



ASSUPOL HOLDINGS LIMITED AND ITS SUBSIDIARIES

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

UNAUDITED CONDENSED INTERIM FINANCIAL RESULTS
for the six months ended 31 December 2019

ASSUPOL HOLDINGS LIMITED and its subsidiaries

GROUP REVIEW for the six months ended 31 December 2019

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Assupol Holdings and its subsidiaries (the Group) presents its unaudited condensed interim financial results for the six months ended 31 December 2019.

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

These unaudited condensed interim financial results were approved by the company's board of directors for issue on 5 March 2020.

Group results

The Assupol Group's focus remains on its growth aspirations, namely, the generation of new business, client relationships, expense efficiencies and diversification efforts. These efforts resulted in unit growth of the in-force book of 8.3% during the first 6 months and an increase in new business annual premium equivalent of 17.3%.

Assupol's performance was affected by a challenging economic and operating environment during the first 6 months of the 2019/20 financial year. Cost pressures are being experienced in business operations with a direct impact on the performance of specific distribution channels such as the direct marketing channel.

The after-tax net investment market return earned by the shareholders' fund for the six months ended 31 December 2019 was R54.5 million, which is higher than the R32.7 million achieved in the comparative period ended 31 December 2018. The return for the six months ended 31 December 2019 was 2.99% compared to 2.06% for the comparable period and 10.73% for the year ended June 2019.

The valuation interest rate used in the valuation of the policyholder liabilities has increased since the June 2019 year end, resulting in a decrease in the after-tax profits of R17.5 million.

The subordinated debt agreement of R250 million that Assupol Life Ltd entered into with Investec Bank in January 2019 was fully withdrawn in December 2019. The settlement period is 4 years after each draw down. The facility carries a fixed or floating interest rate as determined by the company at each draw down.

The key financial performance statistics for the Assupol Group for the period ended 31 December 2019 are set out below.

	Six months ended 31 December 2019	Six months ended 31 December 2018	Change	Year ended 30 June 2019
	Unaudited	Unaudited		Audited
Earnings performance				
Gross insurance premium revenue (R'm)	2 010	1 667	20.58%	3 458
Net profit attributable to ordinary shareholders (R'm)	357	302	18.21%	907
Value of new business (R'm)	263	198	33.11%	479
Adjusted operating profit (AOP) (R'm) ^(a)	375	351	6.84%	801
Return on equity	8%	8%		23%
New business				
Recurring premiums (R'm)	608	535	13.66%	1 026
Single premiums (R'm)	345	127	> 100%	376
Total new business premiums (R'm)	953	662	43.92%	1 402
Annual premium equivalent (APE) (R'm)	643	548	17.34%	1 063
Present value of new business premiums (PV NBP) (R'm)	2 889	2 258	27.97%	4 704
Value of new business margin	9.1%	8.8%	3.83%	10.2%

(a) The adjusted operating profit reflects management's view of the underlying long-term profitability of the Group. It is calculated by adjusting the reported profit to exclude the impact of short-term market fluctuations on the investment return on excess assets, as well as non-recurring transactions or events such as the discontinuation of a business relationship, non-recurring actuarial adjustments and non-recurring 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 2019	Six months ended 31 December 2018	Change	Year ended 30 June 2019
	<i>Unaudited</i>	<i>Unaudited</i>		<i>Audited</i>
Group embedded value (R'm)				
Shareholders' funds	1 148	1 118		1 275
Value of in-force business	4 408	3 461		4 113
Gross	4 821	3 790		4 491
Cost of required capital	(413)	(329)		(378)
Embedded value of covered business ^(a)	5 556	4 579		5 388
Embedded value of non-covered business ^(b)	12	64		34
Closing group embedded value	5 568	4 643	19.93%	5 422
Return on embedded value (%)	9.86%	10.50%		29.05%

