ASSUPOL HOLDINGS LIMITED AND ITS SUBSIDIARIES

(Registration no. 2010/015888/06)

CTSE Share code: 4AASP

ISIN: ZAE400000051

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2023

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:	KPMG Incorporated Registered auditor Johannesburg
Company secretary:	Ms W van Zyl

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

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The Board of Directors ('Board') takes responsibility for the preparation, integrity and fair presentation of the annual financial statements of Assupol Holdings Limited ('Assupol Holdings' or the 'company') and its subsidiaries (collectively 'Assupol Group' or the 'Group'). The Board is also responsible for the accuracy and consistency of other information included in the financial statements.

To enable the Board to meet these responsibilities the annual financial statements are prepared by management and opinions are obtained from the external auditor and also from the Head of Actuarial Function ("HAF') of Assupol Life Limited regarding the statutory solvency of that entity. The Board is also advised by the Audit Committee, comprising independent non-executive directors, and the Actuarial Committee that meets regularly with the external auditor, the HAF and the management to ensure that adequate internal controls are maintained and that the financial information complies with International Financial Reporting Standards ('IFRS') and advisory practice notes issued by the Actuarial Society of South Africa. The internal auditor and external auditor as well as the HAF have unrestricted access to these committees.

The annual financial statements presented on pages 19 to 110 have been prepared in accordance with the provisions of the South African Companies Act, 71 of 2008, and the Insurance Act, 18 of 2017, and comply with International Financial Reporting Standards and guidelines issued by the Actuarial Society of South Africa. It includes amounts based on judgements and estimates made by management.

The going concern basis has been adopted in preparing the financial statements. Based on cash forecasts, liquidity solvency and capital assessments, 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. These financial statements support the viability of the company and the Assupol Group.

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

The audit report of KPMG Incorporated is presented on pages 14 to 18.

The financial statements were approved by the Board of Directors on 22 September 2023 and are signed on its behalf by:

Dr RJ Khoza
Chairman

D de Klerk
Group Chief Financial Officer

COMPANY SECRETARY COMPLIANCE STATEMENT

In my capacity as Company Secretary, I hereby certify, in accordance with the provisions of section 88(2)(e) of the Companies Act, 71 of 2008, that for the year ended 30 June 2023, the company has lodged with the Registrar of Companies all such returns and notices as required of a public company in terms of this legislation, and that all such returns and notices are, to the best of my knowledge and belief, true, correct and up to date.

W van Zyl
Company Secretary

The Audit Committee presents its report for the financial year ended 30 June 2023.

APPOINTMENT

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

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

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

TERMS OF REFERENCE

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

MEMBERSHIP, ATTENDANCE AND ASSESSMENT

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

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

The committee held five meetings during the financial year. Details of the members as well as their role, qualifications and attendance at meetings are indicated below:

			Meetings and attendance				
Name	**Qualification**	**Date appointed**	**2022/07/27**	**2022/09/15**	**2022/11/29**	**2023/02/28**	**2023/05/24**
NB Duker	B Com (Hons), CA(SA)	October 2020	Chair	Chair	Chair	Chair	Chair
SIM Braudo	B Econ Sc, BSc (Hons), FIA, CFA	June 2019	Member	Member	Member	Member	Member
MD Collier	HND/BA Business Studies	October 2020	Member	Member	Member	Member	Member
LJ Sennelo	B Com (Hons), CA(SA)	May 2021	Member	Member	Member	Member	-

ROLES AND RESPONSIBILITIES

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

External auditor appointment and independence

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

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

The committee, in consultation with executive management, agreed to the engagement letter, including its terms and conditions, audit plan and budgeted audit fees, for the 2023 financial year.

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

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

All decision letters and explanations issued by the Independent Regulatory Board for Auditors in South Africa (IRBA) or any other regulator, and any summaries relating to monitoring procedures or deficiencies (if applicable) issued by the audit firm to confirm the suitability for appointment of the audit firm and the designated individual partner, Mr DJ Vice, were considered.

A formal procedure governs the process whereby the auditor is considered for other non-audit related services. For the year ended 30 June 2023, the external auditor did not provide non-audit services to the Group.

ROLES AND RESPONSIBILITIES (continued)

Financial statements and accounting practices

The committee has reviewed the accounting policies and the interim and year-end financial statements of the Group with both management and the external auditor and is satisfied that they are appropriate and comply with International Financial Reporting Standards (IFRS). Accounting estimates and assumptions, accounting treatments, significant unusual transactions and key accounting judgements which have the potential for significant adjustment of the overall financial statements are specifically listed in note 3 to the annual financial statements. The committee has considered the appropriateness of key audit matters reported in the external audit opinion contained on pages 14 to 18 in these annual financial statements and considered the significant audit matters relating to the Group annual financial statements and how these were addressed by the committee.

Material matter	*Manner addressed by the committee*
Valuation of policyholder assets and liabilities under insurance contracts	The Group’s valuation methodologies and practices for the policyholder assets and liabilities under insurance contracts are monitored and implemented by the Risk Committee and the Actuarial Committee. Both these committees have reporting responsibilities to the Audit Committee. The work performed by these committees in this regard included: - A detailed review of the fit and purpose of the valuation practices and methodologies on the Group’s business and relevant scenarios from the Own Risk and Solvency Assessment (ORSA). - An impact assessment on the reported results, whilst also benchmarking to peers and the industry at large, through independent guidance and feedback from the Head of Actuarial Control Function and external auditor. The committee also reviewed the accounting policies of the Group, with a particular focus on the valuation requirements arising from IFRS 4 Insurance Contracts and IAS 39 Financial Instruments. Over the course of the financial year, management reported to the committees of Risk, Actuarial and Audit on the valuation models and outcomes which formed the basis of the quarterly management reporting as well as interim and year end financial statements reporting. The processes, key areas of judgement and outcomes were found to be appropriate. Refer to notes 2.17.3, 3.1, 4, 5 and 28 to the financial statements.

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

Financial controls, actuarial controls and risk management

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

Going concern

The committee has reviewed documented assessments prepared by management and presented on a quarterly basis, on the going concern status of the Assupol Group.

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

Combined assurance

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

ROLES AND RESPONSIBILITIES (continued)

Governance of risk and information technology

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

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

Internal audit

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

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

The committee approved internal audit's annual audit plan for the 2023 financial year.

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

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

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

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

Integrated report

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

Regulatory and compliance matters

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

NB Duker
Chairman: Audit Committee
22 September 2023

The Board is pleased to present the audited financial statements of Assupol Holdings and its subsidiaries for the year ended 30 June 2023. It is the opinion of the Board that the Group is in compliance with the South African Companies Act, 71 of 2008, as well as the company's Memorandum of Incorporation.

Assupol Holdings is listed on the Cape Town Stock Exchange ('CTSE'). The directors are aware of their responsibilities in terms of the CTSE Listings Requirements and are not aware of any non-compliance thereof.

NATURE OF ACTIVITIES

Assupol Holdings is incorporated in South Africa and acts as the ultimate holding company of the Assupol Group. During the year under review the Group continued to provide a range of financial services to its chosen markets. For more detailed information regarding the nature of business of each subsidiary, refer to note 39 to the financial statements.

CORPORATE ACTIVITIES

Microinsurance business

The Prudential Authority of South Africa granted a newly established company in the Group, Incub8 with Assupol (Pty) Ltd, a license on 10 May 2023 to conduct microinsurance life business as a cell captive insurer of insurance business in the funeral class: individual and groups. The company is expected to start generating business in the first semester of the new financial year.

Subordinated debt

In March 2023 the Prudential Authority approved the early redemption of the existing Investec loan facility of R250 million. The final settlement was completed in May 2023.

The Prudential Authority granted approval to raise R350 million of debt using a medium term note programme. This programme was fully subscribed and completed by 26 September 2022.

Distribution channels

The performance of the various distribution channels in Assupol Life varied but in aggregate showed improved results compared to the previous financial year, which was affected by some pandemic related restrictions. The distribution channels that had a significant impact on the results are discussed below.

The deterioration of the economy in South Africa and impact thereof on policyholders led to an increase in lapses in the **individual business** channel. Actuarial assumptions were adjusted accordingly. Excess deaths experience improved and the mortality experience was on average 2% higher than pre-COVID experience. New business volumes of this channel as well as the new initiatives that were added to the Group's traditional face-to-face business, has shown a growth of 6.2% against the previous financial year.

The economic environment also had an impact on the **Direct Marketing** distribution channel. Furthermore, the restructuring of this channel was severely hampered by the continuous loadshedding that was experienced in South Africa during the financial year. This had an impact on communication with policyholders and also on the Group's marketing efforts to reach potential new clients. Various recommendations are currently being implemented to improve the profitability of this channel.

Cornerstone's growth continued during the financial year with its value of new business increasing 61% on an economic equivalent basis.

Sales of **single premium business** continued to be very successful, and contributed 20% to the total value of new business in the financial year. Sales in this channel were however discontinued in July 2023 as the Group's ability to provide competitive rates has diminished.

Cash back and loyalty benefits to clients

Cash back and loyalty benefits of R425.5 million were paid to the Group's policyholders during the financial year. This is an increase of 48.6% compared to the previous financial year.

Corporate social investment

During the financial year, the Group continued its contribution to the upgrading of ablution facilities at rural schools. The Group has contributed an amount of R10.0 million per year over the past 5 years for this social development initiative.

International Financial Reporting Standard 17: Insurance contracts

The implementation of this accounting standard, that becomes effective in Assupol's financial year ending June 2024, is on track. The implementation is closely monitored by the Board of Directors through the Audit Committee and Group Executive Committee. For information regarding the governance and progress of the project, refer to note 2.1.1 in the financial statements.

RESULTS FROM OPERATIONS

Details of the Assupol Group's financial performance are set out in the financial statements and notes thereto on pages 19 to 110.

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

Earnings performance	2023	2022	% change
Gross insurance premium revenue (R'm)	5 027	4 714	6.64%
Profit attributable to ordinary shareholders (R'm)	716	615	16.42%
Value of new business (R'm)	269	258	4.18%
Return on equity (%)	14%	13%	1.07%

Actuarial assumption and modelling adjustments detracted R325.4 million (2022: R240.2 million) from profit after taxation. This included the following significant adjustments:

- The withdrawal and not-taken-up assumptions were updated in accordance to the most recent withdrawal experience investigation. This detracted R132.3 million (2022: R136.0 million) from net profit.
- Investment return assumptions for both the unit and non-unit reserves were increased, as well as the inflation assumption, reducing profits by R70.8 million (2022: R233.7 million).
- Management action, relating to cash back benefits, was implemented in respect of the existing Assupol Life's Progress4Sure and Progress4Life policyholder books . This has resulted in reducing profits by R109.0 million in the current financial year.
- Prospective reserves were set up to address future expense and mortality risks in respect of books that will be closed for new business as a result of the associated distributors moving to the Group's cell captive microinsurer. The creation of these reserves reduced profits by R71.0 million.

Expense management remained a key focus area. Taking into account the economic circumstances, uncertainty of sales volumes and persistency, and the lower inforce growth, no renewal expense reserve component of policyholder liabilities was released.

The Group's life insurer is in a financially sound position and held, at the end of the financial year, eligible own funds exceeding the solvency capital requirement with a cover of 1.79.

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

R'm	2023	2022	% change
Profit for the year	716	615	
Adjustment on investment returns on shareholders funds	3	(9)	
Non-recurring transactions	(240)	26	
Non-recurring economic assumption adjustments	63	143	
Other non-recurring actuarial adjustments	232	(10)	
Adjusted operating profit	774	765	1.18%

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

When a transaction, that was initially perceived to be a non-recurring event, continues to occur in subsequent financial years, the transaction is reassessed to determine whether or not it should have been included in the adjusted operating profit at all. The non-recurring transactions calculated in the previous financial year were reassessed as more information and certainty regarding the impact of the pandemic became available.

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

New business (R'm)	2023	2022	% change
Recurring premiums	409	397	3.06%
Single premiums	2 025	1 083	87.01%
Total new business premiums	2 434	1 480	64.48%
Annual premium equivalent (APE)	612	505	21.19%
Present value of new business premiums (PV NBP)	5 533	4 802	15.23%
Value of new business margin	4.9%	5.4%	-0.52%

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

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

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

Group embedded value (R'm)	2023	2022
Shareholders' funds	5 251	5 059
Value of in-force business	1 782	1 732
Gross	2 361	2 332
Cost of required capital	(579)	(600)
Embedded value of covered business	7 033	6 791
Embedded value of other Group operations	37	(34)
Group embedded value at end of year	7 070	6 757
Return on embedded value (%)	12.10%	6.49%

Embedded value earnings (R'm)	2023 Adjusted net worth	2023 Value of in-force	2023 Cost of required capital	2023 Total	2022
Embedded value at beginning of year:					
Covered business	5 059	2 332	(600)	6 791	6 521
Opening adjustments	27	2	0	29	43
Adjusted at beginning of year	5 086	2 334	(600)	6 820	6 564
Dividends paid	(551)	-	-	(551)	(187)
Deferred bonus shares	6	-	-	6	17
Embedded value after adjustments	4 541	2 334	(600)	6 275	6 394
Unwinding of risk discount rate	-	332	(78)	254	240
Expected profits	451	(451)	-	-	-
New business	65	304	(101)	268	257
Operating experience variations	5	(119)	38	(76)	(87)
Taxation	136	-	-	136	87
Assumption changes	(256)	(21)	44	(233)	(358)
Investment experience	306	4	117	427	229
Miscellaneous	3	(21)	-	(18)	29
Embedded value at end of year:					
Covered business	5 251	2 362	(580)	7 033	6 791
Embedded value at beginning of year:					
Other Group operations	3	(37)	-	(34)	3
Dividends received	551	-	-	551	187
Dividends paid	(449)	-	-	(449)	(178)
Embedded value after adjustments	105	(37)	-	68	12
Net profits	(93)	-	-	(93)	(9)
Holdings company expense adjustment	-	(78)	-	(78)	(60)
Market value adjustment	-	140	-	140	23
Embedded value at end of year:					
Other Group operations	12	25	-	37	(34)
Group embedded value at end of year	5 263	2 387	(580)	7 070	6 757

SHARE STATISTICS

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

	2023	2022	% change
Share price - closing (R) *	10.90	7.15	52.45%
Market capitalisation (R'm) *	4 667	3 047	53.17%
Earnings per share (cents)	168	145	15.79%
Diluted earnings per share (cents)	167	144	15.79%
Diluted adjusted operating profit per share (R)	1.80	1.79	0.56%
Group embedded value per share (R)	16.52	15.86	4.17%
Dividends per qualifying ordinary shares (cents)	132	106	24.53%

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

BOARD OF DIRECTORS

The directors of the company as at 30 June 2023 were:

Name	Board committee involvement	Date appointed
Non-executive directors		
Dr RJ Khoza (Chairman; Independent)	Member: Nominations Committee, Remuneration Committee	20 May 2019
EDJ Ashkar	Member: Actuarial Committee, Nominations Committee, Remuneration Committee	20 Feb 2013
GR Burger	Member: Risk Committee	6 May 2019
SIM Braudo (Independent)	Chair: Actuarial Committee, Remuneration Committee Member: Audit Committee	6 May 2019
MD Collier (Independent)	Chair: Risk Committee Member: Audit Committee, Nominations Committee	6 Aug 2020
NB Duker (Independent)	Chair: Audit Committee, Social and Ethics Committee Member: Risk Committee	1 Oct 2020
SRL Mbili (Independent)	Member: Actuarial Committee	8 Sept 2021
LJ Sennelo (Lead independent director)	Chair: Nominations Committee Member: Audit Committee, Remuneration Committee	11 May 2021
TR Mamabolo	Member: Nomination Committee, Social and Ethics Committee	6 Dec 2022
Executive directors		
MB Mokwena-Halala (Group Chief Executive Officer)	Member: Actuarial Committee, Risk Committee	30 Jul 2010
D de Klerk (Group Chief Financial Officer)	Member: Actuarial Committee	30 Jul 2010
SL Ndwalaza (Human Resources)	Member: Social and Ethics Committee	1 Sep 2012

Ms NE Gubb that was appointed on 7 May 2013 has resigned on 7 November 2022.

PRESCRIBED OFFICERS

Name	Position held in Group	Date appointed
MS Keetse	Group Head: Legal and compliance	1 Jan 2020
MP Salmon	Chief Risk Officer	1 Jan 2017

Ms EN Nelwamondo, the Chief Information Officer, resigned on 30 April 2023. Mr T Nel was requested to oversee the functions on a temporary basis. Ms KL Gwabeni was appointed on 1 September 2023 as the Chief Information Officer.

DETAILS OF SERVICE CONTRACTS

The Group has permanent employee contracts with all the executive directors and prescribed officers. The Group also has contractual agreements with the non-executive directors.

BOARD COMMITTEES

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

HEAD OF ACTUARIAL CONTROL FUNCTION

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

COMPANY SECRETARY

The interim company secretary, FluidRock Co Sec (Pty) Ltd, has resigned with effect from 1 November 2022. Ms. Wilna van Zyl was appointed as company secretary with effect from 2 November 2022.

AUDITOR

PricewaterhouseCoopers Incorporated has resigned as the external auditor. KPMG Incorporated was appointed as the auditor in accordance with section 90 of the Companies Act, 2008, for the financial year ending 30 June 2023.

SUBSIDIARIES

The Assupol Group's material interests in subsidiaries are set out in note 39 to the financial statements. These companies were subsidiaries throughout the year. The subsidiaries are involved in the financial services industry in South Africa.

SHARE CAPITAL

The issued share capital of the company as at 30 June 2023 is shown below. Refer note 24.

	2023 R'000	2022 R'000
427 506 461 no par value ordinary shares (2022: 425 542 109)	696 238	676 882
69 661 B no par value shares (2022: 69 661)	417	417
192 039 B1 no par value shares (2022: 192 039)	1 392	1 392
358 166 B2 no par value shares (2022: 358 166)	3 404	3 404
Total share capital	701 451	682 095

During the financial year 1 964 354 B3 no par value shares that were issued as a deferred bonus in 2019, vested and are now treated as ordinary shares.

B4 and B5 no par value shares were awarded to senior management in September 2020 and September 2021 respectively in terms of the deferred bonus scheme (refer note 26) but have not been issued by the company as yet. The issue thereof is subject to the approval of the Prudential Authority.

SHAREHOLDERS' DIVIDEND

Dividends were declared in respect of the following financial years:

cents per share	2023	2022
Ordinary dividend	68	64
Special dividend	64	42

For the 2022 financial year

On 28 September 2022 the Board of Directors declared an ordinary dividend of 64 cents and a special dividend of 42 cents per qualifying ordinary share. This was declared in terms of the company's dividend policy to shareholders recorded at close of business on 14 October 2022. The dividends were paid on 17 October 2022.

For the 2023 financial year

After the reporting period, the Board of Directors approved an ordinary dividend of 68 cents and a special dividend of 64 cents on qualifying shares, of which the declaration date will be 22 September 2023.

The qualifying shares included the listed ordinary shares but excluding shares held by the Share Incentive Trust. It will also include those 'B' shares that qualify to be converted to ordinary shares after the restricted period ends in September 2023 and that are unrestricted at record date.

In concluding on an appropriate dividend, the Board carefully considered the solvency and liquidity requirements of the Group.

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

The following dates will apply to the dividend:

Last date to trade *cum dividend*	13 October 2023
Record date	13 October 2023
Trading *ex dividend* commences	16 October 2023
Dividend payment date	16 October 2023

EVENTS AFTER REPORTING PERIOD

An additional bonus allocation of R19.7 million was approved by the Board of Directors as retention bonuses which will be paid in cash at the end of October 2023. The bonuses will be subject to a clawback condition where it will be fully repayable if a beneficiary resigns within the first year after receiving the bonus, or repayable on a pro rata basis if the resignation is in the second or third year after receiving the bonus.

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Independent Auditor's Report

To the shareholders of Assupol Holdings Limited

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of Assupol Holdings Limited (the Group and Company) set out on pages 19 to 110 which comprise the statements of financial position as at 30 June 2023, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policies.

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 as at 30 June 2023, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Standards) and the requirements of the Companies Act of South Africa.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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 relates 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.

<table>
<tr><td colspan="2">Valuation of policyholder (assets) / liabilities under insurance contracts
Refer to the accounting policies and notes to the consolidated financial statements:
• Note 2.17.3 - Insurance contracts
• Note 3.1 - Policyholder liabilities / assets under long-term insurance contracts
• Note 4 - Assumptions and estimates relating to policyholder (assets) / liabilities
• Note 5 - Risk management
• Note 28 - Policyholder (assets) / liabilities under insurance contracts</td></tr>
<tr><td>Key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>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 are significantly more than the benefits payable if the insured event did not occur.

At 30 June 2023, the Group held gross Policyholder assets: insurance contracts of R2 284 million. These assets arise from the subsidiary Assupol Life Limited.

The policyholder assets and liabilities arising from insurance contracts related to both individual life and group life policies, with the key audit matter focusing on the gross valuation of individual policies.

As explained in note 2.17.3, policyholder (assets) / liabilities 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 Note of the Actuarial Society of South Africa (SAP104 and APN110).

In valuing these (assets) / liabilities, management applies significant judgment. Various assumptions are made, including best estimate assumptions</td><td>Our procedures to address this key audit matter included the following:

Testing the design and implementation, as well as operating effectiveness of certain key controls.

Testing the key data elements at point of capture compared to those used in the valuation.

