



**ASSUPOL HOLDINGS LIMITED AND ITS SUBSIDIARIES**  
(Registration no. 2010/015888/06)

**CONDENSED FINANCIAL RESULTS**  
for the year ended 30 June 2017

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The Assupol Group presents the unaudited condensed results for the year ended 30 June 2017.

The Assupol Group delivered an exceptional financial performance despite difficult conditions in the South African economy. New business volumes continued to show substantial growth and together with a disciplined approach to the management of expenses, the Group has exceeded its growth targets. This is illustrated by the growth in the adjusted operating profit, a metric which reflects management's view of the underlying long-term profitability of the Group.

The South African investment markets were volatile and returns on excess assets were R10 million below the long term investment return assumptions as disclosed in the adjusted operating profit reconciliation below. However the Group's investment performance outperformed the market benchmark by 2.13%.

The Assupol Group did not see any significant adverse change in its individual line withdrawal experience, however deterioration in its direct marketing component's persistency was notable, warranting an upward adjustment to policyholder liabilities of R12.9 million. The Group's mortality experience was in line with expectations.

Management's continued focus on the management of expenses resulted in a release of the renewal expense assumption on policyholder liabilities of an amount of R157.3 million before taxation (2016: R160.4 million).

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

<b>Earnings performance</b>	<b>2017</b>	<b>2016</b>	<b>Change</b>
Gross insurance premium revenue (R'm)	2 690	2 448	9.89%
Net profit attributable to ordinary shareholders (R'm)	771	472	63.35%
Value of new business (R'm)	350	221	58.48%
Adjusted operating profit <sup>(a)</sup>	590	466	26.69%
Return on equity (%)	29%	21%	

<b>New business</b>	<b>2017</b>	<b>2016</b>	<b>Change</b>
Single premiums	521	8	> 100%
Recurring premiums	791	612	29.19%
Total new business premiums	1 312	621	111.44%
Annual premium equivalent (APE)	843	613	37.52%
Present value of new business premiums (PV NBP)	3 688	2 695	36.85%
Value of new business margin	9.5%	8.2%	15.85%

New business volumes were up a 37.52% on an APE basis and 36.85% on a PV NBP basis. The strong growth in new business can be attributed to the launch of our Guaranteed Single Premium offering and a good performance from our Direct marketing offering. It is important to highlight that we have limited capacity to operate in the guaranteed return space and so new business volumes from this source are not sustainable.

<b>Group embedded value</b>	<b>2017</b>	<b>2016</b>
Embedded value of covered business	3 579	2 879
Embedded value of uncovered business	(7)	29
Group embedded value at year end	3 572	2 908
Return on embedded value (%)	30.80%	29.70%

<b>Embedded value earnings - 2017 (R'm)</b>	<b>Adjusted net worth</b>	<b>Value of in-force</b>	<b>Cost of required capital</b>	<b>Total</b>
Embedded value of covered business	1 055	2 757	(233)	3 579
Embedded value of uncovered business	37	(44)	-	(7)
Group embedded value at 30 June 2017	1 092	2 713	(233)	3 572

(a) The adjusted operating profit reflects managements' view of the underlying long-term profitability of the Group. It is calculated by adjusting the reported profit to exclude the impact of short-term market fluctuations on the investment returns on excess assets, as well as non-recurring transactions or events such as the discontinuation of a business relationship, non-recurring actuarial adjustments and non-recurring transactions. The calculation does not take into account the economic impact of actuarial adjustments on new business during a financial period.

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

Share statistics	Note	2017	2016	Change
Share price - closing (R) <sup>(b)</sup>		5.85	5.50	6.36%
Number of ordinary shares in issue ('000)		416 338	411 518	1.17%
Market capitalisation (R'm) <sup>(b)</sup>		2 436	2 263	7.64%
Earnings per share (R)		2.29	1.57	46.16%
Diluted earnings per share (R)		2.01	1.36	47.11%
Group embedded value per share (R)		8.58	7.07	21.40%
Dividends per qualifying ordinary shares (cents)	1	56	56	0.00%

1. The dividends per qualifying ordinary share was declared and paid as follows:

<i>cents</i>	2017	2016
Declared on 15 September 2017 (Paid 13 October 2017)		
Cash dividend	48	-
Special dividend	8	-
	<u>56</u>	<u>-</u>
Declared on 27 September 2016 (Paid 28 October 2016)		
Cash dividend	-	43
Special dividend	-	13
	<u>-</u>	<u>56</u>

The qualifying ordinary shares excluded the ordinary shares issued to the Assupol Share Incentive Trust and the 'A2' ordinary shares.