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

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

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

	Six months ended 31 December 2019				Six months ended 31 December 2018	Year ended 30 June 2019
	Adjusted net worth	Value of in-force	Cost of required capital	Total		
Covered business EV						
Opening EV	1 276	4 490	(378)	5 388	4 496	4 496
Opening adjustments	2	(1)	-	1	(1)	9
Opening EV (adjusted)	1 278	4 489	(378)	5 389	4 495	4 505
Dividends paid ^(c)	(336)	-	-	(336)	(345)	(345)
Deferred bonus shares	18	-	-	18	18	37
EV after adjustments	959	4 489	(378)	5 071	4 169	4 197
Unwinding of risk discount rate	-	261	(21)	240	201	413
Expected profits	491	(491)	-	-	-	-
New business	(302)	614	(50)	263	198	479
Operating experience variations	-	-	-	-	-	(37)
Tax	(1)	-	-	(1)	1	27
Assumption changes	-	(44)	3	(41)	(16)	219
Investment experience	24	0	31	55	23	80
Miscellaneous	(24)	(8)	2	(30)	4	10
Closing EV	1 149	4 820	(413)	5 556	4 579	5 388
Non-covered business EV						
Opening EV	8	26	-	34	67	67
Dividends paid ^(c)	(18)	-	-	(18)	(17)	(17)
EV after adjustments	(10)	26	-	16	50	50
Net profits	13	-	-	13	(23)	(64)
Group expense adjustment	-	(44)	-	(44)	(49)	(45)
Market value adjustment	-	27	-	27	86	93
Closing EV	3	9	-	12	64	34
Total closing group EV	1 152	4 829	(413)	5 568	4 643	5 422

(c) The total dividend of R354.0 million paid by Assupol Holdings on 14 October 2019 consisted of R336.2 million from covered business and R17.8 million from non-covered business.

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

	Six months ended 31 December 2019	Six months ended 31 December 2018	Change	Year ended 30 June 2019
Share statistics	<i>Unaudited</i>	<i>Unaudited</i>		<i>Audited</i>
Share price - closing (R) ⁽¹⁾	10.99	10.81	1.67%	10.30
Number of ordinary shares in issue ('000)	421 975	421 975	0.00%	421 975
Market capitalisation (R'm) ⁽¹⁾	4 638	4 562	1.67%	4 346
Basic earnings per share (R)	0.87	0.76	14.64%	2.39
Diluted earnings per share (R)	0.87	0.75	16.06%	2.20
Diluted adjusted operating profit per share (R)	0.88	0.83	5.83%	1.89
Group embedded value per share (R)	13.20	11.00	19.93%	12.85
Dividend per qualifying ordinary share (cents) ⁽²⁾				89

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

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

- In respect of the year ended 30 June 2019 the dividend was declared on 27 September 2019 and paid on 14 October 2019: An ordinary dividend of 60 cents and special dividend of 29 cents, resulting in a total gross dividend of 89 cents per qualifying share. Furthermore a trickle dividend of 13.66 cents was declared for the 'A2' ordinary shares.
- In respect of the year ended 30 June 2018 it was declared on 27 September 2018 and paid on 15 October 2018: An ordinary dividend of 54 cents and special dividend of 42 cents, resulting in a total gross dividend of 96 cents per qualifying share.

Other matters

The company secretary, Mr SJ de Beer, resigned on 31 December 2019. FluidRock Co Sec (Pty) Ltd has been appointed as the interim company secretary.

ASSUPOL HOLDINGS LIMITED and its subsidiaries
**STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 31 December 2019**

