

# Integrated report

for the financial year  
ended June 2012

“An enormous amount of teamwork  
and dedication went into our  
achievements...”

Rudi Schmidt, Group Chief Executive Officer

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## About this report

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In this Integrated Report, we provide information for the financial year 1 July 2011 to 30 June 2012. This report covers Assupol Holdings Limited ("Assupol Holdings") and its subsidiaries. Through this report, aimed at key current and future stakeholders, notably shareholders, the Board and management of Assupol Holdings aim to convey information that is necessary for our stakeholders to make an informed assessment of our performance.

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## Assupol background

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Assupol's humble origins date back to 1913, when an informal arrangement took place between South African policemen to assist the family of a deceased colleague. This led to the establishment of the South African Police Provident Fund. This Provident Fund later became known as Assupol.

Assupol withstood major international and local challenges throughout the continuously changing political & business environment; which included two world wars, the 1918 influenza endemic, the 1929 Great Depression and several market crashes. Despite these challenges, Assupol never relented on responsibilities towards policyholders.

In December 2010, Assupol Life was successfully demutualised and converted to a public company in order to adapt to the fundamental changes taking place in global and local financial markets. This process placed approximately 400 million shares in the hands of qualifying policyholders, most of whom are previously disadvantaged individuals. The demutualisation directly resulted in the financial empowerment of all qualifying policyholders.

A decision in 1913 to fulfil a need has over time developed into a multimillion rand financial institution and one of South Africa's leading niche life insurers.

Assupol is on the verge of its 100th year of existence – with total income well above R1.6 billion - and looks forward to reaching its century with confidence for the future, underpinned by strong operations, innovative products, committed employees, loyal policyholders and stakeholders and exciting growth prospects.



## Group at a glance

Assupol Holdings Limited is the holding company in the restructured group, and holds the entire issued share capital of Assupol Life Limited and Assupol Investments Holdings (Proprietary) Limited.

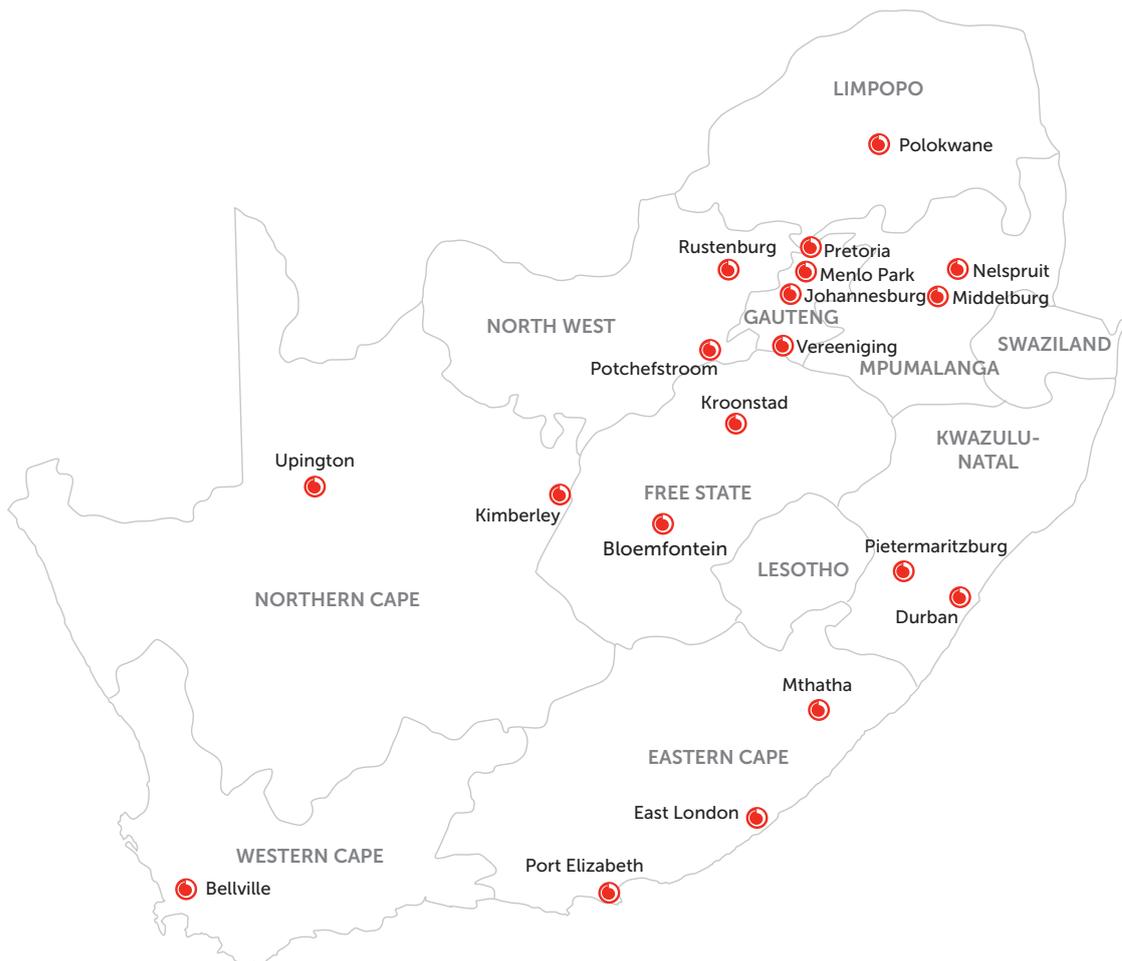
### Assupol Life Limited

Assupol Life Limited ("Assupol Life") is an authorised financial services and credit provider with its main interest and core competency in the provision of long-term insurance products to a selected niche market through diverse distribution channels.

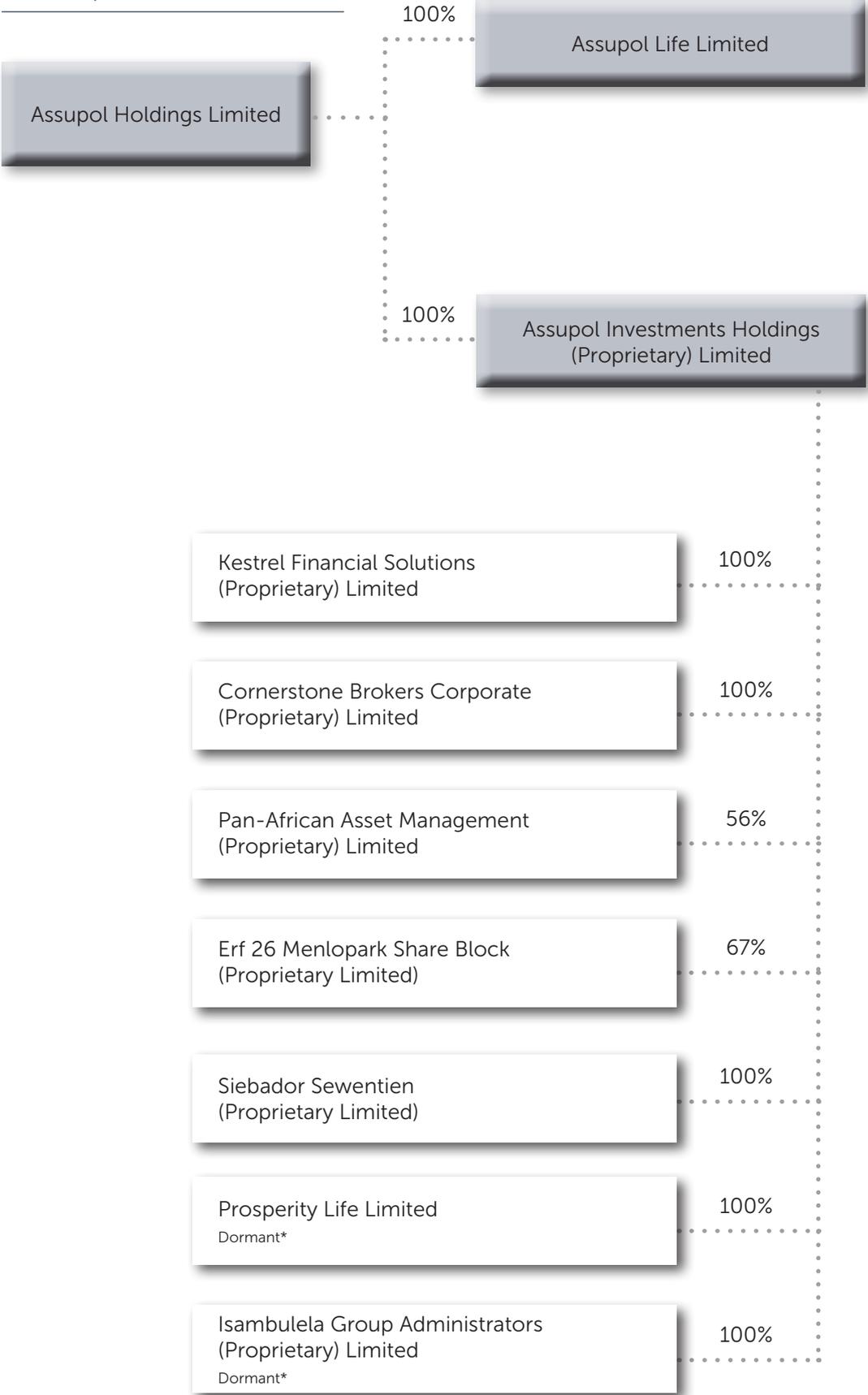
### Assupol Investments Holdings (Proprietary) Limited

Assupol Investments is a holding company that holds the interest in strategic subsidiaries providing various financial services such as short-term insurance, group scheme marketing and asset management, as well as interests in property.

Head office is based in Pretoria and the branch network extends throughout South Africa.



# Group structure



\* The businesses of Prosperity Life and Isambulela Group Administrators were transferred to Assupol Life during the current financial year.

