



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

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2017

GENERAL NOTICE

These annual financial statements have been audited in compliance with any applicable requirement of the Companies Act, no 71 of 2008 (as amended), and have been compiled by Ms R Boonzaaier CA(SA) under supervision of Mr D de Klerk CA(SA).

GENERAL INFORMATION

Registration number:	2010/015888/06
Country of incorporation:	Republic of South Africa
Registered address:	Summit Place Office Park, Building 6 221 Garstfontein Road Menlyn Pretoria 0181
Postal address:	PO Box 35900 Menlo Park Pretoria 0102
Auditors:	PricewaterhouseCoopers Incorporated Sunninghill
Company secretary:	SJ de Beer

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The directors are responsible for the preparation, integrity and fair presentation of the annual financial statements of Assupol Holdings Limited and its subsidiaries. The financial statements presented on pages 13 to 88 have been prepared in accordance with International Financial Reporting Standards (IFRS), the manner required by the Companies Act, no 71 of 2008, and by the Long Term Insurance Act, no 52 of 1998, in South Africa, and include amounts based on judgements and estimates made by management.

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

The financial statements have been audited by the independent auditors, PricewaterhouseCoopers Incorporated, who have been given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the Board of Directors and committees of the Board of Directors. The directors believe that all the representations made to the independent auditors during their audit are valid and appropriate. The directors further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

The audit report of PricewaterhouseCoopers Incorporated is presented on pages 10 to 12.

The financial statements were approved by the Board of Directors on 15 September 2017 and are signed on its behalf by:



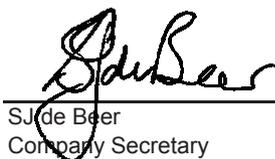
AS Birrell
Chairman



D de Klerk
Group Chief Financial Officer

COMPANY SECRETARY COMPLIANCE STATEMENT

In my capacity as Company Secretary, I hereby certify, in terms of the Companies Act, no 71 of 2008, that for the year ended 30 June 2017, the company has lodged with the Registrar of Companies all such returns and notices as required of a public company in terms of this legislation, and that all such returns and notices are, to the best of my knowledge and belief, true, correct and up to date.



SJ de Beer
Company Secretary

The Audit Committee presents its report for the financial year ended 30 June 2017.

APPOINTMENT

The shareholders appointed the Audit Committee as an independent statutory sub-committee of the Assupol Holdings Board.

TERMS OF REFERENCE

The Audit Committee has adopted its formal terms of reference as approved by the Board. The Audit Committee has conducted its affairs in compliance with these terms of reference.

ROLE AND RESPONSIBILITIES - STATUTORY DUTIES

The Audit Committee's role and responsibilities include statutory duties in terms of the Companies Act, and the responsibilities assigned by the Board.

EXTERNAL AUDITOR APPOINTMENT AND INDEPENDENCE

The Audit Committee is satisfied that the external auditor is independent in accordance with King III, which includes consideration of previous appointments of the auditor, the extent of other work undertaken by the auditor for the company and compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors. The auditor provided requisite assurance that internal governance processes within the audit firm support and demonstrate its claim to independence.

The Audit Committee, in consultation with executive management, agreed to the engagement letter, including its terms and conditions, audit plan and budgeted audit fees, for the 2017 financial year.

A formal procedure governs the process whereby the auditor is considered for other non-audit related services. For the year ended 30 June 2017, the external auditor provided non-audit services to the Group. The Audit Committee affirms that these services did not impair the external auditor's independence.

The external auditor had direct and unrestricted access to the chairman of the Audit Committee.

FINANCIAL STATEMENTS AND ACCOUNTING PRACTICES

The Audit Committee has reviewed the accounting policies and the financial statements of the Group with both management and the external auditors and is satisfied that they are appropriate and comply with International Financial Reporting Standards.

Based on processes and assurances obtained, the committee recommended the financial statements to the Board for approval.

INTERNAL FINANCIAL CONTROLS

The Audit Committee reviewed internal audit's written assessment of the effectiveness of internal financial controls and risk management. Nothing has come to the committee's attention that causes it to believe that the system of internal financial controls and risk management is not effective; or that the internal financial controls do not form a sound basis for the preparation of reliable financial statements.

DUTIES ASSIGNED BY THE BOARD

In addition to the statutory duties of the Audit Committee, the Board has determined further functions for the committee to perform, as set out in the terms of reference. These include the following:

Going concern

The Audit Committee has reviewed a documented assessment, including key assumptions, prepared by management on the going concern status of the Assupol Group. The Board of Directors' statement on the going concern status of the Assupol Group, as supported by the Audit Committee, is disclosed on page 2.

Governance of risk

The committee forms an integral part of the risk management function. The Board of Directors specifically assigned oversight of the Group's financial risk management function to the Audit Committee where the committee fulfills an oversight role regarding financial reporting risks, internal financial controls, fraud and information technology risks relating to financial reporting, and compliance with laws and regulations.

DUTIES ASSIGNED BY THE BOARD (continued)Internal audit

The Audit Committee is responsible for ensuring that the Group's internal audit function is independent and has the necessary resources, standing and authority within the Group to enable it to discharge its duties. In addition, the committee oversees co-operation between the internal and external auditors, and serves as a link between the Board and these functions.

The Audit Committee approved internal audit's annual audit plan for the 2017 financial year.

The execution of the internal audit work is outsourced to KPMG Internal Audit which reports directly to the Audit Committee and is responsible for reviewing and providing assurance on the adequacy of the internal control environment. KPMG reports the findings of the internal audit work to the Audit Committee on a regular basis and has direct unrestricted access to the Audit Committee, primarily through its chairman.

The Audit Committee also assesses the performance of the Internal Auditor and the internal audit function.

Evaluation of the expertise and experience of the Group Chief Financial Officer and the finance function

The Audit Committee is satisfied that the Group Chief Financial Officer has appropriate expertise and experience. Furthermore, the Audit Committee has considered and satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function, and experience of the senior members of management responsible for this function. In making these assessments, the committee has obtained feedback from both internal and external audit.

Integrated report

The Audit Committee fulfils an oversight role regarding the Group's integrated report and the reporting process. The Audit Committee considered the Group's sustainability information as disclosed in the Integrated Report and has assessed its consistency with operational and other information known to Audit Committee members, and with the annual financial statements.

MEMBERSHIP, ATTENDANCE AND ASSESSMENT

The Audit Committee consists of three independent non-executive directors. It should meet at least twice a year as required in its terms of reference. The Group Chief Executive Officer, Group Chief Financial Officer, Chief Risk Officer, external auditors, internal auditors and other assurance providers (actuarial, legal and compliance) attend meetings by invitation only. The Audit Committee held four meetings during the financial year and there was full attendance by all members.

The members are:

Name of member	Date appointed	Qualification
T Muranda (Chairman)	2013	BCompt (Hons) CA(SA)
AS Birrell	2013	B.Bus.Sc, FASSA, FFA, ASA, CERA
IO Greenstreet	2013	BSc (Hons), FCA



T Muranda
Chairman: Audit Committee
15 September 2017

1. NATURE OF BUSINESS

Assupol Holdings Limited is incorporated in South Africa and acts as the ultimate investment holding company of the Assupol Group. During the year under review the Assupol Group continued to provide a range of financial services to a defined niche market. For more detailed information regarding the nature of business per subsidiary, refer to note 42 to the financial statements.

2. GROUP RESULTS

Details of the Assupol Group's financial performance are set out in the financial statements and notes thereto on pages 13 to 91.

The Assupol Group delivered an exceptional financial performance despite the 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 actuarial 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:

Earnings performance	2017	2016	% change
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%
Return on equity (%)	29%	21%	

The adjusted operating profit for the Assupol Group was calculated in the following manner:

Adjusted operating profit (R'm)	2017	2016	% change
Net profit attributable to ordinary shareholders	771	472	63.35%
Adjustment on investment returns on excess assets	10	15	-33.33%
Non-recurring transactions	(43)	6	< -100.00%
Discontinuation of business relationship	-	1	-100.00%
Non-recurring economic assumption adjustments	(85)	51	< -100.00%
Other non-recurring actuarial adjustments	(63)	(79)	-20.25%
Adjusted operating profit	590	466	26.61%

The adjusted operating profit 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-core transactions. The calculation does not take into account the economic impact of actuarial adjustments on new business during a financial period.

New business (R'm)	2017	2016	% change
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.

2. GROUP RESULTS (continued)

Group embedded value (R'm)	2017	2016
Shareholders' funds	1 055	844
Value of in-force business	2 524	2 035
Gross	2 757	2 217
Cost of required capital	(233)	(182)
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%

Embedded value earnings - 2017 (R'm)	Adjusted net worth	Value of in-force	Cost of required capital	Total
Embedded value at 30 June 2016 - Covered business	844	2 217	(182)	2 879
Opening adjustments	(5)	13	-	8
Embedded value as at the beginning of the year	839	2 230	(182)	2 887
Dividends paid	(173)	-	-	(173)
Deferred bonus shares	28	-	-	28
Embedded value after adjustments	694	2 230	(182)	2 742
Unwinding of risk discount rate	-	294	(22)	272
Expected profits	498	(498)	-	-
New business	(224)	627	(53)	350
Operating experience variations	1	10	2	13
Tax	6	-	-	6
Assumption changes	23	98	(10)	111
Investment experience	52	(2)	31	81
Miscellaneous	5	(2)	1	4
Embedded value at 30 June 2017 - Covered business	1 055	2 757	(233)	3 579
Embedded value at 30 June 2016 - Uncovered business	29	-	-	29
Dividends paid	(202)	-	-	(202)
Embedded value after adjustments	(173)	-	-	(173)
Net profits	210	-	-	210
Holdings company expense adjustment	-	(61)	-	(61)
Market value adjustment	-	17	-	17
Embedded value at 30 June 2017 - Uncovered business	37	(44)	-	(7)
Group embedded value at 30 June 2017	1 092	2 713	(233)	3 572

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

Share statistics	2017	2016	% change
Share price - closing (R) *	5.85	5.50	6.36%
Market capitalisation (R'm) *	2 436	2 263	7.64%
Earnings per share (R)	2.29	1.57	46.13%
Diluted earnings per share (R)	2.01	1.36	47.08%
Group embedded value per share (R)	8.58	7.07	21.36%
Dividends per qualifying ordinary shares (cents)	56	56	0.00%

* Market information is based on the over-the-counter platform on which the company's shares trade.

3. BOARD OF DIRECTORS

The present directors of the company are:

Name	Board committee involvement	Date appointed
<i>Non-executive</i>		
AS Birrell * (Chairman)	Chairman: Actuarial Committee, Innovation and Growth Committee Member: Audit Committee, Remuneration Committee	7 May 2013
EDJ Ashkar	Chairman: Nomination Committee Member: Investment Committee, Social and Ethics Committee, Remuneration Committee, Actuarial Committee, Innovation and Growth Committee	20 Feb 2013
ILM Barnett ***	Member: Risk Committee	20 Feb 2013
IO Greenstreet	Member: Audit Committee, Risk Committee, Nomination Committee	7 Jun 2013
NE Gubb	Member: Investment Committee, Nomination Committee	7 May 2013
R Kisten	Chairman: Social and Ethics Committee Member: Innovation and Growth Committee	27 July 2016
T Muranda **	Chairman: Audit Committee, Investment Committee, Risk Committee, Remuneration Committee	30 Sep 2013
<i>Executive</i>		
CJ van Dyk ** (Group Chief Executive Officer - acting)	Member: Investment Committee, Innovation and Growth Committee, Actuarial Committee	30 Sep 2013
D de Klerk (Group Chief Financial Officer)	Member: Investment Committee, Innovation and Growth Committee, Actuarial Committee	30 Jul 2010
MB Mokwena-Halala	Member: Investment Committee, Innovation and Growth Committee	30 Jul 2010
SL Ndwalaza	Member: Social and Ethics Committee	1 Sep 2012

* Mr JA van Rensburg resigned on 27 July 2016. Mr AS Birrell was appointed as the new chairman of the Board of Directors with effect from 27 July 2016.

** Mr RF Schmidt resigned as an executive director with effect from 31 March 2017 and his employment contract ended on 31 July 2017. Mr CJ van Dyk, a former non-executive director, acted as Chief Executive Officer for the remainder of the financial year. He was appointed as Chief Executive Officer with effect from 1 July 2017. Ms T Muranda acted as chairman of the Risk Committee and Remuneration Committee during the period that Mr van Dyk acted as Chief Executive Officer.

*** Mr ILM Barnett resigned as non-executive director with effect from 11 August 2017.

**** Ms Z Saban and Mr KC Radebe were appointed as non-executive directors with effect from 1 August 2017 and 11 August 2017 respectively. Mr R Mothapo were appointed as independent non-executive director with effect from 18 August 2017.

4. PRESCRIBED OFFICERS

Name	Position held in Group	Date appointed
GFM Wessels	Group executive: Sales	1 May 2013
J Dippenaar	Chief Risk Officer	1 Sep 2015
MP Salmon	Senior Executive Manager: Strategy	1 Jan 2017

5. DETAILS OF SERVICE CONTRACTS

The Group has service contracts with all the executive directors and prescribed officers. The executive directors, Chief Risk Officer and Senior Executive Manager: Strategy have permanent employment agreements. The contracts of Mr GFM Wessels and Mr RF Schmidt terminated on 30 June 2017 and 31 July 2017 respectively.

6. SHARE CAPITAL

The company's authorised share capital was changed during the year with the authorisation of 100 000 000 'B' shares.

4 820 308 'B' shares were issued during the year, resulting in the issued share capital as at 30 June 2017 as:

	2017 R'000	2016 R'000
367 314 528 (2016: 367 314 528) ordinary shares of R0.001 each	367	367
44 202 985 'A' ordinary redeemable no par value shares	30 000	30 000
4 820 308 'B' no par value shares	28 843	-
Total issued shares	59 210	30 367

Refer note 26 to the financial statements for information on the company's share capital.

7. SHAREHOLDER DIVIDEND

Dividends were declared in respect of the following financial years:

	2017 cents per share	2016 cents per share
Cash dividend	48	43
Special dividend	8	13

On 30 September 2016 the directors declared a cash dividend of 43 cents and special dividend of 13 cents per qualifying ordinary share in terms of the company's dividend policy to shareholders recorded at close of business on 21 October 2016. The dividends were paid on 28 October 2016.

Refer to subsequent events (paragraph 12 below) for the dividend declared in respect of the 2017 financial year.

8. STATUTORY ACTUARY

In terms of the Long Term Insurance Act, no 52 of 1998, Mr CR van der Riet is the statutory actuary of Assupol Life Limited.

9. COMPANY SECRETARY

The Company Secretary, Mr SJ de Beer, was appointed in July 2010.

10. AUDITORS

In accordance with section 90 of the Companies Act, no 71 of 2008, the Audit Committee, on behalf of the Board of Directors, nominated PricewaterhouseCoopers Incorporated for appointment as external auditor. This appointment will be subject to approval by a majority of shareholders at the annual general meeting scheduled for the final quarter in the 2017 calendar year.

11. SUBSIDIARIES

The Assupol Group's material interests in subsidiaries are set out in note 42 to the financial statements. These companies were subsidiaries throughout the year. The subsidiaries are involved in the financial services industry in South Africa.

12. SUBSEQUENT EVENTS**Dividend declaration**

On 15 September 2017 the Board of Directors, in terms of section 46 of the Companies Act, no 71 of 2008, declared a gross cash dividend of 48 cents per qualifying ordinary share for the financial year ended 30 June 2017.

The Board of Directors has also declared a special dividend of 8 cents per qualifying ordinary share.

The qualifying ordinary shares as at 15 September 2017 excludes the ordinary shares issued to the Assupol Share Incentive Trust, the 'A2' ordinary shares, and the 'B' shares. Refer notes 28 and 29 for more detail.

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

The following dates will apply to the dividend:

Last date to trade cum the dividend	6 October 2017
Record date	6 October 2017
Trading ex dividend commences	7 October 2017
Dividend payment date	13 October 2017

Independent auditor's report

To the Shareholders of Assupol Holdings Limited

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Assupol Holdings Limited (the Company) and its subsidiaries (together the Group) as at 30 June 2017, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Assupol Holdings Limited's consolidated and separate financial statements set out on page 13 to 91 comprise:

- the consolidated and company statements of financial position as at 30 June 2017;
- the consolidated and company statements of comprehensive income for the year then ended;
- the consolidated and company statements of changes in equity for the year then ended;
- the consolidated and company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the *Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B).

Other information

The directors are responsible for the other information. The other information comprises of the Director's responsibility for financial reporting statement, the Company Secretary compliance statement, the Report of the Audit Committee and the Director's Report as required by the Companies Act of South Africa. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate



financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: DT van den Berg
Registered Auditor
Johannesburg
19 September 2017

STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 June 2017

	NOTES	CONSOLIDATED		COMPANY	
		2017 R'000	2016 R'000	2017 R'000	2016 R'000
Insurance premiums revenue		2 689 623	2 447 832	-	-
Insurance premiums ceded to reinsurers		(237 822)	(205 223)	-	-
<i>Net insurance premium revenue</i>	7	2 451 801	2 242 609	-	-
Commission received on outward reinsurance		11 624	12 220	-	-
Fee income	8	77 842	56 467	-	-
Investment income	9	187 826	142 242	167 052	318 571
Net fair value (losses) / gains on financial assets	10	(49 097)	28 186	-	-
Other income	11	1 437	3 681	536	1 294
Income		2 681 433	2 485 405	167 588	319 865
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>	12	(786 883)	(856 447)	-	-
Acquisition costs	13	(536 552)	(479 591)	-	-
Operating and administrative expenses	14	(841 542)	(750 605)	(8 976)	(9 598)
Investment management expenses		(12 661)	(8 805)	-	-
Change in insurance contract provisions	30	579 107	327 882	-	-
Fair value adjustments on investment contract liabilities	31	(19 068)	(52 490)	-	-
Expenses		(1 617 599)	(1 820 056)	(8 976)	(9 598)
Result of operating activities		1 063 834	665 349	158 612	310 267
Finance charges	15	(26)	(105)	(1)	-
Share of profit from associate		-	174	-	-
Profit before taxation		1 063 808	665 418	158 611	310 267
Income tax expense	16	(292 624)	(193 513)	(26)	(398)
PROFIT FOR THE YEAR		771 184	471 905	158 585	309 869
Other comprehensive income					
Loss on property revaluation		-	(2 186)	-	-
Revaluation reserve on previously owner-occupied properties		(3 647)	-	-	-
Income tax relating to other comprehensive income		-	612	-	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR		(3 647)	(1 574)	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		767 537	470 331	158 585	309 869
Profit attributable to:					
Shareholders		771 184	472 003	158 585	309 869
Non-controlling interests		-	(98)	-	-
		771 184	471 905	158 585	309 869
Total comprehensive income attributable to:					
Shareholders		767 537	470 429	158 585	309 869
Non-controlling interests		-	(98)	-	-
		767 537	470 331	158 585	309 869
Group earnings per share:					
Basic earnings per share	17	2.29	1.57		
Diluted earnings per share	17	2.01	1.36		

STATEMENT OF FINANCIAL POSITION as at 30 June 2017

	NOTES	CONSOLIDATED		COMPANY	
		2017	2016	2017	2016
		R'000	Restated R'000	R'000	R'000
ASSETS					
Owner-occupied properties	18	-	-	-	-
Equipment	19	67 802	44 889	-	-
Deferred tax asset	34	50 026	47 567	-	-
Intangible assets	20	102 756	103 875	-	-
Investments in subsidiaries	21	-	-	733 799	701 953
Financial assets - Investments	22				
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	30				
Insurance contracts		1 870 751	1 231 996	-	-
Reinsurance assets		24 819	84 467	-	-
Insurance and other receivables	23	110 474	101 217	2 873	388
Current taxation	36	-	10 613	71	-
Cash and cash equivalents	24	304 718	245 554	43 053	49 102
Non-current assets held for sale	25	13 570	26 229	-	-
TOTAL ASSETS		5 889 681	4 596 012	779 796	751 443
EQUITY					
Share capital	26	601 808	572 965	601 808	572 965
Treasury shares	27,28	(39 196)	(30)	(28 867)	(30)
Employee benefits reserve	28	74 504	45 756	74 504	45 756
Black Economic Empowerment reserve	29	14 300	14 300	14 300	14 300
Retained earnings		2 293 006	1 720 370	34 870	49 637
Revaluation reserve		-	3 647	-	-
TOTAL EQUITY		2 944 422	2 357 008	696 615	682 628
LIABILITIES					
Policyholder liabilities: Investment contracts	31				
At fair value through profit or loss		1 311 317	1 298 259	-	-
At amortised cost		506 207	-	-	-
Employee benefits	32	133 516	107 609	57 667	54 575
Deferred revenue liability	33	458	346	-	-
Deferred tax liability	34	712 713	561 081	-	-
Insurance and other payables	35	266 779	271 709	25 514	14 217
Current taxation	36	14 269	-	-	23
TOTAL LIABILITIES		2 945 259	2 239 004	83 181	68 815
TOTAL EQUITY AND LIABILITIES		5 889 681	4 596 012	779 796	751 443

STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2017

	SHARE CAPITAL R'000	TREASURY SHARES R'000	EMPLOYEE BENEFITS RESERVE R'000	BEE RESERVE R'000
COMPANY				
Balance at 30 June 2015	568 104	(77)	28 324	14 300
Cost of incentive shares	-	-	2 061	-
Share incentive options exercised	-	47	(47)	-
Repurchase of ordinary shares	(1)	-	-	-
Correction on redemption of preference shares	4 862	-	-	-
Deferred bonus recognition	-	-	15 418	-
Dividend paid	-	-	-	-
Profit for the year	-	-	-	-
Balance at 30 June 2016	572 965	(30)	45 756	14 300
B shares issued	28 843	(28 843)	-	-
Cost of incentive shares	-	-	4 878	-
Share incentive options exercised	-	6	(6)	-
Deferred bonus recognition	-	-	23 876	-
Dividend paid	-	-	-	-
Assupol Life's deferred bonus shares	-	-	-	-
Profit for the year	-	-	-	-
Balance at 30 June 2017	601 808	(28 867)	74 504	14 300
CONSOLIDATED				
Balance at 30 June 2015	568 104	(77)	28 324	14 300
Cost of incentive shares	-	-	2 061	-
Share incentive options exercised	-	47	(47)	-
Repurchase of ordinary shares	(1)	-	-	-
Correction on redemption of preference shares	4 862	-	-	-
Deferred bonus recognition	-	-	15 418	-
Dividend paid	-	-	-	-
Profit for the year	-	-	-	-
Other comprehensive income for the year	-	-	-	-
Balance at 30 June 2016	572 965	(30)	45 756	14 300
B-Shares issued	28 843	(28 843)	-	-
Investment in holdings company	-	(10 329)	-	-
Cost of incentive shares	-	-	4 878	-
Share incentive options exercised	-	6	(6)	-
Deferred bonus recognition	-	-	23 876	-
Dividend paid	-	-	-	-
Profit for the year	-	-	-	-
Other comprehensive income for the year	-	-	-	-
Balance at 30 June 2017	601 808	(39 196)	74 504	14 300

STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2017

	RETAINED EARNINGS	REVALUATION RESERVE	NON- CONTROLLING INTEREST	TOTAL EQUITY AND LIABILITIES
	R'000	R'000	R'000	R'000
COMPANY				
Balance at 30 June 2015	39 903	-	-	650 554
Cost of incentive shares	-	-	-	2 061
Share incentive options exercised	-	-	-	-
Repurchase of ordinary shares	-	-	-	(1)
Correction on redemption of preference shares	4 724	-	-	9 586
Deferred bonus recognition	-	-	-	15 418
Dividend paid	(304 859)	-	-	(304 859)
Profit for the year	309 869	-	-	309 869
Balance at 30 June 2016	49 637	-	-	682 628
B-Shares issued	-	-	-	-
Cost of incentive shares	-	-	-	4 878
Share incentive options exercised	-	-	-	-
Deferred bonus recognition	-	-	-	23 876
Dividend paid	(202 195)	-	-	(202 195)
Assupol Life's deferred bonus shares	28 843	-	-	28 843
Profit for the year	158 585	-	-	158 585
Balance at 30 June 2017	34 870	-	-	696 615
CONSOLIDATED				
Balance at 30 June 2015	1 549 262	5 221	3 342	2 168 476
Cost of incentive shares	-	-	-	2 061
Repurchase of ordinary shares	-	-	-	(1)
Correction on redemption of preference shares	4 724	-	-	9 586
Deferred bonus recognition	-	-	-	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)
Balance at 30 June 2016	1 720 370	3 647	-	2 357 008
B-Shares issued	-	-	-	-
Investment in holdings company	-	-	-	(10 329)
Cost of incentive shares	-	-	-	4 878
Share incentive options exercised	-	-	-	-
Deferred bonus recognition	-	-	-	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)	-	-
Balance at 30 June 2017	2 293 006	-	-	2 944 422

STATEMENT OF CASH FLOWS for the year ended 30 June 2017

	NOTES	CONSOLIDATED		COMPANY	
		2017 R'000	2016 R'000	2017 R'000	2016 R'000
Cash flows from operating activities					
Cash generated from / (utilised in) operations	37	890 189	244 594	5 949	(4 026)
Net acquisition of financial instruments					
at fair value through profit or loss	22	(178 481)	(28 083)	-	-
at amortised cost	22	(515 776)	-	-	-
Interest received	9	171 484	122 724	1 338	2 907
Dividends received	9	16 342	19 518	165 714	315 664
Dividends paid		(202 195)	(304 859)	(202 195)	(304 859)
Finance charges	15	(26)	(105)	(1)	-
Taxation paid	38	(118 570)	(105 434)	(120)	(375)
Net cash flows from operating activities		62 967	(51 645)	(29 315)	9 311
Cash flows from investing activities					
Acquisition of equipment	19	(37 918)	(15 505)	-	-
Proceeds on disposal of property and equipment	19	14 694	1 273	-	-
Additions to intangible assets	20	-	(8 000)	-	-
Disposal of investment in subsidiary	21	-	4 480	-	-
Net acquisition of investment in subsidiary	21	-	-	(31 846)	(25 850)
Net decrease / (increase) in receivables	23	996	10 792	(2 485)	361
Net cash flows from investing activities		(22 228)	(6 960)	(34 331)	(25 489)
Cash flows from financing activities					
Shares issued	26	-	-	28 843	-
(Increase) / decrease in treasury shares	28	(10 323)	47	6	47
Repurchase of ordinary shares	28	-	(1)	-	(1)
Correction on redemption of preference shares	26	-	9 586	-	9 586
Increase in employee benefits reserve	28	28 748	15 290	28 748	17 432
Net cash flows from financing activities		18 425	24 922	57 597	27 064
Net increase / (decrease) in cash and cash equivalents		59 164	(33 683)	(6 049)	10 886
Cash and cash equivalents at beginning of the year		245 554	279 237	49 102	38 216
Cash and cash equivalents at end of the year		304 718	245 554	43 053	49 102

1. GENERAL INFORMATION

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

Assupol Life Limited ("Assupol Life"), the life insurance subsidiary of Assupol Holdings, underwrites life insurance risks, such as those associated with death, disability and dread disease. The company also issues a diversified portfolio of investment contracts, consisting both fixed and variable return portfolios, to provide its customers with asset management solutions for their savings and retirement needs.

The subsidiary Cornerstone Brokers Corporate Proprietary Limited ("Cornerstone Brokers") provides an intermediary service for insurance needs. The other companies in the Group include property companies, namely Siebador Sewentien Proprietary Limited ("Siebador Sewentien") and Erf 26 Menlopark Share Block Proprietary Limited ("Erf 26"), as well as Assupol Investment Holdings Proprietary Limited ("Assupol Investment Holdings"), that holds the investments in all the non-life subsidiaries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise indicated. All amounts are shown in thousands of South African rand, rounded to the nearest thousand, unless otherwise indicated.

2.1 Basis of preparation

The consolidated financial statements of the Assupol Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Companies Act, no 71 of 2008, in South Africa.

IFRS comprise International Financial Reporting Standards, International Accounting Standards (IAS) and Interpretations, and are set by the International Accounting Standards Board (IASB).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company and Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3 to the financial statements.

The Group prepares its audited consolidated financial statements on a going concern basis. The assets and liabilities are valued on the historical cost basis, except for the following items:

Carried at fair value

- Financial assets designated as 'at fair value through profit or loss';
- Financial liabilities for policyholder liabilities under investment contracts; and
- Liabilities for cash-settled share-based payments.

Carried at a different measurement basis

- Policyholder liabilities / assets under insurance contracts are valued in terms of the Financial Soundness Valuation (FSV) basis contained in the Actuarial Society of South Africa's Actuarial Practice Note SAP104 and described in accounting policy 2.22.3; and
- Investments in subsidiaries are carried at cost.

2.1.1 Standards and interpretations effective in the current year

The following changes to accounting policies that are applicable to the Group were implemented and are either new or have been amended from the prior year, in accordance with the transitional provisions of the standards. The effective date that is indicated below represents financial periods beginning on or after that specific date, unless otherwise

- *IFRS 10 and IAS 28 (amendment) - Consolidated financial statements, Investments in associates and joint ventures (effective 1 January 2016)*

The IASB has issued this amendment to eliminate the inconsistency between IFRS 10 and IAS 28. If the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business', then the full gain or loss will be recognised by the investor. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

Further amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

- *IAS 1 (amendment) - Presentation of financial statements (effective 1 January 2016)*

The amendment clarifies guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

- *IAS 16 and IAS 38 (amendment) - Property, plant and equipment and Intangible assets (effective 1 January 2016)*
Clarification of acceptable methods of depreciation and amortisation.

2.1.1 Standards and interpretations effective in the current year (continued)

- *IAS 27 (amendment) - Separate financial statements (effective 1 January 2016)*

The IASB has restored the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

2.1.2 Standards and interpretations not yet effective

The following accounting standards that are applicable to the Group have been amended by the International Accounting Standards Board (IASB), but with effective dates that are after the Group's current reporting period. The Group will comply with the amendments from the effective date. The standards have not been early adopted and the impact thereof is currently being assessed. The effective date that is indicated below represents financial periods beginning on or after that specific date, unless otherwise indicated.

- *IFRS 9 (amendment) - Financial instruments (effective 1 January 2018)*

This standard replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. These updates include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39 without change, except for financial liabilities that are designated at fair value through profit or loss.

A further amendment aligned hedge accounting more closely with an entity's risk management. It also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39.

- *IFRS 15 - Revenue from contracts from customers (effective 1 January 2018)*

This is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer.

- *IFRS 16 - Leases (effective 1 January 2019)*

This standard will require that lessees should be required to recognise assets and liabilities arising from all leases (with limited exceptions) on the balance sheet.

- *IFRS 17 - Insurance contracts (effective 1 January 2021)*

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

2.2 **Basis of consolidation**

The Group's financial statements represent the consolidated financial position and changes therein, operating results, and cash flow information of the company and all of its subsidiaries.

2.2.1 Interest in subsidiaries (refer notes 5.4.1.d and 42).

Under IFRS 10 all entities, including structured entities such as collective investment schemes, over which the Group has control are regarded as subsidiaries. The Group controls an entity when the Group is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. The shares held by the Assupol Share Incentive Trust have been consolidated into the financial results of the Group as the Group has effective control over these shares.

Investments in subsidiaries are accounted for at cost less accumulated impairment losses in the stand-alone financial statements of the company.

The Group applies the acquisition method of accounting to account for the acquisition of subsidiaries. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are derecognised from the date that control ceases. The Group recognises identifiable assets and liabilities, and contingent liabilities acquired in its statement of financial position at their fair values at the date of acquisition. It eliminates all inter-company transactions, balances and unrealised surpluses and deficits on transactions between companies in the Group. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Therefore, the cost of the acquisition is measured as the fair value of assets given and liabilities assumed at date of exchange and costs directly attributable to the acquisition.

The interest of non-controlling shareholders is stated at their proportionate share of the subsidiary's identifiable net assets on an acquisition-by-acquisition basis. Once the company no longer controls a subsidiary, the investment is treated as a financial instrument in terms of IAS 39.

2.3 Foreign currency translation**2.3.1 Functional and presentation currency**

The Group presents its consolidated financial statements in South African rand (ZAR), the functional currency of the holding company and its subsidiaries.

2.3.2 Transactions and balances

The Group converts transactions in foreign currencies to South African rand at the spot rate on the transaction date. Monetary assets and liabilities in foreign currencies are translated to South African rand using the rates of exchange ruling at the financial year-end. Any translation differences are included in the Statement of Comprehensive Income in the period in which the difference occurs in 'net fair value gains on financial assets'.

2.4 Revenue recognition and other income and expenses**2.4.1 Revenue recognition**

Revenue comprises insurance premiums received, as well as commission received on outward reinsurance, fee income, investment income, and net fair value gains and losses on financial assets.

2.4.2 Insurance premiums received

Refer to the accounting policy on Policyholder contracts - Investment and Insurance, note 2.22.

2.4.3 Reinsurance premiums received

Reinsurance premiums are recognised when due in accordance with the terms of each insurance contract.

2.4.4 Fee income

Fee income represents income from the administration of investment contracts on behalf of policyholders. A management fee is charged to manage the investments of the contracts, as the services are rendered over the expected duration of the contract.

2.4.5 Investment income

Investment income is recognised as follows:

- Dividends are brought to account once the last date of registration has passed.
- Interest for all interest-bearing financial instruments, including financial instruments measured 'at fair value through profit or loss', is recognised within investment income, and is accounted for on the effective interest rate method.

2.4.6 Other income

Other income comprises mainly of commission income, levies on policyholders' loans, and profit on disposal of property and equipment.

2.4.7 Acquisition costs of insurance and investment contracts

Acquisition costs on investment contracts with investment management services are recognised as deferred acquisition costs. The annual amortisation of the deferred acquisition costs is included in the acquisition cost expense.

The acquisition costs for the guaranteed single premium products are recognised at date of inception of the contract.

Acquisition costs on insurance contracts include both new business and renewal commissions as well as expenses related thereto, including sales managers' remuneration and production bonuses payable. These acquisition costs are expensed as incurred.

2.4.8 Operating and administration expenses

Operating and administration expenses include head office and branch administration expenditure, marketing and development expenditure as well as all other non-commission related expenditure, and are expensed as incurred.

2.4.9 Finance charges

Interest expense is recognised within finance charges in the Statement of Comprehensive Income using the effective interest rate method.

2.5 Reinsurance contracts held

Reinsurance contracts are contracts entered into by the Group with reinsurers under which the Group is compensated for the entire or a portion of losses arising on one or more of the insurance contracts issued by the Group.

The expected benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due by reinsurers (classified within insurance and other receivables), as well as longer-term receivables (classified as reinsurance assets), if any, that are dependent on the present value of expected claims and benefits arising net of expected premiums payable under the related reinsurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured contracts and in accordance with the terms of each reinsurance contract.

Insurance premiums received on reinsurance agreements

Insurance premiums received on reinsurance agreements are recognised when receivable. Premiums are shown before deduction of commission. Outstanding premiums are included in receivables. Commission on premiums for new policies is withheld prior to payment of the reinsurance premium.

Insurance premiums ceded to reinsurers

Insurance premiums ceded to reinsurers are recognised when due for payment, and calculated in terms of the reinsurance contract. Premiums are shown before accrual of commission. Unpaid premiums are included in payables. Commission on premiums for new policies is withheld prior to payment of the reinsurance premium.

Insurance claims incurred in respect of reinsurance agreements

Insurance claims incurred in respect of reinsurance agreements are recognised when the claim is received from the party that was reinsured.

Insurance claims recovered from reinsurers

Insurance claims recovered from reinsurers are recognised in the statement of comprehensive income in the same period as the related claim at the undiscounted amount receivable in terms of the contracts.

2.6 Taxation

2.6.1 *Current taxation*

The charge for current tax is based on the results for the year as adjusted for items which are non-taxable or disallowed. It is calculated using taxation rates (and laws) that have been enacted by the end of the reporting period.

Current tax includes South African corporate tax payable as well as capital gains tax.

Taxation in respect of the South African life insurance operations is determined using the 'five fund' method applicable to life insurance companies.

2.6.2 *Dividend withholding tax*

Dividend withholding tax is a tax on distributions to beneficial owners and levied at 20% (2016: 15%). A beneficial owner is the person entitled to the benefit of the dividend attaching to a share. The tax is payable by the beneficial owners and not the Group.

2.6.3 *Deferred taxation*

The Group calculates deferred taxation using the liability method. It calculates deferred tax liabilities or assets by applying corporate enacted or substantially enacted tax rates to the temporary differences existing at each end of a reporting period between the tax values of assets and liabilities and their carrying amount in the financial statements, where such temporary differences are expected to result in taxable or deductible amounts in determining taxable income for future periods when the carrying amount of the assets and liabilities are recovered or settled. If the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for.

The Group recognises deferred tax assets if the directors of the Group consider it probable that future taxable income will be available against which the unused tax losses can be utilised. The major categories of assets and liabilities giving rise to a deferred taxation balance are policyholder valuation basis on investment contracts, policyholder liabilities special transfers, deferred acquisition costs, deferred revenue liabilities, and unrealised gains on investments and intangible assets.

2.7 Dividend distributions

Dividend distributions to the company's shareholders are recognised in the Statement of Changes in Equity when declared. If it is not paid, it is disclosed as a liability in the financial statements in the period in which the dividends are approved by the company's directors.

2.8 Recognition of assets, liabilities and provisions

2.8.1 Assets

The Group recognises assets when it obtains control of a resource as a result of past events, and from which future economic benefits are expected to flow to the Group.

2.8.2 Contingent assets

The Group discloses a contingent asset where:

- as a result of past events, it is highly likely that economic benefits will flow to it;
- the confirmation of which is subject to the occurrence or non-occurrence of one or more uncertain future events; and
- the event is not wholly within the control of the Group.

2.8.3 Liabilities and provisions

The Group recognises liabilities, including provisions when:

- it has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate of the amount of the obligation can be made.

If the effect of discounting is material, provisions are discounted using an appropriate discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The Group recognises a provision for onerous contracts, except on insurance contracts (for which the liability adequacy test is required), when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

2.8.4 Contingent liabilities

The Group discloses a contingent liability where:

- it has a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- it is not probable that an outflow of resources will be required to settle an obligation; or
- the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are initially measured at fair value in business combinations.

2.9 Owner-occupied properties

Owner-occupied properties are held for utilisation as the Group's head office space. Where the Group occupies a significant portion of the property, it is classified as owner-occupied property.

2.9.1 Measurement

Owner-occupied properties are initially recorded at cost. Subsequently, owner-occupied properties are reflected at revalued amounts less subsequent depreciation and impairments, based on triennial valuations done by external valuers. In interim years, index-adjustments are carried out based on the advice given by the valuers. Any revaluation surpluses are accounted to a revaluation reserve.

2.9.2 Depreciation

Owner-occupied properties are depreciated on a straight-line basis over a period of 50 years. Land is not depreciated. Any accumulated depreciation at date of revaluation is eliminated against the gross carrying amount of the asset. The residual values and useful lives are reassessed on an annual basis.

2.10 Equipment**2.10.1 Measurement**

Equipment is initially recorded at cost and subsequently measured at historical cost less accumulated depreciation and impairment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

2.10.2 Depreciation

The Group depreciates equipment on a straight-line basis at rates calculated to reduce the book value of these assets to estimated residual values over their expected useful lives. Management reviews useful lives annually to evaluate their appropriateness and current and future depreciation charges are adjusted accordingly.

The periods of depreciation (for both owned and leased assets) are as follows:

- Office equipment 5 - 10 years
- Computer equipment 3 - 5 years
- Motor vehicles 5 years

There has been no change to useful lives from those applied in the previous financial year. The residual values and useful lives are reassessed on an annual basis.

The Group impairs an asset to its recoverable amount when there is an impairment indicator in the carrying value of the asset.

2.10.3 Gains and losses on disposal

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the Statement of Comprehensive Income in 'other income'.

2.11 Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amounts are to be recovered principally through a sale transaction. This classification is only met if the sale is highly probable and the assets are available for immediate sale. The assets are stated at the lower of carrying amount and fair value less costs to sell.

2.12 Accounting for leases - where the Group is the lessee**2.12.1 Operating leases**

The Group classifies leases of assets, where the lessor effectively retains the risks and benefits of ownership, as operating leases. It charges operating lease payments to the statement of comprehensive income on a straight-line basis over the period of the lease. Minimum rentals due after year-end are reflected under commitments.

The Group recognises any penalty payment to the lessor for early termination of an operating lease as an expense in the period in which termination takes place.

2.13 Intangible assets**2.13.1 Deferred acquisition costs (DAC)**

Refer note 2.22.2 for the accounting treatment of the DAC intangible asset.

2.13.2 Goodwill

All business combinations are accounted for by applying the acquisition method of accounting. The cost of the business combination is the fair value of the purchase consideration due at the date of acquisition. Goodwill represents the excess of the purchase price consideration of an acquisition over the attributable fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Goodwill that arises in a business combination is not amortised, and is carried at cost less accumulated impairments.

Impairment tests are performed annually on all cash generating units to which goodwill can be allocated. A cash generating unit is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows generated by other groups of assets. Impairment losses recognised against goodwill may not be reversed.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired (including contingent liabilities) over the cost of acquisition. Negative goodwill is recognised in profit in the year in which it arises.

2.13.3 Marketing rights

Acquired marketing rights are initially accounted for at fair value and subsequently shown at cost less accumulated amortisation. Marketing rights are for a contractual period of 4 years and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost of marketing rights over the contractual term of 4 years.

2.14 Financial assets

Financial assets carried on the Statement of Financial Position include all assets, except for equipment, owner-occupied properties, intangible assets and deferred tax assets.

Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred and the Group has also transferred substantially all risks and rewards of ownership.

The Group classifies its financial assets into the following categories:

- Financial assets designated as 'at fair value through profit or loss'; and
- Financial assets carried 'at amortised cost'.

The Group does not currently hold any held-to-maturity or available-for-sale financial assets.

2.14.1 Financial assets designated as 'at fair value through profit or loss'

Initial classification and recognition

Assets are designated on initial recognition as 'at fair value through profit or loss' to the extent that it produces more relevant information because it:

- results in the reduction of measurement inconsistency (for accounting mismatch) that would arise as a result of measuring assets and liabilities and the gains and losses on them on a different basis; or
- is managed as a group of financial assets and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and this is the basis on which information about the assets is provided internally to the entity's key management personnel.

Financial assets classified as 'at fair value through profit or loss' consist of local listed shares, local and global unit trusts, corporate and government bonds, debt securities in parastatals, utilities and municipalities, investment in insurance policies, deposits and money market securities.

Financial assets listed in this category are recognised initially at fair value on trade date, which is the date on which the Group assumes or transfers substantially all risks and rewards of ownership. Transaction costs are expensed as incurred.

Subsequent measurement

Assets in this category are subsequently measured at fair value and the fair value adjustments are recognised in the Statement of Comprehensive Income in 'investment income' or 'net fair value gains on financial assets'. No impairment test is therefore necessary on this asset class.

Fair values for quoted investments (most likely for equities and debt securities) are based on quoted prices on a regulated exchange at the close of business on the last trading day on or before the end of the reporting period. The ruling closing price is used as the most representative price. If a quoted closing price is not available for dated instruments, the fair value is measured at the repurchase price (most likely for unit trusts).

Fair values for unquoted instruments are determined as follows:

Unlisted instruments

Valuations are determined by applying appropriate valuation techniques such as discounted cash flow analysis, recent arm's length market transactions in respect of the instrument, the price-earnings multiple valuation, or an industry-specific valuation. For further information, refer note 5.4.5.

2.14.2 Financial assets carried 'at amortised cost'.

Initial classification and recognition

Financial assets in this category, are classified as loans and receivables and other financial assets, i.e. assets that do not meet the definition of loan and receivables or assets not classified 'at fair value through profit or loss'. These assets are recognised initially at fair value on trade date plus transaction costs that are directly attributable to their acquisition. The trade date is the date on which the Group commits to purchase or sell the financial assets.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent measurement and impairment

Assets in this category are subsequently measured at amortised cost, using the effective interest rate method.

An impairment for financial assets in this category is recognised when there is a reasonable expectation that the Group will not be able to collect all amounts due, according to the original terms and conditions of the assets in this category. The amount of the provision is the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the effective interest rate. The movement in the provision is recognised in the statement of comprehensive income.

2.15 Offsetting financial instruments

The Group offsets financial assets and liabilities and reports the net balance in the Statement of Financial Position where:

- there is a legally enforceable right to set off; and
- there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.16 Derivative financial instruments

Initial classification and recognition

Derivatives are recognised initially at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Subsequent measurement and impairment

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of comprehensive income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

2.17 Impairment of assets

2.17.1 *Financial assets carried at amortised cost*

At the end of a reporting period the Group assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following events:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group, including:
 - > adverse changes in the payment status of issuers or debtors in the Group; or
 - > national or local economic conditions that correlate with defaults on the assets in the Group.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred on insurance and other receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Group's grading process that considers asset type, industry, geographical location, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the issuer's ability to pay all amounts due under the contractual terms of the debt instrument being evaluated.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the Statement of Comprehensive Income.

2.17.2 *Impairment of other non-financial assets*

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.18 **Loans to policyholders**

Loans to policyholders are classified as 'financial assets carried 'at amortised cost'.' (refer to accounting policy 2.14.2). Loans were granted to a maximum of 75% of the cash value (the policy value less policy cost balance) of the respective policy. Interest is charged at a prime linked rate. If any bad debt arises, it is written off during the year in which it is identified. The granting of loans to policyholders was discontinued in September 2015.

2.19 **Cash and cash equivalents**

Cash and cash equivalents comprise balances with banks, money at call, notice deposits and cash on hand, but do not include money market securities held for investment. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Instruments included in cash and cash equivalents are those with maturity dates of three months or less.