<i>R'000</i>	NOTES	2017	2016
Insurance premiums revenue		2 689 623	2 447 832
Insurance premiums ceded to reinsurers		(237 822)	(205 223)
<i>Net insurance premium revenue</i>		2 451 801	2 242 609
Commission received on outward reinsurance		11 624	12 220
Fee income		77 842	56 467
Investment income		187 826	142 242
Net fair value (losses) / gains on financial assets		(49 097)	28 186
Other income		1 437	3 681
<b>Income</b>		<b>2 681 433</b>	<b>2 485 405</b>
Insurance benefits and claims		(995 698)	(1 040 480)
Insurance claims recovered from reinsurers		208 815	184 033
<i>Net insurance benefits and claims</i>		(786 883)	(856 447)
Acquisition costs		(536 552)	(479 591)
Operating and administrative expenses		(841 542)	(750 605)
Investment management expenses		(12 661)	(8 805)
Change in insurance contract provisions	3.1	579 107	327 882
Fair value adjustments on investment contract liabilities		(19 068)	(52 490)
<b>Expenses</b>		<b>(1 617 599)</b>	<b>(1 820 056)</b>
<b>Result of operating activities</b>		<b>1 063 834</b>	<b>665 349</b>
Finance charges		(26)	(105)
Share of profit from associate		-	174
<b>Profit before taxation</b>		<b>1 063 808</b>	<b>665 418</b>
Income tax expense		(292 624)	(193 513)
<b>PROFIT FOR THE YEAR</b>		<b>771 184</b>	<b>471 905</b>
<b>Other comprehensive income</b>			
Loss on property revaluation		-	(2 186)
Realised revaluation reserve on sale of property held for sale		(3 647)	-
Income tax relating to other comprehensive income		-	612
<b>Other comprehensive income for the year</b>		<b>(3 647)</b>	<b>(1 574)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR</b>		<b>767 537</b>	<b>470 331</b>
<b>Profit attributable to:</b>			
Shareholders		771 184	472 003
Non-controlling interests		-	(98)
		771 184	471 905
<b>Total comprehensive income attributable to:</b>			
Shareholders		767 537	470 429
Non-controlling interests		-	(98)
		767 537	470 331

R'000	NOTES	2017	2016 Restated
<b>ASSETS</b>			
Equipment		67 802	44 889
Deferred tax asset		50 026	47 567
Intangible assets		102 756	103 875
Financial assets: Investments			
At fair value through profit or loss			
Equity securities		1 083 596	1 092 261
Debt securities		855 348	875 631
Deposits and money market securities		890 045	731 713
At amortised cost			
Deposits and money market securities		515 776	-
Policyholder assets			
Insurance contracts		1 870 751	1 231 996
Reinsurance asset		24 819	84 467
Insurance and other receivables		110 474	101 217
Current taxation		-	10 613
Cash and cash equivalents		304 718	245 554
Non-current assets held for sale	6	13 570	26 229
<b>TOTAL ASSETS</b>		<b>5 889 681</b>	<b>4 596 012</b>
<b>EQUITY</b>			
Ordinary shareholders' interest		2 944 422	2 357 008
Share capital		601 808	572 965
Treasury shares		(39 196)	(30)
Employee benefits reserve		74 504	45 756
Black Economic Empowerment reserve		14 300	14 300
Retained earnings		2 293 006	1 720 370
Revaluation reserve		-	3 647
<b>TOTAL EQUITY</b>		<b>2 944 422</b>	<b>2 357 008</b>
<b>LIABILITIES</b>			
Policyholder liabilities: Investment contracts			
At fair value through profit or loss		1 311 317	1 298 259
At amortised cost		506 207	-
Employee benefits		133 516	107 609
Deferred revenue liability		458	346
Deferred tax liability		712 713	561 081
Insurance and other payables		266 779	271 709
Current taxation		14 269	-
<b>TOTAL LIABILITIES</b>		<b>2 945 259</b>	<b>2 239 004</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>5 889 681</b>	<b>4 596 012</b>