The interest in subsidiaries held by Assupol Holdings Limited as at 30 June 2012:

Name	Holding	Nature of business
	100%	The company is a registered long term insurer in terms of the Long Term Insurance Act, 1998, and provides long term insurance products to a selected niche market through diverse distribution channels.
	100%	The company is an investment holding company for all the strategic subsidiaries.
<b>Strategic Subsidiaries of Assupol Investments Holdings (Proprietary) Limited</b>		
	100%	The company is engaged in the provision of financial services, focusing on short term insurance solutions.
	100%	The company is a brokerage engaged in the marketing of the Cornerstone Group Funeral Scheme primarily to low income groups in rural areas.
	56%	PAM is one of the oldest and most successful black owned independent asset management companies, providing asset management services to pension funds & other institutions. Assupol acquired a controlling stake in PAM in May 2012.
Erf 26 Menlopark Share Block (Proprietary) Limited	67%	This is a property holding company which owns the Assupol head office building.
Siebador Sewentien (Proprietary) Limited	100%	This is a property holding company which owns Plaza West building in Menlo Park.
	100%	The company is a registered long-term insurer in terms of the Long-term Insurance Act, 1998. In June 2012 the North Gauteng High Court approved the Section 37 transfer of the business of this company to Assupol Life Limited. The assets and liabilities of the company were transferred to Assupol Life on 30 June 2012.
	100%	The company is a group administrator and has not been trading for the period under review as the business was transferred to Assupol Life. The company is dormant and will be deregistered in due course.

## Key facts

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### Vision

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To be the insurer to the people

### Mission

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To serve those who serve

### Value

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To treat our clients fairly

### Products and Services

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- Funeral cover
- Life cover
- Savings and investment products
- Retirement annuities
- Group schemes
- Value-added products: Assupol-on-call
- Additional products offered through Kestrel Brokers:
  - Car & home insurance
  - Business insurance
  - Taxi insurance
  - Medical aid
  - Sport insurance

### Value proposition

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- Insurer of the aspiring lower to middle income markets
- Active in the only segment of the long-term insurance market that is showing the largest growth
- Proven track record and intimate understanding of our niche markets
- Extensive distribution footprint across SA

### Market leadership

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- Simple, relevant and affordable product range
- Trusted brand in target markets
- Outstanding client service
- Effective and professional sales and distribution team

### Quality leadership

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- Highly experienced leadership team
- Executive members have on average over 14 years of experience within Assupol
- Stable, qualified and experienced senior management team

### Successfully demutualised

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- Demutualised in December 2010, placing 386,4 million shares in the hands of qualifying policyholders
- Restructured capital and shareholder base
- Finalised an investment transaction with a new institutional investor, the International Finance Corporation (IFC), a member of the World Bank Group, and other strategic investors

### Governance

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- Revised, stronger governance structure
- Strong compliance culture

### Core markets

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- The emerging lower to middle income segment (LSM 3 - 8)
- Reliable premium deductions through Persal, the government's HR and payroll administration system

### Client

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- Net policies increased by 11.4% to 472,109
- High service objectives – life and funeral claims are paid within 48 hours of receipt of required documentation

### Black economic empowerment

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Black owned company

### Ownership

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Qualifying Members	83.3%
Assupol Management and Employees	16.7%

## Our people

- Employees became shareholders on demutualisation; aligning their interests with that of all shareholders
- High performance organisational culture
- Employment is provided to 543 permanent employees
- National distribution network of 1,528 sales representatives
- Continued growth, development and improvement of employee skills to complement a lean and effective management structure
- Skilled employees with 126 graduates including 3 MBA's, 8 CA's, 2 actuaries
- R7.03 million spent on training and development during financial year 2012; up from R3.88 million in the previous year.
- Comprehensive wellness programme for employees

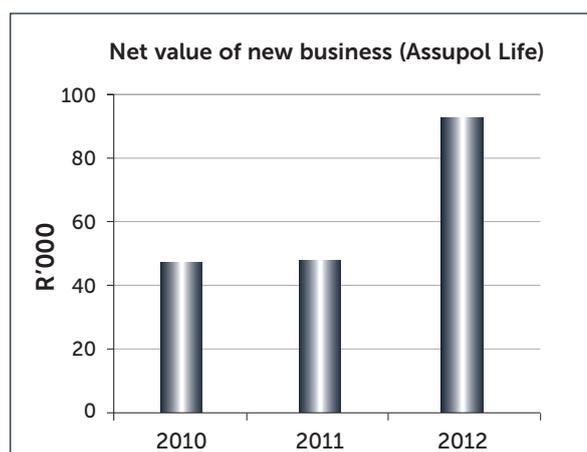
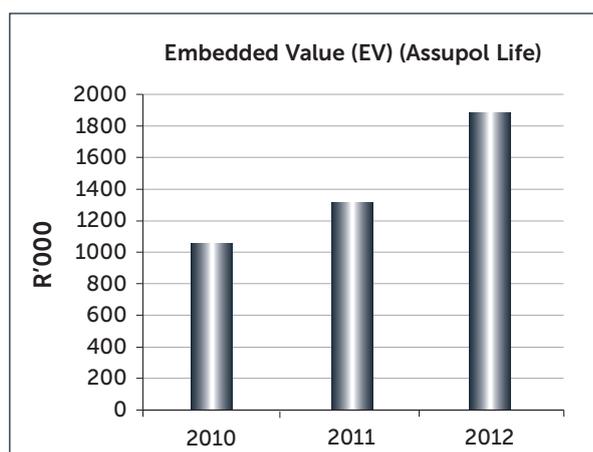
## Community

- We are continuously involved in projects to uplift the underprivileged in our communities
- Supporting:
  - Kingdom Life Children's Centre
  - Nellmapius Soup Kitchen
  - Mandela Day, our flagship CSI project
  - Assupol Cares – a project established, funded & run by employees; which makes financial & other contributions to needy individuals or organisations as nominated by employees
- Sponsorships to develop grass roots sports

## Financial highlights

### Assupol Holdings

	2012	2011	2010
	R'000	R'000	R'000
Net premium revenue (Group)	1 335 063	1 122 951	1 083 213
Net profit after tax (Group)	309 974	232 235	239 639
<b>Embedded Value (EV) (Assupol Life)</b>	<b>1 884 190</b>	<b>1 312 746</b>	<b>1 053 972</b>
Growth in EV (Assupol Life)	43.5%	24.6%	34.5%
<b>Net value of new business (Assupol Life)</b>	<b>92 714</b>	<b>47 985</b>	<b>47 336</b>





Chairman  
DJ Le Roux

## Chairman's report

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In these days of fast-moving activity in all aspects of our day-to-day lives, it is quite amazing and sobering to realize that Assupol is on the verge of its 100th year of operation, founded back in 1913, just before the start of the First World War, when technology didn't even exist and everything was a lot slower than it is today.

As I explained in my Chairman's statement in last year's Integrated Report, Assupol has certainly enjoyed a rich and varied history over this near century of serving the needs of South Africans from various walks of life.

While we have a range of medium and longer term strategies in place to grow our business to fully leverage our demutualisation, it is important to note that the Board of Directors has taken the decision to postpone Assupol Holdings' potential listing on the JSE until a more opportune time. Listing is still very much part of our plans, but it will be pursued when market conditions are more suitable and when we have a greater need to raise capital. We will continue to prepare ourselves for a listing so that we are well placed to press the button when the right time comes.

As our CEO Rudi Schmidt covers in his report, we have made very significant progress in restructuring our shareholder base, including attracting the International Finance Corporation (IFC) as a strategic, long term shareholder – a major feather in our cap. This restructuring process will continue over the next few months as we emerge from our demutualisation phase and enter an exciting new era with a new shareholder structure that will underpin our entrance into our second century as a proudly South African organisation.

### Adapting to regulatory and other change

Although Assupol has an excellent foundation on which to build its future with confidence and enthusiasm, there is no doubt that we along with other players in the life insurance space will have to negotiate our way through some uncertain times as new regulatory conditions and frameworks have an impact on how we go about our business.

While all of these regulations are well intentioned and are based on solid reasoning and justification, they will take some adaptation and implementation. It is unavoidable, therefore, that uncertainty will prevail until these changes have been bedded down across the industry.

Regulatory changes that Assupol and other life insurance service providers will have to absorb include: amendments to the Long Term Insurance Act; new solvency regulations probably being introduced in

2014; the rollout of the Treat Clients Fairly (TCF) framework; the Micro Insurance Act; and the Financial Advisory and Intermediary Services Act.

It is quite possible that this raft of new regulatory requirements could lead to further consolidation in the market as smaller players struggle to control costs. However, it is important to note that at Assupol we have received enormous support from regulators – mainly the Financial Services Board – which has been of great assistance throughout our demutualisation process. The level of understanding of our needs has been superb, enabling a smoother transition.

From a broader point of view, it remains vital for a group such as ours to be able to adapt to other changes that may be brought about by political and economic happenings at home in South Africa and elsewhere in the world. These are unsettled times in many countries around the world for a wide variety of socio-economic reasons and it is important that more clear direction is provided to produce the confidence that will lead to sustainable economic growth, and most importantly, much needed job creation. This applies right here in South Africa just as it does in Europe, the US and other parts of the world.

Longstanding organisations such as Assupol have seen many changes over the decades and have always adapted to new realities. I have every confidence in the fact that we will continue to successfully and effectively re-engineer what we do and how we do it to maintain Assupol's relevance as an important long term insurance innovator and service provider.

## Strengthening and broadening our leadership

For an organisation such as ours, it is critical to have a good balance of strong and experienced leaders, both executive and non-executive. With the appointment of Sipiwe Ndwalaza we have strengthened our executive management team.

With the IFC becoming a shareholder it is likely that there will be further transformation of our board in the very near future. New people from different backgrounds, experience and areas of expertise will bring more ideas, helping us to grow and develop our group in the best interests of all stakeholders.

## Appreciation

The year under review has been very successful for the group. On behalf of fellow board members I would like to extend my thanks to all who contributed to the Assupol group's steady growth path this year, enabling us to deliver consistently on our promises, our financial targets and on building value. With these results, I am confident we are well positioned to meet the challenges and opportunities that lie ahead.



DJ Le Roux  
Chairman



Group Chief Executive  
Officer  
RF Schmidt

## Group Chief Executive Officer's report

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### Our transition and consolidation continues

Following the successful demutualisation of Assupol Life, our major focus has been and continues to be on managing and implementing the ongoing transition and consolidation of our company as it enters an exciting new era.

The demutualisation scheme and the restructuring of our shareholder and capital base were scheduled to be completed by 31 December 2012, but we have requested the FSB to support an application to the High Court to amend the scheme document to:

- Amend the redemption methodology
- To extend the conversion date, the date on which the preference shares issued to policyholders convert into ordinary shares to no later than the 30 September 2013.

With around 240,000 shareholders representing 386.4 million shares, valued at approximately R860.2 million, it is understandable that the raising of capital for the redemption of preference shares is quite a lengthy and logistically difficult process to manage and implement.

As far as the restructuring of our shareholder base is concerned, we have made significant progress in this regard. We have also made excellent progress in consolidating our operations to provide a solid foundation for sustainable growth.

