



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

CONDENSED CONSOLIDATED FINANCIAL RESULTS
for the six months ended 31 December 2014

**CONDENSED CONSOLIDATED FINANCIAL RESULTS
for the six months ended 31 December 2014**

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The condensed consolidated financial results have been prepared under the supervision of D de Klerk CA(SA), the Group Chief Financial Officer.

Group highlights	Six months ended 31 December 2014 <i>Unaudited</i>	Six months ended 31 December 2013 * <i>Unaudited</i>	Change	Year ended 30 June 2014 * <i>Audited</i>
Net profit after tax (R'm)	151	352	-57%	572
Group embedded value (R'm)	2 205	2 002	10%	2 197
Group embedded value per share	5.33	4.84	10%	5.31
Value of new business (R'm)	88	62	42%	106
Gross insurance premium revenue (R'm)	995	873	14%	1 795
Return on equity (%)	8%	20%	-58%	35%
Total assets (R'm)	3 789	3 550	7%	3 920
CAR ratio of life insurance business	212%	233%	-	272%

Assupol Group performed well amidst a challenging economic climate and poor investment markets. Although the figures indicate a 57% drop in net profit after tax against the comparative period last year, the impact of the following need to be considered:

- the once-off release of actuarial liabilities to the amount of R278 million due to the modelling refinement on reinsurance, undertaken in the first half of 2013, which boosted the net profit after tax by R200 million.
- Investment markets performed below expectation for the 6-month period and a return of only 2.42% on shareholder funds was achieved against a comparative return of 10.7% at December 2013.

The financial performance for the period under review benefitted from the strong increase in new business sales which was up by 33% against the comparative period. Expenses have been strictly managed. On an annualised basis, the return on Group EV was 25%, and Value of New Business increased by 42%.

Lapses and cancellations have increased marginally above our actuarial assumptions, as a result of the poor economic environment and higher than anticipated staff turnover in the government sector, while mortality experience and expenses performed better than expected. In the reporting period, no actuarial assumption changes were made as a result of these variances. It is anticipated that these adjustments will be implemented before year-end, which are expected to enhance net profit after tax for the full year.

In terms of the remainder of the financial year, management remains concerned with the volatility of the investment markets and poor economic fundamentals. Management believes that the exceptional sales performance achieved thus far will continue, and the company is expected to achieve the sales targets for the 2015 financial year.

* The numbers and ratios for 31 December 2013 and 30 June 2014 were affected by a refinement to the reinsurance modelling, increasing net assets and profit by R278 million for the year ended 30 June 2014. The components of the reinsurance modelling that were updated include:

- Release in margins previously included on the reinsured proportion of the reserve calculation;
- Release in the AIDS reserve of the reinsured proportion of the reserve; and
- Updated reinsurance rates.

For more detail refer to the Group's annual financial statements for the year ended June 2014.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 31 December 2014

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<i>R'000</i>	NOTES	Six months ended 31 December 2014 <i>Unaudited</i>	Six months ended 31 December 2013 <i>Unaudited</i>	Year ended 30 June 2014 <i>Audited</i>
Insurance premiums revenue		994 925	872 681	1 794 540
Insurance premiums ceded to reinsurers		(87 844)	(72 091)	(150 144)
<i>Net insurance premium revenue</i>		907 081	800 590	1 644 396
Commission received on outward reinsurance		7 849	1 829	10 560
Fee income		32 944	33 361	60 949
Investment income		68 743	59 255	123 440
Net fair value gains on financial assets		(49 428)	188 320	328 497
Other income		1 269	9 196	26 261
Income		968 458	1 092 551	2 194 103
Insurance benefits and claims		(431 977)	(420 373)	(820 629)
Insurance claims recovered from reinsurers		72 106	63 985	135 236
<i>Net insurance benefits and claims</i>		(359 871)	(356 388)	(685 393)
Expenses for the acquisition of insurance and investment contracts		(186 612)	(149 132)	(332 568)
Operating and administrative expenses		(298 282)	(271 222)	(595 100)
Investment management expenses		(3 250)	(3 108)	(5 606)
Change in insurance contract provisions	3.1	95 832	303 242	416 805
Fair value adjustments on investment contract liabilities		(1 374)	(120 120)	(192 701)
Expenses		(753 557)	(596 728)	(1 394 563)
Result of operating activities		214 901	495 823	799 540
Finance charges		(212)	(6 184)	(6 418)
Share of profit from associate		99	-	185
Profit before taxation		214 788	489 639	793 307
Income tax expense		(63 984)	(137 912)	(222 845)
PROFIT FOR THE FINANCIAL PERIOD		150 804	351 727	570 462
Other comprehensive income				
Gains on property revaluation		-	-	2 613
Income tax relating to other comprehensive income		-	-	(732)
Other comprehensive income for the financial period		-	-	1 881
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		150 804	351 727	572 343
Profit attributable to				
Shareholders		150 289	350 041	569 052
Non-controlling interests		515	1 686	1 410
Total comprehensive income attributable to		150 804	351 727	570 462
Shareholders		150 289	350 041	570 933
Non-controlling interests		515	1 686	1 410
		150 804	351 727	572 343
Earnings per share (cents)		0.36	0.89	1.38
Weighted average number of ordinary shares ('000)		413 668	397 203	413 668

