

2018

ASSUPOL

INTEGRATED REPORT





FINANCIAL HIGHLIGHTS AT A GLANCE

**GROUP
EMBEDDED
VALUE**

R4.56bn

27.8%
growth

**VALUE
OF
NEW BUSINESS**

R388m

11.0%
growth

**RETURN ON
EMBEDDED
VALUE**

33.5%

**ORDINARY
DIVIDEND
PER QUALIFYING
SHARE**

12.5% growth

Total dividend of 96 cents included
a special dividend of 42 cents

**ADJUSTED
OPERATING
PROFIT**

20.9%
growth

**RETURN
ON
EQUITY**

25.6%



THIS REPORT

The aim of this integrated report is to enable stakeholders to better understand, and make an informed assessment of the business and performance of our Group, Assupol Holdings Ltd (Assupol), and its subsidiaries; Assupol Life Ltd (Assupol Life) and Assupol Investment Holdings (Pty) Ltd (Assupol Investment Holdings).

In this report we review the financial, economic and social performance of our Group during our financial year that ended on 30 June 2018. Aspects that affect our ability to create and sustain value for our stakeholders are also discussed.

Our Group's financial results have been condensed in this report to provide a concise overview of our financial performance. Our full audited financial statements, which have been prepared in accordance with the International Financial Reporting Standards and the Companies Act, are available on our website.

Our board, assisted by our audit committee, ensures the integrity of our annual integrated reports. Our board has collectively reviewed the output of the reporting process and this 2018 integrated report, and believes that it addresses all material issues and is a fair representation of the performance of our Group. Our board, therefore, has approved the release of this report.

The electronic version of this report can be accessed at www.assupol.co.za

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PERFORMANCE HIGHLIGHTS



| Financial | 2014 R'000 | 2015 R'000 | 2016 R'000 | 2017 R'000 | 2018 R'000 | % change 2017/18 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------------|
| Net premium revenue | 1 644 396 | 1 856 303 | 2 242 609 | 2 451 801 | 2 699 280 | 10.1% |
| Net profit after tax | 570 462 | 463 349 | 471 905 | 771 184 | 846 895 | 9.8% |
| Group embedded value | 2 196 762 | 2 562 848 | 2 908 486 | 3 571 968 | 4 563 204 | 27.8% |
| Net value of new business (Assupol Life) | 106 297 | 180 922 | 220 879 | 350 046 | 388 450 | 11.0% |
| Capital adequacy cover (Assupol Life) | 272% | 258% | 192% | 189% | 190% | |
| Economic value added | 2014 R'000 | 2015 R'000 | 2016 R'000 | 2017 R'000 | 2018 R'000 | % change 2017/18 |
| Employee cost | 230 706 | 249 406 | 270 149 | 333 048 | 366 310 | 10.0% |
| Commission paid to service providers | 332 568 | 393 075 | 479 591 | 536 552 | 631 277 | 17.7% |
| B-BBEE score | Level 4 | Level 4 | Level 3 | Level 3 | Level 3 | |
| Distributed to ordinary shareholders: | | | | | | |
| Ordinary dividend (cents) | 30 | 38 | 43 | 48 | 54 | 12.5% |
| Special dividend (cents) | 48 | 61 | 13 | 8 | 42 | 425.0% |
| Employees | 2014 | 2015 | 2016 | 2017 | 2018 | % change 2017/18 |
| Number of employees | 551 | 555 | 593 | 638 | 768 | 20.4% |
| Number of representatives | 1 169 | 1 108 | 1 553 | 2 001 | 2 720 | 26.4% |
| Employee turnover | 13% | 12% | 12% | 12% | 10% | -2% |
| Total training spend (R'000) | 5 621 | 6 940 | 9 761 | 8 566 | 11 452 | 33.7% |
| Community | 2014 R'000 | 2015 R'000 | 2016 R'000 | 2017 R'000 | 2018 R'000 | % change 2017/18 |
| Total sponsorships & donations | 3 033 | 3 986 | 5 359 | 6 811 | 10 118 | 48.6% |



Gross premium income (R'm)



COMPOUND GROWTH FROM 2014 TO 2018

12.4% per annum

Net profit after tax (R'm)



COMPOUND GROWTH FROM 2014 TO 2018

25.8% per annum

Adjusted operating profit (R'm)



COMPOUND GROWTH FROM 2014 TO 2018

20.2% per annum

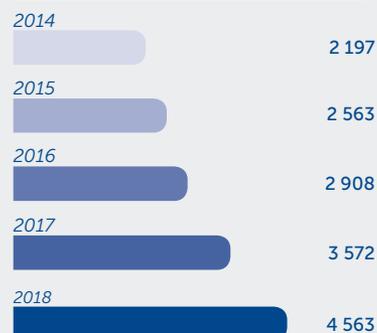
Value of new business (R'm)



COMPOUND GROWTH FROM 2014 TO 2018

35.1% per annum

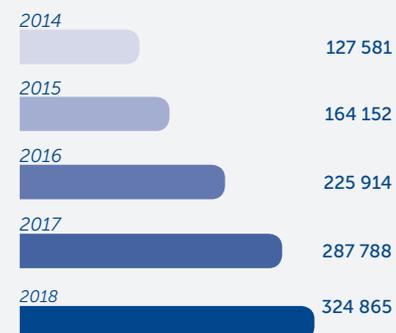
Group embedded value (R'm)



COMPOUND GROWTH FROM 2014 TO 2018

22.6% per annum

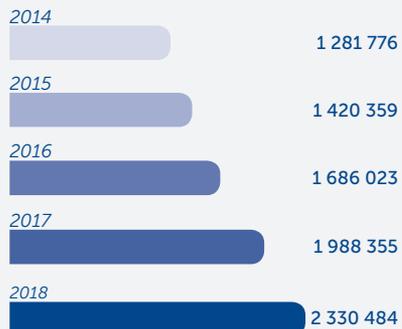
Total new policies written



COMPOUND GROWTH FROM 2014 TO 2018

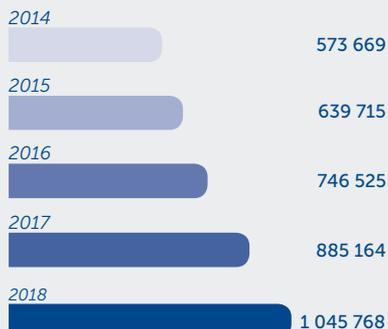
23.1% per annum

Total lives insured (Individual life)



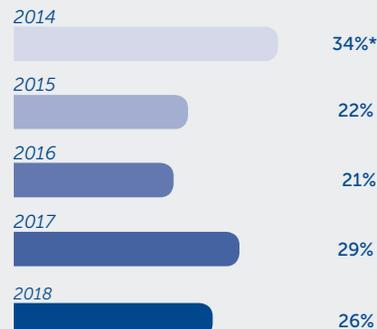
COMPOUND GROWTH
FROM 2014 TO 2018
14.6% per annum

Individual policies in force



COMPOUND GROWTH
FROM 2014 TO 2018
14.8% per annum

Return on equity (%)

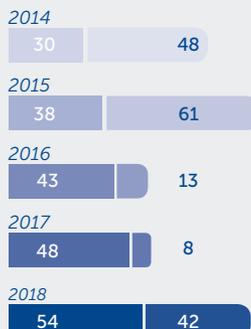


Share price (R)



COMPOUND GROWTH
FROM 2014 TO 2018
40.8% per annum

Dividend per share (cents)



*2014 net profit included a refinement of the reinsurance modelling, which resulted in a once-off increase in profit of R278 million. This was not repeated in subsequent years.



A WORD FROM OUR CHAIRMAN



Despite an environment of continued political and economic uncertainty, the Assupol Group once again delivered an exceptional financial performance in the 2018 financial year. This is testament to the hard work and dedication of our leadership and staff, particularly in relation to our relentless focus on client service.

This performance, and the strength of our underlying service and products, was reflected in our being recognised for the fourth consecutive year as the Best Life Assurer Southern Africa by Capital Finance International. In their assessment, the panel of judges particularly commended our favourable reputation amongst our clients and our ability to consistently deliver superior products, efficiently and with full transparency.

We have invested much time, thought and effort in our appreciation and respect for client service, which serves as our *summum bonum*: our "highest good" from which all other virtues follow. We will continue to do so, in the belief that this will allow us to continue delivering relevant and appropriate value to our clients.

Strategy and governance

The Assupol Group operates in a complex and highly competitive financial and regulatory environment.

The group's focused strategy of delivering client-focused products and services in a cost-effective and efficient manner remains firmly in place, and our diverse product range and the strength of our advisory services will, in the opinion of the board of directors, help to shield the group from market volatility and regulatory change.

We believe that the business needs to continue the execution of strategy in order to remain an independent and enduring organisation, culminating in a sustainable and effective Assupol brand that is authentic and trustworthy, reflecting our long-standing heritage, our track-record of proven expertise and our unparalleled customer focus.

Economic environment

Social and political instability, an overall climate of low economic growth, challenges of food security and severe weather events were among the tribulations that characterised both the global and national macro-environment this past year. Despite ample opportunity for cynical attitudes to prevail, we see reason to adopt an optimistic appraisal of our country's prospects for future growth.

However, we must keep in mind that despite our sense of optimism, South Africa's ability to truly deliver on many required, substantial reforms, remains constrained by our fiscal



and environmental realities, and that these are uncertain and worrisome times for many of our clients.