<i>R'000</i>	SHARE CAPITAL	TREASURY SHARES	EMPLOYEE BENEFITS RESERVE	BEE RESERVE	RETAINED INCOME	REVALUATION RESERVE	NON- CONTROLLING INTEREST	TOTAL CAPITAL AND EQUITY
<b>Balance at 30 June 2015</b>	568 104	(77)	28 324	14 300	1 549 262	5 221	3 342	2 168 476
Cost of incentive shares	-	-	2 061	-	-	-	-	2 061
Share incentive options exercised	-	47	(47)	-	-	-	-	-
Repurchase of ordinary shares	(1)	-	-	-	-	-	-	(1)
Correction of redemption of preference shares	4 862	-	-	-	4 724	-	-	9 586
Deferred bonus recognition	-	-	15 418	-	-	-	-	15 418
Dividend paid	-	-	-	-	(304 859)	-	-	(304 859)
Sale of subsidiary	-	-	-	-	(760)	-	(3 244)	(4 004)
Profit for the year	-	-	-	-	472 003	-	(98)	471 905
Other comprehensive income for the year	-	-	-	-	-	(1 574)	-	(1 574)
<b>Balance at 30 June 2016</b>	572 965	(30)	45 756	14 300	1 720 370	3 647	-	2 357 008
B shares issued	28 843	(28 843)	-	-	-	-	-	-
Investment in holdings company	-	(10 329)	-	-	-	-	-	(10 329)
Cost of incentive shares	-	-	4 878	-	-	-	-	4 878
Share incentive options exercised	-	6	(6)	-	-	-	-	-
Deferred bonus recognition	-	-	23 876	-	-	-	-	23 876
Dividend paid	-	-	-	-	(202 195)	-	-	(202 195)
Profit for the year	-	-	-	-	771 184	-	-	771 184
Other comprehensive income for the year	-	-	-	-	3 647	(3 647)	-	-
<b>Balance at 30 June 2017</b>	601 808	(39 196)	74 504	14 300	2 293 006	-	-	2 944 422

<i>R'000</i>	2017	2016
<b>Cash flows from operating activities</b>		
Cash generated from operations	890 189	244 594
Net acquisition of financial instruments		
at fair value through profit or loss	(178 481)	(28 083)
at amortised cost	(515 776)	-
Investment income	187 826	142 242
Finance charges	(26)	(105)
Dividends paid	(202 195)	(304 859)
Taxation paid	(118 570)	(105 434)
<b>Net cash flows from operating activities</b>	<b>62 967</b>	<b>(51 645)</b>
<b>Cash flows from investing activities</b>		
Acquisition and disposal of equipment	(23 224)	(14 232)
Additions to intangible assets	-	(8 000)
Disposal of investment in subsidiary	-	4 480
Net decrease in receivables	996	10 792
<b>Net cash flows from investing activities</b>	<b>(22 228)</b>	<b>(6 960)</b>
<b>Cash flows from financing activities</b>		
(Increase) / Decrease in treasury shares	(10 323)	47
Repurchase of ordinary shares	-	(1)
Correction of redemption of preference shares	-	9 586
Increase in employee benefits reserve	28 748	15 290
<b>Net cash flows from financing activities</b>	<b>18 425</b>	<b>24 922</b>
Net increase / (decrease) in cash and cash equivalents	59 164	(33 683)
Cash and cash equivalents at beginning of the year	245 554	279 237
Cash and cash equivalents at end of the year	304 718	245 554

