AVBOB

MUTUAL SOCIETY

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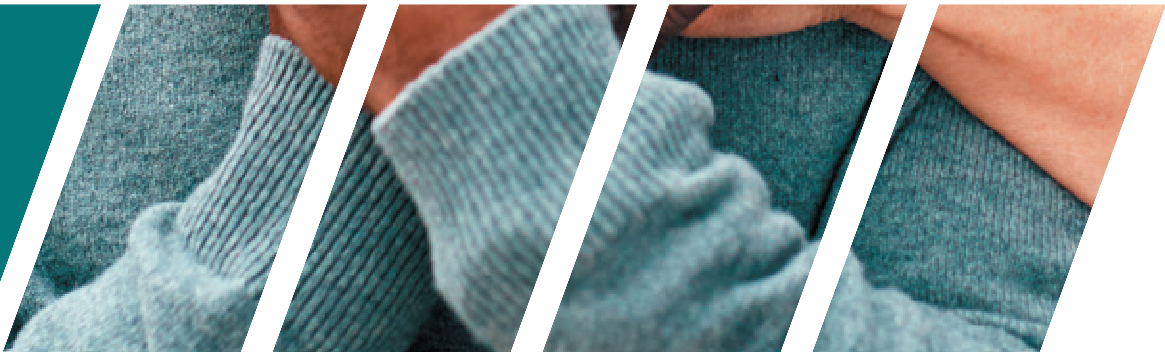
2022
Integrated Annual Report



"HERE TO **CREATE VALUE**.

8

FINANCIAL STATEMENTS

OUR **FINANCIAL INPUTS** SERVE AS A KEY DRIVER AND ENABLER OF OUR **MUTUAL RESPONSIBILITY** AND **SHARED VALUE** OF **SHARING VALUE**.

FINANCIAL STATEMENTS

AVBOB MUTUAL ASSURANCE SOCIETY
AND ITS SUBSIDIARIES

SUMMARISED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2022

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.

AVBOB MUTUAL ASSURANCE SOCIETY
AND ITS SUBSIDIARIES

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS
FOR THE YEAR ENDED 30 JUNE 2022

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 101 to 128 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 99 to 100.

The summarised financial statements were approved by the Board of Directors on 28 September 2022 and are signed on its behalf by:

JJ VENTER
CHAIRPERSON
30 September 2022

CR VAN DER RIET
CHIEF EXECUTIVE OFFICER
30 September 2022

AVBOB MUTUAL ASSURANCE SOCIETY AND ITS SUBSIDIARIES

REPORT OF THE GROUP SOCIAL AND ETHICS COMMITTEE FOR THE YEAR ENDED 30 JUNE 2022

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 three 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.

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

28 September 2022

AVBOB MUTUAL ASSURANCE SOCIETY AND ITS SUBSIDIARIES

REPORT OF THE GROUP AUDIT COMMITTEE FOR THE YEAR ENDED 30 JUNE 2022

The Group Audit Committee has been constituted in accordance with applicable legislation and regulations. The Committee comprised of four independent non-executive directors for the first seven months of the year, thereafter it 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 leadership and 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.

DP SEMENYA
CHAIRPERSON

28 September 2022

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 page 101 to 128, which comprise the summarised statements of financial position as at 30 June 2022, 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 2022.

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 12 October 2022.

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.

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

PricewaterhouseCoopers Inc.
Director: JJ Grové
Registered Auditor
Johannesburg, South Africa
12 October 2022

AVBOB MUTUAL ASSURANCE SOCIETY
AND ITS SUBSIDIARIES

SUMMARISED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022

		SOCIETY		GROUP	
			Restated		Restated
	Notes	2022 R 000	2021 R 000	2022 R 000	2021 R 000
Revenue from contracts with customers					
Services		-	-	374 122	373 046
Goods		-	-	583 851	471 383
Total revenue		-	-	957 973	844 429
Cost of goods and services	8	-	-	(691 127)	(518 547)
Gross profit		**-**	**-**	**266 846**	**325 882**
Premium revenue	6	5 737 542	5 193 027	5 737 542	5 193 027
Investment income*		1 275 048	777 918	1 219 140	729 710
Interest income on financial assets at amortised cost		445 679	176 854	469 538	201 059
Other gains/(losses)*		359 348	2 898 446	341 945	2 806 063
Net income		**7 817 617**	**9 046 245**	**8 035 011**	**9 255 741**
Contract benefits and claims	7	(2 683 851)	(2 682 264)	(2 681 471)	(2 710 620)
Expenses for the acquisition of insurance contracts		(887 902)	(867 241)	(887 902)	(867 241)
Interest expenses		(389 742)	(153 046)	(392 809)	(156 733)
Marketing expenses	8	(513 171)	(490 229)	(547 640)	(519 577)
Operating and administrative expenses	8	(751 307)	(758 163)	(875 900)	(879 954)
Expenses for asset management services		(167 631)	(128 741)	(167 631)	(128 741)
Profit before transfer to policyholder liabilities		**2 424 013**	**3 966 561**	**2 481 658**	**3 992 875**
Transfer to policyholder liabilities	15	(2 303 696)	(3 669 695)	(2 300 553)	(3 684 860)
Profit before income tax		**120 317**	**296 866**	**181 105**	**308 015**
Income tax		(117 735)	(260 454)	(144 243)	(295 111)
PROFIT FOR THE YEAR		**2 582**	**36 412**	**36 862**	**12 904**
Other comprehensive income/(loss)					
Items that will not be reclassified to profit or loss					
Gains/(losses) on revaluation of land and buildings		14 983	3 858	18 126	(11 307)
Realisation of depreciation		(3 040)	(2 844)	(101)	(3 381)
Net change in liabilities for insurance contracts arising from unrealised gains on owner-occupied properties		(11 943)	(1 014)	(18 025)	14 688
Remeasurement of the net defined employee benefits		(82)	173	205	410
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2 500**	**36 585**	**37 067**	**13 314**

* Refer to note 21 of the notes to the summarised financial statements regarding the restatement of the 2021 comparatives.

