



ASSUPOL HOLDINGS LIMITED AND ITS SUBSIDIARIES

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

UNAUDITED CONDENSED INTERIM FINANCIAL RESULTS
for the six months ended 31 December 2022

ASSUPOL HOLDINGS LIMITED and its subsidiaries

GROUP REVIEW

for the six months ended 31 December 2022

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Assupol Holdings Limited and its subsidiaries ('the Group') present the unaudited condensed interim financial results for the six months ended 31 December 2022.

Assupol Holdings Limited ('Assupol Holdings' or 'the Company') is incorporated and domiciled in South Africa. Its registered office and principal place of business is at Summit Place Office Park, Building 6, 221 Garstfontein Road, Menlyn, Pretoria. The company's shares are listed on Cape Town Stock Exchange ('CTSE'). The directors are aware of their responsibilities in terms of the CTSE listing requirements and confirm that Assupol Holdings complies with these requirements.

The preparation of these results is the responsibility of the Board of Directors. The condensed interim financial results have not been audited. The requirement to review of the interim financial results was waived by the shareholders of Assupol Holdings at the annual general meeting of the company held on 6 December 2022.

Corporate activities

Subordinated debt

A subsidiary in the Group, Assupol Life Limited ('Assupol Life'), received approval from the Prudential Authority to raise debt to an amount of R350 million through a debt medium term note programme. The purpose of the new raise is to settle the existing subordinated loan facility coming due over the next 12 months as well as financing a component of the new business acquisition costs. The process was concluded at the end of September 2022. Of this amount, R175 million is Tier 3 debt that is repayable after 3 years with a floating interest rate of 9.66% as at 31 December 2022. The remaining amount is Tier 2 debt that is repayable after 5 years with fixed and floating interest rate components that varied at the end of the reporting period between 9.91% and 11.18%.

The existing debt of R250 million will be fully repaid by end of December 2023.

Board of directors

Ms Nicola Gubb has resigned as non-executive director with effect from 7 November 2022.

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.

Group results

The financial results of the first six months of the 2023 financial year showed a significant improvement when compared to the first six months of the 2022 financial year. This improvement is mainly driven by an improvement in the operating environment and mortality experience that is comparable to what was witnessed pre March 2020.

However, the increased frequency of loadshedding in South Africa is adding new pressures to the business environment where communication with existing policyholders and potential new clients are severely impacted at times, and additional expenses have been incurred to keep the Group fully operational.

New business volumes of the individual and Cornerstone distribution channels have increased, and this supports the 14.3% growth seen in recurring premiums that is reported below. Sales within the Direct Marketing channel remains a challenge as a result of the effects of loadshedding and the resultant poor contactability. Significant growth has been achieved in single premium products sales.

An increase in lapses is being observed which can be related back to the economic hardships that the client base is experiencing. This is being closely monitored and could result in adjustments to the actuarial assumption base during the annual review conducted ahead of the year end results process.

For the six-month period, the after taxation returns on the shareholders' assets outperformed the long-term investment return assumption by R0.6 million (Dec 2021: R38.6 million). The investment return achieved for the period was 4.95% compared to 6.08% for the comparable period in the previous financial year and 7.47% for the year ended 30 June 2022.

The valuation interest rate used in the valuation of the policyholder liabilities has increased since the June 2022 year end, decreasing after-taxation profit by R19.6 million.

The management of expense remains a major focus area for the Group with a reported saving of 3.9% against budget for the reporting period.

The Group is in a financially sound position and held, at the end of the reporting period, eligible own funds exceeding the solvency capital requirement with a SCR cover ratio of 173%.

ASSUPOL HOLDINGS LIMITED and its subsidiaries
GROUP REVIEW
for the six months ended 31 December 2022 (continued)

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The key financial performance statistics for the Assupol Group for the six-month period ended 31 December 2022 are set out below:

	Six months ended 31 December 2022	Six months ended 31 December 2021	Change	Year ended 30 June 2022
	<i>Unaudited</i>	<i>Unaudited</i>		<i>Audited</i>
Earnings performance				
Gross insurance premium revenue (R'm)	2 489	2 315	7.5%	4 714
Profit attributable to ordinary shareholders (R'm)	559	379	47.5%	615
Value of new business (R'm)	167	167	0.0%	258
Adjusted operating profit (AOP) (R'm) ^(a)	391	392	-0.2%	765
Return on equity	11%	8%		13%