Against this backdrop, the South African financial services industry has had to adapt to offer superior financial products and services that appeal to a cautious public. Assupol embraces the competitive environment and actively introduces innovative ideas to improve the Group's financial products and advisory services.

Regulatory environment

The year in question saw a number of changes in order to prepare for the implementation of the Financial Sector Regulation Act, which brings with it the new "Twin Peaks" model of regulation, via the Prudential Authority (housed in the South African Reserve Bank) and the Financial Sector Conduct Authority.

These new regulatory authorities have substantially new mandates, and are important Assupol stakeholders. Our mutual goals of protecting and educating financial customers are very much in concert.

All of the above are, in one way or another, initiatives which we believe will encourage an environment more supportive of the South African financial services sector and its clients – one that prioritises transparency, fairness and consumer empowerment.

Our broader responsibilities

South Africa has large and pressing societal needs, well beyond the ability of any single individual or business to impact on a wide scale. Accordingly, we have focused Assupol's efforts to make substantive contributions in selected areas that either have meaning in the lives of our employees or that create a tangible difference in our customers' communities.

We believe that education is fundamental to the empowerment of all South African citizens, in order for them to build sustainable economies that safeguard their future. We believe that early childhood development (ECD) initiatives are particularly important, as it is in this critical stage of a person's development that their future potential can be positively or negatively impacted. Factors such as inadequate access to proper nutrition, human interaction or appropriate intellectual stimulation are all serious risks to a child's ability to maximise academic opportunities in the formal schooling environment.

Assupol is particularly proud of how we have supported local communities through both employee-driven and company-led initiatives. The potential for economic transformation through sector-led interventions to yield broad-based prosperity and help extricate a majority of South African people, especially youth and women, from poverty is widely recognised, as is the fact that national government has neither the money nor the resources to achieve this alone.

As we evolve our strategy, we will focus to a greater extent on shared value as the most productive approach to our community-supportive initiatives. We believe that it is by leveraging our unique expertise and identifying commercial opportunities in solving social problems that we can most sustainably contribute to South Africa's economic and social-development agenda. An example is our commitment given on 27th September 2018 to the Minister of Basic Education, Her Excellency Angie Motshekga, to upgrade the ablution facilities in 100 rural schools, in line with President Ramaphosa's focus on ensuring that ablution facilities in 1,000 rural schools be urgently upgraded.

Transformation

Assupol is currently a level three B-BBEE contributor with a carefully considered transformation strategy in place. We actively invest in the development of a new generation of insurance practitioners and entrepreneurs through training and mentorship programmes.

Our people are key to achieving the company's capacity to create and sustain value. Attracting, developing and retaining our people is central to our business strategy and we administer an array of training, managerial, organisational, leadership, executive and self-development programmes across the organisation. Because we value innovation, creativity and inclusion, we respect each other's opinions and perspectives, treat people with dignity and respect, and build culturally diverse teams.



We continue to invest in the development of our employees, understanding clearly that their skills, experience and diversity enable us to provide competitive and reliable products and services to our clients. We invested over R11.4 million in employee training and development in the 2017/18 financial year, and expect to increase this amount substantially over the near future.

In August 2017, through the newly established Assupol Women Distribution Channel, we successfully partnered with Omama Besizwe Investments to provide employment opportunities to unemployed female graduates, enabling us to actively contribute to solving our country's unemployment problem and lack of financial inclusion in the financial services sector. Early indications are that the quality of graduates we are training is high, and the early cohorts through the programme are working hard to take advantage of their new skills and knowledge.

Prospects

The Assupol Group remains cognisant of the socio-economic prospects of its client base and believe that the headwinds experienced over the past number of years may well continue to be present in the near future.

Notwithstanding this, the group remains confident that it will be able to continue to deliver good growth for its stakeholders. Furthermore, we are in the process of laying the foundation for a number of exciting new growth initiatives outside of our

traditional focus areas, and the board of directors is optimistic that these initiatives will contribute positively to the Group's overall performance.

Changes to the board of directors

The past year has seen some changes to the composition of our board.

Lawrence Barnett resigned as a non-executive director with effect from 11 August 2017. During his nearly five years serving on the board Lawrence made a very substantial contribution to the company, particularly in respect of the ad hoc committee he convened in order to obtain the best possible terms for the move to our new offices and to obtain the best value for the old offices. The new Assupol office is a testament to the contribution that Lawrence and his committee made to the company and we wish him great success in his future endeavours.

Taurai Muranda resigned as an independent non-executive director with effect from 31 December 2017. Taurai had also been on the Board for almost five years, over which time she chaired the Audit Committee and Investment Committee with aplomb, and took on the chair of the Risk Committee when Riaan van Dyk stepped into the interim, then permanent, Group CEO role. Taurai's contribution will be greatly missed, and we wish her well with all of her future endeavours.

We are very pleased to welcome to the board Zurina Saban and Karabo Radebe, who were appointed as non-executive directors with effect from 1 August

2017 and 11 August 2017 respectively, and Ranti Mothapo, who was appointed as an independent non-executive director with effect from 18 August 2017. We expect their appointment to contribute positively to the board's efficacy and strength in the years to come.

In memory of our Brand Ambassador; Hugh Masekela

It was with deep sadness that we mourned the passing of legendary musician and global icon; Ramapolo "Bra Hugh" Masekela in January 2018.

Hugh Masekela's music spoke of the era that raised him, and the eras of which he was a part. Through his artistry he spoke out against the injustices of the past and captured the essence of black life in South Africa's townships, and always reflected a global outreach and outlook.

Hugh Masekela started working with Assupol in 2012 as our brand ambassador. We were proud to consider him a friend, as well as a business partner. We will miss his sense of humour, his quiet mannerisms, his love for the stage and the way he embraced the opportunity to perform for his audience.

Hugh Masekela once said, "My biggest obsession is to show Africans and the world who the people of Africa really are." We, as South Africans, owe it to him to continue to spread his message about the beauty, strength and resilience of Africa, its people and cultures.



Appreciation

The success that Assupol has enjoyed in recent years is owed to the hard work and dedication of our employees, intermediaries, and business partners.

On behalf of my fellow board members, I am proud to extend my gratitude and appreciation for your dedication and service.

I must also commend Riaan van Dyk, our new Group CEO, for his excellent work since taking office in July 2017. Riaan and Bridget Mokwena-Halala, Assupol Life's CEO, lead a formidable executive team.

Under their stewardship, and secure in our new home in Menlyn, we look forward to reaching even greater heights.

Andrew Birrell
Chairman

A WORD FROM OUR GROUP CEO AND LIFE CEO



It is with a real sense of pride that we present you with another set of outstanding results for the financial year that ended on 30 June 2018. Over the past six years, Assupol has managed to increase all measures of value creation by more than 20% annualised compound growth. In the process, Assupol has grown into a widely-recognised player of substance that is providing insurance cover to more than 4,3 million lives.

Times were tough for our clients

The 2018 financial year was not an easy year for our clients. The continued difficult economic circumstances coupled with, amongst other things, an increase in the VAT rate, have undoubtedly put further pressure on the disposable income of our clients. Looking forward, we unfortunately also do not expect this pressure on our client base to let up soon. During times like these, Assupol's absolute commitment to the principles of Treating Customers Fairly (TCF) again assisted in making it a bit easier for our clients to cope with the many challenges that they are faced with. In this regard, we would like to mention a few of the actions that we have taken:

- We further improved the means and quality of access through which our clients engage with us. Amongst other things, we continued with the growth of our branch infrastructure as well as our agency footprint, we increased the usage of and the number of mobile offices and fully kitted-out distribution vehicles operating in our various target markets. Our direct marketing team as well as its advertising presence was also grown substantially;
- We intensified our efforts to improve the quality



of the business we write. Amongst other things, we established new dedicated Quality Assurance teams and also strengthened the business quality/persistency adjustments made to our sales management's remuneration structures, all with the aim of ensuring a focus on offering affordable and appropriate products and advice to our clients. In this regard, it is particularly pleasing to report that despite tough economic conditions we have again managed to improve our overall persistency experience;

- Our products have always offered very flexible premium payment terms in order to assist clients during difficult times. During the past financial year, we further enhanced our client engagement through the roll-out of the Assupol Client Portal, with a substantial number of new clients now opting to receive their policy documentation electronically;
- Lastly, and most importantly, we again lifted the bar in terms of improving our delivery where it counts most, namely the speedy payment of claims in order to help our clients through difficult times. During the past financial year, 92% of all of our funeral claims were paid within 24 hours – of which 74% were paid within 4 hours of receipt.

Despite the tough market conditions and our target market being offered much greater choice (on the back of an influx of many more competitors), we are very thankful for the continued support and loyalty of our clients. During the year under review, our in-force policy base grew by a very satisfactory 18% to over 1 million individual policies (excluding our Group

clients) on the back of very good new business and improved persistency (i.e. we continued to gain new clients, while losing fewer than we anticipated).

Transforming the regulatory environment for the benefit of all clients

Over the past year, we have witnessed a number of key regulatory changes, including the introduction of legislation governing micro-insurance as well as the establishment of the two new Regulatory Institutions that will govern insurance companies under the Twin Peaks Regulatory framework. Assupol wholeheartedly supports the overall direction of the changes, in particular the objectives of:

- Driving transformation in the insurance industry;
- Broadening access to the formal insurance market; and
- Improving consumer protection by formalising market conduct and supervision.