AVBOB MUTUAL ASSURANCE SOCIETY AND ITS SUBSIDIARIES

SUMMARISED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022

		SOCIETY		GROUP	
			Restated		Restated
	Notes	2022 R 000	2021 R 000	2022 R 000	2021 R 000
ASSETS					
Property, plant and equipment	9	242 235	231 818	1 157 303	1 068 936
Right-of-use assets	10	69 808	67 492	104 016	99 057
Investment property	9	490 261	451 574	-	-
Intangible assets	9	5 994	13 482	6 164	13 674
Investments in subsidiaries	11	515 000	479 000	-	-
Financial assets at fair value through profit or loss*	13	21 748 456	19 412 829	21 891 404	19 412 829
Financial assets at amortised cost	14	8 527 828	4 245 964	8 527 828	4 245 964
Insurance receivables		546 207	496 663	546 207	496 663
Reinsurance contract assets		17 971	23 860	17 971	23 860
Inventories		2 165	1 695	69 536	55 673
Trade and other receivables		360 641	268 659	372 854	291 576
Current income tax asset		-	-	2 769	41
Cash and cash equivalents*		2 257 067	2 406 692	2 378 191	2 631 772
Total assets		**34 783 633**	**28 099 728**	**35 074 243**	**28 340 045**
RESERVES AND LIABILITIES					
RESERVES		6 231 944	6 229 444	6 327 586	6 290 519
Distributable reserve		6 231 944	6 229 444	6 327 586	6 290 519
Revaluation reserve		-	-	-	-
LIABILITIES		28 551 689	21 870 284	28 746 657	22 049 526
Policyholder liabilities					
Insurance contracts	15	17 738 131	15 432 798	17 738 131	15 432 798
Investment contracts with DPF	15	418 374	422 335	418 374	422 335
Financial liabilities at amortised cost	16	8 806 884	4 403 969	8 806 884	4 403 969
Lease liabilities: Right-of-use assets	10	78 299	75 619	116 791	111 208
Deferred income tax liabilities		89 682	194 671	118 180	217 796
Employee benefit obligations	17	258 154	314 732	300 895	366 670
Deposits and premiums received in advance		457 915	421 468	457 915	421 468
Outstanding policyholder benefits		198 068	165 704	189 504	150 343
Trade and other payables		498 846	436 435	592 647	519 542
Current income tax liability		7 336	2 553	7 336	3 397
Total reserves and liabilities		**34 783 633**	**28 099 728**	**35 074 243**	**28 340 045**

* Refer to note 22 of the notes to the summarised financial statements regarding the restatement of the 2021 comparatives.

AVBOB MUTUAL ASSURANCE SOCIETY AND ITS SUBSIDIARIES

SUMMARISED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2020

	SOCIETY Restated 2020 R 000	GROUP Restated 2020 R 000
ASSETS		
Property, plant and equipment	185 742	972 250
Right-of-use assets	54 749	82 612
Investment property	436 326	-
Intangible assets	33 501	33 879
Investments in subsidiaries	370 000	-
Financial assets at fair value through profit or loss*	14 980 903	14 980 903
Financial assets at amortised cost	1 510 921	1 510 921
Insurance receivables	478 064	478 064
Reinsurance contract assets	17 185	17 185
Inventories	2 242	43 824
Trade and other receivables	224 575	245 609
Current income tax asset	4 064	2 852
Cash and cash equivalents*	2 900 827	3 048 641
Total assets	**21 199 099**	**21 416 740**
RESERVES AND LIABILITIES		
RESERVES	6 192 859	6 277 205
Distributable reserve	6 192 859	6 277 205
Revaluation reserve	-	-
LIABILITIES	15 006 240	15 139 535
Policyholder liabilities		
Insurance contracts	11 869 583	11 869 583
Investment contracts with DPF	354 623	354 623
Financial liabilities at amortised cost	1 574 692	1 574 692
Lease liabilities: Right-of-use assets	61 728	92 813
Deferred income tax liabilities	39 223	65 391
Employee benefit obligations	221 077	248 139
Deposits and premiums received in advance	391 186	391 186
Outstanding policyholder benefits	147 769	136 823
Trade and other payables	346 359	406 285
Current income tax liability		
Total reserves and liabilities	**21 199 099**	**21 416 740**

* Refer to note 22 of the notes to the summarised financial statements regarding the restatement of the 2020 comparatives.

AVBOB MUTUAL ASSURANCE SOCIETY AND ITS SUBSIDIARIES

SUMMARISED STATEMENTS OF CHANGES IN RESERVES FOR THE YEAR ENDED 30 JUNE 2022

	SOCIETY		GROUP	
	2022 R 000	2021 R 000	2022 R 000	2021 R 000
DISTRIBUTABLE RESERVE				
Balance at the beginning of the year	6 229 444	6 192 859	6 290 519	6 277 205
Profit for the year	2 582	36 412	36 862	12 904
Other comprehensive income				
Remeasurement of the net defined employee benefits	(82)	173	205	410
Balance at the end of the year	**6 231 944**	**6 229 444**	**6 327 586**	**6 290 519**
REVALUATION RESERVE				
Land and buildings				
Balance at the beginning of the year	-	-	-	-
Other comprehensive income/(loss)				
Revaluation	14 983	3 858	18 126	(11 307)
Realisation of depreciation	(3 040)	(2 844)	(101)	(3 381)
Net change in liabilities for insurance contracts arising from unrealised gains on owner-occupied properties	(11 943)	(1 014)	(18 025)	14 688
Balance at the end of the year	**-**	**-**	**-**	**-**

AVBOB MUTUAL ASSURANCE SOCIETY AND ITS SUBSIDIARIES

SUMMARISED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

	Notes	SOCIETY 2022 R 000	SOCIETY Restated 2021 R 000	GROUP 2022 R 000	GROUP Restated 2021 R 000
Net cash outflows from operating activities*		**(37 636)**	**(352 436)**	**(35 387)**	**(187 020)**
Cash generated by operating activities*		816 087	909 187	965 249	1 092 246
Interest received		561 666	9 056	585 525	33 261
Interest paid		(6 576)	(6 776)	(9 643)	(10 463)
Dividends received		684 550	296 599	684 550	296 599
Movement in financial liabilities					
At amortised cost					
Additions*	16	4 406 401	2 826 864	4 406 401	2 826 864
Withdrawals*	16	(386 652)	(143 857)	(386 652)	(143 857)
Movement in financial assets					
At fair value through profit or loss					
Additions*	13	(11 729 474)	(8 676 530)	(11 876 228)	(8 676 530)
Disposals	13	9 674 158	7 098 655	9 677 964	7 098 655
At amortised cost					
Additions	14	(4 226 379)	(2 711 102)	(4 226 379)	(2 711 102)
Withdrawals	14	386 524	143 857	386 524	143 857
Tax paid		(217 941)	(98 389)	(242 697)	(136 551)
Net cash outflows from investment activities		**(82 366)**	**(114 199)**	**(174 908)**	**(188 739)**
Payment of property, plant and equipment	9	(37 080)	(76 665)	(174 954)	(191 514)
Payment of investment property	9	(42 012)	(38 454)	-	-
Payment of intangible assets	9	(3 507)	(6 354)	(3 541)	(6 526)
Proceeds on disposal of property, plant and equipment and intangible assets		233	7 274	3 587	9 301
Net cash outflows from financing activities		**(29 623)**	**(27 500)**	**(43 286)**	**(41 110)**
Principal elements of lease payments: Right-of-use assets		(29 623)	(27 500)	(43 286)	(41 110)
Net decrease in cash and cash equivalents*		**(149 625)**	**(494 135)**	**(253 581)**	**(416 869)**
Cash and cash equivalents at the beginning of the year*		2 406 692	2 900 827	2 631 772	3 048 641
Cash and cash equivalents at the end of the year*		**2 257 067**	**2 406 692**	**2 378 191**	**2 631 772**