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

	Six months ended 31 December 2022	Six months ended 31 December 2021	Change	Year ended 30 June 2022
	<i>Unaudited</i>	<i>Unaudited</i>		<i>Audited</i>
New business				
Recurring premiums (R'm)	534	467	14.3%	397
Single premiums (R'm)	969	526	84.2%	1 083
Total new business premiums (R'm)	1 503	993	51.3%	1 480
Annual premium equivalent (APE) (R'm)	631	520	21.3%	505
Present value of new business premiums (PV NBP) (R'm)	2 937	2 402	22.3%	4 802
Value of new business margin	5.7%	6.9%	-1.3%	5.4%

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

	Six months ended 31 December 2022	Six months ended 31 December 2021	Change	Year ended 30 June 2022
	<i>Unaudited</i>	<i>Unaudited</i>		<i>Audited</i>
Group embedded value (R'm)				
Shareholders' funds	5 078	4 789	6.0%	5 059
Value of in-force business	1 793	1 846	-2.9%	1 732
Gross	2 424	2 458	-1.4%	2 332
Cost of required capital	(631)	(611)	3.2%	(600)
Embedded value of covered business ^(a)	6 871	6 636	3.5%	6 791
Embedded value of other Group operations ^(b)	63	3	>100%	(34)
Closing group embedded value	6 934	6 639	4.4%	6 757
Return on embedded value (%)	9.93%	4.63%		6.49%

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

(b) 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.

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GROUP REVIEW
for the six months ended 31 December 2022 (continued)

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EV earnings (R'm)	Six months ended 31 December 2022				Six months ended 31 December 2021	Year ended 30 June 2022
	Adjusted net worth	Value of in-force	Cost of required capital	Total		
Covered business EV						
Opening EV	5 059	2 332	(600)	6 791	6 520	6 521
Opening adjustments	6	3	0	9	-	43
Opening EV (adjusted)	5 065	2 335	(600)	6 800	6 520	6 564
Dividends paid	(551)	-	-	(551)	(187)	(187)
Deferred bonus shares	5	-	-	5	10	17
EV after adjustments	4 519	2 335	(600)	6 254	6 344	6 394
Unwinding of risk discount rate	-	165	(38)	127	118	240
Expected profits	219	(219)	-	-	-	-
New business	29	194	(56)	167	167	257
Operating experience variations	55	(25)	22	53	(53)	(87)
Tax	47	-	-	47	1	87
Assumption changes	-	(16)	(18)	(34)	(121)	(358)
Investment experience	204	0	59	263	183	229
Miscellaneous	5	(12)	-	(6)	(3)	29
Closing EV	5 078	2 424	(631)	6 871	6 636	6 791
Other Group operations						
Opening EV	3	(37)	-	(34)	3	3
Dividends received	-	-	-	-	-	187
Dividends paid	-	-	-	-	-	(178)
EV after adjustments	3	(37)	-	(34)	3	12
Net profits	-	-	-	-	-	(9)
Holdings expense adjustment	-	(4)	-	(4)	-	(60)
Market value adjustment	-	101	-	101	-	23
Closing EV	3	60	-	63	3	(34)
Total closing group EV	5 081	2 484	(631)	6 934	6 639	6 757

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

Share statistics	Six months ended 31 December 2022	Six months ended 31 December 2021	Change	Year ended 30 June 2022
	Unaudited	Unaudited		Audited
Share price - closing (R) ⁽¹⁾	9.25	8.50	8.8%	7.15
Number of shares in issue ('000) ⁽²⁾	428 126	426 162	0.5%	426 162
Market capitalisation (R'm) ⁽¹⁾	3 960	3 622	9.3%	3 047
Earnings per share (cents)	131	90	46.3%	145
Diluted earnings per share (cents)	130	89	46.2%	144
Diluted adjusted operating profit per share (R)	0.91	0.92	-1.1%	1.79
Group embedded value per share (R)	16.20	15.58	4.0%	15.86
Dividend per qualifying share (cents) ⁽³⁾				106

- Market information is based on the information on CTSE on which the company's shares trade.
- The B3 shares were issued during the reporting period. The B4 and B5 shares that were awarded to senior management in terms of the deferred bonus scheme in September 2020 and September 2021 respectively, have not been issued as yet due to the requisite approval from the Prudential Authority.
- It is the policy of the company to declare a dividend on an annual basis. The dividends per qualifying share (*) were declared as follows:
 - In respect of the year ended 30 June 2021: An ordinary dividend of 42 cents per qualifying share was declared on 28 September 2021 and was paid on 18 October 2021.
 - In respect of the year ended 30 June 2022: An ordinary dividend of 64 cents and a special dividend of 42 cents per qualifying share was declared on 30 September 2022 and was paid on 17 October 2022.

