



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

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015

GENERAL NOTICE

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

GENERAL INFORMATION

Registration number:	2010/015888/06
Country of incorporation:	Republic of South Africa
Registered address:	308 Brooks Street Menlo Park Pretoria 0081
Postal address:	P O Box 35900 Menlo Park Pretoria 0102
Auditors:	PricewaterhouseCoopers Incorporated Sunninghill
Company secretary:	SJ de Beer

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DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

Page 2

The directors are responsible for the preparation, integrity and fair presentation of the annual financial statements of Assupol Holdings Limited and its subsidiaries. The financial statements presented on pages 9 to 91 have been prepared in accordance with International Financial Reporting Standards (IFRS), the manner required by the Companies Act, no 71 of 2008, and by the Long Term Insurance Act, no 52 of 1998, in South Africa, and include amounts based on judgements and estimates made by management.

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

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

The audit report of PricewaterhouseCoopers Incorporated is presented on page 8.

The financial statements were approved by the Board of Directors on 28 September 2015 and are signed on its behalf by:



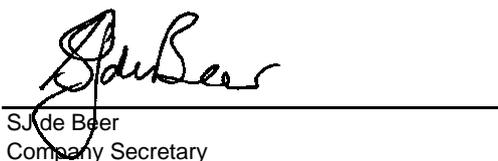
J. Janse van Rensburg
Chairman



D. de Klerk
Group Chief Financial Officer

COMPANY SECRETARY COMPLIANCE STATEMENT

In my capacity as Company Secretary, I hereby certify, in terms of the Companies Act, no 71 of 2008, that for the year ended 30 June 2015, the company has lodged with the Registrar of Companies all such returns and notices as required of a public company in terms of this legislation, and that all such returns and notices are, to the best of my knowledge and belief, true, correct and up to date.



S. de Beer
Company Secretary

REPORT OF THE GROUP AUDIT COMMITTEE for the year ended 30 June 2015

We are pleased to present our report for the financial year ended 30 June 2015.

The Group Audit Committee is an independent statutory committee, as appointed by the company's shareholders. Further duties are delegated to the Group Audit Committee by the Board of Directors of the company in the formally adopted Terms of Reference as approved by the Board of Directors. This report includes both these sets of duties and responsibilities.

Group Audit Committee members, meeting attendance and assessment

The Group Audit Committee is independent and consists of three independent non-executive directors. The committee should meet at least twice per year as per the committee's terms of reference. During the year under review four meetings were held.

The Group Chief Executive Officer, Group Chief Financial officer, other members of senior management, external auditors, internal auditors, and other assurance and/or service providers (actuarial, legal and compliance) attend meetings by invitation.

Name of member and qualifications	Date	2014/09/22	2014/11/24	2015/03/19	2015/06/04
	appointed				
T Muranda (Chairman) BCompt (Hons) CA(SA)	2013	Present	Present	Present	Present
AS Birrell B.Bus.Sc, FASSA, FFA, ASA, CERA	2013	Present	Present	Present	Present
IO Greenstreet BSc (Hons), FCA	2013	Present	Present	Present	Present

Duties of the committee

The Group Audit Committee's role and responsibilities include statutory duties as prescribed in the Companies Act, no 71 of 2008, the Long Term Insurance Act, no 52 of 1998.

External auditor appointment and independence

The Group Audit Committee has satisfied itself that the external auditor was independent of the company, as set out in section 94(8) of the Companies Act, no 71 of 2008, which includes consideration of previous appointments of the auditor, the extent of other work undertaken by the auditor for the company and compliance with criteria relating to independence and conflicts of interest as prescribed by the Independent Regulatory Board for Auditors.

The Committee, in consultation with executive management, agreed to the engagement letter, terms, audit plan and budgeted audit fees for the 2015 year.

Financial statements and accounting practices

The Group Audit Committee has reviewed the accounting policies and the financial statements of the company and the Assupol Group and is satisfied that they are appropriate and comply with International Financial Reporting Standards (IFRS).

A Group Audit Committee process has been established to receive and deal appropriately with any concerns and complaints relating to the reporting practices of the company. No matters of significance have been raised in the financial year.

Duties assigned by the Board of Directors

Internal financial controls

The Group Audit Committee has overseen a process by which the internal auditors have audited the effectiveness of the Group's system of internal control, including internal financial controls. The audit gives negative assurance, which means that nothing came to the attention of the internal auditors that would indicate a material breakdown in controls. The Group Audit Committee reported this result to the Board of Directors. The Board of Directors' statement on the adequacy of internal financial controls is disclosed on page 2.

Integrated report

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

Going concern

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

Governance of risk

The Board of Directors assigned oversight of the Group's financial risk management function to the Group Audit Committee. The Committee fulfils an oversight role regarding financial reporting risks, internal financial controls and compliance with laws and regulations.

Internal audit

The Group Audit Committee is responsible for ensuring that the Group's internal audit function is independent and has the necessary resources, standing and authority within the Group to enable it to discharge its duties.

The Group Audit Committee has outsourced the internal audit function to KPMG and has approved a formal internal audit charter. The internal audit function's annual audit plan for the new financial year was approved by the Group Audit Committee. KPMG is responsible for reporting the findings of the internal audit work against the agreed internal audit plan to the Group Audit Committee on a regular basis. KPMG has direct access to the Group Audit Committee, primarily through its chairman. The Committee has a good working relationship with the audit engagement partner of KPMG.

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

The Group Audit Committee has satisfied itself that the Group Chief Financial Officer has appropriate expertise and experience.

The Group Audit Committee has considered, and has satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of management responsible for the financial function.



T Muranda

Chairman: Group Audit Committee

28 September 2015

DIRECTORS' REPORT for the year ended 30 June 2015

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1. NATURE OF BUSINESS

Assupol Holdings Limited is incorporated in South Africa and acts as the ultimate investment holding company of the Assupol Group. During the year under review the Assupol Group continued to provide a wide range of financial services to a defined niche market. For more detailed information regarding the nature of business per subsidiary, please refer note 41 to the financial statements.

2. GROUP RESULTS

Details of the Assupol Group's financial performance are set out in the financial statements and notes thereto on pages 9 to 91.

Key statistics relating to the financial position and profit of the Assupol Group for the year are set out below:

Earnings performance	2015	2014	% change
Gross insurance premium revenue (R'm)	2 039	1 795	13.59%
Net profit attributable to ordinary shareholders (R'm) *	462	569	-18.80%
Value of new business (R'm)	181	106	70.20%

* The net profit of 2014 included a refinement of the reinsurance modelling, which resulted in a once-off increase in net assets and profit of R278 million. This has not been repeated in 2015. Refer note 4 to the financial statements for more information.

The value of new business of Assupol Life has shown an increase of 70.2% in the 2015 financial year of which 37% is attributable to increased sales volumes and new product features. This combined with continued focus on cost management contributed to good results despite a challenging economic environment.

The withdrawal experience continued to deteriorate during the year and is partially a result of the effect of the economic circumstances on individuals and higher than usual resignations in government departments. Mortality profits increased in accordance with the trend experienced in recent years. Further actuarial assumption adjustments were made to reflect the impact on these trends. Refer note 4.4 of the financial statements for the effect of the changes in the assumptions.

In the current financial year the investment market did not repeat the exceptional performance experienced in the previous two financial years. The Group achieved investment returns on total assets of 2.7% (2014: 12.7%) for the year under review.

Financial position	2015	2014	% change
Total assets (R'm)	4 233	3 920	7.98%
Net asset value per share (cents)	526	471	11.68%
Return on equity (%)	23%	35%	

Share statistics	2015	2014	% change
Share price - closing (R) *	5.50	3.50	57.14%
Market capitalisation (R'm) *	2 266	1 448	56.49%
Distributions per qualifying ordinary shares (cents)	99	78	26.92%

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

3. SHARE CAPITAL

The issued share capital as at 30 June 2015 is as follows:

	2015	2014
	R'000	R'000
367 837 396 ordinary shares of R0.001 each	368	370
44 202 985 class A ordinary redeemable no par value shares	30 000	30 000
	30 368	30 370

Refer note 25 to the financial statements for information on the company's share capital.

4. SHAREHOLDER DISTRIBUTIONS

On 30 September 2014 the directors declared a cash dividend of 30 cents and special dividend of 48 cents per qualifying ordinary share in terms of the company's dividend policy to shareholders recorded at close of business on 24 October 2014, paid on 31 October 2014.

DIRECTORS' REPORT for the year ended 30 June 2015

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5. BOARD OF DIRECTORS

The present directors of the company are:

Name	Board committee involvement	Date appointed	Date resigned
<i>Non-executive</i>			
JA Janse van Rensburg (Chairman)	Chairman: Social and Ethics Committee Member: Remuneration Committee	30 Jul 2010	-
EDJ Ashkar	Chairman: Nomination Committee Member: Investment Committee, Social and Ethics Committee	20 Feb 2013	-
ILM Barnett	Member: Risk Committee	20 Feb 2013	-
AS Birrell	Member: Audit Committee, Remuneration Committee	7 May 2013	-
NE Gubb	Member: Investment Committee, Nomination Committee	7 May 2013	-
I Greenstreet	Member: Audit Committee, Risk Committee, Nomination Committee	7 Jun 2013	-
T Muranda	Chairman: Audit Committee, Investment Committee	30 Sep 2013	-
CJ van Dyk	Chairman: Risk Committee, Remuneration Committee Member: Investment Committee	30 Sep 2013	-
<i>Executive</i>			
RF Schmidt (Chief Executive Officer)	Member: Investment Committee Invitee: Risk Committee, Audit Committee, Remuneration Committee	30 Jul 2010	-
D de Klerk (Chief Financial Officer)	Member: Investment Committee Invitee: Risk Committee, Audit Committee	30 Jul 2010	-
MB Mokwena-Halala	Member: Investment Committee Invitee: Risk Committee, Audit Committee	30 Jul 2010	-
SL Ndwalaza	Member: Social and Ethics Committee Invitee: Remuneration Committee	1 Sep 2012	-

6. PRESCRIBED OFFICER

Name	Board committee involvement	Date appointed	Date resigned
GFM Wessels	-	1 May 2013	-

7. DETAILS OF SERVICE CONTRACTS

The Group has service contracts with all the executive directors and the prescribed officer. The executive directors concluded addenda to their respective fixed term employment agreements to change them from fixed term employment agreements to permanent employment agreements. The contract for the prescribed officer terminates on 30 June 2017.

8. STATUTORY ACTUARY

In terms of the Long Term Insurance Act, no 52 of 1998, Mr CR van der Riet is the statutory actuary of Assupol Life Limited. Mr RD Williams was appointed until 30 June 2014.

9. COMPANY SECRETARY

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

10. AUDITORS

In accordance with section 90 of the Companies Act, no 71 of 2008, the Group Audit Committee, on behalf of the Board of Directors, nominated PricewaterhouseCoopers Incorporated for appointment as external auditor. This appointment will be subject to approval by a majority of shareholders at the annual general meeting scheduled for the final quarter in the 2015 calendar year.

11. SUBSIDIARIES

The Assupol Group's material interest in subsidiaries are set out in note 41 to the financial statements. These companies were subsidiaries throughout the year. The subsidiaries are involved in the financial services industry in South Africa.

12. ASSOCIATE

Details of the Assupol Group's associate are set out in note 21 to the financial statements.

Pan-African Asset Management Proprietary Limited, a subsidiary in the Group, manages certain portfolios under a collective investment scheme, Pan African IP Income Hunter Fund. In terms of the Group's accounting policy it was assessed that Pan-African Asset Management Proprietary Limited has significant influence but not control over the fund and is therefore accounted for as an associate. Also refer note 2.2 to the financial statements.

13. SUBSEQUENT EVENTS

Dividend declaration

On 22 September 2015 the Board of Directors, in terms of section 46 of the Companies Act, no 71 of 2008, declared a gross cash dividend of 38 cents per qualifying ordinary share for the financial year ended 30 June 2015.

The Board of Directors has also declared a special dividend of 61 cents per qualifying ordinary share.

The qualifying ordinary shares as at 22 September 2015 excludes the ordinary shares issued to the Assupol Share Incentive Trust and the 'A2' ordinary shares. Refer notes 26 and 27 for more detail.

The dividends have been declared from income reserves. A dividend withholding tax of 15% will be applicable to all shareholders who are not exempt.

The following dates will apply to the dividend:

Last date to trade cum the dividend	16 October 2015
Record date	16 October 2015
Trading ex dividend commences	19 October 2015
Dividend payment date	23 October 2015

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ASSUPOL HOLDINGS LIMITED

We have audited the consolidated and separate financial statements of Assupol Holdings Limited set out on pages 9 to 91, which comprise the statements of financial position as at 30 June 2015, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

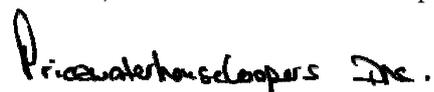
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Assupol Holdings Limited as at 30 June 2015, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 30 June 2015, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.



PricewaterhouseCoopers Inc.

Director: Corlia Volschenk
Registered Auditor
Sunninghill
28 September 2015

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STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 June 2015

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	NOTES	CONSOLIDATED		COMPANY	
		2015 R'000	2014 R'000	2015 R'000	2014 R'000
Insurance premiums revenue		2 038 737	1 794 540	-	-
Insurance premiums ceded to reinsurers		(182 434)	(150 144)	-	-
<i>Net insurance premium revenue</i>	7	1 856 303	1 644 396	-	-
Commission received on outward reinsurance		13 364	10 560	-	-
Fee income	8	60 100	60 949	-	-
Investment income	9	166 770	123 440	265 326	175 284
Net fair value (losses) / gains on financial assets	10	(50 706)	328 497	-	-
Other income	11	7 693	26 261	1 363	2 491
Income		2 053 524	2 194 103	266 689	177 775
Insurance benefits and claims		(873 657)	(820 629)	-	-
Insurance claims recovered from reinsurers		152 968	135 236	-	-
<i>Net insurance benefits and claims</i>	12	(720 689)	(685 393)	-	-
Acquisition costs	13	(393 075)	(332 568)	-	-
Operating and administrative expenses	14	(662 656)	(595 100)	(10 438)	(11 472)
Investment management expenses		(5 718)	(5 606)	-	-
Change in insurance contract provisions	28	402 079	416 805	-	-
Fair value adjustments on investment contract liabilities	29	(35 593)	(192 701)	-	-
Expenses		(1 415 652)	(1 394 563)	(10 438)	(11 472)
Result of operating activities		637 872	799 540	256 251	166 303
Finance charges	15	(356)	(6 418)	(10)	(6 082)
Share of profit / (loss) from associate	21	425	185	-	-
Profit before taxation		637 941	793 307	256 241	160 221
Income tax expense	16	(174 592)	(222 845)	(31)	-
PROFIT FOR THE YEAR		463 349	570 462	256 210	160 221
Other comprehensive income					
Gains on property revaluation		-	2 613	-	-
Income tax relating to other comprehensive income		-	(732)	-	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR		-	1 881	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		463 349	572 343	256 210	160 221
Profit attributable to:					
Shareholders		462 239	569 052	256 210	262 569
Non-controlling interests		1 110	1 410	-	-
		463 349	570 462	256 210	262 569
Total comprehensive income attributable to:					
Shareholders		462 239	570 933	256 210	262 569
Non-controlling interests		1 110	1 410	-	-
		463 349	572 343	256 210	262 569

STATEMENT OF FINANCIAL POSITION as at 30 June 2015

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	NOTES	CONSOLIDATED		COMPANY	
		2015 R'000	2014 R'000	2015 R'000	2014 R'000
ASSETS					
Owner-occupied properties	17	28 940	29 945	-	-
Equipment	18	41 026	32 098	-	-
Deferred tax asset	33	45 587	45 807	-	-
Intangible assets	19	96 726	111 429	-	-
Investments in subsidiaries	20	-	-	676 103	644 610
Interest in associate	21	4 619	4 348	-	-
Financial assets - Investments					
At fair value through profit or loss	22				
Equity securities		1 112 310	1 328 091	-	-
Debt securities		1 206 337	1 112 480	-	-
Deposits and money market securities		324 689	376 437	-	-
Policyholder assets: Insurance contracts	28	988 581	576 267	-	-
Insurance and other receivables	23	104 742	104 082	749	95
Current taxation	35	-	-	-	603
Cash and cash equivalents	24	279 236	199 059	38 216	19 138
TOTAL ASSETS		4 232 793	3 920 043	715 068	664 446
EQUITY					
Ordinary shareholders' interest		2 165 134	1 947 043	650 554	638 492
Share capital	25	30 368	30 370	30 368	30 370
Share premium	25	537 736	547 176	537 736	547 176
Treasury shares	26	(77)	(78)	(77)	(78)
Employee benefits reserve	26	28 324	23 770	28 324	23 770
Black Economic Empowerment reserve	27	14 300	14 300	14 300	14 300
Retained earnings		1 549 262	1 326 284	39 903	22 954
Revaluation reserve		5 221	5 221	-	-
Non-controlling interests		3 342	2 232	-	-
TOTAL EQUITY		2 168 476	1 949 275	650 554	638 492
LIABILITIES					
Policyholder liabilities: Investment contracts	29	1 258 945	1 285 800	-	-
Borrowings	30	-	22	-	-
Employee benefits	31	97 006	66 794	46 205	19 267
Deferred revenue liability	32	278	297	-	-
Deferred tax liability	33	450 855	399 006	-	-
Insurance and other payables	34	247 284	212 809	18 309	6 687
Current taxation	35	9 949	6 040	-	-
TOTAL LIABILITIES		2 064 317	1 970 768	64 514	25 954
TOTAL EQUITY AND LIABILITIES		4 232 793	3 920 043	715 068	664 446

STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2015

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	SHARE CAPITAL R'000	SHARE PREMIUM R'000	TREASURY SHARES R'000	EMPLOYEE BENEFITS RESERVE R'000
COMPANY				
Balance at 30 June 2013	30 345	547 270	(27 149)	39 816
Issue of shares to Assupol Community Trust	25	-	-	-
Free shares of resigned employees cancelled	-	(94)	94	-
Cost of free shares to employees	-	-	-	4 399
Cost of incentive shares	-	-	-	6 532
Vesting of free shares to employees	-	-	26 977	(26 977)
Profit for the year	-	-	-	-
Balance at 30 June 2014	30 370	547 176	(78)	23 770
Cost of incentive shares	-	-	-	4 554
Share incentive options exercised	-	-	1	-
Repurchase of ordinary shares	(2)	(9 440)	-	-
Dividend paid	-	-	-	-
Profit for the year	-	-	-	-
Balance at 30 June 2015	30 368	537 736	(77)	28 324
CONSOLIDATED				
Balance at 30 June 2013	30 345	547 270	(27 149)	39 816
Issue of shares to Assupol Community Trust	25	-	-	-
Free shares of resigned employees cancelled	-	(94)	94	-
Cost of free shares to employees	-	-	-	4 399
Cost of incentive shares	-	-	-	6 532
Vesting of free shares to employees	-	-	26 977	(26 977)
Changes in ownership in subsidiaries	-	-	-	-
Profit for the year	-	-	-	-
Other comprehensive income for the year	-	-	-	-
Balance at 30 June 2014	30 370	547 176	(78)	23 770
Cost of incentive shares	-	-	-	4 554
Share incentive options exercised	-	-	1	-
Repurchase of ordinary shares	(2)	(9 440)	-	-
Dividend paid	-	-	-	-
Profit for the year	-	-	-	-
Balance at 30 June 2015	30 368	537 736	(77)	28 324

STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2015

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	BEE RESERVE R'000	RETAINED INCOME R'000	REVALUATION RESERVE R'000	NON- CONTROLLING INTEREST R'000	TOTAL CAPITAL & EQUITY R'000
COMPANY					
Balance at 30 June 2013	14 300	(137 267)	-	-	467 315
Issue of shares to Assupol Community Trust	-	-	-	-	25
Free shares of resigned employees cancelled	-	-	-	-	-
Cost of free shares to employees	-	-	-	-	4 399
Cost of incentive shares	-	-	-	-	6 532
Vesting of free shares to employees	-	-	-	-	-
Profit for the year	-	160 221	-	-	160 221
Balance at 30 June 2014	14 300	22 954	-	-	638 492
Cost of incentive shares	-	-	-	-	4 554
Share incentive options exercised	-	-	-	-	1
Repurchase of ordinary shares	-	-	-	-	(9 442)
Dividend paid	-	(239 261)	-	-	(239 261)
Profit for the year	-	256 210	-	-	256 210
Balance at 30 June 2015	14 300	39 903	-	-	650 554
CONSOLIDATED					
Balance at 30 June 2013	14 300	756 935	3 340	822	1 365 678
Issue of shares to Assupol Community Trust	-	-	-	-	25
Free shares of resigned employees cancelled	-	-	-	-	-
Cost of free shares to employees	-	-	-	-	4 399
Cost of incentive shares	-	-	-	-	6 532
Vesting of free shares to employees	-	-	-	-	-
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	-	1 882
Balance at 30 June 2014	14 300	1 326 284	5 221	2 232	1 949 275
Cost of incentive shares	-	-	-	-	4 554
Share incentive options exercised	-	-	-	-	1
Repurchase of ordinary shares	-	-	-	-	(9 442)
Dividend paid	-	(239 261)	-	-	(239 261)
Profit for the year	-	462 239	-	1 110	463 349
Balance at 30 June 2015	14 300	1 549 262	5 221	3 342	2 168 476

STATEMENT OF CASH FLOWS for the year ended 30 June 2015

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	NOTES	CONSOLIDATED		COMPANY	
		2015 R'000	2014 R'000	2015 R'000	2014 R'000
Cash flows from operating activities					
Cash generated from / (utilised in) operations	36	169 788	132 999	29 485	(9 130)
Interest received	9	126 658	94 028	1 591	284
Dividends received	9	40 112	29 412	263 735	175 000
Dividends paid		(239 261)	-	(239 261)	-
Finance charges	15	(356)	(6 418)	(10)	(6 082)
Taxation paid	37	(118 517)	(67 972)	572	(270)
Net cash flows from operating activities		(21 576)	182 049	56 112	159 802
Cash flows from investing activities					
Acquisition of equipment	18	(17 820)	(13 529)	-	-
Proceeds on disposal of property and equipment	18	769	2 623	-	-
Disposal of investment in subsidiary	20	-	(1 165)	-	-
Net acquisition of investment in subsidiary	20	-	-	(31 493)	(21 689)
Net acquisition of financial instruments at fair value through profit or loss	22	122 966	(101 577)	-	-
Net decrease in loan receivables	23	5 302	23 480	(654)	511
Net cash flows from investing activities		111 217	(90 168)	(32 147)	(21 178)
Cash flows from financing activities					
Ordinary shares issued	25	-	25	-	25
Repurchase of ordinary shares	26	(9 442)	-	(9 442)	-
Vesting of employee shares	26	-	-	-	26 977
Increase in employee benefits reserve	26	-	-	4 554	(16 046)
(Decrease) / increase in borrowings	30	(22)	(133 690)	-	(132 768)
Net cash flows from financing activities		(9 464)	(133 665)	(4 888)	(121 811)
Net (decrease) / increase in cash and cash equivalents		80 177	(41 784)	19 078	16 813
Cash and cash equivalents at beginning of the year		199 059	240 843	19 138	2 325
Cash and cash equivalents at end of the year		279 236	199 059	38 216	19 138

1. GENERAL INFORMATION

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

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

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

Carried at fair value

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

Carried at a different measurement basis

- Policyholder liabilities / assets under insurance contracts are valued in terms of the Financial Soundness Valuation (FSV) basis contained in the Actuarial Society of South Africa's Actuarial Practice Note SAP104 and described in accounting policy 2.21.3; and
- Investments in subsidiaries are carried at cost.

2.1.1 Standards and interpretations effective in the current year

No new or amended standards and interpretations became effective in the current year.

2.1.2 *Standards and interpretations not yet effective*

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

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

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

Further amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.
- *IFRS 11 (amendment) - Joint arrangements (effective 1 January 2016)*

The amendment added new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business; specifying the appropriate accounting treatment for such acquisitions.
- *IAS 1 (amendment) - Presentation of financial statements (effective 1 January 2016)*

The amendments clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.
- *IAS 27 (amendment) - Separate financial statements (effective 1 January 2016)*

The IASB has restored the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.
- *IFRS 15 - Revenue from contracts from customers (effective 1 January 2017)*

This is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer.
- *IFRS 9 (amendment) - Financial instruments (effective 1 January 2018)*

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

A further amendment aligned hedge accounting more closely with an entity's risk management. It also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39.
- *IFRS 4 Phase II - Insurance contracts (effective date not yet announced but is likely to be 1 January 2019)*

The IASB is currently busy with Phase II of the project that will result in a new standard to replace the current IFRS 4. The new standard will eliminate inconsistencies and weaknesses in existing practices by providing a single principle-based framework to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. Phase II will also provide requirements for presentation and disclosure items to enhance comparability between entities.

2.2 Basis of consolidation

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

2.2.1 Interest in subsidiaries (A list of the Group's subsidiaries is set out in note 41).

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

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

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

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

2.2.2 Subsidiaries under common control

Common control is defined as a business combination in which all the combining entities are ultimately controlled by the same party both before and after the business combination and control is not transitory.

The cost of an acquisition of a subsidiary under common control is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. On acquisition the carrying values of assets and liabilities are not restated to fair value. Under the principles of predecessor accounting, the Group incorporates assets and liabilities at their pre-combination carrying amounts. Any excess/deficit of the purchase price over the ultimate holding company's pre-combination recorded net asset value of the subsidiary is adjusted directly to equity.

2.2.3 Interest in associates - equity accounting

Associates are entities over which the Group has significant influence but not control; generally accompanying a shareholding of between 20% and 50% of the voting rights. The existence and effect of potential voting rights, that are currently exercisable or convertible, are considered when assessing whether the Group has significant influence over the entity.

Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. If the interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of the associate's post-acquisition profits or losses is recognised in the Statement of Comprehensive Income and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds the interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

At each reporting date the Group determines whether there is any objective evidence that the investment in the associate is impaired. If this is the case the entity calculates the amount of impairment as the difference between the recoverable amount of the associate and the carrying value of the interest and recognises the amount in profit or loss. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are eliminated in the same way as unrealised gains, to the extent that there is no evidence of impairment.

2.3 Foreign currency translation

2.3.1 Functional and presentation currency

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

2.3.2 Transactions and balances

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

2.4 Revenue recognition and other income and expenses

2.4.1 Revenue recognition

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

2.4.2 Insurance premiums received

Refer to the accounting policy on Policyholder contracts - Investment and Insurance, note 2.21.

2.4.3 Reinsurance premiums received

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

2.4.4 Fee income

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

2.4.5 Investment income

Investment income is recognised as follows:

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

2.4.6 Other income

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

Commission income consists of commission earned from short term insurance brokerage operations. These operations were ceased in 2014 when Kestrel Financial Solutions was sold on 30 June 2014. Commission income is recognised when the rights in income vest in the company, which is when the premium is paid by the policyholder.

2.4.7 Acquisition costs of insurance and investment contracts

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

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

2.4.8 Operating and administration expenses

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

2.4.9 Finance charges

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

2.5 Reinsurance contracts held

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

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

Insurance premiums received on reinsurance agreements

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

Insurance premiums ceded to reinsurers

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

Insurance claims incurred in respect of reinsurance agreements

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

Insurance claims recovered from reinsurers

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

2.6 Taxation

2.6.1 Current taxation

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

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

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

2.6.2 Dividend withholding tax

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

2.6.3 Deferred taxation

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

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

2.7 Dividend distributions

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

2.8 Recognition of assets, liabilities and provisions

2.8.1 Assets

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

2.8.2 Contingent assets

The Group discloses a contingent asset where:

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

2.8.3 Liabilities and provisions

The Group recognises liabilities, including provisions when:

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

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

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

2.8.4 Contingent liabilities

The Group discloses a contingent liability where:

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

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

2.9 Owner-occupied properties

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

2.9.1 Measurement

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

2.9.2 Depreciation

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

2.10 Equipment

2.10.1 Measurement

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

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

2.10.2 Depreciation

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

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

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

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

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

2.10.3 Gains and losses on disposal

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

2.11 Accounting for leases - where the Group is the lessee

2.11.1 Operating leases

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

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

2.11.2 Finance leases

The Group leases certain equipment. Leases of equipment where the Group has substantially retained all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased equipment and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other short-term and other long-term borrowings. The interest element of the finance cost is recognised in profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.12 Intangible assets

2.12.1 Deferred acquisition costs (DAC)

Refer note 2.21.2 for the accounting treatment of the DAC intangible asset.

2.12.2 Goodwill

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

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

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

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

2.12.3 Trademarks and customer relationships

Acquired trademarks and customer relationships are initially accounted for at fair value and subsequently shown at cost less accumulated amortisation. Trademarks and customer relationships have a finite useful life and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and customer relationships over their estimated useful lives, currently set to 10 years.

2.12.4 Present value of in-force business (PVIF)

On acquisition of a portfolio of insurance contracts, either directly from another insurer or through the acquisition of a subsidiary undertaking, the Group recognises an intangible asset representing the value of business acquired, gross of income tax. The value of business acquired represents the value of future profits embedded in acquired insurance contracts. The Group amortises this intangible asset on a basis consistent with the settlement of the relevant liability in respect of the purchased contracts. The estimated useful life is re-evaluated annually and is currently 10 years.

2.12.5 Customer list and contracts

The customer list and contracts acquired as part of a business combination are capitalised at its fair value. The relations have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated on a straight-line method over the expected life of the customer relationship, namely 4 years.

2.13 Financial assets

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

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

The Group classifies its financial assets into the following categories:

- Financial assets designated as 'at fair value through profit or loss'; and
- Loans and receivables

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

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

Initial classification and recognition

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

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

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

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

Subsequent measurement

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

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

Fair values for unquoted instruments are determined as follows:

Unlisted instruments

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

2.13.2 Loans and receivables

Initial classification and recognition

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables include receivables (including receivables arising from insurance contracts) as well as cash and cash equivalents.

Financial assets listed in this category are recognised initially at fair value on trade date plus transaction costs that are directly attributable to their acquisition. The trade date is the date on which the Group assumes or transfers substantially all risks and rewards of ownership.

Subsequent measurement and impairment

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

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

2.14 Offsetting financial instruments

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

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

2.15 Derivative financial instruments

Initial classification and recognition

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

Subsequent measurement and impairment

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

2.16 Impairment of assets

2.16.1 Financial assets carried at amortised cost

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

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

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

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

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

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

2.16.2 Impairment of other non-financial assets

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

2.17 Loans to policyholders

Loans to policyholders are classified as 'loans and receivables' (refer to accounting policy 2.13.2). Loans were granted to a maximum of 75% of the cash value (the policy value less policy cost balance) of the respective policy. Interest is charged at a prime linked rate. If any bad debt arises, it is written off during the year in which it is identified. The granting of loans to policyholders was discontinued in September 2015.

2.18 Cash and cash equivalents

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

2.19 Share capital

Ordinary and preference shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

2.20 Share-based payments

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

2.20.1 Equity-settled share-based payments

The equity-settled share-based payments in the Group include the general employee demutualisation shares (also known as free shares) and the share incentive shares to certain qualifying employees.

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

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

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

2.20.2 Cash-settled share-based payments

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

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

2.21 Policyholder contracts - Investment and Insurance

2.21.1 Investment and insurance contract classification

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

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

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

2.21.2 Investment contracts

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

Valuation

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

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

Investment contract liabilities measured at fair value are taken as the maximum of the amount repayable on demand or the statutory calculated liability. Hence any negative non-unit liabilities linked to an investment contract are zeroed.

Surrender charges

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

Investment management fees on investment contracts and deferred revenue liability

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

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

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

Amounts received and claims incurred on investment contracts

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

Deferred acquisition costs (DAC) in respect of investment contracts

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

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

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

2.21.2 *Investment contracts (continued)*

Receivables and payables related to insurance contracts and investment contracts

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

If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the Statement of Comprehensive Income. The Group gathers the objective evidence that an insurance receivable is impaired using the same process adopted for insurance and other receivables. The impairment loss is also calculated under the same method used for these financial assets. These processes are described in accounting policy 2.16.

2.21.3 *Insurance contracts*

Valuation

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

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

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

In the valuation of liabilities, provision is made for:

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

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

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

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

- Non-profit insurance contracts

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

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

2.21.3 *Insurance contracts (continued)*

• Market related contracts

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

• Group insurance contracts

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

Outstanding claims provisions

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

Embedded derivatives

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

Liability adequacy test

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

Premium income

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

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

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

Insurance benefits and claims

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

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

2.22 Financial liabilities

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

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

A liability is derecognised when it is legally extinguished.

2.22.1 Financial liabilities excluding policyholder liabilities under investment contracts

Initial classification and recognition

Financial liabilities are initially recognised at fair value.

Subsequent measurement

Financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Financial liabilities with a demand feature are valued at not less than the amount payable on demand.

2.22.2 Policyholder liabilities under investment contracts

Initial classification and recognition

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

Subsequent measurement

Refer to accounting policy 2.21.2 for a detailed description of the valuation of these contracts. The change in fair value is recognised in the Statement of Comprehensive Income under 'fair value adjustments on investment contract liabilities'.

2.23 Employee benefits

2.23.1 Retirement fund

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

2.23.2 Leave pay accrual

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

2.23.3 Bonus provision

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

A provision is raised for the cash and deferred bonuses of executive and senior management, based on the Board approved bonus structure. The deferred component is issued in shares of which the right to trade is restricted for a period of 3 years. The economic benefits of these shares, including the receipt of dividends, are not restricted. The expense of the deferred bonus is recognised over the period of the restriction from the date that the bonus is awarded.

2.24 Segment information

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

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

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

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

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

3. CRITICAL ACCOUNTING ESTIMATES

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

3.1 Policyholder liabilities / assets under long-term insurance contracts

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

The assets under long-term insurance contracts increased by R412.3 million resulting in a net year-end asset balance of R988.6 million.

For further information refer notes 4.4 and 28 to the financial statements.

3.2 Impairment of goodwill

Impairment tests are performed on all cash generating units to which goodwill is allocated. A cash generating unit is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows generated by other groups of assets. Impairment losses recognised against goodwill may not be reversed. In assessing a possible impairment, judgements and estimates are made of the future cash flows and the appropriate discount rates in determining the value of the cash generated unit (CGU). For further information, refer note 19 to the financial statements.

