AVBOB

MUTUAL SOCIETY

AVBOB 2021 Integrated Annual Report

The VALUE of **CONSISTENCY** in CRISIS

8

FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

SUMMARISED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

COMPANY INFORMATION

Registration number:	Incorporated under Private Act No 7 of 1951 (as revised March 1987)
Country of incorporation:	Republic of South Africa
Registered address:	368 Madiba Street Pretoria 0002
Postal address:	PO Box 1661 Pretoria 0001
Internet address:	www.avbob.co.za
Auditors:	PricewaterhouseCoopers Incorporated

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The consolidated and separate financial statements and the auditor’s report thereof is available for inspection at the Society’s registered office.

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS
FOR THE YEAR ENDED 30 JUNE 2021

The directors of the AVBOB Mutual Assurance Society (the Society) are responsible for the preparation, integrity and fair presentation of the annual financial statements of the Society and its subsidiaries (the Group). The summarised financial statements as presented on pages 93 to 115 have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), IAS 34 Interim financial statements and the requirements of the Companies Act 71 of 2008 of South Africa as applicable to summary financial statements.

The directors are responsible for and the Group Audit Committee has confirmed that effective systems of internal control and risk management are being maintained. There were no material breakdowns in the functioning of the internal financial control systems during the year. The Board is satisfied that the financial statements fairly present the financial position, the results of operations and cash flows in accordance with the framework concepts and the measurement and recognition requirements of IFRS, IAS 34 Interim financial statements and the requirements of the Companies Act 71 of 2008 of South Africa as applicable to summarised financial statements and that they are supported by reasonable and prudent judgements that are consistently applied.

The directors are also responsible to prepare all other information included in the annual report including its accuracy and consistency with the financial statements. The maintenance of proper accounting records, written or electronic and the reliability of financial information used within the business, or for the publication thereof is the responsibility of the Directors.

The going concern basis has been adopted in preparing the financial statements. Based on forecasts and available cash resources the directors have no reason to believe that the Society or any company within the Group will not comply with the going concern principle in the foreseeable future. These financial statements support the viability of the Society and the Group.

The summarised financial statements have been audited by the independent auditor, PricewaterhouseCoopers Incorporated, who were given unrestricted access to all financial records and related data, including minutes of all meetings of members, the Board of Directors and Committees of the Board. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

The responsibility of the external auditor, PricewaterhouseCoopers Incorporated, is to express an independent opinion on the fair presentation of the summarised financial statements based on their audit of AVBOB Mutual Assurance Society and its subsidiaries.

The audit report of PricewaterhouseCoopers Incorporated is presented on pages 91 to 92.

The summarised financial statements were approved by the Board of Directors on 29 September 2021 and are signed on its behalf by:

JJ VENTER
CHAIRPERSON
27 October 2021

CR VAN DER RIET
CHIEF EXECUTIVE OFFICER
27 October 2021

REPORT OF THE GROUP SOCIAL AND ETHICS COMMITTEE
FOR THE YEAR ENDED 30 JUNE 2021

The Group Social and Ethics Committee is constituted as a sub-committee of the Group Board of Directors in accordance with applicable legislation and regulations. The Committee is chaired by an independent non-executive director. The Committee comprised of two non-executive directors and three executive directors who have the necessary skill, knowledge and expertise required to perform the statutory duties and responsibilities of the Committee in terms of section 72(4) and (5) of the Companies Act 71 of 2008. It was decided on 23 June 2021 to increase the committee to comprise of three non-executive directors and three executive directors when the new non-executive director is appointed to the Board of Directors.

The Committee met three times during the financial year under review, and executed its statutory duties and responsibilities in accordance with the Committee Charter, in terms of which the following areas were monitored:

- Social and economic development, including the Group’s standing in terms of the goals and purposes of:
    - the ten principles set out in the United Nations Global Compact Principles;
    - the Organisation for Economic Co-operation and Development (OECD) recommendations regarding corruption;
    - the Employment Equity Act 55 of 1998; and
    - the Broad-based Black Economic Empowerment Act 53 of 2003.
- Good corporate citizenship.
- The environment, health and public safety, including the impact of the Group’s activities and its products or services.
- Labour and employment.
- Consumer relationships, including the Group’s policies and records relating to advertising, public relations and compliance with consumer protection laws.

Detailed information on the activities of the Committee is contained in the corporate governance section of the integrated annual report of the Group.

The Committee is satisfied with the Group's compliance with its social and ethical responsibilities, which further emphasises the Group’s sense of responsibility as a fair, honest and transparent Group. In addition, the Committee is satisfied that it complied with its social and ethical responsibilities in terms of the Companies Act 71 of 2008 in respect of the subsidiary companies.

MPP NYAMA
CHAIRPERSON

29 September 2021

REPORT OF THE GROUP AUDIT COMMITTEE
FOR THE YEAR ENDED 30 JUNE 2021

The Group Audit Committee has been constituted in accordance with applicable legislation and regulations. The Committee comprised of three independent non-executive directors. Three meetings were held during the financial year during which the members fulfilled their functions as prescribed by the Companies Act 71 of 2008 and the Insurance Act 18 of 2017. The Committee also executed its duties and responsibilities in accordance with the terms of reference of its mandate.

Detailed information on the activities of the Committee is contained in the corporate governance section of the integrated annual report.

The Committee members were formally appointed by the Board of Directors. The composition of the Committee and details of their attendance of Committee meetings is set out in the Directors' report in the annual financial statements.

Based on the information and explanations given by management and the internal and external assurance providers, the Committee is of the opinion that effective systems of internal control, including financial controls and risk management, are being maintained. Nothing has come to the attention of the Committee to indicate that any breakdown in the functioning of these controls, resulting in material loss to the Group, has occurred during the year and up to the date of this report.

The Committee has satisfied itself that the external auditors are independent of the Group and are thereby able to conduct their audit functions without any influence from the Group. The Committee has also satisfied itself that the Financial Director, Ms TA Cooper, has the appropriate expertise and experience to fulfil her role. The Committee has further satisfied itself of the expertise, resources and experience of the Group's financial function.

The Committee has reviewed the financial statements and recommended these to the Board of Directors for approval.

NA COWIE
CHAIRPERSON

29 September 2021

Independent auditor's report on the summary consolidated financial statements

To the members of AVBOB Mutual Assurance Society

Opinion

The summary consolidated and separate financial statements of AVBOB Mutual Assurance Society (the "Society") and its subsidiaries (together the Group), set out on pages 93 to 115, which comprise the summarised statements of financial position as at 30 June 2021, the summarised statements of comprehensive income, changes in reserves and cash flows for the year then ended, and related notes, are derived from the audited consolidated and separate financial statements of the Society for the year ended 30 June 2021.

In our opinion, the accompanying summary consolidated and separate financial statements are consistent, in all material respects, with the audited consolidated and separate financial statements, in accordance with the requirements of the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards, IAS 34 Interim financial statements and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Summary consolidated and separate financial statements

The summary consolidated and separate financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated and separate financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated and separate financial statements and the auditor's report thereon.

The audited consolidated and separate financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated and separate financial statements in our report dated 28 October 2021. The auditor's report on the consolidated and separate financial statements contained a section titled "Report on other legal and regulatory requirements" where we notified users of the consolidated and separate financial statements of a reportable irregularity that we reported to the Independent Regulatory Board for Auditors. This has no impact on the summary consolidated and separate financial statements, and full details of this matter may be obtained in the consolidated and separate financial statements and our audit report thereon.

