775 940	-	-
At fair value through profit or loss	1 684 556	1 565 953	-	-
At amortised cost	1 692 321	1 209 987	-	-
Balance at end of year	3 376 877	2 775 940	-	-
<i>Current liability</i>	3 376 877	2 775 940	-	-
<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 2020	155 594	2 105 336	1 115 947	3 376 877
Consolidated - 30 June 2019	158 934	1 592 780	1 024 226	2 775 940

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

	CONSOLIDATED		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
<b>30. OTHER LIABILITIES</b>				
Lease liability <sup>(1) (3)</sup>	178 231	193 019	-	-
Balance at beginning of year	193 019	189 962	-	-
Liability raised during the year	7 763	21 851	-	-
Finance charges	14 017	14 985	-	-
Payments made	(36 568)	(33 779)	-	-
Subordinated debt <sup>(2) (3)</sup>	250 070	125 977	-	-
Balance at beginning of year	125 977	-	-	-
Liability raised during the year	124 137	125 863	-	-
Finance charges	21 505	1 728	-	-
Payments made	(21 549)	(1 614)	-	-
Total long-term financing obligations	428 301	318 996	-	-
<i>Non-current liability</i>	403 304	297 197	-	-
<i>Current liability</i>	24 997	21 799	-	-

(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 6.91% and 10.29%.

(3) This note represents the net debt reconciliation.

	CONSOLIDATED		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
<b>31. EMPLOYEE BENEFITS</b>				
Accrual for leave pay	24 773	14 542	-	-
Balance at beginning of year	14 542	14 242	-	-
Utilised during the year	(1 132)	(1 119)	-	-
Recognised in profit or loss	11 363	1 419	-	-
Provision for bonuses	50 492	76 872	-	-
Balance at beginning of year	76 872	65 259	-	-
Utilised during the year	(54 763)	(52 795)	-	-
Recognised in profit or loss				
Cash bonus (including cash bonus on deferred portion)	28 383	64 408	-	-
Total employee benefits	75 265	91 414	-	-
<i>Current liability</i>	75 265	91 414	-	-

	CONSOLIDATED		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
<b>32. DEFERRED REVENUE LIABILITY</b>				
Balance at beginning of year	656	511	-	-
Deferred revenue relating to new business	322	255	-	-
Amortisation of deferred revenue	(368)	(110)	-	-
<b>Balance at end of year</b>	<b>610</b>	<b>656</b>	<b>-</b>	<b>-</b>
<i>Non-current liability</i>	404	480	-	-
<i>Current liability</i>	206	176	-	-

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 34% of the liability will be recognised in the next financial year and 66% in years 2 to 5.

	CONSOLIDATED		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
<b>33. DEFERRED TAX ASSET / (LIABILITY)</b>				
Deferred tax is calculated on all temporary differences under the liability method, using applicable tax rates.				
Balance at beginning of year	(861 127)	(839 869)	-	-
Movements during year attributable to:	51 919	(21 258)	-	-
Temporary differences				
Deferred acquisition costs	456	9 109	-	-
Other timing differences	2 347	5 645	-	-
Unrealised gains	28 987	6 508	-	-
Capital loss carried forward	(1 252)	(2 800)	-	-
Elimination of negative reserves	10 061	(82 522)	-	-
Special transfer credit	597	29 444	-	-
Adjusted IFRS phasing-in amount	12 354	(61 773)	-	-
Assessed loss	(1 631)	75 131	-	-
<b>Balance at end of year</b>	<b>(809 208)</b>	<b>(861 127)</b>	<b>-</b>	<b>-</b>
The deferred tax balance consists of the following:				
Temporary differences				
Deferred acquisition costs	(2 211)	(2 667)	-	-
Other timing differences	10 326	7 979	-	-
Unrealised gains	17 177	(11 810)	-	-
Capital loss carried forward	548	1 800	-	-
Elimination of negative reserves	(932 199)	(942 260)	-	-
Special transfer credit	30 041	29 444	-	-
Adjusted IFRS phasing-in amount	(49 419)	(61 773)	-	-
Assessed loss	116 529	118 160	-	-
<i>Non-current liability</i>	(809 208)	(861 127)	-	-
The offset amounts are: <sup>(1)</sup>				
Deferred tax assets	174 621	157 383	-	-
Deferred tax liabilities	(983 829)	(1 018 510)	-	-