NET DEBT RECONCILIATION

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

	SOCIETY 2022	SOCIETY 2021	GROUP 2022	GROUP 2021
Cash and cash equivalents*	2 257 067	2 406 692	2 378 191	2 631 772
Lease liabilities	(78 299)	(75 619)	(116 791)	(111 208)
Net cash	2 178 768	2 331 073	2 261 400	2 520 564

* Refer to notes 22 and 23 of the notes to the summarised financial statements regarding the restatement of the 2021 comparatives.

AVBOB MUTUAL ASSURANCE SOCIETY AND ITS SUBSIDIARIES

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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 2022, 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 2022.

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 2022.

The Group has not early adopted any of these standards or interpretations. Except for the impact of IFRS 17, which has not as yet been fully determined, 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.

The assessment of the expected impact of the implementation of IFRS 17 included the following:

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. It will replace the current standard, IFRS 4 that allows insurers to use their local GAAP. IFRS 17 defines clear and consistent rules that are intended to increase the comparability of Financial Statements.

The standard combines current measurements for the future cash flows with the recognition of profit over the service period under the contract. The standard mandates the presentation of insurance revenue separately from insurance finance income or expenses, and requires an entity to make various accounting policy choices, including whether to recognise all insurance finance income or expenses in profit or loss or to recognise some of that income or expenses in other comprehensive income.

Under IFRS 17, the General Measurement Model (GMM) requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis at each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period.

Aside from this GMM, the standard allows, as a simplification, the Premium Allocation Approach (PAA). This simplified approach is applicable for certain types of contracts, including those with a coverage period of one year or less.

For insurance contracts with GMM direct participation features, the variable fee approach applies. The variable fee approach is a variation on the GMM. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss, but rather in the statement of comprehensive income.

AVBOB MUTUAL ASSURANCE SOCIETY
AND ITS SUBSIDIARIES

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022
(continued)

3. Accounting policies (continued)

A defining feature of an insurer that is a mutual entity is that the residual interest of the entity is due to a policyholder and not a shareholder. When applying IFRS 17, payments to policyholders form part of the fulfilment cash flows regardless of whether those payments are expected to be made to current or future policyholders. Thus, the fulfilment cash flows of an insurer that is a mutual entity generally include the rights of policyholders to the whole of any surplus of assets over liabilities. This means that, for an insurer that is a mutual entity, there should, in principle, normally be no equity remaining and no net comprehensive income reported in any accounting period.

The potential impact to the Group is that the majority of the contracts issued by the Group have a coverage period of more than one year and will be measured under the GMM. Other contracts that are short term in nature with a coverage period of less than a year will be accounted for under the PAA.

An IFRS 17 Working Committee has been established to identify and implement systems and process changes in anticipation of the implementation of the standard. The Committee provides monthly updates regarding the progress of implementation of IFRS 17. Furthermore, the Group's IFRS 17 implementation team which consists of the core finance, actuarial and information technology team as well as internal and external specialists provide daily updates regarding the progress of the project. The Groups IFRS 17 implementation team is currently testing data to identify gaps in order to incorporate refinements to comply with the requirements of both measurement models. The next steps for the Group is to finalise the accounting policies and methodologies for the opening balance transition approach that will be applied, and to integrate software to execute the implementation of IFRS 17 in phases.

The initial date of application for the Group for IFRS 17 will be 1 July 2023 and the transition date will be the opening balances as at 1 July 2022.

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.

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.

4.2 Other assumptions and estimates

Other assumptions and estimates included in the annual financial statements for the year ended 30 June 2022 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

AVBOB MUTUAL ASSURANCE SOCIETY AND ITS SUBSIDIARIES

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (continued)

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 2022.

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 2022 and 30 June 2021 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.

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 on the basis of the Insurance Act as at 30 June 2022.

Asset-liability modelling investigations are performed periodically by the Head of Actuarial Function (HAF). 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 2022 financial year and did not lead to any material changes to the asset distribution guidelines.

AVBOB MUTUAL ASSURANCE SOCIETY AND ITS SUBSIDIARIES

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (continued)

5. Management of insurance and financial risk (continued)

5.2 Capital management (continued)

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	2022		Restated 2021	
	%	%	R 000	%	R 000
	70	71	18 558 074	71	16 952 010
Property for own use and investment property		2	579 466	2	529 889
Equity risk assets					
Investments and financial assets					
Listed shares		41	10 743 293	41	9 791 778
Unlisted shares		4	999 349	5	1 093 712
Foreign investments		18	4 565 150	17	4 032 277
Other assets		6	1 670 816	6	1 504 354
Liquid assets	30	29	7 697 731	29	6 901 754
Cash and cash equivalents*		9	2 257 067	10	2 406 692
Securities and bonds*		20	5 290 595	19	4 399 290
Unlisted securities		0	150 069	0	95 772
Total applicable assets	100	100	26 255 805	100	23 853 764
Linked financial assets at amortised cost			8 527 828		4 245 964
Total assets			34 783 633		28 099 728

The Board and the HAF are comfortable that the asset distribution as at 30 June 2022 is in line with our risk appetite.

* Refer to note 22 of the notes to the summarised financial statements regarding the restatement of the 2021 comparatives.