Director's responsibility for the summary consolidated and separate financial statements

The directors are responsible for the preparation of the summary consolidated and separate financial statements in accordance with the requirements of the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards, IAS 34 Interim financial statements and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

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T: +27 (0) 11 797 4000, F: +27 (0) 11 209 5800, www.pwc.co.za

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

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary consolidated and separate financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: J.J Grové
Registered Auditor
Johannesburg, South Africa
28 October 2021

SUMMARISED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021

		SOCIETY		GROUP	
	Notes	2021 R 000	2020 R 000	2021 R 000	2020 R 000
Revenue from contracts with customers					
Services		-	-	373 046	253 037
Goods		-	-	471 383	285 711
Total revenue		-	-	844 429	538 748
Cost of goods and services	8	-	-	(518 547)	(344 137)
Gross profit		**-**	**-**	**325 882**	**194 611**
Premium revenue	6	5 193 027	4 737 019	5 193 027	4 737 019
Investment income/(loss) on non-financial assets		114 079	59 644	(21 577)	(20 836)
Interest income on financial assets at amortised cost		176 854	49 180	201 059	56 677
Net fair value gains on financial assets at fair value through profit or loss		3 558 246	148 109	3 558 246	148 109
Other income/(loss)		4 039	778	(896)	870
Net income		**9 046 245**	**4 994 730**	**9 255 741**	**5 116 450**
Contract benefits and claims	7	(2 682 264)	(1 885 856)	(2 710 620)	(1 860 998)
Expenses for the acquisition of insurance contracts		(867 241)	(640 925)	(867 241)	(640 925)
Interest expenses		(153 046)	(36 357)	(156 733)	(40 008)
Marketing expenses	8	(490 229)	(503 644)	(519 577)	(531 083)
Operating and administrative expenses	8	(758 163)	(647 282)	(879 954)	(726 709)
Expenses for asset management services		(128 741)	(70 187)	(128 741)	(70 187)
Profit before transfer to policyholder liabilities		**3 966 561**	**1 210 479**	**3 992 875**	**1 246 540**
Transfer to policyholder liabilities	15	(3 669 695)	(1 159 987)	(3 684 860)	(1 168 244)
Profit before income tax		**296 866**	**50 492**	**308 015**	**78 296**
Income tax		(260 454)	(43 109)	(295 111)	(64 282)
PROFIT FOR THE YEAR		**36 412**	**7 383**	**12 904**	**14 014**
Other comprehensive income/(loss)					
Items that will not be reclassified to profit or loss					
Gains/(losses) on revaluation of land and buildings		3 858	3 661	(11 307)	(4 585)
Realisation of depreciation		(2 844)	(2 240)	(3 381)	(2 012)
Net change in liabilities for insurance contracts arising from unrealised gains on owner-occupied properties		(1 014)	(1 421)	14 688	6 597
Remeasurement of the net defined employee benefits		173	(264)	410	(678)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR attributable to majority stakeholders of the Group		**36 585**	**7 119**	**13 314**	**13 336**

SUMMARISED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Notes	SOCIETY 2021 R 000	SOCIETY 2020 R 000	GROUP 2021 R 000	GROUP 2020 R 000
ASSETS					
Property, plant and equipment	9	231 818	185 742	1 068 936	972 250
Right-of-use assets	10	67 492	54 749	99 057	82 612
Investment property	9	451 574	436 326	-	-
Intangible assets	9	13 482	33 501	13 674	33 879
Investments in subsidiaries	11	479 000	370 000	-	-
Financial assets at fair value through profit or loss	13	19 297 673	14 901 299	19 297 673	14 901 299
Financial assets at amortised cost	14	4 245 964	1 510 921	4 245 964	1 510 921
Insurance receivables		496 663	478 064	496 663	478 064
Reinsurance contract assets		23 860	17 185	23 860	17 185
Inventories		1 695	2 242	55 673	43 824
Trade and other receivables		268 659	224 575	291 576	245 609
Current income tax asset		-	4 064	41	2 852
Cash and cash equivalents		2 521 848	2 980 431	2 746 928	3 128 245
Total assets		**28 099 728**	**21 199 099**	**28 340 045**	**21 416 740**
RESERVES AND LIABILITIES					
RESERVES		6 229 444	6 192 859	6 290 519	6 277 205
Distributable reserve		6 229 444	6 192 859	6 290 519	6 277 205
Non-controlling interests		-	-	-	-
Revaluation reserve		-	-	-	-
LIABILITIES		21 870 284	15 006 240	22 049 526	15 139 535
Policyholder liabilities					
Insurance contracts	15	15 432 798	11 869 583	15 432 798	11 869 583
Investment contracts with DPF	15	422 335	354 623	422 335	354 623
Financial liabilities at amortised cost	16	4 403 969	1 574 692	4 403 969	1 574 692
Lease liabilities: Right-of-use assets	10	75 619	61 728	111 208	92 813
Deferred income tax liabilities		194 671	39 223	217 796	65 391
Employee benefit obligations	17	314 732	221 077	366 670	248 139
Deposits and premiums received in advance		421 468	391 186	421 468	391 186
Outstanding policyholder benefits		165 704	147 769	150 343	136 823
Trade and other payables		436 435	346 359	519 542	406 285
Current income tax liability		2 553	-	3 397	-
Total reserves and liabilities		**28 099 728**	**21 199 099**	**28 340 045**	**21 416 740**

SUMMARISED STATEMENTS OF CHANGES IN RESERVES
FOR THE YEAR ENDED 30 JUNE 2021

	SOCIETY		GROUP	
	2021 R 000	2020 R 000	2021 R 000	2020 R 000
DISTRIBUTABLE RESERVE				
Balance at the beginning of the year	6 192 859	6 185 740	6 277 205	6 263 869
Profit for the year	36 412	7 383	12 904	14 014
Other comprehensive loss				
Remeasurement of the net defined employee benefits	173	(264)	410	(678)
Transfer to non-controlling interests	-	-	-	-
Transfer	-	-	-	(2 665)
Other comprehensive loss	-	-	-	2 665
Balance at the end of the year	**6 229 444**	**6 192 859**	**6 290 519**	**6 277 205**
REVALUATION RESERVE				
Land and buildings				
Balance at the beginning of the year	-	-	-	-
Other comprehensive income/(loss)				
Revaluation	3 858	3 661	(11 307)	(4 585)
Realisation of depreciation	(2 844)	(2 240)	(3 381)	(2 012)
Net change in liabilities for insurance contracts arising from unrealised gains on owner-occupied properties	(1 014)	(1 421)	14 688	6 597
Balance at the end of the year	**-**	**-**	**-**	**-**
NON-CONTROLLING INTERESTS				
Balance at the beginning of the year	-	-	-	2 665
Disposal of subsidiary	-	-	-	(2 665)
Balance at the end of the year	**-**	**-**	**-**	**-**