2.20 **Share capital**

Ordinary and preference shares are classified as equity.

2.21 **Share-based payments**

The Group has both equity-settled and cash-settled share-based payment compensation plans.

2.21.1 *Equity-settled share-based payments*

The equity-settled share-based payments in the Group include the share incentive shares to certain qualifying employees as well as the deferred bonus scheme.

Equity-settled share-based payments to employees of the Group are measured at the fair value of the equity instruments at the grant date. The fair value of the treasury shares pertaining to the share incentive shares is the value of the options less the value of the notional loan at date of issue.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the applicable vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in the employee benefits reserve. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimate, if any, is recognised in profit or loss so that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Unvested shares relating to equity-settled share-based payments are held as treasury shares until such time as the counterparty elects to exercise their share option, at which time the treasury share and the corresponding employee benefit reserve charge are netted off against each other. In the event that the option is not exercised within the appropriate window, the respective ordinary shares and related treasury shares are cancelled.

2.21.2 *Cash-settled share-based payments*

The cash-settled share-based payments in the Group comprise of the shares issued to the executive directors and prescribed officers.

For cash-settled share-based payments, a liability equal to the portion of the services received is recognised at the current fair value determined at each Statement of Financial Position date. Until the liability is settled, the fair value is re-measured at each reporting date and a date of settlement with any changes in fair value recognised in profit or loss for the period.

2.22 Policyholder contracts - Investment and Insurance

2.22.1 Investment and insurance contract classification

The Group issues contracts that transfer insurance risk or financial risk or, in some cases, both.

An insurance contract is a contract under which the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Such contracts may also transfer financial risk. The Group defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are significantly more than the benefits payable if the insured event did not occur.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

2.22.2 Investment contracts

The Group issues investment management contracts with fixed and guaranteed terms, and without fixed and guaranteed terms (unit linked).

Valuation

Investment contracts without fixed and guaranteed terms are financial liabilities of which the fair value is dependent on the fair value of the underlying financial assets and are designated at inception as 'at fair value through profit or loss'.

The Group's valuation methodologies incorporate all factors that market participants would consider and are based on observable market data. The fair value of a unit linked financial liability is determined by using the current unit price that reflects the fair values of the financial assets contained within the Group's unitised investment funds linked to the financial liability, multiplied by the number of units attributed to the policyholder at the end of the reporting period.

Investment contract liabilities measured at fair value are taken as the maximum of the amount repayable on demand or the statutory calculated liability.

Investment contracts with fixed and guaranteed terms are financial liabilities that are initially recognised at cost, net of acquisition cost, and are designated at inception as financial liabilities held 'at amortised cost'.

Surrender charges

Surrender charges are levied on investment contracts which are prematurely terminated or lapse due to non-payment of premiums. This is done to recover any unrecovered expenses incurred when the contract was issued.

Investment management fees on investment contracts and deferred revenue liability

Investment management fees on investment contracts are recognised on an accrual basis as and when the services are rendered.

Fees are charged to the customer on a monthly basis, by making a deduction from invested funds, or by deducting the fee from the premium prior to the purchase of the investment units.

A deferred revenue liability is recognised in respect of upfront fees, which are directly attributable to a contract, that are charged when securing the investment management service contract. The deferred revenue liability is released to revenue when the services are provided, over the expected duration of the contract, and on a straight-line basis.

Amounts received and claims incurred on investment contracts

Amounts received under investment contracts, such as premiums and investment returns, are credited to investment contract liabilities. Claims incurred are recorded as deductions from investment contract liabilities.

Deferred acquisition costs (DAC) in respect of investment contracts

Commissions paid and other incremental acquisition costs are incurred when new investment contracts are entered into or existing investment contracts are renewed. These costs, if specifically attributable to an investment contract with an investment management service element, are deferred and amortised on a straight-line basis over the average expected life of the contract, as they represent the right to receive future management fees.

A DAC asset is recognised for all applicable contracts with the amortisation being calculated per contract.

An impairment test is conducted annually at the end of the reporting period on the DAC balance on a per-policy basis, to ensure that the amount will be recovered from future revenue generated by the applicable remaining investment contracts. An impairment is recognised when the contract is prematurely cancelled and the impairment charge is recognised in the Statement of Comprehensive Income.

2.22.2 *Investment contracts (continued)*

Receivables and payables related to insurance contracts and investment contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and policyholders.

If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the Statement of Comprehensive Income. The Group gathers the objective evidence that an insurance receivable is impaired using the same process adopted for insurance and other receivables. The impairment loss is also calculated under the same method used for these financial assets. These processes are described in accounting policy 2.17.

2.22.3 *Insurance contracts*

Valuation

Defined insurance contracts may be measured under existing local practice in terms of IFRS 4 - Insurance contracts. Assupol Life have applied the Actuarial Practice Notes relating to the South African long-term insurance industry to determine the accounting policy with regards to the liabilities in respect of issued insurance contracts at the adoption of IFRS.

Policyholder liabilities/assets in terms of insurance contracts are determined on a discounted cash flow method in terms of the Financial Soundness Valuation Method and Assumptions (FSV), as contained in Actuarial Practice Notes (APN's) of the Actuarial Society of South Africa (SAP104 and APN110), which is consistent with the valuation method prescribed in the Long-term Insurance Act, no 52 of 1998. Also included in the liability are HIV/AIDS reserves as calculated in accordance with APN105.

The liability with regard to insurance business is calculated each year using assumptions that are consistent with the market value / fair value of the assets on that date. In determining the liability, based on a discounted cash flow approach, the discount rate is derived from the expected returns of the appropriate portfolio of assets supporting this business.

In the valuation of liabilities, provision is made for:

- The best estimate of future experience;
- The compulsory margins prescribed in SAP104;
- Reserves for minimum maturity values and other guaranteed benefits arising from minimum contractual investment returns, as calculated per APN110; and
- Discretionary margins are held where required to reflect possible variability in expected experience or ensure that profit or risk margins in the premium rate are not recognised before the economic benefit is likely to flow to Assupol Life.

The FSV method (as prescribed by SAP104) for valuing insurance contracts makes implicit allowance for the deferral of acquisition costs in the insurance liability and therefore all acquisition costs on insurance contracts are expensed when incurred.

The liability assumptions are reviewed annually. Any changes in assumptions and/or other changes to the liability calculation are effected in the Statement of Comprehensive Income as they occur.

The measurement basis for the insurance contracts are divided into the following three categories, based on the nature of the contracts.

- Non-profit insurance contracts

These contracts offer defined benefits that are payable on death. These policies do not participate in annual bonus distributions.

The liability is calculated as the discounted value of the expected future benefit payments, plus the future administrative expenses that are directly related to the contract, less the discounted value of expected future premiums.

- Market related contracts

Liabilities for individual market related policies, where benefits are in part dependent on the performance of underlying investment portfolios, are taken as the aggregate value of the policies' investment in the investment portfolio at the valuation date, reduced by the excess of the present value of the expected future risk and expense charges (excluding any explicit profit charges) over the present value of the expected future risk benefits and expenses on a policy by policy cash flow basis. Discretionary margins are included to allow for the shareholders' participation in the bonus expected to be declared and a portion of the management fees levied.

2.22.3 Insurance contracts (continued)

• Group insurance contracts

The post claim liability consists of two elements – claims that have been reported i.e. outstanding reported claims as well as claims that have not yet been reported i.e. incurred but not reported (IBNR). Outstanding reported claims are included in 'insurance and other payables'. An IBNR provision is held as part of the insurance contracts liabilities. The IBNR provisions are either based on a percentage of the premiums payable or Bornhuetter-Ferguson run-off triangles. The Bornhuetter-Ferguson method of estimating outstanding claims combines an estimated loss ratio method with a projection method, which refers to methods such as the basic chain ladder method that is based on past claim amounts and / or numbers.

Outstanding claims provisions

Claims that have been reported, and are not yet paid, are shown as outstanding claims and are stated gross of reinsurance.

Embedded derivatives

Derivatives embedded in an insurance contract are not separated and measured at fair value if the embedded derivative itself qualifies for recognition as an insurance contract. As such, the Group does not separately measure any embedded derivatives as they qualify for recognition as an insurance contract and are measured as insurance contracts. The liability in respect of the investment guarantees underlying maturity and death benefits on the 'Conventional with-profits' policies and some of the 'New Series Universal Business' policies are measured in accordance with the actuarial guidance note APN110. Future asset returns are projected stochastically using the TSM Real World model. The model has been calibrated to current market conditions in South Africa. The costs arising from the guarantees are calculated in each simulation and the liability is then calculated based on the mean present value of these costs.

Liability adequacy test

At each end of a reporting period the adequacy of the insurance liabilities is assessed. If the assessment shows that the carrying amount of the insurance liabilities (as measured under a prospective gross premium valuation basis), net of any related intangible present value of acquired in-force business (PVIF) assets, is inadequate in the light of the estimated future cash flows (based on the best estimate basis underlying the FSV basis, but excluding compulsory margins as prescribed in SAP104), the deficiency is recognised in profit or loss.

Premium income

Premium income on insurance contracts is shown gross of outward reinsurance. Premiums are shown before deduction of commission and administration fees. Premium income received in advance is included in insurance and other payables.

Premium income originates from various sources, and is recognised as follows:

- Individual insurance contracts - recurring: when due;
- Individual insurance contracts - single: when received; and
- Group schemes: when received.

Insurance benefits and claims

Claims on insurance contracts that include death, disability, maturity, and surrender payments, are recognised in profit or loss when incurred, based on the estimated liability for compensation owed to policyholders. It also includes claims that arise from death and disability events that have occurred up to the end of the reporting period even if the claims were not reported to the life insurer (IBNR claims).

Reinsurance recoveries are accounted for in the same period as the related claim.

2.23 Financial liabilities

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity.

Financial liabilities carried on the Statement of Financial Position include all liabilities except for policyholder liabilities under insurance contracts, employee benefits, deferred revenue liability, deferred taxation as well as current taxation.

A liability is derecognised when it is legally extinguished.

2.23.1 Financial liabilities excluding policyholder liabilities under investment contractsInitial classification and recognition

Financial liabilities are initially recognised at fair value.

Subsequent measurement

Financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

2.23.2 Policyholder liabilities under investment contractsInitial classification and recognition

These financial liabilities are accounted for 'at fair value through profit or loss' and 'at amortised cost'.

Subsequent measurement

Refer to accounting policy 2.22.2 for a detailed description of the valuation of these contracts.

Liabilities designated at 'fair value through profit and loss' are subsequently carried at fair value and changes in fair value are recognised in the Statement of Comprehensive Income under 'fair value adjustments on investment contract liabilities'.

Financial liabilities designated 'at amortised cost' are subsequently carried at amortised cost, using the effective interest rate method.

2.24 Employee benefits**2.24.1 Retirement fund**

The Group contributes to a defined contribution pension fund for employees. The fund is registered in terms of the Pension Funds Act, no 24 of 1956. Contributions in respect of current service cost are based on a percentage of pensionable earnings and are accounted for in the Statement of Comprehensive Income as incurred. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due.

2.24.2 Leave pay accrual

The Group recognises in full employees' rights to annual leave entitlement in respect of past service.

2.24.3 Bonus provision

A provision is raised for employee bonuses, based on a percentage of their annual package. Bonuses arise as a result of a constructive obligation and are payable to employees at the discretion of the Board of Directors, taking cognisance of the financial results and individual key performance areas for the year under review.

A provision is raised for the cash bonuses of executive and senior management, based on the Group's bonus scheme.

In terms of the bonus scheme the deferred bonus component is issued in shares of which the right to trade is restricted for a period of 3 years. For bonuses awarded prior to the 2016 financial year, the economic benefits of the issued shares, including the receipt of dividends, were not restricted. The economic benefit of subsequent bonus shares issued is restricted for the vesting period of 3 years. The expense of the deferred bonus is recognised over the period of the restriction from the date that the bonus is awarded. The deferred bonus is accounted for as an equity-settled share-based payment - refer 2.21.1.

2.25 Segment information

Operating segments are reported in a manner consistent with the integral reporting provided to the chief operating decision-maker. The chief operating decision-maker empowered to make strategic decisions and which is responsible for allocating resources and assessing performance of the operating segments has been identified as the Executive Committee.

The Group discloses its operating segments according to the entities in the Group that are regularly under review by Executive Committee.

The Group's operations are analysed across three reportable operating segments. This is consistent with the way the Group manages the business. The reportable operating segments are based on the categorisation of the entities in the Group with similar business activities. The segments are life insurance, brokers, and other.

Segment information is prepared in conformity with the measure that is reported to Executive Committee. These values have been reconciled to the consolidated annual financial statements. The measures reported by the Group is in accordance with the accounting policies adopted for preparing and presenting the consolidated annual financial statements.

The segment revenue and expenses comprise of all revenue and expenses which are directly attributable to the segment, or can be allocated to the segment on a reasonable basis. Only those segment assets and liabilities that are directly attributable to the segment or can be reasonably allocated, are disclosed in the segment report.

3. CRITICAL ACCOUNTING ESTIMATES

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

3.1 Policyholder liabilities / assets under long-term insurance contracts

The determination of the liabilities / assets under long-term insurance contracts is dependent on estimates made by the Group. The assumptions and estimates used to arrive at these liabilities are described in note 4 to the financial

The assets under long-term insurance contracts increased by R579.1 million resulting in a net year-end asset balance of R1 895.6 million.

For further information refer notes 4.4 and 30 to the financial statements.

3.2 Impairment of goodwill

Impairment tests are performed on all cash generating units to which goodwill is allocated. A cash generating unit is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows generated by other groups of assets. Impairment losses recognised against goodwill may not be reversed. In assessing a possible impairment, judgements and estimates are made of the future cash flows and the appropriate discount rates in determining the value of the cash generated unit (CGU). For further information, refer note 20 to the financial statements.

3.3 Current and deferred tax

The Group is subject to tax in South Africa. There may be transactions and calculations for which the ultimate tax determination has an element of uncertainty during the ordinary course of business. The Group recognises liabilities based on objective estimates of the amount of tax that may be due. Where the final tax determination is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provisions in the period in which such determination was made. The corporate tax rate in South Africa is 28% (2016: 28%). Assupol Life have four separate tax funds namely the individual policyholders' fund (taxed at 30% in both years), the untaxed policyholders' fund (not taxed), risk policy fund (taxed at 28% in 2017) and the corporate fund (taxed at 28% in both years). The risk policy fund was legislated with effect from the 2017 financial year. Assupol Life has not issued any insurance contracts to corporate entities, hence does not maintain a separate corporate policyholder fund.

Deferred tax assets are assessed for probable recoverability based on applicable estimated future business performance and related taxable projected income.

3.4 Share-based payments - Expense and liability determination

The amounts expensed representing the value of equity-settled and cash-settled share-based payments granted to employees, as well as the movement in the liability of cash-settled schemes, are determined by using various assumptions relating to the expected take up rights, the share price, dividend yields and related volatility. Details of the valuation are contained in note 28.

4. ASSUMPTIONS AND ESTIMATES RELATING TO POLICYHOLDER LIABILITIES

The valuation of insurance liabilities is a function of methodology and assumptions. The methodology is described in the accounting policies. The assumptions used are best estimate assumptions, with the addition of explicit compulsory margins as prescribed by SAP104 of the Actuarial Society of South Africa, liabilities for minimum contractual investment returns as prescribed by APN110, as well as additional allowed discretionary margins.

4.1 Assumptions for discounted liabilities

The key assumptions used in the calculation of the insurance liabilities are based on recent experience investigations of Assupol Life's business. Every year each assumption is reviewed based on the results of the most recent experience investigations. The intention is to arrive at a best estimate of Assupol Life's experience. Once the best estimate is determined, compulsory margins (per the Actuarial Society of South Africa's Standard of Actuarial Practice SAP104) are incorporated as described above. Where data is not credible, more prudent assumptions are used based on industry data where available. However, for the bulk of Assupol Life's business, internal data was used. To allow for the expected claims due to AIDS, the AIDS tables produced by the Actuarial Society of South Africa were used. The results of the internal mortality investigations were used to establish current levels relative to these tables.

The results of the experience investigations are briefly described below:

Demographic: Mortality

A detailed mortality investigation was undertaken for homogeneous groupings of business for the year ending 30 June 2017 based on the in-force data file, movements and claims in the year. These results were used to set the mortality and AIDS assumptions relative to the latest published local assured lives and AIDS tables. The impact of the changes made is disclosed in note 4.4.

Demographic: Withdrawal

A detailed withdrawal investigation was carried out for the year ending 30 June 2017 based on homogeneous groupings of business. Based on this investigation (and those carried out for the previous year), the withdrawal assumptions for the main classes of business were set to reflect the recent and expected future experience. The impact of the changes made is disclosed in note 4.4.

Operational: Expenses

- The current assumed level of future expense inflation is 5.75% (2016: 6.7%) per annum for Assupol Life. This level of inflation is supported by Assupol Life's actual expense experience, the inflation implied by the fixed and index linked yield curves, the South African Reserve Bank's long-term inflation target of between 3% and 6%, and the assumption that life companies typically suffer expense increases slightly above general inflation.
- The allocation of total expenses between initial and renewal is based on management's best estimate for both group and individual business. The analysis compares historic expenses (last year's assumptions plus inflation) and budgets.
- Once-off expenses are identified and excluded from the analysis.

Economic: Investment returns

The investment return assumption for all classes of business, except those where the liability has a specific asset backing it, was determined as:

- The expected return on the underlying assets backing the liabilities of the life insurer; less,
- An allowance (where appropriate) for credit risk; and adjusted with
- A compulsory margin (prescribed as being 0.25%).

The following long-term assumptions were applied for each asset class (net of any credit default allowance):

	Assupol Life	
	2017	2016
Debt securities / Other loans / Foreign investments	8.20%	8.50%
Deposits and money market securities	6.20%	6.50%
Equity securities	11.70%	12.00%
Policyholder loans	14.20%	14.50%
Loans to personnel	8.20%	8.50%
Foreign investments	7.20%	7.50%
Net current assets	0.00%	0.00%

4. ASSUMPTIONS AND ESTIMATES RELATING TO POLICYHOLDER LIABILITIES (continued)**4.1 Assumptions for discounted liabilities (continued)**

The expected long term returns assumptions used in the valuation are:

	Assupol Life	
	2017	2016
Debt securities / Other loans	8.20%	8.50%
Non unit linked business (excluding with-profits business)	8.20%	8.50%
With-profits business	8.20%	8.50%
Unit linked business	8.90%	9.30%

Economic : Tax

Future taxation and taxation relief is allowed for at the rates and on the bases applicable to section 29A of the Income Tax Act, no 58 of 1962, at the end of the reporting period. Assupol Life's current tax position is taken into account, and taxation rates, consistent with that position and the likely future changes in that position, are allowed for. In particular, the Individual Policyholder Fund is in a tax loss position and is expected to stay in that position for the foreseeable future.

The above-mentioned assumptions have been taken into account in the valuation together with inclusion of compulsory margins as prescribed by SAP104. The compulsory margins used during the year under review are as follows:

Assumption	2017 margin adjustment	2016 margin adjustment
Investment return	0.25% increase/decrease *	0.25% increase/decrease *
Mortality	7.5% increase	7.5% increase
Expenses	10.0% increase	10.0% increase
Expense inflation	10.0% increase	10.0% increase
Lapses (where relevant)	25.0% increase/decrease *	25.0% increase/decrease *
Surrenders (where relevant)	10.0% increase/decrease *	10.0% increase/decrease *

* Depending on which change increases the liability.

4.2 Assumptions for undiscounted liabilities

IBNR provisions are calculated for the annually renewable group business. These are either based on a percentage of the premiums payable or Bornhuetter-Ferguson run-off triangles. These have been established at a level which seems appropriate based on historic trends.

The Bornhuetter-Ferguson method of estimating outstanding claims combines an estimated loss ratio method with a projection method. Here, 'projection method' refers to methods such as the basic chain ladder method which are based on past claim amounts and/or numbers.

The Bornhuetter-Ferguson method therefore improves on the sole use of a loss ratio method by taking account of the information provided by the latest development pattern of the claims, whilst the addition of the loss ratio to a projection method serves to add some stability against distortions in the development pattern.

4.3 Assumptions for investment contracts

The account balance as a minimum is held in all instances and this is fully matched by the underlying assets.

4. ASSUMPTIONS AND ESTIMATES RELATING TO POLICYHOLDER LIABILITIES (continued)**4.4 Effect of changes in assumptions**

Modelling changes and data corrections were made to the opening reserves rather than the closing reserves to improve the comparability of the expected and actual cash flows in the analysis of surplus (AOS). The main adjustments were made in respect of the following:

- A data correction on the unit reserves for a 1 day unit price lag that caused a miss-match between assets and liabilities;
- A correction on some of the dependent codes for parent coverages that should not have been valued as extended lives but rather as immediate family; and
- Death waiver premium adjustment for Direct Marketing products.

The following changes were made to the actuarial valuation basis when compared to last year's basis:

- Change the APN110 reserve as a result of the recalibration of the stochastic model;
- The benefits of existing On Call Plus policies has been enhanced to include a return of the benefit premiums on death;
- The per-policy renewal expense assumption decreased by R22.03 per annum;
- The mortality and loss ratio assumptions were updated in accordance with the most recent experience investigations;
- The withdrawal rate assumptions were updated in accordance to the most recent withdrawal experience investigation;
- The investment return assumption on the unit reserves decreased from 9.3% p.a. to 8.9% p.a., the investment return assumption on the non-unit reserves decreased from 8.5% p.a. to 8.2% p.a., and the expense inflation assumption decreased from 6.7% to 5.75%. The real return gap increased from 1.8% to 2.45%.
- A modelling improvement to allow for a premium debt that was written off on a lapse event of risk business only; and
- Correction of the previous erroneous treatment of the Guaranteed Rate Single Premium's reserve and commission.

The following table quantifies the impact of changes, i.e. increase / (decrease) in policyholder liabilities, made in the assumptions from the previous periods:

	CONSOLIDATED	
	2017	2016
	R'000	R'000
Modelling changes and data corrections on opening liabilities	(6 171)	10 234
Change in APN110 reserve	1 873	(2 487)
On Call Plus claim rule change	26 836	-
Change in renewal expense assumptions	(157 285)	(160 424)
Change in mortality assumptions	(132 173)	(231 965)
Change in withdrawal rate assumptions and NTU assumptions	14 616	84 856
Change in investment return assumptions and inflation assumptions	(32 952)	37 696
Change in real return gap	(124 416)	55 910
Modelling change in premium debtor	135 683	-
Correction in Guaranteed Rate Single Premium non-unit reserve	(6 755)	-
Change in commission assumption and Progress4Sure modelling refinement	-	157 595
Group IBNR and operational assumptions	-	6 140
Addition of AURR	-	(1 894)
Total change in basis	(280 744)	(44 339)

4. ASSUMPTIONS AND ESTIMATES RELATING TO POLICYHOLDER LIABILITIES (continued)

4.5 Sensitivity analysis

The sensitivity of the insurance liabilities to the main assumptions was tested by calculating the effect of certain assumptions not being met. In each case below, one assumption changes whilst all the other assumptions remain constant. The size of the sensitivities was chosen to illustrate the impacts for changes in key variables that would have a significant impact on the insurance liabilities, as well as to facilitate comparison with the sensitivities disclosed by other major insurers.