AVBOB MUTUAL ASSURANCE SOCIETY AND ITS SUBSIDIARIES

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (continued)

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 2022				
Assets				
At fair value through profit or loss				
Listed fixed-income securities	5 290 595	-	-	5 290 595
Listed shares	10 743 293	-	-	10 743 293
Non-listed foreign investments	-	4 565 150	-	4 565 150
Unlisted investments	-	577 674	571 744	1 149 418
Properties	-	-	579 466	579 466
Investments in subsidiaries	-	-	515 000	515 000
Total assets	16 033 888	5 142 824	1 666 210	22 842 922
Liabilities				
Investment contracts with discretionary participation features (DPF)	-	-	418 374	418 374
Total liabilities	-	-	418 374	418 374
	Restated			**Restated**
At 30 June 2021				
Assets				
At fair value through profit or loss				
Listed fixed-income securities*	4 399 290	-	-	4 399 290
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	14 191 068	4 741 069	1 489 581	20 421 718
Liabilities				
Investment contracts with discretionary participation features (DPF)	-	-	422 335	422 335
Total liabilities	-	-	422 335	422 335

* Refer to note 22 of the notes to the summarised financial statements regarding the restatement of the 2021 comparatives.

The difference between assets and liabilities measured at fair value for the Society and Group is property and investment property to the value of R502,2 million (2021: R463,5 million) and Level 2 unlisted investments to the value of R142,9 million (2021: Rnil).

AVBOB MUTUAL ASSURANCE SOCIETY
AND ITS SUBSIDIARIES

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022
(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 70% (2021: 69%) 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 23% (2021: 24%) 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% (2021: 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.

AVBOB MUTUAL ASSURANCE SOCIETY AND ITS SUBSIDIARIES

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (continued)

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 2022				
Opening value at beginning of the year	529 889	480 692	479 000	1 489 581
Additions	42 012	146 505	-	188 517
Sales	-	(38 116)	-	(38 116)
Depreciation	(4 093)	-	-	(4 093)
Fair value gains/(losses) through profit and loss	11 658	(17 337)	36 000	30 321
Closing value at the end of the year	579 466	571 744	515 000	1 666 210
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	
	2022 R 000	2021 R 000	2022 R 000	2021 R 000
6. PREMIUM REVENUE				
Long-term insurance contracts and investment contracts with discretionary participation features	5 440 351	4 912 980	5 440 351	4 912 980
Group scheme contracts	299 147	282 004	299 147	282 004
Gross insurance premium revenue	5 739 498	5 194 984	5 739 498	5 194 984
Reinsurance premiums paid				
Individual premiums	(1 956)	(1 957)	(1 956)	(1 957)
TOTAL	5 737 542	5 193 027	5 737 542	5 193 027

AVBOB MUTUAL ASSURANCE SOCIETY AND ITS SUBSIDIARIES

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (continued)

	SOCIETY		GROUP	
	2022 R 000	2021 R 000	2022 R 000	2021 R 000
7. CONTRACT BENEFITS AND CLAIMS				
Long-term insurance contracts and investment contracts with discretionary participation features	2 126 727	2 148 797	2 126 727	2 148 797
Death and disability claims	1 870 178	1 854 376	1 870 178	1 854 376
Maturities	941	1 301	941	1 301
Surrenders/lapses	255 608	293 120	255 608	293 120
Group scheme contracts				
Death and disability claims	204 086	215 390	204 086	215 390
Expenses	354 416	318 690	352 036	347 046
Insurance claims recovered from reinsurance				
Long-term insurance contracts	(1 378)	(613)	(1 378)	(613)
NET BENEFITS	2 683 851	2 682 264	2 681 471	2 710 620
8. EXPENSES BY FUNCTION				
Comprising:				
Cost of goods and services	-	-	542 030	518 547
Employee benefit expenses	-	-	31 152	30 339
Other expenses	-	-	510 878	488 208
Marketing expenses	513 171	490 229	547 640	519 577
Employee benefit expenses	261 701	245 140	262 778	257 039
Other expenses	251 470	245 089	284 862	262 538
Operating and administrative expenses	751 307	758 163	875 900	879 954
Employee benefit expenses	349 956	412 540	422 250	492 078
Other expenses	401 351	345 623	453 650	387 876
	1 264 478	1 248 392	1 965 570	1 918 078
Number of full-time employees at 30 June	1 705	1 648	2 112	2 028
Number of representatives at 30 June	4 900	5 249	4 900	5 249

AVBOB MUTUAL ASSURANCE SOCIETY AND ITS SUBSIDIARIES

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (continued)

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 2022			
Carrying value at the beginning of the year	231 818	451 574	13 482
Additions	37 080	42 012	3 507
Disposals	(559)	-	(93)
Fair value gains/(losses)	14 983	(3 325)	-
Amortisation/depreciation charge	(41 087)	-	(10 902)
Carrying value at the end of the year	242 235	490 261	5 994
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 2022			
Carrying value at the beginning of the year	1 068 936	-	13 674
Additions	174 954	-	3 541
Disposals	(6 908)	-	(405)
Fair value losses	17 939	-	-
Amortisation/depreciation charge	(97 618)	-	(10 646)
Carrying value at the end of the year	1 157 303	-	6 164
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 The Valuation Agency on 1 May 2022. Three other high value properties of the Society were valued by an independent external valuator during the year ended 30 June 2022. All other fixed properties for own use were formally valued by the directors at 30 June 2022. 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.

AVBOB MUTUAL ASSURANCE SOCIETY
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NOTES TO THE SUMMARISED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022
(continued)

	SOCIETY		GROUP	
	2022 R 000	**2021 R 000**	**2022 R 000**	**2021 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	67 492	54 749	99 057	82 612
Cost	119 780	78 389	178 175	118 479
Accumulated depreciation	(52 288)	(23 640)	(79 118)	(35 867)
Additions	32 302	41 391	49 156	59 696
Depreciation	(29 986)	(28 648)	(44 197)	(43 251)
Carrying value at the end of the year	69 808	67 492	104 016	99 057
LEASE LIABILITIES: RIGHT-OF-USE ASSETS	78 299	75 619	116 791	111 208
Non-current liability	53 388	49 265	79 613	72 794
Current liability	24 911	26 354	37 178	38 414
Amounts recognised in the statements of comprehensive income:				
Depreciation charge on right-of-use assets: lease properties	29 986	28 648	44 197	43 251
Interest expense	6 576	6 776	9 643	10 463

The total cash outflow for leases in 2022 was R36,2 million (2021: R34,3 million).