3.3 Valuation of owner-occupied properties

The values of the owner-occupied properties depend on a number of factors that are determined using certain assumptions. The properties - Erf 34 and Erf 26, Menlo Park, Pretoria - were valued in 2013 on an income capitalisation basis. On the recommendation of the external professional valuator, the valuation was increased by 6% in 2014. The values of the properties were not adjusted in the 2015 financial year as management is of opinion that the current values reflects the fair value of the properties.

The following assumptions were used in the valuation of the properties:

- The expected long-term rate of return on each of the properties of 9.5%;
- the average rentals for office space in the area between R129 and R134 per m²; and
- the estimated expenses relating to the buildings at 20% of the rental amount.

For further information, refer note 17 to the financial statements.

3.4 Current and deferred tax

The Group is subject to tax in South Africa. There may be transactions and calculations for which the ultimate tax determination has an element of uncertainty during the ordinary course of business. The Group recognises liabilities based on objective estimates of the amount of tax that may be due. Where the final tax determination is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provisions in the period in which such determination was made. The corporate tax rate in South Africa is 28% (2014: 28%). Assupol Life have three separate tax funds namely the individual policyholders' fund (taxed at 30% in both years), the untaxed policyholders' fund (not taxed), and the corporate fund (taxed at 28% in both years). Assupol Life has not issued any insurance contracts to corporate entities, hence does not maintain a separate corporate policyholder fund.

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

3.5 Share-based payments - Expense and liability determination

The amounts expensed representing the value of equity-settled and cash-settled share-based payments granted to employees, as well as the movement in the liability of cash-settled schemes, are determined by using various assumptions relating to the expected take up rights, the share price, dividend yields and related volatility. Details of the valuation are contained in note 26.

4. ASSUMPTIONS AND ESTIMATES RELATING TO POLICYHOLDER LIABILITIES

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

4.1 Assumptions for discounted liabilities

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

The results of the experience investigations are briefly described below:

Demographic: Mortality

A detailed mortality investigation was undertaken for homogeneous groupings of business for the year ending 30 June 2015 based on the in-force data file, movements and claims in the year. These results were used to set the mortality and AIDS assumptions relative to the latest published local assured lives and AIDS tables. The impact of the changes made is disclosed in note 4.4.

Demographic: Withdrawal

A detailed withdrawal investigation was carried out for the year ending 30 June 2015 based on homogeneous groupings of business. Based on this investigation (and those carried out for the previous year), the withdrawal assumptions for the main classes of business were set to reflect the recent and expected future experience. The impact of the changes made is disclosed in note 4.4.

Operational: Expenses

- The current assumed level of future expense inflation is 5.95% (2014: 5.93%) per annum for Assupol Life. This level of inflation is supported by Assupol Life's actual expense experience, the inflation implied by the fixed and index linked yield curves, the South African Reserve Bank's long-term inflation target of between 3% and 6%, and the assumption that life companies typically suffer expense increases slightly above general inflation.
- The allocation of total expenses between initial and renewal is based on management's best estimate for both group and individual business. The analysis compares historic expenses (last year's assumptions plus inflation) and budgets.
- Once-off expenses are identified and excluded from the analysis.

Economic: Investment returns

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

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

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

	Assupol Life	
	2015	2014
Debt securities / Other loans / Foreign investments	8.10%	7.90%
Deposits and money market securities	6.10%	5.90%
Equity securities	11.60%	11.40%
Policyholder loans	13.25%	13.00%
Loans to personnel	8.10%	7.90%
Foreign investments	7.10%	6.90%
Net current assets	0.00%	0.00%

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

4.1 Assumptions for discounted liabilities (continued)

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

	Assupol Life	
	2015	2014
Non unit linked business (excluding with-profits business)	8.10%	7.90%
With-profits business	8.10%	7.90%
Unit linked business	8.90%	8.80%

Economic : Tax

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

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

Assumption	2015 margin adjustment	2014 margin adjustment
Investment return	0.25% increase/decrease *	0.25% increase/decrease *
Mortality	7.5% increase	7.5% increase
Expenses	10.0% increase	10.0% increase
Expense inflation	10.0% increase	10.0% increase
Lapses (where relevant)	25.0% increase/decrease *	25.0% increase/decrease *
Surrenders (where relevant)	10.0% increase/decrease *	10.0% increase/decrease *

* Depending on which change increases the liability.

4.2 Assumptions for undiscounted liabilities

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

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

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

For the self-insured contracts the liability is set equal to the asset (positive) held for the schemes in the statement of financial position of Assupol Life; any negative assets are set equal to zero. In addition, a reserve of 10% of one month's premium has been set up in respect of any IBNR claims for the NBC self-insured scheme. No reserve is held for the PFA self-insured scheme.

4.3 Assumptions for investment contracts

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

4.4 Effect of changes in assumptions

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

- Data correction on the Universal Old business where the policy fees were omitted at the previous year-end;
- Correction in the rating class identification of a portion of the Progress4Sure policies;
- Correction in the modelling of the cashback benefits on all funeral business;
- Correction in the IBNR ratios given the accounting re-allocation of MHA group;
- Allowance for a premium collection effective rate on Direct Marketing business;
- A data correction for Universal New business; and
- Changing valuation software from Basys to Prophet;

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

4.4 Effect of changes in assumptions (continued)

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

- Change the APN110 reserve as a result of the recalibration of the stochastic model;
- The per-policy expense assumption decreased by R17.91 per annum after allowance for expected inflation;
- The withdrawal rate assumptions were updated in accordance to the most recent withdrawal experience investigation;
- The mortality and loss ratio assumptions were updated in accordance with the most recent experience investigations and the additional reserve for unexpired risk (AURR) on partially off-site group business were decreased in line with actual experience;
- The investment return assumption on the unit reserves increased from 8.8% p.a. to 8.9% p.a. and the investment return assumption on the non-unit reserves increased from 7.9% p.a. to 8.1% p.a. and the expense inflation assumption increased from 5.93% to 5.95%; and
- The real return gap was increased from 1.97% to 2.15% (expense inflation assumption from 5.93% p.a. to 5.95% p.a.)

The following table quantifies the impact of changes made in the assumptions from the previous periods:

	CONSOLIDATED	
	2015	2014
	R'000	R'000
Modelling changes and data corrections on opening liabilities	21 814	(332 070)
Change in APN110 reserve	(8 085)	(2 671)
Change in NTU rate assumptions	-	763
Change in renewal expense assumptions	(134 159)	(52 254)
Change in mortality assumptions	(75 069)	(37 330)
Change in withdrawal rate assumptions	15 706	48 395
Change in investment return assumptions	3 321	100 741
Change in compulsory margins	-	6 840
Addition of AURR	(6 841)	12 077
Total change in basis	(183 313)	(255 509)

4.5 Sensitivity analysis

The sensitivity of the insurance liabilities to the main assumptions was tested by calculating the effect of certain assumptions not being met. In each case below, one assumption changes whilst all the other assumptions remain constant.

The size of the sensitivities were chosen to illustrate the impacts for changes in key variables that would have a significant impact on the insurance liabilities, as well as to facilitate comparison with the sensitivities disclosed by other major insurers.

	2015		2014	
	Liability R'000	Change R'000	Liability R'000	Change R'000
Main basis	(988 581)		(576 267)	
Renewal expenses +10%	(807 014)	181 567	(367 467)	208 800
Inflation +1%	(828 844)	159 737	(330 318)	245 949
Investment return -1%	(928 843)	59 738	(449 017)	127 250
Investment return -1% and reduce bonuses	(935 112)	53 469	(456 831)	119 436
Withdrawals +10%	(874 614)	113 967	(612 631)	(36 364)
Risk experience +10%	(873 122)	115 459	(429 275)	146 992

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

5. RISK MANAGEMENT

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

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

5.1 Board Notice 158

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

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

5.2 Responsibility for risk management

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

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

5 RISK MANAGEMENT (continued)

5.2 Responsibility for risk management (continued)

- The Group Investment Committee oversees the asset management process of the Assupol Group according to guidelines and objectives set by the Investment Policy document and in conjunction with the Asset Liability Model as compiled by the statutory actuary. The committee is chaired by an independent non-executive director, comprises four non-executive directors and three executive directors. The committee meets on a quarterly basis.
- The Group Actuarial Committee evaluates the recommendations of the statutory actuary, evaluates and approves products, determines the level of fees and charges on policies, evaluates Assupol Life's competitiveness in the market (and takes corrective action where necessary), and examines and makes recommendations regarding Assupol Life's cost structure. The committee is chaired by the Group Chief Financial Officer and meets on a quarterly basis.
- The Executive Committee (Exco) monitors the operations of all companies in the Assupol Group and the implementation of strategic vision of the Board of Directors. The committee comprises the executive directors and the prescribed officer of Assupol Holdings and meets on a monthly basis. The committee is supported by Assupol Life's Executive Committee that is overseeing the process on company level.
- The Management Committee of Assupol Life performs all executive functions delegated to it by the Board of Directors and oversees the proper administration and reporting of business performance and overall sales and industry risks. The committee is chaired by the Assupol Life Chief Executive Officer and meets on a monthly basis.
- Risk management is implemented at an operational level via a number of committees that meet on an ad-hoc basis, including amongst others the Sales Committee, Credit Control Committee, Claims Committee, and Procurement Committee.

5 RISK MANAGEMENT (continued)

5.3 Insurance risk

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

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

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

Contracts offered by the Group	Contract type	2015 % of premium	2014 % of premium
Individual insurance business			
Conventional individual business	Insurance	0.1%	0.1%
Other individual risk business	Insurance	54.7%	53.1%
Group risk business	Insurance	45.2%	46.8%
		100.0%	100.0%

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

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

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

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

- Quarterly statutory valuations evaluating the financial soundness of Assupol Life;
- A bi-annual analysis of surplus report detailing the source of income and expenses per business class;
- A biennial asset liability modelling exercise as described in note 5.4.2.c; and
- Premium rates certification as described in note 5.3.1.

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

5.3.1 Mortality and morbidity risk

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

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

Factors affecting mortality and morbidity risks:

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

5. RISK MANAGEMENT (continued)

5.3.1 Mortality and morbidity risk (continued)

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

Individual insurance business

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

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

Consolidated

30 June 2015

Sum assured at risk	Before reinsurance		After reinsurance	
	R'000	%	R'000	%
0 - 20 000	12 566 244	32.75%	4 464 567	44.67%
20 000 - 50 000	3 540 303	9.23%	1 730 398	17.31%
50 000 - 100 000	1 544 441	4.02%	2 294 832	22.96%
100 000 - 200 000	5 450 682	14.20%	1 504 061	15.06%
200 000 - 500 000	7 824 944	20.39%	200	0.00%
> 500 000	7 446 573	19.41%	-	0.00%
Total	38 373 187	100.00%	9 994 058	100.00%

30 June 2014

Sum assured at risk	Before reinsurance		After reinsurance	
	R'000	%	R'000	%
0 - 20 000	10 216 511	32.19%	3 547 165	43.08%
20 000 - 50 000	2 823 978	8.90%	1 364 447	16.57%
50 000 - 100 000	1 221 037	3.85%	1 781 250	21.63%
100 000 - 200 000	4 411 647	13.90%	1 540 712	18.72%
200 000 - 500 000	6 489 233	20.45%	-	0.00%
> 500 000	6 571 810	20.71%	-	0.00%
Total	31 734 216	100.00%	8 233 574	100.00%

5. RISK MANAGEMENT (continued)

5.3.1 Mortality and morbidity risk (continued)

Group scheme and grouped individual insurance business

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

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

Consolidated

Scheme size (based on number of lives covered)	2015		2014	
	Number	%	Number	%
0 - 1 000	187	56.33%	368	82.70%
1 000 - 5 000	68	20.48%	57	12.81%
> 5 000	77	23.19%	20	4.49%
Total	332	100.00%	445	100.00%

The group schemes data was rearranged in the 2015 financial year as part of a larger effort to improve the services rendered to group schemes. The decrease in the number of groups between 2014 and 2015 is as a result of these actions. For example an umbrella scheme was created for those schemes with only one or two remaining individuals. These schemes were separately accounted for in 2014 in the table above.

5.3.2 Business retention risk

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

5. RISK MANAGEMENT (continued)

5.4 Financial risk management

5.4.1 Financial risk

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

- The life company within the Group matches its assets and liabilities as accurately as is practically possible. The Group Investment Committee reviews the asset management arrangements of the Group and monitors investment performance in terms of mandates and set benchmarks.
- An asset liability modelling exercise is performed every second year. At the quarterly meetings of the Group Investment Committee the actual asset allocations are monitored against strategic asset allocations for each portfolio.
- The excess assets are exposed to the risk of fluctuations in the value of assets supporting surplus capital.
- The main financial risks to which the Group is exposed are described below under various contract categories. Each category represents distinct financial risks. Some categories may include both insurance and investment contracts.

The table below reconciles the net liabilities for each category to the total of policyholder liabilities less policyholder assets at the end of the reporting period.

<i>Consolidated</i>	2015 R'000	2014 R'000
Market-related business		
Individual market-related business	1 258 945	1 285 800
Other business	(988 581)	(576 267)
Conventional individual risk business	92 416	108 999
Other individual risk business	(1 148 385)	(817 436)
Group risk business	56 932	113 629
Liability for embedded derivatives	10 456	18 541
Total policyholder liability	270 364	709 533

5.4.1.a Market-related business

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

5.4.1.b Other business

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

5.4.1.c Investment guarantees

- Clients of Assupol Life can choose into which type of investment fund their premiums should be deposited. One of these investment funds is the 'guaranteed fund' where the capital invested (but not the growth on the fund) is guaranteed to the client. These guarantees are spread amongst the various products that offer this investment fund. The Group Investment Committee is charged with monitoring the 'guaranteed fund'.
- Liabilities arising from these guarantees are valued in accordance with valuation techniques described in APN110. These liabilities are sensitive to movements in interest rates and equity prices and their volatilities. The exposure is hedged through the implementation of structured products, employing derivatives to ensure that the capital is protected, while also allowing for some participation in positive market returns. These derivatives are concluded with highly rated banks. The derivatives expose the Group to credit risk (For further information refer note 5.4.2.b). The exposure is not deemed to be material in the context of Assupol Life's results.

5. RISK MANAGEMENT (continued)

5.4.1.d Investments in structured and other entities

Structured entities

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

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

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

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

Instrument type and strategy	Number of instruments	Total market value of instruments R'000	Market value as % of Investment portfolio	Market capitalisation of all issuers * R'm	Investment value as % of issuer market capitalisation *	Control or significant influence
30 June 2015						
Debt instruments						
Debt Long	4	54 504	2.01%	9 156	2.96%	No
Equity instruments						
Equity Long	1	110 859	4.09%	142 147	0.08%	No
30 June 2014						
Debt instruments						
Debt Long	3	25 361	0.90%	26 434	0.73%	No
Equity instruments						
Equity Long	1	120 014	4.27%	506 216	0.02%	No

* All inclusive price

The Group has assessed the collective investment scheme, Pan African IP Income Hunter Fund, that is managed by Pan-African Asset Management, as an associate. For more information refer note 21.

Other entities

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

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

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

In respect of the Assupol Share Incentive Trust the Group has control and significant influence over the shares held by the Share Incentive Trust and the Trust was consolidated into the financial results of the Group. For more information refer note 26.

5.4.2 Financial risk factors

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

5. RISK MANAGEMENT (continued)

5.4.2 Financial risk factors (continued)

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

	Market risk	Credit risk	Liquidity risk	2015 R'000	2014 R'000
At fair value through profit or loss					
Equity securities	x			1 112 310	1 328 091
Debt securities	x	x	x	1 206 337	1 112 480
Deposits and money market securities	x	x		324 689	376 437
Interest in associates - equity accounting	x	x		4 619	4 348
Loans and receivables					
Insurance and other receivables	x	x		104 742	104 082
Cash and cash equivalents	x	x		279 236	199 059
Policyholder assets	x *	- **	x	988 581	576 267
Policyholder liabilities	x *		x	1 258 945	1 285 800
Borrowings			x	-	22
Insurance and other payables			x	247 284	212 810

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

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

Concentration risk is the risk of loss associated with inadequately diversified asset portfolios. To manage this risk, the prudential regulations with reference to issuer limits, as stipulated in Regulation 28 of the Pension Fund Act, no 24 of 1956, was adopted as part of all the segregated mandates. In addition, the portfolios in total also need to be compliant with Regulation 28. The compliance with Regulation 28 is monitored on a daily basis by management. Breaches are reported as they occur and the required action is taken. The Group Investment Committee monitors the compliance on a quarterly basis. As a result the Group's exposure to any single group of companies does not exceed 7.1% (2014: 7.1%).

5.4.2.a Market risk

Market risk is the risk of adverse financial impact due to changes in fair values or future cash flows of financial instruments from fluctuations in foreign currency exchange rates, equity prices and interest rates. In addition, in light of the Group's investment in investment properties, there is exposure to fluctuation in property values.

(i) Foreign exchange risk

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

The Group has unit trusts which have offshore components that are all denominated in US dollars, and are listed as 'global unit trusts' in note 22. These investments were made for the purpose of obtaining a favourable international exposure to foreign currency and to diversify investment exposure to international markets.