Although an increasingly regulated environment inadvertently leads to a greater cost of doing business, it also creates new opportunities. Assupol is a fully-transformed, successful insurer with an enviable track record of providing affordable products to our chosen target markets. As a truly-transformed entity, we believe that Assupol is well placed to play a constructive role in achieving the objectives of transformation, access and policyholder protection as envisaged by the regulatory changes, and as a result we are excited about the new opportunities that these changes present for us.

A growing, motivated and happy staff base

Over the past 105 years, Assupol has inculcated a culture of true empowerment where all individuals who want to succeed are given numerous opportunities to do so. Assupol fundamentally believes that its staff are its most valuable asset and we are therefore very proud of the fact that Assupol was awarded the prestigious Platinum Achievement in the most recent Deloitte Best Company Survey. We believe that the award, which was an improvement on the Gold Achievement that we received in the year before, is testament to our focus on maintaining and strengthening our winning culture, despite the recent strong growth in our staff compliment.

During the year under review, Assupol also established a new sales division called the Women Distribution Channel (WDC) which partnered with Omama Besizwe Investments, a black woman-owned company, to employ female graduates who are selected for insurance and advice specific training and mentoring, as part of their journey to becoming financial advisors. To date, 60 graduates have successfully joined the WDC, and although still early days, Assupol is very excited about the potential contribution of this new channel to our business. This initiative created a unique opportunity for Omama Besizwe Investments to also participate in the financial services industry. The initiative is further evidence of Assupol's commitment to uplifting the communities that we operate in, while also providing opportunities for young people to establish a fulfilling career in the financial services industry.



As at 30 June 2018, Assupol employed 768 permanent staff members, operating from 84 locations throughout South Africa. In addition, Assupol has a tied agency force of 2 800 representatives. Assupol maintained its B-BEE Level 3 status during the 2018 financial year.

A very satisfactory sales and operational performance

The financial year that ended on 30 June 2018 produced a set of very satisfactory financial results, driven by a combination of good sales volumes, a continued focus on the quality of business written as well as further efficiency improvements. The highlights of Assupol's performance over the past year are:

- Total annual gross individual sales (i.e. before NTU) ended 17% higher than the previous financial year;
- Our face-to-face tied agents once again formed the backbone of the very good sales results, ending 22% higher than the 2017 financial year;
- The Direct Marketing Channel continued to perform very well, growing premium income by 33%, and contributing 34% of total sales during the year;
- Mortality experience across most classes of business remained stable;
- Withdrawal experience across all classes of business also remained stable;
- The total individual policyholder policy count exceeded 1 million for the first time during the year, representing a growth of 18% in the in-force individual policyholder book over the year;

- We continued to benefit from our ongoing focus on expense management and efficiency, with our renewal expenses remaining well within our actuarial assumption set;
- Our market diversification efforts are also paying off, with an increased proportion of new business coming from non-government markets. We also managed to improve the quality of our debit order business following the implementation of improved deduction and control processes in the debit order environment;
- The combination of all of the above resulted in a very satisfactory set of financial results; including:
 - An increase of 9% in annual gross premium income;
 - Excluding Assupol's Guaranteed-return Single-premium Policy (GRSP), the adjusted gross premium income increased by 26%;
 - Net profits after tax of R847 million;
 - An increase of 21% in Adjusted Operating Profit (AOP) to R713 million;
 - Value of New Business (VNB) of R388 million, an 11% increase on the 2017 financial number. On an economically equivalent basis, and excluding the GRSP policy, VNB increased by 15%;
 - The VNB margin increased from 9,6% to 10,4%;
 - Total Group Embedded Value (EV) grew by 27,8% to just under R4,6 billion;
 - Assupol generated a Return on Equity of 26% and a Return on EV of 34%;

We are also very proud of the fact that during the 2018 financial year, Assupol was recognised, for the fourth consecutive year, as Capital Finance

International (CFI.co)'s Best Life Assurer in Southern Africa. Assupol's continued focus on client service, efficient claims processes, its commitment to the TCF principles as well as the WDC initiative was specifically noted by the CFI.co in their announcement.

Investing back into the communities that we serve

As a dedicated corporate citizen, it is incumbent on Assupol to help create a society that works for everyone and addresses the challenges that South Africa faces. We are acutely aware of the fact that our success depends solely on the loyalty and committed support of our client base. As such, we believe that it is important to meaningfully invest back into the communities that we serve. In this regard, we would like to highlight the following two initiatives:

- The Assupol Community Trust (ACT), an independent trust that was created when Assupol demutualised, invested R11 million into the upliftment of our communities over the past year. The focus of ACT is on early childhood development (ECD), and over the past two financial years ACT has contributed to the upliftment of 40 ECD centres in KwaZulu-Natal (namely the Msinga and Nquthu municipalities) and 54 centres in Gauteng (Nelmapius, City of Tshwane);
- In partnership with the Department of Basic Education, and in a collaborative campaign to eradicate inappropriate sanitation in schools, Assupol has committed to developing appropriate and sustainable sanitation facilities for at least



100 primary schools located in the rural areas of KwaZulu-Natal, the Eastern Cape and Limpopo over the next five years. To paraphrase the words of former president Nelson Mandela, through our efforts in this regard, we hope to play a small but meaningful role in ensuring that education becomes the most powerful transformational tool in South Africa.

Looking forward

We expect the tough trading conditions of the last year to continue in the medium term, with levels of competitor activity continuing to increase. Our response to these challenges remains unchanged:

- Continue focusing on that which has made Assupol strong, namely cost-effectively and efficiently delivering needs-based insurance products and client services to our target markets; and
- Broaden Assupol's presence and offering through, amongst other things:
 - Further diversification of our product and advice offering as well as our target market;
 - Extending our footprint and brand presence through selective partnerships; and
 - Increasing the quality and quantity of our client interactions and engagements.

We are in the process of rolling out a number of initiatives in line with the aforementioned strategic framework and are optimistic that these initiatives will

not only contribute meaningfully to Assupol's bottom line over time, but that successfully doing so also allows Assupol to fulfil the growing needs, in terms of product, service and advice, of our client base. Given its growing importance, Assupol intends to set aside the necessary funds to ensure that our distribution and service efforts are underpinned by a solid training and compliance foundation.

We are also in the process of a strategic enhancement of our brand positioning in support of these growth initiatives.

Gratitude

Assupol's many successes are the result of team work. We would not have been able to achieve what we have without the commitment, dedication and effort of each employee of Assupol. We would therefore like to take this opportunity to thank all employees for serving Assupol and our clients so selflessly in this regard. We are forever indebted to you for doing so. In particular, we would like to thank our fellow executive management team members for their support, guidance and effort.

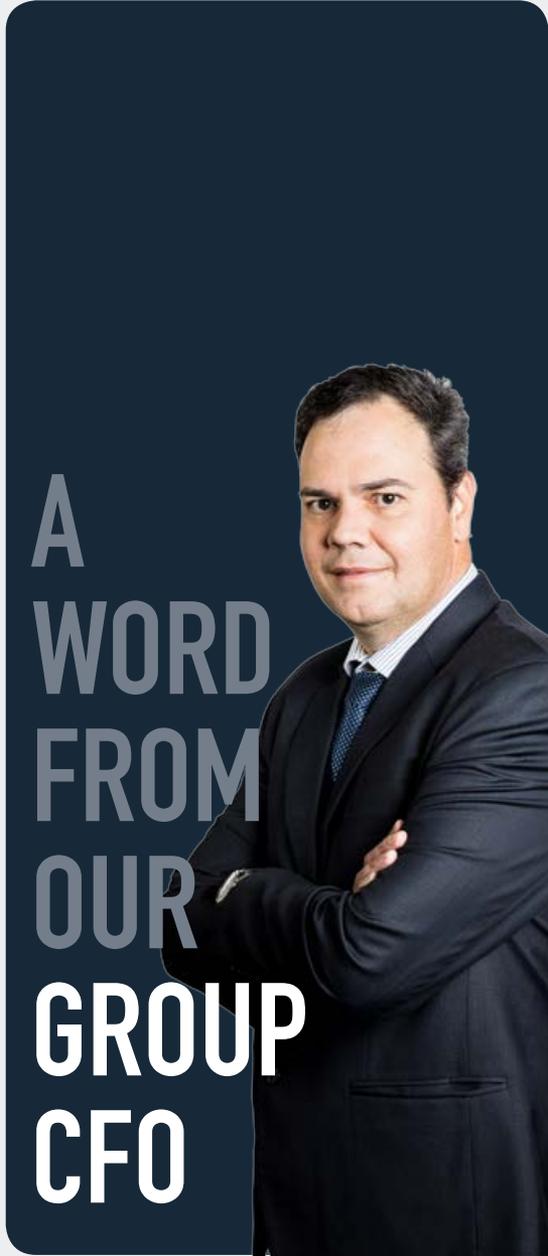
We are also in the privileged position of having a very supportive board that provides us with real guidance and leadership. On behalf of the Assupol team, we would like to convey our appreciation to the board for its commitment and counsel over the last number of years.

A tribute to a great friend

During the past year, our brand ambassador, Hugh Masekela sadly passed away. Bra Hugh not only played an incredible role in building the brand and reputation of Assupol over the past six years, but in the process, he became a very close friend of Assupol. On behalf of all Assupol staff and clients, we would like to take this opportunity to thank Bra Hugh and pay tribute to this giant of a man. South Africa is poorer for his loss.