	SOCIETY 2022 R 000	SOCIETY 2021 R 000	GROUP 2022 R 000	GROUP 2021 R 000
11. INVESTMENTS IN SUBSIDIARIES				
Unlisted				
Shares at cost	95 058	95 058	-	-
Fair value adjustment	419 942	383 942	-	-
Directors' valuation (Non-current asset)	515 000	479 000	-	-
Directors' valuation of subsidiaries:				
AVBOB Funeral Service Limited	374 000	332 000	-	-
AVBOB Industries Limited	141 000	147 000	-	-
	515 000	479 000	-	-

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.

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.

**AVBOB MUTUAL ASSURANCE SOCIETY
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**NOTES TO THE SUMMARISED FINANCIAL STATEMENTS
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(continued)**

	Financial assets measured at amortised cost R 000	Assets at fair value through profit or loss R 000	Total R 000
12. FINANCIAL INSTRUMENTS			
By category			
SOCIETY			
At 30 June 2022			
Assets as per statements of financial position			
At fair value through profit or loss	-	21 748 456	21 748 456
Investment contracts at amortised cost	8 527 828	-	8 527 828
Insurance receivables	546 207	-	546 207
Trade and other receivables	198 773	-	198 773
Cash and cash equivalents	2 257 067	-	2 257 067
	11 529 875	21 748 456	33 278 331
GROUP			
At 30 June 2022			
Assets as per statements of financial position			
At fair value through profit or loss	-	21 891 404	21 891 404
Investment contracts at amortised cost	8 527 828	-	8 527 828
Insurance receivables	546 207	-	546 207
Trade and other receivables	202 547	-	202 547
Cash and cash equivalents	2 378 191	-	2 378 191
	11 654 773	21 891 404	33 546 177

At 30 June 2022 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.

The market value of investment contracts at amortised cost was R8 002,0 million (2021:R4 219,6 million).

	Restated		Restated
SOCIETY			
At 30 June 2021			
Assets as per statements of financial position			
At fair value through profit or loss	-	19 412 829	19 412 829
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*	2 406 692	-	2 406 692
Total*	7 317 489	19 412 829	26 730 318
GROUP			
At 30 June 2021			
Assets as per statements of financial position			
At fair value through profit or loss	-	19 412 829	19 412 829
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*	2 631 772	-	2 631 772
Total*	7 550 510	19 412 829	26 963 339

* Refer to note 22 of the notes to the summarised financial statements regarding the restatement of the 2021 comparatives.

AVBOB MUTUAL ASSURANCE SOCIETY
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NOTES TO THE SUMMARISED FINANCIAL STATEMENTS
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(continued)

	SOCIETY		GROUP	
		Restated		Restated
	2022 R 000	2021 R 000	2022 R 000	2021 R 000
13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
Balance at the beginning of the year	19 412 829	14 901 299	19 412 829	14 901 299
Movement for the year				
Additions*	11 679 641	8 756 134	11 826 395	8 756 134
Disposals	(9 624 325)	(7 098 655)	(9 628 131)	(7 098 655)
Fair value adjustments	280 312	2 854 051	280 312	2 854 051
Balance at the end of the year*	21 748 456	19 412 829	21 891 404	19 412 829
Financial assets comprises the following:				
Listed fixed-income securities*	5 290 595	4 399 290	5 290 595	4 399 290
Listed shares	10 743 293	9 791 778	10 743 293	9 791 778
Non-listed foreign investments	4 565 150	4 032 277	4 565 150	4 032 277
Unlisted investments	1 149 418	1 189 484	1 292 366	1 189 484
Total*	21 748 456	19 412 829	21 891 404	19 412 829
Current assets*	860 287	340 693	860 287	340 693
Non-current assets	20 888 169	19 072 136	21 031 117	19 072 136

*Refer to note 22 of the notes to the summarised financial statements regarding the restatement of the 2021 comparatives.

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, MandG Investment Managers (Pty) Ltd, Sanlam Investment Management and Stanlib Asset Management.

	SOCIETY		GROUP	
	2022 R 000	2021 R 000	2022 R 000	2021 R 000
14. FINANCIAL ASSETS AT AMORTISED COST				
Balance at the beginning of the year	4 245 964	1 510 921	4 245 964	1 510 921
Movement for the year				
Additions	4 226 379	2 711 102	4 226 379	2 711 102
Interest income	442 009	167 798	442 009	167 798
Withdrawals	(386 524)	(143 857)	(386 524)	(143 857)
Balance at the end of the year	8 527 828	4 245 964	8 527 828	4 245 964

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.

AVBOB MUTUAL ASSURANCE SOCIETY AND ITS SUBSIDIARIES

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (continued)

	SOCIETY		GROUP	
	2022 R 000	2021 R 000	2022 R 000	2021 R 000
15. POLICYHOLDER LIABILITIES				
Balance at the beginning of the year	15 855 133	12 224 206	15 855 133	12 224 206
Realisation of depreciation on revaluation	3 040	2 844	101	3 381
Transfer to/(from) revaluation reserves	11 943	1 014	18 025	(14 688)
Centenary expenses	(11 418)	(49 301)	(11 418)	(49 301)
Reinsurance asset	(5 889)	6 675	(5 889)	6 675
Transfer from statements of comprehensive income	2 303 696	3 669 695	2 300 553	3 684 860
Ad-hoc benefit improvements	3 100 083	2 630 790	3 100 083	2 630 790
Balances in respect of new business	(811 393)	(258 079)	(811 393)	(258 079)
Change in valuation assumptions	430 912	220 083	430 912	220 083
Model improvements	93 789	42 523	93 789	42 523
Investment returns	1 470 364	1 418 008	1 470 364	1 418 008
Other	(1 980 059)	(383 630)	(1 983 202)	(368 465)
Balance at the end of the year	18 156 505	15 855 133	18 156 505	15 855 133
Non-current liabilities	17 320 702	15 138 825	17 320 702	15 138 825
Current liability	835 803	716 308	835 803	716 308

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

The policyholder liability comprises of:

Not with-profit contracts	13 435 320	11 341 128	13 435 320	11 341 128
With-profit contracts	4 281 257	4 068 538	4 281 257	4 068 538
Group schemes	21 554	23 132	21 554	23 132
Insurance contracts	17 738 131	15 432 798	17 738 131	15 432 798
Investment contracts with discretionary participation features (DPF)	418 374	422 335	418 374	422 335
	18 156 505	15 855 133	18 156 505	15 855 133

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:

Not longer than a year	835 803	716 308	835 803	716 308
Between 2 and 5 years	1 953 783	1 687 139	1 953 783	1 687 139
Between 6 and 10 years	5 856 476	5 075 600	5 856 476	5 075 600
Longer than 10 years	58 760 084	45 603 308	58 760 084	45 603 308
Discounting of future cash flows	(49 249 641)	(37 227 222)	(49 249 641)	(37 227 222)
	18 156 505	15 855 133	18 156 505	15 855 133

**AVBOB MUTUAL ASSURANCE SOCIETY
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**NOTES TO THE SUMMARISED FINANCIAL STATEMENTS
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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 assumptions have been based on the results of the most recent experience investigation for the Society. This investigation covers the period from 1 January 2021 to 31 December 2021. The level of the best estimate assumption was revised to be closer to the current actual experience in line with the investigation.