* 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 2022 and that are unrestricted at record date.

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**STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 31 December 2022**

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	Six months ended 31 December 2022 <i>Unaudited</i>	Six months ended 31 December 2021 <i>Unaudited</i>	Year ended 30 June 2022 <i>Audited</i>
<i>R'000</i>			
Insurance premium revenue	2 488 547	2 315 119	4 714 047
Insurance premium ceded to reinsurers	(105 500)	(83 276)	(178 012)
<i>Net insurance premium revenue</i>	2 383 047	2 231 843	4 536 035
Commission received on outward reinsurance	1 748	700	3 895
Fee income	64 426	46 687	96 913
Investment income on financial assets			
- at fair value through profit or loss	160 262	132 650	269 099
- at amortised cost	83 653	83 653	167 512
Net fair value gains on financial assets	147 920	184 083	(103 463)
Other income	2 200	(572)	2 445
Income	2 843 256	2 679 044	4 972 436
Insurance benefits and claims	(962 558)	(1 079 607)	(2 018 965)
Insurance claims recovered from reinsurers	91 373	113 529	192 990
<i>Net insurance benefits and claims</i>	(871 185)	(966 078)	(1 825 975)
Commission expenses	(463 344)	(412 939)	(859 099)
Operating and administrative expenses	(710 785)	(646 146)	(1 281 605)
Investment management expenses	(10 839)	(8 237)	(15 080)
Change in insurance contract provisions	76 273	101 122	(63 491)
Fair value adjustments on investment contract liabilities	(125 171)	(199 403)	(116 412)
Expenses	(2 105 051)	(2 131 681)	(4 161 662)
Result of operating activities	738 205	547 363	810 774
Finance charges	(30 845)	(18 550)	(38 746)
Profit before taxation	707 360	528 813	772 028
Income taxation expense	(148 624)	(150 030)	(157 413)
PROFIT FOR THE PERIOD	558 736	378 783	614 615
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD	558 736	378 783	614 615
Profit and comprehensive income attributable to:			
Owners of Assupol Holdings Ltd	558 736	378 946	614 800
Non-controlling interests	-	(163)	(185)
	558 736	378 783	614 615
Group earnings per share (cents)			
Basic earnings per share	131.3	89.7	145.2
Diluted earnings per share	130.2	89.1	144.0

ASSUPOL HOLDINGS LIMITED and its subsidiaries
STATEMENT OF FINANCIAL POSITION
as at 31 December 2022

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<i>R'000</i>	Six months ended 31 December 2022 <i>Unaudited</i>	Six months ended 31 December 2021 <i>Unaudited</i>	Year ended 30 June 2022 <i>Audited</i>
ASSETS			
Property and equipment	230 857	184 085	228 091
Intangible assets	260 489	198 050	230 671
Financial assets: Investments			
At fair value through profit or loss			
Equity securities	2 553 958	1 901 107	2 031 500
Debt securities	2 495 544	2 317 713	2 390 943
Deposits and money market securities	1 392 144	1 013 427	1 374 258
At amortised cost			
Deposits and money market securities	1 857 479	1 978 510	1 557 610
Policyholder assets			
Insurance contracts	2 658 727	2 730 569	2 567 083
Reinsurance asset	50 932	67 429	66 302
Insurance and other receivables	202 400	224 484	208 180
Cash and cash equivalents	678 752	483 664	439 128
TOTAL ASSETS	12 381 283	11 099 038	11 093 766
EQUITY			
Share capital	701 450	682 095	682 095
Treasury shares	(37 560)	(12 557)	(18 206)
Employee benefits reserve	188 768	177 475	183 987
Black Economic Empowerment reserve	14 300	14 300	14 300
Retained earnings	4 361 876	4 014 860	4 250 128
Capital and reserves attributable to owners of Assupol Holdings	5 228 834	4 876 174	5 112 304
Non-controlling interest	-	(561)	-
TOTAL EQUITY	5 228 834	4 875 613	5 112 304
LIABILITIES			
Policyholder liabilities: Investment contracts			
At fair value through profit or loss	3 026 705	2 364 529	2 524 658
At amortised cost	1 862 872	2 017 315	1 596 889
Other liabilities	799 192	400 735	446 328
Employee benefits	59 685	58 808	73 982
Deferred revenue liability	485	476	486
Deferred taxation liability	683 175	841 841	702 519
Insurance and other payables	677 172	535 929	614 246
Current taxation	43 164	3 792	22 354
TOTAL LIABILITIES	7 152 449	6 223 425	5 981 462
TOTAL EQUITY AND LIABILITIES	12 381 283	11 099 038	11 093 766