	2017		2016	
	Total (asset) / liability	Change	Total (asset) / liability	Change
	R'000	R'000	R'000	R'000
Main basis	(1 895 570)		(1 316 463)	
Renewal expenses +10%	(1 661 786)	233 784	(1 112 785)	203 678
Inflation +1%	(1 700 752)	194 818	(1 140 578)	175 885
Investment return -1%	(1 819 809)	75 761	(1 242 683)	73 780
Investment return -1% and reduce bonuses	(1 824 449)	71 121	(1 245 456)	71 007
Withdrawals +10%	(1 871 862)	23 708	(1 322 045)	(5 582)
Risk experience +10%	(1 669 346)	226 224	(1 130 480)	185 983

The above figures combine discounted and undiscounted liabilities. The latter is not sensitive to the assumptions as they are valued retrospectively. The investment contracts are also not sensitive to changes in assumptions since they are valued retrospectively i.e. a minimum of the account balance is held.

The sensitivities for the 2017 total liabilities are separately disclosed for the insurance contracts and reinsurance assets below.

	2017		2017	
	Insurance contracts	Change	Reinsurance assets	Change
	R'000	R'000	R'000	R'000
Main basis	(1 870 751)		(24 819)	
Renewal expenses +10%	(1 636 968)	233 783	(24 819)	-
Inflation +1%	(1 675 934)	194 817	(24 819)	-
Investment return -1%	(1 791 990)	78 761	(27 819)	(3 000)
Investment return -1% and reduce bonuses	(1 796 632)	74 119	(27 818)	(2 999)
Withdrawals +10%	(1 847 987)	22 764	(23 875)	944
Risk experience +10%	(1 441 594)	429 157	(227 752)	(202 933)

5. RISK MANAGEMENT

The Assupol Group has adopted a risk management framework that is based on the ISO31000 standard. The risk management framework, together with associated policies required in terms of Board Notice 158 currently embody the formal risk management efforts of the Group, in compliance with the FSB's Solvency Assessment and Management (SAM) framework. Management is continually reviewing and improving on the formal risk management efforts in order to further enhance the sustainability of the Group's business.

As a custodian of policyholder funds, a key risk for the Group is that the proceeds from its assets will not be sufficient to fund the obligations arising from its insurance and investment contracts. The risk arises from the presence of financial or insurance risk in the contracts issued by the Group.

5.1 Board Notice 158

Board Notice 158 issued by the Financial Services Board became effective on 1 April 2015. The Board implemented the requirements to ensure compliance to the Board Notice, of which the salient features are:

- The composition and governance of the Board of Directors;
- The appointment of the heads of the control functions;
- The establishment of the control functions namely risk management, compliance, internal audit and actuarial; and
- The key risk management policies, namely:
 - Fit and Proper Policy
 - Remuneration Policy
 - Investment Policy (also including asset-liability management, liquidity risk management and investment concentration risk)
 - Underwriting Risk Management Policy
 - Reinsurance Policy
 - Concentration Risk Management Policy (excluding investment concentration risk)
 - Operational Risk Management Policy
 - Insurance Fraud Risk Management Policy

5.2 Responsibility for risk management

The Board of Directors acknowledges its responsibility for establishing and communicating appropriate risk and control policies and ensuring that adequate risk management processes are in place. The Group has a number of committees which deal with the various aspects relating to policies for accepting risks, including selection and approval of risks to be insured, use of limits and avoiding undue concentrations of risk, underwriting strategies to ensure the appropriate risk classification and premium levels as detailed below:

- The Audit Committee assists the Board of Directors in its evaluation of the adequacy and efficiency of the internal control systems, accounting practices, information systems, auditing and actuarial valuation processes applied by the long-term insurer in the day-to-day management of the Group. It also oversees the internal audit and external audit processes, and facilitates and promotes communication between the external auditors, internal auditors, statutory actuary and executive management. The committee is chaired by an independent non-executive director, comprises three non-executive directors, and must meet at least twice a year.
- The Risk Committee is tasked with ensuring that a proper risk management framework and appropriate reporting channels are implemented for the entire Assupol Group. The committee is chaired by an independent non-executive director, comprises three non-executive directors, and must meet at least twice a year.
- The Nomination Committee has the principal task of nominating non-executive directors for appointment at the Annual General Meeting. Furthermore the Committee has to evaluate the Board of Directors, the Board Committees, the individual directors, as well as the Company Secretary. The committee is chaired by a non-executive director. It comprises three non-executive directors and meets at least once a year.
- The Remuneration Committee is tasked to consider and determine the remuneration policy of all employees of the Assupol Group. The Group Remuneration Committee is chaired by an independent non-executive director. The committee comprises three non-executive directors and meets at least once a year.
- A Social and Ethics Committee was established to address the statutory duties as prescribed in regulation 43(5) of the Companies Act, no 71 of 2008. The committee is chaired by an independent non-executive director. It comprises one executive director and two non-executive directors. The committee meets at least once a year.
- The Investment Committee oversees the asset management process of the Assupol Group according to guidelines and objectives set by the Investment Policy document and in conjunction with the Asset Liability Model as compiled by the statutory actuary. The committee is chaired by an independent non-executive director, comprises four non-executive directors and three executive directors. The committee meets on a quarterly basis.

5 RISK MANAGEMENT (continued)**5.2 Responsibility for risk management (continued)**

- The Actuarial Committee supports the Board of Directors with its obligations under SAM, and evaluates, considers and where necessary make recommendations to the Board and management regarding actuarial assumptions and projections. The committee consists of two executive and two non-executive directors and is chaired by an independent non-executive director. The committee meets at least once a year.
- The Innovation and Growth Committee's role is to support executive management in facilitating the delivery of proposals within an acceptable timeframe, in accordance with the Board approved strategy and business plan. The chairman of the committee is an independent non-executive director. It comprises four non-executive directors and three executive directors. The committee meets at least once a year.
- The Executive Committee (Exco) monitors the operations of all companies in the Assupol Group and the implementation of strategic vision of the Board of Directors. The committee comprises the executive directors and the prescribed officers of Assupol Holdings and meets on a monthly basis. The committee is supported by Assupol Life's Executive Committee that is overseeing the process on company level. Assupol Life's committee comprises of the Chief Executive Officer and the Chief Financial Officer of the company, as well as senior executive managers of the company.
- The Executive Committee of Assupol Life performs all executive functions delegated to it by the Board of Directors and oversees the proper administration and reporting of business performance and overall sales and industry risks. The committee is chaired by the Assupol Life Chief Executive Officer and meets on a monthly basis.
- Risk management is implemented at an operational level via a number of committees that meet on an ad-hoc basis, including amongst others the Sales Committee, Credit Control Committee, Claims Committee, Procurement Committee and Risk Steering Committee.

5 RISK MANAGEMENT (continued)**5.3 Insurance risk**

Insurance risk is the risk that benefit payments and related expenses exceed the carrying amount of Assupol Life's insurance liabilities. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year. The timing is specifically influenced by future mortality, morbidity, and withdrawal rates about which assumptions are made in order to place a value on the liabilities. Deviations from assumptions will result in actual cash flows different from those projected in liability calculations. As such, each assumption represents a source of uncertainty.

The larger the portfolio of uncorrelated insurance risks, the smaller the relative variability about the expected outcome will be. A larger population of insured risks leads to more diversified insurance risks, and in turn, reduces the deviations from the base risk assumptions.

The following table analyses the various contracts offered by the Group and provides an indication of where the concentration of the risk lies.

Contracts offered by the Group	Contract type	2017	2016
		% of premium	% of premium
Individual insurance business	Insurance	61.2%	54.7%
Group risk business	Insurance	38.8%	45.3%
Total		100.0%	100.0%

The Sales Committee, comprising the Sales Executive: Sales and the regional managers in the Group, meets on a quarterly basis to discuss and monitor market, sales and product related matters. Geographical and industry statistics of policyholders are analysed and decisions are taken accordingly to ensure pro-active interventions.

The Group's actuarial valuations division performs the following tasks for Assupol Life:

- Monthly monitoring of solvency position;
- Quarterly experience monitoring (such as expense, mortality, withdrawal and economic assumptions); and
- Quarterly analysis of surplus monitoring.

The statutory actuary is tasked with the following (in addition to the required annual statutory responsibilities):

- Quarterly parallel run confirming the statutory and financial reporting valuations produced by the in-house valuation division;
- A biennial asset liability modelling exercise as described in note 5.4.2.c; and
- Premium rates certification as described in note 5.3.1.

The Actuarial Committee supports the statutory actuary in his responsibility for the oversight of insurance risk.

5.3.1 Mortality and morbidity risk

Underwriting processes are in place to manage exposure to death and disability risks. The most significant measures are:

- Premium rates are required to be certified by the statutory actuary as being financially sound.
- Annual experience investigations are conducted, and are supplemented by quarterly reviews, to set premium rates.
- Reinsurance arrangements are negotiated in order to limit the risk on any individual or group contract.
- All new premium rates are approved and authorised by the statutory actuary prior to being issued.
- New products and premium rates are also reviewed and approved by the Actuarial Committee.

Factors affecting mortality and morbidity risks:

- The most significant factors that could substantially increase the frequency of claims, resulting in more or earlier claims (mortality and morbidity risk), are:
 - > epidemics (such as AIDS or extensive drug-resistant tuberculosis - XDR TB);
 - > widespread changes in lifestyle (smoking, exercise, eating, sexual practices);
 - > the income bracket (the lower-income market is more susceptible to extreme weather conditions, and has less access to quality medical care); and
 - > the sector of employment (such as SAPS members that are exposed to the violent element of society).
- Adverse economic conditions can potentially affect the quantity of morbidity claims where benefits are determined in terms of the ability to perform an occupation.

5. RISK MANAGEMENT (continued)**5.3.1 Mortality and morbidity risk (continued)**

The nature of risks varies depending on the class of business. The material classes of business most affected by these risks are discussed below:

Individual insurance business

- These are contracts providing benefits on death, disability, critical illness and accident that are sold directly to individuals.
- How risks are managed:
 - > Risk premiums on most conventional and market-related contracts may be adjusted within the terms and conditions of the contracts.
 - > Premium rates differentiate on the basis of age, gender, socio-economic rating, smoker status level, and the results of underwriting investigations. This is done to reduce the cross-subsidisation of risks and the possibility of anti-selection. Experience investigations have shown these are reliable indicators of the risk exposure.
 - > All applications are subject to underwriting rules. Applications for risk cover above certain limits are reviewed by experienced underwriters and evaluated against established standards.
 - > Compulsory testing for HIV is carried out in all cases where the applications for risk cover exceed limits specified for specific products. Where HIV tests are not required, this is fully reflected in the pricing and experience is closely monitored.
 - > Underwriting is done to identify abnormal risks and, if necessary, take appropriate actions such as additional premium loadings, exclusions or alteration of benefit terms.
 - > An additional provision is held in respect of the potential deterioration of mortality experience as a result of AIDS risks using the ASSA (Actuarial Society of South Africa) AIDS model.
 - > Reinsurance agreements are used to limit the risk on any single policy. A portion of every sum assured is reinsured up to the retention level. Sums assured above the retention level are reinsured on a renewable risk premium basis for Assupol Life. Facultative arrangements are used for sub-standard lives and large sums assured. No catastrophe cover has been purchased, as the quota share reinsurance is deemed sufficient currently.
 - > Frequent experience investigations are carried out to monitor the experience against actuarial assumptions. Recommendations on corrective actions are discussed at the Actuarial Committee.

The table below shows the concentration of individual insurance contract benefits by sum assured at risk.

<i>Consolidated</i>	Sum assured at risk	Before reinsurance		After reinsurance	
	R'000	R'000	%	R'000	%
30 June 2017					
	0 - 20 000	17 987 556	34.72%	6 729 734	50.75%
	20 000 - 50 000	6 313 415	12.19%	2 312 296	17.44%
	50 000 - 100 000	2 839 352	5.48%	2 491 945	18.79%
	100 000 - 200 000	6 885 504	13.29%	1 727 063	13.02%
	200 000 - 500 000	8 702 081	16.80%	-	0.00%
	> 500 000	9 085 098	17.52%	-	0.00%
Total		51 813 006	100.00%	13 261 038	100.00%
30 June 2016					
	0 - 20 000	16 652 952	34.70%	7 027 024	47.76%
	20 000 - 50 000	5 544 439	11.55%	3 054 916	20.77%
	50 000 - 100 000	2 110 105	4.40%	2 795 709	19.00%
	100 000 - 200 000	6 286 324	13.10%	1 833 971	12.47%
	200 000 - 500 000	8 766 072	18.26%	200	0.00%
	> 500 000	8 637 886	17.99%	-	0.00%
Total		47 997 778	100.00%	14 711 820	100.00%

5. RISK MANAGEMENT (continued)**5.3.1 Mortality and morbidity risk (continued)****Group scheme and grouped individual insurance business**

- These are contracts that provide life and/or accidental death cover to members of a group of which all members have a specific commonality (e.g. clients or employees of a specific company).
- Factors specifically affecting this class:
 - > Contracts are similar to individual insurance contracts but there is a greater risk of correlation between claims on group schemes because the assured lives live in the same geographical location or work in the same industry.
 - > Underwriting processes may be streamlined, with cover supplied up to certain limits without underwriting.
- How risks are managed:
 - > Group rates are calculated (where reliably available) based on the rating class of the group, the historical experience of the group and, if the group is only located in a single province, then the province is evaluated as well. The rates therefore on average reflect the actual mortality experience, hence reducing mortality risk. There is residual mortality risk resulting from delays in identifying worsening experience and adjusting charges as well as marketing pressures.
 - > Rates are reviewed monthly, based on scheme experience, and can be amended with a one-month notice period.
 - > Rate reviews take into account known trends such as experience due to AIDS.

The table below shows the concentration of group schemes by scheme size.

<i>Consolidated</i> Scheme size (based on number of lives covered)	2017		2016	
	Number	%	Number	%
0 - 1 000	230	68.05%	250	65.79%
1 000 - 5 000	45	13.31%	55	14.47%
> 5 000	63	18.64%	75	19.74%
Total	338	100.00%	380	100.00%

5.3.2 Business retention risk

- Policyholders generally have a right to pay reduced or no future premiums, or to terminate the contract completely before expiry of the contract term.
- Factors affecting these risks:
 - > Economic conditions and/or consumer trends can strongly influence business retention rates.
 - > A lack of affordability testing (economic power and money skill of the policyholders) by the intermediaries, especially within the lower-income market, can adversely affect business retention levels.
 - > Expenses incurred in the acquisition of contracts are expected to be recouped over the term of the policy. These may not be recovered where the premiums are reduced or the contract terminated early.
 - > Terminations can have the effect of increasing insurance risk - e.g. policyholders whose health has deteriorated are less likely on average to terminate a contract providing death benefits.
 - > The liability held for some contracts may be less than the termination benefit payable. The net group surplus will reduce if these contracts terminate early.
- How risks are managed:
 - > Where withdrawal benefits are payable on termination, these can be adjusted to recover certain expenses. However, market and legislative forces restrict the extent to which this may be done.
 - > The business retention rates of all intermediaries are monitored monthly on an individual basis, and corrective action can be suggested and implemented, e.g. the preference of new business sources from deduction methods with improved premium recovery rates.
 - > The various premium collection methods are being evaluated for effectiveness. New premium collection methods are investigated to diversify premium recoveries. Preference is given to reliable, regulated and secure premium deduction facilities.
 - > Commission clawback terms included in contracts with intermediaries enable the Group to mitigate some of the risk of early termination.
 - > Frequent withdrawal investigations are carried out to monitor the experience against actuarial assumptions. Recommendations and corrective actions are discussed at the Actuarial Committee.
 - > The Credit Control Committee awards new intermediary contract only to brokers that have the required experience, qualifications and industry accreditation.

5. RISK MANAGEMENT (continued)**5.4 Financial risk management****5.4.1 Financial risk**

Financial risk is the risk that an entity will not have adequate cash flows to meet financial obligations. The Assupol Group is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. The key financial risk is that of the proceeds from the Group's financial assets being insufficient to fund the obligations arising from its insurance and investment contract liabilities. The key mitigating actions include:

- The life company within the Group matches its assets and liabilities as accurately as is practically possible. The Investment Committee reviews the asset management arrangements of the Group and monitors investment performance in terms of mandates and set benchmarks.
- An asset liability modelling exercise is performed every second year. At the quarterly meetings of the Investment Committee the actual asset allocations are monitored against strategic asset allocations for each portfolio.
- The excess assets are exposed to market fluctuations, which may reduce the value of assets supporting the capital position. This is mitigated by having clearly defined sub-portfolios within the shareholder portfolio, with an appropriate asset allocation strategy for each portfolio, so that the level of market risk is appropriate relative to the aim of the sub-portfolio.
- The main financial risks to which the Group is exposed are described below under various contract categories. Each category represents distinct financial risks. Some categories may include both insurance and investment contracts.

The table below analyses the net total policyholder liabilities between market-related and other business at the end of the reporting period.

<i>Consolidated</i>	2017 R'000	2016 R'000
Market-related business (refer note 31)		
Individual market-related business	1 817 524	1 298 259
Other business (refer note 30)	(1 895 570)	(1 316 463)
Conventional individual risk business	69 409	80 287
Other individual risk business	(2 029 308)	(1 473 775)
Group risk business	54 437	69 006
Liability for embedded derivatives	9 892	8 019
Total net policyholder liabilities	(78 046)	(18 204)

An analysis of the total policyholder liabilities for 2017 in the table above between insurance contracts and reinsurance assets is disclosed in the table below.

<i>Consolidated</i>	Insurance contracts R'000	Reinsurance assets R'000	Total R'000
Market-related business			
Individual market-related business	1 809 597	7 927	1 817 524
Other business	(1 878 697)	(16 873)	(1 895 570)
Conventional individual risk business	69 400	9	69 409
Other individual risk business	(2 012 426)	(16 882)	(2 029 308)
Group risk business	54 437	-	54 437
Liability for embedded derivatives	9 892	-	9 892
Total policyholder liabilities	(69 099)	(8 947)	(78 046)

5.4.1.a Market-related business

- The Assupol Group holds the assets on which unit prices are based in accordance with policy terms and conditions.
- The Group is not exposed to significant market risk on these funds, as the liability moves in line with the underlying assets.
- The Group earns management fees as a percentage of the fair value of the asset portfolio. These fees are volatile to the extent that these assets are subject to interest rate and market price risk, but are always positive.
- The unit-linked investment portfolios are rebalanced on a monthly basis.

5.4.1.b Conventional business

- Bonuses are declared taking into account a number of factors, including actual investment returns, previous bonus rates declared and policyholders' reasonable expectations. Bonuses are generally designated as reversionary bonuses, which can never be removed or reduced, or terminal bonuses, which can be removed or reduced.

5. RISK MANAGEMENT (continued)**5.4.1.c Investment guarantees**

- Clients of Assupol Life can choose into which type of investment fund their premiums should be deposited. One of these investment funds is the 'guaranteed fund' where the capital invested (but not the growth on the fund) is guaranteed to the client. These guarantees are spread amongst the various products that offer this investment fund. The Investment Committee is charged with monitoring the 'guaranteed fund'.
- Liabilities arising from these guarantees are valued in accordance with valuation techniques described in APN110. These liabilities are sensitive to movements in interest rates and equity prices and their volatilities. The exposure is hedged through the implementation of structured products, employing derivatives to ensure that the capital is protected, while also allowing for some participation in positive market returns. These derivatives are concluded with highly rated banks. The derivatives expose the Group to credit risk (For further information refer note 5.4.2.b). The exposure is not deemed to be material in the context of Assupol Life's results.
- Assupol Life also offers guaranteed rate single premium investment products which matures after five years. In terms of these contracts investment contract holders are not entitled to receive more than the guaranteed value as determined at inception. The risk is managed by investing in assets that will provide the required yield at the relevant date and term.
- Valuation of the liabilities of these guaranteed rate single premium investment products is based on the discounted cash flows using the effective guaranteed rate determined at the inception of the contract.

5.4.1.d Investments in structured and other entitiesStructured entities

The Group has assessed its interests in collective investment schemes in which the Group has the irrevocable asset management agreement over the funds and in which the Group has invested significantly. Judgement is required in the assessment of whether the Group has control or significant influence in terms of the variability of returns from the Group's investment in the funds.

Based on the assessment of control or significant influence on the funds in which Assupol Life has an interest in, none of these schemes have met the definition of either a subsidiary, associate, or joint venture and therefore these funds were not consolidated in the Group's results.

The debt instruments are invested in accordance with a segregated mandate that is provided to the asset manager by the Investment Committee. The equity instruments are invested through a collective investment scheme that was selected by the Investment Committee and are invested according to the rules of the scheme. These instruments are included in financial assets at fair value through profit or loss in the Statement of Financial Position. For further information refer note 22 to the financial statements.

The table below provides a summary of the relevant instruments held by Assupol Life, the strategy for obtaining these instruments, as well as the reason for not consolidating.

Instrument type and strategy	Number of instruments	Total market value of instruments R'000	Market value as % of investment portfolio	Market capitalisation of all issuers * R'bn	Investment value as % of issuer market capitalisation *	Control or significant influence
30 June 2017						
Money Market Instruments						
Money Market Long	6	648 618	19.36%	188 319	0.34%	No
Debt instruments						
Debt Long	3	770 921	23.01%	10 200	7.56%	No
Equity instruments						
Equity Long	5	346 892	10.35%	74 752	0.46%	No
30 June 2016						
Money Market Instruments						
Money Market Long	6	494 776	18.31%	137 166	0.36%	No
Debt instruments						
Debt Long	3	726 484	26.88%	8 700	8.35%	No
Equity instruments						
Equity Long	5	373 639	13.83%	69 465	0.54%	No

* All inclusive price

The collective investment scheme, Pan African IP Income Hunter Fund, that was managed by Pan-African Asset Management, is not regarded as an associate. The Group's interest in Pan-African Asset Management was sold during the 2016 financial year.

5. RISK MANAGEMENT (continued)Other entities

The Group has assessed control over the three trusts that were created during the demutualisation of the Assupol Group.

It was concluded that the Group has no control or significant influence over the Assupol Members' Trust. The Assupol Members' Trust is a bewind trust where the independent trustees manage the funds of the beneficiaries for their benefit in terms of the demutualisation scheme (i.e. qualifying policyholders of Assupol Life prior to demutualisation). The trustees are approved by the Financial Services Board of South Africa and the Group has no exposure or rights to variable returns from the Trust.