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2014**

<i>R'000</i>	NOTES	Six months ended 31 December 2014 <i>Unaudited</i>	Six months ended 31 December 2013 <i>Unaudited</i>	Year ended 30 June 2014 <i>Audited</i>
ASSETS				
Owner-occupied properties		29 945	28 250	29 945
Equipment		38 266	32 358	32 098
Deferred tax asset		45 807	45 807	45 807
Intangible assets - including insurance intangible assets		108 765	114 039	111 429
Investments in subsidiaries		-	-	-
Interest in associate		4 455	1 095	4 348
Financial assets: Investments at fair value through profit and loss	5.2			
Equity securities		1 135 894	1 226 237	1 328 091
Debt securities		1 135 294	930 322	1 112 480
Deposits and money market securities		288 235	408 028	376 437
Policyholder assets: Insurance contracts		672 098	462 704	576 267
Insurance and other receivables	6	101 214	82 640	104 082
Current taxation		-	10 000	-
Cash and cash equivalents		229 215	208 310	199 059
TOTAL ASSETS		3 789 188	3 549 790	3 920 043
EQUITY				
Capital and reserves				
Share capital and premium		577 546	577 545	577 546
Treasury shares		(75)	(78)	(78)
Employee benefits reserve		26 903	20 743	23 770
Black Economic Empowerment reserve		14 300	14 300	14 300
Retained earnings		1 237 306	1 108 659	1 326 284
Revaluation reserve		5 221	3 340	5 221
Non-controlling interests		2 747	822	2 232
		1 863 948	1 725 331	1 949 275
LIABILITIES				
Policyholder liabilities: Investment contracts		1 260 624	1 240 534	1 285 800
Borrowings		2	692	22
Employee benefits		38 519	40 032	66 794
Deferred revenue liability		297	360	297
Deferred tax liability		411 929	369 386	399 005
Insurance and other payables	7	206 726	173 455	212 810
Current taxation		7 143	-	6 040
		1 925 240	1 824 459	1 970 768
TOTAL EQUITY AND LIABILITIES		3 789 188	3 549 790	3 920 043

**ASSUPOL HOLDINGS LIMITED
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 31 December 2014**

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<i>R'000</i>	SHARE CAPITAL	SHARE PREMIUM	TREASURY SHARES	EMPLOYEE BENEFITS RESERVE	BEE RESERVE	RETAINED INCOME	REVALUATION RESERVE	NON- CONTROLLING INTEREST	TOTAL CAPITAL & EQUITY
Balance at 30 June 2013	30 345	547 270	(27 149)	39 816	14 300	756 935	3 340	822	1 365 679
Issue of shares to Assupol Community Trust	25	-	-	-	-	-	-	-	25
Free shares of resigned employees cancelled	-	(94)	94	-	-	-	-	-	-
Cost of free shares to employees	-	-	-	4 399	-	-	-	-	4 399
Cost of incentive shares	-	-	-	6 532	-	-	-	-	6 532
Vesting of free shares to employees	-	-	26 977	(26 977)	-	-	-	-	-
Changes in ownership in subsidiary	-	-	-	-	-	297	-	-	297
Profit for the year	-	-	-	-	-	569 052	-	1 410	570 462
Other comprehensive income for the year	-	-	-	-	-	-	1 881	-	1 881
Balance at 30 June 2014 <i>(Audited)</i>	30 370	547 176	(78)	23 770	14 300	1 326 284	5 221	2 232	1 949 275
Cost of incentive shares	-	-	-	2 039	-	-	-	-	2 039
Cost of deferred bonus	-	-	2	1 095	-	(6)	-	-	1 091
Exercise of incentive share options	-	-	1	(1)	-	-	-	-	-
Dividend paid	-	-	-	-	-	(239 261)	-	-	(239 261)
Profit for the year	-	-	-	-	-	150 289	-	515	150 804
Other comprehensive income for the year	-	-	-	-	-	-	-	-	-
Balance at 31 December 2014 <i>(Unaudited)</i>	30 370	547 176	(75)	26 903	14 300	1 237 306	5 221	2 747	1 863 948