<i>R'000</i>	2017	2016
<b>REVENUE</b>		
Segment revenue	2 738 444	2 536 953
Life insurance	2 675 894	2 476 190
Brokers	59 915	54 421
Other	2 635	6 342
Reporting adjustments	(57 011)	(51 548)
<b>Group revenue for the year</b>	<b>2 681 433</b>	<b>2 485 405</b>
<b>SEGMENT PROFIT</b>		
Segment profit after taxation	773 604	482 309
Life insurance	756 528	467 782
Brokers	15 352	14 875
Other	1 724	(348)
Reporting adjustments after taxation	(2 420)	(10 404)
Group profit for the year	771 184	471 905
Other comprehensive income	(3 647)	(1 574)
<b>Group comprehensive income for the year</b>	<b>767 537</b>	<b>470 331</b>
<b>SEGMENT ASSETS AND LIABILITIES</b>		
Segment assets	5 749 957	4 443 586
Life insurance	5 675 047	4 358 717
Brokers	57 225	56 299
Other	17 685	28 570
Reporting adjustments	139 724	152 426
<b>Group assets</b>	<b>5 889 681</b>	<b>4 596 012</b>
Segment liabilities	2 833 386	2 131 855
Life insurance	2 825 486	2 121 116
Brokers	3 730	3 705
Other	4 170	7 034
Reporting adjustments	111 873	107 149
<b>Group liabilities</b>	<b>2 945 259</b>	<b>2 239 004</b>

### 1. GENERAL INFORMATION

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

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

The condensed financial results do not include all the information and disclosures required in the annual financial statements and this report should be read in conjunction with the Group's annual financial statements as at 30 June 2017.

The condensed financial results have not been audited.

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

### 3. SUMMARY OF CRITICAL ACCOUNTING ESTIMATES

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

Assumptions and estimates included in the Group financial results for the year ended 30 June 2017 relate to the items listed below.

#### 3.1 Policyholder liabilities / assets under long-term insurance contracts

The determination of the liabilities / assets under long-term insurance contracts is dependent on assumptions and estimates made by the Group. The full details of these assumptions and estimates are in note 4 to the Group's annual financial statements for the year ended 30 June 2017.

#### 3.2 Other assumptions and estimates

Other assumptions and estimates included in the Group's annual financials statements for the year ended 30 June 2017 addressed the following items:

- Impairment tests are performed on all cash generating units to which goodwill is allocated;
- The calculation of current and deferred tax; and
- The determination of expense and liabilities concerning share-based payments.

## NOTES TO THE FINANCIAL RESULTS for the year ended 30 June 2017

## 4. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

## 4.1 Financial risk factors

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

## 4.2 Fair value estimation

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

	Financial assets and liabilities at FVTPL on initial recognition	Financial assets at amortised cost	Financial liabilities at amortised cost	Total carrying amount	Fair value
<b>June 2017 (R'000)</b>					
Financial assets - Investments	2 828 989	515 776	-	3 344 765	3 344 765
Insurance and other receivables	-	27 878	-	27 878	27 878
Cash and cash equivalents	-	304 718	-	304 718	304 718
Investment contract liabilities	1 311 317	-	506 207	1 817 524	1 817 524
Deferred revenue liability	458	-	-	458	458
Payables	-	-	53 977	53 977	53 977
<b>June 2016 (R'000)</b>					
Financial assets - Investments	2 699 605	-	-	2 699 605	2 699 605
Insurance and other receivables	-	25 085	-	25 085	25 085
Cash and cash equivalents	-	245 554	-	245 554	245 554
Investment contract liabilities	1 298 259	-	-	1 298 259	1 298 259
Deferred revenue liability	346	-	-	346	346
Payables	-	-	57 465	57 465	57 465

## 4.3 Fair value hierarchy

The table below analyses financial instruments carried at fair value by valuation method. The measurement at fair value, grouped into levels 1 to 3, is based on the degree to which the fair value is observable:

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

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

For level 1:

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

For level 2:

- The fair value of other financial assets and financial liabilities (excluding derivatives) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- Observable inputs generally used to measure the fair value of securities classified as level 2 include benchmark yields, reported secondary trades, broker-dealer quotes, issuer spreads, benchmark securities, bids, offers and reference data. The specific inputs used are:
  - > Risk free rate: Ranging from 2.55% to 7.53%
  - > Credit spread: 5.99%
- The fair value of derivatives is calculated using quoted prices. Where such prices are not available, discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.
- The fair value of financial guarantee contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from the market-based credit information and the amount of loss, given the default.