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

Deferred tax assets of R116.5 million (2019: R118.2 million) have been recognised by the Group. This amount is only a portion of the total assessed loss available for utilisation. The deferred tax asset that has been raised is in respect of tax losses which is expected to be utilised in the foreseeable future related to Assupol Life's individual policyholder tax 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	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
<b>34. INSURANCE AND OTHER PAYABLES</b>				
Accounts payable <sup>(1)</sup>	59 683	49 553	13 303	13 163
Sundry insurance payables	93 922	101 890	-	-
Outstanding claims and benefits payable				
On insurance contracts	173 604	146 951	-	-
On investment contracts	16 773	15 115	-	-
Premiums received in advance	16 119	14 808	-	-
Amounts due to subsidiaries	-	-	13 421	5 096
<b>Total insurance and other payables</b>	<b>360 101</b>	<b>328 317</b>	<b>26 724</b>	<b>18 259</b>
<i>Non-current liability</i>	-	-	-	-
<i>Current liability</i>	360 101	328 317	26 724	18 259
Insurance and other payables consist of:				
Insurance payables	300 418	278 764	-	-
Sundry insurance payables	93 922	101 890	-	-
Outstanding claims and benefits payable:				
- Insurance contracts	173 604	146 951	-	-
- Other	16 773	15 115	-	-
Premiums received in advance	16 119	14 808	-	-
Other payables	59 683	49 553	26 724	18 259
Accounts payable	59 683	49 553	13 303	13 163
Amounts due to subsidiaries <sup>(2)</sup>	-	-	13 421	5 096
<b>Total insurance and other payables</b>	<b>360 101</b>	<b>328 317</b>	<b>26 724</b>	<b>18 259</b>

(1) Accounts payable include the value of the consideration payable to the seller of Top Top Business Consultants to amount of R25 million. R5 million was paid during the financial year.

(2) The short term loan due to Assupol Life amounts to R13.4 million (2019: R5.1 million) and is unsecured. It is repayable on demand and bears no interest.

(3) The lease liability that was previously disclosed as a separate item in this note, is disclosed in note 30.

	CONSOLIDATED		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
<b>35. CURRENT TAXATION</b>				
Balance at beginning of year	(26 072)	3 031	389	362
Recognised in profit or loss (note 16)	(274 300)	(222 183)	(313)	(93)
Taxation paid during the year (note 37)	290 575	193 080	(298)	120
<b>Total current taxation</b>	<b>(9 797)</b>	<b>(26 072)</b>	<b>(222)</b>	<b>389</b>

	CONSOLIDATED		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
<b>36. CASH GENERATED FROM OPERATIONS</b>				
Reconciliation of profit before tax to cash generated from operations:				
Profit before taxation	786 486	1 150 480	305 848	301 836
Movement in policyholder assets / liabilities:	622 355	29 712	-	-
Insurance contracts (note 28)	21 418	(568 835)	-	-
Investment contracts (note 29)	600 937	598 547	-	-
Items disclosed separately:	(384 544)	(302 543)	(665 637)	(350 012)
Interest received (note 9)	(339 534)	(264 382)	(333 555)	(1 707)
Dividends received (note 9)	(59 183)	(28 741)	(332 082)	(348 305)
Finance charges (note 15)	35 523	16 736	-	-
Deferred acquisition cost on new business (note 19)	(21 672)	(26 411)	-	-
Fee income deferred on new business (note 32)	322	255	-	-
Non-cash items:	406 893	167 735	42 253	76 712
Interest on financial assets at amortised cost (note 9)	124 913	66 564	-	-
Net fair value gains on financial assets (note 10)	156 442	(16 443)	-	-
Depreciation of property and equipment (note 14)	58 954	54 154	-	-
(Profit) / loss on sale of equipment (note 11)	(154)	(249)	-	-
Amortisation of intangible assets (note 19)	21 592	18 055	-	-
Impairment of intangible assets (note 19)	9 351	8 694	-	-
Impairment of investment in subsidiaries (note 14)	-	-	20 378	35 477
Adjustment of redemption of preference shares	1 875	187	1 875	187
Amortisation of deferred revenue liability (note 32)	(368)	(110)	-	-
Equity-settled share-based payments (note 14)	34 288	36 883	-	-
Deferred bonus shares to be issued (note 26)	-	-	20 000	41 048
Changes in working capital:	(1 592)	29 392	8 448	(41 387)
Insurance and other trade receivables (note 22)	(17 227)	8 056	(17)	(40 661)
Employee benefits (note 31)	(16 149)	11 913	-	-
Insurance and other payables (note 34)	31 784	9 423	8 465	(726)
Cash generated from operations	1 429 598	1 074 776	(309 088)	(12 851)