SUMMARISED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

	Notes	SOCIETY 2021 R 000	SOCIETY 2020 R 000	GROUP 2021 R 000	GROUP 2020 R 000
Net cash (outflows)/inflows from operating activities		**(316 884)**	**1 457 983**	**(151 468)**	**1 573 422**
Cash generated by operating activities		762 917	1 484 243	945 976	1 608 113
Interest received		9 056	15 821	33 262	23 319
Interest paid		(6 776)	(6 964)	(10 463)	(10 615)
Dividends received		296 599	374 133	296 599	374 133
Movement in financial liabilities	16	2 829 277	1 574 692	2 829 277	1 574 692
Movement in financial assets					
At fair value through profit or loss					
Additions	13	(8 640 978)	(7 109 699)	(8 640 978)	(7 109 699)
Disposals	13	7 098 655	6 738 959	7 098 655	6 738 959
At amortised cost					
Additions	14	(2 711 102)	(1 505 063)	(2 711 102)	(1 505 063)
Withdrawals	14	143 857	27 501	143 857	27 501
Tax paid		(98 389)	(135 640)	(136 551)	(147 918)
Net cash outflows from investment activities		**(114 199)**	**(75 044)**	**(188 739)**	**(136 822)**
Decrease in loans to subsidiaries		-	3 610	-	-
Payment of property, plant and equipment	9	(76 665)	(29 581)	(191 514)	(166 905)
Payment of investment property	9	(38 454)	(69 169)	-	-
Payment of intangible assets	9	(6 354)	(11 050)	(6 526)	(11 050)
Disposal of subsidiaries		-	30 400	-	-
Proceeds on disposal of property, plant and equipment and intangible assets		7 274	746	9 301	41 133
Net cash outflows from financing activities		**(27 500)**	**(16 661)**	**(41 110)**	**(34 135)**
Decrease in lease liabilities		-	-	-	(829)
Principal elements of lease payments: Right-of-use assets		(27 500)	(16 661)	(41 110)	(33 306)
Net (decrease)/increase in cash and cash equivalents		**(458 583)**	**1 366 278**	**(381 317)**	**1 402 466**
Cash and cash equivalents at the beginning of the year		2 980 431	1 614 153	3 128 245	1 725 779
Cash and cash equivalents at the end of the year		**2 521 848**	**2 980 431**	**2 746 928**	**3 128 245**

NET DEBT RECONCILIATION

This section sets out an analysis of net debt for each of the periods:

	SOCIETY 2021 R 000	SOCIETY 2020 R 000	GROUP 2021 R 000	GROUP 2020 R 000
Cash and cash equivalents	2 521 848	2 980 431	2 746 928	3 128 245
Lease liabilities	(75 619)	(61 728)	(111 208)	(92 813)
Net cash	2 446 229	2 918 703	2 635 720	3 035 432

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

1. General information

The Society is a funeral assurance provider and the subsidiaries manufacture, distribute and sell funeralware and conduct funerals. The Group has a manufacturing plant in Bloemfontein and conducts business in South Africa.

These summarised financial statements have been audited.

2. Basis of preparation

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

The summarised financial statements should be read in conjunction with the annual financial statements for the year ended 30 June 2021, which have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), IAS 34 Interim financial statements and the requirements of the Companies Act of South Africa as applicable to summarised financial statements.

3. Accounting policies

The summarised financial statements do not include the complete accounting policies required in the annual financial statements and should be read in conjunction with the annual financial statements for the year ended 30 June 2021.

The accounting policies adopted are consistent with those of the previous financial year.

There are a number of amendments, interpretations and improvements to standards that are not yet effective in 2021.

The Group has not early adopted any of these standards or interpretations. The application of the standards and interpretations are not expected to have a significant impact on the Group's reported results, financial position and cash flows, except for the impact of IFRS 17, which has not as yet been fully determined.

4. Critical accounting estimates and judgements

The Group makes estimates and assumptions in respect of assets and liabilities. Estimates and assumptions are re-evaluated on an on-going basis, based on historic experience and other factors, including expectations with regard to future events that are deemed reasonable under the circumstances.

The impact of COVID-19 on critical accounting estimates and judgements was considered during the year in terms of certain assets and liabilities.

4.1 Policyholder liabilities

The value of the policyholder liabilities is based on estimates that are in turn based on assumptions. The assumptions represent best estimates of the expected future experience and are based on actual experience and reasonable expectations of what may happen in future. The future experience will probably differ from these assumptions, which may in turn require the value of policyholder liabilities to be adjusted. The full details of these valuation assumptions for estimates are set out in note 15 of the notes to the summarised financial statements.

4. Critical accounting estimates and judgements (continued)

4.2 Other assumptions and estimates

Other assumptions and estimates included in the annual financial statements for the year ended 30 June 2021 addresses the following items:

- Provision for deaths not yet reported
- Valuation of investment property
- Valuation of subsidiaries
- Employee benefit obligations
- Assets at fair value through profit and loss with unobservable inputs
- Deferred tax asset
- Impairment losses on financial assets
- Lease liabilities and right-of-use assets

5. Management of insurance and financial risk

5.1 Insurance and financial risk

The Group issues contracts that contain either insurance or financial risks, or both. Insurance risk is the risk that claims and expenses exceed the value placed on insurance liabilities. The Group's activities expose it to a variety of financial risks: market risk (including equity risk, currency risk and interest rate risk), credit and counterparty risk, liquidity risk and contractual risk.

The summarised financial statements do not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements for the year ended 30 June 2021.

5.2 Capital management

The Group's objectives when managing capital is to safeguard the Society's ability to continue as a going concern to provide policyholder and member benefits.

The Group manages capital by targeting a SCR cover of 2.6 times by own funds and by ensuring that sufficient liquid assets are available if required and that the available investments are of a suitable quality. The Society's SCR was covered 2.6 times by own funds as at 30 June 2021 and 30 June 2020 and was within the risk appetite. The Society did not experience an event which negatively impacted its SCR cover ratio.

The SCR is the minimum amount by which the value of own funds (excess assets) must exceed the value of the policyholder liabilities as required by the Prudential Authority (PA). As a mutual society, the Society does not have access to capital markets and consequently aims to keep excess assets at a multiple of the SCR required by the PA. If the ratio decreases (for instance following a market value shock or other catastrophe), the Board of Directors has approved planned management actions that allow the Society to return to the targeted coverage ratio within risk appetite.

The Society and the Group are exposed to financial risk through their financial assets, financial liabilities, reinsurance contracts and insurance liabilities. In essence, the financial risk is the possibility that adverse changes in the market will result in the Society not being able to meet its obligations. The most important elements of financial risk include market risk (equity risk, interest rate risk and currency risk), credit and counterparty risk and liquidity risk.

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021 CONTINUED

5. Management of insurance and financial risk (continued)

5.2 Capital management (continued)

The Society manages financial assets using an asset distribution analysis approach that was developed to maximise long-term investment yield, while taking into consideration the nature of its liabilities. The Society outsources the management of its balanced portfolio investments to six leading asset managers. These asset managers are expected to manage their portfolio in accordance with agreed-upon mandates. In addition, the total asset distribution of the Society is managed in accordance with the guidelines set by the PA. The Society has adequate capital cover on the SCR of the Insurance Act as at 30 June 2021.

Asset-liability modelling investigations are performed periodically by the Head of Actuarial Function. The outcome is used to determine whether the asset distribution guidelines unduly expose the Society to insolvency risk based on the nature of the liabilities (guaranteed and discretionary liabilities). An asset-liability modelling investigation was performed during the 2019 financial year and did not lead to any material changes to the asset distribution guidelines.

Core aspects of the mandate given to the asset managers:

- The total asset distribution of the Society must be managed in accordance with the guidelines set by the PA.
- A target allocation of 30% of the total applicable assets are to be invested in local liquid assets with approximately 70% of the total applicable assets to be invested in equity risk assets.
- Investments in the Financial Sector Code (FSC) portfolio are restricted to those that should be recognised in terms of the Financial Sector Code. All unlisted investments require written approval.
- In the other portfolios, investments in equities and securities must be listed on a recognised exchange and listed securities must meet minimum credit rating criteria.
- Derivative instruments are only allowed for efficient portfolio management and hedging purposes. The effective exposure for all derivative positions is limited to 10% of the fair value of the investment portfolio. Effective exposure to any over-the-counter counterparty is limited to 7.5% of the investment portfolio.
- No scrip lending is allowed.