## 4. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

## 4.3 Fair value hierarchy (continued)

For level 3:

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

June 2017 (R'000)	Level 1	Level 2	Level 3	TOTAL
Financial assets designated as 'at fair value through profit or loss'	1 624 604	1 204 385	-	2 828 989
Local listed shares	774 570	185 742	-	960 312
Unit trusts	123 284	-	-	123 284
Debt securities	74 860	780 488	-	855 348
Deposits and money market securities	651 890	238 155	-	890 045
Total financial assets	1 624 604	1 204 385	-	2 828 989
Financial liabilities designated as 'at fair value through profit or loss'				
Net investment contract liabilities	-	1 311 317	-	1 311 317
Total financial liabilities	-	1 311 317	-	1 311 317

June 2016 (R'000)	Level 1	Level 2	Level 3	TOTAL
Financial assets designated as 'at fair value through profit or loss'	1 451 188	1 248 417	-	2 699 605
Local listed shares	774 985	206 702	-	981 687
Unit trusts	110 574	-	-	110 574
Debt securities	68 008	807 623	-	875 631
Deposits and money market securities	497 621	234 092	-	731 713
Total financial assets	1 451 188	1 248 417	-	2 699 605
Financial liabilities designated as 'at fair value through profit or loss'				
Net investment contract liabilities	-	1 298 259	-	1 298 259
Total financial liabilities	-	1 298 259	-	1 298 259

## The table below shows the transfer between the various levels

	From level 1 to level 2	From level 2 to level 1
Change in validity of quoted prices		
June 2017 (R'000)	8 717	15 612
June 2016 (R'000)	-	-

The table below analyses the movement of assets measured 'at fair value through profit or loss' on Level 3 for the period under review.

(R'000)	2017	2016
Opening balance	-	38 635
Disposals / derecognised	-	(38 635)
Closing balance	-	-

**5. SEGMENT INFORMATION**

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

**6. NON-CURRENT ASSET HELD FOR SALE**

The remaining non-current assets held for sale relate to owner-occupied property that is in the process of being sold. It will be transferred to the new owners when the relocation of staff to the new head office is completed.

**7. RELATED PARTY TRANSACTIONS****Remuneration and restricted incentives - Executive directors and prescribed officers**

	2017	2016
Salary, pension fund contributions and other benefits (R'000)	18 532	17 131
Cash bonus (R'000)	16 900	15 246
Severance package (R'000)	6 500	-
Restricted incentives at end of year (R'000)	20 222	16 368

**8. RESTATEMENT OF PRIOR PERIOD BALANCE**

Comparative information in the financial statements has been amended to accommodate and account for a change of prior year results as a result of a classification error. The policyholder assets were previously erroneously disclosed net of reinsurance assets. The change was made in order to comply with the requirements of IFRS 4 which states that an insurer shall not offset reinsurance assets against the related insurance liabilities. The effect of the restatement is summarised below.

There is no effect in 2017.

<i>Consolidated (R'000)</i>	PREVIOUSLY REPORTED 2016	ADJUSTMENT 2016	RESTATED 2016
Policyholder assets	1 316 463	1 316 463	-
Insurance contracts	-	(1 231 996)	1 231 996
Reinsurance assets	-	(84 467)	84 467
Total	1 316 463	-	1 316 463

**9. EVENTS AFTER REPORTING DATE**

On 15 September 2017 the Board of Directors declared a cash dividend of 48 cents per qualifying ordinary share and a special dividend of 8 cents per qualifying ordinary share for the year ended 30 June 2017. The dividend is payable on 13 October 2017 to qualifying shareholders registered on 6 October 2017.

The qualifying ordinary shares at the date that these financial statements were approved excluded the ordinary shares issued to the Assupol Share Incentive Trust and the 'A2' ordinary shares.

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