- **Withdrawal assumptions**

  A full withdrawal investigation was performed over the period 1 January 2021 to 31 December 2021. Withdrawal rates were split into two categories: premium-paying and paid-up rates. The best estimate assumption was revised to over time be closer to the actual experience.

- **Expense assumptions**

  The valuation assumption at the previous year end (including the assumed level of inflation for the year) was lower than the 2022 forecast cost per policy at the same date. The forecast cost per policy for this purpose was determined using an 88%:12% (2021: 88%:12%) allocation of specific costs between the Society and certain of its subsidiaries. The assumed maintenance cost in 2022 has been set to a level half way between the actual 2022 cost per policy and the 2023 budgeted 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 11.4% (2021: 9.9%) per annum.

  The assumed rate of expense inflation is 8.6% (2021: 7.2%) per annum. The returns above are 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 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.

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NOTES TO THE SUMMARISED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (continued)

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 bonuses will be declared to these policies.

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:

- The retrenchment claim rate assumption was changed to more closely reflect the claims experience, resulting in a profit of R63,7 million
- The actual mortality experience during 2021 was below the expected experience. The assumptions were updated and this resulted in a profit of R192,3 million. This was mostly due to the mortality assumption on child benefits, resulting in a profit of R118,6 million. A reduction in the accidental death assumption on the cashback funeral product resulted in a profit of R96,4 million. Increases to the mortality assumption on assistance and level premium products resulted in losses of R55,4 million and R31,0 million respectively.
- The renewal expense assumption per policy reduced, resulting in a profit of R325,2 million.
- The average age calculation on parent and extended lives was improved, which resulted in a profit of R89,8 million.
- 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 loss of R129,3 million.

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(continued)

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	
	2022 R 000	2021 R 000
10% increase in mortality	1 154 899	1 250 968
1% decrease in investment return	1 103 334	1 145 127
10% increase in expenses	977 933	901 330
1% increase in expense inflation	1 143 701	1 070 238
20% increase in lapses	(476 553)	(418 375)
10% increase in surrenders	(21 238)	(25 323)
10% decrease in surrenders	32 700	28 457

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	
	2022 R 000	2021 R 000	2022 R 000	2021 R 000
16. FINANCIAL LIABILITIES AT AMORTISED COST				
Balance at the beginning of the year	4 403 969	1 574 692	4 403 969	1 574 692
Movement for the year				
Additions	4 406 401	2 826 864	4 406 401	2 826 864
Interest expense	383 166	146 270	383 166	146 270
Withdrawals	(386 652)	(143 857)	(386 652)	(143 857)
Balance at the end of the year	8 806 884	4 403 969	8 806 884	4 403 969

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 R100,5 million (2021: R66,3 million) that is amortised over the period of the contract. The market value of the financial liability at amortised cost is R8 228,0 million (2021: R4 393,1 million).

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 pensioner benefit 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 employees who retired after 31 October 2019 (pensioners' benefit) do not qualify for these benefits.

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**NOTES TO THE SUMMARISED FINANCIAL STATEMENTS
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17. EMPLOYEE BENEFIT OBLIGATIONS (continued)

The number of participating members in respect of gratuity payments of the Society totals 73 (2021: 73), the medical benefit totals 8 (2021: 8) and the pensioner benefits totals 144 (2021: 166). The number of participating members in respect of gratuity payments of the Group totals 114 (2021: 114), the medical benefit totals 26 (2021: 26) and the post-pensioner benefits 283 (2021: 317). Managers who retired from 1 November 1998 do not qualify for the pensioner benefit.

The Group operates a Long-term incentive plan (LTIP) in the Society in which the 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	2022 R 000	2021 R 000	2020 R 000	2019 R 000	2018 R 000
SOCIETY					
Present value of obligations	258 154	314 732	206 150	196 188	157 645
Experience adjustments on plan liabilities	82	(173)	497	(326)	13
GROUP					
Present value of obligations	300 895	366 670	231 870	223 540	181 180
Experience adjustments on plan liabilities	(205)	(410)	728	(642)	766

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 2022
For the 2015 financial year (issued at R12.44)	220 644	-	-	220 644	50.73
For the 2016 financial year (issued at R13.64)	276 999	-	-	276 999	46.10
For the 2017 financial year (issued at R14.59)	456 603	-	-	456 603	43.89
For the 2018 financial year (issued at R14.60)	877 351	-	-	877 351	38.92
For the 2019 financial year (issued at R14.60)	1 147 823	482 227	254 452	1 884 502	33.92
For the 2020 financial year (issued at R14.62)	877 130	465 563	279 086	1 621 779	30.76
For the 2021 financial year (issued at R14.71)	941 384	516 531	332 574	1 790 489	22.07
	4 797 934	1 464 321	866 112	7 128 367	

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

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NOTES TO THE SUMMARISED FINANCIAL STATEMENTS
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(continued)

17. EMPLOYEE BENEFIT OBLIGATIONS (continued)

	2022 R 000	2021 R 000
LTIP payments to the directors of the Society were as follows:	18 351	3 621
LTIP payments to general manager/prescribed officer remunerated by the Society were as follows:	3 009	5 424

GROUP

Units issued	Appreciation units	Performance units*	Retention units	Total units	Unit value 2022
For the 2015 financial year (issued at R12.44)	238 434	-	-	238 434	50.73
For the 2016 financial year (issued at R13.64)	337 156	-	-	337 156	46.10
For the 2017 financial year (issued at R14.59)	552 950	-	-	552 950	43.89
For the 2018 financial year (issued at R14.60)	996 674	-	-	996 674	38.15
For the 2019 financial year (issued at R14.60)	1 274 965	520 973	282 439	2 078 377	33.15
For the 2020 financial year (issued at R14.62)	953 857	514 165	316 728	1 784 750	30.76
For the 2021 financial year (issued at R14.71)	1 020 005	571 240	376 051	1 967 296	22.07
	5 374 041	1 606 378	975 218	7 955 637	

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

The 2022 financial year units, based on the 30 June 2022 performance, will only be declared by the Board in November 2022. A provision was raised for the expected liability.