The following table compares the assets of the Society with the asset distribution guidelines:

	Board guideline	2021		2020	
	%	%	R 000	%	R 000
	70	71	16 952 010	67	13 135 497
Property for own use and investment property		2	529 889	3	514 681
Equity risk assets					
Investments and financial assets					
Listed shares		41	9 791 778	37	7 199 482
Unlisted shares		5	1 093 712	2	502 152
Foreign investments		17	4 032 277	18	3 627 415
Other assets		6	1 504 354	7	1 291 767
Liquid assets	30	29	6 901 754	33	6 552 681
Cash and cash equivalents		11	2 521 848	15	2 980 431
Securities and bonds		18	4 284 134	18	3 473 093
Unlisted securities		0	95 772	1	99 157
Total applicable assets	100	100	23 853 764	100	19 688 178
Linked financial assets at amortised cost			4 245 964		1 510 921
Total assets			28 099 728		21 199 099

The Board is comfortable with the asset distribution at 30 June 2021.

5. **Management of insurance and financial risk (continued)**

5.3 Fair value hierarchy

The following fair value measurement hierarchy is applied to financial assets and liabilities measured at fair value that are measured in the statements of financial position:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as priced) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Society's assets and liabilities that are measured at fair value:

	Level 1 R 000	Level 2 R 000	Level 3 R 000	Total R 000
At 30 June 2020				
Assets				
At fair value through profit or loss				
Listed fixed-income securities	3 473 093	-	-	3 473 093
Listed shares	7 199 482	-	-	7 199 482
Non-listed foreign investments	-	3 627 415	-	3 627 415
Unlisted investments	-	294 823	306 486	601 309
Properties	-	-	514 681	514 681
Investments in subsidiaries	-	-	370 000	370 000
Total assets	10 672 575	3 922 238	1 191 167	15 785 980
Liabilities				
Investment contracts with discretionary participation features (DPF)	-	-	354 623	354 623
Total liabilities	-	-	354 623	354 623
At 30 June 2021				
Assets				
At fair value through profit or loss				
Listed fixed-income securities	4 284 134	-	-	4 284 134
Listed shares	9 791 778	-	-	9 791 778
Non-listed foreign investments	-	4 032 277	-	4 032 277
Unlisted investments	-	708 792	480 692	1 189 484
Properties	-	-	529 889	529 889
Investments in subsidiaries	-	-	479 000	479 000
Total assets	14 075 912	4 741 069	1 489 581	20 306 562
Liabilities				
Investment contracts with discretionary participation features (DPF)	-	-	422 335	422 335
Total liabilities	-	-	422 335	422 335

The difference between assets and liabilities measured at fair value for the Society and Group is property and investment property to the value of R463,5 million.

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021 CONTINUED

5. Management of insurance and financial risk (continued)

5.3 Fair value hierarchy (continued)

At the financial year end, investments classified as Level 1 comprise approximately 69% (2020: 68%) of financial assets measured at fair value on a recurring basis. Fair value measurements classified as Level 1 include exchange-traded prices of fixed maturity and equity securities.

At the financial year end, investments classified as Level 2 comprise approximately 24% (2020: 25%) of financial assets measured at fair value on a recurring basis. They primarily include government and agency securities, and certain listed and unlisted corporate debt securities and investments in collective investments. Investments in collective investments are valued at closing prices determined by the respective fund managers. As market quotes generally are not readily available or accessible for the securities, their fair value measures are determined utilising relevant information generated by market transactions involving comparable securities. They are often based on model pricing techniques that effectively discount prospective cash flows to present value using appropriate sector-adjusted credit spreads commensurate with the security's duration, also taking into consideration issuer-specific credit quality and liquidity. These valuation methodologies have been studied and evaluated by the Society and the resulting prices determined to be representative of exit values.

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. Additional observable inputs are used when available and as may be appropriate for certain security types, such as prepayment, default and collateral information for the purpose of measuring the fair value of mortgage- and asset-backed securities.

At the financial year end, investments classified as Level 3 comprise approximately 7% (2020: 7%) of financial assets measured at fair value on a recurring basis. They primarily include unlisted preference shares, investments in subsidiaries and unlisted investments in renewable energy infrastructure. Determinations to classify fair value measures within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable factors to the overall fair value measurement.

The Society issues a significant number of investment contracts that are designated at fair value through profit and loss. These investment contracts are not quoted in active markets and their fair values are determined through valuation techniques. Such techniques (for example, valuation models) are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are validated before they are used and calibrated to ensure that outputs reflect actual experience and comparable market prices. A variety of factors are considered in the Society's valuation techniques, including time value, credit risk (both own and counterparty), volatility factors (including contract holder behaviour), servicing costs and activity in similar instruments. Since significant inputs are based on unobservable inputs, these investment contract liabilities are classified as Level 3 instruments in the fair value hierarchy.

5. **Management of insurance and financial risk (continued)**

5.3 **Fair value hierarchy (continued)**

The movement in unlisted investments included under Level 3, that are measured using a discounted cash flow model, are as follows:

	Property* R 000	Unlisted investments R 000	Subsidiary investments R 000	Total R 000
At 30 June 2020				
Opening value at beginning of the year	459 854	322 422	349 400	1 131 676
Additions	69 224	16 893	-	86 117
Sales	-	(4 733)	-	(4 733)
Depreciation	(3 716)	-	-	(3 716)
Fair value (losses)/gains through profit and loss	(10 681)	(28 096)	20 600	(18 177)
Closing value at the end of the year	514 681	306 486	370 000	1 191 167
At 30 June 2021				
Opening value at beginning of the year	514 681	306 486	370 000	1 191 167
Additions	38 454	179 249	-	217 703
Sales	(1 418)	-	-	(1 418)
Depreciation	(3 898)	-	-	(3 898)
Fair value (losses)/gains through profit and loss	(17 930)	(5 043)	109 000	86 027
Closing value at the end of the year	529 889	480 692	479 000	1 489 581

* Property consist of owner-occupied property and investment property.

The Society invested in unlisted investments in respect of renewable energy infrastructure. The fair value of these investments is determined using a discounted cash flow valuation methodology using appropriate risk adjusted cost of capital, taking the various projects' stages of construction completion and the achievement of commercial operations into consideration. The most significant impact on the fair value of the Group's investment in a renewable energy infrastructure partnership is the operational performance of the respective renewable energy plants the partnership has invested in.