Lala Kahle Bra Hugh

Riaan van Dyk and Bridget Mokwena-Halala
September 2018



EXCEPTIONAL RESULTS IN A CHALLENGING ENVIRONMENT

Overview

The 2018 financial year will be remembered as one marked by substantial political uncertainties and changes. We witnessed the South African economy entering a technical recession in June 2018. In addition, the official unemployment rate increased to 27.2% in the June 2018 quarter. Global investors avoided emerging market exposure which created pressure on the Rand. All this added to an already difficult trading environment.

Notwithstanding these headwinds, our Group again delivered exceptional financial results.

Highlights

- record net profit after tax of R847 million
- the value of new business increased by 11% to R388 million
- Assupol's group embedded value increased from R3 571 million to R4 563 million

This is testimony to the successful execution of the broader strategy of our Group.

As part of our focus on efficiencies, Cornerstone Brokers was incorporated into Assupol Life and Top Top Business

Consultants, a provider of administration services to intermediaries, was acquired during the financial year.

During June 2018 the company's shares were listed on 4 Africa Exchange (4AX). The rationale for the listing was to improve the efficiency of the share-trading process for current and future shareholders.

Our annual financial statements

These were prepared in accordance with International Financial Reporting Standards (IFRS). We applied all accounting policies in a manner consistent with previous financial years. We would like to point out the following changes in presentation:

- As a result of the listing of the Group's shares on 4AX, an independent auditor is required to issue a detailed audit report in terms of IAS701. This report now includes details such as a statement on independence, determination of materiality, key audit matters considered, a responsibility statement, and a statement on other legal and regulatory requirements;
- IFRS 15 – Revenue from contracts with clients, was adopted from 1 July 2017. This standard applies to the recognition of investment management fee charges, surrender charges, and amortisation of deferred revenue. The adoption of this

standard had no impact on the recognition or disclosure of the relevant revenue streams, as the current practice is compliant;

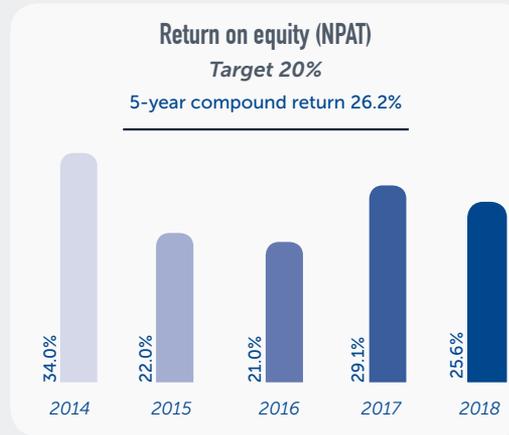
- IFRS 16 – Leases, was adopted from 1 July 2017. This standard applies to the recognition of lease liabilities, which have previously been classified as operating leases under the principles of IAS17. Liabilities were measured at the present value of future lease payments using the incremental borrowing rate of between 7.03% and 9.27%. On 1 July 2017 the total lease liability recognised was R201.6 million. The associated right-of-use asset for property leases was measured prospectively at an amount equal to the lease liability and will be amortised over the associated lease term.

Financial performance analysis

Our performance against strategic financial targets

Our financial performance is managed and measured against specific and defined strategic financial targets. These are: return on equity; growth in the value of new business; and return on embedded value. As these are strategic financial targets with a longer-term outlook, one would expect adjustments to these targets depending on economic and other business cycles.

The graphs below show our performance against these targets over the past five years. In these graphs VNB means value of new business, and EV means embedded value.



We managed to perform robustly against our strategic financial targets. This was primarily due to:

o New business growth

Recurring premium new business increased by 12.6% on an annual premium equivalent basis. On an economic equivalent basis our value of new business increased by 14.2%.

Comparing the value of recurring premium new business (excluding single premiums) on an equivalent economic basis, we achieved year on year growth of 15.7%. Although this is lower than the 17% strategic target, the budgeted growth target was exceeded for the 2018 financial year.

o Efficient management of expenses

Part of the success of the business is due to the ongoing focus on decreasing the per-policy administration cost. This strategic drive ensured that cost efficiencies are a key performance metric for management. Nearly R0.5bn in after-tax profits has been added over the last five years as a direct result of lowering the administration cost per policy:

| | Contribution by net profit R'm |
|--------------|--------------------------------|
| 2018 | R124.2m |
| 2017 | R113.2m |
| 2016 | R115.5m |
| 2015 | R96.6m |
| 2014 | R37.6m |
| Total | R 487.1m |

o Improvement in persistency rates of business

An improvement in the persistency rates of especially the debit order business was achieved during the year.

o Investment performance of shareholders' funds

The investment markets performed better during the 2018 financial year than in recent years, with after-tax returns on excess assets exceeding the long-term investment return assumption by R27 million. The actual investment return achieved on invested shareholder funds was 12.97% (2016/2017: 8.33%).

o Integration of Cornerstone business into Assupol Life

During the 2018 financial year Cornerstone Brokers (Pty) Ltd was incorporated into Assupol Life. The decision was made to improve operational and administration efficiencies.

Adjusted operating profit

The Group's adjusted operating profit increased to R713 million from R590 million at June 2017. A reconciliation between net profit after tax and adjusted operating profit is illustrated in the table below:

| | 2018 R'm | 2017 R'm |
|--|------------|------------|
| Reported net profit after tax | 847 | 771 |
| Adjustment of investment returns on excess assets ⁽¹⁾ | (27) | 10 |
| Non-recurring transactions | 10 | (43) |
| Adjustment of non-recurring economic assumption ⁽²⁾ | 14 | (85) |
| Operational assumption changes ⁽³⁾ | (65) | (59) |
| Other assumption changes ⁽⁴⁾ | (66) | (4) |
| Adjusted operating profit | 713 | 590 |

- (1) Our shareholder funds' returns exceeded our assumption for long-term investment returns during the 2018 financial year. The investment funds overall outperformed the market benchmark by 2.44%. The asset allocation in the fund and related investment returns is shown in the asset allocation section below.
- (2) Changes in our actuarial economic assumptions were driven by an increase in the bond yields from 8.2% in 2017 to 8.5% in 2018.
- (3) Changes in our actuarial operational assumptions were mainly driven by a favourable renewal expense experience which resulted in a release of actuarial reserves to the amount of R124.2 million after tax. The strengthening of the mortality assumption for the Progress4Sure product line increased policyholder liabilities by R40.4 million.
- (4) The following other assumption changes were implemented during the 2018 financial year:
 - o Integration of Cornerstone Brokers in Assupol Life which resulted in a decrease in actuarial liabilities of R63.8 million;
 - o The reinsurance agreement for funeral benefits was cancelled with effect from 1 April 2018. This resulted in an increase in actuarial liabilities of R18.1 million. Although it resulted in an initial decrease in profits, embedded value increased by R38.6 million;

- The administration services provided by an administrator were cancelled and incorporated into Assupol Life. This resulted in a release of actuarial liabilities of R19.9 million;
- Various other smaller assumption changes amounted to a R26.2 million decrease in actuarial liabilities.

Group embedded value

We continued to perform exceptionally in this regard, with a Group embedded value return of 33.5% (2017: 30.8%).

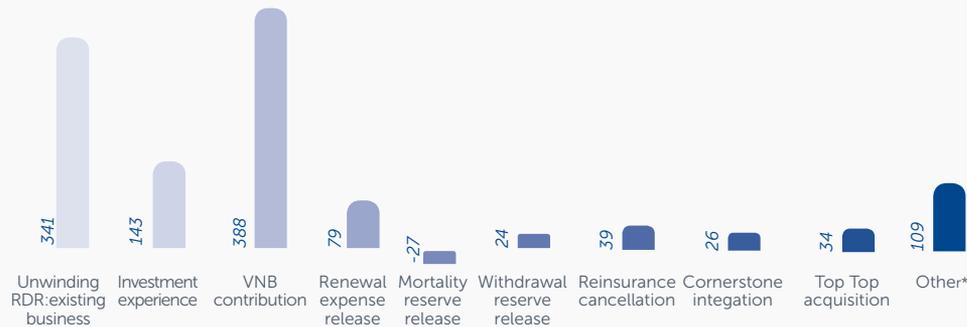
The graph below gives an analysis of our Group embedded value earnings. In this graph EV means embedded value, RDR means Risk Discount Rate, and VNB means value on new business.

Investment performance

The Assupol Group believes that strategic asset allocation is key in delivering long-term returns, and will avoid decisions where the time frame of the decision differs significantly from the investment horizon of the funds (tactical or short-term market timing decisions).

The selected asset allocation must reflect each investment category’s risk profile, such that it can be expected to provide a reasonable level of returns under most investment conditions. The investment return volatility of different asset classes is acknowledged and appropriate diversification between asset classes is applied to minimise volatility of returns. The Group has a passive approach to the management of its assets.

Group analysis of embedded value earnings (R'm) 2018



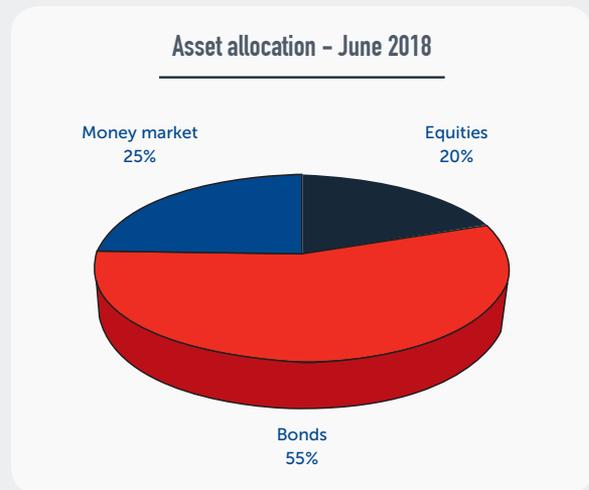
*Includes:

- Cash settled share based payment liability for put options that terminated during the year. Transferred to employee benefit reserve - R58m

- Methodology changes of R49m

Asset allocation and investment returns in our shareholder fund

This graph shows the asset allocation at 30 June 2018.