It was also concluded that the Group has no control or significant influence over the Assupol Community Trust. As a result of the demutualisation scheme and the 'public benefit organisation' status of the Trust, restrictions were placed on the Trust by the Financial Services Board of South Africa and the South African Revenue Services in aspects such as changes to the trust deed, appointment of trustees and distributions of trust funds. The Group has no exposure or right to variable returns from the Trust.

In respect of the Assupol Share Incentive Trust the Group has control and significant influence over the shares held by the Share Incentive Trust and the Trust was consolidated into the financial results of the Group. For more information refer note 28.

5.4.2 Financial risk factors

The Assupol Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk, that can affect the values of the Group's financial assets and liabilities, as well as the Group's insurance contract assets and liabilities. A focus point of the Group's overall risk management programme is on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. If deemed necessary, the Group uses derivative financial instruments to hedge certain risk exposures.

An analysis of the components affected by financial risk factors is depicted below:

	Market risk	Credit risk	Liquidity risk	2017 R'000	2016 Restated R'000
At fair value through profit or loss					
Equity securities	x			1 083 596	1 092 261
Debt securities	x	x	x	855 348	875 631
Deposits and money market securities	x	x		890 045	731 713
At amortised cost					
Deposits and money market securities	x	x		515 776	-
Insurance and other receivables	x	x		110 474	101 217
Cash and cash equivalents	x	x		304 718	245 554
Policyholder assets: Insurance contracts	x *	- **	x	1 870 751	1 231 996
Policyholder assets: Reinsurance assets	x *		x	24 819	84 467
Policyholder liabilities	x *		x	1 817 524	1 298 259
Insurance and other payables			x	266 779	271 709

* The assumptions used to determine the value of the policyholder assets and liabilities are affected by the historical market experience. For a market risk sensitivity analysis of these assumptions, refer note 5.4.2.a (v).

** No residual credit risk exists after applying best estimate lapse and withdrawal assumptions.

Concentration risk is the risk of loss associated with inadequately diversified asset portfolios. To manage this risk, the prudential regulations with reference to issuer limits, as stipulated in Regulation 28 of the Pension Fund Act, no 24 of 1956, was adopted as part of all the segregated mandates. In addition, the portfolios in total also need to be compliant with Regulation 28. The compliance with Regulation 28 is monitored on a daily basis by management. Breaches are reported as they occur and the required action is taken. The Investment Committee monitors the compliance on a quarterly basis. As a result the Group's exposure to any single group of companies does not exceed 5.4% (2016: 8.5%).

5. RISK MANAGEMENT (continued)**5.4.2.a Market risk**

Market risk is the risk of adverse financial impact due to changes in fair values or future cash flows of financial instruments from fluctuations in foreign currency exchange rates, equity prices and interest rates.

(i) Foreign exchange risk

Foreign exchange risk is the risk that the rand value of a financial instrument, as in the case of investment assets, will fluctuate due to changes in foreign exchange rates.

The Group has unit trusts which have offshore components that are all denominated in US dollars, and are listed as 'global unit trusts' in note 22. These investments were made for the purpose of obtaining a favourable international exposure to foreign currency and to diversify investment exposure to international markets. The assets are held in the linked policyholder funds in order to obtain the relevant exposure for policyholders; thus no foreign currency exposure to shareholders. The currency exposure at year-end is as follows:

	2017 R'000	2016 R'000
Global unit trusts	123 284	110 574
Foreign currency amount (US\$)	9 438	7 522
Closing exchange rate at year-end	13.0624	14.6994
Average exchange rate during the year	13.6683	14.3504

Overall, foreign exchange risk is considered to be within acceptable risk levels and managed effectively, as it represents only 2.2% (2016: 2.6%) of total financial assets.

(ii) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in the market place.

The Assupol Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated Statement of Financial Position at 'fair value through profit or loss'. The Group is not directly exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

Equity securities are reflected at fair values, which are susceptible to market fluctuations. The stock selection and investment analysis process is supported by the proper execution of an investment management process, which is delegated to the Investment Committee.

5. RISK MANAGEMENT (continued)**5.4.2.a Market risk (continued)****(iii) Cash flow and fair value interest rate risk**

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in interest rates, which may result in a mismatch between assets and liabilities.

Changes in market interest rates have a direct effect on the contractually determined cash flows associated with floating rate financial assets and financial liabilities, and on the fair value of other investments. Fair values of fixed interest rate investments included in the Group's investment portfolios are subject to changes in prevailing market interest rates. For more information on the maturity profiles of the financial assets, refer note 22 to the financial statements.

Investments that will be directly impacted by changes in market interest rates are analysed below. Accounts receivable where settlement is expected within 90 days and interest-free loans are not included in the analysis since the effect of interest rate risk on these balances is not considered material, given the short-term duration of the underlying cash flows. The policyholder asset has the characteristics of a financial liability as this is negative policyholder liabilities determined actuarially and is not included below.

The Group issues guaranteed rate single premium investment products which mature after five years. In terms of these contracts investment contract holders are not entitled to receive more than the guaranteed value as determined at inception. This risk is managed by investing in assets that will provide the required yield at the relevant date and term.

<i>Consolidated</i>	Carrying value R'000	Exposed to:			Effective interest rate at year-end %
		Cash flow interest rate risk R'000	Fair value interest rate risk R'000	Both cash flow interest rate and fair value risk R'000	
30 June 2017					
At fair value through profit or loss					
Debt securities					
Corporate bonds	31 822	29 692	2 130	-	8.75%
Insurance policy - Global bonds *	52 605	-	52 605	-	N/a
Deposits and money market securities	890 045	3 271	238 155	648 618	6.29%
At amortised cost					
Deposits and money market securities	515 776	-	-	515 776	8.88% - 10.39%
Receivables (interest-bearing)	50 517	50 517	-	-	12.68%
Receivables (provision for impairment)					
Premiums receivable	(29 339)	-	-	-	0.00%
Sundry insurance receivables	(45 830)	-	-	-	0.00%
Receivables (non interest-bearing)	135 126	-	-	-	0.00%
Cash and cash equivalents	304 718	304 718	-	-	6.09%
Total	1 905 440	388 198	292 890	1 164 395	
30 June 2016					
At fair value through profit or loss					
Debt securities					
Corporate bonds	86 373	84 195	2 178	-	8.40%
Parastatals and utilities	10 160	10 160	-	-	0.00%
Insurance policy - Global bonds *	52 614	-	52 614	-	N/a
Deposits and money market securities	731 713	2 844	234 092	494 777	8.00%
At amortised cost					
Receivables (interest-bearing)	46 831	46 831	-	-	12.64%
Receivables (provision for impairment)					
Premiums receivable	(22 965)	-	-	-	0.00%
Sundry insurance receivables	(36 703)	-	-	-	0.00%
Receivables (non interest-bearing)	114 054	-	-	-	0.00%
Cash and cash equivalents	245 554	245 554	-	-	5.52%
Total	1 227 631	389 584	288 884	494 777	

* Global bond exposure is obtained through the insurance investment policy and not by holding the underlying instruments. The insurance policy can be terminated with 30 days' notice.

5. RISK MANAGEMENT (continued)**5.4.2.a Market risk (continued)****(iv) Hedging**

There are no derivative contracts entered into purely for speculative purposes. All derivative transactions are to hedge the exposure to changes in the fair value of recognised assets or liabilities.

Hedges on interest-bearing instruments are used by investment managers to reposition Assupol Life's views on credit risk, interest rate risk or to change the shape of a yield curve of different instruments. Derivatives are exchange traded, i.e. are listed and valued by an independent exchange, and margined on a daily basis.

All limitations and approvals as set by the Long Term Insurance Act, no 52 of 1998, are met at all times.

(v) Market risk sensitivity analysis

The table below summarises the impact of each possible change to the risk variables outlined in the risk management section of this report to the Group's profit or loss (after corporate taxation) and to the total policyholder liabilities. The changes are affecting the financial assets and liabilities, as well as insurance assets and liabilities. This is a management estimate (based on market information available, understanding of the business and the consequent impact of possible changes) and not a earnings forecast.

Positive numbers in the table below represent an increase to policyholders' liabilities and profit after taxation respectively, and correspondingly, negative numbers indicate a decrease. The size of the changes were chosen to facilitate comparison with the sensitivities disclosed by other major insurers. In each case below, one assumption changes whilst all the other assumptions remain constant. As the economic assumptions relate to both policyholder liabilities under insurance and investment contracts, there is no added benefit in splitting the disclosures.

The non-market long-term assumptions address possible changes as a result of insurance risks identified and described in notes 4.1 and 5.3. The economic assumptions address possible changes as a result of market risks identified and described in note 5.4.2.a.

<i>Consolidated</i>	Change in variable	Impact to total policyholders' liabilities		Impact on ordinary shareholders' equity and attributable profit after tax	
		2017	2016	2017	2016
		R'000	R'000	R'000	R'000
Assumption description	%				
Non-market long-term assumptions					
Mortality and morbidity	+10%	225 962	185 797	(162 693)	(133 774)
	-10%	(233 494)	(191 750)	168 116	138 060
Withdrawals	+10%	21 856	(7 350)	(15 736)	5 292
	-10%	(12 762)	17 956	9 188	(12 928)
Renewal expense per policy	+10%	237 954	208 162	(171 327)	(149 877)
	-10%	(237 903)	(208 007)	171 290	149 765
Economic assumptions					
Interest rate	+1%	(49 050)	(50 477)	35 316	29 182
	-1%	78 040	76 578	(56 188)	(47 427)
Inflation	+1%	196 973	178 350	(147 915)	(131 744)
	-1%	(168 571)	(152 016)	127 465	112 784
Equity prices	+10%	86 670	87 773	(62 403)	(39 349)
	-10%	(86 653)	(87 749)	62 390	41 318

5. RISK MANAGEMENT (continued)

(v) Market risk sensitivity analysis (continued)

Possible changes on the 2017 policyholders' liabilities are separately disclosed for insurance contracts and reinsurance assets below.

Consolidated Assumption description	Change in variable %	Impact to policyholders' liabilities		Impact on ordinary shareholders' equity and attributable profit after tax	
		Insurance contracts	Reinsurance assets	Insurance contracts	Reinsurance assets
		2017 R'000	2017 R'000	2017 R'000	2017 R'000
Non-market long-term assumptions					
Mortality and morbidity	+10%	428 895	202 933	(308 804)	(146 112)
	-10%	(440 999)	(207 504)	317 519	149 403
Withdrawals	+10%	20 912	(944)	(15 057)	680
	-10%	(11 765)	996	8 471	(717)
Renewal expense per policy	+10%	237 954	(0)	(171 327)	0
	-10%	(237 903)	(0)	171 290	0
Economic assumptions					
Interest rate	+1%	(51 701)	(2 652)	37 225	1 909
	-1%	81 039	3 000	(58 348)	(2 160)
Inflation	+1%	196 973	(0)	(147 047)	0
	-1%	(168 571)	(0)	126 597	0
Equity prices	+10%	86 655	(15)	(62 392)	11
	-10%	(86 638)	16	62 379	(11)

5. RISK MANAGEMENT (continued)**5.4.2.b Credit risk**

Credit risk is the risk that a counterparty will fail to discharge an obligation on an asset held and cause the Group to incur a financial loss.

Balances where the Group has exposure to credit risk include all financial assets (excluding equity securities).

Fair values of investments may be affected by the creditworthiness of the issuer of securities. The investment policy formally defines that the exposure to any institution in which the Group has placed deposits, or to which it has credit risk exposure, is limited to the provisions of the Long Term Insurance Act, no 52 of 1998. Provisions of the Long Term Insurance Act have the effect of limiting exposure to individual issuers due to the inadmissibility of assets for regulatory purposes if specified limits are breached. The investment mandates include provisions to limit the exposure to a single issuer. Equity, bonds and cash exposure are diversified through this process.

Amounts receivable in terms of long-term insurance business are limited to and secured by the underlying value of the unpaid policy benefits in terms of the policy contract.

The Group is exposed to credit risk in any reinsurance assets held. If a reinsurer fails to pay a claim, the Group remains liable for the payment to the policyholder. Reinsurance is placed with reputable international companies. The credit rating of the reinsurer is assessed by Assupol Life on an annual basis and on a change in the status of the reinsurer. The credit rating of the current reinsurers are AA- as per the external rating agency, S&P.

No significant credit risk exists with policy loans as the policy will exit should the loan exceed the value of the contract.

(i) Credit risk on investments

The Investment Committee is charged with managing credit risk relating to investments. An investment policy has been compiled to describe the investment process and mandates given to the investment managers.

These mandates are given taking the following requirements into consideration:

- Limits in each asset class
 - > The percentage of assets invested in an asset class is fixed and will be determined by the Investment Committee and the investment mandate agreed upon.
- Percentage limits in a single holding
 - > Investment managers mandates are issued in accordance with limitations set by the Long Term Insurance Act, 52 of 1998, and regulation 28 of the Pension Fund Act, 24 of 1956.
- Quality of holdings
 - > Investment managers are only allowed to invest in listed shares, including listed property shares, that fall within their investment mandates. Where an investment becomes unlisted whilst included in the mandate, the manager may retain the shares only if it cannot be sold.
 - > Investment managers are only allowed to invest in A to AAA rated local listed bonds. For non South African assets the rating must be investment grade. Credit risk is reduced by only investing in the bonds that are rated at these levels by an accredited rating agency operating in South Africa, or the equivalent ratings of any accredited international rating agency.
 - > Investments in money market instruments must have a short term rating of at least F1 and a long term rating of at least A, as rated by an accredited rating agency.
- Collective investment instruments
 - > Collective investments can include any investment through a life license or investment through a unit trust. Investments of this type must only be through a vehicle that is registered with the Financial Services Board and are subject in all respects to the requirements of the Unit Trust Control Act, no 54 of 1981, or Long Term Insurance Act, 52 of 1998, or the Collective Investment Schemes Control Act, 45 of 2002.

5. RISK MANAGEMENT (continued)

5.4.2.b Credit risk (continued)

The exposure to credit risk from the financial assets at the end of the reporting period was:

	CONSOLIDATED		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
At fair value through profit or loss				
Debt securities				
Corporate bonds	31 822	86 373	-	-
Parastatals and utilities	-	10 160	-	-
Insurance policy - Global bonds	52 605	52 614	-	-
Unit trust	770 921	726 484	-	-
Deposits and money market securities	890 045	731 713	-	-
At amortised cost				
Deposits and money market securities	515 776	-	-	-
Insurance receivables				
Premium receivables - Insurance contracts	12 256	10 092	-	-
Premium receivables - Other	7 887	10 235	-	-
Sundry insurance receivables	17 119	10 527	-	-
Reinsurance recoveries	49 459	45 615	-	-
Loans to policyholders - Insurance contracts	3 762	9 898	-	-
Loans to policyholders - Other	(2 727)	(6 359)	-	-
Other receivables:				
Other sundry receivables	19 147	13 494	2 873	388
Loans to personnel and other loans	3 571	7 715	-	-
Cash and cash equivalents	304 718	245 554	43 053	49 102
Total	2 676 361	1 954 115	45 926	49 490
Analysis per credit ratings				
Local debt securities (National long term rating)	802 743	823 017	-	-
AAA	849	-	-	-
AA+, AA, AA-	770 921	737 549	-	-
BB, BBB+	30 973	85 468	-	-
Deposits and money market securities (National long term rating)	1 405 821	731 713	-	-
AAA	31 428	22 981	-	-
AA+, AA, AA-	1 374 393	708 732	-	-
Cash and cash equivalents (National long term rating)	304 718	245 554	15 047	33 293
AAA	-	-	-	-
AA+, AA, AA-	304 718	245 554	15 040	23 034
A+, A, A-	-	-	7	10 259
Unrated (National long term rating)	110 474	101 217	30 879	16 197
Cash and cash equivalents	-	-	28 006	15 809
Insurance receivables	87 756	80 008	-	-
Other receivables	22 718	21 209	2 873	388
Global debt securities (Long term issuer default rating - Local currency)	52 605	52 614		
AAA	6 725	6 702	-	-
AA+, AA, AA-	26 767	26 096	-	-
A+, A, A-	10 598	13 303	-	-
BBB+, BBB, BBB-	8 514	6 513	-	-
Total	2 676 361	1 954 115	45 926	49 490

5. RISK MANAGEMENT (continued)

5.4.2.b Credit risk (continued)

Credit rating used:

The rating used for local assets is the National Long Term rating issued by rating agencies. This rating gives a relative credit quality for the issuer and/or entity in relation to the government of the Republic of South Africa. The rating used for global assets is the Long Term Issuer Default rating (Local currency) issued by rating agencies. If there is no rating available from a rating agency an internal model is used. The internal rating scale is based on internal definitions and influenced by definitions published by mainly the external rating agency Moody's. Other external rating agencies such as S&P and GCR are considered where necessary.

Rating definition:

AAA	Highest quality: An extremely strong capacity to meet its financial obligations.
AA+, AA, AA-	Very high quality: A very strong capacity to meet its financial obligations.
A+, A, A-	High quality: A strong capacity to meet its financial obligations but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions.
BBB+, BBB, BBB-	Good quality: The expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate but adverse business or economic conditions are more likely to impair this capacity.

The analysis of overall credit risk exposure indicates that the Group has policyholder receivables that are impaired at the end of the reporting period. The assets, that include both outstanding premium debtors and policyholder loans, are analysed below:

		CONSOLIDATED		COMPANY	
		2017 R'000	2016 R'000	2017 R'000	2016 R'000
Policyholder receivables	<i>Gross</i>	50 517	46 831	-	-
	<i>Impairment provision</i>	(29 339)	(22 965)	-	-
	<i>Net</i>	21 178	23 866	-	-

The table below provides information regarding the credit quality of assets which expose the Group to credit risk.

	CONSOLIDATED		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Debt securities	855 348	875 631	-	-
Neither past due, nor impaired	855 348	875 631	-	-
Impairment provisions	-	-	-	-
Deposits and money market securities	1 405 821	731 713	-	-
Neither past due, nor impaired	1 405 821	731 713	-	-
Impairment provisions	-	-	-	-
Insurance receivables	87 756	80 008	-	-
Neither past due, nor impaired	81 577	63 319	-	-
Past due				
0 to 2 months	16 755	10 839	-	-
3 to 5 months	9 544	6 778	-	-
More than 5 months	58 573	65 922	-	-
Impairment provisions	(78 692)	(66 850)	-	-
Other receivables	22 718	21 209	2 873	388
Neither past due, nor impaired	13 595	9 637	2 873	388
Past due				
0 to 2 months	6 459	6 086	-	-
3 to 5 months	-	2	-	-
More than 5 months	2 664	5 484	-	-
Impairment provisions	-	-	-	-
Cash and cash equivalents	304 718	245 554	43 053	49 102
Neither past due, nor impaired	304 718	245 554	43 053	49 102
Impairment provisions	-	-	-	-
Total	2 676 361	1 954 115	45 926	49 490

5. RISK MANAGEMENT (continued)**5.4.2.b Credit risk (continued)****(ii) Collateral coverage**

None of the entities in the Group has any collateral coverage on their financial assets.

5.4.2.c Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due. Refer to the maturity profiles included in the note to policyholder liabilities (note 30).

- Liquidity requirements and cash resources are monitored by the Investment Committee.
- The statutory actuary performs an asset liability modelling exercise to ensure that the asset mix of Assupol Life is appropriate. This involves looking at the asset / liability profile and the appropriateness of the assets vis-à-vis the liabilities, bearing in mind issues of volatility, liquidity and the expected future cash flows of the business. Unitised funds are invested in accordance with the mandate of the individual portfolios. The results of this model are incorporated in the ongoing investment strategy of Assupol Life to ensure that policyholder expectations and liquidity requirements are met.
- Appropriate assets back the Group's liabilities. The Group has significant liquid resources and continues to experience positive net cash flows.

(i) Liquidity risks arising out of obligations to policyholders

The undiscounted expected positive / (negative) cash flows on contract liabilities, as the basis of how liquidity is managed, are depicted below.

<i>Consolidated</i>	INSURANCE CONTRACTS		INVESTMENT CONTRACTS	
	2017	2016	2017	2016
	R'000	R'000	R'000	R'000
<i>Unit liabilities</i>				
Within 1 year	53 500	44 138	111 521	(19 583)
2 to 5 years	122 975	144 968	327 730	136 553
6 to 10 years	101 043	139 607	331 962	348 572
11 to 20 years	50 917	69 348	395 102	536 799
Over 20 years	21 439	6 061	133 116	258 219
Total unit liabilities	349 874	404 122	1 299 431	1 260 560
<i>Non-unit liabilities</i>				
Within 1 year	26 375	11 402	1 282	8 304
2 to 5 years	11 716	11 638	422 214	12 929
6 to 10 years	(64 447)	(48 346)	2 858	(550)
11 to 20 years	(208 208)	(133 764)	819	(10 138)
Over 20 years	(1 201 429)	(719 577)	552	(8 152)
Total	(1 435 993)	(878 647)	427 725	2 393
Effect of discounting cash flows	(1 848 984)	(1 639 789)	55 212	(573)
Effect of compulsory margins	984 685	697 085	35 156	35 922
Undiscounted liabilities (including IBNR reserves)	54 848	100 766	-	(43)
Total non-unit liabilities	(2 245 444)	(1 720 585)	518 093	37 699
TOTAL				
Within 1 year	79 875	55 540	112 803	(11 279)
2 to 5 years	134 691	156 606	749 944	149 482
6 to 10 years	36 596	91 261	334 820	348 022
11 to 20 years	(157 291)	(64 416)	395 921	526 661
Over 20 years	(1 179 990)	(713 516)	133 668	250 067
Effect of discounting cash flows	(1 848 984)	(1 639 789)	55 212	(573)
Effect of compulsory margins	984 685	697 085	35 156	35 922
Undiscounted liabilities (including IBNR reserves)	54 848	100 766	-	(43)
Total policyholder liabilities	(1 895 570)	(1 316 463)	1 817 524	1 298 259

5. RISK MANAGEMENT (continued)**5.4.2.c Liquidity risk (continued)**

The unit liabilities above are calculated based on the value of the assets below as these assets are invested in accordance with the mandate chosen by the policyholder:

	CONSOLIDATED		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Equity securities	822 221	844 112	-	-
Debt securities	303 729	356 101	-	-
Deposits and money market securities	523 355	464 469	-	-
Total	1 649 305	1 664 682	-	-

The expected liquidity requirement for undiscounted expected cash flows for unit liabilities for the next year is R165 million. The Group has sufficient cash and cash equivalents to cover this risk.

The expected liquidity requirement for undiscounted expected cash flows for non-unit liabilities for the next year is an outflow of R28 million and therefore no provision is needed for liquidity purposes due to sufficient cash equivalents.

The table below indicates the composition of the insurance and investment policyholder contracts as well as the related reinsurance based on the underlying portfolios.

<i>Consolidated</i>	INSURANCE CONTRACTS		INVESTMENT CONTRACTS	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Policyholder assets	(2 720 746)	(2 318 294)	-	-
Policyholder liabilities	849 994	1 086 299	1 817 524	1 298 259
Reinsurance assets	(24 818)	(84 468)	-	-
Total net policyholder (assets) / liabilities	(1 895 570)	(1 316 463)	1 817 524	1 298 259

The table below shows the carrying value of policyholder liabilities and the cash surrender value that relate to the respective policies.