	SOCIETY		GROUP	
	2021 R 000	2020 R 000	2021 R 000	2020 R 000
6. PREMIUM REVENUE				
Long-term insurance contracts and investment contracts with discretionary participation features	4 912 980	4 479 285	4 912 980	4 479 285
Group scheme contracts	282 004	259 679	282 004	259 679
Gross insurance premium revenue	5 194 984	4 738 964	5 194 984	4 738 964
Reinsurance premiums paid				
Individual premiums	(1 957)	(1 945)	(1 957)	(1 945)
TOTAL	5 193 027	4 737 019	5 193 027	4 737 019

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021 CONTINUED

	SOCIETY		GROUP	
	2021 R 000	2020 R 000	2021 R 000	2020 R 000
7. CONTRACT BENEFITS AND CLAIMS				
Long-term insurance contracts and investment contracts with discretionary participation features	2 148 797	1 454 769	2 148 797	1 454 769
Death and disability claims	1 854 376	1 243 727	1 854 376	1 243 727
Maturities	1 301	558	1 301	558
Surrenders/lapses	293 120	210 484	293 120	210 484
Group scheme contracts				
Death and disability claims	215 390	143 828	215 390	143 828
Expenses	318 690	288 346	347 046	263 488
Insurance claims recovered from reinsurance				
Long-term insurance contracts	(613)	(1 087)	(613)	(1 087)
NET BENEFITS	2 682 264	1 885 856	2 710 620	1 860 998
8. EXPENSES BY FUNCTION				
Comprising:				
Cost of goods and services	-	-	518 547	344 137
Employee benefit expenses	-	-	30 339	25 354
Other expenses	-	-	488 208	318 783
Marketing expenses	490 229	503 644	519 577	531 083
Employee benefit expenses	245 140	227 444	257 039	238 085
Other expenses	245 089	276 200	262 538	292 998
Operating and administrative expenses	758 163	647 282	879 954	726 709
Employee benefit expenses	412 540	349 265	492 078	409 752
Other expenses	345 623	298 017	387 876	316 957
	1 248 392	1 150 926	1 918 078	1 601 929
Number of full-time employees at 30 June	1 648	1 482	2 028	1 858
Number of representatives at 30 June	5 249	5 118	5 249	5 118

9. PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTY AND INTANGIBLE ASSETS

	Property, plant and equipment R 000	Investment property R 000	Intangible assets R 000
SOCIETY			
Year ended 30 June 2020			
Carrying value at the beginning of the year	177 898	381 499	43 754
Additions	29 581	69 169	11 050
Disposals	(671)	-	-
Fair value gains/(losses)	3 661	(14 342)	-
Amortisation/depreciation charge	(24 727)	-	(21 303)
Carrying value at the end of the year	185 742	436 326	33 501
Year ended 30 June 2021			
Carrying value at the beginning of the year	185 742	436 326	33 501
Additions	76 665	38 454	6 354
Disposals	(548)	(1 418)	(4 788)
Fair value gains/(losses)	3 858	(21 788)	-
Amortisation/depreciation charge	(33 899)	-	(21 585)
Carrying value at the end of the year	231 818	451 574	13 482
GROUP			
Year ended 30 June 2020			
Carrying value at the beginning of the year	918 004	-	44 508
Additions	166 905	-	11 050
Disposals	(40 594)	-	-
Fair value losses	(4 584)	-	-
Amortisation/depreciation charge	(67 481)	-	(21 679)
Carrying value at the end of the year	972 250	-	33 879
Year ended 30 June 2021			
Carrying value at the beginning of the year	972 250	-	33 879
Additions	191 514	-	6 526
Disposals	(5 727)	-	(4 788)
Fair value losses	(11 413)	-	-
Amortisation/depreciation charge	(77 688)	-	(21 943)
Carrying value at the end of the year	1 068 936	-	13 674

Both the Head Office and the annex buildings were valued by Amalgamated Property Solutions on 28 May 2019. Four other high value properties of the Society were valued by an independent external valuator during the year ended 30 June 2021. All other fixed properties for own use were formally valued by the directors at 30 June 2021. The carrying values of the properties were adjusted to the revalued amounts and the fair value adjustment was charged to the revaluation reserve. The market value is reviewed and adjusted annually by the directors.

All the Society's investment properties are owner-occupied within the Group. No investment property is pledged as security. The fair value measurement is classified as Level 3.

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021 CONTINUED

	SOCIETY		GROUP	
	2021 R 000	2020 R 000	2021 R 000	2020 R 000
10. LEASES				
Right-of-use assets and lease liabilities: Property				
Amounts recognised in the statements of financial position:				
RIGHT-OF-USE-ASSETS				
Carrying value at the beginning of the year	54 749	57 888	82 612	92 124
Cost	78 389	57 888	118 479	92 124
Accumulated depreciation	(23 640)	-	(35 867)	-
Additions	41 391	20 501	59 696	28 774
Depreciation	(28 648)	(23 640)	(43 251)	(38 286)
Carrying value at the end of the year	67 492	54 749	99 057	82 612
LEASE LIABILITIES: RIGHT-OF-USE ASSETS	75 619	61 728	111 208	92 813
Non-current liability	49 265	39 207	72 794	58 948
Current liability	26 354	22 521	38 414	33 865
Amounts recognised in the statements of comprehensive income:				
Depreciation charge on right-of-use assets: lease properties	28 648	23 640	43 251	38 286
Interest expense	6 776	6 964	10 463	10 614
The total cash outflow for leases in 2021 was R34,3 million (2020: R30,6 million).				
11. INVESTMENTS IN SUBSIDIARIES				
Unlisted				
Shares at cost	95 058	95 058	-	-
Fair value adjustment	383 942	305 342	-	-
Disposals	-	(30 400)	-	-
Directors' valuation (Non-current asset)	479 000	370 000	-	-
Directors' valuation of subsidiaries:				
AVBOB Funeral Service Limited	332 000	272 000	-	-
AVBOB Industries Limited	147 000	98 000	-	-
	479 000	370 000	-	-

The fair values of investments in subsidiaries are based on the weighted average cost of capital (WACC) of each subsidiary, which are calculated based on a gross risk-free interest rate, an assumed equity risk premium, a market assessed risk factor (beta), and an allowance for subordinated debt on a market value basis. The market assessed risk factor (beta) captures the market’s view of the effect of all types of risk on the subsidiaries' operations, including operational and other non-economic risk. During the current year, the impact of COVID-19 was considered in determining the fair value of the subsidiary investments.

The recoverable amount of a subsidiary is determined based on an income approach calculation. These calculations use cash flow projections based on approved financial budgets covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates.

12. FINANCIAL INSTRUMENTS

By category

	Restated Financial assets measured at amortised cost R 000	Restated Assets at fair value through profit or loss R 000	Total R 000'
SOCIETY			
At 30 June 2020			
Assets as per statements of financial position			
At fair value through profit or loss	-	14 901 299	14 901 299
Investment contracts at amortised cost*	1 510 921	-	1 510 921
Insurance receivables	478 064	-	478 064
Trade and other receivables	179 108	-	179 108
Cash and cash equivalents	2 980 431	-	2 980 431
	5 148 524	14 901 299	20 049 823
GROUP			
At 30 June 2020			
Assets as per statements of financial position			
At fair value through profit or loss	-	14 901 299	14 901 299
Investment contracts at amortised cost*	1 510 921	-	1 510 921
Insurance receivables	478 064	-	478 064
Trade and other receivables	219 301	-	219 301
Cash and cash equivalents	3 128 245	-	3 128 245
	5 336 531	14 901 299	20 237 830

* Investment contracts at amortised cost was previously incorrectly referred to as Insurance contracts at amortised cost and incorrectly disclosed under the assets at fair value through profit or loss column.

	Restated Financial assets measured at amortised cost R 000	Restated Assets at fair value through profit or loss R 000	Total R 000'
SOCIETY			
At 30 June 2021			
Assets as per statements of financial position			
At fair value through profit or loss	-	19 297 673	19 297 673
Investment contracts at amortised cost	4 245 964	-	4 245 964
Insurance receivables	496 663	-	496 663
Trade and other receivables	168 170	-	168 170
Cash and cash equivalents	2 521 848	-	2 521 848
	7 432 645	19 297 673	26 730 318
GROUP			
At 30 June 2021			
Assets as per statements of financial position			
At fair value through profit or loss	-	19 297 673	19 297 673
Investment contracts at amortised cost	4 245 964	-	4 245 964
Insurance receivables	496 663	-	496 663
Trade and other receivables	176 111	-	176 111
Cash and cash equivalents	2 746 928	-	2 746 928
	7 665 666	19 297 673	26 963 339

At 30 June 2021 the carrying amounts of cash and short-term deposits, trade receivables and accrued expenses, approximated their fair values due to the short-term maturities of these assets.