This graph shows the investment return at 30 June 2018.



Share capital

During the year 5 999 724 new B-shares were issued for the funding of a deferred bonus scheme for key employees. These shares vest after three years.

The Group bought back 361 557 shares during the financial year.

How we manage our capital

Our capital-management philosophy is to optimise the return on capital, but not at the cost of business sustainability. We therefore seek to optimise returns within acceptable risk-appetite ranges, and in accordance with regulatory requirements.

When we allocate capital, we look to ensure that the associated returns are appropriate for the risks carried.

Our aim is to provide our shareholders with appropriate returns at an acceptable level of risk, and to successfully execute our Group's long-term strategy.

We apply the following principles:

- Determine capital on a statutory base, and in compliance with the Companies Act;
- Determine risk-tolerance ranges;
- Allocate efficient funding for capital requirements;
- Allocate capital only to projects yielding returns higher than the target return-on-equity;

- Optimise capital components:
 - frequent monitoring of risk-driven components in the required capital structure
 - asset-liability matching
 - reinsurance retention limits
- Apply a sustainable dividend policy, explained in the section on dividends below.

Our Group's dividends

Our dividend policy is based on the following principles:

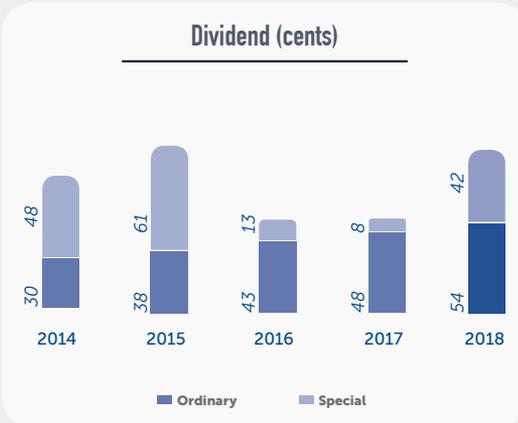
- ensure a sustainable dividend flow to shareholders;
- align our dividend with company performance, where cash generation will be used as guidance;
- hold sufficient liquid assets for working capital;
- maintain a target capital adequacy ratio, as determined by our board from time to time;
- hold sufficient liquid assets to finance strategic initiatives;
- comply with all regulatory requirements;
- and declare a special dividend if surplus cash is available.

The normalised cash generation of our Group supports our normalised dividend-growth target. The special dividend for the 2018 financial year was possible due to the following:

- the Cornerstone integration into Assupol Life released capital
- investment return outperformance

- expense efficiency savings
- actuarial assumptions changes

The following graph compares our dividends from 2014 to 2018.



Investment in new initiatives

One of our key strategic focus areas is to explore new initiatives that will amplify our current offering to clients. For this purpose, we allocated R75 million over the next three to five years to ensure the availability of financial resources for this purpose.

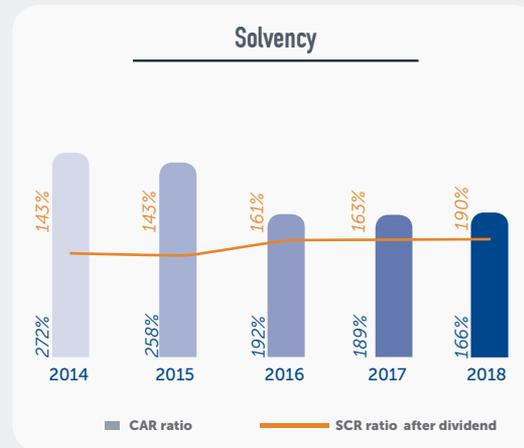
Solvency

At financial year-end our solvency basis remains the statutory valuation method. The Solvency Assessment Management (SAM) framework, under the “Twin Peaks” regulatory dispensation, was implemented on 1 July 2018.

Our Group’s life-insurer, Assupol Life, is adequately capitalised under the current statutory valuation

method and the solvency capital requirement under SAM.

This graph shows our solvency position according to the statutory valuation method and SAM from 2014 to 2018.



Interest rate sensitivity

It is important to take note of the Group’s sensitivity to economic assumptions. The reason for this is the initial recognition of new business profits on the IFRS basis. The value of the probable future economic benefits is captured under the insurance asset item, which is discounted at a rate based on economic assumptions. Although the value of this item is dependent on economic assumptions, the normalised cash generation profile of the business is not affected by this. The following table illustrates the impact of economic assumption changes on the different metrics:

| | 2018 Interest & inflation assumption | | 2017 Interest & inflation assumption | |
|---------------------------------|---|-----------|---|-----------|
| | -1% | 1% | -1% | 1% |
| Net profit after tax - Δ | 74 772 | (118 912) | 62 946 | (95 615) |
| Embedded value - Δ | 211 907 | (191 145) | 137 274 | (150 473) |
| Cash generation - Δ | (20 616) | 6 853 | (25 396) | 8 901 |
| Capital adequacy ratio | 1.87 | 1.89 | 1.84 | 1.92 |



These sensitivities arise due to the highly profitable new business written by the Group and amplified by the current profit recognition practices. The profit recognition profile of insurance policies will substantially change with the introduction of IFRS 17 in 2022. Business decisions are being made based on several relevant financial metrics including cash generation and solvency.

As the solvency position and cash generation of the business is not sensitive to interest rate movements, the Group does not believe that an interest rate hedging strategy is currently appropriate.

Legislative considerations

Insurance Act, no 18 of 2017

The Insurance Act became effective on 1 July 2018, which in turn gave effect to the new "Twin Peaks" regulatory framework. The Prudential Authority implemented the Solvency Assessment and Management framework (SAM) on 1 July 2018, providing a revised set of solvency capital requirements, risk management standards and disclosure requirements for the insurance industry.

The Assupol Group was not required to comply with these requirements as its year-end is prior to the implementation date. The Group will be fully compliant with the requirements for the next financial year.

Income Tax Act, no 58 of 1962

Section 29A of the Income Tax Act, which provides the legislative framework for the taxation of life

insurers, was amended from 1 July 2018.

The amendments relate largely to the change in the valuation of policyholder liabilities, for taxation purposes, from the statutory valuation method to the "adjusted IFRS value". Provisions in the Act are being evaluated by Assupol Life in conjunction with taxation consultants and the regulating authorities.

As the 2019 financial year will be the first year under which the revised Section 29A will be applicable, it is expected that some clarifications will be required in some areas of the legislation.

IFRS 17

The International Accounting Standards Board in May 2017 issued IFRS 17, which deals with insurance contracts. It is expected to have a significant impact on financial reporting within the insurance industry.

The Group is to comply with IFRS 17 from 1 July 2021. All necessary steps will be taken to ensure the successful implementation of IFRS 17.

Our Group's success in the past was based on building a strong base for all stakeholders, ranging from policyholders, shareholders, business partners and employees alike, while ensuring that cost and risk is managed appropriately. We intend to continue with this approach, and to balance future challenges, which are currently unknown, on this foundation.

I thank all stakeholders who contributed to the success of the Assupol Group. Our exceptional

financial performance in recent years couldn't have been achieved without the continuous dedication and loyalty of all role-players.

Niël de Klerk
Group CFO



“World-renowned flugelhornist, trumpeter, bandleader, composer, singer and defiant political voice”.

hughmasekela.co.za

Hugh Ramapolo Masekela was a world icon who contributed significantly to the global music arena, having inspired generations of musicians and communities worldwide through his music and keen promotion of African culture, heritage and indigenous languages.

It is said that Bra Hugh’s passion for music was so strong that when he started playing the trumpet at age 14, he could not put the instrument down. As an adult exiled in America for 30 years, his artistry spoke out against the injustices of South Africa’s past, and captured the essence of life in our townships. It is these notes that he carried across continents to international stages.

In 2012, Bra Hugh became Assupol’s brand ambassador and was an incredible mouthpiece for Assupol, supporting our mission of “serving those who serve” and celebrating our diverse, rich history that is so deeply rooted in culture. Bra Hugh once said, “Assupol shares the same passion I have for showing off and promoting the excellence of universal African heritage. They are dedicated to the serious restoration of our heritage to a visibility that matches world interest in our

geographical sites and animals.”

We were privileged to host the annual Hugh Masekela Heritage Festival and witness Bra Hugh’s energy on stage as he hit all the right notes, drawing crowds by the thousand and lifting people’s spirits with sounds that cut across cultural divides.

Bra Hugh’s passing was a very sad day for Assupol, because we lost a member of our family. We will cherish the wonderful work he has done for the Assupol brand and will forever be grateful to have been associated with his grandeur. We will miss his sense of humour and quiet mannerisms, his need to retreat and focus before going on stage, his love for the stage and the way he embraced any opportunity to perform, often extending his set just to keep the audience happy. Bra Hugh was an inspiration to us all, and has left us with so much to live up to. May his influence live on.

“I’ve got to where I am in life not because of something I brought to the world but through something I found – the wealth of African culture.”