The currency exposure at year-end is as follows:

	2015 R'000	2014 R'000
Global unit trusts	110 859	120 014
Foreign currency amount (US\$)	9 109	11 290
Closing exchange rate at year-end	12.1699	10.6303
Average exchange rate during the year	11.4083	10.3603

Overall, foreign exchange risk is considered to be within acceptable risk levels and managed effectively, as it represents only 2.8% (2014: 3.3%) of total financial assets.

(ii) Price risk

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

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

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

5. RISK MANAGEMENT (continued)

5.4.2.a Market risk (continued)

(iii) *Cash flow and fair value interest rate risk*

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

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

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

<i>Consolidated</i>	Carrying value R'000	Exposed to cash flow interest rate risk R'000	Exposed to fair value interest rate risk R'000	Effective interest rate at year-end %
30 June 2015				
At fair value through profit or loss				
Debt securities				
Corporate bonds	705 244	314 563	390 681	8.58%
Government bonds	218 953	-	218 953	9.58%
Parastatals and utilities	225 899	12 211	213 688	8.87%
Municipalities	8 597	-	8 597	9.19%
Insurance policy - Global bonds *	47 644	-	47 644	N/a
Deposits and money market securities	324 689	4 760	321 954	6.97%
Loans and receivables				
Insurance and other receivables (interest-bearing)	60 766	55 962	4 804	12.54%
Insurance and other receivables (provision for impairment)				
Premiums receivable	(30 403)	-	-	0.00%
Sundry insurance receivables	(25 470)	-	-	0.00%
Insurance and other receivables (non interest-bearing)	99 849	-	-	0.00%
Cash and cash equivalents	279 236	279 236	-	4.66%
	1 915 004	666 732	1 206 321	
30 June 2014				
At fair value through profit or loss				
Debt securities				
Corporate bonds	640 978	361 512	279 466	7.87%
Government bonds	141 667	-	141 667	9.15%
Parastatals and utilities	270 591	22 738	247 853	8.85%
Municipalities	9 424	-	9 424	9.43%
Insurance policy - Global bonds *	49 820	-	49 820	N/a
Deposits and money market securities	376 437	62 805	313 632	6.10%
Loans and receivables				
Insurance and other receivables (interest-bearing)	69 030	63 158	5 872	12.44%
Insurance and other receivables (provision for impairment)				
Premiums receivable	(30 413)	-	-	0.00%
Sundry insurance receivables	(15 378)	-	-	0.00%
Insurance and other receivables (non interest-bearing)	80 843	-	-	0.00%
Cash and cash equivalents	199 059	199 059	-	4.13%
	1 792 058	709 272	1 047 734	

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

5. RISK MANAGEMENT (continued)

5.4.2.a Market risk (continued)

(iv) *Hedging*

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

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

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

(v) *Market risk sensitivity analysis*

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

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

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

Assumption description	Change in variable %	Impact to total policyholders' liabilities		Impact on ordinary shareholders' equity and attributable profit after tax	
		2015 R'000	2014 R'000	2015 R'000	2014 R'000
<i>Consolidated</i>					
Non-market long-term assumptions					
Mortality and morbidity	+10%	115 297	146 843	(83 014)	(105 727)
	-10%	(117 765)	(144 442)	84 791	103 998
Withdrawals	+10%	113 966	(38 194)	(82 055)	27 500
	-10%	(92 307)	46 698	66 461	(33 622)
Renewal expense per policy	+10%	185 799	213 545	(133 775)	(153 752)
	-10%	(185 632)	(213 187)	133 655	153 494
Economic assumptions					
Interest rate	+1%	(41 429)	(88 721)	29 829	63 879
	-1%	61 791	129 201	(44 490)	(93 024)
Inflation	+1%	161 924	248 017	(118 441)	(180 609)
	-1%	(138 113)	(205 565)	101 297	150 044
Equity prices	+10%	790	96 648	20 552	23 058
	-10%	(1 038)	(96 639)	(20 373)	(23 078)

5. RISK MANAGEMENT (continued)

5.4.2.b Credit risk

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

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

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

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

The Group is exposed to credit risk in any reinsurance assets held. If a reinsurer fails to pay a claim, the Group remains liable for the payment to the policyholder. Reinsurance is placed with reputable international companies. The credit rating of the reinsurer is assessed by Assupol Life on an annual basis and on a change in the status of the reinsurer.

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

(i) Credit risk on investments

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

African Bank was placed under curatorship in August 2014 which resulted in the downgrading of the rating of the bank. Trading was also suspended and as a result the Group exceeded its credit limits during the reporting period. Management does not expect any further losses from non-performance by these counterparties.

These mandates are given taking the following requirements into consideration:

- Limits in each asset class
 - > The percentage of assets invested in an asset class is fixed and will be determined by the Group Investment Committee and the investment mandate agreed upon.
- Percentage limits in a single holding
 - > Investment managers mandates are issued in accordance with limitations set by the Long Term Insurance Act, 52 of 1998, and regulation 28 of the Pension Fund Act, 24 of 1956.
- Quality of holdings
 - > Investment managers are only allowed to invest in listed shares, including listed property shares, that fall within their investment mandates. Where an investment becomes unlisted whilst included in the mandate, the manager may retain the shares only if it cannot be sold.
 - > Investment managers are only allowed to invest in A to AAA rated local listed bonds. For non South African assets the rating must be investment grade. Credit risk is reduced by only investing in the bonds that are rated at these levels by Fitch Ratings, or the equivalent ratings of any accredited international rating agency. The rating used is the National Long Term rating as provided by Fitch.
 - > Investment managers are only allowed to invest in A1+ and A1 rated (long-term) and F1+ and F1 rated (short-term) money market instruments, as rated by Fitch Ratings.
- Collective investment instruments
 - > Collective investments can include any investment through a life licence or investment through a unit trust. Investments of this type must only be through a vehicle that is registered with the Financial Services Board and are subject in all respects to the requirements of the Unit Trust Control Act, no 54 of 1981, or Long Term Insurance Act, 52 of 1998, or the Collective Investment Schemes Control Act, 45 of 2002.

5. RISK MANAGEMENT (continued)

5.4.2.b Credit risk (continued)

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

	CONSOLIDATED		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
At fair value through profit or loss				
Debt securities				
Corporate bonds	705 244	640 978	-	-
Government bonds	218 953	141 667	-	-
Parastatals and utilities	225 899	270 591	-	-
Municipalities	8 597	9 424	-	-
Insurance policy - Global bonds	47 644	49 820	-	-
Deposits and money market securities	324 689	376 437	-	-
Loans and receivables				
Insurance receivables				
Premium receivables - Insurance contracts	9 682	8 676	-	-
Premium receivables - Other	7 616	8 088	-	-
Sundry insurance receivables	9 809	8 488	-	-
Reinsurance recoveries	42 095	37 988	-	-
Loans to policyholders - Insurance contracts	7 170	14 741	-	-
Loans to policyholders - Other	1 091	1 240	-	-
Other receivables:				
Other sundry receivables	17 659	13 589	749	95
Loans to personnel and other loans	9 620	11 272	-	-
Cash and cash equivalents	279 236	199 059	38 216	19 138
Interest in associates - equity accounting	4 619	4 348	-	-
Total	1 919 623	1 796 406	38 965	19 233

Analysis of Fitch ratings and Fitch equivalent ratings:

Local debt securities	1 158 693	1 062 660	-	-
AAA	423 089	330 850	-	-
AA+, AA, AA-	449 771	456 217	-	-
A+, A, A-	246 425	275 593	-	-
BBB+	773	-	-	-
DDD	1 711	-	-	-
Unrated	36 925	-	-	-
Deposits and money market securities	324 689	376 142	-	-
AAA	95 888	80 162	-	-
AA+, AA, AA-	159 897	200 585	-	-
A+, A, A-	68 904	95 395	-	-
DDD	-	-	-	-
Cash and cash equivalents	279 236	199 059	38 216	19 138
AAA	283	632	-	-
AA+, AA, AA-	263 214	198 427	22 904	19 138
A+, A, A-	15 739	-	15 312	-
Unrated	104 742	104 377	749	95
Deposits and money market securities	-	295	-	-
Cash and cash equivalents	-	-	-	-
Insurance receivables	77 463	79 221	-	-
Other receivables	27 279	24 861	749	95
Global debt securities	47 644	49 820		
AAA	21 213	24 711	-	-
AA+, AA, AA-	6 813	4 534	-	-
A+, A, A-	13 963	19 828	-	-
BBB+, BBB, BBB-	5 655	747	-	-
Interest in associates - equity accounting				
Unrated	4 619	4 348	-	-
Total	1 919 623	1 796 406	38 965	19 233

5. RISK MANAGEMENT (continued)

5.4.2.b Credit risk (continued)

Fitch rating used :

The rating used for local assets is the National Long Term rating as provided by Fitch. This rating gives a relative credit quality for the issuer and/or entity in relation to the government of the Republic of South Africa. The rating used for global assets is the Long Term Issuer Default rating (Local currency) as provided by Fitch.

Meaning of Fitch or Fitch equivalent ratings :

This rating gives a relative credit quality for the issuer and/or entity in relation to the government of the Republic of South Africa.

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

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

		CONSOLIDATED		COMPANY	
		2015	2014	2015	2014
		R'000	R'000	R'000	R'000
Policyholder receivables	<i>Gross</i>	55 962	63 158	-	-
	<i>Impairment provision</i>	(30 403)	(30 413)	-	-
	<i>Net</i>	25 559	32 745	-	-

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

		CONSOLIDATED		COMPANY	
		2015	2014	2015	2014
		R'000	R'000	R'000	R'000
Debt securities		1 206 337	1 112 480	-	-
Neither past due, nor impaired		1 206 337	1 112 480	-	-
Impairment provisions		-	-	-	-
Deposits and money market securities		324 689	376 437	-	-
Neither past due, nor impaired		324 689	376 437	-	-
Impairment provisions		-	-	-	-
Insurance receivables		77 463	79 221	-	-
Neither past due, nor impaired		59 109	70 307	-	-
Past due					
0 to 2 months		7 711	6 160	-	-
3 to 5 months		4 787	2 927	-	-
More than 5 months		61 729	45 618	-	-
Impairment provisions		(55 873)	(45 791)	-	-
Other receivables		27 279	24 861	749	95
Neither past due, nor impaired		13 736	22 602	749	95
Past due					
0 to 2 months		5 320	312	-	-
3 to 5 months		-	129	-	-
More than 5 months		8 223	1 818	-	-
Impairment provisions		-	-	-	-
Cash and cash equivalents		279 236	199 059	38 216	19 138
Neither past due, nor impaired		279 236	199 059	38 216	19 138
Impairment provisions		-	-	-	-
Interest in associates - equity accounting					
Neither past due, nor impaired		4 619	4 348	-	-
Total		1 919 623	1 796 406	38 965	19 233

5. RISK MANAGEMENT (continued)

5.4.2.b Credit risk (continued)

(ii) *Collateral coverage*

The following table discloses the financial effect that collateral has on the Group's exposure to credit in relation to financial assets:

R'000	Unsecured *	Secured	Total Exposure	Exposure after netting **	Collateral coverage relative to secured exposure greater than 100%
2015					
Debt securities	832 758	373 579	1 206 337	1 206 337	-
Corporate bonds	650 942	54 301	705 243	705 243	-
Government bonds	-	218 953	218 953	218 953	-
Parastatals and utilities	125 574	100 325	225 899	225 899	-
Municipalities	8 598	-	8 598	8 598	-
Insurance policy - Global bonds	47 644	-	47 644	47 644	-
Deposits and money market securities	324 689	-	324 689	324 689	-
Insurance receivables	64 398	13 065	77 463	77 463	-
Other receivables	27 279	-	27 279	27 279	-
Cash and cash equivalents	279 236	-	279 236	279 236	-
Interest in associates- equity accounting	4 619	-	4 619	4 619	-
	1 532 979	386 644	1 919 623	1 919 623	-
2014					
Debt securities	820 503	291 978	1 112 480	1 112 480	-
Corporate bonds	610 891	30 086	640 977	640 977	-
Government bonds	-	141 668	141 668	141 668	-
Parastatals and utilities	150 367	120 224	270 591	270 591	-
Municipalities	9 424	-	9 424	9 424	-
Insurance policy - Global bonds	49 820	-	49 820	49 820	-
Deposits and money market securities	376 437	-	376 437	376 437	-
Insurance receivables	57 368	21 853	79 221	79 221	-
Other receivables	24 861	-	24 861	24 861	-
Cash and cash equivalents	199 059	-	199 059	199 059	-
Interest in associates- equity accounting	4 348	-	4 348	4 348	-
	1 482 576	313 831	1 796 406	1 796 406	-

* The unsecured portion of insurance receivables includes an impairment provision of R55 873 000 (2014: 45 791 000). Refer note 23.

** The company has no netting agreements in place

5.4.2.c Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due. Refer to the maturity profiles included in the note to policyholder liabilities (note 28).

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

5. RISK MANAGEMENT (continued)

5.4.2.c Liquidity risk (continued)

(i) *Liquidity risks arising out of obligations to policyholders*

The undiscounted expected cash flows on contract liabilities, as the basis of how liquidity is managed, are depicted below:

<i>Consolidated</i>	INSURANCE CONTRACTS		INVESTMENT CONTRACTS	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
<i>Unit liabilities</i>				
Within 1 year	62 284	71 322	19 878	38 983
2 to 5 years	164 170	162 810	195 979	170 306
6 to 10 years	168 273	184 430	355 714	334 721
11 to 20 years	82 091	134 300	464 702	472 829
Over 20 years	12 811	43 719	186 893	234 493
Total unit liabilities	489 629	596 581	1 223 166	1 251 332
<i>Non-unit liabilities</i>				
Within 1 year	(626 334)	(515 841)	(37 417)	(16 955)
2 to 5 years	(1 769 721)	(1 699 870)	(116 196)	(53 979)
6 to 10 years	(309 594)	(653 475)	(85 362)	(37 317)
11 to 20 years	33 234	(931 448)	(73 096)	(30 982)
Over 20 years	1 849 159	1 876 153	(15 096)	(7 135)
Total	(823 256)	(1 924 481)	(327 167)	(146 368)
Effect of discounting cash flows	(1 520 488)	(242 893)	10 757	174 506
Effect of compulsory margins	764 725	904 610	352 190	6 330
Undiscounted liabilities (including IBNR reserves)	100 809	89 916	-	-
Total non-unit liabilities	(1 478 210)	(1 172 848)	35 779	34 468
TOTAL				
Within 1 year	(564 050)	(444 519)	(17 539)	22 028
2 to 5 years	(1 605 551)	(1 537 060)	79 783	116 327
6 to 10 years	(141 321)	(469 045)	270 352	297 404
11 to 20 years	115 325	(797 148)	391 606	441 847
Over 20 years	1 861 970	1 919 872	171 797	227 358
Effect of discounting cash flows	(1 520 488)	(242 893)	10 757	174 506
Effect of compulsory margins	764 725	904 610	352 190	6 330
Undiscounted liabilities (including IBNR reserves)	100 809	89 916	-	-
Total policyholder liabilities	(988 581)	(576 267)	1 258 945	1 285 800

5. RISK MANAGEMENT (continued)

5.4.2.c Liquidity risk (continued)

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

	CONSOLIDATED		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
Equity securities	863 589	1 226 388	-	-
Debt securities	587 360	440 540	-	-
Deposits and money market securities	261 846	290 866	-	-
Total	1 712 795	1 957 793	-	-

The expected liquidity requirement for undiscounted expected cash flows for unit liabilities for the next year is R82 million. The Group has sufficient cash and cash equivalents to cover this risk.

The expected liquidity requirement for undiscounted expected cash flows for non-unit liabilities for the next year is an inflow of R664 million and therefore no provision is needed for liquidity purposes.