It is indeed a major vote of confidence in Assupol that we in June 2012 attracted the International Finance Corporation (IFC) as a strategic shareholder through an investment of R170 million into our company. This transaction was undertaken at a value of R2.06 a share, showing strong growth on the demutualisation scheme document's range of R1.25-R1.50 a share in December 2011. Shares were issued to qualifying policyholders at R1.26 per share.

Significantly, the IFC has had experience in the life insurance industry in Africa through its association with African Life which was absorbed into one of the country's major insurers in the late 90's. We certainly look forward to having the IFC as a long term strategic shareholder that wants to have exposure to the life insurance business in South Africa.

There is no doubt that the IFC's investment in our company brings with it an enormous amount of credibility which will stand us in good stead as we continue to develop our business interests into the future. This is a powerful shareholder whose business objectives are ideally aligned with ours.

On the consolidation front, the two major events have been the absorption of Prosperity Life into Assupol Life via means of a Section 37 Transfer completed in June 2012 and the acquisition of a 56% stake in Pan-African Asset Management.

In the case of Prosperity Life, the board took the decision to acquire the outstanding 20% shareholding not owned by Assupol and then to consolidate this investment as part of our long term strategy to consolidate our life operations and focus our strengths. The Prosperity Life brand has been retained as we believe it has developed a strong niche for itself in the market place, particularly in the Eastern Cape.

With regard to Pan-African Asset Management, it made sense in May 2012 for Assupol to acquire a controlling stake in this asset manager - one of the country's most successful black-owned asset managers - when the owners and current equity partners indicated their desire to reduce their shareholding. Assupol had been making use of Pan-African Asset Management's services for several years and this opportunity gave us an excellent channel through which to gain control over our own key asset manager.

When this transaction has been fully implemented in mid-2013, Assupol's stake will rise to a maximum of 72% and assets under management are expected to be around R5.5 billion. The remaining shareholding will be retained by Pan-African Asset Management's employees and management.

Our acquisition of a controlling interest in this well-established asset manager provides us with a number of benefits covering areas such as distribution capability, product development, synergies, new revenue and profit streams and greater efficiencies. It also made good strategic sense for Assupol to make this investment in a proven service provider that also has a strong client base and a solid track record over the past five years.

## Repositioning and strengthening our brand

Following extensive research and examination, it was decided that a strong argument existed to reposition the Assupol brand. To drive this repositioning, a special new tagline was created: "Serving those who serve".

As our core target market focus is the civil service, this tagline was created to specifically refer to them, but also to enable Assupol to broaden its offerings to other markets as part of our vision to become "the insurer of the people." Using the civil service as a base, our intention is to grow our footprint in the emerging market, mainly focusing on the LSM 3 - 8 categories. This is the biggest growth sector in the South African market. It is here that we want to concentrate our efforts, and where we feel we can make a difference.

Linked closely to our repositioning is our desire to make Assupol branches more aesthetically appealing. A refurbishment exercise around the country has already refreshed several of our branches and some excellent feedback has been received about the new look and feel that has been introduced.

For our branches to be most effective, they have to be where our clients are. This means that some branches need to be relocated to become more accessible and visible. This will be an ongoing process as we put "serving people who serve" into action.

Our company is all about personal financial empowerment so it is important that we do things in a way that appeals to people considering entrusting us with their future.

## Strong results despite challenging trading conditions

The trading environment for life insurers remains challenging, especially in the emerging market sector where cost pressures have impacted negatively on disposable income. Food and transport prices have risen sharply and have had a serious effect on overall inflation experienced by many of our policyholders.

In addition, there has been very little employment growth and consumer confidence is fragile. Investment markets remain unpredictable, providing volatile investment returns, with instability in Europe and the slowdown in China continuing to be of major concern.

Despite this backdrop, Assupol Life, our largest business, was able to achieve strong financial results for the year ending June 2012. This was underpinned by individual policy sales rising by an encouraging level of 17% and by a major focus on cost control.

Partly due to actuarial assumptions being reviewed, after tax profit for the year rose by 40.2% to R324.6 million for Assupol Life. However, this growth is not sustainable and does not reflect the core operational performance of the company. Our sustainable profits grew by a lower, but still impressive margin of 11% from R211 million to R255 million.

The entrenched culture of cost control and our continuous process to improve the quantity and quality of new business over the years has seen a growing divergence between our actuarial assumptions and actual experience. This has allowed us to alter some of our actuarial assumptions which have underpinned our profits and embedded value and added value for our shareholders.

The embedded value increased by an impressive 43.5% from R1.31 billion to R1.88 billion. The growth was due to strong sales growth, the elimination of our discretionary RDR margin and changes to our actuarial base. It would be fair to note that these changes, which resulted in the freeing up of assets and the release of profits to shareholders, would not have been possible had it not been for the positive intervention of our management and employees.

The health of our core business which is responsible for 98% of our profits and revenue, Assupol Life Ltd, is in good shape with a capital adequacy ratio (CAR) of 206% (192% – 2011). Our subsidiaries housed in Assupol Investments Holdings (Proprietary) Limited have experienced a troubled year. Kestrel Financial Solutions, trading as Kestrel Insurance Brokers, failed to meet its profit target. The business operates in a highly competitive industry that has seen a host of new entrants entering the market, particularly on the lower cost, direct-marketing side, which has made it difficult for Kestrel to grow.

Cornerstone Brokers, that provides products and services to the lowest end of the income segment, continued to experience difficulty in collecting premiums due to political uncertainty and interference. This, however, seems to be settling down and premium deductions are now continuing. Sales have improved and it is expected that Cornerstone will return to its original profitability and margins in the next year or two.

Over the last 18 months Assupol has closed Isambulela Learning Company (Proprietary) Limited and Isambulela Group Administrators, both of whose clients and employees have been absorbed by Assupol Life Ltd.

It is important to note that despite the fact that Assupol closed down three businesses, including Prosperity Life Ltd over the past year, no retrenchments took place.

## Improving and expanding our offerings

While Assupol's business is to provide a wide range of financial services products to meet a variety of protection and investment needs, our core focus has to be on the people who buy our products.

To this end our emphasis is on continually evolving and fine-tuning our products to ensure that they genuinely meet the needs of our policyholders, who are the people who keep us in business. This focus has also led us to streamline our call centres, improve our branches and generally upgrade our entire network of operations.

Included in this process is a concerted effort to introduce "plain English" into our communications with our clients. All of our standard letters are being reviewed to make them as user-friendly and as easy-to-understand as possible.

Our "cash back" offering – which enables policyholders to receive 100% of their premiums on certain policies after 10 years of no claims – has been extremely well received and underscores our commitment to "serve those who serve others" in the best possible way by rewarding them generously.

## Thanks

I would like to echo our Chairman's vote of thanks to everyone who has contributed to Assupol's progress and performance over the past year. An enormous amount of teamwork and dedication went into this achievement and will be needed again as we position our company to go from strength to strength in its second century of operations.



Rudolf F Schmidt  
Group Chief Executive Officer

## Executive Management

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The Executive Management Team (Exco) is responsible for implementing, managing and monitoring the business affairs of the Assupol Group in line with Board-approved plans, budgets, delegations and limits of authority, prioritising the allocation of capital and other resources, reviewing and approving acquisitions, disposals and investments, and establishing the best management and operating practices. Exco is also mandated, empowered and held accountable for implementing the strategies, business plans and policies determined by the Board.

Exco has extensive experience within the company and the industry. Furthermore, with the demutualisation recently completed, new members have been introduced to the Executive Management Team to strengthen the knowledge base and provide renewed energy as Assupol Holdings aims towards listing on the JSE.



### Rudolf Schmidt

(49) BCom Accounting (Hons) Investment Management  
Group Chief Executive Officer

Rudi was a non-executive Director of Assupol from 2000. He brought with him a wealth of experience gained as Executive Director at UAL Namibia Ltd, the SCMB Asset Management senior management team where he was responsible for the company's largest institutional clients and the Africa operations, and Chief Investment Strategist at BoE Securities. Prior to accepting the appointment as Group CEO at Assupol in May 2010, Rudi was Managing Director of SEI Investments (South Africa) Ltd where he also served on the global management team of SEI – a position he held for eight years. He is a member of SAICA and the Institute of Directors.



### Bridget Mokwena

(47) Masters in Business Leadership  
CEO: Assupol Life Limited

Bridget has been with the Group for 13 years. Prior to her permanent appointment at Assupol, Bridget was employed by the South African Police Service as a Senior Manager of Human Resource Management. While working for the South African Police Service, Bridget worked for Assupol as a part-time agent and for Technikon SA (now UNISA) as a tutor. In February 1999 Bridget joined Assupol permanently and held various positions i.e. National Training Manager, Executive Director Human Resource Management and Chief Executive Officer of Prosperity Life. She was appointed as Chief Executive Officer: Assupol Life and Executive Director of Assupol Holdings in 2010. Other Directorships she holds include Cornerstone Brokers Corporate (Pty) Limited as chairperson, Executive Director of Prosperity Life, and Director at the Association of Savings and Investment South Africa (ASISA). She is a member of the Institute of Directors.

## Gert Wessels

(58) N Dip State Accounting and Finances, BA Policing, BCompt, Certificate in Taxation  
Executive Director: Group Sales

Gert has been with the Assupol Group for more than 30 years. He held the position of CEO until July 2010, which he relinquished in the interest of a new succession plan which included the strategy alignment of Assupol Life following demutualisation. During his term as CEO, Gert built Assupol Life from a small niche insurer to a diversified insurance company with assets in excess of R2 billion. Today he serves as a mentor to his fellow executives whilst taking responsibility for Group sales strategy. Other directorships he holds include Kestrel Financial Solutions (Pty) Limited, Cornerstone Brokers Corporate (Pty) Limited and Blue Bulls Rugby Union. He is a member of the Institute of Directors.



## Niel de Klerk

(41) CA (SA)  
Group Chief Financial Officer

Niel has been with the Assupol group since 1998, and has acted as its Finance Director since 2000. In this role, Niel developed Assupol's financial department into an efficient asset through the development of systems, policies, budget control, accounting procedures, employee selection and development and the establishment of in-house actuarial capability. Under Niel's guidance, Assupol Life is an accredited SAICA training provider. Through this programme, finance students are guided and coached to be successful professionals in a highly specialised industry. He is a member of the South African Institute of Chartered Accountants (SAICA).