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<i>R'000</i>	Six months ended 31 December 2019 <i>Unaudited</i>	Six months ended 31 December 2018 <i>Unaudited</i>	Year ended 30 June 2019 <i>Audited</i>
Insurance premium revenue	2 010 261	1 667 090	3 458 166
Insurance premium ceded to reinsurers	(58 017)	(49 366)	(101 417)
<i>Net insurance premium revenue</i>	1 952 244	1 617 724	3 356 749
Commission received on outward reinsurance	4 822	1 305	3 154
Fee income	40 652	35 508	75 651
Investment income	133 257	105 727	205 820
Investment income on financial assets at amortised cost	58 279	27 835	87 303
Net fair value gains on financial assets	(31 833)	(114 065)	16 443
Other income	(2 003)	1 635	(185)
Income	2 155 418	1 675 669	3 744 935
Insurance benefits and claims	(574 938)	(523 024)	(1 073 840)
Insurance claims recovered from reinsurers	51 050	43 270	88 605
<i>Net insurance benefits and claims</i>	(523 888)	(479 754)	(985 235)
Commission expenses	(464 705)	(412 663)	(824 359)
Operating and administrative expenses	(640 429)	(523 169)	(1 136 925)
Investment management expenses	(7 105)	(5 995)	(13 590)
Change in insurance contract provisions	155 914	166 981	568 835
Fair value adjustments on investment contract liabilities	(153 635)	10 008	(186 445)
Expenses	(1 633 848)	(1 244 592)	(2 577 719)
Result of operating activities	521 570	431 077	1 167 216
Finance charges	(16 070)	(7 273)	(16 736)
Profit before taxation	505 500	423 804	1 150 480
Income tax expense	(148 347)	(121 660)	(243 441)
PROFIT FOR THE YEAR	357 153	302 144	907 039
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR	357 153	302 144	907 039
Profit attributable to:			
Shareholders	357 153	302 144	907 039
Total comprehensive income attributable to:			
Shareholders	357 153	302 144	907 039
Group earnings per share			
Basic earnings per share	0.87	0.76	2.39
Diluted earnings per share	0.87	0.75	2.20

<i>R'000</i>	Notes	Six months ended 31 December 2019 <i>Unaudited</i>	Six months ended 31 December 2018 <i>Unaudited</i>	Year ended 30 June 2019 <i>Audited</i>
ASSETS				
Property and equipment		256 123	255 320	249 311
Intangible assets		149 942	138 933	146 830
Financial assets: Investments				
At fair value through profit or loss				
Equity securities		1 353 906	1 146 111	1 264 833
Debt securities		1 465 231	1 238 556	1 340 178
Deposits and money market securities		850 561	646 634	964 732
At amortised cost				
Deposits and money market securities		1 480 172	911 910	1 157 777
Policyholder assets				
Insurance contracts		3 149 392	2 592 094	2 994 440
Reinsurance asset		3 853	3 383	2 891
Insurance and other receivables		134 422	142 982	124 140
Current taxation		-	11 734	-
Cash and cash equivalents		344 169	344 545	424 812
TOTAL ASSETS		9 187 771	7 432 202	8 669 944
EQUITY				
Share capital		639 533	639 438	639 533
Treasury shares		(68 106)	(68 106)	(68 106)
Employee benefits reserve		221 881	185 824	204 367
Black Economic Empowerment reserve		14 300	14 300	14 300
Retained earnings		3 481 448	2 872 348	3 477 328
TOTAL EQUITY		4 289 056	3 643 804	4 267 422
LIABILITIES				
Policyholder liabilities: Investment contracts				
At fair value through profit or loss		1 620 653	1 472 069	1 565 953
At amortised cost		1 538 099	880 648	1 209 987
Other liabilities	5	439 234	194 349	318 996
Employee benefits		49 874	49 391	91 414
Deferred revenue liability		657	511	656
Deferred tax liability		879 157	882 453	861 127
Insurance and other payables		341 370	308 977	328 317
Current taxation		29 672	-	26 072
TOTAL LIABILITIES		4 898 715	3 788 398	4 402 522
TOTAL EQUITY AND LIABILITIES		9 187 771	7 432 202	8 669 944