~ Hugh Masekela ~





 **ASSUPOL CARES**



ASSUPOL CARES

Throughout our 105-year history we've been passionate about people and their well-being. Assupol Cares – the division of our business that manages our corporate social investment (CSI) programmes – exists for this very purpose. CSI is by now well established as an integral feature of our business. The question now being posed to CSI programmes is how to make the best possible use of finite resources. We realise that we cannot meet every need everywhere. For this reason our approach is to focus our strategy and concentrate our resources to make a meaningful and substantial life-changing difference with every project. We endeavour to build lasting relationships with our beneficiaries, especially young people, and to uplift them by helping them to help themselves.

THE ASSUPOL CARES EMPLOYEE PROGRAMME

Employee-driven initiatives are an important component of Assupol's corporate social investment. Our employees support charitable needs in their communities in two ways; by making recurring or once-off monetary contributions that are deducted from their salaries (which the company matches rand for rand up to a limit of R50 000), and by giving of their time and skills.

The employee programme is managed by a committee which consists of both members elected by employees and appointed by Assupol. The main purpose of this initiative is to provide financial assistance for needy causes nominated by the employees. This initiative is growing. More employees are taking part each year, and more needs are thus being served – giving effect to the expression "charity begins at home".

OUR OTHER CORPORATE SOCIAL INVESTMENT PROGRAMMES

Assupol has a dedicated and passionate team that manages our corporate social investment programmes. Our budget for corporate social investment far exceeds the minimum required by legislation. Our contribution is extensive, with many successful projects reaching into the rural heart of our country through the assistance of our countrywide branches.

This year, in support of Mandela Day, we successfully completed 35 charity projects, and gave more than the encouraged 67 minutes. To maximise the impact of every project we partner with other key role-players. We are wholeheartedly supported by our board and senior management, and assisted ably by our employees.

ASSUPOL Cares

SPONSORSHIPS

ASSUPOL CARES EMPLOYEE INITIATIVE (ACEI)

INVESTED > **R2,8 MILLION**

SUPPORTED INITIATIVES:

- ASSUPOL TUKS CRICKET 
- BLUE BULLS RUGBY UNION CLUB (BBRU) SERIES 
- SOUTH AFRICAN POLICE SERVICES AND DEPARTMENT OF CORRECTIONAL SERVICES 

EMPLOYEES CONTRIBUTE PERSONALLY TO ACEI



EMPLOYEES MANAGE THE FUNDS



EMPLOYEES ADJUDICATE THE APPLICATIONS



EMPLOYEES MANAGE PROJECTS



EMPLOYEES CONTRIBUTING TO ACEI

| Description | 30-Jun-17 | 30-Jun-18 | Growth |
|-------------------------------------|-----------------|-----------------|-------------|
| Contributing members | 343 | 482 | 41% |
| Contributing members % | 64,6% | 66,9% | 3% |
| Average contribution per member | R26 | R27 | 5% |
| Split between contributions | | | |
| Head Office | 235 | 310 | 32% |
| Branches | 108 | 172 | 59% |
| Total contributions received | R145 040 | R228 301 | 57% |
| Total projects supported | R158 482 | R319 464 | 102% |



THE ASSUPOL COMMUNITY TRUST

“Overwhelming scientific evidence attests to the tremendous importance of the early years for human development and to the need for investing resources to support and promote optimal child development from conception. Lack of opportunities and interventions, or poor quality interventions, during early childhood can significantly disadvantage young children and diminish their potential for success.”

–National Integrated Early Childhood Development Policy 2015

The Assupol Community Trust (ACT) is a shareholder of Assupol Holdings Ltd and as such functions independently. In the year under review, ACT once again made a telling contribution to early-childhood development (ECD) in South Africa.

Research indicates that 80% of children below the age of five in South Africa do not have access to ECD. A majority of these children are born to those affected by social inequality, poverty, and unemployment.

The ACT contributes to the optimal development of children in this age group in disadvantaged communities. In this, the ACT supports the ECD vision embraced for the South African National Integrated Development Policy, namely that “all infants, young children and their families in South Africa live in environments conducive to optimal development of children”.

Of particular concern is the lack of infrastructure, skilled teachers, and educational equipment in many ECD centres. Because of these shortcomings, a majority of ECD centres cannot comply with the legislative requirements for child-care facilities. During the year under review the ACT contributed significantly to improving access to and the quality of ECD in three identified areas: Nellmapius in the City of Tshwane, Nquthu and Msinga in the Umzinyathi District Municipality in KwaZulu-Natal. In Nquthu and Msinga 18 new structures have been constructed and 22 existing centres have been renovated to address infrastructure challenges faced by these communities and to ensure the health and safety of children.

The ACT has also trained ECD practitioners in the three areas, particularly in the holistic stimulation of children, which encourages their interest and curiosity and supports subsequent development interventions.

Incapacitating malnutrition is also a key concern. With the support of the ACT, JAM SA has provided a meal of nutritious porridge each school day to children in 40 ECD centres in Nquthu and Msinga. Fifty grams of JAM’s porridge provide 75% of a child’s daily nutritional needs. Altogether 7 000 of these nourishing meals have been distributed.

The ACT continues to work with various partners to help ensure that these children live in environments that are conducive for optimal development in their early years, which is crucial for their performance and success in later life. ECD is a rung in the human-development ladder that cannot be skipped.



 **OUR BUSINESS**

OUR GROUP AT A GLANCE

Assupol Holdings Ltd is the holding company of the Assupol Group of companies. The Group operates through two wholly-owned subsidiaries: Assupol Life Ltd and Assupol Investment Holdings (Pty) Ltd.

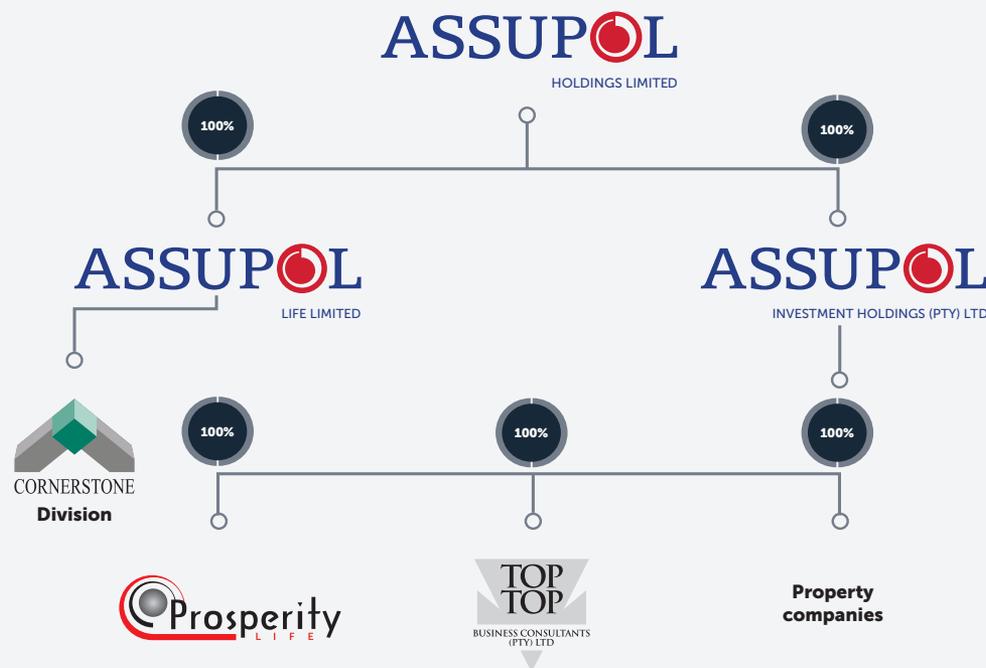
Assupol Life Ltd is a registered life-insurer and authorised financial services provider. It provides affordable funeral, life, savings, investments and retirement products, to the South African market.

Assupol Investment Holdings (Pty) Ltd is our investment-holding company. It holds our Group's strategic investments.

Prosperity Insurance Company Ltd was the first black-owned insurance company in South Africa. Assupol Life acquired Prosperity's business, which was transferred to it in 2012. We own the Prosperity trademark.

Cornerstone Brokers Corporate (Pty) Ltd was established in 1995. It markets funeral insurance for Assupol Life primarily to pensioners who receive a social grant from government. During the year under review, its business was transferred to Assupol Life and it now operates as a division of Assupol Life.

Top Top Business Consultants (Pty) Ltd provides administration services to financial services intermediaries. Assupol purchased 100% of the business on 30 June 2018.