## Siphiwe Ndwalaza

(46), MM(HR) MBA  
Executive Director: Group Human Resources

Siphiwe joined Assupol in September 2011 to head up the human resources function, and develop and implement the group's strategic HR roadmap. He was thereafter appointed onto the Executive Management Team in April 2012. Prior to joining Assupol, he was Managing Executive, Human Resources at Neotel. A highly experienced HR practitioner over the past 20 years, Siphiwe has also held senior positions at several other organisations including Sentech, Sony South Africa, General Electric South Africa and Blue Ribbon Bakeries. He obtained a Master's degree in Business Administration (MBA) from the University of the Witwatersrand's Graduate School of Business Administration. Siphiwe also graduated with a Master's Degree in Human Resources Management (MM) and a Post Graduate Diploma in Management (PDM) from the Wits Business School. He is registered with South African Board for People Practice (SABP) and is a member of the Institute of Directors. Siphiwe was appointed after the year under review.





## Performance against strategic objectives

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### Continuous restructuring of capital and shareholder base

Following the demutualisation of Assupol, considerable progress has been made in the on-going process of restructuring and consolidating the group's shareholder and capital base.

As has been discussed at length in the CEO's Report, progress made in this regard provides a solid foundation for sustainable growth in the future.

It is indeed a strong vote of confidence in Assupol's future prospects that an organisation as influential and as highly regarded as the International Finance Corporation (IFC) invested R170 million in Assupol. This is without doubt a major feather in the company's cap.

Significantly, negotiations are underway to raise further capital to redeem the preference shares issued during the demutualisation in December 2010.

### Repositioning the Assupol brand

Assupol has developed significant branding and reputation over the past century of its operations, but research has demonstrated the need for a repositioning of the brand.

By developing the tagline "serving those who serve", the idea is to identify Assupol fully with its main client base – public servants – but also to enable the opportunity to extend this meaning to a much wider range of people who "serve" others.

This tagline also links directly to Assupol's corporate vision "to be the insurer to the people".

As has been mentioned in the CEO's Report, the idea is to leverage Assupol's strong public service client base to grow into other areas of the emerging market which is by far the biggest growth sector in the local insurance arena.

For this to be achieved, and to grow Assupol's client base in the LSM 3 - 8 income categories, awareness of Assupol needs to be heightened and offices and agent representation needs to be in the most appropriate areas both urban and rural.

A comprehensive strategy has been launched to refresh and refurbish many of the company's branch offices, at the same ensuring that they are situated where they can best assist us in our goal of "serving those who serve."

Accessibility is a vital consideration. Assupol offices have to be situated in places where they are convenient, appropriate and relevant for the market. They also have to be highly visible to attract attention, service existing clients in a professional manner, and create new business.



Linked to the repositioning and refreshing of the Assupol brand is the continual evolving and fine-tuning of products and services offered to the market to ensure that these products and services ideally meet specific needs in an effective and affordable way.

Assupol's innovative "cash back" offering – enabling policyholders to receive 100% of certain policy premiums back after 10 years of no claims – is testimony to the group's commitment to genuinely looking after the best interests of policyholders.

By comprehensively examining Assupol's offerings – and the way they are delivered and communicated to the market – Assupol believes it will be able to "serve those who serve" and realise its goal "to be the insurer to the people."

## Diversifying our revenue and profit streams

It is critically important for an organisation such as Assupol to have strong and reliable revenue and profit streams.

However, it is also important to have adequate diversification in these revenue and profit streams.

By acquiring a controlling stake in Pan-African Asset Management, Assupol has increased and diversified its revenue and profit stream bases, providing growth potential for the future.

As has been mentioned in the CEO's report, Assupol's stake in Pan-African Asset Management will rise to 72% when full implementation of the transaction takes place in mid-2013. Assets under management are by then expected to be around R5.5 billion.

Not only does this increased investment make good strategic sense, it brings with it several other tangible benefits and efficiencies that go beyond revenue growth and profitability.

In addition, by acquiring the outstanding 20% of Prosperity Life that it did not already own, Assupol has also been able to further consolidate its life operations and focus on its clear strengths.

Other opportunities for diversifying and strengthening revenue and profit generation are continuing to be examined as Assupol grows and broadens its niche in the market place.

## Developing our workforce

### Employee Assistance and Wellness Program

At Assupol, it is our goal and our aim to provide supportive health, lifestyle and financial services awareness to assist our employees in managing and living their lives as effectively as possible.

Through the Careways Group, Assupol Life provides support to employees who experience personal, emotional or work-related difficulties.

Via Wellness Days, we enable our employees to understand their health status and risks. At a Wellness Day in February 2012, around 270 employees participated, receiving checks of their cholesterol, glucose, blood pressure, body mass index and other health measures. They were also treated to some healthy pursuits such as smoothie-making, "laughing yoga" and a dance-off. A Lifestyle Challenge was launched and pedometers were handed out to everyone who attended the day.

The Lifestyle Challenge – which ran from March to May 2012 – was aimed at increasing the overall health and fitness of participants through effective exercise and redefining habits. The 40 participants in the challenge were given direct access to various health and fitness professionals – it comprised aerobics, Pilates, timed walks, “boot camps”, dietician workshops and continual personal assessments.

A knowledge offering was also introduced via the group’s intranet, providing access to information on symptoms, tests and procedures, medications, first aid, daily health news, lifestyle content and several interactive self-assessment tools.

There continues to be a major focus on HIV and AIDS training and campaigns to increase employee knowledge and awareness.

### **Transformation**

Transformation and employees diversity remain key strategic objectives. Transformation is being implemented through attracting, developing and retaining talented black employees as well as employees with disabilities.

### **Recruitment strategy**

Our strategy and aim is to ensure that Assupol sources, attracts and hires the best available talent at all levels of its operations. Assupol will fill vacancies with the best available candidates without discriminating on basis of race, gender, pregnancy, marital status, family responsibility, ethnic and social origin, colour, sexual orientation, age, disability, religion, HIV status, conscience, belief, political opinion, language or birth. In line with the group’s commitment to Employment Equity, preference will be given to members of historically disadvantaged groups to ensure that workforce composition is representative of the society in which Assupol operates.

### **Retention strategies**

It is the goal of the remuneration committee to ensure that all employees be rewarded fairly and equitably and it aims to reward all employees in line with their responsibilities and on par with the industry.

All employees participate in a short term incentive scheme which is based on company performance and the contribution of each employee. Management and senior management also qualify to participate in the Assupol Holdings share incentive scheme.

Employees are treated as individuals and have the opportunity to learn and grow. It is management’s philosophy to empower people to perform their duties and to provide a learning culture.

To promote teamwork and a sense of belonging, bi-monthly employee events are held and a quarterly newsletter is published.

Assupol aims to retain all talented employees, particularly previously disadvantaged employees and employees with disabilities.

Governing policies in the workplace include: dress code; HIV-AIDS; personal relationships in the workplace; recruitment; smoking; time and attendance (access control.)

### **Sponsorships**

Assupol focuses its expenditure on grass-roots development, investing more than R1.92 million in causes spanning from sport, education, welfare, and others, in this financial year.

## Corporate social investment initiatives

As a fully committed corporate citizen, Assupol is heavily involved in a variety of CSI programmes aimed at benefiting the less fortunate in our society.

Our major beneficiaries are:

### Kingdom Life Children's Centre

Kingdom Life Children's Centre is a home for neglected, orphaned, abused and disadvantaged children in Atteridgeville, Pretoria. Assupol has been supporting Kingdom Life since 2002. The main focus of this support is to enhance the opportunity for the children to develop in a stable and caring environment, while imparting valuable life skills.

One of the ways this goal was achieved this year was through an educational camp. Assupol sponsored this camp for the older group of children (ages 13-20); the purpose of which was to educate the children about leadership skills, team work, sexual education, alcohol abuse and perseverance.

Assupol contributes towards stationery and school clothes for the children at the beginning of the school year.

### Nellmapius Soup Kitchen

This is located in the informal settlement of Nellmapius, Pretoria. Soup is provided to the needy on a bi-weekly basis. Around 170 individuals – both children and adults – benefit from the soup kitchen. There is also a crèche on the premises. Assupol contributes financially to the soup kitchen on a monthly basis.

### Mandela Day

Since 2010, Assupol has participated in Mandela Day on an annual basis and fully supports the concept behind the day, which is to impact positively on society just as Nelson Mandela has done throughout his life.

Instead of just celebrating the required 67 minutes, Assupol uniquely supports Mandela Day with activity spanning two days; this year on 18 and 19 July 2011, and took this opportunity to make a worthwhile difference in the lives of its selected beneficiaries.

The employees of Assupol volunteered and made visits to Kingdom Life Children's Centre and Nellmapius Soup kitchen, where they assisted with refurbishing the facilities at both centres, to improve the efficiency of the charitable services that are provided there.

Due to the need for classroom space, a new Wendy house was constructed for the crèche at Nellmapius. Assupol also donated groceries for the soup kitchen, provided a new toilet and sink for the facility, doors and a security gate.

Kingdom Life Children's Centre also received refurbishment, with painting of the halls, renovation of their TV room, and bedding for all beds.





### Assupol Cares

The philosophy of making a difference is so entrenched in Assupol that employees were inspired to begin an employee-run charitable arm called Assupol Cares. Assupol Cares was launched in November 2011 with the vision of being a vehicle through which employees could themselves make a real difference in the organisations that are close to their hearts.

It is a charitable initiative that is funded and managed by employees in the Assupol Group of Companies, through a nominated committee, and operates nationwide. Employees voluntarily contribute financially on a monthly or annual basis and also give of their time towards projects. The projects that are supported must meet the purpose of making a considerable difference in the life of an individual or group.

Assupol Holdings co-contributes to Assupol Cares in amounts equal to employees' contributions up to R50, 000 per annum.

## Operational reports

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### Assupol Life

#### Focusing on our core markets

Our focus has continued to be on our core market – government employees, most notably the South African Police Service, and employees of para-statals.

During the 2012 financial year, SAPS accounted for around 45% (11% higher than in the previous year, but lower than in earlier years) of our client base with the remaining 55% mainly coming from the rest of the government sector. Good progress was made in increasing penetration in the Health and Education Departments.

The strong performances in government departments outside of SAPS indicate how relevant our products are for these markets and that we understand our core market and their needs.

The highest growth took place in the LSM 8-9 areas although around 51% of our clients are in the LSM 5-6 category. Significantly, Assupol Life paid out 63,000 claims during the financial year, a 13% increase on the year before.

#### Providing innovative products

It is fulfilling and satisfying to see how the market has adopted and accepted our products. Simplicity and flexibility is a key element of our products, and we conduct on-going product development. From development to launch, Assupol Life can roll out a new product in just 90 days – this provides us with a strong competitive advantage.