ASSUPOL HOLDINGS LIMITED and its subsidiaries

STATEMENT OF CHANGES IN EQUITY for the six months ended 31 December 2019

<i>R'000</i>	SHARE CAPITAL	TREASURY SHARES	EMPLOYEE BENEFITS RESERVE	BEE RESERVE	RETAINED INCOME	TOTAL CAPITAL
Balance at 30 June 2018	639 438	(68 106)	167 485	14 300	2 931 147	3 684 264
Cost of incentive shares	-	-	641	-	-	641
Deferred bonus recognition	-	-	17 698	-	-	17 698
Dividend paid	-	-	-	-	(360 950)	(360 950)
Adjustment of redemption on preference shares	-	-	-	-	7	7
Profit for the period	-	-	-	-	302 144	302 144
Balance at 31 December 2018	639 438	(68 106)	185 824	14 300	2 872 348	3 643 804
Cost of incentive shares	-	-	807	-	-	807
Deferred bonus recognition	-	-	17 736	-	-	17 736
Adjustment of redemption on preference shares	95	-	-	-	85	180
Profit for the period	-	-	-	-	604 895	604 895
Balance at 30 June 2019	639 533	(68 106)	204 367	14 300	3 477 328	4 267 422
Cost of incentive shares	-	-	513	-	-	513
Deferred bonus recognition	-	-	17 001	-	-	17 001
Dividend paid	-	-	-	-	(353 038)	(353 038)
Adjustment of redemption on preference shares	-	-	-	-	5	5
Profit for the period	-	-	-	-	357 153	357 153
Balance at 31 December 2019	639 533	(68 106)	221 881	14 300	3 481 448	4 289 056

ASSUPOL HOLDINGS LIMITED and its subsidiaries
**CONDENSED STATEMENT OF CASH FLOWS
for the six months ended 31 December 2019**

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<i>R'000</i>	Six months ended 31 December 2019 <i>Unaudited</i>	Six months ended 31 December 2018 <i>Unaudited</i>	Year ended 30 June 2019 <i>Audited</i>
Cash flows from operating activities			
Cash generated from operations	600 382	411 480	1 074 776
Net acquisition of financial instruments			
at fair value through profit or loss	(131 788)	89 712	(318 220)
at amortised cost	(322 395)	(155 386)	(401 253)
Interest received	168 761	121 556	197 818
Dividends received	22 775	12 006	28 741
Dividends paid	(353 038)	(360 950)	(360 950)
Finance charges	(16 070)	(7 273)	(16 736)
Taxation paid	(126 717)	(87 778)	(193 080)
Net cash flows from operating activities	(158 090)	23 367	11 096
Cash flows from investing activities			
Acquisition and disposal of property and equipment	(30 852)	(16 810)	(32 592)
Acquisition of intangible assets	(6 834)	-	(9 500)
Proceeds on disposal of equipment	1 729	-	1 927
Net cash flows from investing activities	(35 957)	(16 810)	(40 165)
Cash flows from financing activities			
Increase in subordinated debt	132 965	-	127 591
Payment of subordinated debt	(8 872)	-	(1 614)
Payment of principal lease payments	(10 689)	(8 710)	(18 794)
Net cash flows from financing activities	113 404	(8 710)	107 183
Net increase in cash and cash equivalents	(80 643)	(2 153)	78 114
Cash and cash equivalents at beginning of the year	424 812	346 698	346 698
Cash and cash equivalents at end of the year	344 169	344 545	424 812

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

<i>R'000</i>	Six months ended 31 December 2019 <i>Unaudited</i>	Six months ended 31 December 2018 <i>Unaudited</i>	Year ended 30 June 2019 <i>Audited</i>
Revenue			
Segment revenue	2 156 126	1 688 139	3 788 835
Life insurance	2 155 748	1 672 178	3 738 926
Intermediaries	374	15 027	48 669
Other	4	934	1 240
Reporting adjustments	(708)	(12 470)	(43 900)
Group revenue for the period	2 155 418	1 675 669	3 744 935
Profit after taxation			
Segment profit after taxation	360 867	308 822	954 381
Life insurance	360 670	306 825	922 504
Intermediaries	203	1 234	30 993
Other	(6)	763	884
Reporting adjustments after taxation	(3 714)	(6 678)	(47 342)
Group profit for the period	357 153	302 144	907 039
Group comprehensive income for the period	357 153	302 144	907 039
Assets and liabilities			
Segment assets	9 143 060	7 294 939	8 613 078
Life insurance	9 110 532	7 267 199	8 574 913
Intermediaries	32 379	13 994	38 009
Other	149	13 746	156
Reporting adjustments	44 711	137 263	56 866
Group assets	9 187 771	7 432 202	8 669 944
Segment liabilities	4 922 915	3 761 690	4 429 469
Life insurance	4 922 876	3 755 792	4 429 288
Intermediaries	8	5 891	150
Other	31	7	31
Reporting adjustments	(24 200)	26 708	(26 947)
Group liabilities	4 898 715	3 788 398	4 402 522

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

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

This unaudited condensed interim financial report for the six months ended 31 December 2019 has been prepared in accordance with the International Financial Reporting Standard IAS 34 and the reporting requirements of 4AX.