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

<i>Consolidated</i>	CARRYING VALUE		SURRENDER VALUE	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
Insurance contracts				
Linked and conventional business	576 264	693 129	560 319	658 089
Other business	(1 564 845)	(1 269 396)	-	-
Investment contracts	1 258 945	1 285 800	1 140 210	1 152 806
Total policyholder liabilities	270 364	709 533	1 700 529	1 810 895

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

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

	CONSOLIDATED		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
Borrowings	-	22	-	-
Contractual undiscounted cash flows				
Within 1 year	-	-	-	-
2 to 5 years	-	22	-	-
More than 5 years	-	-	-	-
Open ended	-	-	-	-
Insurance and other payables	247 284	212 809	18 309	6 687
Contractual undiscounted cash flows				
Within 1 year	125 635	103 741	-	-
2 to 5 years	-	-	-	-
More than 5 years	-	-	-	-
Open ended	121 649	109 068	18 309	6 687
Total	247 284	212 831	18 309	6 687

5. RISK MANAGEMENT (continued)

5.4.3 Capital risk management

5.4.3.a Capital management policies and objectives

The Group's capital management philosophy is:

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

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

5.4.3.b Capital adequacy requirement

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

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

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

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

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

	2015	2014
Available qualifying capital (R'm)	884.2	821.1
Statutory capital adequacy requirement (R'm)	342.1	302.3
CAR coverage ratio	2.58	2.72

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

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

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

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

5. RISK MANAGEMENT (continued)

5.4.4 Fair value estimation

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

R'000	Financial assets and liabilities at FVTPL on initial recognition	Loans and receivables	Financial liabilities at amortised cost	Insurance contract assets and liabilities	Total carrying amount	Fair value
Consolidated 2015						
Local listed shares	1 001 451	-	-	-	1 001 451	1 001 451
Unit trusts						
Global	110 859	-	-	-	110 859	110 859
Debt securities						
Corporate bonds	705 244	-	-	-	705 244	705 244
Government bonds	218 953	-	-	-	218 953	218 953
Parastatals and utilities	225 899	-	-	-	225 899	225 899
Municipalities	8 597	-	-	-	8 597	8 597
Insurance policy	47 644	-	-	-	47 644	47 644
Deposits and money market securities	324 689	-	-	-	324 689	324 689
Insurance receivables	-	8 707	-	68 756	77 463 *	77 463
Other receivables	-	27 279	-	-	27 279 *	27 279
Cash and cash equivalents	-	279 236	-	-	279 236	279 236
Insurance contract assets	-	-	-	988 581	988 581	988 581
Investment contract liabilities	1 258 945	-	-	-	1 258 945	1 258 945
Deferred revenue liability	278	-	-	-	278	278
Insurance payables	-	-	-	198 262	198 262 *	198 262
Other payables	-	-	49 022	-	49 022 *	49 022
Consolidated 2014						
Local listed shares	1 208 077	-	-	-	1 208 077	1 208 077
Unit trusts						
Global	120 014	-	-	-	120 014	120 014
Debt securities						
Corporate bonds	640 978	-	-	-	640 978	640 978
Government bonds	141 667	-	-	-	141 667	141 667
Parastatals and utilities	270 591	-	-	-	270 591	270 591
Municipalities	9 424	-	-	-	9 424	9 424
Insurance policy	49 820	-	-	-	49 820	49 820
Deposits and money market securities	376 437	-	-	-	376 437	376 437
Insurance receivables	-	9 328	-	69 893	79 221 *	79 221
Other receivables	-	24 861	-	-	24 861 *	24 861
Cash and cash equivalents	-	199 059	-	-	199 059	199 059
Insurance contract liabilities	-	-	-	576 267	576 267	576 267
Investment contract liabilities	1 285 800	-	-	-	1 285 800	1 285 800
Borrowings	-	22	-	-	22	22
Deferred revenue liability	297	-	-	-	297	297
Insurance payables	-	-	-	158 954	158 954 *	158 954
Other payables	-	-	53 856	-	53 856 *	53 856

* These items are shown at nominal value. Furthermore policyholder loans are secured by an underlying cash value of the policy on which the loan is granted.

5. RISK MANAGEMENT (continued)

5.4.4 Fair value estimation (continued)

R'000	Financial assets and liabilities at FVTPL on initial recognition	Loans and receivables	Financial liabilities at amortised cost	Insurance contract assets and liabilities	Total carrying amount	Fair value
Company 2015						
Investments in subsidiaries	676 103				676 103	676 103
Other receivables	-	749	-	-	749 *	749
Cash and cash equivalents	-	38 216	-	-	38 216	38 216
Other payables	-	-	18 309	-	18 309 *	18 309
Company 2014						
Investments in subsidiaries	644 610	-	-	-	644 610	644 610
Other receivables	-	95	-	-	95 *	95
Cash and cash equivalents	-	19 138	-	-	19 138	19 138
Other payables	-	-	6 687	-	6 687 *	6 687

* These items are shown at nominal value.

5. RISK MANAGEMENT (continued)

5.4.5 Fair value hierarchy

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

The fair values of accounts receivable, cash equivalents and accounts payable approximate their carrying values due to their short-term nature and are as a result not measured at fair value nor analysed by valuation technique. Refer notes 23, 24 and 34 for further information on these assets and liabilities.

The measurement at fair value, grouped into levels 1 to 3, is based on the degree to which the fair value is observable.

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

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

For level 1:

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

For level 2:

- The fair value of other financial assets and financial liabilities (excluding derivatives) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- Observable inputs generally used to measure the fair value of securities classified as level 2 include benchmark yields, reported secondary trades, broker-dealer quotes, issuer spreads, benchmark securities, bids, offers and reference data. The specific inputs used are:
 - > Risk free rate: Ranging from 0.65% to 8.15%
 - > Credit spread: Ranging from 1.15% and 4.35%
 - > Liquidity premium: Ranging from 0.05% to 0.25%
- The fair value of derivatives is calculated using quoted prices. Where such prices are not available, discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.
- The fair value of financial guarantee contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from the market-based credit information and the amount of loss, given the default.

For level 3:

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

5. RISK MANAGEMENT (continued)

5.4.5 Fair value hierarchy (continued)

R'000	Level 1	Level 2	Level 3	TOTAL
Consolidated 2015				
<u>Financial assets designated as 'at fair value through profit or loss'</u>				
Local listed shares	992 173	9 278	-	1 001 451
Unit trusts				
Local	-	-	-	-
Global	110 859	-	-	110 859
Debt securities				
Corporate bonds	531 662	134 947	38 635	705 244
Government bonds	218 674	279	-	218 953
Parastatals and utilities	215 726	10 173	-	225 899
Municipalities	8 597	-	-	8 597
Insurance policy - Global bonds	47 644	-	-	47 644
Deposits and money market securities	6 005	318 684	-	324 689
Total financial assets	2 131 340	473 361	38 635	2 643 336
<u>Financial liabilities designated as 'at fair value through profit or loss'</u>				
Net investment contract liabilities	-	1 258 945	-	1 258 945
Total financial liabilities	-	1 258 945	-	1 258 945
Consolidated 2014				
<u>Financial assets designated as 'at fair value through profit or loss'</u>				
Local listed shares	1 185 782	22 295	-	1 208 077
Unit trusts				
Local	-	-	-	-
Global	120 014	-	-	120 014
Debt securities				
Corporate bonds	531 552	109 426	-	640 978
Government bonds	141 368	299	-	141 667
Parastatals and utilities	258 258	12 333	-	270 591
Municipalities	8 203	1 221	-	9 424
Insurance policy - Global bonds	49 820	-	-	49 820
Deposits and money market securities	62 911	313 526	-	376 437
Total financial assets	2 357 908	459 100	-	2 817 008
<u>Financial liabilities designated as 'at fair value through profit or loss'</u>				
Net investment contract liabilities	-	1 285 800	-	1 285 800
Total financial liabilities	-	1 285 800	-	1 285 800

5. RISK MANAGEMENT (continued)

5.4.5 Fair value hierarchy (continued)

The table below shows the transfer between the various levels.

R'000	From level 1 to level 2	From level 2 to level 1
Consolidated 2015		
Change in validity of quoted prices		
Corporate bonds	88 345	10 649
Parastatals and utilities	-	12 288
Municipalities	-	1 212
Consolidated 2014		
Change in validity of quoted prices		
Corporate bonds	54 344	19 039
Municipalities	1 221	-
Change in classification		
Structured products - Local listed shares exposure	6 865	-
Structured products - Money market exposure	74 604	-

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

	2015 R'000	2014 R'000
Opening balance	-	-
Reclassification from level 1	28 824	-
Reclassification from level 2	9 811	-
Additions	-	-
Disposals	-	-
Closing balance	38 635	-

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

The assets measured 'at fair value through profit or loss' in level 3 consist of certain African Bank senior debt instruments where the trading has been suspended. The value for the Group amounts to R38,6m and the discount rate applied in valuating these instruments varies between 4% and 9.1%.

Of the debt instruments, approximately 39% of these assets by value are allocated to policyholder liabilities and unit linked portfolios and therefore changes in estimates would be offset by equal changes in liability values.

The net shareholder exposure is approximately R22.6 million. Changes to discount rates applied of 100 basis points would result in a positive R303 000 to negative R475 000 after taxation net impact to profit or loss and shareholder funds.

5.5 Other risks

5.5.1 Intermediary debt exposure

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

5.5.2 Compliance and regulatory risk

There are a multitude of laws that the Group needs to comply with. The Compliance department evaluates and monitors all compliance issues in order to minimise the risk of financial loss or reputational loss as a result of non-compliance. This department provides services to the entire Group and reports to the Group Audit Committee.

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

5.5.3 Expense risk

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

6. SEGMENT INFORMATION

The Group's operating segments are based on the legal entities within the Group and are categorised according to similar business activities. The chief operating decision maker makes decisions about resource allocation on the performance of an entity and financial information is provided on that basis.

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

- Brokers: The Group owns an insurance broker that sells funeral cover to the pensioner market. The short term insurance broker was sold on 30 June 2014.

- Other: This segment consists of the remaining smaller operating entities in the Assupol Group which include two property companies, an asset manager, the collective investment scheme over which the asset manager has significant influence, as well as companies that are in the process of being wound down.

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

	Life insurance R'000	Brokers R'000	Other R'000	Reporting adjustments R'000	Total R'000
6.1 Segment earnings					
For the year ended 30 June 2015					
Net insurance premium revenue	1 856 303	-	-	-	1 856 303
Commission received on outward reinsurance	13 364	-	-	-	13 364
Fee income	60 100	-	-	-	60 100
Investment income and net fair value gains on financial assets	112 160	738	973	2 193	116 064
Other income	1 986	48 406	16 708	(59 407)	7 693
Income	2 043 913	49 144	17 681	(57 214)	2 053 524
Net insurance benefits and claims	(720 689)	-	-	-	(720 689)
Acquisition costs	(434 601)	(6 824)	-	48 350	(393 075)
Operating and administrative expenses	(587 364)	(25 829)	(9 494)	(39 968)	(662 656)
Investment management expenses	(14 324)	-	-	8 606	(5 718)
Change in insurance contract provisions	402 079	-	-	-	402 079
Fair value adjustments on investment contracts liabilities	(35 593)	-	-	-	(35 593)
Expenses	(1 390 492)	(32 653)	(9 494)	16 988	(1 415 652)
Result of operating activities	653 421	16 491	8 186	(40 226)	637 872
Finance charges	-	(1)	(674)	319	(356)
Share of profit from associate	-	-	425	-	425
Profit before taxation	653 421	16 490	7 937	(39 907)	637 941
Income tax expense	(167 739)	(4 628)	(1 945)	(280)	(174 592)
PROFIT FOR THE YEAR	485 682	11 862	5 992	(40 187)	463 349
OTHER COMPREHENSIVE INCOME	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	485 682	11 862	5 992	(40 187)	463 349

6. SEGMENT INFORMATION (continued)

	Life insurance R'000	Brokers R'000	Other R'000	Reporting adjustments R'000	Total R'000
Segment earnings (continued)					
For the year ended 30 June 2014					
Net insurance premium revenue	1 644 396	-	-	-	1 644 396
Commission received on outward reinsurance	10 560	-	-	-	10 560
Fee income	60 949	-	-	-	60 949
Investment income and net fair value gains on financial assets	450 302	439	2 481	(1 285)	451 937
Other income	2	57 445	19 835	(51 020)	26 261
Income	2 166 209	57 883	22 317	(52 306)	2 194 103
<i>Net insurance benefits and claims</i>	(685 393)	-	-	-	(685 393)
Acquisition costs	(364 800)	(10 863)	-	43 094	(332 568)
Operating and administrative expenses	(530 660)	(38 421)	(8 868)	(17 151)	(595 100)
Investment management expenses	(14 614)	-	-	9 008	(5 606)
Change in insurance contract provisions	416 805	-	-	-	416 805
Fair value adjustments on: - investment contracts liabilities	(192 701)	-	-	-	(192 701)
Expenses	(1 371 363)	(49 284)	(8 868)	34 952	(1 394 563)
Result of operating activities	794 845	8 600	13 448	(17 354)	799 540
Finance charges	-	(67)	(583)	(5 768)	(6 418)
Share of loss from associate	-	-	185	-	185
Profit before taxation	794 845	8 533	13 050	(23 122)	793 307
Income tax expense	(216 970)	(2 722)	(3 346)	194	(222 845)
PROFIT FOR THE YEAR	577 875	5 811	9 704	(22 928)	570 462
OTHER COMPREHENSIVE INCOME	-	-	-	1 881	1 881
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	577 875	5 811	9 704	(21 047)	572 343

6. SEGMENT INFORMATION (continued)

	Life insurance R'000	Brokers R'000	Other R'000	Reporting adjustments R'000	Total R'000
6.2 Other financial detail per operating segment					
For the year ended 30 June 2015					
Financial assets - Investments	2 638 593	-	4 743	-	2 643 336
Policyholder assets	988 581	-	-	-	988 581
Total other assets	375 538	50 756	38 877	135 705	600 876
Policyholder liabilities	1 258 945	-	-	-	1 258 945
Total other liabilities	689 611	3 289	17 423	95 049	805 372
Additions to non-current assets	16 368	1 334	119	-	17 820
Depreciation	7 271	591	153	1 005	9 020
Amortisation of intangible assets	1 829	-	-	6 486	8 315
Impairment of intangible assets	3 887	-	-	-	3 887
For the year ended 30 June 2014					
Financial assets - Investments	2 811 920	-	5 088	-	2 817 008
Policyholder assets	576 267	-	-	-	576 267
Total other assets	315 863	43 712	38 532	128 661	526 768
Policyholder liabilities	1 285 800	-	-	-	1 285 800
Total other liabilities	611 857	3 258	17 423	52 431	684 969
Additions to non-current assets	10 946	2 285	299	-	13 530
Depreciation	6 424	1 119	187	918	8 648
Amortisation of intangible assets	1 830	-	-	4 553	6 383
Impairment of intangible assets	3 332	-	-	-	3 332

6.3 Segment information from geographical areas

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

6.4 Segment information per product classification

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

	2015 % of premium	2014 % of premium
Individual insurance business		
Conventional individual business	0.1%	0.1%
Other individual risk business	54.7%	53.1%
Group risk business	45.2%	46.8%
Total premium	100.0%	100.0%

	CONSOLIDATED		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
7. NET INSURANCE PREMIUM REVENUE				
Gross individual premiums received				
Recurring premiums	1 153 756	990 031	-	-
Gross group scheme and grouped individual premiums received	842 366	765 106	-	-
Gross inward reinsurance premiums received	42 615	39 403	-	-
Outward reinsurance premiums paid	(182 434)	(150 144)	-	-
Total net insurance premium revenue	1 856 303	1 644 396	-	-
8. FEE INCOME				
Investment management fee charges	46 344	46 393	-	-
Surrender charges	13 608	14 398	-	-
Amortisation of deferred revenue	148	158	-	-
Total fee income	60 100	60 949	-	-
9. INVESTMENT INCOME				
At fair value through profit or loss				
Interest received	110 561	80 349	-	-
Dividends received	40 112	29 412	263 735	175 000
Loans and receivables				
Insurance and other receivables				
Interest received on:				
Policyholder loans	2 108	2 716	-	-
Premiums receivable	312	1	-	-
Housing and car loans	813	385	-	-
Cash and cash equivalents	12 864	10 577	1 591	284
Total investment income	166 770	123 440	265 326	175 284
10. NET FAIR VALUE (LOSSES) / GAINS ON FINANCIAL ASSETS				
At fair value through profit or loss				
From equity securities				
Local listed shares	(50 291)	274 686	-	-
Global unit trusts	19 325	31 105	-	-
From debt securities				
Local debt securities	(11 691)	(15 106)	-	-
Global debt securities	1 856	4 245	-	-
Structured products	(9 905)	33 567	-	-
Total net fair value (losses) / gains on financial assets	(50 706)	328 497	-	-

	CONSOLIDATED		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
11. OTHER INCOME				
Commission income	-	13 820	-	-
Loss on disposal of equipment	(167)	(321)	-	-
Levies on loans	195	336	-	-
Other	7 665	12 426	1 363	2 491
Total other income	7 693	26 261	1 363	2 491
12. NET INSURANCE BENEFITS AND CLAIMS				
Individual benefits	315 374	322 970	-	-
Death and disability claims	233 391	213 379	-	-
Accident and dread disease claims	7 102	5 345	-	-
Maturities	110 179	96 029	-	-
Surrenders	89 461	115 215	-	-
Inward reinsurance claims	28 209	28 238	-	-
Outward reinsurance recoveries	(152 968)	(135 236)	-	-
Group scheme and grouped individual benefits	405 315	362 423	-	-
Total net insurance benefits and claims	720 689	685 393	-	-
13. ACQUISITION COSTS				
Insurance contracts				
Commission paid	385 642	325 174	-	-
Investment contracts				
Amortisation of intangible asset (DAC)	7 433	7 394	-	-
Total acquisition costs	393 075	332 568	-	-

	CONSOLIDATED		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
14. OPERATING AND ADMINISTRATIVE EXPENSES				
Office costs	269 759	228 678	465	464
Employee costs	249 406	230 706	-	-
Advertising and promotions	37 219	32 423	-	-
Provision for impairments on receivables	10 082	4 716	-	-
Training and development costs	6 940	5 621	-	-
Share register and trading cost	4 542	6 365	4 542	6 365
Other	84 708	86 591	5 431	4 643
Total operating and administrative expenses	662 656	595 100	10 438	11 472
Operating and administrative expenses include the following:				
Depreciation on property and equipment	9 020	8 648	-	-
Owned computer equipment	3 656	3 135	-	-
Motor vehicles	2 004	1 315	-	-
Office equipment	2 242	2 782	-	-
Finance lease equipment	112	498	-	-
Owner-occupied properties	1 006	918	-	-
Auditors' remuneration	4 519	3 853	450	450
Audit fees - current year	1 279	1 136	-	-
Audit fees - prior years	3 240	2 717	450	450
Repairs and maintenance	9 424	9 654	-	-
Professional services	25 702	21 497	2 044	401
Actuarial services	12 119	6 232	-	-
Legal	3 806	10 162	-	-
Information technology	539	112	-	-
Professional and consulting	9 238	4 991	2 044	401
Operating lease rentals	18 479	16 599	-	-
Office equipment	764	662	-	-
Office buildings	17 715	15 937	-	-
Impairment of goodwill	6 973	-	-	-
Impairment of intangible assets	5 821	3 332	-	-
Deferred acquisition cost (DAC) ⁽¹⁾	3 887	3 332	-	-
Customer list and contracts	1 934	-	-	-

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

	CONSOLIDATED		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
14. OPERATING AND ADMINISTRATIVE EXPENSES (continued)				
Amortisation of intangible assets (excluding DAC)	6 381	6 383	-	-
Present value of in-force Trademarks and customer relationships	1 829	1 830	-	-
Customer list and contracts	2 618	2 619	-	-
	1 934	1 934	-	-
Employee costs	249 406	230 706	-	-
Salaries and wages	166 857	153 099	-	-
Leave pay	560	3 268	-	-
Bonus	35 520	38 961	-	-
Pension costs - defined contribution plan	14 977	13 535	-	-
Equity-settled share-based payments:				
Free shares	-	4 399	-	-
Share incentive scheme	4 554	6 532	-	-
Cash-settled share-based payments	26 938	10 912	-	-
Total directors' emoluments ⁽¹⁾	61 851	49 627	2 066	2 460
Executive directors	55 837	42 847	-	-
Non-executive directors	6 014	6 780	2 066	2 460

(1) The executive directors' emoluments are included in the employee costs above.