The 4Sure product has proved extremely popular since it was launched. This product essentially enables life cover to be provided without the need for medical underwriting to take place.

Importantly, the company enjoyed 51% growth in the sale of risk products other than funeral policies, indicating that there is strong demand for broader risk cover in our target market.

Continually educating our clients and potential clients, and remaining responsive to their specific needs remains a major priority, as does the need to provide products that are easy to understand.

All products are regularly reviewed to ensure that they remain relevant and to ascertain whether additional benefits or features should be added. Always understanding the market is of paramount importance.



Chief Executive  
Officer  
Bridget Mokwena

## Distributing our products

Assupol Life's success is partly built on its visibility in target market areas. While call centres are important, it is vital in the individual business market to have "feet-on-the-ground" exposure and penetration through brokers and sales representatives.

During the 2012 financial year, we utilised 208 broker principals. Our own sales force for individual business comprised 800 representatives, while 692 representatives were utilised for group schemes business.

Special attention was focused on, and continues to be aimed at, developing effective distribution channels in rural areas. This aligns closely with the government's strong focus on increasing financial inclusion for all South Africans.

## Financial highlights

During the year under review, the total premium income of Assupol Life amounted to R1.23 billion, significantly higher than the R1 billion achieved in the previous year. This increase occurred despite a challenging and highly competitive environment, exacerbated by volatile investment markets and stubbornly high unemployment. The company achieved investment returns of 8.40% for the year under review.

Focused cost containment remained one of the top priorities during the year. Nevertheless, operating and administration expenses increased by 12.6% (14.1% in 2011).

In challenging trading conditions, Assupol Life achieved an impressive profit after taxation of R325 million (R231.5 million in 2011). Benefits and claims amounted to R635 million and the capital adequacy ratio was maintained at a healthy level of 206%.

Embedded value rose by 43.5% to R1.88 billion from R1.31 billion previously, while total assets rose to R2.78 billion from R2.43 billion.

Sales growth rose by 17%, translating into 102% of target. Significantly, active individual book growth was 11%. Our own sales force accounted for 61% of overall sales with the remaining 39% coming from broker sales.

Funeral policies accounted for 68% of sales, other risk products 18%, retirement annuities 3% and savings and investment products 4%.

## Outlook

The reality is that trading conditions in 2013 are not easy in our targeted market areas due to several increases in the cost of living – such as fuel and electricity price hikes – which have severely impacted many people's disposable income. However, we are optimistic that targets for the year ahead will be achieved.

Taking into account the significant changes that have taken place in our operational structure, a strong focus will now be on translating these changes into revenue growth and profitability. Major emphasis is being placed on maximizing efficiencies, particularly relating to our branch networks.

Operationally, much has been done to restructure branches around the country as part of a three-year plan. In some areas, where there has been more than one branch office of the Group, consolidation has taken place. The focus is now on multi-skilling employees to enable them to handle a variety of client needs – training is underway in this regard.

Major efforts have gone into evaluating branch productivity, the suitability of branch locations and accessibility for clients. This is all part of controlling costs and maximising service excellence. Excitingly,

there are plans to open a new branch in the Soweto area, envisaged to take place in the second quarter of 2013.

With Prosperity Life having been absorbed into Assupol Life's operations, it is highly commendable that no retrenchments were affected in this process, especially when jobs are so scarce in South Africa at this time.

We continuously strive to enhance our products, services and processes. In this regard, some functions have been automated and a mobi-site has been developed for sales support.

Major focus is being placed on regular engagement with distribution channels and other stakeholders to ensure that Assupol is "front of mind" and increasing its penetration in its quest to be "the insurer to the people."



Chief Executive  
Officer  
Adv. Esrom Kgaphola

## Cornerstone Brokers

Cornerstone Brokers has been part of the Assupol Group since 2005 and has developed a strong niche as a provider of affordable cover for mainly rural dwellers. It has a widespread product distribution profile in Kwazulu-Natal, Gauteng, Limpopo, Mpumalanga, North West, Northern Cape, Eastern Cape and Free State.

Core products in the Cornerstone portfolio are the Cornerstone Pensioner Plan – which includes dependent benefits, family care benefits and tombstone benefits – as well as the Cornerstone Solution which provides funeral plans for persons who are not pensioners.

Through its range of products – which are mainly marketed through pay points and via a door-to-door strategy – Cornerstone provides valuable peace of mind for many people through the provision of affordable policies and benefits.

Marketing, support, sales, claims processing and client service are carried out at 62 offices around the country.

The main challenge of the past year was that deduction facilities used to collect premiums from policyholders were not functioning in the majority of the provinces where we operate. Negotiations are underway to get the deduction facility fully operational again in all provinces. Furthermore, although we experienced growth in new sales, it was a challenge to maintain these policies due to the fact that some alternative deduction facilities proved unsuccessful, thus negatively affecting the turnover of sales representatives.

Since Assupol acquired a 100% shareholding in Cornerstone Brokers in 2006, we have managed to increase our profits, albeit marginal growth, due to the problems experienced with the premium deduction facilities. In the 2012 financial year, revenue was reported at R37 million and profit before tax as R11.5 million.

### Outlook

While the past year was a challenging period for Cornerstone, strong brand awareness has been created through radio advertising and a series of road-shows with traditional leaders and pensioner committees in several provinces. It is envisaged that these efforts will contribute towards increased sales in the year ahead.

## Kestrel Financial Solutions

Kestrel Financial Solutions, trading as Kestrel Insurance Brokers, achieved 85% of its total profit target before taxation in the year under review.

The business operates in a highly competitive industry that has seen a host of new entrants entering the market, particularly on the lower cost direct-marketing side, which has made it challenging for Kestrel to obtain growth.

Significantly though, 95% of Kestrel's representatives and employees successfully completed the regulatory examinations as required by the Financial Services Board.

Kestrel's main distribution channel is sales by employees and independent representatives. A major challenge for the company is stabilizing the sales team and finding and retaining suitable representatives with the necessary skills.

The value of Kestrel's total book increased in the 2012 financial year as new markets were successfully accessed.

### Outlook

Although prevailing economic conditions and competition in the personal lines insurance market exist, we are making continued efforts to address these challenges through maximising efficiencies and stabilising our sales force.

We are investigating the implementation of a policy administration system that will enhance sales, client services and compliance.

Taxi insurance is showing a steady increase and we are reviewing the sales strategy in respect of this particular market, which can ensure sustainable sales growth.

The sales structure will be streamlined to increase new business volumes and sustain an efficient sales team.



Chief Executive  
Officer  
Louise Steenekamp



Chief Executive  
Officer  
Jacques Erasmus

## Prosperity Life Limited

On 30 June 2012, Prosperity Life Limited became a wholly-owned subsidiary of Assupol Investments Holdings (Proprietary) Limited, which recently acquired the 20% stake that it did not already own as part of its on-going strategy to consolidate the life insurance operations of the group. By means of a transfer in terms of Section 37 of the Long Term Insurance Act of 1998, the entire business of Prosperity Life Limited was transferred to Assupol Life Limited.

However, the Prosperity brand has been retained as it has a strong reputation and niche in certain geographic areas and market segments. While the full business transfer of Prosperity Life to Assupol Life ends an era, it also heralds the beginning of something bigger with great potential for the future.

Prosperity Life's full incorporation into Assupol has a range of benefits for different stakeholders.

Policyholders will benefit from the excellent systems and client servicing experience of the Assupol Group, without any changes to their benefit terms or the conditions of their policies.

Shareholders of Assupol Holdings will benefit from the improved profitability and stronger capital adequacy position that results from the combined operation, as opposed to two separate entities. Cost savings will also be realised in terms of the compliance and licensing issues that were associated with two separate long term insurance licences.

Employees, all of whom have retained their positions, will also benefit from a broader spread of opportunities within the Assupol Group.

The combination of the integration of the distribution channels of Prosperity Life Limited and Assupol Life Limited, and the combined value of the two brands, bodes well for future growth of sales in the life insurance operations of the Assupol Group of Companies.



### Board of directors of Assupol Holdings Limited

From left to right: HG Engelbrecht, AR Els, GFM Wessels, S Nyalungu, D de Klerk, JAJ van Rensburg, B Mokwena, DJ le Roux (Chairman), RF Schmidt (Group CEO), S Ndwalaza (appointed after year under review), KL Craemer

## Governance

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The board of Assupol Holdings Limited was constituted as a result of the demutualisation of Assupol Life, with effect from 31 December 2010.

### King III efforts

As the custodian of the protection of the interests of all its stakeholders, the board of Assupol Holdings Limited is committed to the highest standards of corporate governance. As such, it subscribes to the principles of the third report on Corporate Governance in South Africa (King III), which came into effect on 1 March 2010.

The board of Assupol Holdings Limited believes that most of the King III principles are already entrenched in its processes, policies and procedures, and remains committed to the implementation of King III throughout the Assupol Group, unless the full implementation is not necessarily in the best interests of our stakeholders taking into account the market positioning of Assupol.

The board continuously assesses its level of compliance with King III. During the year under review, an internal assessment using the Governance Assessment Instrument from the Institute of Directors has indicated that its application of the principles of King III has improved from "C-rating" (Application to be improved) to "B-rating" (Moderate application).

During the year under review

- the existing charters of the audit committee, risk committee and the board were updated and reviewed;
- financial administration policy of Assupol Group and Assupol Life were updated and reviewed;
- an evaluation of the performance of the directors at board and board committee level was conducted; and
- the members of the Assupol audit committee were elected by the shareholders at the AGM held in January 2012.

## Board structures

The scheme for the demutualisation of Assupol Life provided that the boards of Assupol Life Limited and Assupol Holdings Limited should remain fixed for the period until the conversion of the preference shares issued to the qualifying members of the demutualisation scheme. All the members of the Assupol Holdings board also serve on the board of Assupol Life, with the exception of Mr Sipiwe Ndwalaza. The responsibility of the Assupol Life board is limited to the operations of Assupol Life, whereas the Assupol Holdings board focusses more on the strategy of the Assupol group as a whole, and specifically including accounting policies, financial results, dividend policy, human resource development, corporate governance throughout the group, sales performance and interactions with Assupol stakeholders and institutional investors. Assupol Holdings Limited has the following Board committees:

- Audit
- Risk
- Remuneration and Nomination
- Social and Ethics

## Board charter

The Board charter (and the committee charters) embraces the Code of Practices and Corporate Conduct in the King III Report which contains the corporate governance guidelines and recommendations. The current Assupol Board charter has been modelled on the principles of sound corporate governance, recommended by King III. The charter sets out the role and responsibilities of the board, namely to:

- act as the focal point for, and custodian of, corporate governance by managing its relationship with management, the shareholders and other stakeholders of the Company along sound corporate governance principles.
- appreciate that strategy, risk, performance and sustainability are inseparable and to give effect to this by:
  - contributing to and approving the strategy.
  - satisfying itself that the strategy and business plans do not give rise to risks that have not been thoroughly assessed by management.