The condensed interim financial results have not been audited. Furthermore, the shareholders of Assupol Holdings waived the requirement for the interim financial results to be reviewed at the annual general meeting of the company held on 21 November 2019.

The interim report does not include all the notes normally included in the annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 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. As a result the results of the second six months of a financial year could differ significantly from the first six months.

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

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

3. SUMMARY OF CRITICAL ACCOUNTING ESTIMATES

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

3.1 Policyholder liabilities / assets under long-term insurance contracts

The determination of the liabilities / assets under long-term insurance contracts is dependent on assumptions and estimates made by the Group. The valuation interest rate used in the valuation of the policyholder liabilities increased since the June 2019 year end, resulting in an increase in the value of liabilities by R24.3 million.

3.2 Other assumptions and estimates

Other assumptions and estimates for the period ended 31 December 2019 addressed the following items:

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

4. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

4.1 Financial risk factors

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

4. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

4.2 Liquidity risks arising out of the subordinated debt agreement

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

<i>R'000</i>	Six months ended 31 December 2019 <i>Unaudited</i>	Six months ended 31 December 2018 <i>Unaudited</i>	Year ended 30 June 2019 <i>Audited</i>
Contractual undiscounted cash flows			
Within 1 year	25 498	-	21 634
1 to 2 years	25 428	-	25 648
3 to 5 years	291 443	-	304 886
Total	342 369	-	352 168

4.3 Fair value estimation

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

December 2019 (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	3 669 698	1 480 172	-	5 149 870	5 167 455
Other receivables	-	59 928	-	59 928	59 928
Cash and cash equivalents	-	344 169	-	344 169	344 169
Investment contract liabilities	1 620 653	-	1 538 099	3 158 752	3 177 025
Other liabilities	-	-	439 234	439 234	442 034
Accounts payable	-	-	54 520	54 520	54 520
December 2018 (R'000)					
Financial assets - Investments	3 031 301	911 910	-	3 943 211	3 953 845
Other receivables	-	97 999	-	97 999	97 999
Cash and cash equivalents	-	344 545	-	344 545	344 545
Investment contract liabilities	1 472 069	-	880 648	2 352 717	2 342 557
Other liabilities	-	-	194 349	194 349	194 349
Accounts payable	-	-	53 570	53 570	53 570
June 2019 (R'000)					
Financial assets - Investments	3 569 743	1 157 777	-	4 727 520	4 759 596
Other receivables	-	27 179	-	27 179	27 179
Cash and cash equivalents	-	424 812	-	424 812	424 812
Investment contract liabilities	1 565 953	-	1 209 987	2 775 940	2 743 321
Other liabilities	-	-	318 996	318 996	319 998
Accounts payable	-	-	49 553	49 553	49 553

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: 6.97% to 7.35%
- The fair value of derivatives is calculated using quoted prices. Where such prices are not available, discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. The specific inputs used are:
 - > Dividend yield: 3.30% to 5.04%;
 - > Risk free rate: 6.98% to 7.35%;
 - > Equity index level strike: 48 350 to 52 090 (index level 50 816 at period end);
 - > Equity volatility: 15.13% to 21.50%;
 - > Reference bond yield strike: 8.15% to 8.54% (reference bond closing yields of 8.24%); and
 - > Bond volatility: 6.12% to 6.54%.
- The fair value of financial guarantee contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from the market-based credit information and the amount of loss, given the default.

For level 3:

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

The table below analyses financial instruments carried at fair value by valuation method.