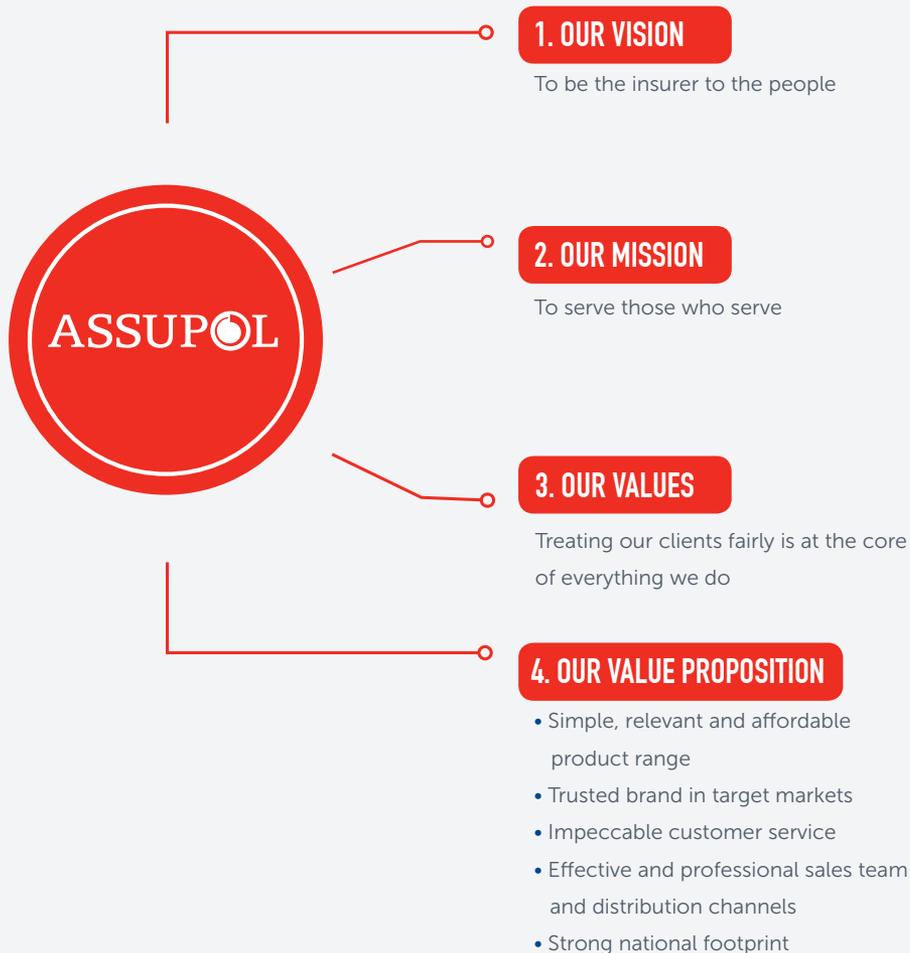
ASSUPOL, AFTER 105 YEARS

The Assupol Group is a prominent provider of financial products and services. Through Assupol Life, we provide affordable funeral, life, savings, investments and retirement products, to the South African market.

Assupol Life began in 1913 as a burial society for members of the South African Police Service. From that modest and caring beginning it has grown into a fully-fledged life-insurer, serving those who serve and often leading with innovative products and services.

Assupol has become a household name, synonymous with high-quality service and affordable products tailored for our focused markets. But, importantly, after more than a century Assupol has remained the caring company it was at its inception.

OUR PHILOSOPHY



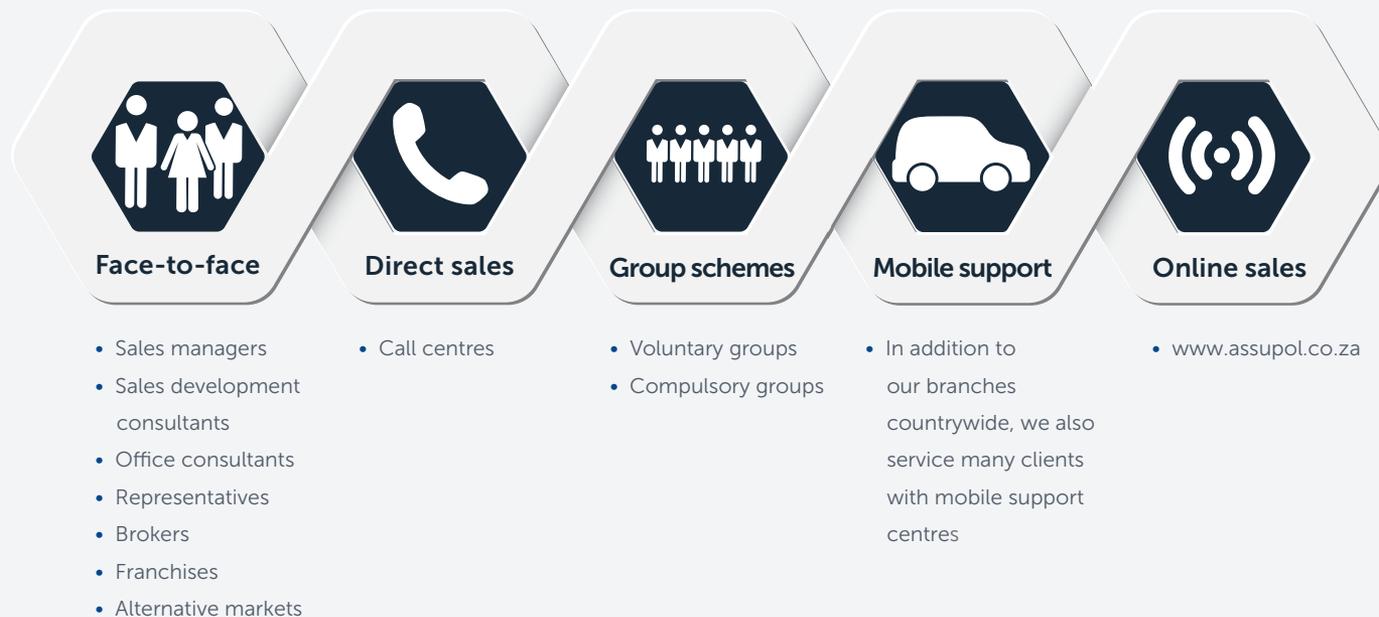
BUSINESS PARTNERS AND PROFESSIONAL SERVICE PROVIDERS

| | |
|-------------------|---|
| External auditors | PwC |
| Internal auditors | KPMG replaced by Ernst & Young on 1 July 2018 |
| Statutory actuary | Deloitte |
| Reinsurers | Hannover Re and Munich RE |

OUR FOCUS AREAS

- Market diversification
- Distribution diversification
- Product diversification
- Other strategic alliances
- Improved efficiencies

SALES DISTRIBUTION CHANNELS

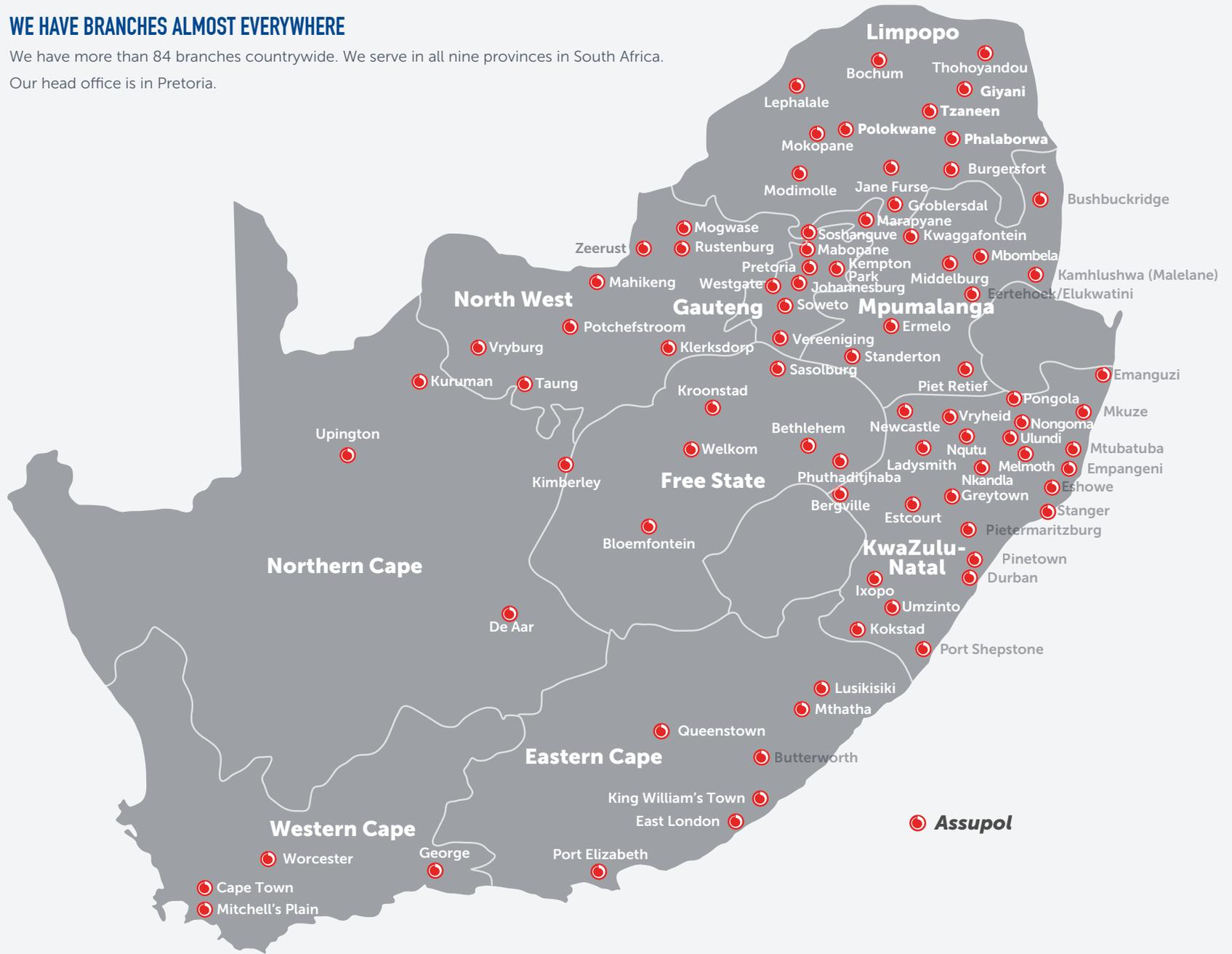


EXPANDED ACCESSIBILITY

Our online client portal (my.assupol.co.za) was launched in September 2017. The portal offers clients easy access to policy documents and client communication. Over 50,000 policyholders registered on the portal during this period.