- identifying key performance and risk areas.
- ensuring that the strategy will result in sustainable outcomes.
- considering sustainability as a business opportunity that guides strategy formulation.
- provide effective leadership on an ethical foundation.
- ensure that the Company is and is seen to be a responsible corporate citizen by having regard to not only the financial aspects of the business of the Company but also the impact that business operations have on the environment and the society within which it operates.
- ensure that the Company's ethics are managed effectively.
- ensure that the Company has an effective and independent audit committee.
- be responsible for the governance of risk.
- be responsible for information technology (IT) governance.
- ensure that the Company complies with applicable laws and considers adherence to non-binding rules and standards.
- ensure that there is an effective risk-based internal audit.
- appreciate that stakeholder's perceptions affect the Company's reputation.
- ensure the integrity of the Company's integrated report.
- act in the best interests of the Company by ensuring that individual directors:
  - adhere to legal standards of conduct.
  - are permitted to take independent advice in connection with their duties following an agreed procedure.
  - disclose real or perceived conflicts to the board and deal with them accordingly.
  - deal in securities only in accordance with the policy adopted by the board.
- commence business rescue proceedings as soon as the Company is financially distressed.
- elect a chairman of the board that is an independent non-executive director.
- appoint and evaluate the performance of the chief executive officer.

## Board composition

The board comprises a balance of executive and non-executive directors, with a majority of non-executive directors. A majority of the non-executive directors is independent, as defined in King III guidelines.

Directors are appointed through a formal process and the 'Nomination & Remuneration Committee' assists with the process of identifying suitable candidates to be proposed to the shareholders.

None of the non-executive directors has a director's service contract, but all remuneration paid to non-executive directors is in terms of approval, by special resolution of the shareholders, at the AGM as required by the Companies Act, 2008. The executive directors of Assupol have concluded fixed term employment agreements with Assupol.

The details of the Assupol board members are set out below.

## Directorate

### Non-executives

**Daan le Roux** (70) Dip. State Administration B Iuris  
Chairman

Daan has been the Chairman of the Board since 1995, and serves on the Remuneration and Nomination, Audit, Risk Management, Assupol Pension Fund Board of Trustees. He retired in 1997 from the Public Service in the capacity of Divisional Commissioner of Public Safety and Security with the rank of Lieutenant General after 36 years of service in the South African Police Service.

**Bushie Engelbrecht** (61) BA Police Science, Major General (Ret) S.O.E. and S.O.E. (G)

Bushie has been a non-executive Director of Assupol Life since 2007. He retired from the South African Police Service (SAPS) after 43 years' service holding the rank of Major General. He served as commander of numerous specialised units in the Detective Service, as well as Dog School, the Specialised Investigation Unit, and was Deputy Provincial Commander of SAPS, Gauteng. He was awarded 10 SAPS medals including SOE and SOE (G). After his retirement, he was appointed as Managing Director of Sleuth Consulting Services, a role he currently holds.

**Karel Craemer** (63) Dip State Finance and Accounting, Cost Accounting and Police Administration

Karel has been a non-executive Director of Assupol Life since 1993. He retired from the SAPS in 2004 with the rank of Lieutenant-General in the capacity of Divisional Commissioner: Administration and Finances, having spent 37 years in the financial division of the SAPS. He has a strong accounting background and experience.

**Arthur Els** (62) BSc (Hons) (Wits), FIA - Fellow of Institute of Actuaries (London), Fellow of Actuarial Society of South Africa, Certified Financial Planner, Chartered Financial Analyst, Chartered Enterprise Risk Actuary

Arthur has been a non-executive Director of Assupol Life since 2003. Arthur qualified as an actuary in 1982 and has been practising as a consulting actuary since 1984. Before founding his own firm in 2004, he was a partner in a firm of consulting actuaries, as well as senior director in a large firm of employee benefit consultants. He has acted as a valuator and consultant to pension funds and life insurance companies, and consults to corporates on enterprise risk management. He is currently the Managing Director and senior actuary at Arthur Els and Associates, a medium-sized firm of consulting and enterprise risk actuaries in Johannesburg, South Africa.

**Jan Janse van Rensburg (67) BA LLB**

Jan has been a non-executive Director of Assupol Life since 2003. Admitted as an attorney in 1971, Jan became a partner in law firm Haasbroek and Boezaart the following year and later Managing Director. He has been practicing in litigation and commercial matters for 40 years. He was a lecturer and instructor at the Practical Law School, a member of the Standing Committee on Legal Education, and a Board Examiner for the Attorneys' Admission Exam. He is still practicing as a consultant at Haasbroek and Boezaart.

**Stian Nyalungu (52) National higher diploma Policing (NHD)**

Stian has been a non-executive Director of Assupol Life since 2007. He worked as a Station Commander in Tembisa, and then moved to Krugersdorp as a Station Commander where he was later appointed as Head of the Crime Prevention Unit. He then became a commander at SAPS Tshwane Academy. He now serves as Head SAPS Basic Development.

## Independence of board members

Through the Chairman of Assupol Holdings Limited and the Nominations committee, the Board annually considers and reconfirms the classification of directors as being independent. The Nominations committee is of the view that all the Assupol directors, excluding the executive directors, meet the criteria set for independence.

## Appointment and re-election of directors

Assupol's Memorandum of Incorporation provides that directors are subject to retirement by rotation every three years and, if put forward for re-election, are considered for reappointment at the AGM.

## Board effectiveness evaluation

The Remuneration and Nominations committee assesses the effectiveness and contribution of each director standing for re-election. These assessments are transparent and well documented. The Board Chairman's own performance is appraised by the Board under the direction of the Deputy Chairman. A collective board effectiveness evaluation was conducted during the year under review. The results of the review indicated that the Assupol board and various board committees functioned well. There were no material matters to report.

## Board meetings

The Board meets at least quarterly. At the board meetings the board considers Assupol's financial and business performance, strategic and risk related issues and monitors the implementation of delegated responsibilities. Feedback from the various board committees is also considered.

## Board committees

The Board has established committees with specific responsibilities. The committees assist the Board in discharging its duties and responsibilities. The ultimate responsibility at all times resides in the Board and, as such, it does not abdicate this responsibility to the committees.

The functions of the Audit and Risk committee are split in the two different committees.

## Risk committee

### Members

Arthur Els (Chairman), Karel Craemer (nominated to the committee in his capacity as the chairperson of the audit committee) and Stian Nyalungu

### Invitees

The executive directors of Assupol Holdings Limited, the Company Secretary and the Risk Manager, as well as representatives from the external and internal auditors of Assupol are invited to the meeting.

### Role and functions

The Risk Committee has an independent role, operating as an overseer and a maker of recommendations to the board for its consideration and final approval. The Committee does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management.

The role of the Committee is to assist the board to ensure that:-

- the Company has implemented an effective policy and plan for risk management that will enhance the Company's ability to achieve its strategic objectives; and
- the disclosure regarding risk is comprehensive, timely and relevant.

Information may be shared freely between the Committee and the Audit Committee

The Committee must perform all the functions as is necessary to fulfil its role as stated above, including the following:

- a) Oversee the development and annual review of a policy and plan for risk management to recommend for approval to the board.
- b) Monitor implementation of the policy and plan for risk management taking place by means of risk management systems and processes.
- c) Make recommendations to the board concerning the levels of tolerance and appetite and monitoring those risks are managed within the levels of tolerance and appetite as approved by the board.
- d) Oversee that the risk management plan is widely disseminated throughout the company and integrated in the day-to-day activities of the Company.
- e) Ensure that risk management assessments are performed on a continuous basis.
- f) Ensure that frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks.
- g) Ensure that management considers and implements appropriate risk responses.
- h) Ensure that continuous risk monitoring by management takes place.
- i) Liaise closely with the Audit Committee to exchange information relevant to risk.
- j) Express the Committee's formal opinion to the board on the effectiveness of the system and process of risk management.

- k) Review reporting concerning risk management that is to be included in the integrated report to ensure that this is timely, comprehensive and relevant.

This committee's charter is reviewed annually by the Board to ensure that it is aligned with national and international corporate governance best practice.

The committee meets four times a year.

## Audit committee

### Members

Karel Craemer (Chairman), Daan le Roux and Jan Janse van Rensburg

### Invitees

The executive directors of Assupol Holdings Limited, the Company Secretary, the Risk Manager, the Statutory Actuary of Assupol Life Limited as well as representatives from the external and internal auditors of Assupol, are invited to the meeting.

### Role and functions

The Audit Committee is constituted as a statutory committee of Assupol Holdings Limited in respect of its statutory duties in terms of section 23 of the Long-term Insurance Act, 1998, section 94(7) of the Companies Act, 2008 and a committee of the board in respect of all other duties assigned to it by the board.

The Committee's responsibilities cover Assupol Holdings Limited and all its subsidiaries. While the responsibilities of the Committee cover the entire Assupol group, the specific focus will only be on materially identified entities in the group.

In accordance with the requirements of the Companies Act No 71 of 2008 (Companies Act), as amended, the individual members of the committee are appointed annually by the shareholders at the AGM for the ensuing financial year.

The Committee has an independent role with accountability to both the board and shareholders. The Committee does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management.

The Audit committee has a formal terms of reference approved by the Board, and is satisfied it has discharged these responsibilities. The role of the Audit committee is to fulfil all of the functions set out in the Companies Act and the Long-term Insurance Act to assist the Board in fulfilling its responsibility with regard to financial and auditing oversight responsibilities, as well as the overall quality and integrity of financial and actuarial reporting and internal control matters. The Audit committee annually evaluates the company's internal controls and has satisfied itself that there were no material breakdowns in internal financial control systems during the year.

The Audit committee, after due consideration, has recommended the Integrated Report to the Board for approval. It also performs the prescribed statutory requirements including those applicable to the external auditor.

As required by the Companies Act, the committee has, after consideration of the level and types of non-audit services provided and other enquiries and representations, satisfied itself that Assupol's external auditor is independent of the company and has nominated the reappointment of PwC for the 2013 financial year.

This committee's charter is also reviewed annually by the Board. The Audit committee is satisfied it has discharged its legal, regulatory and other responsibilities.

The committee meets four times a year.