ASSUPOL HOLDINGS LIMITED and its subsidiaries

**STATEMENT OF CHANGES IN EQUITY
for the six months ended 31 December 2022**

<i>R'000</i>	SHARE CAPITAL	TREASURY SHARES	EMPLOYEE BENEFITS RESERVE	BEE RESERVE	RETAINED INCOME	NON- CONTROLLING INTEREST	TOTAL CAPITAL
Balance at 30 June 2021	682 095	(45 615)	203 651	14 300	3 813 346	(399)	4 667 378
Cost of incentive shares	-	-	212	-	-	-	212
Treasury shares acquired	-	(3 280)	-	-	-	-	(3 280)
Deferred bonus recognition	-	-	9 949	-	-	-	9 949
Dividend paid	-	-	-	-	(177 434)	-	(177 434)
Vesting of deferred bonus shares	-	36 336	(36 336)	-	-	-	-
Adjustment of redemption on preference shares	-	2	-	-	2	1	5
Profit for the period	-	-	-	-	378 946	(163)	378 783
Balance at 31 December 2021	682 095	(12 557)	177 476	14 300	4 014 860	(561)	4 875 613
Treasury shares acquired	-	(5 648)	-	-	-	-	(5 648)
Deferred bonus recognition	-	-	6 513	-	-	-	6 513
Adjustment of redemption on preference shares	-	(2)	-	-	(2)	(1)	(5)
Acquisition of non-controlling interest in subsidiary	-	-	-	-	(584)	584	-
Profit for the period	-	-	-	-	235 854	(22)	235 832
Balance at 30 June 2022	682 095	(18 207)	183 989	14 300	4 250 128	-	5 112 305
B shares issued	19 355	(19 355)	-	-	-	-	-
Deferred bonus recognition	-	-	4 779	-	-	-	4 779
Dividend paid	-	-	-	-	(446 987)	-	(446 987)
Adjustment of redemption on preference shares	-	2	-	-	(1)	-	1
Profit for the period	-	-	-	-	558 736	-	558 736
Balance at 31 December 2022	701 450	(37 560)	188 768	14 300	4 361 876	-	5 228 834

ASSUPOL HOLDINGS LIMITED and its subsidiaries

CONDENSED STATEMENT OF CASH FLOWS

for the six months ended 31 December 2022

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<i>R'000</i>	Six months ended 31 December 2022 <i>Unaudited</i>	Six months ended 31 December 2021 <i>Unaudited</i>	Year ended 30 June 2022 <i>Audited</i>
Cash flows from operating activities			
Cash generated from operations	1 145 166	553 207	941 872
Net acquisition of financial instruments at fair value through profit or loss at amortised cost	(497 026) (299 869)	(209 532) (109 202)	(1 061 532) 466 544
Interest received	215 462	190 555	228 787
Dividends received	28 453	25 748	52 978
Dividends paid	(446 987)	(177 434)	(177 434)
Finance charges	(30 845)	(18 550)	(38 746)
Taxation paid	(147 076)	(100 742)	(228 843)
Net cash flows from operating activities	(32 722)	154 050	183 626
Cash flows from investing activities			
Acquisition and disposal of property and equipment	(30 461)	(12 554)	(25 551)
Acquisition of intangible assets	(40 782)	(26 050)	(71 041)
Proceeds on disposal of equipment	2 189	1 277	3 978
Net cash flows from investing activities	(69 054)	(37 327)	(92 614)
Cash flows from financing activities			
Increase in treasury shares	-	(3 280)	(8 928)
Payment of principal lease payments	(8 672)	(14 179)	(27 356)
Subordinated debt raised	350 073	-	-
Net cash flows from financing activities	341 401	(17 459)	(36 284)
Net increase in cash and cash equivalents	239 624	99 264	54 728
Cash and cash equivalents at beginning of the period	439 128	384 400	384 400
Cash and cash equivalents at end of the period	678 752	483 664	439 128

ASSUPOL HOLDINGS LIMITED and its subsidiaries

SEGMENT REPORT

for the six months ended 31 December 2022

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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 that are required to produce IFRS compliant consolidated results.