	AVBOB Funeral Service		AVBOB Industries Limited	
	2022 R 000	2021 R 000	2022 R 000	2021 R 000
The payment of the LTIP to the directors of other Group Companies remunerated by the Society is as follows:	2 781	1 927	959	308

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.

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NOTES TO THE SUMMARISED FINANCIAL STATEMENTS
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(continued)

	SOCIETY	
	2022 R 000	**2021 R 000**
18. RELATED PARTY TRANSACTIONS (continued)		
Inter-company sales		
To AVBOB Funeral Service Limited (for printing and stationeries)	1 032	935
From AVBOB Funeral Service Limited (funeral services to policyholders)	345 230	309 329
From AVBOB Industries Limited	7 382	1 464
Property rentals		
To AVBOB Funeral Service Limited	36 387	33 452
Inter-company administration cost		
AVBOB Funeral Service Limited	39 559	37 017

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	5 693	5 876
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	188	256
AVBOB Funeral Service Limited	5 881	6 132
Inter-company salaries		
AVBOB Funeral Service Limited	51 771	58 427

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	16 756	8 030
Payable to related parties:		
AVBOB Industries Limited - trade payable	2 164	1 221

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.

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(continued)

18. RELATED PARTY TRANSACTIONS (continued)

	Salaries R 000	* Benefits R 000	Total R 000
Year ended 30 June 2022			
Executive directors	14 100	18 200	32 300
Non-executive directors			6 603
Directors of other Group Companies remunerated by the Society			
AVBOB Funeral Service Limited	17 793	22 996	40 789
AVBOB Industries Limited	15 831	20 558	36 389
General manager/prescribed officer remunerated by the Society	4 500	4 841	9 341
Year ended 30 June 2021			
Executive directors	13 457	4 839	18 296
Non-executive directors			5 745
Directors of other Group Companies remunerated by the Society			
AVBOB Funeral Service Limited	18 092	15 205	33 297
AVBOB Industries Limited	16 192	6 167	22 359
General manager/prescribed officer remunerated by the Society	4 758	2 166	6 924

* Benefits include bonuses, leave pay and employer pension contributions.
Prior year benefits have been restated to exclude the LTIP payments per note 17.

Refer to note 17 for the LTIP payments to directors in the Group.

19. OTHER COMMITMENTS

The Society has an interest in two private equity infrastructure partnerships. The Society committed itself to a R250,0 million investment (2021: R250,0 million), of which the partnerships can still call on Rnil million at 30 June 2022 (2021: R86,0 million). The partnerships calls on funds in relation to the partnership interest.

The Society pays performance fees to some of its asset managers. The Society has a present obligation of R59,5 million (2021: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. EVENTS SUBSEQUENT TO YEAR END

No matter, 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.

AVBOB MUTUAL ASSURANCE SOCIETY
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NOTES TO THE SUMMARISED FINANCIAL STATEMENTS
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21. RESTATEMENT - CLASSIFICATION OF DIVIDENDS RECEIVED AND INTEREST RECEIVED AS INVESTMENT INCOME

Dividends received and interest received were previously disclosed in net fair value gains on financial assets at FVPL. Considering the nature of this income, it is deemed to be more accurate to disclose it as part of investment income. In addition, the remaining net fair value gains on financial assets at fair value through profit and loss were reclassified as other gains in the statements of comprehensive income. The reclassification adjustment had an impact on the statements of comprehensive income, but no impact on profit before transfer to policyholder liabilities or the income tax expense.

	2021 Previous R 000	Adjustment R 000	2021 Restated R 000
SOCIETY			
Statement of comprehensive income			
Net fair value gain on financial assets at FVPL	3 558 246	(3 558 246)	-
Investment income	290 933	663 839	954 772
Other gains/(losses)	4 039	2 894 407	2 898 446
GROUP			
Statement of comprehensive income			
Net fair value gain on financial assets at FVPL	3 558 246	(3 558 246)	-
Investment income	179 482	663 839	843 321
Other gains/(losses)	(896)	2 894 407	2 893 511

22. RESTATEMENT - CLASSIFICATION BETWEEN CASH AND CASH EQUIVALENTS AND FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

A short-term interest-bearing income fund that is actively used for operational cash purposes in the Society's Financial Sector Code investment portfolio was previously disclosed as cash and cash equivalents. Considering the nature of this income fund, it is deemed to be more accurate to disclose it as part of financial assets at FVPL. The reclassification adjustment had an impact on cash and cash equivalents and financial assets at fair value through profit and loss in the statements of financial position and the statements of cash flows. The reclassification adjustment had no impact on profit before transfer to policyholder liabilities or the income tax expence.

	2021 Previous R 000	Adjustment R 000	2021 Restated R 000
SOCIETY			
Statement of financial position			
Financial assets at FVPL	19 297 673	115 156	19 412 829
Listed fixed-income securities	4 284 134	115 156	4 399 290
Cash and cash equivalents	2 521 848	(115 156)	2 406 692

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22. RESTATEMENT - CLASSIFICATION BETWEEN CASH AND CASH EQUIVALENTS AND FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (continued)

	2021 Previous R 000	Adjustment R 000	2021 Restated R 000
Statement of cash flows			
Net cash outflows from operating activities	(316 884)	(35 552)	(352 436)
Movement in financial assets at fair value through profit or loss			
Additions	(8 640 978)	(35 552)	(8 676 530)
Net decrease in cash and cash equivalents	(458 583)	(35 552)	(494 135)
Cash and cash equivalents at the begining of the year	2 980 431	(79 604)	2 900 827
Cash and cash equivalents at the end of the year	2 521 848	(115 156)	2 406 692
GROUP			
Statement of financial position			
Financial assets at FVPL	19 297 673	115 156	19 412 829
Listed fixed-income securities	4 284 134	115 156	4 399 290
Cash and cash equivalents	2 746 928	(115 156)	2 631 772
Statement of cash flows			
Net cash outflows from operating activities	(151 468)	(35 552)	(187 020)
Movement in financial assets at fair value through profit or loss			
Additions	(8 640 978)	(35 552)	(8 676 530)
Net decrease in cash and cash equivalents	(381 317)	(35 552)	(416 869)
Cash and cash equivalents at the begining of the year	3 128 245	(79 604)	3 048 641
Cash and cash equivalents at the end of the year	2 746 928	(115 156)	2 631 772

Prior year numbers in notes 5.2, 5.3, 12 and 13 in the notes to the summarised financial statements were restated accordingly. The restatements were a result of cash and cash equivalents decreasing by R115,2 million and by listed fixed-income securities increasing by R115,2 million.