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

4. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

4.4 Fair value hierarchy (continued)

December 2018 (R'000)	Level 1	Level 2	Level 3	TOTAL
Local listed shares	877 803	-	-	877 803
Derivatives	-	3 856	-	3 856
Unit trusts	265 155	-	-	265 155
Debt securities	34 441	1 203 413	-	1 237 854
Deposits and money market securities*	447 449	1 152 288	-	1 599 737
Receivables	392	-	-	392
Total financial assets	1 625 240	2 359 557	-	3 984 797
Net investment contract liabilities*	-	2 342 557	-	2 342 557
Total financial liabilities	2 583	2 342 557	-	2 342 557

June 2019 (R'000)	Level 1	Level 2	Level 3	TOTAL
Local listed shares	943 815	-	-	943 815
Derivatives	-	13 723	-	13 723
Unit trusts	309 715	-	-	309 715
Debt securities	44 700	1 293 058	-	1 337 758
Deposits and money market securities*	734 204	1 420 381	-	2 154 585
Receivables	-	19 511	27 179	46 690
Total financial assets	2 032 434	2 746 673	27 179	4 806 286
Net investment contract liabilities*	-	2 743 321	-	2 743 321
Other liabilities - Subordinated debt	126 979	-	-	126 979
Total financial liabilities	126 979	2 743 321	-	2 870 300

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

The table below shows the transfer between the various levels

	From level 1 to level 2
Validity of quoted prices - suspension of trade in local listed shares (R'000)	
December 2019	234
June 2019	-
December 2018	-

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL RESULTS
for the six months ended 31 December 2019
5. OTHER LIABILITIES

<i>R'000</i>	Six months ended 31 December 2019 <i>Unaudited</i>	Six months ended 31 December 2018 <i>Unaudited</i>	Year ended 30 June 2019 <i>Audited</i>
Lease liability ^(a)	189 164	194 349	193 019
Balance at beginning of the period	193 019	189 962	189 962
Liability raised	6 834	13 097	21 851
Finance charges	7 243	7 270	14 985
Payments made	(17 932)	(15 980)	(33 779)
Subordinated debt ^(b)	250 070	-	125 977
Balance at beginning of the period	125 977	-	125 863
Liability raised	124 138	-	-
Finance charges	8 827	-	1 728
Payments made	(8 872)	-	(1 614)
Total long-term financing obligations	439 234	194 349	318 996

(a) The Group has lease agreements for various properties and equipment. These agreements are typically for fixed periods of 1 to 10 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants but leased assets may not be used as security for borrowing purposes.

(b) The subordinated debt agreement with Investec Bank Limited provides Assupol Life with a drawdown facility of R250 million for a 12-month period until January 2020. The debt structure complies with the requirements for Tier 3 subordinated debt as determined in the Prudential Standard FSI 2.3 that were issued by the Prudential Authority of South Africa. The debt is repayable 4 years after the drawdown date. Interest is determined per drawdown and varied between 9.98% and 10.29% at period end. A facility fee of R862 500 was paid at the start of the contract. A commitment fee of 0.7% is charged on the undrawn amount during the 12-month period until January 2020.

6. RELATED PARTY TRANSACTIONS

<i>R'000</i>	Six months ended 31 December 2019 <i>Unaudited</i>	Six months ended 31 December 2018 <i>Unaudited</i>	Year ended 30 June 2019 <i>Audited</i>
Loans to key management			
Balance at end of year	5 843	6 750	7 558
Assupol Life granted a loan to an executive director for the purchase of shares in Assupol Holdings. This was approved as required by the Companies Act, no 71 of 2008, and the Long Term Insurance Act, no 52 of 1998. The loan bears interest at the official prime rate of interest levied by the bankers of Assupol Life, and is repayable over 5 years. The Group has sufficient security over this loan.			
Remuneration and restricted incentives - Executive directors and prescribed officers			
Salary, pension fund contributions and other benefits	13 581	11 412	23 292
Cash bonus	-	-	15 600
Restricted incentives	8 948	9 290	19 390
Non-executive directors' fees			
Board and board committee fees	5 775	4 532	9 150
<i>Units ('000)</i>			
Securities held by directors and prescribed officers			
Direct beneficial	19 721	20 041	19 300
Indirect beneficial	858	924	945