<i>Consolidated</i>	CARRYING VALUE		SURRENDER VALUE	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Insurance contracts				
Linked and conventional business	419 292	486 028	347 749	402 268
Other business	(2 290 044)	(1 718 024)	-	-
Reinsurance assets	(24 818)	(84 467)	-	-
Investment contracts	1 817 524	1 298 259	1 709 471	1 176 914
Total policyholder liabilities	(78 046)	(18 204)	2 057 221	1 579 182

(ii) Liquidity risks arising out of obligations on financial liabilities (excluding policyholder liabilities)

The table below analyses the settlement value for financial liabilities (excluding policyholder liabilities) differentiating between relevant maturity groupings, based on the remaining period at the end of the reporting period to the contractual maturity date.

	CONSOLIDATED		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Insurance and other payables	266 779	271 709	25 514	14 217
Contractual undiscounted cash flows				
Within 1 year	122 050	119 440	-	-
2 to 5 years	-	-	-	-
More than 5 years	-	-	-	-
Open ended	144 729	152 269	25 514	14 217
Total	266 779	271 709	25 514	14 217

5. RISK MANAGEMENT (continued)**5.4.3 Capital risk management****5.4.3.a *Capital management policies and objectives***

The Group's capital management philosophy is:

- To optimise the return on capital within the overarching risk tolerance ranges including all regulatory requirements;
- To ensure a sustainable business and providing shareholders with appropriate returns at an acceptable risk; and
- To ensure that the strategy of the Group can be executed successfully.

The capital management plan also ensure alignment of capital to risks and ensures that the reward is commensurate the risk taken.

5.4.3.b *Capital adequacy requirement*

Assupol Life is required to maintain available capital equivalent to the capital adequacy requirement (CAR), as determined by the Long Term Insurance Act, 1998. This is available to meet obligations in the event of substantial deviations from the main experience assumptions affecting the Group's investment and insurance contract business.

The CAR is determined in accordance with Board Notice 14 (as issued by the Registrar of Long Term Insurance). It is a risk-based capital measure that is intended to provide a 95% confidence level that Assupol Life will be able to meet its existing liabilities.

The CAR includes provisions and scenario tests for a number of risks including:

- adverse selective mass termination of contracts;
- risk that long-term insurance and financial assumptions (such as lapse and withdrawal rates) are not realised;
- financial risk arising from mismatches between assets and liabilities, including specific provision for mismatches between assets backing liabilities in respect of embedded derivatives and the liabilities themselves; and
- fluctuations in experience for mortality, morbidity and expenses.

The CAR is calculated as the greater of the Minimum Capital Adequacy Requirement (MCAR), the Termination Capital Adequacy Requirement (TCAR) and the Ordinary Capital Adequacy Requirement (OCAR). For Assupol Life the TCAR exceeded OCAR and MCAR. The minimum capital requirements must be maintained at all times during the year. The minimum accumulated funds requirement for the life office and the available accumulated funds (qualifying capital) for insurance and investment contract business held are listed below:

	2017	2016
Available qualifying capital (R'm)	1 001.5	793.2
Statutory capital adequacy requirement (R'm)	528.8	413.5
CAR coverage ratio	1.89	1.92

The following management actions have been allowed for in the CAR calculation:

- Reducing bonus rates on the with profit business if investment returns deteriorate. It was assumed that bonus rates would be reduced in the event that investment returns would be lower than expected; and
- Increasing group funeral rates in case of adverse claims experience. It was assumed that within three months of any adverse claims experience on group business, Assupol Life would increase premium rates to compensate for the adverse claims experience.

The Board of Directors has approved the implementation of these management actions if adverse experiences necessitate it.

There have been no material changes in the Group's management of capital during the period. The Group and its individually regulated operations have complied with all externally and internally imposed capital requirements throughout the period.

5. RISK MANAGEMENT (continued)

5.4.4 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 and the company.

R'000	Financial assets and liabilities at FVTPL on initial recognition	Financial assets at amortised cost	Financial liabilities at amortised cost	Total carrying amount	Fair value
Consolidated 2017					
Local listed shares	960 312	-	-	960 312	960 312
Unit trusts					
Global	123 284	-	-	123 284	123 284
Debt securities					
Corporate bonds	31 822	-	-	31 822	31 822
Insurance policy	52 605	-	-	52 605	52 605
Unit trust	770 921	-	-	770 921	770 921
Deposits and money market securities	890 045	515 776	-	1 405 821	1 405 821
Insurance receivables	-	5 160	-	5 160 *	5 160
Other receivables	-	22 718	-	22 718 *	22 718
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
Other payables	-	-	53 977	53 977 *	53 977
Consolidated 2016					
Local listed shares	981 687	-	-	981 687	981 687
Unit trusts					
Global	110 574	-	-	110 574	110 574
Debt securities					
Corporate bonds	86 373	-	-	86 373	86 373
Parastatals and utilities	10 160	-	-	10 160	10 160
Insurance policy	52 614	-	-	52 614	52 614
Unit trust	726 484	-	-	726 484	726 484
Deposits and money market securities	731 713	-	-	731 713	731 713
Insurance receivables	-	3 876	-	3 876 *	3 876
Other receivables	-	21 209	-	21 209 *	21 209
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
Other payables	-	-	57 465	57 465 *	57 465

* These items are shown at nominal value. For receivables and payables where payment terms are less than 90 days the carrying value approximates fair value. Furthermore policyholder loans are secured by an underlying cash value of the policy on which the loan is granted.

5. RISK MANAGEMENT (continued)**5.4.4 Fair value estimation (continued)**

R'000	Financial assets and liabilities at FVTPL on initial recognition	Financial assets at amortised cost	Financial liabilities at amortised cost	Total carrying amount	Fair value
Company 2017					
Other receivables	-	2 873	-	2 873 *	2 873
Cash and cash equivalents	-	43 053	-	43 053	43 053
Other payables	-	-	25 514	25 514 *	25 514
Company 2016					
Other receivables	-	388	-	388 *	388
Cash and cash equivalents	-	49 102	-	49 102	49 102
Other payables	-	-	14 217	14 217 *	14 217

* These items are shown at nominal value.

5.4.5 Fair value hierarchy

The table below shows the Group's financial assets and liabilities that are recognised and subsequently measured at fair value analysed by valuation technique on a recurring basis. The Group does not have any held-for-sale financial asset or liabilities subject to non-recurring fair value measurement. The classification of instruments is based on the lowest level input that is significant to the fair value measurement in its entirety.

The fair values of accounts receivable, cash equivalents and accounts payable approximate their carrying values due to their short-term nature and are as a result not measured at fair value nor analysed by valuation technique. Refer notes 23, 24 and 35 for further information on these assets and liabilities.

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. The judgement as to whether a market is active may include, for example, consideration of factors such as the magnitude and frequency of trading activity, the availability of prices and the size of bid/offer spreads. In inactive markets, additional work is required during the valuation process to obtain assurance that the transaction price provides evidence of the fair value or to determine the adjustments to transaction prices that are necessary.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, 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.

5. RISK MANAGEMENT (continued)5.4.5 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.

R'000	Level 1	Level 2	Level 3	TOTAL
Consolidated 2017				
<u>Financial assets designated as 'at fair value through profit or loss'</u>				
Local listed shares	774 570	185 742	-	960 312
Unit trusts				
Global	123 284	-	-	123 284
Debt securities				
Corporate bonds	22 255	9 567	-	31 822
Insurance policy - Global bonds	52 605	-	-	52 605
Unit trusts	-	770 921	-	770 921
Deposits and money market securities	651 890	238 155	-	890 045
Total financial assets	1 624 604	1 204 385	-	2 828 989
<u>Financial liabilities designated as 'at fair value through profit or loss'</u>				
Net investment contract liabilities	-	1 311 317	-	1 311 317
Total financial liabilities	-	1 311 317	-	1 311 317
Consolidated 2016				
<u>Financial assets designated as 'at fair value through profit or loss'</u>				
Local listed shares	774 985	206 702	-	981 687
Unit trusts				
Global	110 574	-	-	110 574
Debt securities				
Corporate bonds	15 394	70 979	-	86 373
Parastatals and utilities	-	10 160	-	10 160
Insurance policy - Global bonds	52 614	-	-	52 614
Unit trusts	-	726 484	-	726 484
Deposits and money market securities	497 621	234 092	-	731 713
Total financial assets	1 451 188	1 248 417	-	2 699 605
<u>Financial liabilities designated as 'at fair value through profit or loss'</u>				
Net investment contract liabilities	-	1 298 259	-	1 298 259
Total financial liabilities	-	1 298 259	-	1 298 259

5. RISK MANAGEMENT (continued)**5.4.5 Fair value hierarchy (continued)**

The table below shows the transfer between the various levels.

R'000	From level 1 to level 2	From level 2 to level 1
Consolidated 2017		
Change in validity of quoted prices - Corporate bonds	8 717	15 612
Consolidated 2016		
Change in validity of quoted prices	-	-

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

	2017 R'000	2016 R'000
Balance at beginning of year	-	38 635
Disposals / derecognised	-	(38 635)
Balance at end of year	-	-

The fair value of financial assets measured 'at fair value through profit or loss' in level 3 are determined using the discounted cashflow valuation technique that incorporate certain assumptions that are not supported by prices from observable market transactions in the same instruments. Such assumptions include the observed risk free discount rate (from the applicable government bond), liquidity and credit spreads (observed from trades of other issuer credit instruments) applied to estimate future cash flows. Changes in these assumptions could affect the reported fair value of the financial instruments.

5.5 Other risks**5.5.1 Intermediary debt exposure**

It is industry practice to pay intermediaries in advance for business submitted to the insurer after receipt of the first premium. As a result, there is an unvested portion of commission payments which is repayable to the insurer should the individual policies lapse or be cancelled. The cumulative effect of poor quality and low quantities of business could result in the intermediary owing money to the insurer, as the clawbacks exceed the commission earnings. These levels are monitored on a monthly basis by the Credit Control Committee and corrective action can be taken should the need arise. There is a risk of non-recovery of amounts owing to the insurer. For further information, refer note 23 to the financial statements.

5.5.2 Compliance and regulatory risk

The financial services industry has undergone several regulatory changes during the past few years. More changes are expected and this could have a significant impact on the range and affordability of products that the Group is able to offer to our lower-income clients.

The Compliance department evaluates and monitors all compliance issues in order to minimise the risk of financial loss or reputational loss as a result of non-compliance. This department provides services to the entire Group and reports to the Risk Committee.

5.5.3 Expense risk

Assupol Life recovers its operating expenses by receiving an allowance for each new policy that is accepted, as well as a monthly expense allowance for each in-force policy. The risk is that the actual operating expenses of Assupol Life exceeds the recoveries from the allowances (as recommended by the statutory actuary). The Executive Committee monitors expense and policy volumes on a quarterly basis. The expense budget is controlled through guidelines as set down by the Group's Financial Administration Policy.

6. 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 makes decisions about resource allocation on the performance of an entity and financial information is provided on that basis.

- Life insurance: This operating segment pertains to Assupol Life that provides life insurance and investment solutions to the group's clients.

- Brokers: The Group owns an insurance broker that sells funeral cover to the pensioner market.

- Other: This segment consists of the remaining smaller operating entities in the Assupol Group which include property companies as well as companies that are in the process of being wound down.

- Reporting adjustments: The information in the segment report is presented on the same basis as reported to management. Reporting adjustments are those accounting reclassifications and entries that are required to produce IFRS compliant results. These adjustments also include the results of the holding company of the Group as well as the company that holds the investments of all the non-life subsidiaries in the Group.

6.1 Segment earnings

	Life insurance R'000	Brokers R'000	Other R'000	Reporting adjustments R'000	Total R'000
For the year ended 30 June 2017					
Net insurance premium revenue	2 451 801	-	-	-	2 451 801
Commission received on outward reinsurance	11 624	-	-	-	11 624
Fee income	77 842	-	-	-	77 842
Investment income and net fair value gains on financial assets	134 259	1 312	417	2 741	138 729
Other income	368	58 603	2 218	(59 752)	1 437
Income	2 675 894	59 915	2 635	(57 011)	2 681 433
Net insurance benefits and claims	(786 883)	-	-	-	(786 883)
Acquisition costs	(587 146)	(8 013)	-	58 607	(536 552)
Operating and administrative expenses	(806 807)	(30 831)	(230)	(3 674)	(841 542)
Investment management expenses	(12 661)	-	-	-	(12 661)
Change in insurance contract provisions	579 107	-	-	-	579 107
Fair value adjustments on investment contracts liabilities	(19 068)	-	-	-	(19 068)
Expenses	(1 633 458)	(38 844)	(230)	54 933	(1 617 599)
Result of operating activities	1 042 436	21 070	2 405	(2 078)	1 063 834
Finance charges	-	(25)	(0)	(1)	(26)
Share of profit from associate	-	-	-	-	-
Profit / (loss) before taxation	1 042 436	21 046	2 405	(2 079)	1 063 808
Income tax expense	(285 908)	(5 694)	(681)	(341)	(292 624)
Profit / (loss) for the year	756 528	15 352	1 724	(2 420)	771 184
Other comprehensive income	-	-	-	(3 647)	(3 647)
Total comprehensive income for the year	756 528	15 352	1 724	(6 067)	767 537

6. SEGMENT INFORMATION (continued)

6.1 Segment earnings (continued)

	Life insurance R'000	Brokers R'000	Other R'000	Reporting adjustments R'000	Total R'000
For the year ended 30 June 2016					
Net insurance premium revenue	2 242 609	-	-	-	2 242 609
Commission received on outward reinsurance	12 220	-	-	-	12 220
Fee income	56 467	-	-	-	56 467
Investment income and net fair value gains on financial assets	164 947	1 186	(2 656)	6 951	170 428
Other income	(53)	53 235	8 998	(58 499)	3 681
Income	2 476 190	54 421	6 342	(51 548)	2 485 405
Net insurance benefits and claims	(856 447)	-	-	-	(856 447)
Acquisition costs	(527 685)	(5 194)	-	53 288	(479 591)
Operating and administrative expenses	(703 354)	(28 578)	(6 144)	(12 528)	(750 605)
Investment management expenses	(10 247)	-	-	1 442	(8 805)
Change in insurance contract provisions	327 882	-	-	-	327 882
Fair value adjustments on: - investment contracts liabilities	(52 490)	-	-	-	(52 490)
Expenses	(1 822 341)	(33 772)	(6 144)	42 202	(1 820 056)
Result of operating activities	653 849	20 649	198	(9 346)	665 349
Finance charges	-	(16)	(297)	208	(105)
Share of loss from associate	-	-	174	-	174
Profit / (loss) before taxation	653 849	20 632	75	(9 138)	665 418
Income tax expense	(186 068)	(5 757)	(422)	(1 266)	(193 513)
Profit / (loss) for the year	467 781	14 875	(347)	(10 404)	471 905
Other comprehensive income	-	-	-	(1 574)	(1 574)
Total comprehensive income for the year	467 781	14 875	(347)	(11 978)	470 331

6. SEGMENT INFORMATION (continued)

6.2 Other financial detail per operating segment

	Life insurance R'000	Brokers R'000	Other R'000	Reporting adjustments R'000	Total R'000
For the year ended 30 June 2017					
Financial assets - Investments	3 344 765	-	-	-	3 344 765
Policyholder assets	1 895 570	-	-	-	1 895 570
Total other assets	434 712	57 225	17 685	139 724	649 346
Policyholder liabilities	1 817 524	-	-	-	1 817 524
Total other liabilities	1 007 962	3 730	4 170	111 873	1 127 735
Additions to non-current assets	36 453	1 465	-	-	37 918
Depreciation	13 062	699	-	-	13 760
Amortisation of intangible assets	1 667	-	-	-	1 667
Impairment of intangible assets	10 303	-	-	-	10 303
For the year ended 30 June 2016					
Financial assets - Investments	2 699 605	-	-	-	2 699 605
Policyholder assets	1 316 463	-	-	-	1 316 463
Total other assets	342 649	56 299	28 570	152 426	579 944
Policyholder liabilities	1 298 259	-	-	-	1 298 259
Total other liabilities	822 857	3 705	7 034	107 149	940 745
Additions to non-current assets	14 318	1 187	-	-	15 505
Depreciation	9 000	617	123	1 005	10 744
Amortisation of intangible assets	1 333	-	-	1 309	2 642
Impairment of intangible assets	4 222	-	-	-	4 222

6.3 Segment information from geographical areas

All of the entities in the Group operates within the Republic of South Africa only. No revenue is generated in foreign countries.

6.4 Segment information per product classification

The Group has no exposure to a single customer that exceeds 10% of the total customer base. A customer is defined as a single policyholder. The customer base of Assupol Life is illustrated by the type of contracts that the company offers as a percentage of premium.

	2017	2016
Individual insurance business	61.2%	54.7%
Group risk business	38.8%	45.3%
Total	100.0%	100.0%

	CONSOLIDATED		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
7. NET INSURANCE PREMIUM REVENUE				
Gross individual premiums received				
Recurring premiums	1 718 402	1 366 644	-	-
Gross group scheme and grouped individual premiums received	932 788	1 044 943	-	-
Gross inward reinsurance premiums received	38 433	36 245	-	-
Outward reinsurance premiums paid	(237 822)	(205 223)	-	-
Total net insurance premium revenue	2 451 801	2 242 609	-	-
8. FEE INCOME				
Investment management fee charges	68 412	46 291	-	-
Surrender charges	9 282	10 034	-	-
Amortisation of deferred revenue	148	142	-	-
Total fee income	77 842	56 467	-	-
9. INVESTMENT INCOME				
At fair value through profit or loss				
Interest received (refer note 22)	136 121	103 517	-	-
Dividends received	16 342	19 518	165 714	315 664
At amortised cost				
Interest received (refer note 22)	19 344	-	-	-
Interest received on insurance and other receivables				
Policyholder loans	659	1 390	-	-
Premiums receivable	-	342	-	-
Housing and car loans	520	741	-	-
Cash and cash equivalents	14 840	16 734	1 338	2 907
Total investment income	187 826	142 242	167 052	318 571
10. NET FAIR VALUE (LOSSES) / GAINS ON FINANCIAL ASSETS				
At fair value through profit or loss				
From equity securities				
Local listed shares	(26 714)	24 594	-	-
Global unit trusts	7 860	14 803	-	-
From debt securities				
Local debt securities	(5 312)	(14 678)	-	-
Global debt securities	(6 926)	14 894	-	-
Structured products	(18 005)	(11 427)	-	-
Total net fair value (losses) / gains on financial assets	(49 097)	28 186	-	-

	CONSOLIDATED		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
11. OTHER INCOME				
Profit / (loss) on disposal of equipment	790	(150)	-	-
Levies on loans	34	111	-	-
Other	613	3 720	536	1 294
Total other income	1 437	3 681	536	1 294
12. NET INSURANCE BENEFITS AND CLAIMS				
Individual benefits	317 296	307 784	-	-
Death and disability claims	330 894	275 395	-	-
Accident and dread disease claims	9 262	8 617	-	-
Maturities	97 346	114 995	-	-
Surrenders	56 664	59 869	-	-
Inward reinsurance claims	31 945	32 941	-	-
Outward reinsurance recoveries	(208 815)	(184 033)	-	-
Group scheme and grouped individual benefits	469 587	548 663	-	-
Total net insurance benefits and claims	786 883	856 447	-	-
13. ACQUISITION COSTS				
Insurance contracts				
Commission paid	528 117	471 968	-	-
Investment contracts				
Amortisation of intangible asset (DAC)	8 435	7 623	-	-
Total acquisition costs	536 552	479 591	-	-

	CONSOLIDATED		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
14. OPERATING AND ADMINISTRATIVE EXPENSES				
Office costs	321 602	287 957	517	491
Employee costs	309 172	270 149	-	-
Advertising and promotions	65 610	68 433	-	-
Provision for impairments on receivables	15 501	3 795	-	-
Training and development costs	8 566	9 761	-	-
Share register and trading cost	4 637	4 484	4 637	4 484
Other	116 454	106 026	3 822	4 623
Total operating and administrative expenses	841 542	750 605	8 976	9 598
Operating and administrative expenses include the following:				
Depreciation on property and equipment	13 760	10 744	-	-
Owned computer equipment	7 617	4 747	-	-
Motor vehicles	3 436	2 475	-	-
Office equipment	2 707	2 516	-	-
Owner-occupied properties	-	1 006	-	-
Auditors' remuneration	5 462	4 667	510	477
Audit fees - current year	2 278	1 698	-	-
Audit fees - prior years	3 184	2 969	510	477
Repairs and maintenance	10 235	9 444	-	-
Professional services	19 947	23 421	987	916
Actuarial services	6 925	7 802	-	-
Legal	3 857	4 997	683	-
Information technology	1 340	2 502	-	-
Professional and consulting	7 825	8 120	304	916
Operating lease rentals	27 789	19 927	-	-
Office equipment	475	447	-	-
Office buildings	27 314	19 480	-	-
Amortisation of intangible assets (excluding DAC)	1 667	2 642	-	-
Trademarks and customer relationships	-	1 309	-	-
Marketing rights	1 667	1 333	-	-
Impairment of intangible assets (refer note 20)	10 303	4 222	-	-
Deferred acquisition cost (DAC) ⁽¹⁾	5 303	4 222	-	-
Marketing rights	5 000	-	-	-

(1) The impairment of the deferred acquisition cost is effected when any of the underlying contracts where a deferred acquisition cost asset has been recognised become inactive, and no further recovery of the deferred cost is possible.

	CONSOLIDATED		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
14. OPERATING AND ADMINISTRATIVE EXPENSES (continued)				
Employee costs ⁽¹⁾	309 172	270 149	-	-
Salaries and wages	190 985	182 201	-	-
Leave pay	4 030	1 118	-	-
Bonus	63 157	45 904	-	-
Pension costs - defined contribution plan	19 155	17 266	-	-
Equity-settled share-based payments:				
Share incentive scheme	644	2 061	-	-
Deferred bonus	23 876	13 229	-	-
Other share incentive	4 234	-	-	-
Cash-settled share-based payments	3 091	8 370	-	-
Total directors' emoluments ⁽²⁾	68 839	57 894	2 225	2 169
Executive directors (including the prescribed officers)	62 154	51 586	-	-
Non-executive directors	6 685	6 308	2 225	2 169

(1) The number of permanent salaried staff, contract and temporary workers at 30 June 2017 was 681 (30 June 2016: 638).

(2) The emoluments of the executive directors and prescribed officers are included in the employee costs above. All executive directors are eligible for an annual performance bonus. Performance related bonuses are based on the financial performance and indicators of the Group. For more information, refer note 40 and Annexure A to the annual financial statements.