	2020 Previous R 000	Adjustment R 000	2020 Restated R 000
Society			
Statement of financial position			
Financial assets at FVPL	14 901 299	79 604	14 980 903
Cash and cash equivalents	2 980 431	(79 604)	2 900 827
Group			
Statement of financial position			
Financial assets at FVPL	14 901 299	79 604	14 980 903
Cash and cash equivalents	3 128 245	(79 604)	3 048 641

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**NOTES TO THE SUMMARISED FINANCIAL STATEMENTS
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23. RESTATEMENT - CLASSIFICATION OF INTERST EXPENSE BETWEEN CASH GENERATED BY OPERATING ACTIVITIES AND MOVEMENT OF FINANCIAL LIABILITY AT AMORTISED COST

The interest expense and the cash flow movement of the financial liability at amortised cost was not disclosed correctly in the cash flow statement in the prior year. The interest expenses was not disclosed as a non-cash flow item and the movement of the liability was disclosed as a net movement and was not grossed into the separate cash flow components. The reclassification adjustment has an impact on the statement of cash flows only. The reclassification adjustment had no impact on profit before transfer to policyholder liabilities or net income tax expense.

	2021 Previous R 000	Adjustment R 000	2021 Restated R 000
SOCIETY			
Statement of cash flows			
Cash generated by operating activities	762 917	146 270	909 187
Movement in financial liabilities	2 829 277	(2 829 277)	-
At amortised cost			
Additions	-	2 826 864	2 826 864
Withdrawals	-	(143 857)	(143 857)
GROUP			
Statement of cash flows			
Cash generated by operating activities	945 976	146 270	1 092 246
Movement in financial liabilities	2 829 277	(2 829 277)	-
At amortised cost			
Additions	-	2 826 864	2 826 864
Withdrawals	-	(143 857)	(143 857)

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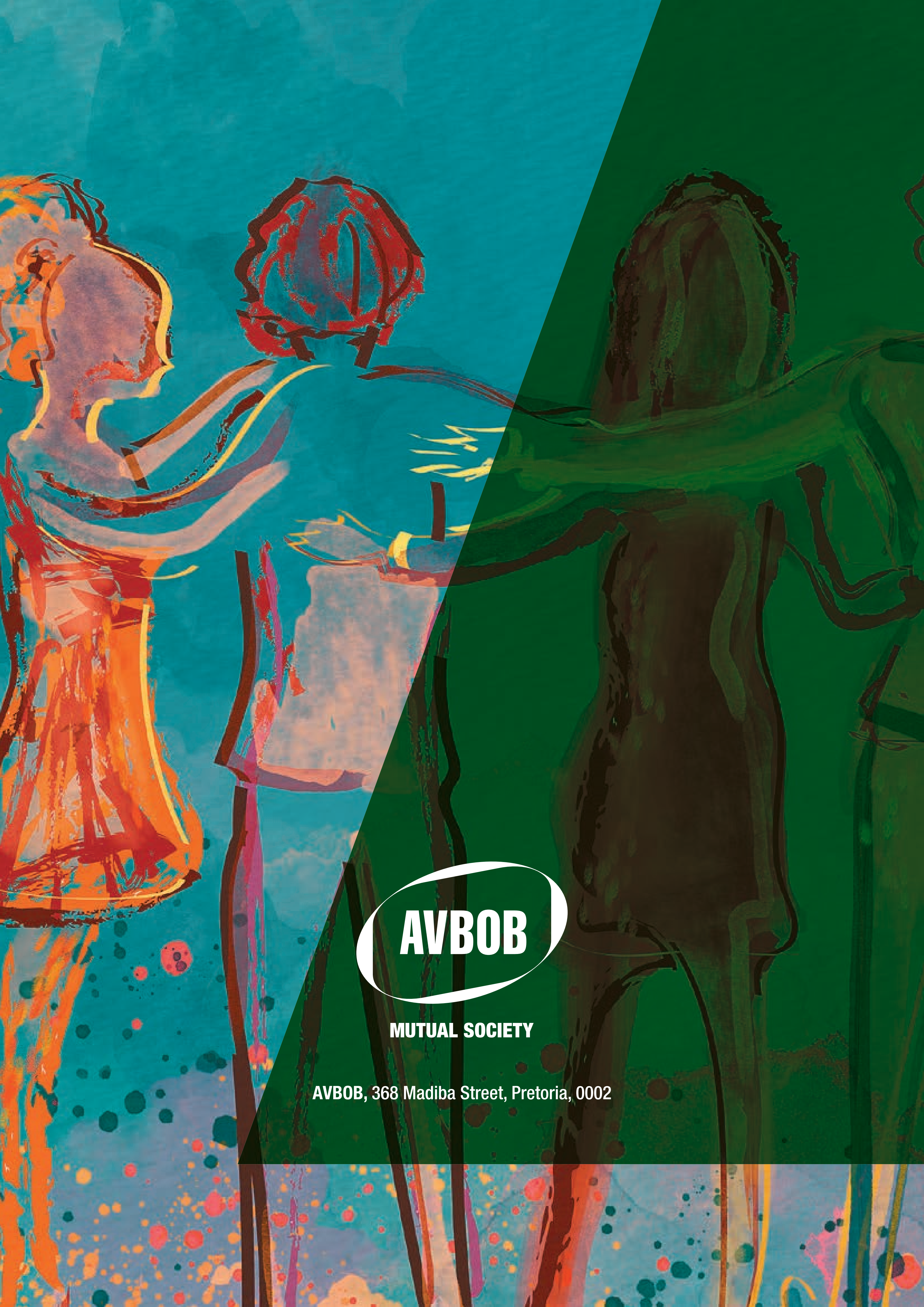

AVBOB

MUTUAL SOCIETY

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