We involved our actuarial and insurance accounting specialist to assist us in:
• Understanding the Group's actuarial control environment and governance.
• Reperforming elements of management's data reconciliations.
• Evaluating the appropriateness of methodology applied in valuation against best practice and SAP104.
• Challenging management with respect to the appropriateness of all forward-looking significant assumptions used in the valuation in comparison to company experience, proposed management actions, and industry experience.
• Assessing the application of the data, methods and assumptions in the valuation.
• Examining management's Analysis of Surplus against the above changes and methodology.</td></tr>
</table>

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regarding the expected claims, expiries and lapses, expected premiums on insurance liabilities, expected expenses, commission and charges. Changes to these assumptions may result in a material change to the valuation. The most significant assumptions made in the valuation of the policyholder assets from insurance contracts relate to: • Expected mortality experience in the context of the post Covid-19 pandemic; and • Withdrawal assumptions in the context of the South African and international market conditions. We considered the valuation to be a key audit matter in our audit as it involves subjective judgements about future events, including policyholder behaviour and economic conditions, which requires significant audit effort, using senior resources on the audit and the use of specialist.	• Assessing the completeness and accuracy of disclosures included in the consolidated financial statements in accordance with IFRS 4 – *Insurance Contracts* (IFRS 4) and the directors' approved valuation methodologies and assumptions. • Assessing the mortality uplift applied in the valuation against industry experience and international developments related to Covid-19. • Assessing the withdrawal assumptions against company and industry experience and in light of the economic developments in South Africa and internationally. • Performing detailed sensitivities against the withdrawal and mortality assumptions.

Other matter

The consolidated and separate financial statements of the Group and Company as at and for the year ended 30 June 2022, were audited by another auditor who expressed an unmodified opinion on those consolidated and separate financial statements on 27 September 2022.

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 2023", 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 2023 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 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards as issued by the

International Accounting Standards Board (IFRS 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 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 Company or to cease operations, or have no realistic alternative but to do so.

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

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism 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 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 and 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that KPMG Inc. has been the auditor of Assupol Holdings Limited for 1 year.

KPMG Inc.

Per Derek Vice
Chartered Accountant (SA)
Registered Auditor
Director
29 September 2023

STATEMENTS OF COMPREHENSIVE INCOME for the year ended 30 June 2023

	NOTES	CONSOLIDATED 2023 R'000	CONSOLIDATED 2022 R'000	COMPANY 2023 R'000	COMPANY 2022 R'000
Insurance premiums revenue		5 027 415	4 714 047	-	-
Insurance premiums ceded to reinsurers		(208 555)	(178 012)	-	-
Net insurance premium revenue	7	4 818 860	4 536 035	-	-
Profit share received on outward reinsurance		1 997	3 895	-	-
Fee income	8	131 928	96 913	-	-
Investment income on financial assets					
- at fair value through profit or loss	9	347 014	269 099	-	-
- at amortised cost	9	193 134	167 512	5 131	1 293
Dividend received from subsidiaries	9	-	-	531 250	186 551
Net fair value gains / (losses) on financial assets	10	200 037	(103 463)	-	-
Other income	11	7 098	2 445	507	-
Income		5 700 068	4 972 436	536 888	187 844
Insurance benefits and claims		(1 986 176)	(2 018 965)	-	-
Insurance claims recovered from reinsurers		175 301	192 990	-	-
Net insurance benefits and claims	12	(1 810 875)	(1 825 975)	-	-
Commission expenses	13	(911 869)	(859 099)	-	-
Operating and administrative expenses	14	(1 394 588)	(1 281 605)	(18 518)	(9 823)
Investment management expenses		(21 972)	(15 080)	-	-
Change in insurance contract provisions	28	(348 996)	(63 491)	-	-
Value adjustments on investment contract liabilities	29	(328 924)	(116 412)	-	-
Expenses		(4 817 224)	(4 161 662)	(18 518)	(9 823)
Result of operating activities		882 844	810 774	518 370	178 021
Finance charges	15	(71 088)	(38 746)	-	-
Profit before taxation		811 756	772 028	518 370	178 021
Income taxation expense	16	(95 500)	(157 413)	(1 385)	(362)
PROFIT FOR THE YEAR		**716 256**	**614 615**	**516 985**	**177 659**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**716 256**	**614 615**	**516 985**	**177 659**
Profit attributable to:					
Owners of Assupol Holdings Ltd		716 256	614 800	516 985	177 659
Non-controlling interests		-	(185)	-	-
		716 256	614 615	516 985	177 659
Total comprehensive income attributable to:					
Owners of Assupol Holdings Ltd		716 256	614 800	516 985	177 659
Non-controlling interests		-	(185)	-	-
		716 256	614 615	516 985	177 659
Group earnings per share (cents)					
Basic earnings per share (cents)	17	168.1	145.2		
Diluted earnings per share (cents)	17	166.7	144.0		

STATEMENTS OF FINANCIAL POSITION as at 30 June 2023

		CONSOLIDATED		COMPANY	
		2023	2022	2023	2022
	NOTES	R'000	R'000	R'000	R'000
ASSETS					
Property and equipment	18	233 481	228 091	-	-
Intangible assets	19	285 154	230 671	-	-
Investments in subsidiaries	20	-	-	914 188	842 740
Financial assets - Investments					
At fair value through profit or loss					
Equity securities	21	3 036 095	2 031 500	-	-
Debt securities	21	2 565 568	2 390 943	-	-
Deposits and money market securities	21	1 553 350	1 374 258	-	-
At amortised cost					
Deposits and money market securities	21	2 266 766	1 557 610	-	-
Policyholder assets					
Insurance contracts	28	2 264 107	2 567 083	-	-
Reinsurance assets	28	20 283	66 302	-	-
Insurance and other receivables	22	244 351	208 180	177	3 300
Current taxation	35	2 221	-	143	-
Cash and cash equivalents	23	564 841	439 128	49 798	35 068
TOTAL ASSETS		13 036 217	11 093 766	964 306	881 108
EQUITY					
Share capital	24	701 451	682 095	701 451	682 095
Treasury shares	25, 26	(18 206)	(18 206)	(5 097)	(5 097)
Employee benefits reserve	26	171 080	183 987	171 080	183 987
Black Economic Empowerment reserve	27	14 300	14 300	14 300	14 300
Retained earnings		4 518 140	4 250 128	68 884	(16 830)
TOTAL EQUITY		5 386 765	5 112 304	950 618	858 455
LIABILITIES					
Policyholder liabilities: Investment contracts					
At fair value through profit or loss	29	3 513 085	2 524 658	-	-
At amortised cost	29	2 286 852	1 596 889	-	-
Other liabilities	30	549 746	446 328	-	-
Employee benefits	31	72 998	73 982	-	-
Deferred revenue liability	32	684	486	-	-
Deferred taxation liability	33	463 298	702 519	-	-
Insurance and other payables	34	762 789	614 246	13 688	22 638
Current taxation	35	-	22 354	-	15
TOTAL LIABILITIES		7 649 452	5 981 462	13 688	22 653
TOTAL EQUITY AND LIABILITIES		13 036 217	11 093 766	964 306	881 108

STATEMENTS OF CHANGES IN EQUITY for the year ended 30 June 2023

	NOTES	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
		24	25	26	27			
COMPANY								
Balance at 30 June 2021		682 095	(41 434)	203 651	14 300	(16 437)	-	842 175
Cost of incentive shares		-	-	211	-	-	-	211
Deferred bonus recognition		-	-	16 462	-	-	-	16 462
Dividend paid		-	-	-	-	(178 052)	-	(178 052)
Vesting of deferred bonus shares		-	36 337	(36 337)	-	-	-	-
Profit for the year		-	-	-	-	177 659	-	177 659
Balance at 30 June 2022		682 095	(5 097)	183 987	14 300	(16 830)	-	858 455
B3 shares issued		19 356	(19 356)	-	-	-	-	-
Deferred bonus recognition		-	-	7 706	-	-	-	7 706
Dividend paid		-	-	-	-	(449 370)	-	(449 370)
Vesting of deferred bonus shares		-	19 356	(19 356)	-	-	-	-
Deferred bonus: Adjustment for bad leavers		-	-	(1 257)	-	(1 257)	-	(2 514)
Assupol Life's deferred bonus shares		-	-	-	-	19 356	-	19 356
Profit for the year		-	-	-	-	516 985	-	516 985
Balance at 30 June 2023		701 451	(5 097)	171 080	14 300	68 884	-	950 618

	NOTES	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
		24	25	26	27			
CONSOLIDATED								
Balance at 30 June 2021		682 095	(45 615)	203 651	14 300	3 813 346	(399)	4 667 378
Cost of incentive shares		-	-	211	-	-	-	211
Treasury shares acquired		-	(8 928)	-	-	-	-	(8 928)
Deferred bonus recognition		-	-	16 462	-	-	-	16 462
Dividend paid		-	-	-	-	(177 434)	-	(177 434)
Vesting of deferred bonus shares		-	36 337	(36 337)	-	-	-	-
Acquisition of non-controlling interest in subsidiary		-	-	-	-	(584)	584	-
Profit for the year		-	-	-	-	614 800	(185)	614 615
Balance at 30 June 2022		682 095	(18 206)	183 987	14 300	4 250 128	-	5 112 304
B3 shares issued		19 356	(19 356)	-	-	-	-	-
Deferred bonus recognition		-	-	7 706	-	-	-	7 706
Dividend paid		-	-	-	-	(446 987)	-	(446 987)
Vesting of deferred bonus shares		-	19 356	(19 356)	-	-	-	-
Deferred bonus: Adjustment for bad leavers		-	-	(1 257)	-	(1 257)	-	(2 514)
Profit for the year		-	-	-	-	716 256	-	716 256
Balance at 30 June 2023		701 451	(18 206)	171 080	14 300	4 518 140	-	5 386 765

	NOTES	CONSOLIDATED 2023 R'000	CONSOLIDATED 2022 Restated R'000	COMPANY 2023 R'000	COMPANY 2022 R'000
Cash flows from operating activities					
Cash generated from / (utilised in) operations	36	2 369 250	941 872	(5 738)	(802)
Net acquisition of financial instruments					
at fair value through profit or loss		(1 158 275)	(1 061 532)	-	-
at amortised cost [1]		(659 527)	192 853	-	-
Interest received on fair value through profit and loss assets [1]	9	297 972	216 477	-	-
Interest received on amortised cost assets [1]		143 483	286 001	5 131	1 293
Dividends received	9	49 064	52 978	531 250	186 551
Dividends paid		(446 987)	(177 434)	(449 370)	(178 052)
Interest paid	15	(71 088)	(38 746)	-	-
Taxation paid	35	(359 296)	(228 843)	(1 543)	(309)
Net cash flows from operating activities		164 596	183 626	79 730	8 681
Cash flows from investing activities					
Acquisition of property and equipment		(45 833)	(25 551)	-	-
Acquisition of intangible assets	19	(84 001)	(71 041)	-	-
Proceeds on disposal of equipment		6 175	3 978	-	-
Acquisition of shares in subsidiary	20	-	-	(65 000)	(12 677)
Net cash flows from investing activities		(123 659)	(92 614)	(65 000)	(12 677)
Cash flows from financing activities					
Increase in treasury shares	25	-	(8 928)	-	-
Increase in subordinated debt	30	350 000	-	-	-
Payment of subordinated debt	30	(247 816)	-	-	-
Payment of principal lease payments	30	(17 408)	(27 356)	-	-
Net cash flows from financing activities		84 776	(36 284)	-	-
Net increase / (decrease) in cash and cash equivalents		125 713	54 728	14 730	(3 996)
Cash and cash equivalents at beginning of the year		439 128	384 400	35 068	39 064
Cash and cash equivalents at end of the year	23	564 841	439 128	49 798	35 068

(1) Refer to note 41 for the restatement of prior year disclosure.

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 other subsidiaries. All of these subsidiaries are currently non-operational and the majority of them are in the process of being wound down with the intent to deregister the companies. These subsidiaries being deregistered include Cornerstone Brokers Corporate Proprietary Limited ('Cornerstone Brokers'), Siebador Sewentien Proprietary Limited ('Siebador Sewentien'), Top Top Business Consultants Proprietary Limited ("Top Top Business Consultants") and Assupol Wealth Proprietary Limited ("Assupol Wealth"). During the financial year, Assupol Investment Holdings has invested in Incub8 with Assupol Proprietary Limited ("Incub8 with Assupol"). It is anticipated that Incub8 with Assupol will commence with its business operations in the financial year ending June 2024.

2. SUMMARY OF MATERIAL 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 listing requirements of Cape Town Stock Exchange (CTSE).

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

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

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

Carried at fair value

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

Carried at a different measurement basis

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

2. SUMMARY OF MATERIAL 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)

IFRS 17 replaces IFRS 4 Insurance Contracts for annual periods beginning on or after 1 January 2023. The Group's initial application date is 1 July 2023 and as such the Group will first report on the IFRS 17 based results in the annual financial statements for the year ending 30 June 2024, with restated comparative information for 30 June 2023.

On transition, IFRS 17 requires the standard to be applied retrospectively by using the full, modified retrospective or the fair value approach. The Group will use the full retrospective approach for business written since 1 July 2015. The fair value approach will be used for business written prior to 1 July 2015 as it was determined that following the modified retrospective approach would be impossible due to lack of access, effort and undue costs required to obtain data prior to 30 June 2015.

IFRS 17 establishes the principles for the recognition, measurement, presentation, and disclosure of insurance contracts and aims to ensure that the Group provides relevant information that faithfully represents the insurance contracts of the Group. The standard provides a single principle-based framework to account for all types of insurance contracts, including reinsurance contracts that an insurer holds.

A. IFRS 17 Implementation project

In 2018, the Group established an IFRS 17 project charter under the sponsorship of the Chief Financial Officer, who chairs an IFRS 17 Steering Committee consisting of representatives from various disciplines in the Group such as actuarial valuations, finance, information technology, and risk management. It is also supported by external consultants that provide technical insights and guidance. The committee meets monthly and reports to the Audit Committee on a quarterly basis. Project resources include a mix of dedicated and shared internal resources, as well as external consultants where appropriate.

Risks associated to the IFRS 17 project are dealt with in line with the Group's risk management policy and are recorded in the Group's risk register. The risk management division of the Group hold quarterly meetings with the steering committee to update the risk register. The residual risks are all appropriately mitigated. The project is included in the combined assurance plan of the Group. Both the internal and external auditors have performed reviews on specific aspects of the project; and will continue to do so until the project's completion.

To date the Group has made significant progress in finalising key accounting policy and methodology papers, some of which have been subject to external audit review. The actuarial modelling is complete with finals runs being performed to interrogate the results against expectations and refine key assumptions. The focus of the Group from an actuarial perspective has shifted towards planning and forecasting on an IFRS 17 basis. The Group plans to continue build and testing activities, as they relate to reporting and disclosures systems and tools, into the 2024 financial year.

The Group is still in the process of quantifying the impact of transitioning to IFRS 17 with certain material decisions that still needs to be taken; hence no quantitative information can be provided as yet.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

B. Overview of IFRS 17

B.1 Contracts in the scope of IFRS 17

The definition of an insurance contract and insurance risk has remained largely unchanged under IFRS 17 from IFRS 4, thus the adoption of IFRS 17 does not significantly change the classification of the Group's insurance contracts. Contracts sold by the Group are classified as insurance contracts when the company accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. This assessment is made on a contract-by-contract basis at the contract issue date. In making this assessment, the Group considers all its substantive rights and obligations, whether they arise from contract, law, or regulation. The Group applies judgement in determining whether it contains significant insurance risk, by assessing if an insured event could cause the company to pay to the policyholder additional amounts that are significant in any single scenario with commercial substance even if the insured event is extremely unlikely or the expected present value of the contingent cash flows is a small proportion of the expected present value of the remaining cash flows from the insurance contract.

When determining if the contracts are direct participating contracts, the Group applies its judgement to assess whether the amount expected to be paid to the policyholder constitutes a substantial share of fair value returns from the underlying items and whether the variable cash flows represent a substantial proportion of the cash flows. The Group issues insurance contracts with direct participation features that are substantially investment-related service contracts where underlying items are managed on behalf of the policyholders.

The Group also issues investment contracts with discretionary participation features (DPF). Investment contracts with DPF are in scope of IFRS 17 as the Group also issues insurance contracts. These contracts have similar economic characteristics as insurance contracts, and they are linked to the same pool of assets as insurance contracts. The Group applies insurance contract accounting to these contracts.

Some contracts issued by the Group which have the legal form of an insurance contract but do not transfer significant insurance risk to the company are not classified as insurance contracts and follow financial instruments accounting applying IFRS 9.

The Group holds reinsurance contracts to mitigate certain risk exposure. These are largely quota share reinsurance contracts. A reinsurance contract is an insurance contract issued by a reinsurer to compensate the company for claims arising from one or more insurance contracts issued by the company.

B.2 Separating components

Before the Group accounts for an insurance contract, it assesses its products to determine whether some of these components are distinct and need to be separated and accounted for applying other Standards. When these non-insurance components are non-distinct, they will be accounted for together with the insurance component as part of the accounting for an insurance contract.

The Group does not issue any insurance contracts that contain embedded derivatives, distinct investment components or distinct goods or services.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

B.3 Level of aggregation

Under IFRS 17, insurance contracts and investment contracts with DPF are aggregated into groups for measurement purposes. The level of aggregation requirements under IFRS 17 limits cross-subsidies of profits between groups of profitable contracts, which are generally deferred and losses, which are expensed immediately.

The Group identifies portfolios by aggregating insurance contracts that are subject to similar risks and managed together. In grouping insurance contracts into portfolios, the Group considers the similarity of risks rather than the specific labelling of the product lines. As part of their management approach, the Group classifies all contracts within each product line as having similar risks, based on their defined criteria, and consequently treats them as a portfolio when managing them collectively.

Each portfolio is sub-divided into groups of contracts to which the recognition and measurement requirements of IFRS 17 are applied. At initial recognition, the Group segregates contracts based on when they were issued. A portfolio contains all contracts that were issued within a 12-month period. Each portfolio is then further disaggregated into three groups of contracts:

- contracts that are onerous on initial recognition
- contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the portfolio.

Such groups are not subsequently reassessed, unless there is an instance where the modification resulted in derecognition.

The determination of whether a contract or a group of contracts is onerous is based on the expectations as at the date of initial recognition, with fulfilment cash flow expectations determined on a probability-weighted basis. The group determines the appropriate level at which reasonable and supportable information is available to assess whether the contracts are onerous at initial recognition and whether the contracts not onerous at initial recognition have a significant possibility of becoming onerous subsequently.

For insurance contracts accounted for applying the Premium Allocation Approach (PAA), the Group determines that contracts are not onerous on initial recognition, unless there are facts and circumstances indicating otherwise. The Group assesses the likelihood of changes in applicable facts and circumstances to determine whether contracts not onerous on initial recognition belong to a group with no significant possibility of becoming onerous in the future. Facts and circumstances comprise valuation, management, and pricing information.

Reinsurance contracts held are assessed separately from underlying insurance contracts issued. Given all reinsurance contracts held in the Group will be measured applying the PAA, the Group assumes that all reinsurance contracts held in each portfolio will not result in a net gain on initial recognition, unless facts and circumstances indicate otherwise.

B.4 Recognition

The Group recognises groups of insurance contracts issued from the earliest of the beginning of the coverage period; the date when the first payment from a policyholder in the group becomes due and when the Group determines that a group of contracts becomes onerous.

Investment contracts with DPF are initially recognised at the date the Group becomes a party to the contract.

In determining the timing of initial recognition of a reinsurance contract, the Group assesses whether the reinsurance contract's terms provide protection on losses on a proportionate basis. The Group recognises a group of reinsurance contracts held that provides proportionate coverage:

- at the start of the coverage period of that group of reinsurance contracts; or
- at the initial recognition of any of the underlying insurance contracts, whichever is later.

For all other groups of reinsurance contracts, the recognition date is at the earliest of the beginning of the coverage period of the group or the date an underlying onerous group of contracts is recognised.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

B.5 Contract boundaries

The Group includes in the measurement of a group of insurance contracts all the future cash flows expected to arise within the boundary of each of the contracts in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group:

- can compel the policyholder to pay premiums; or
- has a substantive obligation to provide the policyholder with insurance contract services.

A substantive obligation to provide services ends when:
- the Group has the practical ability to reassess the risks of a particular policyholder and as a result change the price charged or the level of benefits provided for the price to fully reflect the new level of risk; or
- the boundary assessment is performed at a portfolio rather than individual contract level, there are two criteria that both need to be satisfied: the Group must have the practical ability to reprice the portfolio to fully reflect risk from all policyholders' and the Group's pricing must not consider any risks beyond the next reassessment date.

The Group considers the legal rights and the commercial substance of the contracts in this assessment. The Group assesses the contract boundary at initial recognition and at each subsequent reporting date to include the effect of changes in circumstances on the Group's substantive rights and obligations. Cash flows outside of the boundary of the insurance contract relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

Cash flows are within the boundaries of investment contracts with discretionary participation features if they result from a substantive obligation of the Group to deliver cash at a present or future date.

The boundary of a reinsurance contract held includes cash flows resulting from the underlying contracts covered by the reinsurance contract. This includes cash flows from insurance contracts that are expected to be issued by the Group in the future if these contracts are expected to be issued within the boundary of the reinsurance contract held.

B.6 Measurement

The insurance asset or liability under IFRS 17 comprises of the sum of the liability for remaining coverage (LfRC) and the liability for incurred claims (LIC). These components and the respective IFRS 17 measurement models are described in more detail below.

B.6.1 General Measurement Model (GMM)

IFRS 17 introduces a default measurement model, known as GMM which measures insurance and reinsurance contracts using unbiased and probability-weighed estimates of the present value of the future cash flows, including a risk adjustment for non-financial risk and a contractual service margin.