	CONSOLIDATED		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
15. FINANCE CHARGES				
Financiers	(26)	(105)	(1)	-
Total interest expense	(26)	(105)	(1)	-

	CONSOLIDATED		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
16. INCOME TAX EXPENSE				
Current tax	(143 426)	(84 739)	-	(265)
Capital gains tax	-	-	-	-
Security transfer tax	(26)	(133)	(26)	(133)
Deferred tax (note 34)	(149 172)	(108 641)	-	-
Total income tax expense - South African normal tax	(292 624)	(193 513)	(26)	(398)

Reconciliation of tax rate

Tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

	CONSOLIDATED		COMPANY	
	2017 %	2016 %	2017 %	2016 %
Standard rate of taxation	28.00	28.00	28.00	28.00
Adjusted for:				
Non taxable income	(11.57)	(14.17)	(29.25)	(28.49)
Non deductible expenses	2.72	0.90	1.27	0.62
Capital gains not subject to tax	0.15	0.23	-	-
Amounts not credited to statement of comprehensive income	8.04	13.77	-	-
Overprovision of prior years	0.00	0.08	-	-
Unutilised tax losses	-	-	-	-
Non-income generating expenses	0.16	0.27	-	-
Effective tax rate	27.51	29.08	0.02	0.13

17. GROUP EARNINGS PER SHARE

Total earnings attributable to ordinary shareholders	771 184	472 003
Effect of restricted share plans	5 623	7 526
Total diluted earnings attributable to ordinary shareholders	776 807	479 529
Weighted average number of shares in issue	336 807	301 241
Effect of restricted share plans	19 026	18 932
Effect of BEE transaction	31 574	31 574
Diluted average number of shares in issue	387 407	351 746
Group earnings per share:		
Basic	2.29	1.57
Diluted	2.01	1.36

The basic earnings per share is the basic earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year.

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue, assuming the conversion of all issued shares with dilutive potential.

The shares relating to the restricted share plans and BEE transaction are excluded from the weighted average number of shares in issue as it was either issued at no or little consideration or are subject to recall. It is included in the diluted average number of shares in issue as it is considered that the conditions were satisfied at the end of reporting period assuming that the end of the current reporting period was the end of the contingency period.

	CONSOLIDATED		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
18. OWNER-OCCUPIED PROPERTIES				
Fair value	-	35 407	-	-
Accumulated depreciation	-	(9 659)	-	-
Classified as held for sale (note 25)	-	(25 748)	-	-
Non-current asset	-	-	-	-
Fair value at beginning of year	-	28 940	-	-
Revaluations	-	(2 186)	-	-
Depreciation charges	-	(1 006)	-	-
Classified as held for sale (note 25)	-	(25 748)	-	-
Fair value at end of year	-	-	-	-

<i>Consolidated</i>	Office equipment R'000	Computer equipment R'000	Motor vehicles R'000	Finance lease equipment R'000	Total R'000
19. EQUIPMENT					
For the year ended 30 June 2017					
Net book value at beginning of year	16 385	14 497	14 007	-	44 889
Additions	7 624	25 352	4 942	-	37 918
Disposals	(159)	(82)	(1 004)	-	(1 245)
Depreciation charge	(2 707)	(7 617)	(3 436)	-	(13 760)
Net book value at end of year	21 143	32 150	14 509	-	67 802
At 30 June 2017					
Cost	38 923	67 318	21 893	365	128 499
Accumulated depreciation	(17 780)	(35 168)	(7 384)	(365)	(60 697)
<i>Non-current asset</i>	21 143	32 150	14 509	-	67 802
For the year ended 30 June 2016					
Net book value at beginning of year	16 647	12 900	11 479	-	41 026
Additions	2 896	6 380	6 229	-	15 505
Disposals	(161)	(36)	(1 226)	-	(1 423)
Assets held for sale (note 26)	(481)	-	-	-	(481)
Depreciation charge	(2 516)	(4 747)	(2 475)	-	(9 738)
Net book value at end of year	16 385	14 497	14 007	-	44 889
At 30 June 2016					
Cost	32 054	42 088	19 085	365	93 592
Accumulated depreciation	(15 669)	(27 591)	(5 078)	(365)	(48 703)
<i>Non-current asset</i>	16 385	14 497	14 007	-	44 889

	CONSOLIDATED		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
20. INTANGIBLE ASSETS				
Goodwill	75 134	75 134	-	-
Deferred acquisition cost (DAC)	27 622	22 074	-	-
Marketing rights	-	6 667	-	-
Total intangible assets	102 756	103 875	-	-
Non-current asset	94 432	95 635	-	-
Current asset	8 324	8 240	-	-
Goodwill ⁽¹⁾				
Cost - on acquisition of subsidiaries	85 608	85 608	-	-
Accumulated impairment	(10 474)	(10 474)	-	-
Carrying amount at end of year	75 134	75 134	-	-
Carrying amount at beginning of year	75 134	75 134	-	-
Impairment of goodwill	-	-	-	-
Carrying amount at end of year	75 134	75 134	-	-
Goodwill from Cornerstone Brokers Corporate	75 134	75 134	-	-
Deferred acquisition cost ⁽²⁾				
Cost	43 682	36 684	-	-
Accumulated amortisation	(16 060)	(14 610)	-	-
Carrying amount at end of year	27 622	22 074	-	-
Carrying amount at beginning of year	22 074	20 283	-	-
New business	19 286	13 636	-	-
Impairment	(5 303)	(4 222)	-	-
Amortisation charge	(8 435)	(7 623)	-	-
Carrying amount at end of year	27 622	22 074	-	-
Marketing rights ⁽³⁾				
Cost	8 000	8 000	-	-
Accumulated amortisation and impairments	(8 000)	(1 333)	-	-
Carrying amount at end of year	-	6 667	-	-
Carrying amount at beginning of year	6 667	-	-	-
Additions	-	8 000	-	-
Current year impairment	(5 000)	-	-	-
Current year amortisation charge	(1 667)	(1 333)	-	-
Carrying amount at end of year	-	6 667	-	-

(1) Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to the business segment. The recoverable amount of a CGU is determined based on value-in-use calculations. A discounted cash flow (DCF) valuation has been performed on Cornerstone Brokers. The results of the valuation of Cornerstone Brokers support the recoverability of the goodwill.

(2) The impairment relates to policies that have lapsed or have been cancelled during the current and prior years. As the policies are now inactive, the Group will not receive any future fees on the policies. The net value of the impairment is R5.303m (2016: R4.222m).

(3) The intangible asset is the contractual right to utilise and brand mobile kiosks. The amortisation period was set in accordance to the contractual period of 4 years. The intangible asset was impaired as no future economic benefits are envisaged to flow to the entity.

	COMPANY	
	2017 R'000	2016 R'000
21. INVESTMENTS IN SUBSIDIARIES (Unlisted)		
Balance at beginning of year	701 953	676 103
Equity-settled share-based payments		
Share incentive scheme - Assupol Life	644	2 061
Deferred bonus - Assupol Life	23 876	15 418
Other share incentives - Assupol Life	4 234	-
Cash-settled share-based payment liability - Assupol Life (note 32)	3 092	8 370
<i>Non-current asset</i> - unlisted equity investments	733 799	701 953
Unlisted equity investments, valued at cost, comprise the following:	733 799	701 953
Assupol Life	661 255	629 409
Assupol Investment Holdings	72 544	72 544

For detail of the ownership interest in each subsidiary, refer note 42.

The Group's 70.99% interest in Pan-African Asset Management was sold in February 2016 for a consideration of R8.5 million.

	2016 R'000
A summary of the assets and liabilities at the date of sale is shown below:	
Equipment	153
Investments	4 982
Investment in associate	4 757
Sundry receivables	890
Cash and cash equivalents	4 340
Payables and other accruals	(415)
Shareholders' loans	(5 020)
Deferred tax	218
Current tax	63

The profit on loss of control is recognised in other income and is calculated as follows:

Consideration	8 500
Net asset value at date of sale	(9 968)
Minority interest	3 244
Retained earnings at acquisition	(755)
Profit on loss of control - recognised in other income	1 021

	CONSOLIDATED		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
22. FINANCIAL ASSETS - INVESTMENTS				
At fair value through profit or loss				
Equity securities - quoted and listed	1 083 596	1 092 261	-	-
Local listed shares	960 312	981 687	-	-
Global unit trusts	123 284	110 574	-	-
Total equity securities	1 083 596	1 092 261	-	-
Debt securities - quoted and listed (local) ⁽¹⁾	802 743	823 017	-	-
Corporate bonds	31 822	86 373	-	-
Parastatals and utilities	-	10 160	-	-
Unit trusts	770 921	726 484	-	-
Insurance policy - Global bonds ⁽²⁾	52 605	52 614	-	-
Total debt securities	855 348	875 631	-	-
Deposits and money market securities	890 045	731 713	-	-
Total at fair value through profit or loss	2 828 989	2 699 605	-	-
At amortised cost				
Deposits and money market securities ⁽³⁾	515 776	-	-	-
Total at amortised cost	515 776	-	-	-
Total financial assets - investments	3 344 765	2 699 605	-	-
<i>Non-current asset</i>				
Debt securities - quoted and listed (local)	30 877	95 629	-	-
Deposits and money market securities	515 776	-	-	-
<i>Current asset</i>				
Equity securities - quoted and listed	1 083 596	1 092 261	-	-
Debt securities - quoted and listed (local)	824 471	780 002	-	-
Deposits and money market securities	890 045	731 713	-	-

(1) Listed debt securities in this category include floating-rate instruments and other debt securities. Corporate bonds paid a fixed interest rate that varied between 6.37% and 11.57% (2016: 3.2% and 11.5%).

(2) The insurance policy was entered into to obtain global bond exposure as required for certain savings and investments products the Group sells. The policy relates only to the linked liabilities.

(3) These financial assets relate to the guaranteed rate single premium products. The interest rate varied between 8.88% and 10.39%.

	CONSOLIDATED		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
22. FINANCIAL ASSETS - INVESTMENTS (continued)				
Analysis of movements in financial assets - investments:				
Balance at beginning of year	2 699 605	2 643 336	-	-
Additions				
At fair value through profit or loss	188 326	275 783	-	-
At amortised cost	496 432	-	-	-
Disposals at carrying value	(162 308)	(370 296)	-	-
Net fair value gains	(49 097)	28 186	-	-
Accrued interest				
At fair value through profit or loss	136 121	103 078	-	-
At amortised cost	19 344	-	-	-
Accrued dividends	16 342	19 518	-	-
Balance at end of year	3 344 765	2 699 605	-	-

Contractual maturity profile for financial assets - investments:

<i>Consolidated</i>	Open-ended R'000	0 to 1 year R'000	2 to 5 years R'000	6 to 10 years R'000	> 10 years R'000	TOTAL R'000
30 June 2017						
Equity securities						
Local listed shares	960 312	-	-	-	-	960 312
Local and global unit trusts	123 284	-	-	-	-	123 284
Debt securities						
Corporate bonds						
Fixed rate	-	945	1 185	-	-	2 130
Floating rate	-	-	20 975	8 717	-	29 692
Unit trust	770 921	-	-	-	-	770 921
Insurance policy						
Global bonds	52 605	-	-	-	-	52 605
Deposits and money						
market securities						
Fixed rate	-	238 157	515 776	-	-	753 933
Floating rate	3 254	16	-	-	-	3 270
Unit trust	648 618	-	-	-	-	648 618
Total	2 558 994	239 118	537 936	8 717	-	3 344 765

30 June 2016

Equity securities						
Local listed shares	981 687	-	-	-	-	981 687
Local and global unit trusts	110 574	-	-	-	-	110 574
Debt securities						
Corporate bonds						
Fixed rate	-	904	1 274	-	-	2 178
Floating rate	-	-	67 670	16 525	-	84 195
Parastatals and utilities						
Floating rate	-	-	10 160	-	-	10 160
Municipalities - Fixed	-	-	-	-	-	-
Unit trust	726 484	-	-	-	-	726 484
Insurance policy						
Global bonds	52 614	-	-	-	-	52 614
Deposits and money						
market securities						
Fixed rate	-	226 155	7 938	-	-	234 093
Floating rate	2 844	-	-	-	-	2 844
Unit trust	494 776	-	-	-	-	494 776
Total	2 368 979	227 059	87 042	16 525	-	2 699 605

	CONSOLIDATED		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
23. INSURANCE AND OTHER RECEIVABLES				
Premiums receivable	20 143	20 327	-	-
Gross premiums outstanding	49 482	43 292	-	-
Provision for impairment	(29 339)	(22 965)	-	-
Sundry insurance receivables	17 119	10 527	-	-
Gross receivables outstanding	62 949	47 230	-	-
Provision for impairment	(45 830)	(36 703)	-	-
Other sundry receivables	19 147	13 494	2 873	388
Reinsurance recoveries	49 459	45 615	-	-
Loans to personnel	3 571	4 061	-	-
Other loans	-	3 654	-	-
Loans to policyholders	1 035	3 539	-	-
Total insurance and other receivables	110 474	101 217	2 873	388
<i>Non-current asset</i>	10 898	18 947	-	-
<i>Current asset</i>	99 576	82 270	2 873	388
<i>Interest bearing receivables</i>	50 517	46 831	-	-
<i>Provisions</i>	(75 169)	(59 668)	-	-
<i>Non-interest bearing receivables</i>	135 126	114 054	2 873	388
Total insurance and other receivables consist of:				
Insurance receivables	87 756	80 008	-	-
Premiums receivable - insurance contracts	12 256	10 092	-	-
Premiums receivable - other	7 887	10 235	-	-
Sundry insurance receivables	17 119	10 527	-	-
Reinsurance recoveries	49 459	45 615	-	-
Loans to policyholders - insurance contracts	3 762	9 898	-	-
Loans to policyholders - other	(2 727)	(6 359)	-	-
Other receivables	22 718	21 209	2 873	388
Other sundry receivables	19 147	13 494	2 873	388
Loans to personnel	3 571	4 061	-	-
Other loans	-	3 654	-	-
Total insurance and other receivables	110 474	101 217	2 873	388
Movements in provision for impairment of premiums receivable:				
Balance at beginning of year	22 965	30 403	-	-
Recognised in profit or loss	6 374	(7 438)	-	-
Balance at end of year	29 339	22 965	-	-

The provision for impairment of premiums receivable relates to premiums on policies on which the premium in arrears exceeds the cash value less any outstanding policy loan balance.

	CONSOLIDATED		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
23. INSURANCE AND OTHER RECEIVABLES (continued)				
Movements in the provision for impairment of sundry insurance receivables:				
Balance at beginning of year	36 703	25 470	-	-
Recognised in profit or loss	9 127	11 233	-	-
Balance at end of year	45 830	36 703	-	-

The provision for impairment of sundry insurance receivables mainly relates to broker clawback debtors. The debtors are impaired based on an assessment of the recoverability of each debtor, taking into consideration the activity level of each debtor.

Loans to personnel in respect of vehicle finance are provided to the sales managers of Assupol Life. Housing loans and vehicle finance are no longer granted to other staff but the balance still includes outstanding balances of loans previously granted. Loans to personnel are measured at amortised cost. Interest on housing loans is charged at 8,0% per annum. Vehicle finance loans bear interest at the official interest rate in accordance with the Income Tax Act, 58 of 1962.

The granting of loans to policyholders were terminated during the previous year. These loans were limited to and secured by the underlying value of the unpaid policy benefits. The loans attracted interest at prime rate + 4% for the Assupol Life book and 14.5% fixed rate for old Prosperity Life book. The loans are measured at amortised cost. The directors are satisfied though that this value approximates the fair value of the loans, as the loan is guaranteed by the underlying value of the contract. This also reduces credit risk, as the loan is effectively secured.

The directors are satisfied that all loans are shown at approximate fair value.

	CONSOLIDATED		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
24. CASH AND CASH EQUIVALENTS				
Bank balances	304 717	245 542	43 053	49 102
Cash on hand	1	12	-	-
Balance at end of year (<i>Current asset</i>)	304 718	245 554	43 053	49 102

The effective interest rate on all short-term bank accounts during the year was 6.09% (2016: 5.97%) for the Group. All cash balances are available on demand.

	CONSOLIDATED		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
25. NON-CURRENT ASSETS HELD FOR SALE				
Balance at beginning of year	26 229	-	-	-
Classified as held for sale	-	26 229	-	-
Sold during the year	(12 659)	-	-	-
Balance at end of year (<i>Current asset</i>)	13 570	26 229	-	-
Assets held for sale consist of:				
Owner-occupied properties (note 18)	13 167	25 748	-	-
Equipment (note 19)	403	481	-	-
Balance at end of year	13 570	26 229	-	-

In July 2016 the property and equipment on Erf 26, Menlo Park, Pretoria, were sold for R12.7m.

The remaining non-current assets held for sale relate to the owner-occupied property on Erf 34, Menlo Park, Pretoria, measuring 1 665 m² 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.

The value of the property as at 30 June 2017 was based on the purchase price as determined in the signed sale agreements.

26. SHARE CAPITAL (Consolidated and company)*Authorised share capital*

5 500 000 000 ordinary shares with a par value of R0.001 each
 200 000 000 'A' ordinary redeemable no par value shares
 200 'A' preference no par value shares
 100 000 000 'B' no par value shares

*Rights, preferences and restrictions attached to classes of shares***Ordinary shares**

Holders of ordinary shares have the right to participate and vote on any matter at any meeting of the shareholders. Furthermore shareholders have a right to receive a distribution if declared by the company, and a right to a portion of the remaining total net assets in the case of liquidation.

'A' ordinary redeemable no par value shares

These shares are issued at an issue price determined by the Board of Directors. This class of shares has been created to allow the company to implement BEE structures that can be funded partially or in whole by way of a notional funding mechanism. The shares are subject to a directors' determination regarding certain matters, including the interest rate that will accrue in respect of the outstanding notional balance from time to time, as well as the notional price at which the share are issued.

Holders of Class A ordinary shares have the right to vote on any matter that the ordinary shareholders are entitled to vote.

Refer note 29 for the directors determination in respect of class 'A1' and 'A2' shares.

'A' preference no par value shares

This class of shares was authorised without specifying associated preferences, rights, limitations or other terms. The Board of Directors determines the associated terms before shares are issued.

'B' no par value shares

'B' shares were authorised without specifying associated preferences, rights, limitations or other terms. The Board of Directors determines the associated terms before shares are issued subject to the prior written approval of the main shareholders.

Issued share capital

	Number of shares '000	Shares R'000	Share premium R'000	Total R'000
Ordinary shares				
Balance at 30 June 2015	412 040	30 368	537 736	568 104
Repurchase of ordinary shares	(523)	(1)	-	(1)
Correction on redemption of preference shares	-	-	4 862	4 862
Balance at 30 June 2016	411 517	30 367	542 598	572 965
Balance at 30 June 2017	411 517	30 367	542 598	572 965
'B' no par value shares				
Issued during the year	4 820	28 843	-	28 843
Balance at 30 June 2017	4 820	28 843	-	28 843

	CONSOLIDATED		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
27. TREASURY SHARES (other than share-based payments)				
Shares acquired by Assupol Investment Holdings	(10 329)	-	-	-
Balance at end of year	(10 329)	-	-	-
28. SHARE-BASED PAYMENTS				
A. Treasury shares ⁽¹⁾				
<i>Share incentive scheme</i>	(24)	(30)	(24)	(30)
Balance at beginning of year	(30)	(77)	(30)	(77)
Share incentive options exercised	6	47	6	47
<i>Deferred bonus</i>	(28 843)	-	(28 843)	-
B Shares issued during the year	(28 843)	-	(28 843)	-
Balance at end of year - Unvested shares	(28 867)	(30)	(28 867)	(30)
B. Employee benefits reserve ⁽²⁾				
<i>Share incentive scheme</i>	30 976	30 338	30 976	30 338
Balance at beginning of year	30 338	28 324	30 338	28 324
Cost of share incentive scheme	644	2 061	644	2 061
Options exercised	(6)	(47)	(6)	(47)
<i>Deferred bonus</i>	39 294	15 418	39 294	15 418
Balance at beginning of year	15 418	-	15 418	-
Cost of deferred bonus scheme - prior year	-	2 189	-	2 189
Cost of deferred bonus scheme - current year	23 876	13 229	23 876	13 229
<i>Other share incentives</i>	4 234	-	4 234	-
Cost of share incentives	4 234	-	4 234	-
Balance at end of year - Employee benefits reserve	74 504	45 756	74 504	45 756

(1) The treasury shares represent the unvested ordinary shares in terms of share incentive scheme as described below.

(2) The employee benefits reserve consists of the cumulative share-based payment expenses of any unvested shares and share options that are granted to staff of the Assupol Group.

28. SHARE-BASED PAYMENTS (continued)

Details of the share-based transactions in the company are provided below:

i. Share incentive scheme (Equity-settled)

In terms of the demutualisation, certain qualifying employees who were employed by the Assupol Group on 1 July 2010, were given an option to subscribe for 54 548 352 ordinary shares that were allotted to the Assupol Share Incentive Trust. The share options were allocated by using a court-approved formula. A further 26 082 353 ordinary shares were allotted to the Share Incentive Trust for purposes of issuing units to certain qualifying employees that are employed subsequent to 1 July 2010. 686 137 shares remain unissued.

In terms of the trust deed the right to received dividends and other distributions from the company will be suspended as long as such shares remain shares of the Assupol Share Incentive Trust.

	Number of shares issued '000	Number of units allocated '000	Price range
Options outstanding at 30 June 2015	73 647	68 245	R1.58 - R2.97
Net options exercised	(47 020)	(50 963)	R5.54 - R8.00
Shares transferred as deferred bonus shares	(3 705)	-	-
Options outstanding at 30 June 2016	22 923	17 282	R1.58 - R2.97
Net options exercised	(6 148)	(6 533)	R5.15 - R6.22
Shares transferred as deferred bonus shares and other purposes	(5 339)	-	-
Options outstanding at 30 June 2017	11 435	10 749	R1.58 - R2.97

Information on options granted

Type of arrangement Share incentive scheme
Vesting conditions Vesting in 3 tranches over 3, 4 and 5 years, should the employee not resign or be dismissed

The options were granted at different dates, namely:

Grant date	Contractual life	Number of shares issued '000	Units allocated '000	Fair value of options granted	Options exercised
31 December 2010	10 years	54 548	54 548	R1.58	52 823
31 October 2011	10 years	8 243	8 243	R1.88	5 784
16 August 2012	10 years	15 039	5 765	R2.06	-
14 February 2014	10 years	n/a	1 800	R2.97	1 000

Fair value of options granted

In terms of the demutualisation, an independent valuator was required to independently determine the fair market value of the shares to be issued to the Assupol Share Incentive Trust. KPMG Services Proprietary Limited was appointed by the Assupol Holdings' Board of Directors as the independent professional expert to perform this valuation.

The primary valuation methodology used was the 'Embedded Value' methodology, and adjustments for risk factors specific to the Group were made. Key value drivers to the valuation included, where relevant, discounts and premiums for risks (positive and negative) unique to the Group as compared to other comparable life insurers, prospects for future growth in the business and forecasted earnings. Prevailing market and industry conditions were also considered in assessing the risk profile of the Group.