## Remuneration and nomination committee

### Members

Daan le Roux (Chairman), Karel Craemer and Jan Janse van Rensburg

### Invitee

Group Chief Executive Officer

### Role and functions

The committee is responsible for making recommendations to the Board on all new appointments to the Board and its committees. A formal process of reviewing the balance and effectiveness of the Board and its committees, identifying the skills needed and the individuals to provide such skills in a fair and efficient manner, is required of the committee to ensure the Board and its committees remain effective and focused. This includes a regular review of the composition of the Board committees. It also includes assisting the Chairman with the annual evaluation of Board members' performance. It is responsible for identifying appropriate Board candidates and evaluating them against the specific disciplines and areas of expertise required. The Board approves all interim appointments, with the final appointments being made by the shareholders at the AGM. The committee is chaired by the Chairman of the Board and meets quarterly.

## Social, ethics and sustainability committee

The Social, Ethics and Sustainability Committee is a committee established in terms of Section 72 and Regulation 43 of the Companies Act No 71 of 2008.

The committee's statutory functions are set out in the abovementioned regulation and are supplemented as set out in the committee charter, some of which are highlighted below.

The committee has the responsibility to recommend for approval, monitor and advise on all social, ethics and sustainability matters and relevant issues that have a significant impact on the company and its stakeholders. This committee also addresses transformational, safety, health and environmental matters. In respect of transformational matters, the committee recommends for approval, monitors and advises on matters pertaining to transformation and black economic empowerment throughout the Group.

## Risk report

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*This section provides information on the processes and structures in place to manage and mitigate risks identified by the group. As a custodian of policyholder funds, the 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 and insurance risk in the contracts issued by the group.*

Being in business means accepting risks. As a financial services group, Assupol is naturally exposed to a variety of risks. We have always managed our risks via a wide variety of policies and committees, but have started to formalise our Risk Management practices. In formalising and entrenching risk management in our business practices, we hope to improve overall business performance and assist with sustainable value growth of the Group.

### Three lines of defence

The key objective of our risk management efforts at Assupol is to ensure that we are aware of and manage our risks in the best possible way. For obvious reasons, cost implications are considered when implementing controls that need to address risk. We adopt a “three lines of defence” approach, where ownership for risk is taken at various levels in the Group.

*First line of defence:* the individual business departments form the first line of defence. The bulk of the transactions arise at this level, and the bulk of the controls are also implemented at this level.

*Second line of defence:* this level comprises various corporate oversight measures. The most notable is a variety of committees that manage specific risks. In addition, we have independent internal oversight structures in place, such as the Finance Department, Legal & Compliance, and ultimately the Board of Directors.

*Third line of defence:* this level comprises a totally independent review of the functioning and effectiveness of the first two lines of defence. The internal and external auditors, as well as our statutory actuary, form part of this line.

### Business = change

The old adage “the only constant is change” is as applicable to business as to anything else in life. In the past few years we have experienced considerable change in the financial services sector through changes in accounting practices and heightened regulatory efforts. We do not think that this will decrease in the foreseeable future.

We list possible events or changes of which the impact is unknown and which could materialise over the next 5 years:

International Financial Reporting Standards (IFRS)	The IFRS are continually amended by the International Accounting Standards Board. Changes to IFRS4 (phase II) will have a material impact on how we report on our results. The estimated effective date is unknown at this stage.
Solvency Assessment and Monitoring (SAM)	The FSB is implementing a new monitoring regime, with a likely effective date of 1 January 2016
Treating customers fairly (TCF)	The FSB has launched a TCF supervisory framework to ensure that clients of the financial services sector are treated fairly by the respective companies.
Protection of Personal Information	This legislation is currently in 'bill' stage, and the enactment date is unknown although immanent.
Change in commission regulations	The FSB in conjunction with National Treasury is looking at how commission on insurance contracts should be changed.
Micro-insurance	The FSB in conjunction with National Treasury is proposing a new regulatory framework for lower-quantum insurance. Under this framework, companies that offer micro-insurance products will not be regulated as intensely as normal insurance companies.

## Risk management framework

We do not employ an advanced risk management framework, because we feel that business needs to grow into a fully-fledged ERM (Enterprise Risk Management) environment. As a result, we have implemented the following steps during the past year:

1. Constitution of a Risk Committee (at board level) [For more information on this committee, refer to the Governance section on page 29]
2. Ensured communication lines are in place between the Risk Committee and the Audit Committee by making the Chairperson of the Audit Committee a member of the Risk Committee
3. Approval of a Risk Management Plan by the Board
4. Recording strategic and operational risks for Assupol Life Limited (the biggest entity in the Group, and the entity with the biggest exposure) on a Risk Register in line with the approved Risk Management Plan.

Our efforts during the coming year will focus on:

1. Approving a formal 'Risk Appetite and Tolerance' statement at board level, and reporting on compliance with this statement on a quarterly basis
2. Formalising Risk Reporting (i.e. ensuring the identified Key Risk Indicators are reported on)
3. Integrating the Risk Management efforts with the efforts required per the new FSB SAM (Solvency Assessment and Management) regime, most specifically 'Pillar II'.

## Risk classification

Risks can generally be classified into any of the following classes:

### Financial risks

#### a) Insurance risk

Insurance risk is the risk that the Group takes when insuring lives. Mortality risk reflects uncertainty about death rates, morbidity risk reflects uncertainty about disability rates, lapse risk reflects uncertainty related to surrender and withdrawal rates, expense risk reflects uncertainty arising out of the cost of servicing of policies.

#### b) Credit risk

Credit risk is the risk of losses arising from defaulting counterparties such as investments, reinsurers and intermediaries.

#### c) Market risk

Market risk is the risk of poor investment returns due to changes the level or volatility of interest rates, equity prices and foreign exchange rates.

#### d) Liquidity risk

Liquidity risk is either the risk that short-term or long-term payment obligations cannot be met, or that such resources can only be secured at considerable cost to the company.

### Non-financial risks

#### e) Operational risk

We have defined operational risk as "the risk of loss arising from a) inadequate or failed internal processes, personnel or systems, or from b) external events". Operational risk includes legal risk, but excludes strategic and reputational risks.

#### f) Compliance risk

Compliance risk is the risk that we do not comply with relevant laws, regulations, policies and ethical standards.

#### g) Strategic risk

Strategic risk is the inability to drive or execute the strategic vision of the company.

#### h) Reputational risk

Reputational risk is the risk of damage to the reputation of the company due to an event or action by either an external party or employees.

## Our primary risks

What follows is a listing of our most critical risks, and the steps we have taken to counter the risks.

Category	Risk	Mitigation
<b>Financial</b>	Insuring death and disability at correct levels and at correct premiums	<ul style="list-style-type: none"> <li>We have a defined application and underwriting process whereby we only accept insurance risk up to certain limits</li> <li>We are able to re-price our products should we notice that existing premiums are not financially viable or profitable</li> </ul>
	Adverse claims, withdrawal and expense experience	<ul style="list-style-type: none"> <li>We do annual and quarterly experience analysis on claims, withdrawals and expenses and make any necessary adjustments</li> </ul>
	Policyholder liabilities to be estimated reliably	<ul style="list-style-type: none"> <li>Our internal actuaries model and set all parameters for the actuarial valuation according to reliable sources or industry practice</li> <li>Our independent statutory actuary reviews the parameters and assumptions, and suggests any necessary changes</li> </ul>
<b>Credit</b>	We could lose money from investments as a result of bad credit	<ul style="list-style-type: none"> <li>We have a conservative investment strategy, and our asset managers may only invest in investment-grade instruments</li> </ul>
	We face possible credit losses from our trading parties	<ul style="list-style-type: none"> <li>Insurance policies are subjected to a monthly lapse routine that uses criteria that is approved by the Actuarial Committee</li> <li>Credit risk from intermediaries is monitored on a monthly basis by our Credit Control Committee</li> </ul>
<b>Market</b>	Investments may decrease in value	<ul style="list-style-type: none"> <li>We have invested our assets in either equities, bonds or cash instruments so that the risk is spread, according to the Asset Liability Modelling ranges as recommended by the statutory actuary</li> <li>A conservative investment strategy is followed</li> <li>The Investment Committee approves the investment mandates which the asset manager then uses to do his investments</li> </ul>
<b>Liquidity</b>	The Assupol Group may suffer liquidity problems	<ul style="list-style-type: none"> <li>All companies in the group have approved budgets for the new financial year which do not forecast any cash shortages</li> <li>Short-term finance can be implemented to cover any immediate need, should the need arise</li> <li>Long-term finance requirements can be met by liquidating invested assets over time, and thereby minimising possible losses</li> </ul>
	Not meeting solvency requirements	<ul style="list-style-type: none"> <li>Assupol Life is adequately capitalised, and the CAR ratio is monitored on an ongoing basis</li> </ul>
	Sales being negatively impacted by the Regulatory Exams (RE)	<ul style="list-style-type: none"> <li>Our training department assists all intermediaries who have not yet passed the RE exams</li> <li>The pass rate is actively monitored to ensure that the impact of 'lost intermediaries' is minimal</li> </ul>

Category	Risk	Mitigation
<b>Operational</b>	Key dependency on our IT environment	<ul style="list-style-type: none"> <li>• Our IT server environment has been largely virtualised, thereby ensuring redundancy</li> <li>• We are in the process of implementing an off-site disaster recovery center</li> </ul>
	Concentration risk exists in product line and premium collection	<ul style="list-style-type: none"> <li>• The good PERSAL book leads to a good recovery rate on our premiums and is actively managed</li> <li>• We are making our non-funeral policies more attractive to our clients, and setting targets for our intermediaries to achieve on non-funeral policy sales</li> </ul>
	Impact of fraud on new business and claims	<ul style="list-style-type: none"> <li>• We monitor and improve our controls on a continuous basis to ensure that the impact of fraud is detected and therefore minimised</li> </ul>
	Attract and retain the right staff with the correct skills	<ul style="list-style-type: none"> <li>• We conduct competency-based interviews, and pay market-related salaries</li> </ul>
<b>Compliance</b>	Compliance with relevant major legislation	<ul style="list-style-type: none"> <li>• Our compliance function monitors compliance with a relevant major laws</li> </ul>
	Keeping abreast of new legislation	<ul style="list-style-type: none"> <li>• The compliance function investigates and readies the business for pending legislative changes</li> </ul>
<b>Strategic</b>	Non-redemption of preference shareholders could affect sales efforts and business retention	<ul style="list-style-type: none"> <li>• We have secured enough funding after year-end to redeem all confirmed members. We are also actively negotiating further capital funding</li> </ul>
<b>Reputation</b>	Not meeting customer expectations	<ul style="list-style-type: none"> <li>• We have dedicated a resource to drive our "Treat Customers Fairly" assessment and identify any necessary improvements</li> </ul>

## Remuneration report

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It is the objective of the Assupol Group to remunerate all employees fairly and equitably. The Assupol Group aims to pay all employees at the industry median, rewarding performance through an equitable bonus scheme.