	CONSOLIDATED		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
<b>37. TAXATION PAID</b>				
Total current tax	(290 575)	(193 080)	298	(120)
Receivable / (payable) at beginning of the year	(26 072)	3 031	389	362
Recognised in profit or loss	(274 300)	(222 183)	(313)	(93)
Payable / (receivable) at end of the year	9 797	26 072	222	(389)
Total taxation paid	(290 575)	(193 080)	298	(120)

**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	
	2020 R'000	2019 R'000
<b>i. Loans to key management (included in note 22)</b>		
Balance at end of year	6 100	7 558
Balance at beginning of year	7 558	8 854
Loan repayments received	(2 070)	(2 104)
Interest charged	612	808

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	
	2020 R'000	2019 R'000
<b>ii. Aggregate details of contracts between the Group and key management</b>		
<u>Insurance contracts</u>		
Aggregate insured cover	3 589	3 806
Premiums received	128	122
Claims paid	(94)	-
Surrender value	73	148
<u>Investment contracts</u>	6 216	721
Fund value at beginning of year	721	655
Premiums received	5 240	54
Resignations	-	-
Investment returns credited net of charges	401	23
Commission and other transaction fees	(146)	(11)
Surrender value	6 213	721

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2020

## 38. RELATED PARTY TRANSACTIONS (continued)

A list of the directors and the prescribed officers is disclosed in notes 6 and 7 of 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	J Dippenaar	EZ Mngoma	MS Keetse <sup>(1)</sup>	MP Salmon	EN Nelwamondo <sup>(2)</sup>	Total
<b>30 June 2020</b>										
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 <sup>(3)</sup>										
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
<b>Total</b>	<b>8 040</b>	<b>6 540</b>	<b>7 787</b>	<b>5 130</b>	<b>5 358</b>	<b>4 532</b>	<b>1 349</b>	<b>4 588</b>	<b>3 387</b>	<b>46 711</b>
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 <sup>(3)</sup>	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) Ms EN Nelwamondo was appointed as Group Chief Information Officer with effect from 1 January 2019.

(3) 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 2020

## 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 <sup>(1)</sup>	MP Salmon	EN Nelwamondo <sup>(2)</sup>	Total
<b>30 June 2019</b>										
Fixed										
Salary	3 807	2 753	3 001	2 677	2 507	2 325	-	2 507	1 248	20 825
Other benefits	22	10	22	10	10	9	-	-	-	83
Pension fund contributions	432	317	343	308	288	263	-	288	145	2 384
Variable										
Cash bonus	3 400	1 900	2 700	1 800	1 700	1 600	-	1 700	800	15 600
Restricted incentives <sup>(3)</sup>										
Deferred bonus	2 668	3 627	4 470	2 356	2 285	1 573	-	996	-	17 975
Share incentive scheme	-	-	-	-	-	26	-	-	-	26
Other share incentives	-	-	-	-	872	-	-	350	167	1 389
<b>Total</b>	<b>10 329</b>	<b>8 607</b>	<b>10 536</b>	<b>7 151</b>	<b>7 662</b>	<b>5 796</b>	<b>-</b>	<b>5 841</b>	<b>2 360</b>	<b>58 282</b>
Accrued and settled	7 661	4 980	6 066	4 795	4 505	4 197	-	4 495	2 193	38 892
Restricted incentives <sup>(3)</sup>	2 668	3 627	4 470	2 356	3 157	1 599	-	1 346	167	19 390

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

(2) Ms EN Nelwamondo was appointed as Group Chief Information Officer with effect from 1 January 2019.

(3) 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
<b>Deferred bonus structure</b>	7 930	949	(2 343)	6 536
CJ van Dyk	1 251	132	-	1 383
D de Klerk	1 538	238	(589)	1 187
MB Mokwena-Halala	1 908	203	(748)	1 363
SL Ndwalaza	1 007	81	(387)	701
J Dippenaar	1 092	51	(431)	712
M Salmon	449	61	-	510
EZ Mngoma	685	142	(188)	639
EN Nelwamondo	-	41	-	41
<b>Other share incentives</b>	850	-	(336)	514
J Dippenaar	500	-	(250)	250
MP Salmon	260	-	(86)	174
EN Nelwamondo	90	-	-	90