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended 31 December 2014

<i>R'000</i>	Six months ended 31 December 2014 <i>Unaudited</i>	Six months ended 31 December 2013 <i>Unaudited</i>	Year ended 30 June 2014 <i>Audited</i>
Cash flows from operating activities			
Cash generated from / (utilised in) operations	25 699	70 609	132 999
Investment income	68 743	59 255	123 440
Finance charges	(212)	(6 184)	(6 418)
Taxation paid	(49 958)	(27 373)	(67 972)
Net cash flows from operating activities	44 272	96 307	182 049
Cash flows from investing activities			
Acquisition and disposal of equipment	(9 804)	(7 469)	(10 906)
Disposal of investment in subsidiary	-	-	(1 165)
Net acquisition of financial instruments at fair value through profit or loss	208 158	11 624	(101 577)
Net decrease in loan receivables	26 791	-	23 480
Net cash flows from investing activities	225 145	4 155	(90 168)
Cash flows from financing activities			
Ordinary shares issued	-	25	25
(Decrease) / increase in borrowings	-	(133 020)	(133 690)
Dividends paid	(239 261)	-	-
Net cash flows from financing activities	(239 261)	(132 995)	(133 665)
Net (decrease) / increase in cash and cash equivalents	30 156	(32 533)	(41 784)
Cash and cash equivalents at beginning of the financial period	199 059	240 843	240 843
Cash and cash equivalents at end of the financial period	229 215	208 310	199 059

<i>R'000</i>	Six months ended 31 December 2014 <i>Unaudited</i>	Six months ended 31 December 2013 <i>Unaudited</i>	Year ended 30 June 2014 <i>Audited</i>
SEGMENT PROFIT			
Segment profit after taxation			
Life insurance	152 076	359 961	577 876
Brokers	4 322	1 823	5 811
Other	2 896	2 376	9 704
Segment total	159 294	364 161	593 391
Reporting adjustments after taxation	(8 490)	(12 434)	(22 928)
Group profit for the period	150 804	351 727	570 462
Other comprehensive income	-	-	1 881
Group comprehensive income for the period	150 804	351 727	572 343

SEGMENT ASSETS AND LIABILITIES

Segment assets

Life insurance	3 615 868	3 388 040	3 704 050
Brokers	41 718	48 685	43 712
Other	45 477	9 753	43 620
Segment total	3 703 062	3 446 478	3 791 382
Reporting adjustments	86 126	103 312	128 661
Group assets	3 789 188	3 549 790	3 920 043

Segment liabilities

Life insurance	1 878 127	1 800 810	1 897 657
Brokers	1 792	9 210	3 258
Other	39 622	5 409	17 422
Segment total	1 919 541	1 815 429	1 918 337
Reporting adjustments	5 699	9 030	52 431
Group liabilities	1 925 240	1 824 459	1 970 768

**NOTES TO THE CONDENSED CONSOLIDATED GROUP FINANCIAL RESULTS
for the six months ended 31 December 2014**

1. GENERAL INFORMATION

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

The condensed consolidated financial results have not been audited.

The accounting policies adopted are consistent with those in the group's annual financial statements for the year ended 30 June 2014.

3. SUMMARY OF CRITICAL ACCOUNTING ESTIMATES

The group makes estimates and assumptions concerning the future. The resulting estimates will not necessarily equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Assumptions and estimates included in the group financial results for the period ended 31 December 2014 relate to the items listed below. The manner in which the assumptions and estimates are determined is similar to those of which the detail are provided in the annual financial statements for the year ended 30 June 2014.

3.1 Assumptions and estimates relating to long-term insurance contracts

The assets under long-term insurance contracts increased by R416.8 million for the year ended 30 June 2014. Amongst other, the primary reason for this increase resulted from the change in reinsurance modelling which gave rise to an increase in the net assets of R278 million.