### Executive remuneration

The Board strives to remunerate all Executives between the median and the upper quartile as defined by the bi-annual salary and remuneration survey for executive management carried out by PwC.

It is recognised that the executive management team has a material influence on the Assupol Group's performance and growth and as such the variable compensation (short and long-term incentives) make up the majority of the total compensation.

Variable compensation is directly linked to the performance of the Assupol Group. An optimal balance between short and long-term incentives is sought to ensure the alignment of the Executives' interest with that of shareholders and to ensure that short-term success is not sought at the cost of long-term sustainability.

Executive Directors participate in the Assupol Group's share incentive scheme as part of the long-term incentive, as well as to retain Executives.

### Non-executive remuneration

All Non-Executive Directors receive a fee as Directors and a fee for serving on the Board and other committees.

The fees paid to Non-Executive Directors are at median, as defined by the annual PwC survey undertaken on behalf of the Remuneration Committee.

Non-Executive Directors do not receive any variable compensation and do not participate in any bonus, profit share or other incentive scheme. Non-Executive Directors did not participate in any share allocations.

### Senior executives and senior managers

All senior managers are rewarded at median and participate in an incentive scheme that is directly linked to the Assupol Group's performance and the contribution by each individual manager as determined by annually agreed upon performance targets.

For more information regarding remuneration, please refer to the Audited Annual Financial Statements.

### Employees share incentive trust

The rules of the employees share incentive scheme dictate that all employees are eligible to participate in the scheme. It currently only forms part of the remuneration policy of Executive Directors, Senior Executive Managers, Senior Managers and certain Managers' remuneration structure.

Share allocations may be performed half-yearly and are recommended to the Board by the Remuneration Committee for approval.

## Condensed consolidated financial statements

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The condensed annual financial statements on pages 44 to 47 are derived from the audited Assupol Group annual financial statements for the year ended 30 June 2012. The group has applied the provisions of the Companies Act, 2008, of South Africa, which allows for condensed financial statements as disclosed in this Integrated Report.

These condensed annual financial statements have been prepared under the supervision of Mr D de Klerk CA(SA), the group Chief Financial Officer.

The group's principal accounting policies have been prepared in terms of International Financial Reporting Standards (IFRS), and are consistent with those used in the annual financial statements for the year ended 30 June 2011.

In the preparation of the consolidated annual financial statements the group has applied key assumptions concerning future and other inherent uncertainties in recording various assets and liabilities. The assumptions are subject to ongoing review and possible amendments.

The 2012 annual financial statements are available from the Company Secretary, Mr S de Beer, at [samueld@assupol.co.za](mailto:samueld@assupol.co.za) or 012 – 741 4151.

## Condensed group statement of comprehensive income

(R'000's)	Y-o-Y	Year ended 30 June	
		2012	2011
Insurance premiums revenue	18%	1,436,275	1,212,329
Insurance premiums ceded to reinsurers	13%	-101,212	-89,378
Net insurance premium revenue	19%	<b>1,335,063</b>	<b>1,122,951</b>
Commission received on outward reinsurance	-2%	3,068	3,130
Fee income	10%	58,239	52,806
Investment income	18%	80,312	68,207
Net fair value gains on financial assets	-44%	140,732	249,689
Other income	3%	20,090	19,414
<b>Income</b>	<b>8%</b>	<b>1,637,504</b>	<b>1,516,197</b>
Insurance benefits and claims	11%	-808,454	-731,282
Insurance claims recovered from reinsurers	22%	100,385	82,617
Net insurance benefits and claims	9%	<b>-708,069</b>	<b>-648,665</b>
Expenses for the acquisition of insurance and investment contracts	11%	-241,900	-217,102
Operating and administrative expenses	10%	-416,266	-377,687
Impairment of intangibles	-75%	-3,030	-12,096
Investment management expenses	37%	-13,517	-9,845
Change in insurance contract provisions	28%	224,398	175,576
Fair value adjustments on investment contracts liabilities	-40%	-57,239	-94,971
<b>Expenses</b>	<b>3%</b>	<b>-1,215,623</b>	<b>-1,184,790</b>
Result of operating activities	27%	421,881	331,407
Finance charges	-51%	-374	-763
Profit before taxation	27%	<b>421,507</b>	<b>330,644</b>
Income tax expense	13%	-112,427	-99,509
<b>PROFIT FOR THE YEAR</b>	<b>34%</b>	<b>309,080</b>	<b>231,135</b>
Gains on property revaluation	-4%	1,241	1,299
Income tax relating to other comprehensive income	74%	-347	-199
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>-19%</b>	<b>894</b>	<b>1,100</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b>	<b>33%</b>	<b>309,974</b>	<b>232,235</b>
Profit attributable to			
Shareholders	34%	308,222	230,222
Non-controlling interests	-6%	858	913
	<b>34%</b>	<b>309,080</b>	<b>231,135</b>
Total comprehensive income attributable to			
Shareholders	34%	309,225	231,322
Non-controlling interests	-18%	749	913
	<b>33%</b>	<b>309,974</b>	<b>232,235</b>

## Condensed group statement of financial position

(R'000's)	Y-o-Y	Year ended 30 June	
		2012	2011
<b>ASSETS</b>			
Owner-occupied properties	4%	27,410	26,250
Equipment	16%	25,620	22,082
Investment properties (classified as held-for-sale)		-	-
Deferred tax asset	1%	46,263	45,938
Intangible assets - including insurance intangible assets	6%	124,049	116,521
Financial assets - Investments (At fair value through profit or loss)			
Equity securities	9%	1,663,826	1,523,816
Debt securities	26%	482,015	381,811
Deposits and money market securities	44%	254,868	177,105
Insurance and other receivables	-11%	117,744	132,102
Current taxation	-91%	809	9,333
Cash and cash equivalents	5%	211,581	202,151
<b>TOTAL ASSETS</b>	<b>12%</b>	<b>2,954,185</b>	<b>2,637,109</b>
<b>EQUITY</b>			
Capital and reserves			
Share capital	16%	469	406
Share premium	0%	520,953	520,953
Treasury shares	0%	-31,383	-31,320
Employee benefits reserve	220%	23,590	7,383
Retained earnings	50%	930,588	619,708
Revaluation reserve	92%	2,114	1,100
Non-controlling interests	9%	5,354	4,918
	<b>29%</b>	<b>1,451,685</b>	<b>1,123,148</b>
<b>LIABILITIES</b>			
Policyholder liabilities			
Insurance contracts	-100%	766	225,164
Investment contracts	10%	1,011,492	919,999
Borrowings	-38%	1,619	2,625
Employee benefits	53%	50,999	33,238
Deferred revenue liability	0%	452	454
Deferred tax liability	59%	182,327	114,867
Insurance and other payables	17%	254,845	217,614
	<b>-1%</b>	<b>1,502,500</b>	<b>1,513,961</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>12%</b>	<b>2,954,185</b>	<b>2,637,109</b>

## Consolidated statement of changes in equity

	Capital Fund R'000	Share Capital R'000	Share Premium R'000	Treasury Shares R'000	Employee Benefits Reserve R'000	Retained Income R'000	Revaluation Reserve R'000	Non-controlling Interest R'000	Total Capital & Equity R'000
Balance at <b>30 June 2010</b>	879 505	-	-	-	-	-	-	4 005	883 510
Demutualisation of Assupol Life Limited	(879 505)	386	489 633	-	-	389 486	-	-	-
Issue of free shares to employees	-	20	31 320	(31 320)	-	-	-	-	20
Cost of free shares to employees	-	-	-	-	4 903	-	-	-	4 903
Cost of incentive shares	-	-	-	-	2 480	-	-	-	2 480
Total comprehensive income for the year	-	-	-	-	-	230 222	1 100	913	232 235
Balance at <b>30 June 2011</b>	-	406	520 953	(31 320)	7 383	619 708	1 100	4 918	1 123 148
Issue of shares to Share Incentive Trust	-	63	-	(63)	-	-	-	-	-
Cost of free shares to employees	-	-	-	-	9 076	-	-	-	9 076
Cost of incentive shares	-	-	-	-	7 131	-	-	-	7 131
Common control transaction	-	-	-	-	-	3 951	-	-	3 951
Acquisition of subsidiary	-	-	-	-	-	-	-	388	388
Changes in ownership in subsidiaries	-	-	-	-	-	(1 173)	-	(477)	(1 650)
Dividends paid by subsidiaries	-	-	-	-	-	-	-	(234)	(234)
Revaluation of owner occupied properties	-	-	-	-	-	(120)	120	(98)	(98)
Total comprehensive income for the year	-	-	-	-	-	308 222	894	858	309 974
Balance at <b>30 June 2012</b>	-	469	520 953	(31 383)	23 590	930 588	2 114	5 354	1 451 685

## Condensed group statement of cash flows

(R'000's)	Year ended 30 June	
	2012	2011
Cash flows from operating activities		
Cash (utilised in)/generated from operations	154 807	(17 679)
Interest received	53 881	44 540
Dividends received	26 431	23 574
Taxation paid	(35 396)	(38 397)
<b>Net cash flows from operating activities</b>	<b>199 723</b>	<b>12 038</b>
Cash flows from investing activities		
Additional payment relating to acquisition of shares	(6 973)	(5 200)
Acquisition of equipment	(10 160)	(13 672)
Improvements to owner-occupied properties	(718)	(570)
Proceeds on disposal of property and equipment	564	3 840
Disposal/(additions) of intangible assets	(7 736)	35
Net acquisition of financial instruments at fair value through profit or loss	(177 915)	(11 152)
Net decrease in loan receivables	13 652	9 608
<b>Net cash flows from investing activities</b>	<b>(189 287)</b>	<b>(17 111)</b>
Cash flows from financing activities		
Increase / (Decrease) in borrowings	(1 006)	932
<b>Net cash flows from financing activities</b>	<b>(1 006)</b>	<b>932</b>
Net (decrease) / increase in cash and cash equivalents	9 430	(4 141)
Cash and cash equivalents at beginning of the year	202 151	206 292
<b>Cash and cash equivalents at end of the year</b>	<b>211 581</b>	<b>202 151</b>



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