On initial recognition, under the GMM, the liability LfRC for a group of insurance contracts are measured as the total of:

i. Fulfilment cash flows, which comprise:
    a. Present value of future cashflows; and
    b. Risk adjustment for non-financial risk.
ii. Contractual service margin

On subsequent measurement, the carrying amount of a group of insurance contracts at the end of each reporting period is determined as the sum of:

i. the LfRC comprising:
    a. estimates of fulfilment cash flows related to future services and;
    b. the CSM of the group at that date;
ii. the LIC comprising the future cashflows related to past service allocated to the group of insurance contracts at that date.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

B.6.1.1 Fulfilment cash flows (FCF) within contract boundary

The FCF are the current unbiased and probability-weighed estimates of the future cash flows, adjusted to reflect the time value of money and financial risk associated with those amounts; and include an explicit risk adjustment for non-financial risk.

FCF's are determined separately for insurance contracts (including reinsurance contracts) issued and reinsurance contracts held. For the LfRC, the Group estimates FCF's for a group of contracts at a portfolio level and then allocates them to the groups in that portfolio in a systematic and rational way. The LIC is measured at a portfolio level, or at a higher level of aggregation and then allocate to portfolios thereafter. Where the Group estimates FCF components at a level more granular than IFRS 17 groups, it aggregates the results to the required level.

FCF's include all cashflows within the contract boundary including premiums, claims and acquisition and maintenance expenses directly attributable to the fulfilment of the insurance contracts. The Group defines acquisition cashflows as cash flows arising from the costs of selling, underwriting, and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs. Expenses include amongst others, direct expenses, an allocation of fixed and variable overheads and transaction-based taxes. Expense cashflows will be attributed to acquisition activities and maintenance activities using activity-based costing techniques.

At the end of each reporting period, the FCF's are updated by the Group to reflect the current estimates of the amounts, timing, and uncertainty of future cash flows, as well as discount rates to ensure that the estimates measured in the statement of financial position are always current.

B.6.1.2 Discount rates

The time value of money and financial risk is measured separately from expected future cash flows with changes in time value of money and financial risks recognised in profit or loss at the end of each reporting period.

The Group measures the time value of money using discount rates that reflect the liquidity characteristics of the insurance contracts and the characteristics of the cash flows, consistent with observable current market prices and exclude the effect of factors that influence such observable market prices but do not affect the future cash flows of the insurance contracts (e.g. credit risk).

Cash flows will be divided between cash flows that vary based on the returns on underlying items and cash flows that do not vary based on the returns on underlying items. Cash flows that vary based on the returns flows that do not vary based on the returns on underlying items. Cash flows that vary based on the returns on underlying items will be discounted using rates that reflect that variability. The discount rates applied to cash flows that vary based on the returns on underlying items are consistent with the future investment return assumptions.

The bottom-up approach will be used by the Group to determine discount rates for all product groups, as risk free rates are readily available, and the only further adjustment required will be the illiquidity premium.

B.6.1.3 Risk adjustment for non-financial risk

The Group measures the compensation it would require for bearing the uncertainty about the amount and timing of cash flows arising from insurance contracts, other than financial risk separately as an adjustment for non-financial risk.

Risk adjustments for non-financial risk reflect the diversification benefits from contracts issued by the Group, in a way that is consistent with the compensation that it would require and that reflects its degree of risk aversion, and the effects of the diversification benefits are determined using a correlation matrix technique.

Adjustments for financial risks are included either in the estimates of future cash flows or in the discount rates and therefore excluded from the risk adjustment. Operational risk is excluded from the risk adjustment in line with the requirements of IFRS 17.

IFRS 17 does not require a specific technique to estimate the risk adjustment, it does however require the confidence level to be disclosed. The Group applies a confidence level technique in determining the risk adjustment for non-financial risk and in applying this technique, the Group estimates the probability distribution of the expected present value of the future cash flows from insurance contracts at each reporting date and calculates the risk adjustment for non-financial risk as the excess of the value at risk at the 85^{th} percentile over a one-year time horizon.

To determine the risk adjustments for non-financial risk for reinsurance contracts, the Group applies these techniques to both gross and reinsurance.

The Group disaggregates changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

B.6.1.4 Contractual Service Margin (CSM)

The CSM is a component of the overall carrying amount of a group of insurance contracts representing unearned profit the Group will recognise as it provides insurance contract services over the coverage period.

At initial recognition, the Group measures the CSM at an amount that, unless a group of insurance contracts is onerous, results in no gains recognised in profit or loss arising from:
- the expected FCF's of the group;
- the amount of any derecognised asset for acquisition cash flows allocated to the group; and any other asset or liability previously recognised for cash flows related to the group; and
- any cash flows that have already arisen on the contracts as of that date.

If a group of contracts is onerous, the Group recognises a loss on initial recognition, resulting in the carrying amount of the liability for the group being equal to the FCF's, and the CSM of the group being nil. A loss component is recognised for any loss on initial recognition of the group of insurance contracts.

On subsequent measurement, the carrying amount of the CSM for insurance contracts without direct participating features at the end of the reporting period is the carrying amount at the beginning of the period adjusted for:
- the effect of any new contracts added to the group;
- interest accreted on the carrying amount of CSM
- the changes in FCF's related to future service, except that:
    - such increases in FCF's exceed the carrying amount of the CSM, giving rise to a loss that results in the group of contracts becoming onerous or more onerous; or
    - such decreases in FCF's reverse a previously recognised loss on a group of onerous contracts;
- the effect of any currency exchange differences on the CSM; and
- the amount recognised as insurance revenue because of the transfer of insurance contract services in the period, determined post the adjustments above.

The CSM of a group of insurance contracts accretes interest at the discount rates 'locked in' on initial recognition, which represent a historic curve of discount rates that were applied for initial measurement. The curve is made up of discount rates used to discount those cash flows that do not vary with the returns of the underlying items.

The impact of changes in estimates of the FCF's on the measurement of the CSM is dependent on the period to which those changes relate:
- changes that relate to current or past service are recognised in profit or loss; and
- changes that relate to future service are recognised by adjusting the CSM within the LfRC.

All changes to the CSM are measured at the locked-in discount rates.

B 6.1.4.1 Coverage units

The CSM is recognised as insurance revenue over the duration of the insurance (or reinsurance) contracts based on coverage units provided in each period. The coverage units for a group of insurance contracts are identified by considering for each contract the quantity of the benefits provided under the contract and its expected period of coverage.

The amount of CSM allocated to each coverage unit changes over time, as the amount of CSM changes. The allocation of the CSM to coverage units is done at the end of the period, after reflecting all the other CSM adjustments (the accretion of interest and the effect of change in assumptions relating to future coverage), but before any of it is released to profit or loss. The amount of CSM remaining at the end of the reporting period is allocated equally to both the coverage units provided in the period and the remaining coverage units relating to future periods.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

B.6.1.5 Variable Fee Approach (VFA)

IFRS 17 introduces the Variable Fee Approach measurement model which is a variation of the GMM for insurance contracts issued that are substantially investment-related service contracts under which an entity promises an investment return based on underlying items. i.e. Insurance contracts with direct participation features. The VFA does not apply to reinsurance contracts held.

At initial recognition, the measurement principles outlined above for GMM are the same as those for the VFA. It is only on subsequent measurement, that there are differences between the two measurement models.

For groups of insurance contracts measured under the VFA, the fulfilment cash flows will be determined as the obligation to pay policyholders an amount that is equal to the fair value of the underlying items, less a variable fee for future services. Changes in the fair value of the underlying items do not adjust the CSM. For groups of insurance contracts measured under the VFA, the CSM at the start of the period is implicitly accreted with interest equal to the effect of the time value of money on the variable fee in each period. The Group has chosen not to apply the risk mitigation option and therefore any changes in financial risk of its share of the fair value of the underlying items will be adjust the CSM.

B.6.1.6 Onerous contracts

The Group considers an insurance contract to be onerous if the expected fulfilment cash flows allocated to the contract plus any previously recognised acquisition cash flows and any cash flows arising from the contract at the date of initial recognition in total result in a net cash outflow. The onerous assessment is done on an individual contract level assessing future expected cash flows on a probability-weighted basis including a risk adjustment for non-financial risk. Where a group of contracts are onerous, a loss component, which is the part of the LfRC, is recognised. The loss component It is initially calculated when the group is first considered to be onerous and is recognised at that date in profit or loss. The amount of the group's loss component is tracked for the purposes of presentation and subsequent measurement.

After the loss component is recognised, the Group allocates any subsequent changes in fulfilment cash flows of the LRC on a systematic basis between 'loss component' and 'LfRC excluding the loss component'.

The subsequent changes in the fulfilment cash flows of the LfRC to be allocated are:
- insurance finance income or expense,
- changes in risk adjustment for non-financial risk recognised in profit or loss representing release from risk in the period; and
- estimates of the present value of future cash flows for claims and expenses released from the LfRC because of incurred insurance service expense in the period.

The Group determines the systematic allocation of insurance service expenses incurred based on the percentage of loss component to the total outflows included in the LfRC, excluding any investment component amount and acquisition costs.

A group of insurance contracts becomes onerous (or more onerous) on subsequent measurement if the following amounts exceed the carrying amount of the CSM:
(a) for a group of direct participating contracts, the decrease in the amount of the Group's share of the fair value of the underlying items; and
(b) unfavourable changes relating to future service in the fulfilment cash flows allocated to the group, arising from changes in estimates of future cash flows and the risk adjustments for non-financial risk.

For onerous groups of contracts, revenue is calculated as the amount of insurance service expense expected at the beginning of the period that form part of revenue and reflects only:
- the change in the risk adjustment for non-financial risk due to expected release from risk in the period (excluding the amount systematically allocated to the loss component);
- the estimates of the present value of future cash flows related to claims expected to incur in the period (excluding the systematic allocation to the loss component); and
- the allocation, based on the coverage units, of the portion of premiums that relates to the recovery of the insurance acquisition cash flows.

All these amounts are accounted for in reduction of the LfCR excluding the loss component.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

B.6.1.7 Insurance contracts measured under the Premium Allocation Approach (PAA)

The Premium Allocation Approach is an optional simplified measurement model available for insurance contracts issued and reinsurance contracts held that meet certain eligibility criteria.

The Group will apply the PAA to insurance contracts and reinsurance contracts with a coverage period of each contract in the group of one year or less. This includes Group Life business and the Group's full reinsurance portfolio. The coverage period for the Group's insurance contract is the period during which the Group provides insurance contract services. This period includes the insurance contract services that relate to all premiums within the boundary of the insurance contract.

On initial recognition, the Group measures the LfRC at the amount of premiums received in cash. As all the issued insurance contracts to which the PAA is applied have coverage of a year or less, the Group applies a policy of expensing insurance acquisition cash flows as they are incurred.

The carrying amount of the LfRC at the end of each subsequent reporting period represents the carrying amount at the start of the reporting period adjusted for the following:
- the premiums received in the period and the amount recognised as insurance revenue for insurance contract services provided in that period; and
- any adjustment to a financing component to the liability for incurred claims.

The Group has determined that there is no significant financing component in insurance contracts with a coverage period of one year or less. The Group does not discount the liability for remaining coverage to reflect the time value of money and financial risk for such insurance contracts.

The carrying amount of the LIC is measured similar to the GMM however for those claims that the Group expects to be paid within one year or less from the date of incurring, the Group does not adjust future cash flows for the time value of money and the effect of financial risk. However, claims expected to take more than one year to settle are discounted.

Applying the PAA, the insurance revenue is measured at the amount allocated from the expected premium receipts. The allocation is done based on the passage of time unless the expected pattern of release from risk differs significantly from the passage of time, in which case it is recognised on the expected timing of incurred claims and benefits. The Group applies judgement in determining the basis of allocation.

Where facts and circumstances lead the Group to believe that a group under PAA has become onerous, the Group tests it for onerousness. If the amount of the fulfilment cash flows exceeds the carrying amount of the LfRC, the Group recognise a loss in profit or loss and increases the LfRC for the corresponding amount.

For reinsurance contracts held measured applying the PAA, the initial measurement of the asset equals the reinsurance premium paid.

Revenue recognised for services provided will be equal to the premiums earned, assuming that premium earnings is constant for each month of cover.

Where reinsurance contracts held covers a group of onerous underlying insurance contracts, the Group adjusts the carrying amount of the asset for remaining coverage and recognises a gain when, in the same period, it reports a loss on initial recognition of an onerous group of underlying insurance contracts or on additional loss from an already onerous group of underlying insurance contracts. The recognition of this gain results in the accounting for the loss recovery component of the asset for the remaining coverage of a group of reinsurance contracts held. This component is subsequently adjusted for any applicable changes.

B.6.2 Modification and derecognition

The Group derecognises contracts when the obligation specified in the insurance contract is extinguished i.e., expires, is discharged or cancelled.

Where contract modification criteria are met and results in derecognition, a new contract is recognised on the modified terms. If a contract modification does not result in derecognition, then the Group treats the changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

An entity shall derecognise the original contract and recognise the modified contract as a new contract, applying IFRS 17 or other applicable Standards if, any of the below conditions are satisfied:

(a) if the modified terms had been included at contract inception
- (i) the modified contract would have been excluded from the scope of IFRS 17
- (ii) an entity would have separated different components from the host insurance contract, resulting in a different insurance contract to which IFRS 17 would have applied;
- (iii) the modified contract would have had a substantially different contract boundary; or
- (iv) the modified contract would have been included in a different group of contracts.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

B.6.2 Modification and derecognition (continued)

(b) the original contract met the definition of an insurance contract with direct participation features, but the modified contract no longer meets that definition, or vice versa; or

(c) the entity applied the premium allocation approach to the original contract, but the modifications mean that the contract no longer meets the eligibility criteria for that approach.

B6.3 Presentation and disclosure

Presentation and disclosure of insurance and reinsurance contracts, as well as investment contracts with DPF in the Group's consolidated financial statements will differ significantly different under IFRS 17 when compared to IFRS 4, with the intention of enhancing transparency of results for the users of the financial statements.

B6.3.1 Statement of financial position

IFRS 17 requires portfolios of insurance and reinsurance contracts that are assets, and those that are liabilities to be presented separately in the consolidated statement of financial position. All rights and obligations arising from a portfolio of insurance contracts will be presented on a net basis, therefore balances such as insurance receivables and payables will no longer be separately presented.

B6.3.2 Statement of comprehensive income

The financial statement line items in the statement of profit or loss and other comprehensive income have changed significantly compared with IFRS 4. Under IFRS 4, line items such as net earned premiums and net claims and benefits incurred are replaced, as outlined below.

B6.3.2.1 Insurance service result

The insurance service result which provides information about the profit earned from providing insurance coverage, net of reinsurance coverage comprises:

Insurance revenue:

For contracts measured applying the GMM and VFA, insurance revenue represents the changes in the LfRC over the period that relate to services for which the Group expects to receive consideration and an allocation of the premiums that relate to recovering acquisition cashflows. The amount of insurance revenue recognised in the reporting period depicts the delivery of promised services at an amount that reflects the portion of premiums the Group expects to be entitled to in exchange for those services.

For contracts not measured under the PAA, revenue recognised for the reporting period is based on the allocation of expected premium receipts to each period of coverage based on the passage of time.

The requirements of IFRS 17 to recognize revenue over the coverage period results in slower revenue recognition, when compared to current accounting practices.

Insurance service expenses:

Insurance service expenses arising from group insurance contracts issued comprises of:
- claims incurred and other directly attributable insurance service expenses incurred in the period;
- amortisation of insurance acquisition cash flows for contracts not measured applying the PAA;
- changes in the LIC related to claims and expenses incurred in prior periods (related to past service); and
- changes in the LfRC related to future service that do not adjust the CSM, because they are changes in the loss components of onerous groups of contracts.

Non-attributable expenses will be recognised separately in profit or loss.

The net of insurance revenue and insurance service expenses will be presented as the insurance service result in profit or loss.

Income and expenses from reinsurance contracts:

Results from reinsurance contracts held are disclosed separately in line with the requirements of IFRS 17.

The Group presents income or expenses from a group of reinsurance contracts held, other than reinsurance finance income or expenses in profit or loss as a single amount.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

B6.3.2.2 Insurance finance income and expense

Insurance finance income or expenses present the effect of the time value of money and the change in the time value of money, together with the effect of financial risk and changes in financial risk.

When applying the GMM and PAA, the effect of and changes in financial risk form part of the insurance finance income and expenses. For groups of insurance contracts measured under the VFA, the fair value returns on the underlying items are recognised in insurance finance income and expenses.

The Group has elected not to disaggregate insurance finance income or expenses between profit or loss and other comprehensive income, and therefore recognises all insurance finance income or expenses for the reporting period in profit or loss.

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.

Assupol Life 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 company meets these provisions due to the fact that the company's insurance liabilities exceed 80% of total liabilities. There has been no change in the company's activities that warrants a reassessment of applying the temporary exemption from IFRS 9. The company 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.

Assupol Life will recognise IFRS 9 from the year ending 30 June 2024. Assupol Holdings implemented IFRS 9 in the year ended June 2019.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

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

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

	Financial instruments			Other financial instruments
	Amortised cost meeting SPPI * R'000	FVTPL ** R'000	Total R'000	R'000
Equity instruments (Mandatory FVTPL)				
Opening balance	-	1 681 748	1 681 748	-
Contributions	-	941 163	941 163	-
Withdrawals	-	(158 607)	(158 607)	-
Increase in fair value	-	101 735	101 735	-
Investment income	-	49 686	49 686	-
Fees	-	(1 686)	(1 686)	-
Closing balance	-	2 614 039	2 614 039	-
Global unit trusts (Mandatory FVTPL)				
Opening balance	-	349 752	349 752	-
Contributions	-	72 239	72 239	-
Withdrawals	-	(107 766)	(107 766)	-
Increase in fair value	-	103 642	103 642	-
Investment income	-	4 375	4 375	-
Fees	-	(186)	(186)	-
Closing balance	-	422 056	422 056	-
Debt securities (Mandatory FVTPL)				
Opening balance	-	1 884 587	1 884 587	-
Contributions	-	28 701	28 701	-
Withdrawals	-	(55 536)	(55 536)	-
Decrease in fair value	-	(5 888)	(5 888)	-
Investment income	-	177 367	177 367	-
Fees	-	(4 575)	(4 575)	-
Closing balance	-	2 024 656	2 024 656	-
Debt securities (Designated FVTPL)				
Opening balance	-	506 356	506 356	-
Contributions	-	60 895	60 895	-
Withdrawals	-	(41 757)	(41 757)	-
Decrease in fair value	-	(364)	(364)	-
Investment income	-	16 560	16 560	-
Fees	-	(778)	(778)	-
Closing balance	-	540 912	540 912	-
Deposits and money markets securities (Designated FVTPL)				
Opening balance	1 557 610	1 374 258	2 931 868	-
Contributions	915 474	1 661 008	2 576 482	-
Withdrawals	(353 237)	(1 578 992)	(1 932 229)	-
Increase / (decrease) in fair value	(429)	1 756	1 327	-
Investment income	154 827	95 925	250 752	-
Fees	(7 479)	(605)	(8 084)	-
Closing balance	2 266 766	1 553 350	3 820 116	-
Other receivables				
Opening balance	651	-	651	14 001
Accrued interest	22	-	22	-
Additions	-	-	-	9 270
Repayment received	(383)	-	(383)	(5 016)
Closing balance	290	-	290	18 255

* SPPI: Solely payments of principal and interest

** FVTPL: Fair value through profit or loss

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

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

	Financial instruments			Other financial instruments
	Amortised cost meeting SPPI * R'000	FVTPL ** R'000	Total R'000	R'000
Cash and cash equivalents				
Opening balance	439 128	-	439 128	-
Net contributions received	125 713	-	125 713	-
Closing balance	564 841	-	564 841	-

* SPPI: Solely payments of principal and interest

** FVTPL: Fair value through profit or loss

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 39).

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 consideration transferred (being the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree) over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired the difference is recognised directly in profit or loss as in a bargain purchase.

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. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.3 Foreign currency translation (continued)

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 / (losses) on financial assets'.

2.4 Revenue recognition and other income and expenses

2.4.1 Revenue recognition

2.4.1.a Revenue in terms of IFRS 4

(i) *Insurance premiums received*

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

2.4.1.b Revenue in terms of IFRS 15

(i) *Fee income*

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

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

2.4.2 Other income

2.4.2.a Income in terms of IFRS 4

(i) *Reinsurance premiums received*

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

2.4.2.b Income in terms of IAS 39

(i) *Investment income*

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

2.4.2.c Other sundry income

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

2.4.3 Acquisition costs of insurance and investment contracts

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

Acquisition costs for the guaranteed single premium products (held at amortized cost) 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. 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-acquisition 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 MATERIAL 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 to 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 any profit share arrangements. 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 any profit share arrangements. Unpaid premiums are included in payables.

Insurance claims incurred in respect of reinsurance agreements

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

Insurance claims recovered from reinsurers

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

2.6 Taxation

2.6.1 Current taxation

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

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

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

2.6.2 Dividend withholding taxation

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

2.6.3 Deferred taxation

The Group calculates deferred taxation using the liability method. It calculates deferred taxation liabilities or assets by applying enacted or substantially enacted corporate taxation rates to the temporary differences existing at each end of a reporting period between the taxation values of assets and liabilities and their carrying amount in the financial statements, where such temporary differences are expected to result in taxable or deductible amounts in determining taxable income for future periods when the carrying amount of the assets and liabilities are recovered or settled. If the deferred taxation arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for.