3.2 Other assumptions and estimates

- The calculation of the present value of in-force business is based on a discounted cash flow model;
- The valuations of customer list and contracts are based on a discounted cash flow model;
- Impairment tests are performed on all cash generating units to which goodwill is allocated;
- Valuations of owner-occupied properties are performed tri-annually on an income capitalisation basis;
- The calculation of current and deferred tax; and
- The determination of expense and liabilities concerning share-based payments.

4. SEGMENT INFORMATION

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

**NOTES TO THE CONDENSED CONSOLIDATED GROUP FINANCIAL RESULTS
for the six months ended 31 December 2014**

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, cash flow and fair value interest rate risk, and hedging), credit risk and liquidity risk.

The condensed financial results do not include all of the financial risk management information and disclosures required in the annual financial statements.

5.2 Fair value estimation

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

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

Consolidated December 2014 (R'000)	Level 1	Level 2	Level 3	TOTAL
Financial assets designated as 'at fair value through profit or loss'				
Local listed shares	1 003 323	8 691	-	1 012 014
Unit trusts	123 880	-	-	123 880
Debt securities	1 045 930	89 364	-	1 135 294
Deposits and money market securities	23 353	264 882	-	288 235
Total financial assets	2 196 486	362 937	-	2 559 423
Financial liabilities designated as 'at fair value through profit or loss'				
Net investment contract liabilities	-	1 260 624	-	1 260 624
Total financial liabilities	-	1 260 624	-	1 260 624
Consolidated December 2013 (R'000)				
Financial assets designated as 'at fair value through profit or loss'				
Local listed shares	1 088 154	21 400	-	1 109 554
Unit trusts	116 683	-	-	116 683
Debt securities	859 524	70 798	-	930 322
Deposits and money market securities	58 176	349 852	-	408 028
Total financial assets	2 122 537	442 050	-	2 564 587
Financial liabilities designated as 'at fair value through profit or loss'				
Net investment contract liabilities	-	1 240 534	-	1 240 534
Total financial liabilities	-	1 240 534	-	1 240 534
Consolidated June 2014 (R'000)				
Financial assets designated as 'at fair value through profit or loss'				
Local listed shares	1 185 782	22 295	-	1 208 077
Unit trusts	120 014	-	-	120 014
Debt securities	989 201	123 279	-	1 112 480
Deposits and money market securities	62 911	313 526	-	376 437
Total financial assets	2 357 908	459 100	-	2 817 008
Financial liabilities designated as 'at fair value through profit or loss'				
Net investment contract liabilities	-	1 285 800	-	1 285 800
Total financial liabilities	-	1 285 800	-	1 285 800

**NOTES TO THE CONDENSED CONSOLIDATED GROUP FINANCIAL RESULTS
for the six months ended 31 December 2014**

5.2 Fair value estimation (continued)

The table below shows the transfer between the various levels.

Consolidated December 2014 (R'000)	From level 1 to level 2	From level 2 to level 1
Change in validity of quoted prices	42 164	49 818
Consolidated December 2013 (R'000)	From level 1 to level 2	From level 2 to level 1
Change in validity of quoted prices	-	-
Consolidated June 2014 (R'000)	From level 1 to level 2	From level 2 to level 1
Change in validity of quoted prices	55 565	19 039
Change in classification	81 470	-

5.3 Valuation techniques used to derive level 2 fair values

Observable inputs generally used to measure the fair value of securities classified as level 2 include benchmark yields, reported secondary trades, broker-dealer quotes, issuer spreads, benchmark securities, bids, offers and reference data.

The fair values of derivatives are calculated using quoted prices. Where such prices are not available, discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The fair value of financial guarantee contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from the market-based credit information and the amount of loss, given the default.

5.4 Fair value of financial assets and liabilities measured at amortised cost

Consolidated (R'000)	Six months ended 31 December 2014	Six months ended 31 December 2013	Year ended 30 June 2014
Other payables	43 521	83 911	53 856

The fair values of the following financial assets and liabilities approximate their carrying amount: Investment in subsidiaries, other receivables, cash and cash equivalents and borrowings.

<i>R'000</i>	Six months ended 31 December 2014 <i>Unaudited</i>	Six months ended 31 December 2013 <i>Unaudited</i>	Year ended 30 June 2014 <i>Audited</i>
6. Insurance and other receivables			
Insurance receivables	80 570	62 815	79 221
Other receivables	20 644	19 825	24 861
	101 214	82 640	104 082
7. Insurance and other payables			
Insurance payables	163 205	89 544	158 954
Other payables	43 521	83 911	53 856
	206 726	173 455	212 810