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021 CONTINUED

	SOCIETY		GROUP	
	2021 R 000	2020 R 000	2021 R 000	2020 R 000
13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
Balance at the beginning of the year	14 901 299	15 250 135	14 901 299	15 250 135
Movement for the year				
Additions	8 640 978	7 109 699	8 640 978	7 109 699
Disposals	(7 098 655)	(6 738 959)	(7 098 655)	(6 738 959)
Fair value adjustments	2 854 051	(719 576)	2 854 051	(719 576)
Balance at the end of the year	19 297 673	14 901 299	19 297 673	14 901 299
Financial assets comprises the following:				
Listed fixed-income securities	4 284 134	3 473 093	4 284 134	3 473 093
Listed shares	9 791 778	7 199 482	9 791 778	7 199 482
Non-listed foreign investments	4 032 277	3 627 415	4 032 277	3 627 415
Unlisted investments	1 189 484	601 309	1 189 484	601 309
	19 297 673	14 901 299	19 297 673	14 901 299
Current assets	225 537	397 006	225 537	397 006
Non-current assets	19 072 136	14 504 293	19 072 136	14 504 293

Financial assets at fair value through profit or loss are classified as non-current assets, unless their maturity is within a year, as the assets are kept for long-term yield to the benefit of policyholders and members. All proceeds from disposals during the year were utilised for additions.

Financial assets at fair value through profit or loss are managed by Allan Gray South Africa, Ninety One SA, Old Mutual Investment Group SA, Prudential Investment Managers, Sanlam Investment Management and Stanlib Asset Management.

	SOCIETY		GROUP	
	2021 R 000	2020 R 000	2021 R 000	2020 R 000
14. FINANCIAL ASSETS AT AMORTISED COST				
Balance at the beginning of the year	1 510 921	-	1 510 921	-
Movement for the year				
Additions	2 711 102	1 505 063	2 711 102	1 505 063
Interest income	167 798	33 359	167 798	33 359
Disposals	(143 857)	(27 501)	(143 857)	(27 501)
Balance at the end of the year	4 245 964	1 510 921	4 245 964	1 510 921

Financial assets at amortised cost comprise of single premium investment products. Refer to note 16 of the notes to the summarised financial statements for the associated liability.

	SOCIETY		GROUP	
	2021 R 000	2020 R 000	2021 R 000	2020 R 000
15. POLICYHOLDER LIABILITIES				
Balance at the beginning of the year	12 224 206	11 097 154	12 224 206	11 097 154
Realisation of depreciation on revaluation	2 844	2 240	3 381	2 001
Transfer to/(from) revaluation reserves	1 014	1 421	(14 688)	(6 597)
Centenary expenses	(49 301)	(36 093)	(49 301)	(36 093)
Reinsurance asset	6 675	(503)	6 675	(503)
Transfer from statements of comprehensive income	3 669 695	1 159 987	3 684 860	1 168 244
Ad-hoc benefit improvements	2 630 790	868 540	2 630 790	868 540
Balances in respect of new business	(258 079)	(278 011)	(258 079)	(278 011)
Change in valuation assumptions	220 083	(298 397)	220 083	(298 397)
Model improvements	42 523	(3 612)	42 523	(3 612)
Expected investment returns	1 418 008	504 582	1 418 008	504 582
Other	(383 630)	366 885	(368 465)	375 142
Balance at the end of the year	15 855 133	12 224 206	15 855 133	12 224 205
Non-current liabilities	15 138 825	12 112 976	15 138 825	12 112 976
Current liability	716 308	111 230	716 308	111 230

The current liability is the estimate of the benefits payable to policyholders within the next twelve months.

The policyholder liability comprises of:

	SOCIETY 2021	SOCIETY 2020	GROUP 2021	GROUP 2020
Not with-profit contracts	11 341 128	8 537 032	11 341 128	8 537 032
With-profit contracts	4 068 538	3 313 274	4 068 538	3 313 274
Group schemes	23 132	19 277	23 132	19 277
Insurance contracts	15 432 798	11 869 583	15 432 798	11 869 583
Investment contracts with discretionary participation features (DPF)	422 335	354 623	422 335	354 623
	15 855 133	12 224 206	15 855 133	12 224 206

The amounts in the net future cash outflows summarise the expected cash flows allowing for premium receipts, claim payments and policyholder behaviour consistent with the valuation methodology. All the cash flows are gross of reinsurance. The cash flows are not discounted and the effect of discounting is shown to reconcile to total policyholder liabilities.

Net future cash outflows:

	SOCIETY 2021	SOCIETY 2020	GROUP 2021	GROUP 2020
Not longer than a year	716 308	111 230	716 308	111 230
Between 2 and 5 years	1 687 139	1 104 117	1 687 139	1 104 117
Between 6 and 10 years	5 075 600	4 036 745	5 075 600	4 036 745
Longer than 10 years	45 603 308	37 685 552	45 603 308	37 685 552
Discounting of future cash flows	(37 227 222)	(30 713 438)	(37 227 222)	(30 713 438)
	15 855 133	12 224 206	15 855 133	12 224 206

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021 CONTINUED

15. POLICYHOLDER LIABILITIES (continued)

Long-term life insurance contracts

15.1 Assumptions

The value of the policyholder liabilities has been calculated using best estimate assumptions regarding the future experience of the business. These assumptions are generally determined based on recent past experience with appropriate adjustments for future trends. For prudence the actuaries add compulsory and discretionary margins to the best estimate liability. The best estimate assumptions and compulsory margins are set out in this section.

- **Mortality assumption**

The mortality assumption has been based on the results of the most recent experience investigation for the Society. This investigation covers the period from 1 January 2020 to 31 December 2020. The level of the best estimate assumption was revised to be closer to the current actual experience in line with the investigation resulting in lower reserves.

- **Withdrawal assumptions**

A full withdrawal investigation was carried out over the period 1 January 2020 to 31 December 2020. Withdrawal rates were split into two categories: premium-paying and paid-up rates.

- **Expense assumptions**

The valuation assumption at the previous year end (including the assumed level of inflation for the year) was lower than the 2021 forecast cost per policy at the same date. The assumed maintenance cost in 2021 has been set to a level half way between the actual 2020 cost per policy and the 2021 forecast cost per policy, allowing for inflation.

Administration costs are expressed separately for costs relating to premium collection and administration, and other administration costs. It is further assumed that the administration cost of an assistance policy is two-thirds the level of cost of a life policy. It is also assumed that the cost of administering a life policy increases by 20% for each additional life assured under the policy. The assumptions are consistent with the approach in the previous year.

- **Economic assumptions**

The assumed future investment return is based on the assumed spread between asset classes and the assumed returns on each asset class. The assumed spread of assets has remained the same as the previous year.

The risk-free rate assumption is 9.9% (2020: 10.6%) per annum.

The assumed rate of expense inflation is 7.2% (2020: 7.8%) per annum. The return above is gross of investment expenses.