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

2. SUMMARY OF MATERIAL 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 Recognition and subsequent measurement

All classes of property and equipment are 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 assesses residual values and useful lives at each reporting date 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 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 MATERIAL 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.

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.

Lease liabilities are determined as the net present value of the lease payments that are not paid at that date, 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.

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

2.11 Intangible assets

2.11.1 Deferred acquisition costs (DAC)

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

2.11.2 Goodwill

All business combinations are accounted for by applying the acquisition method of accounting. The cost of the business combination is the fair value of the purchase consideration due at the date of acquisition. Goodwill represents the excess of the purchase price consideration of an acquisition over the attributable fair value of the 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. Refer note 3.2 for more detail of the estimates used in the impairment test.

Negative goodwill represents the excess of the fair value 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 is the intention of the Group to complete the intangible asset and use it;
- the Group has the ability to use it;
- it can be demonstrated how the project will generate probable future economic benefits;
- adequate technical, financial and other resources are available to complete the development and use the intangible asset; 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 the amortisation reflects the pattern of benefits. The development cost has useful lives ranging from 3 to 10 years.

2. SUMMARY OF MATERIAL 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, policyholder assets, current taxation and deferred taxation assets. Investments in subsidiaries are not included in the company's financial 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 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 for 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 MATERIAL ACCOUNTING POLICIES (continued)

2.13 Impairment of assets

2.13.1 Financial assets carried at amortised cost

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

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

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

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

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

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

2.13.2 Impairment of other non-financial assets

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.14 Cash and cash equivalents

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

2.15 Share capital

Ordinary and preference shares are classified as equity.

2.16 Share-based payments

2.16.1 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.

2.16.2 Cash-settled share-based payments

The cash-settled share-based payments in the Group include a component of the deferred bonus scheme to senior management.

A liability equal to the portion of the services received is recognised at the current fair value determined at each statement of financial position date. Until the liability is settled, the fair value is re-measured at each reporting date and a date of settlement with any changes in fair value recognised in profit or loss for the period.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.17 Policyholder contracts - Investment and insurance

2.17.1 Investment and insurance contract classification

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

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.

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.

2.17.2 Investment contracts

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

Valuation

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

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

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

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

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

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

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

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

Amounts received and claims incurred on investment contracts

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

Deferred acquisition costs (DAC) in respect of investment contracts

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.17 Policyholder contracts - Investment and insurance (continued)

2.17.2 Investment contracts (continued)

Receivables and payables related to investment contracts

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

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

2.17.3 Insurance contracts

Valuation

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

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

The liability with regard to insurance business is calculated each year using assumptions that are consistent with the market value / fair value of the assets on that date. In determining the liability/asset, 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 (Discounted)

  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 linked contracts

  Liabilities for individual market linked 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 MATERIAL ACCOUNTING POLICIES (continued)

2.17 Policyholder contracts - Investment and insurance (continued)

2.17.3 Insurance contracts (continued)

- Insurance contracts (Undiscounted)

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

Outstanding claims provisions

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

Embedded derivatives

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

Liability adequacy test

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

Premium income

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

Premium income originates from various sources, and is recognised as follows:
- Individual insurance contracts - recurring: when due;
- Individual insurance contracts - single: when received; and
- Group schemes: when received.

Insurance benefits and claims

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.18 Other liabilities

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

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

A liability is derecognised when it is legally extinguished.

2.18.1 Financial liabilities excluding policyholder liabilities under investment 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.

2.18.2 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 2.17.2 for a detailed description of the valuation of these contracts.

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

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

2.19 Employee benefits

2.19.1 Retirement fund

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

2.19.2 Leave pay accrual

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

2.19.3 Bonus provision

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

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

The accounting policy for share-based payment (refer note 2.16) determines the treatment of the long-term incentive component of the Group's incentive scheme for management. The expense of the deferred bonus is recognised over the period of the restriction from the date that the bonus is granted.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.20 Segment information

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

The Group's operations are analysed across three reportable operating segments, namely individual business, group business and other operations. This is consistent with the way the Group manages the business.

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 are 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 assets under long-term insurance contracts decreased by R349.0 million resulting in a net year-end asset balance of R2 284.4 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. Refer note 4.1 and 19 to the financial statements for assumptions used and further information.

3. CRITICAL ACCOUNTING ESTIMATES (continued)

3.3 Current and deferred taxation

The Group is subject to taxation in South Africa. There may be transactions and calculations for which the ultimate taxation determination has an element of uncertainty during the ordinary course of business. The Group recognises liabilities based on objective estimates of the amount of taxation that may be due. Where the final taxation determination is different from the amounts that were initially recorded, such difference will impact the income taxation and deferred taxation provisions in the period in which such determination was made. The corporate taxation rate in South Africa at the end of the financial year was 27% (2022: 28%).

Assupol Life has four separate taxation funds namely the individual policyholders' fund (IPF) (taxed at 30% in both years), the untaxed policyholders' fund (UPF) (not taxed), risk policy fund (RPF) (taxed at 27% (2022: 28%)) and the corporate fund (taxed at 27% (2022: 28%)). Assupol Life has not issued any insurance contracts to corporate entities, hence does not maintain a separate corporate policyholder fund.

In terms of the taxation methodology applied in the IPF, Assupol Life has accumulated ("I-E") losses in excess of R1.12 billion (2022: R1.22 billion) as a result of the deductible expenses ("E") (being mostly commission expenses for risk policies) far exceeding the taxable income ("I") (being mostly investment income from the investment policies). With new business written in the IPF, constituting mostly investment policies, the fund has started generating excess "I" over "E" resulting in the utilisation of the assessed loss.

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

Management has performed projections that indicate that the recovery of the assessed loss in the IPF remains probable due to the volumes of guaranteed-return single-premium policies (GRSP) , guaranteed-income single-premium plan (GISP) and linked policies already in-force. As a result a deferred taxation asset of R277.7 million (2022: R143.2 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. Where GRSP or GISP products were sold with terms in excess of 5 years, this was also incorporated;
- No new business has been projected as the GRSP and GISP product lines have been closed for new business.
- It was assumed that surrenders for GRSP and GISP products will only occur in the last two years of the term of the product, with a 20% assumption for each of the last two years. Management will monitor this assumption annually as there is currently no sufficient experience available to inform another view. If the assumption was 10%, the deferred taxation asset would increase to R292.4 million.
- The investment returns for GRSP and GISP products were modelled on the rates stipulated in the contracts, applying section 24J.
- For the endowments linked to a structured note, the interest component was modelled based on the interest rate per the notes, applying section 24J.
- For endowments linked to a structured note, partial surrenders to occur at end of year 1 and 3, based on 50% of the original nominal value, plus accrued interest.

The corporate income tax rate was changed from 28% to 27% for years of assessments commencing on or after 1 April 2022. The Group has applied the adjusted rate to the calculation of the deferred taxation in the previous financial year.

3.4 Leases

The Group has lease agreements for various properties and equipment. 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 Group 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 and restoration costs incurred. The lease liability is initially measured at the present value of the lease payments at date of recognition, less any lease incentives receivable.

3. CRITICAL ACCOUNTING ESTIMATES (continued)

3.4 Leases (continued)

The discount rate applied relating to the head office building have been determined at the rate implicit to the lease of 7.03% up to end of April 2022. The lease conditions were renegotiated with effect from May 2022 with the lease period being extended for another 5 years and the monthly rental amount being reduced. This has resulted in the remeasurement of the lease liability. The finance charges has been based on the incremental borrowing rate of 11.64%.

The incremental borrowing rate applied to the lease liabilities relating to property leases for branch offices ranges between 8.10% and 9.27%. 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.

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 2023 based on the in-force data file, movements and claims during the year. These results were used to set the mortality assumptions relative to the latest published local assured lives. 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 2023 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 7.3% (2022: 6.8%) 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	
	2023	**2022**
Debt securities and other loans	9.80%	9.30%
Deposits and money market securities	7.80%	7.30%
Equity securities	12.67%	12.80%
Policyholder loans	15.75%	14.80%
Loans to personnel	9.80%	9.30%
Foreign investments	8.80%	8.30%
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	
	2023	2022
Debt securities and other loans	9.80%	9.30%
Non unit linked business (excluding with-profits business)	9.80%	9.30%
With-profits business	9.80%	9.30%
Unit linked business	9.90%	9.30%

Economic: Taxation

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

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

Assumption	2023 margin adjustment	2022 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 and for the individual risk 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 included a correction to the WDC annuity model point, an adjustment to Cornerstone Solutions reserving methodology, a change from COVID-19 mortality loadings for individual business to a long-term assumption change, and a revaluation reserve update for the single premium products.

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.
- A reserve was set up for the future expense and mortality risk for books that will be closed for new business when they are moved across to the micro-insurance business.
- The withdrawal and not-taken-up assumptions were updated in accordance to the most recent withdrawal experience investigation.
- Long-term lapse assumptions were adjusted and management action taken on the existing business of Assupol Life's Progress4Sure and Progress4Life products.
- The investment return assumption on the unit reserves increased from 9.6% to 9.9% p.a., the investment return assumption on the non-unit reserves increased from 9.3% to 9.8% p.a. and the expense inflation assumption increased from 6.8% to 7.3%.
- Group and individual business' IBNRs were adjusted.

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

	CONSOLIDATED	
	2023	2022
	R'000	R'000
Modelling changes and data refinements on opening liabilities	27 074	43 633
Change in APN110 reserve	395	389
Reserving for micro-insurance partners	(70 998)	-
Change in mortality assumptions: COVID-19 reserve	-	(81 361)
Change in mortality assumptions	(2 131)	(6 766)
Change in withdrawal rate and not-taken-up assumptions	(132 347)	(135 981)
Change in withdrawal assumptions and management action (4Sure and 4Life)	(108 996)	-
Change in investment return assumptions and Inflation assumptions	(70 817)	(233 653)
Change in real return gap	-	102 550
Group IBNR and Individual IBNR assumptions	32 181	(37 842)
Voluntary premium and benefit increases	225	(2 353)
Change in renewal expense assumptions	-	111 170
Total change in basis	(325 414)	(240 214)

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.

	2023			2022		
	Total (asset) / liability R'000	Change R'000	% change	Total (asset) / liability R'000	Change R'000	% change
Main basis	(2 284 390)			(2 633 385)		
Renewal expenses +10%	(1 700 600)	583 790	26%	(2 130 531)	502 854	19%
Inflation +1%	(1 862 897)	421 493	18%	(2 150 722)	482 663	18%
Investment return -1%	(1 817 713)	466 677	20%	(2 326 505)	306 880	12%
Withdrawals +10%	(2 305 441)	(21 051)	-1%	(2 646 349)	(12 964)	0%
Risk experience +10%	(1 615 453)	668 937	29%	(1 984 119)	649 266	25%

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 2023	Insurance contracts R'000	Change R'000	Reinsurance assets R'000	Change R'000
Main basis	(2 264 107)		(20 283)	
Renewal expenses +10%	(1 680 647)	583 460	(19 952)	331
Inflation +1%	(1 842 945)	421 162	(19 952)	331
Investment return -1%	(1 794 113)	469 994	(23 600)	(3 317)
Withdrawals +10%	(2 285 760)	(21 653)	(19 682)	601
Risk experience +10%	(1 395 294)	868 813	(220 161)	(199 878)

30 June 2022	Insurance contracts R'000	Change R'000	Reinsurance assets R'000	Change R'000
Main basis	(2 567 083)		(66 302)	
Renewal expenses +10%	(2 064 229)	502 854	(66 302)	-
Inflation +1%	(2 084 420)	482 663	(66 302)	-
Investment return -1%	(2 258 335)	308 748	(68 170)	(1 868)
Withdrawals +10%	(2 580 569)	(13 486)	(65 780)	522
Risk experience +10%	(1 733 107)	833 976	(251 012)	(184 710)

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 and Dividend policy; and
  - Various Information Technology policies.

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.

The compilation of the committees is described below:

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

5 RISK MANAGEMENT (continued)

5.2 Responsibility for risk management (continued)

- The Risk Committee is tasked with ensuring that a proper risk management framework and appropriate reporting channels are implemented for the entire Assupol Group. It furthermore oversees the asset management process of the Assupol Group according to guidelines and objectives set by the Investment Policy document and in conjunction with the Asset Liability Matching analysis as compiled by the statutory actuary. The committee is chaired by an independent non-executive director, comprises two non-executive directors and one executive director. The committee meets on a quarterly basis.

- The mandate of the Nomination Committee includes considering and recommending to the Board nominees to serve on the Board, considering and recommending to the Board the removal of any non-executive director, and considering and recommending to the Board new nominees to fill vacancies as and when they arise. The committee is chaired by a non-executive director. It comprises four non-executive directors and meets on a quarterly basis.

- 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.

- The 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 non-executive director and one executive directors. The committee meets on a quarterly basis.

- The Actuarial Committee supports the Board of Directors with its obligations under Solvency Assessment and Management (SAM), and its reporting responsibilities under IFRS. The committee also evaluates, considers and where necessary makes recommendations to the Board and management regarding actuarial assumptions and projections. The committee consists of two executive and two non-executive directors and is chaired by an independent non-executive director. The committee meets at least quarterly.

- The Group Executive Committee (Exco) monitors the operations of all companies in the Assupol Group and the implementation of the strategic vision of the Board of Directors. The committee comprises of the executive directors and the prescribed officers of Assupol Holdings and meets on a monthly basis. The committee is supported by the Assupol Life 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 Group 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, Capital Management Committee, Procurement Committee, Group Actuarial Committee, Risk Steering Committee, Taxation Committee, Claims Risk Forum, Expense Management Forum, Sales Forum, IFRS17 Steering Committee, Information Technology Forum, and Operational Forum.

5 RISK MANAGEMENT (continued)

5.3 Insurance risk

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

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

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

Contracts offered by the Group	Contract type	2023 % of premium	2022 % of premium
Individual insurance business	Insurance	84.2%	84.1%
Group risk business	Insurance	15.8%	15.9%
Total		100.0%	100.0%

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

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

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

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

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

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

5.3.1 Mortality and morbidity risk

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

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

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:
  - > The mortality assumptions were reviewed in light of the revised reinsurer risk rates provided. A reserve was created in the modelling to account for projected excess deaths arising from a pandemic.
  - > 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.
  - > Applications for risk cover are subject to underwriting rules. Where risk cover is above certain limits, it is reviewed by experienced underwriters and evaluated against established standards.
  - > Compulsory testing for HIV is carried out in all cases where the applications for risk cover exceed limits specified for specific products. Where HIV tests are not required, this is fully reflected in the pricing and experience is closely monitored.
  - > Underwriting is done to identify abnormal risks and, if necessary, take appropriate actions such as additional premium loadings, exclusions or alteration of benefit terms.
  - > Reinsurance arrangements are used for specific products where the single risk for a policy is high or where business does not have sufficient experience as yet. The arrangements for those products are to limit the risk of any single policy. A portion of every sum assured is reinsured up to the retention level. Sums assured above the retention level are reinsured on a renewable risk premium basis for Assupol Life. Facultative arrangements are used for sub-standard lives and large sums assured. No catastrophe cover has been purchased, as the quota share reinsurance is deemed sufficient currently. Reinsurance optimisation reviews are also performed.
  - > Frequent experience investigations are carried out to monitor the experience against actuarial assumptions. Recommendations on corrective actions are discussed at the Actuarial Committee.

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

Consolidated	Sum assured at risk R			Before reinsurance R'000	%	After reinsurance * R'000	%
30 June 2023							
	0	-	20 000	34 564 585	23.53%	34 182 154	40.09%
	20 000	-	50 000	28 714 559	19.55%	29 443 258	34.53%
	50 000	-	100 000	6 762 953	4.60%	9 061 245	10.63%
	100 000	-	200 000	7 904 724	5.38%	8 179 795	9.59%
	200 000	-	500 000	18 003 957	12.26%	4 403 494	5.16%
	> 500 000			50 936 873	34.68%	-	0.00%
Total				146 887 651	100.00%	85 269 946	100.00%
30 June 2022							
	0	-	20 000	34 602 017	26.53%	34 183 723	43.35%
	20 000	-	50 000	25 871 312	19.83%	26 849 067	34.05%
	50 000	-	100 000	5 775 190	4.43%	8 048 885	10.21%
	100 000	-	200 000	8 115 763	6.22%	6 338 200	8.04%
	200 000	-	500 000	17 014 391	13.04%	3 433 369	4.35%
	> 500 000			39 069 828	29.95%	-	0.00%
Total				130 448 501	100.00%	78 853 244	100.00%

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

5. RISK MANAGEMENT (continued)

5.3.1 Mortality and morbidity risk (continued)

Group scheme and grouped individual insurance business

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

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

Consolidated	2023		2022	
Scheme size (based on number of lives covered)	Number	%	Number	%
0 - 1 000	21	36.21%	20	34.48%
1 000 - 5 000	14	24.14%	16	27.59%
> 5 000	23	39.65%	22	37.93%
Total	58	100.00%	58	100.00%

5.3.2 Business retention risk

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

5. RISK MANAGEMENT (continued)

5.4 Financial risk management

5.4.1 Financial risk

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

- The life company within the Group matches its assets and liabilities as accurately as is practically and optimally possible. GRSP and GISP liabilities are matched at inception with an asset with the same term and a return at least equal to the guaranteed return offered to the client. The Risk 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 annually. At the quarterly meetings of the Risk 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.

Consolidated	**2023** R'000	**2022** R'000
Market-related business (Investment contracts (note 29))		
Individual market-related business	5 799 937	4 121 547
Other business (Insurance contracts (note 28))	(2 284 390)	(2 633 385)
Conventional individual risk business	36 898	32 282
Other individual risk business	(2 506 934)	(2 797 688)
Group risk business	184 797	130 629
Liability for embedded derivatives	849	1 392
Total net policyholder liabilities	3 515 547	1 488 162

5. RISK MANAGEMENT (continued)

5.4.1 Financial risk (continued)

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

30 June 2023	Insurance / investment contract R'000	Reinsurance assets R'000	Total R'000
Market-related business (Investment contracts (note 29))			
Individual market-related business	5 799 937	-	5 799 937
Other business (Insurance contracts (note 28))	(2 264 107)	(20 283)	(2 284 390)
Conventional individual risk business	36 898	-	36 898
Other individual risk business	(2 486 651)	(20 283)	(2 506 934)
Group risk business	184 797	-	184 797
Liability for embedded derivatives	849	-	849
Total net policyholder liabilities	3 535 830	(20 283)	3 515 547

30 June 2022	Insurance / investment contract R'000	Reinsurance assets R'000	Total R'000
Market-related business (Investment contracts (note 29))			
Individual market-related business	4 121 547	-	4 121 547
Other business (Insurance contracts (note 28))	(2 567 083)	(66 302)	(2 633 385)
Conventional individual risk business	32 282	-	32 282
Other individual risk business	(2 731 386)	(66 302)	(2 797 688)
Group risk business	130 629	-	130 629
Liability for embedded derivatives	1 392	-	1 392
Total net policyholder liabilities	1 554 464	(66 302)	1 488 162

Market-related business

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

Conventional business

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

5. RISK MANAGEMENT (continued)

5.4.1.a Investment guarantees

- Clients of Assupol Life can choose into which type of investment fund their premiums should be deposited. One of these investment funds is the 'guaranteed fund' where the capital invested (but not the growth on the fund) is guaranteed to the client. These guarantees are spread amongst the various products that offer this investment fund. The Risk 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 maximum term of 9 years, offering either a guaranteed maturity value or a guaranteed monthly income. In terms of these contracts, investment contract holders are not entitled to receive more than the guaranteed value as determined at inception. The risk is managed by investing in assets that will provide the guaranteed cash flows of the policy.
- Valuation of the liabilities of these single premium investment products is based on the discounted guaranteed cash flows, as determined at the inception of the contract, using the valuation interest rate.

5.4.1.b Investments in structured and other 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 Risk Committee and satisfy the requirements from an Asset Liability Matching perspective. These instruments are included in financial assets at fair value through profit or loss in the statement of financial position. For further information refer to note 21.

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

Instrument type and strategy	Number of instruments	Total market value of instruments R'000	Market value as % of Assupol's investment portfolio	Market capitalisation of all issuers * R'm	Investment value as % of issuer market capitalisation	Control or significant influence
30 June 2023						
Money Market Instruments						
Money Market	7	1 380 681	14.65%	97 784	1.41%	No
Debt instruments						
Debt Long	3	1 961 587	20.82%	12 600	15.57% **	No
Equity instruments						
Equity Long	6	422 056	4.48%	193 262	0.22%	No
30 June 2022						
Money Market Instruments						
Money Market	7	1 180 239	16.05%	98 312	1.20%	No
Debt instruments						
Debt Long	3	1 823 565	24.80%	13 100	13.92% **	No
Equity instruments						
Equity Long	4	349 751	4.76%	189 982	0.18%	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 it's 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 Prudential 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 Prudential 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	2023 R'000	2022 R'000
At fair value through profit or loss					
Equity securities	x			3 036 095	2 031 500
Debt securities	x	x	x	2 565 568	2 390 943
Deposits and money market securities		x	x	1 553 350	1 374 258
At amortised cost					
Deposits and money market securities	x	x	x	2 266 766	1 557 610
Insurance and other receivables	x	x		244 351	208 180
Cash and cash equivalents		x		564 841	439 128
Policyholder assets: Insurance contracts	x *	- **	x	2 264 107	2 567 083
Policyholder assets: Reinsurance assets	x *		x	20 283	66 302
Policyholder liabilities	x *		x	5 799 937	4 121 547
Other liabilities			x	549 746	446 328
Insurance and other payables			x	762 789	614 246

** The assumptions used to determine the value of the policyholder assets and liabilities are affected by the historical market experience. For a market risk sensitivity analysis of these assumptions, refer note 5.4.2.a (v) .*
*** No residual credit risk exists after applying best estimate lapse and withdrawal assumptions.*

Concentration risk is the risk of loss associated with inadequately diversified asset portfolios. To manage this risk, the prudential regulations with reference to issuer limits, as stipulated in Regulation 28 of the Pension Fund Act, 24 of 1956, was adopted as part of all the segregated mandates. In addition, the portfolios in total also need to be compliant with Regulation 28. The compliance with Regulation 28 is monitored on a regular basis by management. Breaches are reported as they occur and the required action is taken. The Risk Committee monitors the compliance on a quarterly basis. As a result the Group's exposure to any single group of companies or entity does not exceed 13.4% (2022: 16.3%) of total assets.