The number of permanent salaried staff, contract and temporary workers at 30 June 2015 was 605 (30 June 2014: 554).

All executive directors are eligible for an annual performance bonus. Performance related bonuses are based on the financial performance and indicators of the Group. For more information, please refer note 39 to the annual financial statements.

	CONSOLIDATED		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
15. FINANCE CHARGES				
Finance lease liabilities	-	(65)	-	-
Financiers	(356)	(6 353)	(10)	(6 082)
Total interest expense	(356)	(6 418)	(10)	(6 082)

	CONSOLIDATED		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
16. INCOME TAX EXPENSE				
Current tax	(114 620)	(77 467)	-	-
Capital gains tax	(7 775)	(6 474)	-	-
Security transfer tax	(31)	-	(31)	-
Deferred tax (note 33)	(52 166)	(138 904)	-	-
Total income tax expense - South African normal tax	(174 592)	(222 845)	(31)	-

Deferred income tax relating to gains on property revaluations in other comprehensive income amounted to R0 (2014: R731 512).

Reconciliation of tax rate

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

	CONSOLIDATED		COMPANY	
	2015 %	2014 %	2015 %	2014 %
Standard rate of taxation	28.00	28.00	28.00	28.00
Adjusted for:				
Non taxable income	(8.84)	(15.72)	(28.82)	(30.58)
Non deductible expenses	1.74	1.08	0.79	-
Capital gains not subject to tax	2.15	(1.45)	-	-
Amounts not credited to statement of comprehensive income	6.48	16.41	-	-
Overprovision of prior years	(2.49)	(0.28)	-	-
Unutilised tax losses	0.02	0.05	0.04	0.20
Non-income generating expenses	0.31	-	-	2.38
Effective tax rate	27.37	28.09	0.01	-

	CONSOLIDATED		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
17. OWNER-OCCUPIED PROPERTIES				
Fair value	37 593	37 593	-	-
Accumulated depreciation	(8 653)	(7 648)	-	-
Non-current asset	28 940	29 945	-	-
Fair value at beginning of year	29 945	28 250	-	-
Revaluations	-	2 613	-	-
Depreciation charges	(1 005)	(918)	-	-
Fair value at end of year	28 940	29 945	-	-
Had no revaluation been performed, the carrying amount of buildings would have been:				
Cost	6 189	6 189	-	-
Accumulated depreciation	(2 565)	(2 441)	-	-
	3 624	3 748	-	-

Owner-occupied properties comprise of the following:

- Erf 34, Menlo Park, Pretoria, measuring 1 665 square meters. A valuation was performed on the property on 30 June 2015 by G McIntosh, an independent accredited valuer, at R16 000 000 (2014: R15 370 000) based on market trends for the property industry sector in which the property falls. For more information, refer note 3.3.
- Erf 26, Menlo Park, Pretoria, measuring 1 289 square meters. A valuation was performed on the property on 30 June 2015 by G McIntosh, an independent accredited valuer, at R15 150 000 (2014: R 14 575 000) based on market trends for the property industry sector in which the property falls. For more information, refer note 3.3.

	Office equipment R'000	Computer equipment R'000	Motor vehicles R'000	Finance lease equipment R'000	Total R'000
18. EQUIPMENT					
<i>Consolidated</i>					
Year ended 30 June 2015					
Opening net book amount	15 979	8 995	7 012	112	32 098
Additions	3 069	7 755	6 996	-	17 820
Disposals	(14)	(136)	(525)	-	(675)
Adjustment	(145)	(58)	-	-	(203)
Depreciation charge	(2 242)	(3 656)	(2 004)	(112)	(8 014)
Closing net book amount	16 647	12 900	11 479	-	41 026
At 30 June 2015					
Cost	31 847	36 865	15 406	365	84 483
Accumulated depreciation	(15 200)	(23 965)	(3 927)	(365)	(43 457)
<i>Non-current asset</i>	16 647	12 900	11 479	-	41 026
Year ended 30 June 2014					
Opening net book amount	15 381	8 197	4 615	1 051	29 244
Additions	4 038	4 383	4 243	865	13 529
Disposals	(378)	(74)	(418)	(322)	(1 192)
Loss of control of subsidiary	(280)	(376)	(113)	(983)	(1 752)
Depreciation charge	(2 782)	(3 135)	(1 315)	(499)	(7 731)
Closing net book amount	15 979	8 995	7 012	112	32 098
At 30 June 2014					
Cost	28 825	29 448	9 978	365	68 616
Accumulated depreciation	(12 846)	(20 453)	(2 966)	(253)	(36 518)
<i>Non-current asset</i>	15 979	8 995	7 012	112	32 098

	CONSOLIDATED		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
19. INTANGIBLE ASSETS				
Goodwill	75 134	82 107	-	-
Trademarks and customer relationships	1 309	3 927	-	-
Present value of in-force (PVIF) business	-	1 829	-	-
Deferred acquisition cost (DAC)	20 283	19 698	-	-
Customer list and contracts	-	3 868	-	-
Total intangible assets	96 726	111 429	-	-
Non-current asset	88 937	98 865	-	-
Current asset	7 789	12 564	-	-
Goodwill				
Cost - on acquisition of subsidiaries	85 608	85 608	-	-
Accumulated impairment	(10 474)	(3 501)	-	-
Carrying amount	75 134	82 107	-	-
Opening net book value	82 107	82 107	-	-
Impairment of goodwill	(6 973)	-	-	-
Carrying amount at end of year	75 134	82 107	-	-
Goodwill from subsidiaries of Assupol Investment Holdings:				
• Cornerstone Brokers Corporate	75 134	75 134	-	-
• Pan-African Asset Management	-	6 973	-	-
	75 134	82 107	-	-

Impairment test for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to the business segment. A segment-level summary of the goodwill allocation is presented below.

The recoverable amount of a CGU is determined based on value-in-use calculations. A discounted cash flow (DCF) and an industry specific valuation have been performed on Cornerstone Brokers Corporate and Pan-African Asset Management respectively. The results of the valuation of Cornerstone Brokers Corporate supports the recoverability of the goodwill. The goodwill of Pan-African Asset Management was impaired to reflect the results of the valuation.

Management determined budgeted cash flows based on historical growth and expectations of market development.

	CONSOLIDATED		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
19. INTANGIBLE ASSETS (continued)				
Trademarks and customer relationships				
Cost	26 178	26 178	-	-
Accumulated amortisation	(24 869)	(22 251)	-	-
Carrying amount	1 309	3 927	-	-
Opening net book value	3 927	6 546	-	-
Current year amortisation charge	(2 618)	(2 619)	-	-
Carrying amount at end of year	1 309	3 927	-	-
<p>The trademarks and customer relationships are intangible assets which have been separately identified during the acquisition of Cornerstone Brokers. These assets have an estimated life of 10 years, and are amortised over that period. The remaining amortisation period is 0.5 years.</p> <p><i>Impairment test for trademarks and customer relationships</i></p> <p>The same impairment test as for goodwill applies, as the trademark and customer relationships assets also relate to the acquisition of Cornerstone Brokers.</p>				
Present value of in-force ('PVIF') business				
Cost	16 180	16 180	-	-
Accumulated amortisation	(16 180)	(14 351)	-	-
Carrying amount	-	1 829	-	-
Opening net book value	1 829	3 659	-	-
Current year amortisation charge	(1 829)	(1 830)	-	-
Carrying amount at end of year	-	1 829	-	-

The PVIF represents the pre-taxation present value (at acquisition date) less amortisation of future profits on policyholder contracts acquired from business combinations. The PVIF relates mostly to group business with a withdrawal rate of 10%. Management has assessed the amortisation period of the intangible asset over a period of 10 years.

	CONSOLIDATED		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
19. INTANGIBLE ASSETS (continued)				
Deferred acquisition cost				
Cost	34 625	34 659	-	-
Accumulated amortisation	(14 342)	(14 961)	-	-
Carrying amount	20 283	19 698	-	-
Opening balance	19 698	18 682	-	-
New business	11 905	11 742	-	-
Impairments	(3 887)	(3 332)	-	-
Amortisation charge	(7 433)	(7 394)	-	-
Carrying amount at end of year	20 283	19 698	-	-
The impairment relates to policies that have lapsed or have been cancelled during the current and prior years. As the policies are now inactive, the Group will not receive any future fees on the policies. The net value of the impairment is R3.887m (2014: R3.332m).				
Customer list and contracts				
Cost	7 736	7 736	-	-
Accumulated amortisation and impairments	(7 736)	(3 868)	-	-
Carrying amount	-	3 868	-	-
Opening balance	3 868	5 802	-	-
Amortisation charge	(1 934)	(1 934)	-	-
Impairments	(1 934)	-	-	-
Carrying amount at end of year	-	3 868	-	-

The intangible asset represents the present value (at acquisition date) less amortisation of future profits on contracts acquired from a business combination with Pan-African Asset Management. Management has initially assessed the amortisation period of the intangible asset over a period of 4 years. The asset was fully impaired in the 2015 financial year.

	COMPANY	
	2015 R'000	2014 R'000
20. INVESTMENTS IN SUBSIDIARIES (Unlisted)		
Opening balance	644 610	622 921
Investment impaired - Kestrel Financial Solutions	-	(154)
Equity-settled share-based payments		
General employee shares	-	4 399
Assupol Life	-	4 042
Subsidiaries of Assupol Investment Holdings	-	357
Share incentive scheme - Assupol Life	4 554	6 532
Cash-settled share-based payment liability - Assupol Life (note 31)	26 938	10 912
<i>Non-current asset - unlisted equity investments</i>	676 103	644 610
Unlisted equity investments, valued at cost, comprise the following:	676 103	644 610
Assupol Life	603 559	572 066
Assupol Investment Holdings	72 544	72 544

For detail of the ownership interest in each subsidiary, refer note 41.

The Group's 100% interest in Kestrel Financial Solutions was sold on 30 June 2014 for a consideration of R5.4 million. The consideration is payable in five annual payments of R1.08 million each. The loan bears interest on the outstanding balance at the prime rate of FirstRand Bank Limited and is compounded monthly in arrears.

	2014 R'000
The profit on loss of control is recognised in other income and is calculated as follows:	
Consideration	5 400
Net asset value at date of sale	(3 008)
Retained earnings at acquisition	(254)
Revaluation of shares prior to demutualisation	(43)
Write-off of cost of share-based payments in Assupol Holdings	155
Profit on loss of control - recognised in other income	2 250

21. INTERESTS IN ASSOCIATE

Set out below is an associate of the Group, which in the opinion of the directors is material to the Group.

Nature of interest:

Name of fund	Country of incorporation / business	Investment of the Group in the fund as % of total value of fund		method
		2015	2014	
Pan African IP Income Hunter Fund	Republic of South Africa	39.88%	34.67%	Equity method

Pan African IP Income Hunter Fund is a collective investment scheme in securities, in pursuance of which members of the public can acquire a participation interest in one or more portfolios and to participate proportionately in the income or profits derived there from. The licence for the collective investment scheme is held by IP Management Company Proprietary Limited which remains responsible for compliance in terms of the Collective Investment Schemes Control Act, no 45 of 2002. Pan-African Asset Management acts as the portfolio manager and manages one or more portfolios under this scheme.

Pan-African Asset Management has significant influence over the Pan African IP Income Hunter Fund, which is based on the fact that the company has the mandate to represent and bind the IP Management Company Proprietary Limited to dealings directly related to the concerned portfolios. The IP Management Company Proprietary Limited acts as the approved manager of the collective investment scheme, as defined in the Collective Investment Schemes Control Act, no 45 of 2002.

There are quoted market prices available for the Pan African IP Income Hunter Fund units.

Set out below are the summarised financial information for Pan African IP Income Hunter which are accounted for using the equity method.

	2015 R'000	2014 R'000
Summarised statement of financial position		
Non-current assets	11 330	12 277
Current assets	269	317
Current liabilities	(16)	(52)
Net assets	11 583	12 542
Summarised statement of comprehensive income		
Income	1 361	92
Expenditure	(162)	(15)
Net realised gain	212	301
Net unrealised (loss) / gain	(345)	154
Profit for the period before tax	1 066	532
Total comprehensive income	1 066	532
Group's interest percentage	39.88%	34.67%
Share of profit from associate	425	185

	CONSOLIDATED		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
21. INTERESTS IN ASSOCIATE (continued)				
Reconciliation of summarised financial information				
Reconciliation of the summarised financial information presented to the carrying amount of its interest in associate:				
Summary of financial information:				
Opening net assets	12 542	6 337	-	-
Distributed income	(1 093)	(38)	-	-
Prior undistributed gain	-	49	-	-
Appropriation of income units	7 904	5 627	-	-
Expropriation of income units	(8 836)	-	-	-
Prior undistributed income	-	35	-	-
Profit for the year	1 066	532	-	-
Closing net assets	11 583	12 542	-	-
Group's interest percentage	39.88%	34.67%	-	-
Interest in associate - carrying value	4 619	4 348	-	-
<i>Non-current asset</i>	4 619	4 348	-	-
22. FINANCIAL ASSETS - INVESTMENTS				
At fair value through profit or loss				
Equity securities - quoted and listed	1 112 310	1 328 091	-	-
Local listed shares	1 001 451	1 208 077	-	-
Local unit trusts	-	-	-	-
Global unit trusts	110 859	120 014	-	-
Total equity securities	1 112 310	1 328 091	-	-
Debt securities - quoted and listed ⁽¹⁾	1 158 693	1 062 660	-	-
Corporate bonds	705 244	640 978	-	-
Government bonds	218 953	141 667	-	-
Parastatals and utilities	225 899	270 591	-	-
Municipalities	8 597	9 424	-	-
Insurance policy - Global bonds ⁽²⁾	47 644	49 820	-	-
Total debt securities	1 206 337	1 112 480	-	-
Deposits and money market securities	324 689	376 437	-	-
Total financial assets - investments	2 643 336	2 817 008	-	-

(1) Listed debt securities in this category include floating-rate instruments, and other debt securities paid a fixed interest rate that varied between 7.03% and 12.21% (2014: 5.75% and 15.05%).