- **Tax assumption**

The Society currently has an assessed tax loss in the Individual Policyholder Fund. The forecast cash flows from the valuation system indicates that in future, on the valuation basis, the tax payable on investment returns is expected to exceed the tax relief arising from policy administration cost. It is therefore assumed that investment returns will be subject to tax and administration costs and will be subject to tax relief. This is consistent with the approach adopted in the previous year.

Dividend withholding tax has remained at 20% in accordance with legislation.

15. POLICYHOLDER LIABILITIES (continued)

15.1 Assumptions (continued)

- **Bonus rates on with-profit policies**

  The Society's interpretation of policyholder reasonable benefit expectations regarding bonuses has been documented in the Principles and Practices of Financial Management (PPFM). Policyholder reasonable benefit expectations regarding future bonus distributions are considered in determining the policyholder liabilities. The bonus rate assumptions are unchanged from the previous year.

  The following future experience elements are not covered by the PPFM:

  - Non-profit policyholders will receive no future bonus declarations. Past declared "ad-hoc" or special bonus increases will remain, but no further special bonus increases will be declared.

15.2 Compulsory margins

The best estimate assumptions have been adjusted for the following compulsory margins:

Assumption	Margin
Mortality	Increase mortality rates by 7.5%
Disability	Increase disability rates by 10%
Lapses	Increase / decrease lapse rates by 25%
Surrenders	Increase / decrease surrender rates by 10%
Investment return	Decrease investment returns by 0.25%
Expenses	Increase expenses by 10%
Transport and funeral subsidy cost	Increase expenses by 10%
Expense inflation	Increase escalation by 10%
Average number of children	Increase number of children by 20%
Premium escalation take-up rate	Increase take-up rate by 10%

15.3 Change in valuation methodology

For the year under review no changes were made to the valuation methodology.

15.4 Change to valuation assumptions

For the year under review a number of changes were made to the assumptions which had an impact on earnings. The impact of these changes on the pre-tax earnings for the year is as follows:

- Actual mortality experience during 2020 was below the expected experience. However, the mortality experience of assistance policies exceeded the expected experience. Reductions to the mortality assumptions were made to the Cashback funeral main life product and the AIDS assumption of the Cashback funeral extended family, which resulted in a profit of R310,7 million. The mortality assumptions for the assistance product were increased, resulting in a loss of R78,6 million. The combined net profit from the mortality adjustment was R232,1 million.

- The renewal expense assumption per policy reduced, resulting in a profit of R178,6 million.

- Before the declaration of the sixth special bonus, the partial elimination of negative reserves, held to prevent the premature recognition of profits increased by R126,1 million. This resulted in a loss of the same amount.

- The economic assumptions were changed to reflect the expected future investment returns, based on the long term assumed assets held by the business, as well as the expected future inflation rate. The inflation gap remained unchanged at 2.8% below bond yields. The change in the economic assumptions resulted in a profit of R26,9 million.

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS
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15. POLICYHOLDER LIABILITIES (continued)

15.5 Sensitivity analysis of the policyholder liabilities

The policyholder liabilities are calculated according to best estimate assumptions plus compulsory margins - the valuation assumptions. To illustrate sensitivity to the assumptions, changes in the valuation assumptions were calculated, as set out in the following table:

	Change in the liability	
	2021 R 000	2020 R 000
10% increase in mortality	1 250 968	1 007 369
1% decrease in investment return	1 145 127	812 008
10% increase in expenses	901 330	787 207
1% increase in expense inflation	1 070 238	883 400
20% increase in lapses	(418 375)	(269 568)
10% increase in surrenders	(25 323)	(12 788)
10% decrease in surrenders	28 457	15 745

The analyses are based on a change in an assumption while holding all other assumptions constant. In practice this is unlikely to occur, as changes in some of the assumptions may be correlated. A correlation exists between the inflation rate and investment returns, as well as between the inflation rate and renewal expenses.

	SOCIETY		GROUP	
	2021 R 000	2020 R 000	2021 R 000	2020 R 000
16. FINANCIAL LIABILITIES AT AMORTISED COST				
Balance at the beginning of the year	1 574 692	-	1 574 692	-
Movement for the year				
Additions	2 826 864	1 572 800	2 826 864	1 572 800
Interest expense	146 270	29 393	146 270	29 393
Withdrawals	(143 857)	(27 501)	(143 857)	(27 501)
Balance at the end of the year	4 403 969	1 574 692	4 403 969	1 574 692

Financial liabilities at amortised cost comprise of single premium investment product liabilities. Refer to note 14 of the notes to the summarised financial statements for the associated asset.

Included in the amortised cost is day one fair value of R66,3 million that is amortised over the period of the contract.

17. EMPLOYEE BENEFIT OBLIGATIONS

The Group has liabilities in respect of gratuities and medical benefits payable to qualifying employees with- and post-retirement. The gratuities payable with-retirement is a percentage of total guaranteed package, with certain employees being limited to a R50 000 benefit. The medical benefits payable post-retirement are equivalent to 50% of the total medical contribution on the chosen benchmark plan at retirement. The medical contribution subsidy increases annually with CPI up to a maximum of 10%. The current benchmark plan is the Discovery Health Classic Priority plan with 25% savings. The annual amount and payment of the bonus is at the discretion of the Society. The estimated cost of these benefits is provided over the projected service periods of employees. The valuation of these liabilities is performed by management based on the projected unit credit method. Any surplus or shortfall between the actuarial valuation and the accumulated liability is apportioned to and from the statement of comprehensive income as other comprehensive income. Employees appointed after 1 November 1998 (post-retirement benefit), 1 November 2000 (with-retirement benefit) and retirements after 31 October 2019 (pensioners' bonus) do not qualify for these benefits.

17. EMPLOYEE BENEFIT OBLIGATIONS (continued)

The number of participating members in respect of gratuity payments of the Society totals 73 (2020: 79), the medical benefit totals 8 (2020: 9) and the post-retirement bonuses totals 166. The number of participating members in respect of gratuity payments of the Group totals 114 (2020: 134), the medical benefit totals 26 (2020: 26) and the post-retirement bonuses 317.

The Group operates a Long-term incentive plan (LTIP) in the Society in which the South African subsidiaries participate. The increase in the fair value of the share scheme units is recognised as an expense in the same period in which the employees' services are rendered.

Five year summary of employee benefit obligations:

At 30 June	2021 R 000	2020 R 000	2019 R 000	2018 R 000	2017 R 000
SOCIETY					
Present value of obligations	314 732	206 150	196 188	157 645	119 015
Experience adjustments on plan liabilities	(173)	497	(326)	13	(475)
GROUP					
Present value of obligations	366 670	231 870	223 540	181 180	138 088
Experience adjustments on plan liabilities	(410)	728	(642)	766	(28)

Long-term incentive plan

The Group operates an LTIP. The increase in the fair value of the share scheme units is recognised as an expense in the period in which the employees' services are rendered. The issued units at the end of the year are as follows:

SOCIETY

Units issued	Appreciation units	Performance units*	Retention units	Total units	Unit value 2021
For the 2014 financial year (issued at R11.28)	133 394	-	-	133 394	44.73
For the 2015 financial year (issued at R12.44)	230 644	-	-	230 644	43.36
For the 2016 financial year (issued at R13.65)	396 904	-	-	396 904	38.73
For the 2017 financial year (issued at R14.57)	555 363	-	-	555 363	36.52
For the 2018 financial year (issued at R14.60)	976 527	1 271 943	228 924	2 477 394	30.78
For the 2019 financial year (issued at R14.60)	1 147 823	488 465	260 337	1 896 625	26.55
For the 2020 financial year (issued at R14.62)	877 130	474 957	290 875	1 642 962	23.39
	4 317 785	2 235 365	780 136	7 333 286	

* Performance units issued can increase or decrease based on certain performance criteria and are adjusted accordingly.