5. RISK MANAGEMENT (continued)

5.4.2.a Market risk

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

(i) *Foreign exchange risk*

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

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

The currency exposure at year-end is as follows:

	2023 R'000	2022 R'000
Global unit trusts	422 056	349 752
Foreign currency amount (US$)	22 394	21 474
Insurance policy - Global bonds	67 033	61 022
Foreign currency amount (US$)	3 557	3 747
Closing exchange rate at year-end	18.85	16.29
Average exchange rate during the year	17.90	15.37

Overall, foreign exchange risk is within the strategic asset allocation limits set per policyholder fund and is managed effectively.

(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 monitored by Risk 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.

The Group is exposed to interest rate risk primarily because of investments held by the Group and classified on the consolidated statement of financial position at 'fair value through profit or loss', as well as policyholder assets. For the assets held for capital purposes, the interest rate risk is managed by considering the impact on the capital requirements of the business, to determine an appropriate strategic asset allocation (SAA). This is reviewed on at least an annual basis. From an asset-liability modelling (ALM) perspective, a review is performed to determine which of the different liability classes requires a specific backing asset portfolio. An appropriate SAA is then derived for each of the identified liability classes. For unit linked liabilities, the policyholder chooses the specific portfolio, which may contain assets that are exposed to interest rate risk. The policyholder accepts this risk. This process is governed by the Group Investment Policy (which contains the ALM policy) and is reported through the Risk Committee.

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

		Exposed to:			
Consolidated	Carrying value R'000	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	Effective interest rate at year-end %
30 June 2023					
At fair value through profit or loss					
Debt securities					
Government bonds	536 947	-	536 947	-	4.47%
Insurance policy - Global bonds *	67 033	-	67 033	-	N/a
Deposits and money market securities	1 553 350	9 665	163 003	1 380 682	8.80%
Unit trusts	1 961 588	-	-	1 961 588	7.49%
At amortised cost					
Deposits and money market securities **	2 266 766	-	2 266 766	-	2.71% to 11.65%
Receivables (interest-bearing)	178 085	177 795	290	-	12.99%
Receivables (provision for impairment)					
Premiums receivable	(141 607)	-	-	-	0.00%
Sundry insurance receivables	(16 714)	-	-	-	0.00%
Receivables (non interest-bearing)	224 587	-	-	-	0.00%
Cash and cash equivalents	564 841	564 841	-	-	7.59%
Policyholder liability - Investment contracts	(2 286 852)	-	(2 286 852)	-	2.71% to 11.65%
Subordinated debt	(352 254)	(300 000)	(52 254)	-	10.89% to 11.18%
Total	4 555 770	452 301	694 932	3 342 270	
30 June 2022					
At fair value through profit or loss					
Debt securities					
Government bonds	506 355	-	506 355	-	2.89%
Insurance policy - Global bonds *	61 022	-	61 022	-	N/a
Deposits and money market securities	1 374 258	11 346	182 672	1 180 240	5.87%
Unit trusts	1 823 566	-	-	1 823 566	7.49%
At amortised cost					
Deposits and money market securities **	1 557 610	-	1 557 610	-	2.71% to 9.72%
Receivables (interest-bearing)	166 550	165 899	651	-	12.97%
Receivables (provision for impairment)					
Premiums receivable	(116 521)	-	-	-	0.00%
Sundry insurance receivables	(7 752)	-	-	-	0.00%
Receivables (non interest-bearing)	165 903	-	-	-	0.00%
Cash and cash equivalents	439 128	439 128	-	-	4.27%
Policyholder liability - Investment contracts	(1 596 889)	-	(1 596 889)	-	2.71% to 9.72%
Subordinated debt	(250 070)	(863)	(249 207)	-	8.01% to 10.29%
Total	4 123 160	615 510	462 214	3 003 806	

* Global bond exposure is obtained through an 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 impact of possible changes to the risk variables outlined in the risk management section is provided in this section. 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.

The table below illustrate the impact on total policyholder liabilities and the Group's profit or loss (after corporate tax). 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.

Consolidated	Change in variable	Impact to total policyholders' assets / liabilities		Impact on ordinary shareholders' equity and attributable profit after taxation	
Assumption description	%	**2023 R'000**	**2022 R'000**	**2023 R'000**	**2022 R'000**
Non-market long-term assumptions					
Mortality and morbidity	+10%	668 038	648 389	(487 668)	(466 840)
	-10%	(690 002)	(667 486)	503 701	480 590
Withdrawals	+10%	(22 996)	(15 273)	16 787	10 997
	-10%	37 503	36 768	(27 377)	(26 473)
Renewal expense per policy	+10%	592 157	511 038	(432 275)	(367 947)
	-10%	(593 515)	(510 198)	433 266	367 343
Economic assumptions					
Interest rate	+1%	(348 381)	(227 220)	254 318	163 598
	-1%	469 847	311 757	(342 988)	(224 465)
Inflation	+1%	426 985	488 058	(312 861)	(351 201)
	-1%	(364 527)	(412 915)	267 267	297 097
Equity prices	+10%	112 654	106 498	(82 237)	(76 678)
	-10%	(114 730)	(106 470)	83 753	76 658

5. RISK MANAGEMENT (continued)

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

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

30 June 2023		Impact to policyholders' assets / liabilities		Impact on ordinary shareholders' equity and attributable profit after taxation	
Assumption description	Change in variable %	Insurance contracts **R'000**	Reinsurance assets **R'000**	Insurance contracts **R'000**	Reinsurance assets **R'000**
Non-market long-term assumptions					
Mortality and morbidity	+10%	867 914	(199 876)	(633 577)	145 909
	-10%	(896 528)	206 526	654 465	(150 764)
Withdrawals	+10%	(23 599)	602	17 227	(440)
	-10%	37 471	32	(27 354)	(23)
Renewal expense per policy	+10%	591 825	332	(432 032)	(242)
	-10%	(593 847)	332	433 508	(242)
Economic assumptions					
Interest rate	+1%	(351 481)	3 100	256 581	(2 263)
	-1%	473 162	(3 316)	(345 408)	2 420
Inflation	+1%	426 653	332	(311 457)	(242)
	-1%	(364 859)	332	266 347	(242)
Equity prices	+10%	112 322	332	(81 995)	(242)
	-10%	(115 062)	332	83 995	(198 725)

30 June 2022		Impact to policyholders' assets / liabilities		Impact on ordinary shareholders' equity and attributable profit after taxation	
Assumption description	Change in variable %	Insurance contracts **R'000**	Reinsurance assets **R'000**	Insurance contracts **R'000**	Reinsurance assets **R'000**
Non-market long-term assumptions					
Mortality and morbidity	+10%	833 098	(184 709)	(599 830)	132 990
	-10%	(856 159)	188 672	616 434	(135 844)
Withdrawals	+10%	(15 795)	522	11 372	(376)
	-10%	37 403	(635)	(26 930)	457
Renewal expense per policy	+10%	511 038	-	(367 947)	-
	-10%	(510 198)	-	367 343	-
Economic assumptions					
Interest rate	+1%	(228 760)	1 540	164 707	(1 109)
	-1%	313 624	(1 867)	(225 810)	1 344
Inflation	+1%	488 058	-	(351 402)	-
	-1%	(412 915)	-	297 299	-
Equity prices	+10%	106 495	2	(76 677)	(2)
	-10%	(106 467)	(3)	76 656	(183 126)

The impact of changes in the interest rate on subordinated debt at amorised cost is illustrated below. Note that the impact is affected by the type of interest linked to the debt i.e. fixed or floating (refer note 5.4.3.c).

Description	Change in variable %	**2023** **R'000**	**2022** **R'000**
Interest rate	+1%	(1 567)	3 073
	-1%	1 736	8 529

5. RISK MANAGEMENT (continued)

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

A sensitivity analysis performed on financial assets - investments, that constitute shareholder investments, is provided below:

Description	Change in variable %	Impact on investment value 2023 R'000	Impact on investment value 2022 R'000	Impact on ordinary shareholders' equity 2023 R'000	Impact on ordinary shareholders' equity 2022 R'000
Equity prices	+10%	32 388	29 586	23 643	21 302
	-10%	(32 388)	(29 586)	(23 643)	(21 302)
Interest rate	+1%	(96 817)	(90 539)	(70 676)	(65 188)
	-1%	105 823	100 751	77 251	72 541
Real interest rate	+1%	(34 293)	(36 255)	(25 034)	(26 104)
	-1%	34 293	36 255	25 034	26 104

5.4.2.b Credit risk

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

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

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

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

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

(i) *Credit risk on investments*

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

These mandates are given taking the following requirements into consideration:

- Limits in each asset class
  - > The percentage of assets invested in an asset class is fixed and will be determined by the Risk 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, 2017. The combined portfolios are managed in line with regulation 28 of the Pension Fund Act, 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(zaf) to AAA(zaf) rated local listed bonds. For non South African assets the rating must be investment grade (AAA to BBB-). 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	
	2023	2022	2023	2022
	R'000	R'000	R'000	R'000
At fair value through profit or loss				
Debt securities				
Government bonds	536 947	506 355	-	-
Insurance policy - Global bonds	67 033	61 022	-	-
Unit trust	1 961 588	1 823 566	-	-
Deposits and money market securities	1 553 350	1 374 258	-	-
At amortised cost				
Deposits and money market securities	2 266 766	1 557 610	-	-
Insurance receivables				
Premium receivables - Insurance contracts	36 188	49 378	-	-
Premium receivables - Other	-	-	-	-
Sundry insurance receivables	19 583	10 056		
Reinsurance recoveries	170 035	134 094	-	-
Other receivables:				
Other sundry receivables	18 255	14 001	177	3 300
Loans to personnel and other loans	290	651	-	-
Cash and cash equivalents	564 841	439 128	49 798	35 068
Total	7 194 876	5 970 119	49 975	38 368

Analysis per credit ratings				
Local debt securities (National long-term rating)	2 498 536	2 329 921	-	-
AAA	536 948	506 356	-	-
AA+, AA, AA-	1 961 588	1 823 565	-	-
Deposits and money market securities (National long-term rating)	3 820 116	2 931 868	-	-
AAA	2 643 062	1 916 797	-	-
AA+, AA, AA-	1 177 054	1 015 071	-	-
A+, A, A-	-	-	-	-
Cash and cash equivalents (National long-term rating)	564 841	439 128	49 798	35 068
AAA	565 215	439 524	-	-
AA+, AA, AA-	(374)	(396)	18 279	20 364
A+, A, A-	-	-	31 519	14 704
Unrated	244 351	208 180	177	3 300
Insurance receivables	225 806	193 528	-	-
Other receivables	18 545	14 652	177	3 300
Global debt securities (Long term issuer default rating -Local currency)	67 032	61 022	-	-
AAA	35 027	32 719	-	-
AA+, AA, AA-	10 437	8 991	-	-
A+, A, A-	11 587	10 502	-	-
BBB+, BBB, BBB-	9 981	8 810	-	-
Total	7 194 876	5 970 119	49 975	38 368

5. RISK MANAGEMENT (continued)

5.4.2.b Credit risk (continued)

Credit rating used:

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

Rating definition:

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

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

		CONSOLIDATED		COMPANY	
		2023 R'000	2022 R'000	2023 R'000	2022 R'000
Policyholder receivables	*Gross*	177 795	165 899	-	-
	Impairment provision	(141 607)	(116 521)	-	-
	Net	36 188	49 378	-	-

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

	CONSOLIDATED		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Debt securities	2 565 568	2 390 943	-	-
Neither past due, nor impaired	2 565 568	2 390 943	-	-
Deposits and money market securities	3 820 116	2 931 868	-	-
Neither past due, nor impaired	3 820 116	2 931 868	-	-
Insurance receivables	225 806	193 528	-	-
Neither past due, nor impaired	205 877	180 770	-	-
Past due				
0 to 2 months	37 816	43 191	-	-
3 to 5 months	31 484	18 384	-	-
More than 5 months	108 951	74 902	-	-
Impairment provisions	(158 321)	(123 719)	-	-
Other receivables	18 545	14 652	177	3 300
Neither past due, nor impaired	18 292	14 611	177	3 300
Past due				
0 to 2 months	222	10	-	-
More than 5 months	31	31	-	-
Cash and cash equivalents	564 841	439 128	49 798	35 068
Neither past due, nor impaired	564 841	439 128	49 798	35 068
Total	7 194 876	5 970 119	49 975	38 368

5. RISK MANAGEMENT (continued)

5.4.2.b Credit risk (continued)

(ii) *Collateral coverage*

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

5.4.2.c Liquidity risk

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

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

(i) *Liquidity risks arising out of obligations to policyholders*

The liquidity risk is 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.

Consolidated	INSURANCE CONTRACTS 2023 R'000	INSURANCE CONTRACTS 2022 R'000	INVESTMENT CONTRACTS 2023 R'000	INVESTMENT CONTRACTS 2022 R'000
Unit liabilities				
Within 1 year	68 424	61 972	453 386	169 694
2 to 5 years	117 174	89 175	529 349	420 383
6 to 10 years	39 361	39 823	734 270	458 188
11 to 20 years	27 485	28 603	665 211	613 056
Over 20 years	123 973	71 213	193 322	183 769
Total unit liabilities	376 417	290 786	2 575 538	1 845 090
Non-unit liabilities				
Within 1 year	17 725	92 621	123 292	260 992
2 to 5 years	53 360	168 478	1 308 033	982 388
6 to 10 years	(543 680)	(513 891)	272 206	341 368
11 to 20 years	(1 349 206)	(1 348 399)	1 948	-
Over 20 years	(4 965 264)	(5 875 389)	(734)	971
Total	(6 787 065)	(7 476 580)	1 704 745	1 585 719
Effect of discounting cash flows	1 770 948	1 952 717	(67 618)	(31 669)
Effect of compulsory margins	2 284 001	2 415 692	65 534	43 818
Undiscounted liabilities (including IBNR reserves)	71 309	184 000	1 521 738	678 589
Total non-unit liabilities	(2 660 807)	(2 924 171)	3 224 399	2 276 457
TOTAL				
Within 1 year	86 149	154 593	576 678	430 686
2 to 5 years	170 534	257 653	1 837 382	1 402 771
6 to 10 years	(504 319)	(474 068)	1 006 476	799 556
11 to 20 years	(1 321 721)	(1 319 796)	667 159	613 056
Over 20 years	(4 841 291)	(5 804 176)	192 588	184 740
Effect of discounting cash flows	1 770 948	1 952 717	(67 618)	(31 669)
Effect of compulsory margins	2 284 001	2 415 692	65 534	43 818
Undiscounted liabilities (including IBNR reserves)	71 309	184 000	1 521 738	678 589
Total policyholder liabilities	(2 284 390)	(2 633 385)	5 799 937	4 121 547

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	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Equity securities	1 184 466	1 064 290	-	-
Debt securities	377 739	360 358	-	-
Deposits and money market securities	1 389 750	711 228	-	-
Total	2 951 955	2 135 876	-	-

The expected liquidity requirement for undiscounted expected cash flows for unit liabilities for the next year is R522 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 R141 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.

Consolidated	INSURANCE CONTRACTS		INVESTMENT CONTRACTS	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Policyholder assets	(5 777 190)	(5 091 742)	-	4 121 547
Policyholder liabilities	3 513 084	2 524 659	5 799 937	-
Reinsurance assets	(20 284)	(66 302)	-	-
Total net policyholder (assets) / liabilities	(2 284 390)	(2 633 385)	5 799 937	4 121 547

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

Consolidated	CARRYING VALUE		SURRENDER VALUE	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Insurance contracts				
Linked and conventional business	230 983	282 889	213 387	226 049
Other business	(3 801 616)	(2 849 972)	-	-
Reinsurance assets	1 286 243	(66 302)	-	-
Investment contracts	5 799 937	4 121 547	3 884 145	3 178 664
Total policyholder liabilities	3 515 547	1 488 162	4 097 532	3 404 713

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	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Lease liabilities	318 077	335 971	-	-
Contractual undiscounted cash flows				
Within 1 year	37 411	36 286	-	-
1 to 2 years	34 115	30 561		
2 to 3 years	31 520	27 847	-	-
3 to 4 years	31 440	28 305		
4 to 5 years	33 537	30 285		
More than 5 years	150 055	182 687	-	-
Subordinated debt	476 622	278 824	-	-
Contractual undiscounted cash flows				
Within 1 year	38 684	150 315	-	-
2 to 5 years	437 938	128 509	-	-
Insurance and other payables	762 789	614 246	13 688	22 638
Contractual undiscounted cash flows				
Within 1 year	586 044	455 447	-	-
Open ended	176 745	158 799	13 688	22 638
Total	1 557 488	1 229 041	13 688	22 638

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;
- Ensure that the strategy of the Group can be executed successfully; and
- The dividend policy is based on the cash generation of the business, taking into account an appropriate growth and/or coverage ratio.

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

These aims are achieve by:

- Allocation of appropriate levels of capital required, through the annual budget process, which considers a 5-year view.
- Appropriate matching of policyholder liabilities, taking specific consideration of the use of financial assets as opposed to policyholder assets; and
- Considering the liquidity requirements from the business.

For both the solvency and liquidity levels, a Board risk appetite has been set.

The Capital Management Committee has been mandated by the Board to consider the asset-liability modelling as well as capital optimisation strategies. This committee meets at least quarterly and reports into the Risk Committee.

Where excess capital is identified, this is returned to shareholders. This is driven by the cash generation of the different business lines as the main focus.

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 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.

	Assupol Life	
	2023	**2022**
Available solvency capital (R'm)	7 950	7 424
Solvency Capital Requirement (R'm)	4 439	4 162
Surplus above solvency requirement (R'm)	3 512	3 261
Capital ratio at year end (times covered)	1.79	1.78

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 March 2023 the Prudential Authority approved the early redemption of the existing Investec loan facility of R250 million. The final settlement was done in May 2023.

The Prudential Authority granted approval to raise debt to an amount of R350 million through a debt medium term note (DMTN) programme. This programme was fully subscribed by 26 September 2022.

The maturity profile of the DMTN programme is shown below:

	Issue date	Repayment date	Interest and floating base	Floating spread	Interest rate	Nominal issued R'000	Capital repayment
ASP01U	Sept 2022	Sept 2025	Floating; 3-	2.40%	10.89%	175 000	End of term
ASP02U	Sept 2022	Sept 2027	mth JIBAR	2.65%	11.14%	125 000	End of term
ASP03U	Sept 2022	Sept 2027	Fixed	-	11.18%	50 000	End of term

5. RISK MANAGEMENT (continued)

5.4.4 Fair value estimation

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

Consolidated (R'000)	Financial assets and liabilities at FVTPL	Financial assets at amortised cost	Financial liabilities at amortised cost	Total carrying amount		Fair value
For the year ended 30 June 2023						
Local listed shares	1 079 520	-	-	1 079 520		1 079 520
Equity linked notes	1 534 519	-	-	1 534 519		1 534 519
Unit trusts						
Global	422 056	-	-	422 056		422 056
Debt securities						
Government bonds	536 947	-	-	536 947		536 947
Insurance policy	67 033	-	-	67 033		67 033
Unit trust	1 961 588	-	-	1 961 588		1 961 588
Deposits and money market securities	1 553 350	2 266 766	-	3 820 116		3 764 791
Insurance receivables	-	225 806	-	225 806	*	225 806
Other receivables	-	18 545	-	18 545	*	18 545
Cash and cash equivalents	-	564 841	-	564 841	*	564 841
Investment contract liabilities	3 513 085	-	2 286 852	5 799 937		5 744 612
Other liabilities: Subordinated debt	-	-	352 254	352 254		352 304
Accounts payable	-	-	82 901	82 901	*	82 901
For the year ended 30 June 2022						
Local listed shares	1 000 065	-	-	1 000 065		1 000 065
Equity linked notes	681 683	-	-	681 683		681 683
Unit trusts						
Global	349 752	-	-	349 752		349 752
Debt securities						
Government bonds	506 355	-	-	506 355		506 355
Insurance policy	61 022	-	-	61 022		61 022
Unit trust	1 823 566	-	-	1 823 566		1 823 566
Deposits and money market securities	1 374 258	1 557 610	-	2 931 868		2 904 542
Insurance receivables	-	193 528	-	193 528	*	193 528
Other receivables	-	14 652	-	14 652	*	14 652
Cash and cash equivalents	-	439 128	-	439 128	*	439 128
Investment contract liabilities	2 524 658	-	1 596 889	4 121 547		4 094 221
Other liabilities: Subordinated debt	-	-	250 070	250 070		255 827
Accounts payable	-	-	61 788	61 788	*	61 788

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

5. RISK MANAGEMENT (continued)

5.4.4 Fair value estimation (continued)

Company (R'000)	Financial assets and liabilities at FVTPL	Financial assets at amortised cost	Financial liabilities at amortised cost	Total carrying amount		Fair value
For the year ended 30 June 2023						
Other receivables	-	177	-	177	*	177
Cash and cash equivalents	-	49 798	-	49 798	*	49 798
Other payables	-	-	13 688	13 688	*	13 688
For the year ended 30 June 2022						
Other receivables	-	3 300	-	3 300	*	3 300
Cash and cash equivalents	-	35 068	-	35 068	*	35 068
Other payables	-	-	22 638	22 638	*	22 638

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

5.4.5 Fair value hierarchy

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

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

The measurement at fair value, grouped into levels 1 to 3, is based on the degree to which the fair value is observable.
- Level 1: Valued with reference to quoted prices (unadjusted) in active markets for identical assets or liabilities. The judgement as to whether a market is active may include, for example, consideration of factors such as the magnitude and frequency of trading activity, the availability of prices and the size of bid/offer spreads. In inactive markets, additional work is required during the valuation process to obtain assurance that the transaction price provides evidence of the fair value or to determine the adjustments to transaction prices that are necessary.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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

For level 1:
- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

For level 2:
- The fair value of other financial assets and financial liabilities (excluding derivatives) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- Observable inputs generally used to measure the fair value of securities classified as level 2 include benchmark yields, reported secondary trades, broker-dealer quotes, issuer spreads, benchmark securities, bids, offers and reference data. The specific inputs used are:
  - Risk free rate: 4.75% to 6.90%
- The fair value of derivatives is calculated using quoted prices. All the equity options shown in level 2, is listed. 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:
  - Equity index level strike: 59 600 to 75 600 (index level 70 705 at year-end);
  - Equity volatility: 15.33% to 23.29%;

5. RISK MANAGEMENT (continued)

5.4.5 *Fair value hierarchy (continued)*

- The fair value of financial guarantee contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from the market-based credit information and the amount of loss, given the default.