<i>R'000</i>	Six months ended 31 December 2021 <i>Unaudited</i>	Six months ended 31 December 2021 <i>Unaudited</i>	Year ended 30 June 2022 <i>Audited</i>
Revenue			
Segment revenue	3 381 298	3 225 211	5 157 064
Individual business	2 360 375	2 576 874	4 148 127
Group business	379 196	358 774	725 633
Other operations	641 726	289 562	283 304
Inter-segmental	(538 042)	(546 167)	(184 628)
Group revenue for the period	2 843 256	2 679 044	4 972 436
Profit after taxation			
Segment profit after taxation	1 096 732	566 132	797 973
Individual business	302 196	237 762	621 004
Group business	24 287	11 551	(16 940)
Other operations	770 250	316 820	193 909
Inter-segmental	(537 996)	(187 349)	(183 358)
Group profit for the period	558 736	378 783	614 615
Group comprehensive income for the period	558 736	378 783	614 615
Assets and liabilities			
Segment assets	13 204 469	12 005 818	11 903 776
Individual business	9 250 845	8 667 548	9 232 077
Group business	65 420	48 988	(23 003)
Other operations	3 888 204	3 289 282	2 694 702
Inter-segmental	(823 186)	(906 780)	(810 010)
Group assets	12 381 283	11 099 038	11 093 766
Segment liabilities	7 164 183	6 219 987	5 988 408
Individual business	4 889 577	4 381 844	5 964 887
Other operations	2 274 606	1 838 143	23 521
Inter-segmental	(11 734)	3 438	(6 946)
Group liabilities	7 152 449	6 223 425	5 981 462

1. GENERAL INFORMATION

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Statement of compliance

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

This condensed interim financial results for the six months ended 31 December 2022 has been prepared in accordance with the International Financial Reporting Standard IAS 34 and the reporting requirements of CTSE.

The interim results do not include all the notes normally included in the annual financial statements. Accordingly, this report is to be read in conjunction with the annual financial statements for the year ended 30 June 2022 and any public announcements made by the Group during the interim reporting period. The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

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

2.2 Standards issued but not yet effective

The following accounting standards are applicable to the Group 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.

International Financial Reporting Standard 17: Insurance contracts

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

The Assupol Group will first report on the IFRS 17 based results in the annual financial statements for the year ending 30 June 2024.

The implementation process is managed by the Group's IFRS 17 steering committee which consists 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 provides the technical insights and guidance. The committee meets on a monthly basis and reports to the Audit Committee on a quarterly basis.

Most of the actuarial modelling has been completed and runs are being performed to test the system build and interrogate the results against expectations. The integration between the actuarial-, accounting- and reporting systems and the data warehouse are being addressed and tested. Comparisons are being performed between the results from the current accounting standard, IFRS 4, and the new standard.

International Financial Reporting Standard 9: Financial instruments

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: Insurance Contracts. Based on this assessment it was concluded that the company meets these provisions as 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.

3. SUMMARY OF 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 assumptions and estimates made by the Group. The assets under long-term insurance contracts increased since the June 2022 year end by R76.3 million resulting in a net asset balance of R2 709.7 million (net of reinsurance).

3.2 Other assumptions and estimates

Other assumptions and estimates for the period ended 31 December 2022 addressed the following items:

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

4. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

4.1 Financial risk factors

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

4.2 Liquidity risks arising out of the subordinated debt agreements

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

<i>R'000</i>	Six months ended 31 December 2022 <i>Unaudited</i>	Six months ended 31 December 2021 <i>Unaudited</i>	Year ended 30 June 2022 <i>Audited</i>
Contractual undiscounted cash flows			
Within 1 year	300 878 ⁽¹⁾	25 403	150 315
- Interest and fees	50 878	25 403	25 315
- Capital	250 000	-	125 000
1 to 2 years	34 972	266 013	128 509
- Interest and fees	34 972	25 342	3 510
- Capital	-	240 671	125 000
3 to 5 years	412 726	-	-
- Interest and fees	62 726	-	-
- Capital	350 000	-	-
Total	748 576	291 416	278 824