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021 CONTINUED

17. EMPLOYEE BENEFIT OBLIGATIONS (continued)

GROUP

Units issued	Appreciation units	Performance units*	Retention units	Total units	Unit value 2021
For the 2014 financial year (issued at R11.28)	133 394	-	-	133 394	44.73
For the 2015 financial year (issued at R12.44)	248 434	-	-	248 434	43.36
For the 2016 financial year (issued at R13.65)	457 061	-	-	457 061	38.73
For the 2017 financial year (issued at R14.57)	651 710	-	-	651 710	36.52
For the 2018 financial year (issued at R14.60)	1 095 850	1 396 524	260 060	2 752 434	30.78
For the 2019 financial year (issued at R14.60)	1 274 965	527 211	288 324	2 090 500	26.55
For the 2020 financial year (issued at R14.62)	953 857	527 763	336 973	1 818 593	23.39
	4 815 271	2 451 498	885 357	8 152 126	

* Performance units issued can increase or decrease based on certain performance criteria and are adjusted accordingly.

The 2021 financial year units, based on the 30 June 2021 performance, will only be declared by the Board in November 2021. A provision was raised for the expected liability.

18. RELATED PARTY TRANSACTIONS

The following entities are deemed to be related parties:

AVBOB Funeral Service Limited and AVBOB Industries Limited are wholly-owned subsidiaries of AVBOB Mutual Assurance Society.

Purchase of goods and services

Numerous transactions occurred between fellow subsidiaries and the holding entity, AVBOB Mutual Assurance Society, during the year. These transactions were conducted on the same terms as would apply to third parties. All transactions between fellow subsidiaries and the holding entity were eliminated for consolidation purposes.

	SOCIETY	
	2021 R 000	2020 R 000
Inter-company sales		
To AVBOB Funeral Service Limited (for printing and stationaries)	935	933
From AVBOB Funeral Service Limited (funeral services to policyholders)	309 329	281 661
From AVBOB Industries Limited	1 464	1 067
Property rentals		
To AVBOB Funeral Service Limited	33 452	30 173

	SOCIETY	
	2021 R 000	**2020 R 000**
18. RELATED PARTY TRANSACTIONS (continued)		
Inter-company administration cost		
AVBOB Funeral Service Limited	37 017	32 810
AVBOB Mutual Assurance Society invoices AVBOB Funeral Service Limited on a monthly basis for administration expenses incurred in respect of the Group's Head Office and provincial structure.		
Commission paid for premium collection and insurance sales		
Commission paid for premium collection	5 876	5 736
AVBOB Mutual Assurance Society pays AVBOB Funeral Service Limited a 2.8% commission for the collection of insurance premiums on a monthly basis.		
Commission paid for insurance sales	256	128
AVBOB Funeral Service Limited	6 132	5 864
Inter-company salaries		
AVBOB Funeral Service Limited	58 427	47 687
AVBOB Mutual Assurance Society charges AVBOB Funeral Service Limited for salaries and salary related expenses rendered to AVBOB Funeral Service Limited on a monthly basis.		
Receivable from related parties:		
AVBOB Funeral Service Limited - trade receivable	8 030	-
Payable to related parties:		
AVBOB Funeral Service Limited - trade payable	-	1 367
AVBOB Industries Limited - trade payable	1 221	783
	1 221	2 150

Directors and key management personnel/prescribed officers remuneration

The executive directors and general managers in the Group who report to the Chief Executive Officer constitute key management personnel/prescribed officers.

	Salaries R 000	*** Benefits R 000**	**Total R 000**
Year ended 30 June 2020			
Executive directors	13 857	56 332	70 189
Non-executive directors			4 757
Directors of other Group Companies remunerated by the Society			
AVBOB Funeral Service Limited	19 163	61 841	81 004
AVBOB Industries Limited	18 601	58 088	76 689
General manager/prescribed officer remunerated by the Society	5 065	6 040	11 105

* Benefits include bonuses, LTIP, leave pay, employer pension contributions and gratuities at retirement payments.

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021 CONTINUED

18. RELATED PARTY TRANSACTIONS (continued)

	Salaries R 000	* Benefits R 000	Total R 000
Year ended 30 June 2021			
Executive directors	13 457	8 460	21 917
Non-executive directors			5 745
Directors of other Group Companies remunerated by the Society			
AVBOB Funeral Service Limited	18 092	16 824	34 916
AVBOB Industries Limited	17 990	15 718	33 708
General manager/prescribed officer remunerated by the Society	4 758	7 590	12 348

* Benefits include bonuses, LTIP, leave pay, employer pension contributions and gratuities at retirement payments.

19. OTHER COMMITMENTS

The Society has an interest in two private equity infrastructure partnerships. The Society committed itself to a R250,0 million investment (2020: R200,0 million), of which the partnerships can still call on R86,0 million at 30 June 2021 (2020: R1,6 million). The partnerships calls on funds in relation to the partnership interest.

The Society pay performance fees to some of its asset managers. The Society has a present obligation of R46,0 million in respect of asset manager performance fees carried forward to future periods. The timing of when this performance fee will become due is dependent on the asset managers' future performance and continued rendering of asset management services to the Society.

20. IMPACT OF COVID-19

The Group has been impacted by the COVID-19 pandemic. As a result of the increased regulations and protocols to manage the spread of the virus, the Group incurred additional costs in order to ensure the continued sale of insurance and funeral products and the rendering of funeral services. AVBOB Funeral Service Ltd made a decision to provide the personal protective equipment (PPE) required to perform funerals in compliance with the COVID-19 regulations at a cost of R18,0 million free of charge. To ensure that the Group had sufficient capacity to deal with the increase in the number of funerals, AVBOB Industries manufactured cold rooms from shipping containers and delivered them to key points across the country. Despite all the challenges and events unfolding within this pandemic, the Group results achieved during July 2021 seem to suggest that the Group continues to gain funeral market share during this time. Although the deteriorating economic environment has impacted the ability of policyholders to continue paying premiums, the resultant churn has not been material to the Group results to date.

21. EVENTS SUBSEQUENT TO YEAR END

The Prudential Authority's review of the circumstances pertaining to the reportable irregularity disclosed in note 8 of the Directors Report in the audited consolidated financial statements of the Society is ongoing and the Prudential Authority requested further information from the Board, post year end. To this extent the Board of Directors responded utilising the advice of its external legal advisors. The review is ongoing and the extent of remedial action by the Prudential Authority (if any), is not yet finalised.

No other matter, including the COVID-19 impact as described above and the protest action and related unrest that began after the financial year end, which is material to the financial affairs of the Group as disclosed in these financial statements, has occurred between the financial year end and the date of approval of the financial statements. The damage to property and equipment as a result of the protest action and related unrest was fully insured and did not result in material financial losses to the Group.

GENERAL **INFORMATION**

ATTORNEYS
Adams & Adams
Webber Wentzel

AUDITORS
PricewaterhouseCoopers

INVESTMENT MANAGERS
Absa Investment Management Services (Pty) Ltd
Allan Gray South Africa (Pty) Ltd
Ninety One SA (Pty) Ltd
Old Mutual Investment Group (Pty) Ltd
Prowess Investment Managers (Pty) Ltd
Prudential Investment Managers (South Africa) (Pty) Ltd
Sanlam Investment Management (Pty) Ltd
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MUTUAL SOCIETY

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