For level 3:

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

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

R'000	Level 1	Level 2	Level 3	TOTAL
Consolidated 2023				
Local listed shares	1 079 520	-	-	1 079 520
Derivatives				
Equity options	-	1 534 519	-	1 534 519
Unit trusts				
Global	422 056	-	-	422 056
Debt securities				
Government bonds	536 947	-	-	536 947
Insurance policy - Global bonds	67 033	-	-	67 033
Unit trusts	-	1 961 588	-	1 961 588
Deposits and money market securities*	1 390 347	2 374 444	-	3 764 791
Total financial assets	3 495 903	5 870 551	-	9 366 454
Net investment contract liabilities*	-	5 744 612	-	5 744 612
Other liabilities - Subordinated debt	352 304	-	-	352 304
Total financial liabilities	352 304	5 744 612	-	6 096 916
Consolidated 2022				
Local listed shares	1 000 065	-	-	1 000 065
Derivatives				
Equity options	-	681 683	-	681 683
Unit trusts				
Global	349 752	-	-	349 752
Debt securities				
Government bonds	506 355	-	-	506 355
Insurance policy - Global bonds	61 022	-	-	61 022
Unit trusts	-	1 823 566	-	1 823 566
Deposits and money market securities*	1 191 587	1 712 955	-	2 904 542
Total financial assets	3 108 781	4 218 204	-	7 326 985
Net investment contract liabilities*	-	4 094 221	-	4 094 221
Other liabilities - Subordinated debt	255 827	-	-	255 827
Total financial liabilities	255 827	4 094 221	-	4 350 048

* 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. The Risk Committee monitors compliance-related matters on a quarterly basis.

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 with Assupol Life being analysed further between its individual business, group business and other operations. The Group Executive Committee makes decisions about resource allocation on the performance of these operations and financial information is provided on that basis.

- Individual business: This operating segment pertains to Assupol Life's distribution channels for individual business. It also includes single premium products as well as the Cornerstone distribution channel.

- Group business: This segment includes Assupol Life's group schemes.

- Other operations: This segment includes those transactions of Assupol Life that are not allocated to individual and group business (shareholders funds) as well as all Assupol Holdings, Assupol Investment Holdings, and the other smaller and dormant entities in the Assupol Group.

- Intersegmental: It includes those accounting reclassifications and entries which eliminate transactions between segments that are required to produce IFRS compliant consolidated results.

6.1 Segment earnings

	Individual business R'000	Group business R'000	Other operations R'000	Inter-segmental R'000	Total R'000
For the year ended 30 June 2023					
Net insurance premium revenue	4 055 441	763 419	-	-	4 818 860
Profit share received on outward reinsurance	1 997	-	-	-	1 997
Fee income	131 928	-	-	-	131 928
Investment income and net fair value gains / (losses) on financial assets	434 728	9 608	837 188	(541 339)	740 185
Other income	-	-	7 098	-	7 098
Income	4 624 094	773 027	844 286	(541 339)	5 700 068
Net insurance benefits and claims	(1 491 455)	(319 420)	-	-	(1 810 875)
Commission expenses	(585 986)	(325 883)	-	-	(911 869)
Operating and administrative expenses	(1 207 114)	(88 481)	(99 084)	91	(1 394 588)
Investment management expenses	(12 803)	(135)	(9 034)	-	(21 972)
Change in insurance contract provisions	(294 828)	(54 168)	-	-	(348 996)
Fair value adjustments on investment contracts liabilities	(328 924)	-	-	-	(328 924)
Expenses	(3 921 110)	(788 087)	(108 117)	91	(4 817 224)
Result of operating activities	702 984	(15 061)	736 168	(541 248)	882 844
Finance charges	(63 382)	(619)	(7 101)	14	(71 088)
Profit / (loss) before taxation	639 602	(15 680)	729 068	(541 234)	811 756
Income taxation expense	(100 091)	6 624	(2 033)	-	(95 500)
Profit / (loss) for the year	**539 511**	**(9 056)**	**727 035**	**(541 234)**	**716 256**
Total comprehensive income / (loss) for the year	**539 511**	**(9 056)**	**727 035**	**(541 234)**	**716 256**

6. SEGMENT INFORMATION (continued)

6.1 Segment earnings (continued)

	Individual business R'000	Group business R'000	Other operations R'000	Inter-segmental R'000	Total R'000
For the year ended 30 June 2022					
Net insurance premium revenue	3 813 974	722 061	-	-	4 536 035
Profit share received on outward reinsurance	3 895	-	-	-	3 895
Fee income	96 913	-	-	-	96 913
Investment income and net fair value gains / (losses) on financial assets	233 344	3 573	282 461	(186 230)	333 148
Other income	-	-	844	1 601	2 445
Income	4 148 127	725 633	283 304	(184 628)	4 972 436
Net insurance benefits and claims	(1 456 167)	(369 808)	-	-	(1 825 975)
Commission expenses	(556 278)	(302 821)	-	-	(859 099)
Operating and administrative expenses	(1 116 883)	(83 960)	(82 033)	1 271	(1 281 605)
Investment management expenses	(10 313)	(78)	(4 689)	-	(15 080)
Change in insurance contract provisions	(70 059)	6 568	-	-	(63 491)
Fair value adjustments on: investment contracts liabilities	(116 412)	-	-	-	(116 412)
Expenses	(3 326 113)	(750 099)	(86 722)	1 271	(4 161 662)
Result of operating activities	822 014	(24 465)	196 583	(183 357)	810 774
Finance charges	(36 410)	(421)	(1 915)	-	(38 746)
Profit / (loss) before taxation	785 603	(24 886)	194 668	(183 357)	772 028
Income tax expense	(164 600)	7 947	(759)	(1)	(157 413)
Profit / (loss) for the year	**621 004**	**(16 940)**	**193 909**	**(183 358)**	**614 615**
Total comprehensive income / (loss) for the year	**621 004**	**(16 940)**	**193 909**	**(183 358)**	**614 615**

6. SEGMENT INFORMATION (continued)

6.2 Other financial detail per reportable segment

	Individual business R'000	Group business R'000	Other operations R'000	Inter-segmental R'000	Total R'000
For the year ended 30 June 2023					
Financial assets - Investments	7 251 673	226 542	1 943 564	-	9 421 779
Policyholder assets	2 469 187	(184 797)	-	-	2 284 390
Total other assets	1 138 921	-	1 080 590	(889 463)	1 330 048
Policyholder liabilities	5 799 937	-	-	-	5 799 937
Total other liabilities	1 832 653	-	13 978	2 884	1 849 515
Additions to non-current assets	-	-	64 471	-	64 471
Depreciation	-	-	56 747	-	56 747
Amortisation of intangible assets	-	-	27 850	-	27 850
Impairment of intangible assets	-	-	12 804	-	12 804
For the year ended 30 June 2022					
Financial assets - Investments	5 476 203	107 626	1 770 482	-	7 354 311
Policyholder assets	2 764 014	(130 629)	-	-	2 633 385
Total other assets	991 860	-	924 220	(810 010)	1 106 070
Policyholder liabilities	4 121 547	-	-	-	4 121 547
Total other liabilities	1 843 340	-	23 521	(6 946)	1 859 915
Additions to non-current assets	-	-	33 724	-	33 724
Depreciation	-	-	56 842	-	56 842
Amortisation of intangible assets	-	-	26 033	-	26 033
Impairment of intangible assets	-	-	8 723	-	8 723

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.

	2023	2022
Individual insurance business	84.2%	84.1%
Group risk business	15.8%	15.9%
Total	100.0%	100.0%

	CONSOLIDATED		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
7. NET INSURANCE PREMIUM REVENUE				
Gross individual premiums	3 869 224	3 648 774	-	-
Gross group scheme and grouped individual premiums	1 158 191	1 065 273	-	-
Outward reinsurance premiums paid	(208 555)	(178 012)	-	-
Total net insurance premium revenue	4 818 860	4 536 035	-	-
8. FEE INCOME				
Investment management fee charges	126 914	91 218	-	-
Policy fee	55 930	38 632	-	-
Management fees	70 984	52 586	-	-
Surrender charges	4 786	5 498	-	-
Amortisation of deferred revenue	228	197	-	-
Total fee income	131 928	96 913	-	-
9. INVESTMENT INCOME ON FINANCIAL ASSETS				
At fair value through profit or loss	347 014	269 099	-	-
Interest received on financial assets (note 21)	297 950	216 121	-	-
Dividends received	49 064	52 978	-	-
At amortised cost	193 134	167 512	5 131	1 293
Interest accrued on financial assets	154 935	154 846	-	-
Interest received on insurance and other receivables	22	356	-	-
Loans to personnel	22	356	-	-
Cash and cash equivalents	38 177	12 310	5 131	1 293
Dividend received from subsidiaries	-	-	531 250	186 551
Total investment income	540 148	436 611	536 381	187 844
10. NET FAIR VALUE GAINS / (LOSSES) ON FINANCIAL ASSETS				
At fair value through profit or loss				
Equity securities				
Local listed shares	86 332	18 645	-	-
Global unit trusts	103 232	(11 643)	-	-
Debt securities				
Local debt securities	(12 604)	(97 161)	-	-
Global debt securities	7 679	(3 334)	-	-
Deposit and money market securities				
Structured products	15 398	(9 970)	-	-
Total net fair value gains / (losses) on financial assets	200 037	(103 463)	-	-

	CONSOLIDATED 2023 R'000	CONSOLIDATED 2022 R'000	COMPANY 2023 R'000	COMPANY 2022 R'000
11. OTHER INCOME				
Profit on disposal of equipment	3 841	1 633	-	-
Other income	3 257	812	507	-
Total other income	7 098	2 445	507	-
12. NET INSURANCE BENEFITS AND CLAIMS				
Individual benefits	1 335 193	1 289 091	-	-
Death and disability claims	916 230	1 028 519	-	-
Accident and dread disease claims	28 480	26 960	-	-
Maturities	464 588	356 900	-	-
Annuities	77 094	41 890	-	-
Surrenders	21 778	22 319	-	-
Inward reinsurance claims	2 324	5 493	-	-
Outward reinsurance recoveries	(175 301)	(192 990)	-	-
Group scheme and grouped individual benefits	475 682	536 884	-	-
Total net insurance benefits and claims	1 810 875	1 825 975	-	-
13. COMMISSION EXPENSES				
Insurance contracts				
Commission paid	901 187	846 624	-	-
Investment contracts				
Amortisation of intangible asset (DAC)	10 682	12 475	-	-
Total commission expenses	911 869	859 099	-	-

	CONSOLIDATED		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
14. OPERATING AND ADMINISTRATIVE EXPENSES				
Office administration costs	414 266	396 192	2 647	1 631
Employee costs	488 865	464 522	-	-
Advertising and promotions	237 498	211 305	-	-
Provision for impairments on receivables	25 086	20 256	-	-
Training and development costs	15 210	10 913	-	-
Share register and trading cost	1 846	1 666	1 846	1 666
Strategic projects	4 410	1 054	4 410	1 054
Other	207 407	175 697	9 615	5 472
Total operating and administrative expenses	1 394 588	1 281 605	18 518	9 823
Operating and administrative expenses include the following:				
Depreciation on property and equipment	56 747	56 842	-	-
Owned computer equipment	15 139	14 531	-	-
Motor vehicles	10 997	9 541	-	-
Office equipment	3 447	3 585	-	-
Right-to-use assets: Property	26 521	28 543	-	-
Right-to-use assets: Equipment	643	642	-	-
Auditors' remuneration	7 097	7 662	1 114	1 281
Audit fees - current year	4 296	2 808	-	-
Audit fees - prior years	2 801	4 854	1 114	1 281
Repairs and maintenance	20 274	17 062	-	-
Professional services	67 179	67 424	1 877	979
Actuarial services	7 199	5 896	-	-
Legal	1 538	3 168	348	636
Information technology	33 285	16 153	-	-
Professional and consulting	25 157	42 207	1 529	343
Lease rentals	20 985	20 256	-	-
Office equipment	76	7	-	-
Office buildings	20 909	20 249	-	-
Amortisation of intangible assets (excluding DAC)	17 168	13 558	-	-
Trademark and customer relationships	5 576	5 576	-	-
IT development cost	11 592	7 982	-	-

	CONSOLIDATED		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
14. OPERATING AND ADMINISTRATIVE EXPENSES (continued)				
Impairment of intangible assets (note 19)	6 117	7 044	-	-
Deferred acquisition cost (DAC) [1]	6 117	7 044	-	-
Employee costs [2]	488 865	464 522	-	-
Salaries and wages	393 037	377 452	-	-
Leave pay	5 673	3 232	-	-
Bonus	41 248	26 561	-	-
Pension costs - defined contribution plan	41 464	39 919	-	-
Equity-settled share-based payments:				
Deferred bonus	6 449	16 462	-	-
Other share incentives	-	211	-	-
Cash-settled share-based payments	994	685	-	-
Total directors' emoluments [3]	46 201	55 546	5 067	4 780
Executive directors (including the prescribed officers)	31 855	42 568	-	-
Non-executive directors [4]	14 346	12 978	5 067	4 780

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

(2) The number of permanent salaried staff, contract and temporary workers at 30 June 2023 was 1050 (30 June 2022: 1110).

(3) 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 37.

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

	CONSOLIDATED		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
15. FINANCE CHARGES				
Lease liability (notes 3.4 and 30)	(22 865)	(13 317)	-	-
Subordinated debt (note 30)	(48 223)	(25 403)	-	-
SA Revenue Services	-	(26)	-	-
Total interest expense	(71 088)	(38 746)	-	-

	CONSOLIDATED		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
16. INCOME TAXATION EXPENSE				
Current taxation	(334 721)	(253 855)	(1 385)	(362)
Deferred taxation (note 33)	239 221	96 442	-	-
Total income taxation expense - South African normal tax	(95 500)	(157 413)	(1 385)	(362)

Reconciliation of taxation rate

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

	CONSOLIDATED		COMPANY	
	2023 %	2022 %	2023 %	2022 %
Standard rate of taxation	27.00	28.00	27.00	28.00
Adjusted for:				
Non taxable income [(1)]	(32.21)	(1.45)	(27.69)	(29.35)
Non deductible [(2)]	33.59	0.62	0.96	1.55
Capital gains not subject to taxation	-	0.04	-	-
Amounts not credited to profit or loss [(3)]	(16.62)	(2.79)	-	-
Under- / (over) provision of prior years	-	-	-	-
Change in tax rate	-	(4.03)	-	-
Effective taxation rate	11.76	20.39	0.27	0.20

(1) Non taxable income mainly comprises dividend income which is not taxable.

(2) Non deductible expenses comprises expenses which are not attributable to the generation of income and therefor not deductible for tax purposes.

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

	CONSOLIDATED	
	2023 R'000	2022 R'000
17. GROUP EARNINGS PER SHARE		
Total earnings attributable to ordinary shareholders	716 256	614 800
Total diluted earnings attributable to ordinary shareholders	716 256	614 800
Weighted average number of shares in issue *	426 063	423 472
Effect of restricted share plans	3 610	3 588
Diluted average number of shares in issue	429 673	427 059
Group earnings per share (cents):		
Basic (cents)	168.1	145.2
Diluted (cents)	166.7	144.0

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 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 in the calculation includes the weighted number of B4 (2.09 million (2022: 2.09 million)), and B5 (0.46 million (2022: 0.46 million)) non par value shares that were not issued at year-end. Refer note 24.

Consolidated	Office equipment R'000	Computer equipment R'000	Motor vehicles R'000	Right-of-use asset: Property [1] R'000	Right-of-use asset: Equipment [2] R'000	Total R'000
18. PROPERTY AND EQUIPMENT						
For the year ended 30 June 2023						
Net book value at beginning of year	16 004	28 069	30 966	152 357	695	228 091
Cost	49 802	112 939	59 373	299 631	3 204	524 949
Accumulated depreciation	(33 798)	(84 870)	(28 407)	(147 274)	(2 509)	(296 858)
Additions	3 424	29 257	13 152	18 638	-	64 471
Disposals	(99)	(1 556)	(679)	-	-	(2 334)
Depreciation charge	(3 448)	(15 138)	(10 997)	(26 521)	(643)	(56 747)
Net book value at end of year	15 881	40 632	32 442	144 474	52	233 481
At 30 June 2023						
Cost	53 056	136 560	64 489	318 269	3 204	575 578
Accumulated depreciation	(37 175)	(95 928)	(32 047)	(173 795)	(3 152)	(342 097)
Non-current asset	15 881	40 632	32 442	144 474	52	233 481
For the year ended 30 June 2022						
Net book value at beginning of year [3]	18 817	35 952	24 720	119 259	1 337	200 085
Cost	49 223	107 466	47 782	237 990	3 204	445 665
Accumulated depreciation	(30 406)	(71 514)	(23 062)	(118 731)	(1 867)	(245 580)
Additions	855	6 981	17 715	8 173	-	33 724
Remeasurement [4]	-	-	-	53 468	-	53 468
Disposals	(84)	(332)	(1 929)	-	-	(2 345)
Depreciation charge	(3 584)	(14 532)	(9 540)	(28 543)	(642)	(56 841)
Net book value at end of year	16 004	28 069	30 966	152 357	695	228 091
At 30 June 2022						
Cost	49 802	112 939	59 373	299 631	3 204	524 949
Accumulated depreciation	(33 798)	(84 870)	(28 407)	(147 274)	(2 509)	(296 858)
Non-current asset	16 004	28 069	30 966	152 357	695	228 091

(1) The right of use asset: property consists of the rental agreements of the head office and branches.
(2) The right of use asset: equipment consists of the rental agreement for printers and related office equipment.
(3) The cost and accumulated depreciation components of the net book value at beginning of year were erroneously not disclosed previously.
(4) The remeasurement relates to the renegotiated lease conditions of the head office building with effect from May 2022.

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

Consolidated	Goodwill [1] R'000	Deferred acquisition cost (DAC) [2] R'000	IT development cost R'000	Trademark and customer relationships [3] R'000	Total R'000
19. INTANGIBLE ASSETS					
For the year ended 30 June 2023					
Net carrying amount at beginning of year	75 134	27 447	122 514	5 576	230 671
Cost	85 608	53 937	136 472	27 881	303 898
Accumulated impairment / amortisation	(10 474)	(26 490)	(13 958)	(22 305)	(73 227)
Additions	-	-	84 001	-	84 001
New business	-	11 136	-	-	11 136
Impairment	-	(6 117)	(6 687)	-	(12 804)
Amortisation charge	-	(10 682)	(11 592)	(5 576)	(27 850)
Net carrying amount at end of year	75 134	21 784	188 236	-	285 154
At 30 June 2023					
Cost	85 608	44 761	213 786	27 881	372 036
Accumulated impairment / amortisation	(10 474)	(22 977)	(25 550)	(27 881)	(86 882)
Net carrying amount at end of year	75 134	21 784	188 236	-	285 154
Non-current asset	75 134	13 737	188 236	-	277 107
Current asset	-	8 047	-	-	8 047
For the year ended 30 June 2022					
Net carrying amount at beginning of year [4]	75 134	33 849	61 134	11 152	181 269
Cost	85 608	61 260	67 110	27 881	241 859
Accumulated impairment / amortisation	(10 474)	(27 411)	(5 976)	(16 729)	(60 590)
Additions	-	-	71 041	-	71 041
New business	-	13 117	-	-	13 117
Impairment	-	(7 044)	(1 679)	-	(8 723)
Amortisation charge	-	(12 475)	(7 982)	(5 576)	(26 033)
Net carrying amount at end of year	75 134	27 447	122 514	5 576	230 671
At 30 June 2022					
Cost	85 608	53 937	136 472	27 881	303 898
Accumulated impairment / amortisation	(10 474)	(26 490)	(13 958)	(22 305)	(73 227)
Net carrying amount at end of year	75 134	27 447	122 514	5 576	230 671
Non-current asset	75 134	17 476	122 514	5 576	220 700
Current asset	-	9 971	-	-	9 971

(1) Goodwill is allocated to the Group's cash-generating units (CGUs). The recoverable amount of this CGU is determined based on the actuarial value of the Cornerstone policy book in Assupol Life. In particular the unrecognised portion due to compulsory margins. There are sufficient compulsory margins to support the value of goodwill. The actuarial assumptions included in note 4.1 are consistent with those used in the valuation. Also refer to note 3.2 for more detail on the impairment.