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

	CONSOLIDATED		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
22. FINANCIAL ASSETS - INVESTMENTS (continued)				
<i>Non-current asset</i>				
<i>Debt securities - quoted and listed (local)</i>	1 054 691	972 305	-	-
<i>Current asset</i>				
<i>Equity securities - quoted and listed</i>	1 112 310	1 328 091	-	-
<i>Debt securities - quoted and listed (local)</i>	151 646	140 175	-	-
<i>Deposits and money market securities</i>	324 689	376 437	-	-
Analysis of movements in financial assets - investments:				
Opening balance	2 817 008	2 386 934	-	-
Additions	86 844	103 371	-	-
Disposals at carrying value	(359 727)	(111 555)	-	-
Net fair value gains	(50 706)	328 497	-	-
Accrued interest	109 805	80 349	-	-
Accrued dividends	40 112	29 412	-	-
Closing balance	2 643 336	2 817 008	-	-

Contractual maturity profile for financial assets - investments

<i>Consolidated</i>	Open-ended R'000	0 to 1 year R'000	2 to 5 years R'000	6 to 10 years R'000	> 10 years R'000	TOTAL R'000
30 June 2015						
Equity securities						
Local listed shares	1 001 451	-	-	-	-	1 001 451
Local and global unit trusts	110 859	-	-	-	-	110 859
Debt securities						
Corporate bonds						
Fixed rate	-	38 010	69 339	154 121	129 211	390 681
Floating rate	-	65 992	130 935	94 529	23 107	314 563
Government bonds - Fixed	-	-	-	-	218 953	218 953
Parastatals and utilities						
Fixed rate	-	-	162	96 679	116 847	213 688
Floating rate	-	-	11 179	1 032	-	12 211
Municipalities - Fixed	-	-	5 779	2 818	-	8 597
Insurance policy						
Global bonds	47 644	-	-	-	-	47 644
Deposits and money market securities						
Fixed rate	-	319 929	-	-	-	319 929
Floating rate	-	4 760	-	-	-	4 760
	1 159 954	428 691	217 394	349 179	488 118	2 643 336

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2015

22. FINANCIAL ASSETS - INVESTMENTS (continued)

<i>Consolidated</i>	Open-ended R'000	0 to 1 year R'000	2 to 5 years R'000	6 to 10 years R'000	> 10 years R'000	TOTAL R'000
30 June 2014						
Equity securities						
Local listed shares	1 208 077	-	-	-	-	1 208 077
Local and global unit trusts	120 014	-	-	-	-	120 014
Debt securities						
Corporate bonds						
Fixed rate	-	28 509	99 153	79 542	72 262	279 466
Floating rate	-	60 499	185 245	105 267	10 501	361 512
Government bonds - Fixed	-	298	-	-	141 369	141 667
Parastatals and utilities						
Fixed rate	-	1 049	165	116 586	130 053	247 853
Floating rate	-	-	19 857	1 031	1 850	22 738
Municipalities - Fixed	-	-	5 741	3 683	-	9 424
Insurance policy						
Global bonds	49 820	-	-	-	-	49 820
Deposits and money						
market securities						
Fixed rate	-	313 632	-	-	-	313 632
Floating rate	-	62 805	-	-	-	62 805
	1 377 911	466 792	310 161	306 109	356 035	2 817 008

The Group's largest equity investments consist of investments in the following companies:

	CONSOLIDATED	
	2015	2014
BHP Billiton Plc	9.00%	13.12%
SABMiller Plc	8.04%	8.33%
Standard Bank Group Limited	6.86%	n/a
Sasol Limited	6.42%	7.44%
MTN Group Limited	5.64%	4.81%
Nedbank Group Limited	5.30%	n/a
Compagnie Financiere Richmont Sa	5.20%	5.71%
British American Tobacco Plc	4.42%	3.63%
Woolworths Holdings Limited	4.36%	n/a
Anglo American Plc	3.80%	6.31%
FirstRand Limited	n/a	4.35%
Old Mutual Plc	n/a	4.00%
Naspers Limited	n/a	3.91%

	CONSOLIDATED		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
23. INSURANCE AND OTHER RECEIVABLES				
Premiums receivable	17 298	16 764	-	-
Gross premiums outstanding	47 701	47 177	-	-
Provision for impairment	(30 403)	(30 413)	-	-
Sundry insurance receivables	9 809	8 488	-	-
Gross receivables outstanding	35 279	23 866	-	-
Provision for impairment	(25 470)	(15 378)	-	-
Other sundry receivables	17 659	13 589	749	95
Reinsurance recoveries	42 095	37 988	-	-
Loans to personnel	4 804	5 872	-	-
Other loans	4 816	5 400	-	-
Loans to policyholders	8 261	15 981	-	-
Total insurance and other receivables	104 742	104 082	749	95
<i>Non-current asset</i>	10 612	14 983	-	-
<i>Current asset</i>	94 130	89 099	749	95
<i>Interest bearing receivables</i>	60 766	69 030	-	-
<i>Provisions</i>	(55 873)	(45 791)	-	-
<i>Non-interest bearing receivables</i>	99 849	80 843	749	95
Total insurance and other receivables consist of:				
Insurance receivables	77 463	79 221	-	-
Premiums receivable - insurance contracts	9 682	8 676	-	-
Premiums receivable - other	7 616	8 088	-	-
Sundry insurance receivables	9 809	8 488	-	-
Reinsurance recoveries	42 095	37 988	-	-
Loans to policyholders - insurance contracts	7 170	14 741	-	-
Loans to policyholders - other	1 091	1 240	-	-
Other receivables	27 279	24 861	749	95
Other sundry receivables	17 659	13 589	749	95
Loans to personnel	4 804	5 872	-	-
Other loans	4 816	5 400	-	-
Total insurance and other receivables	104 742	104 082	749	95
Movements in provision for impairment of premiums receivable:				
Opening balance	30 413	27 209	-	-
Recognised in profit or loss	(10)	3 204	-	-
Closing balance	30 403	30 413	-	-

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

	CONSOLIDATED		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
23. INSURANCE AND OTHER RECEIVABLES (continued)				
Movements in the provision for impairment of sundry insurance receivables:				
Opening balance	15 378	13 866	-	-
Recognised in profit or loss	10 092	1 512	-	-
Closing balance	25 470	15 378	-	-

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

Loans to personnel are in respect of house and vehicle finance provided to personnel of Assupol Life. Loans to personnel are measured at amortised cost. Interest on housing loans is charged at 8,0% per annum. Vehicle finance loans bear interest at the official interest rate in accordance with the Income Tax Act, 58 of 1962.

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

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

	CONSOLIDATED		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
24. CASH AND CASH EQUIVALENTS				
Bank balances	279 224	199 047	38 216	19 138
Cash on hand	12	12	-	-
Closing balance (<i>Current asset</i>)	279 236	199 059	38 216	19 138

The effective interest rate on all short-term bank accounts during the year was 4.66% (2014: 4.13%) for the Group. All cash balances are available on demand.

25. SHARE CAPITAL (Consolidated and company)

Authorised share capital

5 500 000 000 ordinary shares with a par value of R0.001 each
200 000 000 class A ordinary redeemable no par value shares
200 "A" preference no par value shares

Rights, preferences and restrictions attached to classes of shares

Ordinary shares

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

Class A ordinary redeemable no par value shares

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

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

Refer note 27 for the directors determination in respect of class 'A1' and 'A2' shares.

200 "A" preference no par value shares

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

Issued share capital

	Number of shares	Shares	Share premium	Total
	'000	R'000	R'000	R'000
Ordinary shares				
Balance at 30 June 2013	388 527	30 345	547 270	577 615
Issued to the Assupol Community Trust	25 200	25	-	25
Free shares of resigned employees cancelled	(59)	-	(94)	(94)
Balance at 30 June 2014	413 668	30 370	547 176	577 546
Repurchase of ordinary shares	(1 628)	(2)	(9 440)	(9 442)
Balance at 30 June 2015	412 040	30 368	537 736	568 104

	CONSOLIDATED		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
26. SHARE-BASED PAYMENTS				
A. Treasury shares ⁽¹⁾				
<i>General employee shares</i>	-	-	-	-
Balance at beginning of year	-	(27 071)	-	(27 071)
Cancellation of shares of employees that resigned	-	94	-	94
Vesting of shares	-	26 977	-	26 977
<i>Share incentive scheme</i>	(77)	(78)	(77)	(78)
Balance at beginning of year	(78)	(78)	(78)	(78)
Share incentive options exercised	1	-	1	-
Balance at end of year - Unvested ordinary shares	(77)	(78)	(77)	(78)
B. Employee benefits reserve ⁽²⁾				
<i>General employee shares</i>	-	-	-	-
Balance at beginning of year	-	22 578	-	22 578
Cost of general employee share option plan	-	4 399	-	4 399
Vesting of shares	-	(26 977)	-	(26 977)
<i>Share incentive scheme</i>	28 324	23 770	28 324	23 770
Balance at beginning of year	23 770	17 238	23 770	17 238
Cost of share incentive scheme	4 554	6 532	4 554	6 532
Balance at end of year - Employee benefits reserve	28 324	23 770	28 324	23 770

(1) The treasury shares represent the unvested ordinary shares in terms of the general employee share option plan and the share incentive scheme as described below, as well as shares that were repurchased and held by the company.

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

26. SHARE-BASED PAYMENTS (continued)

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

i. General employee demutualisation shares i.e. "free shares" (Equity-settled)

In terms of the demutualisation, employees who were employed by the Assupol Group on 1 July 2010 were given an option to subscribe for 19 835 764 ordinary shares. The shares were allocated by using a court-approved formula. The employees paid R0.001 per share. The shares vested on 31 December 2013.

ii. Share incentive scheme (Equity-settled)

In terms of the demutualisation, certain qualifying employees who were employed by the Assupol Group on 1 July 2010, were given an option to subscribe for 54 548 352 ordinary shares that were allotted to the Assupol Share Incentive Trust. The share options were allocated by using a court-approved formula. A further 26 082 353 ordinary shares were allotted to the Share Incentive Trust for purposes of issuing units to certain qualifying employees that are employed subsequent to 1 July 2010. 5 402 363 shares remain unissued.

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

	Number of shares issued '000	Number of units allocated '000	Price range
Options outstanding at 30 June 2013	77 831	68 556	R1.58 - R2.06
Granted	-	1 800	R2.97
Options outstanding at 30 June 2014	77 831	70 356	R1.58 - R2.97
Net options exercised	(1 470)	(2 111)	R3.74 - R5.52
Shares transferred as deferred bonus shares	(2 714)	-	-
Options outstanding at 30 June 2015	73 647	68 245	R1.58 - R2.97

Information on options granted

The options were granted at different dates, namely:

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

Grant date	Contractual life	Number of shares issued	Units allocated	Fair value of options granted	Options exercised
31 December 2010	10 years	54 548 352	54 548 352	R1.58	1 715 989
31 October 2011	10 years	8 243 205	8 243 205	R1.88	395 447
16 August 2012	10 years	15 038 648	5 764 562	R2.06	-
14 February 2014	10 years	n/a	1 800 000	R2.97	-

Fair value of options granted

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

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

The independent valuator provided fair market value ranges per share. Based on the range the Board of Directors decided to use a specific value for the fair market value of the shares. With the 31 December 2010 issue, the range was between R1.39 to R1.73 per share; with the October 2011 and August 2012 issues it ranged between R1.70 to R2.06 per share; and with the February 2014 issue the range was between R2.71 and R3.23 per share.

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

26. SHARE-BASED PAYMENTS (continued)

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

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

Should an agreement terminate prior to the expiry of the directors' and prescribed officer's employment agreement, various terms and conditions will apply to the directors' and prescribed officer's entitlement on unrestricted and restricted shares at the date.

A director / prescribed officer has a liquidity put option against the company within ten business days after termination of their fixed term employment agreement. A director / prescribed officer is entitled to request the company to purchase the director's / prescribed officer's incentive shares at a price equal to market value of those shares. The market value of those shares will be the most recent available valuation per share as certified by an independent expert as required in the Assupol Share Incentive trust deed. Refer note 31 for the employee benefit liability recognised.

Effective date	1 July 2012	
Number of shares issued	10 000 000	
Fair value of shares at grant date	R2.46	
Fair value of shares at 30 June 2015	R5.59	(2014: R3.50)

Fair value of shares

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

27. BLACK ECONOMIC EMPOWERMENT RESERVE

	CONSOLIDATED		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
Opening and closing balance	14 300	14 300	14 300	14 300

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

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

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

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

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

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

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

	CONSOLIDATED		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
28. POLICYHOLDER (ASSETS) / LIABILITIES UNDER INSURANCE CONTRACTS				
<i>Discounted liabilities</i>	(1 067 551)	(666 183)	-	-
Opening balance	(666 183)	(233 833)	-	-
Opening modelling adjustments and Prophet conversion	19 555	-	-	-
Expected interest on insurance liabilities	(31 491)	(5 160)	-	-
Expected premiums on insurance liabilities	1 074 031	804 748	-	-
Expected claims, expiries and lapses	(404 151)	(347 554)	-	-
Expected expenses, commission and charges	(277 557)	(204 046)	-	-
Expected profits	(88 389)	(101 321)	-	-
Additional unit linked returns (policyholders)	(42 563)	38 802	-	-
Experience variations	(40 551)	(8 175)	-	-
Changes in estimates (renewal business only)	(174 175)	(284 057)	-	-
New business added during the year	(436 077)	(325 587)	-	-
<i>Undiscounted liabilities</i>	78 970	89 916	-	-
Opening balance	89 916	74 371	-	-
Withdrawals during the year	(1 220)	(7 868)	-	-
Increase in IBNR on existing business	-	31 455	-	-
Decrease in IBNR on cancelled business	-	(9 243)	-	-
New business added during the year	6 165	1 426	-	-
Changes in estimates (renewal business only)	(6 905)	(225)	-	-
Modelling changes	1 249	-	-	-
Transfer of NBC self-insured business	(10 235)	-	-	-
Total insurance (assets) / liabilities	(988 581)	(576 267)	-	-
<i>Non-current (asset) / liability</i>	(1 112 693)	(736 467)	-	-
<i>Current (asset) / liability</i>	124 112	160 200	-	-
Reconciliation of balance				
Opening balance	(576 267)	(159 462)	-	-
Recognised in statement of comprehensive income	(402 079)	(416 805)	-	-
Transfer of NBC self-insured business	(10 235)	-	-	-
Closing balance	(988 581)	(576 267)	-	-

As Assupol Life's business is reinsured on a renewable risk premium basis, the impact of reinsurance on the liabilities is considered to be immaterial.

<i>Maturity profile - Insurance contract liabilities</i>	0 to 1 year R'000	2 to 5 years R'000	> 5 years R'000	TOTAL R'000
Consolidated - 30 June 2015	124 112	212 103	(1 324 796)	(988 581)
Consolidated - 30 June 2014	160 200	233 474	(969 941)	(576 267)

	CONSOLIDATED		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
29. POLICYHOLDER LIABILITIES UNDER INVESTMENT CONTRACTS				
Opening balance	1 285 800	1 138 581	-	-
Premiums received	271 691	264 233	-	-
Payments of death, surrender and other terminations for the year	(274 186)	(248 923)	-	-
Fees deducted from account balances	(59 953)	(60 792)	-	-
Fair value adjustment to liabilities	35 593	192 701	-	-
Closing balance	1 258 945	1 285 800	-	-
<i>Non-current liability</i>	1 138 004	1 171 042	-	-
<i>Current liability</i>	120 941	114 758	-	-
<i>Maturity profile - Investment contract liabilities</i>	0 to 1 year R'000	2 to 5 years R'000	> 5 years R'000	TOTAL R'000
Consolidated - 30 June 2015	120 941	329 580	808 424	1 258 945
Consolidated - 30 June 2014	114 758	351 882	819 160	1 285 800

	CONSOLIDATED		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
30. BORROWINGS				
Finance lease liabilities				
Due in 1 year or less	-	22	-	-
Due between 1 and 5 years	-	-	-	-
Total borrowings	-	22	-	-
<i>Non-current liability</i>	-	-	-	-
<i>Current liability</i>	-	22	-	-
Reconciliation of balance				
Opening balance	22	133 712	-	132 768
New loan	-	-	-	-
Finance charges	-	6 147	-	6 082
Repayments	(22)	(139 837)	-	(138 850)
Closing balance	-	22	-	-

	CONSOLIDATED		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
31. EMPLOYEE BENEFITS				
Accrual for leave pay	9 906	9 852	-	-
Opening balance	9 852	7 490	-	-
Utilised during the year	(505)	(906)	-	-
Recognised in profit or loss	559	3 268	-	-
Provision for bonuses	40 895	37 675	-	-
Opening balance	37 675	43 528	-	-
Utilised during the year	(32 300)	(44 814)	-	-
Over provision from prior year	(8 756)	-	-	-
Recognised in profit or loss				
Cash bonus component	42 087	38 961	-	-
Deferred bonus component ⁽¹⁾	2 189	-	-	-
Cash-settled share-based payment liability (Refer note 26)	46 205	19 267	46 205	19 267
Opening balance	19 267	8 355	19 267	8 355
Recognised in profit or loss	26 938	10 912	26 938	10 912
Total employee benefits	97 006	66 794	46 205	19 267
<i>Non-current liability</i>	48 394	19 267	46 205	19 267
<i>Current liability</i>	48 612	47 527	-	-
(1) Analysis of movement in deferred bonus component:				
Opening balance - Not recognised in profit or loss	(8 756)	-	-	-
New allocation	(41 241)	(8 756)	-	-
Recognised in profit or loss	2 189	-	-	-
Closing balance - Not recognised in profit or loss	(47 808)	(8 756)	-	-

The deferred bonus component of the executive directors and senior management is determined in terms of the agreed bonus structure. The deferred component is issued in shares ('bonus shares') of which the right to trade is restricted for a period of 3 years. The cost of deferred component is recognised over the 3-year period in accordance with the accounting policy in note 2.23.