## v. Non-executive directors' fees

R'000	Board fees	Committee fees	Total fees for the year
<b>30 June 2020</b>	6 844	5 031	11 875
RJ Khoza (Chairman)	3 163	-	3 163
EDJ Ashkar	541	981	1 522
GR Burger	471	118	589
SIM Braudo	718	1 407	2 125
NE Gubb	541	365	906
IO Greenstreet	559	522	1 082
BB Moroole	365	559	923
R Mothapo	427	1 043	1 470
Z Saban	60	37	96
<b>30 June 2019</b>	5 840	3 310	9 150
RJ Khoza (Chairman)	611	26	637
AS Birrell	1 376	511	1 887
EDJ Ashkar	608	771	1 378
GR Burger	140	25	165
SIM Braudo	140	91	231
NE Gubb	556	298	854
IO Greenstreet	487	388	875
R Kisten	165	55	219
BB Moroole	375	314	689
R Mothapo	551	680	1 230
KC Radebe	318	52	370
Z Saban	514	101	615

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

Units ('000)	Direct beneficial	Indirect beneficial	Total
D de Klerk	5 000	500	5 500
J Dippenaar	519	498	1 017
MB Mokwena-Halala	1 741	1	1 742
SL Ndwalaza	8 005	-	8 005
EZ Mngoma	798	-	798
MP Salmon	1 814	244	2 058
CJ van Dyk	1 594	-	1 594

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

	CONSOLIDATED		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
<b>C. Balances with related parties</b>				
Total amounts due to subsidiaries as detailed in note 34				
<i>Operational account with Assupol Life</i>	-	-	(13 421)	(5 096)
Balance at beginning of year	-	-	(5 096)	(4 040)
Repayments	-	-	(20 000)	(12 500)
Transactions funded during the year	-	-	11 675	11 444
Shareholding in Assupol Holdings (note 25)				
Assupol Investment Holdings	2 505	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	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
<i>Property</i>				
• Due in 1 year or less	24 413	21 124	-	-
• Due between 1 and 5 years	126 313	114 235	-	-
• Due after 5 years	25 316	54 910	-	-
Total	176 042	190 269	-	-
<i>Equipment</i>				
• Due in 1 year or less	628	561	-	-
• Due between 1 and 5 years	1 561	2 189	-	-
Total	2 189	2 750	-	-

## 40. INTERESTS IN SUBSIDIARIES

Subsidiary name	Issued share capital R'000	Effective holdings		Interest of holding company	
		2020 %	2019 %	2020 R'000	2019 R'000
<i>Subsidiaries of Assupol Holdings</i>					
Assupol Life <sup>(1)</sup>	490 019	100%	100%	767 553	733 459
Assupol Investment Holdings <sup>(2)</sup>	70 431	100%	100%	16 883	37 067
<i>Subsidiaries of Assupol Investment Holdings</i>					
Assupol Wealth <sup>(3)</sup>	-	51%	0%	-	-
Cornerstone Brokers Corporate <sup>(4)</sup>	9 273	100%	100%	587	2 337
Siebador Sewentien <sup>(5)</sup>	1	100%	100%	124	124
Top Top Business Consultants <sup>(6)</sup>	1 000	100%	100%	32 049	34 249
<i>Other consolidated entities</i>					
Assupol Share Incentive Trust <sup>(7)</sup>	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 in the near future.
- (5) The property of Siebador Sewentien was sold during the previous financial year. It is management's intention to deregister the company in the near future.
- (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 in the near future.
- (7) Trust - refer note 26 (i.)

## 41. ACQUISITION OF SUBSIDIARY

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, for a total consideration of R51. As a result of the acquisition the Group will expand its financial service offerings in an effort to diversify its income stream.

The company contributed no revenue or net profit to the Group during the 3-month period until year-end due to the establishment of the operational and regulatory structure of the company as well as the restriction on the sale of insurance business by the South African government during the majority of this period.

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 22 September 2020 the Board of Directors declared an ordinary dividend of 55 cents per qualifying ordinary share for the year ended 30 June 2020. The dividend is payable on 12 October 2020 to qualifying shareholders registered on 9 October 2020.

The qualifying shares at the date that these financial statements were approved included the listed ordinary shares, excluding the Share Incentive Trust, the 'A' ordinary redeemable no par value shares, as well as those 'B' shares that qualify to be converted to ordinary shares after the restricted period ends in September 2020 and that are unrestricted at record date (note 26).

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