(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 R6.117 million (2022: R7.044 million).

(3) 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.

(4) The cost and accumulated impairment / amortisation components of the net carrying amount at beginning of year were erroneously not disclosed previously.

19. INTANGIBLE ASSETS (continued)

IT Development cost

IT development cost consists of a number of projects that is technically and commercially feasible for use. These projects include the digitalisation of the sales environment and client relationship management. Once a project is completed and ready for use, it is amortised over the project's estimated life which is measured against the pattern of benefits arising from the use thereof.

It includes the following projects that are material to the financial statements:

Description	Project name	Carrying amount (R'000)	Remaining amortisation period (months)
Digitalisation of sales processes	FS - F2F Funeral	48 284	105
Digitalisation of sales processes	FS - Online funeral	13 447	114
Digitalisation of sales processes	FS - Online life	18 406	117

	COMPANY 2023 R'000	COMPANY 2022 R'000
20. INVESTMENTS IN SUBSIDIARIES (Unlisted)		
Balance at beginning of year	842 740	813 390
Equity-settled share-based payments		
Deferred bonus - Assupol Life	6 449	16 462
Other share incentives - Assupol Life	-	211
Investment in Assupol Investment Holdings	65 000	12 677
Non-current asset - unlisted equity investments	914 188	842 740
Unlisted equity investments, valued at cost, comprise the following:	914 188	842 740
Assupol Life	819 628	813 180
Assupol Investment Holdings	94 560	29 560

For detail of the ownership interest in each subsidiary as well as the acquisition of additional shares in the subsidiaries, refer notes 39.

	CONSOLIDATED		COMPANY	
	2023	2022 Restated	2023	2022
	R'000	R'000	R'000	R'000
21. FINANCIAL ASSETS - INVESTMENTS				
At fair value through profit or loss				
Equity securities - quoted and listed (Mandatory)	3 036 095	2 031 500	-	-
Local listed shares and equity linked notes	2 614 039	1 681 748	-	-
Global unit trusts	422 056	349 752	-	-
Total equity securities	3 036 095	2 031 500	-	-
Debt securities - quoted and listed (local) (Mandatory or designated) (1) (2)	2 498 535	2 329 921	-	-
Government bonds	536 947	506 355	-	-
Unit trusts	1 961 588	1 823 566	-	-
Insurance policy - Global bonds (3)	67 033	61 022	-	-
Total debt securities	2 565 568	2 390 943	-	-
Deposits and money market securities (Designated)	1 553 350	1 374 258	-	-
Total at fair value through profit or loss	7 155 013	5 796 701	-	-
At amortised cost				
Deposits and money market securities (4)	2 266 766	1 557 610	-	
Total at amortised cost (5)	2 266 766	1 557 610	-	-
Total financial assets - investments	9 421 779	7 354 311	-	-
Non-current asset (6)				
Equity securities - quoted and listed	1 521 738	678 589		
Debt securities - quoted and listed (local)	498 069	506 355	-	-
Deposits and money market securities	1 807 088	1 264 203	-	-
Current asset (6)				
Equity securities - quoted and listed	1 514 357	1 352 911	-	-
Debt securities - quoted and listed (local)	2 067 499	1 884 588	-	-
Deposits and money market securities	2 013 028	1 667 665	-	-

(1) Listed debt securities in this category include floating-rate instruments and other debt securities. Bonds paid a yield that varied between 4.47% and 7.73% (2022: 2.89% and 7.97%).

(2) The value of mandatory debt securities is R2 024.7m and designated debt securities is R540.9m.

(3) 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.

(4) These financial assets relate to the guaranteed single premium products. The interest rate varied between 2.71% and 11.65% (2022: 2.71% and 9.7%)

(5) The value of the amortised assets is less than the policyholder liability at amortised cost due to the initial recognition at fair value of the liabilities. The impact of a higher guaranteed rate offered by the company due to the utilisation of the assessed tax loss, is added to the liability at initial recognition and this portion is amortised over time.

(6) The allocation between non-current and current asset for the prior year was incorrect. It was corrected to agree with the contractual maturity profile provided below. The effect of the restatement is summarised below.

2022 (R'000)	PREVIOUSLY REPORTED	ADJUSTMENT	RESTATED
Equity securities - quoted and listed			
Non-current asset	-	678 589	678 589
Current asset	2 031 500	(678 589)	1 352 911

	CONSOLIDATED		COMPANY	
	2023	2022	2023	2022
	R'000	R'000	R'000	R'000
21. FINANCIAL ASSETS - INVESTMENTS (continued)				
Analysis of movements in financial assets - investments:				
Balance at beginning of year	7 354 311	6 707 940	-	-
Additions				
At fair value through profit or loss	1 783 061	1 471 484	-	-
At amortised cost	915 474	341 914	-	-
Disposals at carrying value				
At fair value through profit or loss	(979 708)	(682 380)	-	-
At amortised cost	(353 237)	(805 029)	-	-
Net fair value gains / (losses)	200 037	(103 461)	-	-
Interest received / accrued				
At fair value through profit or loss	297 950	216 121	-	-
At amortised cost	154 827	154 744	-	-
Dividends received	49 064	52 978	-	-
Balance at end of year	9 421 779	7 354 311	-	-

Contractual maturity profile for financial assets - investments:

Consolidated (R'000)	Open-ended Restated	0 to 1 year Restated	2 to 5 years Restated	6 to 10 years	> 10 years	TOTAL
30 June 2023						
Equity securities						
Local listed shares	1 079 520	-	-	-	-	1 079 520
Equity linked notes	-	12 781	1 521 738	-	-	1 534 519
Global unit trusts	422 056	-	-	-	-	422 056
Debt securities						
Government bonds	-	38 878	216 400	111 425	170 244	536 947
Unit trust	1 961 588	-	-	-	-	1 961 588
Insurance policy						
Global bonds	67 033	-	-	-	-	67 033
Deposits and money market securities						
Fixed rate	-	622 681	1 392 675	414 413	-	2 429 769
Floating rate	-	9 665	-	-	-	9 665
Unit trust	1 380 682	-	-	-	-	1 380 682
Total	4 910 879	684 005	3 130 813	525 838	170 244	9 421 779
30 June 2022						
Equity securities						
Local listed shares	1 000 065	-	-	-	-	1 000 065
Equity linked notes (1)	-	3 094	678 589	-	-	681 683
Global unit trusts	349 752	-	-	-	-	349 752
Debt securities						
Government bonds	-	-	191 350	117 902	197 103	506 355
Unit trust	1 823 566	-	-	-	-	1 823 566
Insurance policy						
Global bonds	61 022	-	-	-	-	61 022
Deposits and money market securities						
Fixed rate	-	476 079	1 070 001	194 202	-	1 740 282
Floating rate	-	11 346	-	-	-	11 346
Unit trust	1 180 240	-	-	-	-	1 180 240
Total	4 414 645	490 519	1 939 940	312 104	197 103	7 354 311

(1) The maturity profile of equity linked notes was previously incorrectly disclosed as "open-ended". This was corrected to its current allocations. This had no impact on the solvency and liquidity ratios.

	CONSOLIDATED 2023 R'000	CONSOLIDATED 2022 R'000	COMPANY 2023 R'000	COMPANY 2022 R'000
22. INSURANCE AND OTHER RECEIVABLES				
Premiums receivable	36 188	49 378	-	-
Gross premiums outstanding	177 795	165 899	-	-
Provision for impairment [(1)]	(141 607)	(116 521)	-	-
Sundry insurance receivables	19 583	10 056	-	-
Gross receivables outstanding [(2)]	36 297	17 808	-	-
Provision for impairment [(3)]	(16 714)	(7 752)	-	-
Other sundry receivables	18 255	14 001	177	3 300
Reinsurance recoveries	170 035	134 094	-	-
Loans to personnel [(4)]	290	651	-	-
Total insurance and other receivables	244 351	208 180	177	3 300
Non-current asset	22 233	12 437	-	-
Current asset	222 118	195 743	177	3 300
Interest bearing receivables	178 085	166 550	-	-
Provisions for impairment	(158 321)	(124 273)	-	-
Non-interest bearing receivables	224 587	165 903	177	3 300
Total insurance and other receivables consist of:				
Insurance receivables	225 806	193 528	-	-
Premiums receivable - insurance contracts	36 188	49 378	-	-
Sundry insurance receivables	19 583	10 056	-	-
Reinsurance recoveries	170 035	134 094	-	-
Other receivables	18 545	14 652	177	3 300
Other sundry receivables	18 255	14 001	177	3 300
Loans to personnel	290	651	-	-
Total insurance and other receivables	244 351	208 180	177	3 300
(1) Movements in provision for impairment of premiums receivable:				
Balance at beginning of year	116 521	96 265	-	-
Recognised in profit or loss	25 086	20 256	-	-
Balance at end of year	141 607	116 521	-	-

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 gross receivables outstanding are excluding receivables that were written off. The amount written off for the current financial year is R25.3 million (2022: R96.9 million).

	CONSOLIDATED		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
22. INSURANCE AND OTHER RECEIVABLES (continued)				
(3) Movements in the provision for impairment of sundry insurance receivables:				
Balance at beginning of year	7 752	87 330	-	-
Recognised in profit or loss	8 962	(79 578)	-	-
Balance at end of year	16 714	7 752	-	-

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.

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

	CONSOLIDATED		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
23. CASH AND CASH EQUIVALENTS				
Bank balances	564 841	439 128	49 798	35 068
Balance at end of year *(Current asset)*	564 841	439 128	49 798	35 068

Included in the bank balances of the company is an amount of R9.6million that is encumbered as it pertains to unclaimed declared dividends. The liability for the dividends is included in accounts payable in note 34.

The effective interest rate on all short-term bank accounts during the year was 7.59% (2022: 4.27%) for the Group. All cash balances are available on demand.

24. SHARE CAPITAL (Consolidated and company)

Authorised share capital

5 700 000 000 ordinary no par value shares (2022: 5 700 000 000 ordinary shares with a par value of R0.001 each)
200 'A' preference no par value shares
100 000 000 'B' no par value shares

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' 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 1 964 354 B3 shares, that were issued as a deferred bonus in 2019, have vested.

The company has awarded B4 and B5 no par value shares to employees but the issue thereof is subject to the approval by the Prudential Authority of South Africa. Also refer note 26.

24. SHARE CAPITAL (Consolidated and company) (continued)

Issued share capital

	Number of shares '000	Share capital R'000	Share premium R'000	Total R'000
Ordinary shares				
Balance at 30 June 2021	421 715	94 143	546 352	640 495
Vesting of B2 no par value shares	3 828	36 387	-	36 387
Balance at 30 June 2022	425 543	130 530	546 352	676 882
Vesting of B3 no par value shares	1 964	19 356	-	19 356
Balance at 30 June 2023	427 507	149 886	546 352	696 238
B no par value shares				
Balance at 30 June 2022 and 30 June 2023	69	417	-	417
B1 no par value shares				
Balance at 30 June 2022 and 30 June 2023	192	1 392	-	1 392
B2 no par value shares				
Balance at 30 June 2022 and 30 June 2023	358	3 404	-	3 404
B3 no par value shares				
Balance at 30 June 2022	-	-	-	-
Issue of shares	1 964	19 356	-	19 356
Vesting of shares	(1 964)	(19 356)	-	(19 356)
Balance at 30 June 2023	-	-	-	-
Total balance at 30 June 2023	428 126	155 099	546 352	701 451
Total balance at 30 June 2022	426 162	135 743	546 352	682 095

	CONSOLIDATED 2023 R'000	CONSOLIDATED 2022 R'000	COMPANY 2023 R'000	COMPANY 2022 R'000
25. TREASURY SHARES (other than share-based payments)				
Balance at beginning of year	(13 109)	(4 181)	-	-
Shares acquired by Assupol Investment Holdings	-	(8 928)	-	-
Balance at end of year	(13 109)	(13 109)	-	-
26. SHARE-BASED PAYMENTS				
A. Treasury shares [(1)]				
Share incentive scheme	(15)	(15)	(15)	(15)
Balance at beginning and end of year	(15)	(15)	(15)	(15)
Deferred bonus	(5 082)	(5 082)	(5 082)	(5 082)
Balance at beginning of year	(5 082)	(41 419)	(5 082)	(41 419)
Vesting of deferred bonus shares	19 356	36 337	19 356	36 337
Issue of shares	(19 356)	-	(19 356)	-
Balance at end of year - Unvested shares	(5 097)	(5 097)	(5 097)	(5 097)
B. Employee benefits reserve [(2)]				
Share incentive scheme	31 226	31 226	31 226	31 226
Balance at beginning and end of year	31 226	31 226	31 226	31 226
Deferred bonus	72 946	85 853	72 946	85 853
Balance at beginning of year	85 853	105 728	85 853	105 728
Vesting of deferred bonus shares	(19 356)	(36 337)	(19 356)	(36 337)
Deferred bonus: Adjustment for bad leavers	(1 257)	-	(1 257)	-
Cost of deferred bonus scheme	7 706	16 462	7 706	16 462
Other share incentives	66 908	66 908	66 908	66 908
Balance at beginning of year	66 908	66 697	66 908	66 697
Cost of share incentives	-	211	-	211
Balance at end of year - Employee benefits reserve	171 080	183 987	171 080	183 987

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

(2) The employee benefits reserve consists of the cumulative share-based payment expenses of any unvested shares and share options that are granted to employees in the 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 provided with 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 Group will be suspended as long as such shares remain shares of the Assupol Share Incentive Trust.

This scheme has been closed and no more allocated shares expected.

	Number of shares issued '000	Number of options allocated '000
Unallocated shares at 30 June 2022 and 30 June 2023	1 568	-

26. SHARE-BASED PAYMENTS (continued)

ii. Deferred bonus scheme (Equity-settled and cash-settled)

The executive directors and senior management participate in an incentive scheme that consists of short term and long term incentive components. The bonus amount is determined by the Remuneration Committee in terms of the incentive scheme rules. The short term incentive component is settled in cash when the bonus is granted.

Equity-settled share-based component

50% of the long term incentive is issued as ordinary shares in the company at the date when the bonus is determined and granted to the employee. At date of allocation the fair value of the shares is determined as the 30-day volume-weighted average price (VWAP) of the share trades on the Cape Town Stock Exchange.

The right to trade with these shares is restricted until the shares vest, where a portion of the shares will vest from year 2 up to year 5 when all of the shares have vested.

B shares are issued for these purposes 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. B4 shares in 2020 and B5 shares in 2021. These shares will convert to ordinary shares after the restricted period. The employees will receive a cash bonus at the end of the restricted period where the value of the bonus will equal the total value of dividends declared on ordinary shares of the company during the restricted period.

Cash-settled share-based component

The remaining 50% of the long term incentive component is linked to phantom shares of which the value will be tracked against the embedded value per share. At date of allocation the fair value of the shares is determined as the published embedded value per share.

Similar to the B shares, the phantom shares will vest over a 5-year period from year 2 onwards.

The employees will receive a cash bonus at the end of the restricted period where the value of the bonus will equal the notional value of dividends declared on ordinary shares of the company during the restricted period.

Information on physical share allocations (B shares) granted

	CONSOLIDATED		COMPANY	
	2023 R'000	**2022** R'000	**2023** R'000	**2022** R'000
Balance at beginning of year	(10 003)	(27 873)	-	-
Allocation for financial year	(2 655)	-	-	-
Adjustment to previous financial year allocation	-	1 408	-	-
Recognised in profit or loss: Equity-settled	7 706	16 462	-	-
Balance at end of year	(4 952)	(10 003)	-	-

Grant date	Value of deferred bonus R'000	Number of B shares allocated (3) '000	Block name: B shares	Recognition in profit or loss: Total to date R'000	Recognition in profit or loss: Future recognition R'000
14 September 2018 (1)	39 791	4 324	B2	39 791	-
20 September 2019 (1)	22 228	2 256	B3	22 228	-
17 September 2020 (1)	14 900	2 090	B4	13 658	1 241
23 September 2021 (2)	2 608	329	B5	1 552	1 056
22 September 2023 (2)	2 655	249	B6	-	2 655
Balance at end of year					4 952

(1) 100% of the long term incentive was issued as ordinary shares in the company.

(2) 50% of the long term incentive was issued as ordinary shares in the company and 50% was linked to phantom shares.

(3) The issue of the B no par value shares is subject to the approval by the Prudential Authority of South Africa. The expense was recognised during the financial year as per the accounting policy as no adverse response is expected from the Prudential Authority.

26. SHARE-BASED PAYMENTS (continued)

ii. Deferred bonus scheme (Equity-settled and cash-settled) (continued)

Information on phantom share allocations granted

	CONSOLIDATED		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Balance at beginning of year	(1 923)	-	-	-
Allocation for financial year	(2 655)	-	-	-
Adjustment to previous financial year allocation	-	(2 608)	-	-
Recognised in profit or loss: Cash-settled	994	685	-	-
Balance at end of year	(3 584)	(1 923)	-	-

Grant date	Value of deferred bonus R'000	Number of phantom shares '000	Recognition in profit or loss: Total to date R'000	Recognition in profit or loss: Future recognition R'000
23 September 2021 [(1)]	2 608	170	1 679	929
22 September 2023 [(1)]	2 655	161	-	2 655
Balance at end of year				3 584

(1) 50% of the long term incentive was issued as ordinary shares in the company and 50% was linked to phantom shares.

iii. Other share incentives (Equity-settled)

The company issued shares to prescribed officers in terms of their employment- and restraint of trade agreements. These shares vested in full during the financial year.

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. The officers were not entitled to pledge, cede or dispose of these shares unless they became 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 in January 2019.

The conditions attached to the shares issued in 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

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

	CONSOLIDATED		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
27. BLACK ECONOMIC EMPOWERMENT RESERVE				
Balance at beginning and end of year	14 300	14 300	14 300	14 300

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

	CONSOLIDATED 2023 R'000	CONSOLIDATED 2022 R'000	COMPANY 2023 R'000	COMPANY 2022 R'000
28. POLICYHOLDER (ASSETS) / LIABILITIES UNDER INSURANCE CONTRACTS				
Insurance contracts				
Discounted liabilities	(2 342 540)	(2 727 966)	-	-
Balance at beginning of year	(2 727 966)	(2 761 239)	-	-
Opening modelling adjustments	(91 649)	(57 686)		
Expected interest on insurance liabilities	(303 539)	(249 063)	-	-
Expected premiums on insurance liabilities	4 006 064	3 734 090	-	-
Expected claims, expiries and lapses	(1 671 053)	(1 434 563)	-	-
Expected expenses, commission and charges	(670 911)	(653 434)	-	-
Expected profits	(725 866)	(982 080)	-	-
Additional unit linked returns (policyholders)	1 265	(4 460)	-	-
Experience variations	173 015	167 181	-	-
Changes in estimates (renewal business only)	471 080	331 463	-	-
New business added during the year	(802 980)	(818 175)	-	-
Undiscounted liabilities	78 433	160 883	-	-
Balance at beginning of year	160 883	164 955	-	-
Withdrawals during the year	(14)	2 076	-	-
New business added during the year	1 507	9	-	-
Changes in estimates (renewal business only)	(37 910)	45 482	-	-
Transfer of NBC self-insured business	32	-		
Expected claims, expiries and lapses	(46 065)	(51 639)	-	-
Total insurance contracts	(2 264 107)	(2 567 083)	-	-
Reinsurance contracts				
Discounted liabilities	(20 283)	(66 302)	-	-
Balance at beginning of year	(66 302)	(100 593)	-	-
Opening modelling adjustments	41 741	(4 155)	-	-
Expected amortisation on liabilities	(4 839)	67 948	-	-
New business added during the year	(3 979)	(9 804)	-	-
Changes in estimates (renewal business only)	13 096	(19 698)	-	-
Total reinsurance contracts	(20 283)	(66 302)	-	-
Total insurance (assets) / liabilities	(2 284 390)	(2 633 385)	-	-
Reconciliation of total insurance (assets) / liabilities:				
Balance at beginning of year	(2 633 385)	(2 696 877)	-	-
Recognised in statement of comprehensive income	348 995	63 492	-	-
Balance at end of year	(2 284 390)	(2 633 385)	-	-
Non-current (asset) / liability	(2 367 379)	(2 841 135)	-	-
Current (asset) / liability	82 989	207 750	-	-

Maturity profile - Insurance contract liabilities	0 to 1 year R'000	2 to 5 years R'000	> 5 years R'000	TOTAL R'000
Consolidated - 30 June 2023	82 989	178 026	(2 545 405)	(2 284 390)
Consolidated - 30 June 2022	207 750	197 453	(3 038 588)	(2 633 385)

	CONSOLIDATED		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
29. POLICYHOLDER LIABILITIES UNDER INVESTMENT CONTRACTS				
Balance at beginning of year	4 121 547	3 920 585	-	-
Premiums received	2 323 754	1 389 322	-	-
Payments of death, surrender and other terminations	(842 588)	(1 208 056)	-	-
Fees deducted from account balances	(131 700)	(96 716)	-	-
Value adjustment on liabilities	328 924	116 412	-	-
Gross fair value adjustment to liabilities	(20 880)	(87 804)	-	-
Interest accrued to policyholders	349 804	204 216	-	-
Balance at end of year [1]	5 799 937	4 121 547	-	-
At fair value through profit or loss	3 513 085	2 524 658	-	-
At amortised cost	2 286 852	1 596 889	-	-
Balance at end of year	5 799 937	4 121 547	-	-
Current liability	5 799 937	4 121 547	-	-

Maturity profile - Investment contract liabilities [2]	0 to 1 year R'000	2 to 5 years R'000	> 5 years R'000	TOTAL R'000
Consolidated - 30 June 2023	576 527	3 357 521	1 865 889	5 799 937
Consolidated - 30 June 2022	1 111 275	1 410 298	1 599 974	4 121 547

(1) The value of the liability shown at amortised cost exceeds the value of the corresponding assets due to the initial recognition at fair value of the liabilities. The impact of a higher guaranteed rate offered by the company due to the utilisation of the assessed tax loss, is added to the liability at initial recognition and this portion is amortised over time. At the end of the financial year, the value of this impact was R111 million (2022: R75 million).