	CONSOLIDATED		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
32. DEFERRED REVENUE LIABILITY				
Balance at beginning of year	297	360	-	-
Deferred revenue relating to new business	128	95	-	-
Amortisation of deferred revenue	(147)	(158)	-	-
Balance at end of year	278	297	-	-
<i>Non-current liability</i>	174	171	-	-
<i>Current liability</i>	104	126	-	-

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

	CONSOLIDATED		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
33. DEFERRED TAX ASSET / (LIABILITY)				
Deferred income taxes are calculated on all temporary differences under the liability method, using applicable tax rates.				
Balance at beginning of year	(353 199)	(212 968)	-	-
Movements directly recognised in retained earnings	-	-	-	-
Movements during year attributable to:	(52 069)	(140 231)	-	-
Temporary differences				
Deferred acquisition costs	(170)	(302)	-	-
Other timing differences	(220)	63	-	-
Unrealised gains	11 381	(7 963)	-	-
Amortisation of PVIF asset	512	512	-	-
Policyholder liabilities difference between statutory and accounting basis	(64 168)	(131 946)	-	-
Loss of control in subsidiary	596	(596)	-	-
Assessed loss	-	1	-	-
Balance at end of year	(405 268)	(353 199)	-	-
The deferred tax balance consists of the following:				
Temporary differences				
Deferred acquisition costs	(7 818)	(7 648)	-	-
Other timing differences	2 558	2 778	-	-
Unrealised gains	(14 952)	(26 333)	-	-
Amortisation of PVIF asset	-	(512)	-	-
Policyholder liabilities difference between statutory and accounting basis	(428 085)	(363 917)	-	-
Loss of control in subsidiary	-	(596)	-	-
Assessed loss	43 029	43 029	-	-
<i>Non-current liability</i>	(405 268)	(353 199)	-	-
The offset amounts are: ⁽¹⁾				
Deferred tax assets	45 587	45 807	-	-
Deferred tax liabilities	(450 855)	(399 006)	-	-

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

Deferred tax assets of Assupol Life have been recognised on an assessed loss of R43m (2014: R43m). This amount is only a portion of the total assessed loss available for utilisation. An additional deferred tax assets of Assupol Life have not been raised on a further assessed loss of R1 139m (2014: R783.7m) as future profits to recover these losses are not considered to be probable.

	CONSOLIDATED		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
34. INSURANCE AND OTHER PAYABLES				
Accounts payable	47 560	52 394	15 750	6 477
Sundry insurance payables	72 627	55 212	-	-
Outstanding claims and benefits payable				
On insurance contracts	100 732	77 149	-	-
On investment contracts	13 720	14 861	-	-
Premiums received in advance	11 183	11 732	-	-
Amounts due to shareholders	1 462	1 461	-	-
Amounts due to subsidiaries	-	-	2 559	210
Total insurance and other payables	247 284	212 809	18 309	6 687
<i>Non-current liability</i>	-	-	-	-
<i>Current liability</i>	247 284	212 809	18 309	6 687
Insurance and other payables consist of:				
Insurance payables	198 262	158 954	-	-
Sundry insurance payables	72 627	55 212	-	-
Outstanding claims and benefits payable:				
- Insurance contracts	100 732	77 149	-	-
- Other	13 720	14 861	-	-
Premiums received in advance	11 183	11 732	-	-
Other payables	49 022	53 856	18 309	6 687
Accounts payable	47 560	52 395	15 750	6 477
Accruals	-	-	-	-
Amounts due to shareholders	1 462	1 461	-	-
Amounts due to subsidiaries ⁽¹⁾	-	-	2 559	210
Total insurance and other payables	247 284	212 810	18 309	6 687

(1) The short term loan due to Assupol Life amounts to R2 559 385 (2014: R209 652) is unsecured and is repayable on demand. The loan does not bear interest.

	CONSOLIDATED		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
35. CURRENT TAXATION				
Opening balance	(6 040)	9 929	603	333
Transferred from the statement of comprehensive income	(122 426)	(83 941)	(31)	-
Taxation paid during the year	118 517	67 972	(572)	270
Total current taxation	(9 949)	(6 040)	-	603

	CONSOLIDATED		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
36. CASH GENERATED FROM OPERATIONS				
Reconciliation of profit before tax to cash generated from operations:				
Profit before taxation	637 941	793 307	256 241	160 221
Movement in policyholder assets / liabilities:	(439 169)	(269 586)	-	-
Insurance contracts (note 28)	(412 314)	(416 805)	-	-
Investment contracts (note 29)	(26 855)	147 219	-	-
Items disclosed separately:	(178 191)	(128 669)	(265 316)	(169 202)
Interest received (note 9)	(126 658)	(94 028)	(1 591)	(284)
Dividends received (note 9)	(40 112)	(29 412)	(263 735)	(175 000)
Finance charges (note 15)	356	6 418	10	6 082
Deferred acquisition cost on new business (note 19)	(11 905)	(11 742)	-	-
Fee income deferred on new business (note 32)	128	95	-	-
Non-cash items:	90 482	(291 882)	-	-
Net fair value losses / (gains) on financial assets (note 10)	50 706	(328 497)	-	-
Depreciation of property and equipment (note 14)	9 019	8 649	-	-
Loss / (profit) on sale of equipment (note 11)	167	321	-	-
Amortisation of intangible assets (note 19)	13 814	13 777	-	-
Impairment of intangible assets (note 19)	5 821	3 332	-	-
Impairment of goodwill (note 19)	6 973	-	-	-
Share-based payments (note 26)	4 554	10 931	-	-
Profit / (loss) and statement of comprehensive income items from associate	(425)	(185)	-	-
Amortisation of deferred revenue liability (note 32)	(147)	(158)	-	-
Change in shareholding in subsidiary	-	(52)	-	-
Changes in working capital:	58 725	29 829	38 560	(149)
Insurance and other trade receivables (note 23)	(5 962)	(18 917)	-	-
Employee benefits (note 31)	30 212	7 421	26 938	10 912
Insurance and other payables (note 34)	34 475	41 325	11 622	(11 061)
Cash generated from operations	169 788	132 999	29 485	(9 130)
37. TAXATION PAID				
Total current tax	(118 517)	(67 972)	603	-
Receivable at beginning of the year	(6 040)	9 929	603	603
Recognised in profit or loss	(122 426)	(83 941)	-	-
Payable / (receivable) at end of the year	9 949	6 040	-	(603)
Security transfer tax	-	-	(31)	-
Recognised in profit or loss	-	-	(31)	-
Total taxation paid	(118 517)	(67 972)	572	-

	CONSOLIDATED		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
38. SIGNIFICANT NON-CASH TRANSACTIONS				
Equity-settled shared-based payments (note 26)				
General employee shares	-	4 399	-	4 399
Share incentive scheme	4 554	6 532	4 554	6 532
Total equity-settled shared-based payments	4 554	10 931	4 554	10 931
Cash-settled share-based payments (note 26)				
Shares to executive directors	26 938	10 912	26 938	10 912

39. RELATED PARTY TRANSACTIONS

Related parties defined

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

Key management

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

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

Total loans to key management by the Group (included in the balance of insurance and other receivables)

	2015 R'000	2014 R'000
Balance at end of year	-	152
Balance at beginning of year	152	240
Loan repayments received	(153)	(100)
Interest charged	1	12

Loans advanced to key management consist of motor vehicle and housing loans that were granted on the same conditions as available to all employees. The Group held sufficient security on these loans. Loans are no longer granted to key management.

39. RELATED PARTY TRANSACTIONS (continued)

Directors' remuneration (including the prescribed officer)

A list of the directors and the prescribed officer is disclosed in notes 5 and 6 of the Directors' report. All directors declared that they did not have any material interest in any contract signed by the Assupol Group during the year.

The Group provides cash as well as non-cash benefits to executive directors, prescribed officer and employees. Bonuses for executive directors, the prescribed officer and senior management are awarded based on an agreed bonus structure as determined by the Group Remuneration Committee and consist of a cash and deferred component. The executive directors and prescribed officer also participate in the Group's share incentive scheme. Furthermore shares linked to a restraint of trade agreement have been issued to the executive directors and prescribed officer. Refer note 26 for more detail on the restrictions and vesting periods that apply to the share schemes.

Executive directors and prescribed officer (paid by Assupol Life)

R'000	RF Schmidt (CEO)	D de Klerk (CFO)	MB Mokwena- Halala	SL Ndwalaza	GFM Wessels	Total
30 June 2015						
Fixed						
Salary	2 696	2 131	2 287	2 054	2 532	11 700
Other benefits	10	10	15	10	10	55
Pension fund contributions	317	317	264	327	298	1 523
Variable						
Cash bonus	2 266	1 361	1 918	1 361	2 837	9 743
Restricted incentives ⁽¹⁾						
Deferred bonus	250	187	219	500	-	1 156
Share incentive scheme	384	311	311	497	378	1 881
Restraint of trade	5 104	5 104	5 104	5 104	6 522	26 938
Total	11 027	9 421	10 118	9 853	12 577	52 996
Accrued and settled	5 289	3 819	4 484	3 752	5 677	23 021
Restricted incentives ⁽¹⁾	5 738	5 602	5 634	6 101	6 900	29 975
30 June 2014						
Fixed						
Salary	2 531	1 847	2 000	1 902	2 257	10 537
Other benefits	10	162	10	10	130	322
Pension fund contributions	309	244	244	342	290	1 428
Variable						
Cash bonus	3 000	2 250	2 625	1 500	3 500	12 875
Unrestricted incentives						
Employee shares ⁽²⁾	4	256	234	-	373	867
Restricted incentives ⁽¹⁾						
Share incentive scheme	712	577	577	684	700	3 250
Restraint of trade	2 068	2 068	2 068	2 068	2 641	10 912
Total	8 633	7 404	7 757	6 506	9 891	40 191
Accrued and settled	5 853	4 760	5 112	3 754	6 549	26 028
Restricted incentives ⁽¹⁾	2 779	2 645	2 645	2 752	3 341	14 162

(1) Restricted incentives are allocations of shares under the conditions of the deferred bonus structure, the share incentive scheme (refer note 26), as well as the restraint of trade share agreements (refer note 31). The amounts disclosed in the table above are the value of the expense recognised in profit and loss and do not represent an amount paid to the individual.

The deferred component of the bonus structure is issued in ordinary shares ('bonus shares') in the company at the date when the bonus is determined and awarded to the employee. The right to trade with the bonus shares is restricted for a period of 3 years. The economic benefits of the bonus shares, including the receipt of dividends, are not restricted. The proceeds of any dividends are paid to the shareholders who in turn is required to acquire additional shares ('dividend shares') from the proceeds. The right to trade with the dividend shares is restricted for the same period as the related bonus shares. In accordance with the accounting policy (refer note 2.23.3) the expense reflected above is the annual cost of the deferred bonus as recognised over the period of restriction.

(2) The free shares issued to employees in terms of the demutualisation scheme became unrestricted in the 2014 financial year (refer note 26).

39. RELATED PARTY TRANSACTIONS (continued)

Directors' remuneration (including the prescribed officer) (continued)

Summary of restricted incentives (units)

	Allocated at beginning of year	Allocated during the year	Unrestricted during the year	Allocated at end of year
Deferred bonus structure	-	1 259 379	-	1 259 379
RF Schmidt	-	272 298	-	272 298
D de Klerk	-	204 223	-	204 223
MB Mokwena-Halala	-	238 261	-	238 261
SL Ndwalaza	-	544 597	-	544 597
Share incentive scheme	34 921 887	-	-	34 921 887
RF Schmidt ⁽¹⁾	8 233 405	-	-	8 233 405
D de Klerk ⁽¹⁾	6 677 241	-	-	6 677 241
MB Mokwena-Halala ⁽¹⁾	6 677 241	-	-	6 677 241
SL Ndwalaza ⁽²⁾	5 230 582	-	-	5 230 582
GFM Wessels ⁽¹⁾	8 103 418	-	-	8 103 418
Restraint of trade	10 000 000	-	4 666 668	5 333 332
RF Schmidt	2 000 000	-	666 667	1 333 333
D de Klerk	2 000 000	-	666 667	1 333 333
MB Mokwena-Halala	2 000 000	-	666 667	1 333 333
SL Ndwalaza	2 000 000	-	666 667	1 333 333
GFM Wessels	2 000 000	-	2 000 000	-

(1) Two-thirds of the shares that were allocated to the directors and prescribed officer are unrestricted but not discharged in terms of the Trust Deed of the Share Incentive Scheme.

(2) A third of the shares that were allocated to the director is unrestricted but not discharged in terms of the Trust Deed.

Non-executive directors (paid by Assupol Holdings and Assupol Life)

R'000	Board fees	Trustee fees	Committee fees	Total
30 June 2015	4 134	-	1 750	5 884
JA Janse van Rensburg (Chairman)	1 460	-	154	1 614
EDJ Ashkar	382	-	299	681
ILM Barnett	382	-	77	459
AS Birrell	382	-	154	536
NE Gubb	382	-	154	536
I Greenstreet	382	-	230	612
T Muranda	382	-	315	697
CJ van Dyk	382	-	367	749
30 June 2014	4 921	16	1 767	6 703
JA Janse van Rensburg	1 140	-	127	1 268
EDJ Ashkar	363	-	229	593
ILM Barnett	363	-	62	425
AS Birrell	363	-	145	508
NE Gubb	363	-	127	491
I Greenstreet	363	-	174	538
T Muranda	274	-	184	458
CJ van Dyk	274	-	304	579
KL Craemer	1 142	16	305	1 463
AR Els	273	-	109	381

39. RELATED PARTY TRANSACTIONS (continued)

Securities held by directors (units) ⁽¹⁾

	Direct beneficial	Indirect beneficial	Total
RF Schmidt	685 146	588 619	1 273 765
D de Klerk	1 665 197	207 151	1 872 348
MB Mokwena-Halala	666 667	-	666 667
SL Ndwalaza	1 842 813	-	1 842 813
GFM Wessels	3 437 251	11 657	3 448 908
T Muranda	-	846 152	846 152
A Birrell	-	3 632 506	3 632 506

(1) The units exclude any securities linked to restricted incentives.

	CONSOLIDATED		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
Aggregate details of contracts between the Group and key management				
Insurance contracts				
Aggregate insured cover	3 758	9 202	-	-
Premiums received	62	120	-	-
Claims paid	-	(41)	-	-
Surrender value	34	499	-	-
Investment contracts				
	636	735	-	-
Fund value at beginning of year	735	742	-	-
Premiums received	61	50	-	-
Resignations	(149)	(156)	-	-
Investment returns credited net of charges	-	109	-	-
Commission and other transaction fees	(11)	(10)	-	-
Surrender value	456	633	-	-
Loan balances with related parties				
Total amounts due by subsidiaries as detailed in note 23:				
<i>Operational account with Assupol Investment Holdings</i>	-	-	-	-
Opening balance	-	-	-	600
Repayments	-	-	-	(600)
Total amounts due to subsidiaries as detailed in note 34:				
<i>Operational account with Assupol Life</i>	-	-	(2 559)	210
Opening balance	-	-	210	15 441
Repayments	-	-	(27 732)	(175 000)
Transactions funded during the year	-	-	24 963	159 769
Borrowings from shareholders as detailed in note 30:				
<i>Loan from Investec Bank Limited</i>	-	-	-	-
Opening balance	-	132 768	-	132 768
Repayments	-	(132 768)	-	(132 768)
Transactions with related parties				
Interest paid to shareholder: Investec Bank limited	-	6 082	-	6 082

40. COMMITMENTS

Operating lease commitments

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

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

	CONSOLIDATED		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
<i>Office equipment</i>				
• Due in 1 year or less	547	135	-	-
• Due between 1 and 5 years	243	203	-	-
• Due after 5 years	-	-	-	-
<i>Office buildings</i>				
• Due in 1 year or less	17 161	1 820	-	-
• Due between 1 and 5 years	14 046	2 371	-	-
• Due after 5 years	-	-	-	-
	31 997	4 529	-	-

41. INTERESTS IN SUBSIDIARIES

Subsidiary name	Issued share capital R'000	Effective holdings		Interest of holding company	
		2015 %	2014 %	2015 R'000	2014 R'000
<i>Subsidiaries of Assupol Holdings Limited</i>					
Assupol Life Limited ⁽¹⁾	490 019	100%	100%	603 559	572 066
Assupol Investment Holdings Proprietary Limited ⁽²⁾	70 431	100%	100%	72 544	72 544
<i>Subsidiaries of Assupol Investment Holdings</i>					
Cornerstone Brokers Corporate Proprietary Limited ⁽³⁾	9 273	100%	100%	40 800	40 800
Pan-African Asset Management Proprietary Limited ⁽⁴⁾	6 091	71%	71%	6 468	17 352
Erf 26 Menlopark Share Block Proprietary Limited ⁽⁵⁾	1	100%	100%	7 415	7 415
Siebador Sewentien Proprietary Limited ⁽⁵⁾	1	100%	100%	4 525	4 525
IG Admin Proprietary Limited ⁽⁶⁾	301	100%	100%	227	227
Prosperity Life Limited ⁽⁶⁾	-	100%	100%	-	-
<i>Other consolidated entities</i>					
Assupol Share Incentive Trust ⁽⁷⁾	Trust	-	-	-	-

All the subsidiaries are unlisted and incorporated in South Africa. Transactions between subsidiaries are listed in note 39 to the annual financial statements.

Nature of business

- (1) A registered long term insurer in terms of the Long Term Insurance Act, 52 of 1998.
- (2) An intermediate investment holding company.
- (3) Financial services provider in terms of the Financial Advisory and Intermediary Services Act, 37 of 2002.
- (4) Management of financial assets.
- (5) Property company earning primarily rental income.
- (6) Dormant or no trading for the period under review.
- (7) Trust

42. EVENTS AFTER REPORTING DATE

42.1 Dividend declaration

The Board of Directors declared a gross cash dividend of R116 971 885 (38 cents per qualifying ordinary share) on 22 September 2015 for the year ended 30 June 2015.

On the same date the Board also declared a special dividend of R187 770 658 (61 cents per qualifying ordinary share).

The qualifying ordinary shares as at 22 September 2015 excluded the ordinary shares issued to the Assupol Share Incentive Trust and the 'A2' ordinary shares. Refer notes 26 and 27 for more detail.

The dividends have been declared from income reserves. A dividend withholding tax of 15% will be applicable to all shareholders who are not exempt.