1. The existing debt of R250 million will be fully repaid by December 2023.

4.3 Fair value estimation

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

December 2022 (R'000)	Financial assets and liabilities at FVTPL on initial recognition	Financial assets at amortised cost	Financial liabilities at amortised cost	Total carrying amount	Fair value
Financial assets - Investments	6 441 647	1 857 479	-	8 299 126	8 263 239
Insurance and other receivables	-	13 288	-	13 288	13 288
Cash and cash equivalents	-	678 752	-	678 752	678 752
Investment contract liabilities	3 026 705	-	1 862 872	4 889 577	4 853 586
Other liabilities	-	-	799 192	799 192	801 379
Accounts payable	-	-	59 447	59 447	59 447
December 2021 (R'000)					
Financial assets - Investments	5 232 247	1 978 510	-	7 210 757	7 259 722
Insurance and other receivables	-	49 378	-	49 378	49 378
Cash and cash equivalents	-	483 664	-	483 664	483 664
Investment contract liabilities	2 364 529	-	2 017 315	4 381 844	4 431 770
Other liabilities	-	-	400 735	400 735	411 787
Accounts payable	-	-	53 226	53 226	53 226
June 2022 (R'000)					
Financial assets - Investments	5 796 701	1 557 610	-	7 354 311	7 326 985
Insurance and other receivables	-	208 180	-	208 180	208 180
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	-	-	446 328	446 328	452 085
Accounts payable	-	-	61 788	61 788	61 788

4. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

4.4 Fair value hierarchy

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

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

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

For level 1:

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

For level 2:

- The fair value of other financial assets and financial liabilities (excluding derivatives) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- Observable inputs generally used to measure the fair value of securities classified as level 2 include benchmark yields, reported secondary trades, broker-dealer quotes, issuer spreads, benchmark securities, bids, offers and reference data. The specific inputs used are:
 - > Risk free rate: 5.05% to 6.90%
- The fair value of derivatives is calculated using quoted prices. Where such prices are not available, discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. The specific inputs used are:
 - > Dividend yield: 1.23% to 2.92%;
 - > Risk free rate: 5.05% to 6.90%
 - > Equity index level strike: 58 050 to 75 550 (index level 60 109 at period end);
 - > Equity volatility: 19.15% to 24.48%;
- The fair value of financial guaranteed contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from the market-based credit information and the amount of loss, given the default.

For level 3:

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

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

December 2022 (R'000)	Level 1	Level 2	Level 3	TOTAL
Local listed shares	1 065 910	-	-	1 065 910
Derivatives: Equity options	788	1 114 552	-	1 115 340
Unit trusts	372 708	-	-	372 708
Debt securities	544 678	1 950 866	-	2 495 544
Deposits and money market securities*	1 471 457	1 865 753	-	3 337 210
Total financial assets	3 455 542	4 931 171	-	8 386 713
Net investment contract liabilities*	-	4 853 586	-	4 853 586
Other liabilities - Subordinated debt	254 153	179 607	175 000	608 760
Total financial liabilities	254 153	5 033 193	175 000	5 462 346

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

4. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

4.4 Fair value hierarchy (continued)

December 2021 (R'000)	Level 1	Level 2	Level 3	TOTAL
Local listed shares	1 104 934	-	-	1 104 934
Derivatives: Equity options	-	372 499	-	372 499
Unit trusts	423 674	-	-	423 674
Debt securities	503 537	1 814 176	-	2 317 713
Deposits and money market securities*	832 561	2 197 651	-	3 030 212
Total financial assets	2 864 706	4 384 325	-	7 249 032
Net investment contract liabilities*	-	4 431 770	-	4 431 770
Other liabilities - Subordinated debt	263 277	-	-	263 277
Total financial liabilities	263 277	4 431 770	-	4 695 047

June 2022 (R'000)	Level 1	Level 2	Level 3	TOTAL
Local listed shares	1 000 065	-	-	1 000 065
Derivatives: Equity options	-	681 683	-	681 683
Unit trusts	349 752	-	-	349 752
Debt securities	567 377	1 823 566	-	2 390 943
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 4.3.

5. RELATED PARTY TRANSACTIONS

<i>R'000</i>	Six months ended 31 December 2022 <i>Unaudited</i>	Six months ended 31 December 2021 <i>Unaudited</i>	Year ended 30 June 2022 <i>Audited</i>
Remuneration and restricted incentives - Executive directors and prescribed officers			
Salary, pension fund contributions and other benefits	13 392	17 159	31 945
Cash bonus	-	-	2 771
Restricted incentives	1 565	3 647	7 852
Non-executive directors' fees ⁽¹⁾			
Board fees	4 970	4 486	8 598
Committee fees	2 392	2 316	4 437
(1) The fees include deemed VAT applicable to non-resident non-executive directors.			
<i>Units ('000)</i>			
Securities held by directors and prescribed officers			
Direct beneficial	19 880	20 365	20 326
Indirect beneficial	718	660	967