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

	CONSOLIDATED 2023 R'000	CONSOLIDATED 2022 R'000	COMPANY 2023 R'000	COMPANY 2022 R'000
30. OTHER LIABILITIES				
Lease liability [(1) (5)]	197 492	196 258	-	-
Balance at beginning of year	196 258	161 976	-	-
Liability raised during the year	18 640	61 638	-	
Finance charges	22 866	13 317	-	-
Payments made [(2)]	(40 272)	(40 673)	-	-
Subordinated debt [(5)]	352 254	250 070	-	-
Balance at beginning of year [(3)]	250 070	250 070	-	-
Liability raised during the year [(4)]	350 000	-	-	
Finance charges	48 223	25 403	-	-
Payments made [(3)]	(296 039)	(25 403)	-	-
Total long-term financing obligations	549 746	446 328	-	-
Non-current liability	431 399	305 497	-	-
Current liability	118 347	140 832	-	-

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

(2) Payments made consist of R17.4m (2022: R27.3m) and R22.9m (2022: R13.3m) for capital and interest payments respectively.

(3) The subordinated debt agreement with Investec Bank Limited complied 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 was repaid on 16 May 2023. Interest is determined per drawdown and varied at date of repayment between 9.98% and 10.29%.

(4) The Prudential Authority approved Assupol Life to raise debt of R350 million through a debt medium term note programme. It was fully subscribed by 26 September 2022. R175 million is Tier 3 debt that is repayable after 3 years with a floating interest rate of 10.89% as at 30 June 2023 and the remaining amount is Tier 2 debt that is repayable after 5 years with fixed and floating interest rate components that varied as at 30 June 2023 between 11.12% and 11.18%.

(5) This note represents the net debt reconciliation.

	CONSOLIDATED 2023 R'000	CONSOLIDATED 2022 R'000	COMPANY 2023 R'000	COMPANY 2022 R'000
31. EMPLOYEE BENEFITS				
Accrual for leave pay	21 991	20 365	-	-
Balance at beginning of year	20 365	20 756	-	-
Utilised during the year	(4 047)	(3 623)	-	-
Recognised in profit or loss	5 673	3 232	-	-
Provision for bonuses	49 328	52 932	-	-
Balance at beginning of year	52 932	55 648	-	-
Utilised during the year	(52 932)	(35 959)	-	-
Recognised in profit or loss				
Cash bonus (including cash bonus on deferred portion)	38 775	33 243	-	-
Cash-settled share-based payment liability (note 26)	1 679	685	-	-
Balance at beginning of year	685	-	-	-
Transfer to employee benefit reserve	994	685	-	-
Total employee benefits	72 998	73 982	-	-
Current liability	72 998	73 982	-	-

	CONSOLIDATED		COMPANY	
	2023	2022	2023	2022
	R'000	R'000	R'000	R'000
32. DEFERRED REVENUE LIABILITY				
Balance at beginning of year	486	478	-	-
Deferred revenue relating to new business	426	205	-	-
Amortisation of deferred revenue	(228)	(197)	-	-
Balance at end of year	684	486	-	-
Non-current liability	454	314	-	-
Current liability	230	172	-	-

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	
	2023	2022	2023	2022
	R'000	R'000	R'000	R'000
33. DEFERRED TAXATION LIABILITY				
Deferred taxation is calculated on all temporary differences under the liability method, using applicable taxation rates.				
Balance at beginning of year	(702 519)	(798 961)	-	-
Movements during year attributable to:	239 221	96 442	-	-
Temporary differences				
Deferred acquisition costs	415	221	-	-
Other timing differences	2 201	(178)	-	-
Change in tax rate [(1)]	(31 146)	31 146	-	-
Unrealised gains	2 803	22 451	-	-
Capital loss carried forward	-	(910)	-	-
Elimination of negative reserves	130 899	9 147	-	-
Special transfer credit	(4 459)	(7 609)	-	-
Adjusted IFRS phasing-in amount	12 748	12 379	-	-
Revaluation of amortised cost liabilities	(8 825)	(2 703)	-	-
Assessed loss	134 585	32 498	-	-
Balance at end of year	(463 298)	(702 519)	-	-
The deferred taxation balance consists of the following:				
Temporary differences				
Deferred acquisition costs	(1 042)	(1 457)	-	-
Other timing differences	14 300	12 099	-	-
Change in tax rate [(1)]	-	31 146	-	-
Unrealised gains	(1 283)	(4 086)	-	-
Capital loss carried forward	-	-	-	-
Elimination of negative reserves	(711 155)	(842 054)	-	-
Special transfer credit	-	4 459	-	-
Adjusted IFRS phasing-in amount	(11 937)	(24 685)	-	-
Revaluation of amortised cost liabilities	(29 927)	(21 102)	-	-
Assessed loss	277 746	143 161	-	-
Non-current liability	(463 298)	(702 519)	-	-

(1) The corporate income tax rate changed from 28% to 27% for years of assessments commencing on or after 1 April 2022. The Group has applied the adjusted rate to the calculation of the deferred taxation since the financial year ended 30 June 2022.

33. DEFERRED TAXATION LIABILITY (continued)

	CONSOLIDATED 2023 R'000	CONSOLIDATED 2022 R'000	COMPANY 2023 R'000	COMPANY 2022 R'000
The offset amounts are: [1]				
Deferred taxation assets	292 046	190 865	-	-
Deferred taxation liabilities	(755 344)	(893 384)	-	-

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

Deferred taxation assets of R277.7 million (2022: R143.2 million) have been recognised by the Group. This amount is only a portion of the total assessed loss available for utilisation. The deferred taxation asset that has been raised is in respect of taxation losses which is expected to be utilised in the foreseeable future related to Assupol Life's individual policyholder fund (IPF) as a result of guaranteed single premium business and other linked endowments. R61.1 million is expected to be utilised in the next financial year. Refer note 3.3.

34. INSURANCE AND OTHER PAYABLES

	CONSOLIDATED 2023 R'000	CONSOLIDATED 2022 R'000	COMPANY 2023 R'000	COMPANY 2022 R'000
Accounts payable	82 901	61 788	10 986	10 094
Sundry insurance payables	93 844	97 011	-	-
Outstanding claims and benefits payable				
On insurance contracts	529 323	405 529	-	-
On investment contracts	40 670	33 445	-	-
Premiums received in advance	16 051	16 473	-	-
Amounts due to subsidiaries	-	-	2 702	12 544
Total insurance and other payables	762 789	614 246	13 688	22 638
Non-current liability	-	-	-	-
Current liability	762 789	614 246	13 688	22 638
Insurance and other payables consist of:				
Insurance payables	679 888	552 458	-	-
Sundry insurance payables	93 844	97 011	-	-
Outstanding claims and benefits payable:				
- Insurance contracts	529 323	405 529	-	-
- Investment contracts	40 670	33 445	-	-
Premiums received in advance	16 051	16 473	-	-
Other payables	82 901	61 788	13 688	22 638
Accounts payable	82 901	61 788	10 986	10 094
Amounts due to subsidiaries [1]	-	-	2 702	12 544
Total insurance and other payables	762 789	614 246	13 688	22 638

(1) The short term loan due to Assupol Life amounts to R2.7 million (2022: R12.5 million) and is unsecured. It is repayable on demand and bears no interest.

35. CURRENT TAXATION

	CONSOLIDATED 2023 R'000	CONSOLIDATED 2022 R'000	COMPANY 2023 R'000	COMPANY 2022 R'000
Balance at beginning of year	(22 354)	2 612	(15)	(8)
Recognised in profit or loss	(334 721)	(253 809)	(1 385)	(316)
Taxation paid during the year	359 296	228 843	1 543	309
Total current taxation	2 221	(22 354)	143	(15)

	CONSOLIDATED		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
36. CASH GENERATED FROM OPERATIONS				
Reconciliation of profit before taxation to cash generated from operations:				
Profit before taxation	811 756	772 028	518 370	178 021
Movement in policyholder assets / liabilities:	2 027 385	264 454	-	-
Insurance contracts (note 28)	348 995	63 492	-	-
Investment contracts (note 29)	1 678 390	200 962	-	-
Items disclosed separately:	(362 348)	(268 468)	(536 381)	(187 890)
Interest received (note 9)	(336 149)	(228 787)	(5 131)	(1 293)
Dividends received (note 9)	(49 064)	(52 978)	(531 250)	(186 551)
Finance charges (note 15)	22 865	13 343	-	-
SARS penalty refunded	-	(46)	-	(46)
Non-cash items:	(218 957)	67 233	18 099	-
Interest on financial assets at amortised cost (note 9)	(154 935)	(154 846)	-	-
Net fair value gains on financial assets (note 10)	(200 037)	103 463	-	-
Depreciation of property and equipment (note 14)	56 747	56 841	-	-
Profit on sale of equipment (note 11)	(3 841)	(1 633)	-	-
Deferred acquisition cost on new business (note 19)	(11 136)	(13 117)	-	-
Amortisation of intangible assets (note 19)	27 850	26 033	-	-
Impairment of intangible assets (note 19)	12 804	8 723	-	-
Amortisation of deferred revenue liability (note 32)	(228)	(197)	-	-
Equity-settled share-based payments (note 14)	6 449	16 673	-	-
Deferred bonus shares to be issued (note 26)	-	-	19 356	-
Accrued interest	48 201	25 088	-	-
Fee income deferred on new business (note 32)	426	205	-	-
Deferred bonus adjustment for bad leavers (note 26)	(1 257)	-	(1 257)	-
Changes in working capital:	111 414	106 625	(5 826)	9 067
Insurance and other trade receivables (note 22)	(36 147)	(3 446)	3 124	(1 476)
Employee benefits (note 31)	(984)	(2 422)	-	-
Insurance and other payables (note 34)	148 545	112 493	(8 950)	10 543
Cash generated from operations	2 369 250	941 872	(5 738)	(802)

37. RELATED PARTY TRANSACTIONS

A. Related parties defined

All subsidiaries in the Assupol Group (refer note 39), 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 Assupol Holdings. Assupol Life charges the value of the time spend at Assupol Holdings by key management to 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 2023 R'000	CONSOLIDATED 2022 R'000
i. Loans to key management (included in note 22)		
Balance at end of year	-	-
Balance at beginning of year	-	5 984
Loan repayments received	-	(6 299)
Interest charged	-	315

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 director resigned in November 2021 and the loan was fully repaid during the previous financial year.

	CONSOLIDATED 2023 R'000	CONSOLIDATED 2022 R'000
ii. Aggregate details of contracts between the Group and key management		
Insurance contracts		
Aggregate insured cover	6 857	8 662
Premiums received	158	167
Claims paid	(290)	-
Surrender value	28	123
Investment contracts	20 753	28 442
Fund value at beginning of year	28 442	21 691
Premiums received	5 000	5 000
Maturities / resignations	(14 578)	(104)
Investment returns credited net of charges	1 889	1 855
Surrender value	19 557	27 232

37. RELATED PARTY TRANSACTIONS (continued)

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

iii. Executive directors' and prescribed officers' remuneration

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

R'000	D de Klerk	MB Mokwena-Halala	SL Ndwalaza	MS Keetse	MP Salmon	EN Nelwamondo (1)	Total
30 June 2023							
Fixed							
Salary	3 611	7 721	3 239	2 763	3 033	2 520	22 887
Other benefits	41	84	38	332	27	22	544
Pension fund contributions	403	794	361	308	338	280	2 484
Variable							
Cash bonus	464	1 044	416	300	330	-	2 554
Restricted incentives (2)							
Deferred bonus	551	619	407	744	483	582	3 386
Total	5 070	10 262	4 461	4 447	4 211	3 404	31 855
Accrued and settled	4 519	9 643	4 054	3 703	3 728	2 822	28 469
Restricted incentives (2)	551	619	407	744	483	582	3 386

(1) Ms EN Nelwamondo resigned on 30 April 2023.

(2) Restricted incentives are allocations of shares under the conditions of the deferred bonus structure and 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.

37. RELATED PARTY TRANSACTIONS (continued)

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

R'000	CJ van Dyk (1)	D de Klerk	MB Mokwena-Halala	SL Ndwalaza	EZ Mngoma (2)	MS Keetse	MP Salmon	EN Nelwamondo	Total
30 June 2022									
Fixed									
Salary	4 543	3 441	6 399	3 084	2 673	2 631	2 888	2 878	28 537
Other benefits	51	35	64	33	26	20	21	21	271
Pension fund contributions	505	387	639	349	306	298	327	326	3 137
Variable									
Cash bonus	-	463	882	472	-	275	347	332	2 771
Restricted incentives (3)									
Deferred bonus	622	1 529	1 549	842	1 113	545	793	648	7 641
Other share incentives	-	-	-	-	-	-	45	166	211
Total	5 721	5 855	9 533	4 780	4 118	3 769	4 421	4 371	42 568
Accrued and settled	5 099	4 326	7 984	3 938	3 005	3 224	3 583	3 557	34 716
Restricted incentives (3)	622	1 529	1 549	842	1 113	545	838	814	7 852

(1) Mr CJ van Dyk resigned on 8 November 2021.

(2) Mr EZ Mngoma resigned on 30 June 2022.

(3) Restricted incentives are allocations of shares under the conditions of the deferred bonus structure and 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.

37. RELATED PARTY TRANSACTIONS (continued)

iv. Summary of restricted incentives

Units ('000)	Balance restricted at beginning of year	Allocated during the year	Unrestricted / resigned / retired	Balance restricted at end of year
Deferred bonus structure	1 872	-	(1 081)	791
D de Klerk	377	-	(237)	140
MS Keetse	186	-	-	186
MB Mokwena-Halala	385	-	(203)	182
EZ Mngoma [1]	283	-	(283)	-
SL Ndwalaza	221	-	(81)	140
EN Nelwamondo [1]	216	-	(216)	-
M Salmon	204	-	(61)	143

(1) Mr EZ Mngoma retired on 30 June 2022 and Ms EN Nelwamondo resigned on 30 April 2023.

v. Non-executive directors' fees

This section includes fees paid to non-executive directors for services rendered to companies in the Assupol Group.

R'000	Board fees	Committee fees	Total fees for the year
30 June 2023	9 656	4 506	14 162
RJ Khoza (Chairman)	3 678	-	3 678
EDJ Ashkar	902	571	1 473
GR Burger	521	210	731
SIM Braudo	1 005	872	1 877
MD Collier [1]	887	833	1 720
NB Duker	642	947	1 589
NE Gubb [2]	212	110	322
TR Mamabolo [3]	219	78	297
SRL Mbili	704	216	920
LJ Sennelo	886	669	1 555
30 June 2022	8 541	4 286	12 827
RJ Khoza (Chairman)	3 536	-	3 536
EDJ Ashkar	671	528	1 199
GR Burger	575	190	765
SIM Braudo	760	1 070	1 830
MD Collier [1]	661	723	1 384
NB Duker	585	879	1 464
NE Gubb	642	258	900
SRL Mbili	533	144	677
LJ Sennelo	578	494	1 072

(1) The fees exclude deemed VAT applicable to non-resident non-executive directors, amounting to R137 856 (2022: R207 510).
(2) Ms NE Gubb resigned on 7 November 2022.
(3) Ms TR Mamabolo was appointed on 6 December 2022.

37. RELATED PARTY TRANSACTIONS (continued)

vi. Securities held by directors and prescribed officers [1]

Units ('000)	Direct beneficial	Indirect beneficial	Total
D de Klerk	6 003	592	6 596
MB Mokwena-Halala	2 758	1	2 759
SL Ndwalaza	8 706	-	8 706
MP Salmon	2 371	393	2 764

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

	CONSOLIDATED		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
C. Balances with related parties				
Total amounts due to subsidiaries as listed in note 34				
Operational account with Assupol Life	-	-	(2 702)	(12 544)
Balance at beginning of year	-	-	(12 544)	(660)
Repayments	-	-	23 847	-
Transactions funded during the year	-	-	(14 005)	(11 884)
Shareholding in Assupol Holdings (note 25)				
Assupol Investment Holdings	13 109	13 109	-	-
Total amounts due to other related parties				
Investec Bank Limited (note 30)	-	250 070	-	-
D. Transactions with related parties				
Transactions with related parties other than key management, include:				
Assupol Life Limited				
Management fee	-	-	1 730	-
Investec Bank Limited				
Finance charges	21 619	25 403	-	-

38. 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	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Property				
• Due in 1 year or less	16 095	14 180	-	-
• Due between 1 and 2 years	14 339	10 372	-	-
• Due between 2 and 3 years	13 197	8 728	-	-
• Due between 3 and 4 years	14 623	10 237	-	-
• Due between 4 and 5 years	18 639	13 593	-	-
• Due after 5 years	120 531	138 291	-	-
Total	197 424	195 401	-	-
Equipment				
• Due in 1 year or less	68	789	-	-
• Due between 1 and 2 years	-	68	-	-
Total	68	857	-	-

39. INTERESTS IN SUBSIDIARIES

Subsidiary name	Issued share capital R'000	Effective holdings 2023 %	Effective holdings 2022 %	Interest of holding company 2023 R'000	Interest of holding company 2022 R'000
Subsidiaries of Assupol Holdings					
Assupol Life (1)	490 019	100%	100%	819 628	813 180
Assupol Investment Holdings (2)	70 431	100%	100%	94 560	29 560
Subsidiaries of Assupol Investment Holdings					
Assupol Wealth (3)	-	100%	100%	-	-
Cornerstone Brokers Corporate (4)	9 273	100%	100%	475	475
Incub8 with Assupol (5)	100	100%	-	10 000	-
Siebador Sewentien (4)	1	100%	100%	-	-
Top Top Business Consultants (4)	1 000	100%	100%	1 943	1 943
Other consolidated entities					
Assupol Share Incentive Trust (6)	Trust	-	-	-	-

The subsidiaries are unlisted and incorporated in South Africa. Transactions between subsidiaries are listed in note 37.

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) The company was a registered financial services provider in terms of the Insurance Act, 18 of 2017. The license was cancelled on 2 June 2023 as no business activities have taken place in this subsidiary since April 2022. The future utilisation of this company is still being considered. The total investment is R1.

(4) The company had no operations and its management's intention to deregister the company. Siebador Sewentien was deregistered at CIPC on 31 July 2023.

(5) The Prudential Authority of South Africa granted the company a license on 10 May 2023 to conduct microinsurance life business as a cell captive insurer of insurance business in the funeral class: sub-classes individual and groups.

(6) The trust manages the ordinary shares that were allotted to the trust and related share options that were allocated to qualifying employees in terms of the demutualisation scheme - refer notes 5.4.1.b and 26 (i.)

40. EVENTS AFTER REPORTING PERIOD

Dividend declaration

The Board of Directors approved an ordinary dividend of 68 cents and special dividend of 64 cents per qualifying ordinary share for the year ended 30 June 2023 of which the declaration date was 22 September 2023. The dividend is payable on 16 October 2023 to qualifying shareholders registered on 13 October 2023.

The qualifying shares at the date that these financial statements were approved included the listed ordinary shares but excluded shares held by the Share Incentive Trust. It will also include those 'B' shares that qualify to be converted to ordinary shares after the restricted period ends in September 2023 and that are unrestricted at record date (note 26).

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

Additional bonus allocation

An additional bonus allocation of R19.7 million was approved by the Board of Directors as retention bonuses which will be paid in cash at the end of October 2023. The bonuses will be subject to a clawback condition where it will be fully repayable if a beneficiary resigns within the first year after receiving the bonus, or repayable on a pro rata basis if the resignation is in the second or third year after receiving the bonus.

41. RESTATEMENT OF PRIOR YEAR DISCLOSURE

Consolidated statement of cash flows

Comparative information in the statement of cash flows has been amended to accommodate and account for a change of prior year results as a result of a classification error. The interest received on amortised cost assets at maturity was previously incorrectly included in the net acquisition of financial instruments at amortised cost.

To enhance the disclosure, the previously disclosed 'Interest received' was divided between the "interest received on fair value through profit and loss assets" and "interest received on amortised cost assets'.

The 2022 financial year's disclosure was restated accordingly . These adjustments had no impact on the total 'Net cash flow from operating activities'. It also had no impact on none of the other primary statements.

The effect of the restatement is summarised below:

2022 (R'000)	**PREVIOUSLY REPORTED**	**ADJUSTMENT**	**RESTATED**
Net acquisition of financial instruments at amortised cost	466 544	(273 691)	192 853
Interest received	228 787	(228 787)	-
Interest received on fair value through profit and loss assets	-	216 477	216 477
Interest received on amortised cost assets	-	286 001	286 001
	695 331	-	695 331