The options that have vested and that can be exercised are calculated in terms of the formula in the Share Incentive Scheme Trust Deed. The taxable value of the shares transferred to the shareholders is equal to the 90-day volume-weighted average price (VWAP) of the shares trades on the company's over-the-counter platform.

28. SHARE-BASED PAYMENTS (continued)**ii. Deferred bonus scheme (Equity-settled)**

The deferred bonus component of the executive directors and senior management is determined in terms of the agreed bonus structure. The deferred component of the bonus structure is issued in ordinary shares ('bonus shares') in the company at the date when the bonus is determined and awarded to the employee. The right to trade with the bonus shares is restricted for a period of 3 years.

For the deferred bonus components relating to the 2014 and 2015 financial years the economic benefits of the bonus shares issued, including the receipt of dividends, accrued to the beneficiaries. The proceeds of any dividends are paid to the shareholders who in turn is required to acquire additional shares ('dividend shares') from the proceeds. The right to trade with the dividend shares is restricted for the same period as the related bonus shares.

The structure of the deferred bonus was changed for the 2016 financial year and onwards. 'B' shares were issued as bonus shares and the economic benefits of these shares, including the receipt of dividends, were restricted. These shares will convert to ordinary shares after the restricted period. The affected employees will receive a cash bonus from their employer at the end of the restricted period of which the value of the bonus will equal the total value of dividends declared on ordinary shares during the restricted period.

In accordance with the accounting policy (refer notes 2.21 and 2.24) the cost of the deferred component is recognised over the period of restriction.

Analysis of movement in deferred bonus component

	CONSOLIDATED		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Balance at beginning of year	(63 593)	(47 808)	-	-
New allocation	(32 508)	(29 014)	-	-
Adjustment to prior year allocation	171	-	-	-
Recognised in profit or loss	23 876	13 229	-	-
Balance at end of year	(72 054)	(63 593)	-	-

Information on share allocations granted

The allocations were granted annually when the annual financial statements of the preceding financial year are approved by the Board.

Grant date	Contractual life	Value of deferred bonus R'000	Number of 'bonus shares' / 'B' shares allocated '000	Number of 'dividend shares' allocated '000
30 September 2014	3 years	8 756	2 384	844
22 September 2015	3 years	41 241	5 366	1 017
27 September 2016	3 years	28 843	4 820	-
15 September 2017	3 years	32 508	5 312	-

Fair value of share allocations granted

At date of allocation the fair value of the shares was determined as the 30-day volume-weighted average price (VWAP) of the share trades on the company's over-the-counter platform.

iii. Shares of the executive directors (Cash-settled)

The company issued 10 000 000 shares to the executive directors and a prescribed officer in terms of their employment- and restraint of trade agreements. The agreements commenced with effect from 1 July 2012. The directors and officer shall not be entitled to pledge, cede or dispose of the incentive shares unless it has become unrestricted. For the directors a third of the shares becomes unrestricted on 30 June 2015, 30 June 2016 and 30 June 2017 respectively. The prescribed officer's shares became unrestricted on 30 June 2015. Furthermore the directors and officer became entitled to all the economic benefits and rights, including dividends, at the date of issue.

Should an agreement terminate prior to the expiry of the directors' and officer's employment agreement, various terms and conditions will apply to the directors' and officer's entitlement on unrestricted and restricted shares at the date. None of the agreements terminated before 30 June 2017.

28. SHARE-BASED PAYMENTS (continued)**iii. Shares of the executive directors (Cash-settled) (continued)**

For the shares granted on 1 July 2012, a director / officer has a liquidity put option against the company within ten business days after 30 June 2017. A director / officer is entitled to request the company to purchase the director's / officer's incentive shares at a price equal to market value of those shares. The market value of those shares will be the most recent available valuation per share as required in the Assupol Share Incentive Trust deed, namely the 30-day volume-weighted average price (VWAP) of the share trades on the company's over-the-counter platform. Refer note 32 for the employee benefit liability recognised.

Grant date	Number of shares issued	Fair value of shares		
		At grant date	At 30 June 2017	At 30 June 2016
1 July 2012	10 000 000	R2.46	R5.77	R5.64

Fair value of shares

The fair value of the shares was determined as the 30-day volume-weighted average price (VWAP) of the share trades on the company's over-the-counter platform as at year-end.

iv. Other share incentives (Equity-settled)

The company issued shares to prescribed officers in terms of their employment- and restraint of trade agreements. The officers shall not be entitled to pledge, cede or dispose of the incentive shares unless it has become unrestricted. The officers became entitled to all the economic benefits and rights, including dividends, at the date of issue.

Should their agreements terminate prior to the expiry their employment agreements, various terms and conditions will apply to the officers' entitlement on unrestricted and restricted shares at that date.

Information on share allocations granted

The share allocations were granted when the employment agreements of the specific prescribed officers were concluded.

Grant date	Vesting conditions	Contractual life	Number of shares
1 September 2015	25% of the shares vests annually from 1 September 2017	5 years	1 000 000
1 January 2017	33% vests annually from 1 January 2020	5 years	260 290

Fair value of share allocations granted

At date of allocation the fair value of the shares was determined as the 30-day volume-weighted average price (VWAP) of the share trades on the company's over-the-counter platform.

	CONSOLIDATED		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
29. BLACK ECONOMIC EMPOWERMENT RESERVE				
Balance at beginning and end of year	14 300	14 300	14 300	14 300

On 15 October 2012 the company concluded a Broad-Based Black Economic Empowerment transaction with WDB Investment Holdings Proprietary Limited, the investment arm of the WDB Group. The transaction resulted in WDB Investment Holdings Proprietary Limited acquiring a 10% shareholding in Assupol Holdings.

The agreement determined that 12 629 424 'A1' ordinary shares be issued at R2.35 per share with no notional amount and 31 573 561 'A2' ordinary shares be issued at R0.01 each with a notional amount of R3.17 per share.

The rights, preferences and restrictions attached to the shares are:

Class:	'A1'
Notional amount per share:	R0.00
Price per share:	R2.35
Commitment date:	17 October 2017
Transfer restrictions:	Non-transferable until the commitment date
Class:	'A2'
Notional amount per share:	R3.17
Price per share:	R0.01
Notional rate:	80% of prime rate
Notional date:	17 October 2019
Commitment date:	17 October 2019
Transfer restrictions:	Non-transferable until the commitment date

The agreement includes a subscription option whereby WDB Investment Holdings Proprietary Limited can subscribe to new A shares with a Rnil notional amount at any time after 17 October 2017. The number of option shares shall be equal to the number of 'A2' shares held on the date of exercise. Partial exercise is permitted. The subscription price per option share shall be equal to the notional outstandings per 'A2' share on that date.

The value of the option per share was determined at R0.4536 per share. The call option was recognised during the 2013 financial year as an once-off BEE expense of R14 300 000 in the financial statements of the Group and of Assupol Life.

An 'A2' share will not be entitled to participated in any dividends declared by the company until the notional loan is settled in full.

	CONSOLIDATED		COMPANY	
	2017	2016	2017	2016
	R'000	Restated R'000	R'000	R'000
30. POLICYHOLDER (ASSETS) / LIABILITIES UNDER INSURANCE CONTRACTS				
Insurance contracts				
<i>Discounted liabilities</i>	(1 948 243)	(1 324 179)	-	-
Balance at beginning of year	(1 324 179)	(881 115)	-	-
Opening modelling adjustments and Prophet conversion	(18 000)	(3 471)	-	-
Expected interest on insurance liabilities	(91 103)	(63 493)	-	-
Expected premiums on insurance liabilities	1 497 783	1 255 948	-	-
Expected claims, expiries and lapses	(427 562)	(417 054)	-	-
Expected expenses, commission and charges	(371 997)	(334 177)	-	-
Expected profits	(229 199)	(105 144)	-	-
Additional unit linked returns (policyholders)	(22 307)	(17 849)	-	-
Experience variations	(13 099)	6 799	-	-
Changes in estimates (renewal business only)	(257 466)	(250 313)	-	-
New business added during the year	(691 114)	(514 310)	-	-
<i>Undiscounted liabilities</i>	77 492	92 183	-	-
Balance at beginning of year	92 183	78 970	-	-
Withdrawals during the year	(16 391)	(2 430)	-	-
New business added during the year	4 143	12 065	-	-
Changes in estimates (renewal business only)	(9)	4 189	-	-
Elimination of negative Bonus Stabilisation Reserve	(2 434)	-	-	-
Modelling changes	-	(611)	-	-
Total insurance contracts	(1 870 751)	(1 231 996)	-	-
Reinsurance contracts				
<i>Discounted liabilities</i>	(24 819)	(84 467)	-	-
Balance at beginning of year	(84 467)	(186 436)	-	-
Opening modelling adjustments and Prophet conversion	127	-	-	-
Expected amortisation on liabilities	1 093	(84 261)	-	-
Changes in estimates (renewal business only)	63 824	200 130	-	-
New business added during the year	(5 396)	(13 900)	-	-
Total reinsurance assets	(24 819)	(84 467)	-	-
Total insurance (assets) / liabilities	(1 895 570)	(1 316 463)	-	-
Reconciliation of total insurance (assets) liabilities:				
Balance at beginning of year	(1 316 463)	(988 581)	-	-
Recognised in statement of comprehensive income	(579 107)	(327 882)	-	-
Balance at end of year	(1 895 570)	(1 316 463)	-	-
<i>Non-current (asset) / liability</i>	(1 998 690)	(1 424 231)	-	-
<i>Current (asset) / liability</i>	103 120	107 768	-	-
Maturity profile - Insurance contract liabilities				
	0 to 1 year R'000	2 to 5 years R'000	> 5 years R'000	TOTAL R'000
Consolidated - 30 June 2017	103 120	150 444	(2 149 134)	(1 895 570)
Consolidated - 30 June 2016	107 768	182 114	(1 606 345)	(1 316 463)

	CONSOLIDATED		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
31. POLICYHOLDER LIABILITIES UNDER INVESTMENT CONTRACTS				
Balance at beginning of year	1 298 259	1 258 945	-	-
Premiums received	808 176	288 711	-	-
Interest accrued to policyholders	17 506	-	-	-
Payments of death, surrender and other terminations	(247 791)	(245 562)	-	-
Fees deducted from account balances	(77 694)	(56 325)	-	-
Fair value adjustment to liabilities	19 068	52 490	-	-
Balance at end of year	1 817 524	1 298 259	-	-
At fair value through profit or loss	1 311 317	1 298 259	-	-
At amortised cost	506 207	-	-	-
Balance at end of year	1 817 524	1 298 259	-	-
<i>Non-current liability</i>	1 704 450	1 186 886	-	-
<i>Current liability</i>	113 074	111 373	-	-
<i>Maturity profile - Investment contract liabilities</i>	0 to 1 year R'000	2 to 5 years R'000	> 5 years R'000	TOTAL R'000
Consolidated - 30 June 2017	113 074	839 148	865 302	1 817 524
Consolidated - 30 June 2016	111 373	340 406	846 480	1 298 259

	CONSOLIDATED		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
32. EMPLOYEE BENEFITS				
Accrual for leave pay	13 032	10 194	-	-
Balance at beginning of year	10 194	9 906	-	-
Utilised during the year	(1 192)	(830)	-	-
Recognised in profit or loss	4 030	1 118	-	-
Provision for bonuses	62 817	42 840	-	-
Balance at beginning of year	42 840	40 895	-	-
Utilised during the year	(43 180)	(41 770)	-	-
Over provision from prior year	-	(2 189)	-	-
Recognised in profit or loss Cash bonus component	63 157	45 904	-	-
Cash-settled share-based payment liability (Refer note 28)	57 667	54 575	57 667	54 575
Balance at beginning of year	54 575	46 205	54 575	46 205
Recognised in profit or loss	3 092	8 370	3 092	8 370
Total employee benefits	133 516	107 609	57 667	54 575
<i>Non-current liability</i>	57 667	54 575	57 667	54 575
<i>Current liability</i>	75 849	53 034	-	-

	CONSOLIDATED		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
33. DEFERRED REVENUE LIABILITY				
Balance at beginning of year	346	278	-	-
Deferred revenue relating to new business	260	210	-	-
Amortisation of deferred revenue	(148)	(142)	-	-
Balance at end of year	458	346	-	-
<i>Non-current liability</i>	321	238	-	-
<i>Current liability</i>	137	108	-	-

The deferred revenue liability is up-front fees received from investment policyholders as a prepayment for asset management and related services. These amounts are non-refundable, and are released to income as the services are rendered.

	CONSOLIDATED		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
34. DEFERRED TAX ASSET / (LIABILITY)				
Deferred income taxes are calculated on all temporary differences under the liability method, using applicable tax rates.				
Balance at beginning of year	(513 514)	(405 268)	-	-
Movements directly recognised in retained earnings	-	-	-	-
Movements during year attributable to:	(149 173)	(108 246)	-	-
Temporary differences				
Deferred acquisition costs	(1 523)	(482)	-	-
Other timing differences	(16)	(373)	-	-
Unrealised gains	4 796	(3 774)	-	-
Capital loss carried forward	2 475	2 353	-	-
Policyholder liabilities difference between statutory and accounting basis	(154 905)	(105 970)	-	-
Balance at end of year	(662 687)	(513 514)	-	-
The deferred tax balance consists of the following:				
Temporary differences				
Deferred acquisition costs	(9 823)	(8 300)	-	-
Other timing differences	2 169	2 185	-	-
Unrealised gains	(13 930)	(18 726)	-	-
Capital loss carried forward	4 828	2 353	-	-
Policyholder liabilities difference between statutory and accounting basis	(688 960)	(534 055)	-	-
Assessed loss	43 029	43 029	-	-
<i>Non-current liability</i>	(662 687)	(513 514)	-	-
The offset amounts are: ⁽¹⁾				
Deferred tax assets	50 026	47 567	-	-
Deferred tax liabilities	(712 713)	(561 081)	-	-

(1) Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Deferred tax assets of Assupol Life have been recognised on an assessed loss of R43m (2016: R43m). This amount is only a portion of the total assessed loss available for utilisation. An additional deferred tax assets of Assupol Life have not been raised on a further assessed loss of R1 784m (2016: R1 831m) as future profits to recover these losses are not considered to be probable.

	CONSOLIDATED		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
35. INSURANCE AND OTHER PAYABLES				
Accounts payable	53 977	57 465	9 284	13 431
Sundry insurance payables	90 752	94 804	-	-
Outstanding claims and benefits payable				
On insurance contracts	92 698	93 463	-	-
On investment contracts	16 994	14 344	-	-
Premiums received in advance	12 358	11 633	-	-
Amounts due to shareholders	-	-	-	-
Amounts due to subsidiaries	-	-	16 230	786
Total insurance and other payables	266 779	271 709	25 514	14 217
<i>Non-current liability</i>	-	-	-	-
<i>Current liability</i>	266 779	271 709	25 514	14 217
Insurance and other payables consist of:				
Insurance payables	212 802	214 244	-	-
Sundry insurance payables	90 752	94 804	-	-
Outstanding claims and benefits payable:				
- Insurance contracts	92 698	93 463	-	-
- Other	16 994	14 344	-	-
Premiums received in advance	12 358	11 633	-	-
Other payables	53 977	57 465	25 514	14 217
Accounts payable	53 977	57 465	9 284	13 431
Amounts due to subsidiaries ⁽¹⁾	-	-	16 230	786
Total insurance and other payables	266 779	271 709	25 514	14 217

(1) The short term loan due to Assupol Life amounts to R16 230 348 (2016: R786 072) is unsecured and is repayable on demand. The loan does not bear interest.

	CONSOLIDATED		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
36. CURRENT TAXATION				
Balance at beginning of year	10 613	(9 949)	(23)	-
Transferred from the statement of comprehensive income	(143 452)	(84 872)	(26)	(398)
Taxation paid during the year (note 38)	118 570	105 434	120	375
Total current taxation	(14 269)	10 613	71	(23)

	CONSOLIDATED		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
37. CASH GENERATED FROM OPERATIONS				
Reconciliation of profit before tax to cash generated from operations:				
Profit before taxation	1 063 808	665 418	158 611	310 267
Movement in policyholder assets / liabilities:	(59 842)	(288 568)	-	-
Insurance contracts (note 30)	(579 107)	(327 882)	-	-
Investment contracts (note 31)	519 265	39 314	-	-
Items disclosed separately:	(187 482)	(155 563)	(167 051)	(318 571)
Interest received (note 9)	(152 140)	(122 724)	(1 338)	(2 907)
Dividends received (note 9)	(16 342)	(19 518)	(165 714)	(315 664)
Finance charges (note 15)	26	105	1	-
Deferred acquisition cost on new business (note 20)	(19 286)	(13 636)	-	-
Fee income deferred on new business (note 33)	260	210	-	-
Non-cash items:	62 980	(4 454)	-	-
Interest received on financial assets at amortised cost (note 9)	(19 344)	-	-	-
Net fair value (gains) / losses on financial assets (note 10)	49 097	(28 186)	-	-
Depreciation of property and equipment (note 14)	13 760	10 744	-	-
Loss / (profit) on sale of equipment (note 11)	(790)	150	-	-
Amortisation of intangible assets (note 20)	10 102	8 932	-	-
Impairment of intangible assets (note 20)	10 303	4 222	-	-
Profit from associate	-	(174)	-	-
Amortisation of deferred revenue liability (note 33)	(148)	(142)	-	-
Changes in working capital:	10 725	27 761	14 389	4 278
Insurance and other trade receivables (note 23)	(10 252)	(7 267)	-	-
Employee benefits (note 32)	25 907	10 603	3 092	8 370
Insurance and other payables (note 35)	(4 930)	24 425	11 297	(4 092)
Cash generated from operations	890 189	244 594	5 949	(4 026)
38. TAXATION PAID				
Total current tax	(118 570)	(105 434)	(94)	23
Receivable at beginning of the year	10 613	(9 949)	(23)	-
Recognised in profit or loss	(143 452)	(84 872)	-	-
Payable / (receivable) at end of the year	14 269	(10 613)	(71)	23
Security transfer tax	-	-	(26)	(398)
Recognised in profit or loss	-	-	(26)	(398)
Total taxation paid	(118 570)	(105 434)	(120)	(375)

	CONSOLIDATED		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
39. SIGNIFICANT NON-CASH TRANSACTIONS				
Equity-settled shared-based payments (note 28)	28 754	15 290	28 754	15 290
Share incentive scheme	644	2 061	644	2 061
Deferred bonus	23 876	13 229	23 876	13 229
Other share incentives	4 234	-	4 234	-
Cash-settled share-based payments (note 28)				
Shares to executive directors	3 092	8 370	3 092	8 370

40. RELATED PARTY TRANSACTIONS**Related parties defined**

All subsidiaries in the Assupol Group, their key management (including immediate family members as defined in IAS 24), as well as entities that have a significant influence over the Group, are deemed related parties.

Key management

No salaries for key management of the subsidiaries are paid by the holding company. Assupol Life pays the salaries of key management of Assupol Holdings Limited. Key management is defined as executive and non-executive directors of any subsidiary in the Group.

The directors of the companies in the Group declared that they did not have any material interest in any contract signed by the Group during the year.

Information pertaining to the remuneration, directors fees and securities held by directors and prescribed officers are disclosed in Annexure A to the financial statements.

	CONSOLIDATED		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Aggregate details of contracts between the Group and key management				
Insurance contracts				
Aggregate insured cover	3 821	3 774	-	-
Premiums received	78	66	-	-
Claims paid	-	-	-	-
Surrender value	46	40	-	-
Investment contracts	665	702	-	-
Fund value at beginning of year	702	636	-	-
Premiums received	50	63	-	-
New contracts / (resignations)	25	(24)	-	-
Investment returns credited net of charges	(101)	39	-	-
Commission and other transaction fees	(11)	(12)	-	-
Surrender value	665	695	-	-
Balances with related parties				
Total amounts due to subsidiaries as detailed in note 35				
Operational account with Assupol Life	-	-	(16 230)	(786)
Balance at beginning of year	-	-	(786)	(2 559)
Repayments	-	-	(31 184)	(27 732)
Transactions funded during the year	-	-	15 740	29 505
Shareholding in Assupol Holdings (note 27)				
Assupol Investment Holdings (Pty) Ltd	10 329	-	-	-

41. COMMITMENTS*Operating lease commitments*

The Group leases various equipment, vehicles and offices under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The lease expenditure recognised in profit or loss during the year is disclosed in note 14 to the financial statements.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	CONSOLIDATED		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
<i>Office equipment</i>				
• Due in 1 year or less	84	365	-	-
• Due between 1 and 5 years	23	84	-	-
• Due after 5 years	-	-	-	-
<i>Office buildings</i>				
• Due in 1 year or less	30 055	18 389	-	-
• Due between 1 and 5 years	110 147	20 037	-	-
• Due after 5 years	148 552	171	-	-
Total	288 861	39 046	-	-

42. INTERESTS IN SUBSIDIARIES

Subsidiary name	Issued share capital R'000	Effective holdings		Interest of holding company	
		2017 %	2016 %	2017 R'000	2016 R'000
<i>Subsidiaries of Assupol Holdings Limited</i>					
Assupol Life Limited ⁽¹⁾	490 019	100%	100%	621 961	613 991
Assupol Investment Holdings Proprietary Limited ⁽²⁾	70 431	100%	100%	72 544	72 544
<i>Subsidiaries of Assupol Investment Holdings</i>					
Cornerstone Brokers Corporate Proprietary Limited ⁽³⁾	9 273	100%	100%	40 800	40 800
Erf 26 Menlopark Share Block Proprietary Limited ⁽⁴⁾	1	100%	100%	1 019	7 415
Siebador Sewentien Proprietary Limited ⁽⁴⁾	1	100%	100%	4 525	4 525
IG Admin Proprietary Limited ⁽⁵⁾	301	100%	100%	-	-
<i>Other consolidated entities</i>					
Assupol Share Incentive Trust ⁽⁶⁾	Trust	-	-	-	-

All the subsidiaries are unlisted and incorporated in South Africa. Transactions between subsidiaries are listed in note 40 to the annual financial statements.

Nature of business

- (1) A registered long term insurer in terms of the Long Term Insurance Act, 52 of 1998.
- (2) An investment holding company that holds the investments in all of the non-life subsidiaries of the Group.
- (3) Financial services provider in terms of the Financial Advisory and Intermediary Services Act, 37 of 2002. The company is engaged in the selling of funeral insurance to pensioners as well as the selling of life insurance products to the general public.
- (4) Property company earning primarily rental income.
- (5) Dormant or no trading for the period under review.
- (6) Trust - refer note 28 (i.)

43. 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 and the restatement only applies to the consolidated Group numbers.

<i>Consolidated</i>	PREVIOUSLY	ADJUSTMENT	RESTATED
	REPORTED	2016	2016
	2016	2016	2016
	R'000	R'000	R'000
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

44. EVENTS AFTER REPORTING DATE**Dividend declaration**

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. Refer notes 28 and 29 for more detail.

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

Annexure A is available on request from Mr SJ de Beer, the Company Secretary, at samueld@assupol.co.za.