WE HAVE BRANCHES ALMOST EVERYWHERE

We have more than 84 branches countrywide. We serve in all nine provinces in South Africa. Our head office is in Pretoria.





OUR WIDE RANGE OF PRODUCTS

| Life products | Funeral | Death and disability | Critical illness or dread disease | Family Income | Premium Waiver | Cashback | Assupol On-Call | On-Call Plus | RA Maturity Reward |
|--|---------|----------------------|-----------------------------------|---------------|----------------|----------|-----------------|--------------|--------------------|
| Excellence Family Funeral Plan | ● | | | ● | ● | ● | ● | ● | ● |
| Absolute Advantage Family Funeral Plan | ● | | | ● | ● | ● | ● | ● | |
| Progress 4Sure Plan | ● | ● | ● | | ● | ● | ● | ● | ● |
| Progress 4Life Plan | ● | ● | ● | | ● | ● | ● | ● | ● |
| Progress Legacy Plan | ● | ● | ● | | ● | | ● | ● | ● |
| Progress Accident Plan | | ● | | | | | ● | | |
| Cornerstone: Pensioner Plan | ● | | | | | | | | |
| Cornerstone: Solution Plan | ● | | | | | | | | |

| Savings and investment products | Savings/ investments | Regular withdrawals | Premium Waiver | RA Maturity Reward | Assupol One Bonus |
|---|----------------------|---------------------|----------------|--------------------|-------------------|
| Assupol One Savings Policy | ● | ● | ● | | ● |
| Assupol One Tax-free Savings Policy | ● | ● | | | ● |
| Guaranteed-return Single-premium Policy | ● | | | | |
| Carefree Life Retirement Annuity | ● | | ● | ● | |



OUR LEADERSHIP

EXECUTIVE COMMITTEE



RIAAN VAN DYK (52)

Group CEO

BSc (Actuarial Science), FASSA, FFA

Riaan was a non-executive director of Assupol from September 2013, and in March 2017 was appointed as our acting Group CEO, and became permanent from 1 July 2017. Before his appointment, he was managing director of Natsure, a position he held for eight years. Riaan brought a wealth of experience, gained over a number of years. He started his career at Metropolitan Life in 1988, and qualified as an actuary in 1990, whereafter he held senior positions at Momentum, before joining Natsure.



BRIDGET MOKWENA-HALALA (53)

Assupol Life CEO

MBL

Bridget joined Assupol in 1999. Before then she was employed by the South African Police Service as senior manager of human resource management. She has held various positions in our Group, including being Prosperity Life CEO, and was appointed as Assupol Life CEO and an executive director of Assupol Holdings in 2010. She is a director of Cornerstone Brokers Corporate (Pty) Ltd and the Association of Savings and Investment South Africa. She currently is the chairperson of the Financial Sector Charter Council and the Assupol Community Trust.



NIËL DE KLERK (47)

Group CFO

CA(SA)

Niël joined Assupol in 1998. Before then he did his three-year chartered accountancy training at PwC. He became an executive director (finance) of Assupol Life in 2000, and an executive director of Assupol Holdings in 2011. In his important role as head of our finance function, Niël has developed our finance department into an efficient asset, through the development of structures, systems, policies, budget-control, and accounting procedures. He was instrumental in the development of our in-house actuarial, investment-management, and risk-management capabilities. He is a member of the South African Institute of Chartered Accountants.



SIPHIWE NDWALAZA (52)

Group HR Director

MM (HR), MBA, CD(SA)

Siphwe joined Assupol in September 2011. As a highly experienced HR practitioner, he has over the past 25 years also held senior positions at several other organisations including Sentech, Sony South Africa and General Electric South Africa. He obtained a master's degree in business administration (MBA) from the University of the Witwatersrand's Graduate School of Business Administration. Siphwe also graduated with a master's degree in human resources management (MM) from the Wits Business School.



EXECUTIVE COMMITTEE



JAY MNGOMA (61)
Group Sales Executive

Jay joined Assupol in 2013, as a senior executive sales manager. He has almost 30 years' experience in the financial services industry in various capacities. He, among others, played a leading role in the development of black financial advisors and professionals through his long-standing involvement in the Black Brokers Forum. He has also served on the Training and Development Committee of the Financial Services Board, and is a counsellor of the Inseta Board. Jay was appointed as our group sales executive with effect from 1 July 2017, to lead our sales effort.



JOHAN DIPPENAAR (52)
Group Chief Risk Officer
BCom, FASSA

Johan joined Assupol in 2015, to take charge of our Group's risk management. He has actuarial and related experience in a broad spectrum of functions, among others: product development, retirement fund consultancy and trusteeship, actuarial valuations, investment management and balance sheet management. Johan held many senior positions, notably that of statutory and chief actuary of Momentum, and served on many committees, including chairing the tax committee of the Actuarial Society of South Africa. He was also closely involved in mergers and other corporate actions.



MARK SALMON (45)
Head of Group Strategy
BSc (Actuarial Science), MBA

Mark joined our Group in January 2017, as head of our Group strategy, and to pioneer and steer our growth initiatives. He has been a highly-rated investment analyst for a number of years, focusing on the listed long-term and short-term insurance companies. Mark was voted the top insurance analyst in the Financial Mail's annual survey of analysts three years in a row, and before joining our Group was also head of Investec's institutional research team.

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS



RIAAN VAN DYK (52)

Group CEO

BSc (Actuarial Science), FASSA, FFA

Non-executive director from September 2013 until he became Group CEO from July 2017



BRIDGET MOKWENA-HALALA (53)

Assupol Life CEO

MBL

Assupol Life executive director, and executive director of Assupol Holdings, since January 2011



NIËL DE KLERK (47)

Group CFO

CA(SA)

Assupol Life executive director since July 2000, and Assupol Holdings executive director from January 2011



SIPHIWE NDWALAZA (52)

Group HR Director

MM (HR), MBA, CD(SA)

Assupol Holdings executive director since September 2012, and Assupol Life executive director from May 2013

BOARD OF DIRECTORS
NON-EXECUTIVE DIRECTORS



AS BIRRELL (49)

Chairman

BBusSc (Hons), FASSA, FFA, CERA

Non-executive director since May 2013, and our chairman since July 2016.



IO GREENSTREET (59)

BSc (Hons), FCA

Shareholder nominee, non-executive director since June 2013.



NE GUBB (47)

BCom, PDM (Bus Ad), HDip Tax, CFA

Shareholder nominee, non-executive director since May 2013.



EDJ ASHKAR (41)

CA(SA) and CA(Australia)

Shareholder nominee, non-executive director since February 2013.



KC RADEBE (30)

CA(SA), BAcc

Shareholder nominee, non-executive director since August 2017.



T MURANDA (53)

BCompt (Hons), CA(SA)

Non-executive director since September 2013. Resigned: 31 December 2017



R KISTEN (54)

BAdmin (Hons), GMP

Shareholder nominee, non-executive director since July 2016.



R MOTHAPO (37)

BSc (Hons), BEcon Sc, FASSA

Non-executive director since August 2017.



Z SABAN (49)

BA Law, LLB

Shareholder nominee, non-executive director since August 2017.



ILM BARNETT (41)

BCom (Hons) Finance

Shareholder nominee, non-executive director since February 2013
Resigned: 11 August 2017.



 **OUR STAKEHOLDERS**

SHAREHOLDERS AND TRADING IN ASSUPOL SHARES

Our demutualisation

In terms of Assupol's demutualisation scheme, 236 927 qualifying members received shares in Assupol Holdings Ltd (Assupol). 12 408 of them elected to retain their shares. The rest elected to redeem their shares at a fair market value.

The redemption proceeds of R891 million were paid to the Assupol Members' Trust for the benefit of these members. From the Trust, cash payments were made to them once they have confirmed their particulars, including their bank details, as required by the demutualization scheme.

| | Shareholders | Redeemed shares paid | Net value paid (R) |
|------------------------|--------------|----------------------|--------------------|
| June 2013 | 98 298 | 183 881 489 | 427 413 829 |
| June 2014 | 38 557 | 54 670 505 | 130 615 057 |
| June 2015 | 13 302 | 17 091 172 | 43 016 005 |
| June 2016 | 4 056 | 5 690 126 | 15 244 682 |
| June 2017 | 12 582 | 20 756 928 | 57 197 132 |
| June 2018 | 22 757 | 25 778 528 | 71 354 807 |
| Unpaid at 30 June 2018 | 34 716 | 43 956 025 | |

Net payment is gross payment at R2.50 per share, plus interest, less dividend withholding tax, payment costs and tracing fees if applicable.

CURRENT SHAREHOLDING

The shareholding as at 30 June 2018 is stratified as follows:

| Name | Restrictions | Category | Director nomination rights | Shares held | % holding |
|--|--------------|--------------|----------------------------|--------------------|-----------|
| IEP Portfolio 1 (Pty) Ltd | None | Corporate | 3 | 175 054 474 | 41.5% |
| International Finance Corporation (IFC) | Yes | Corporate | 2 | 82 711 565 | 19.6% |
| WDB Investment Holdings (Pty) Ltd | Yes | B-BBEE | 1 | 44 202 985 | 10.5% |
| WDB Investment Holdings (Pty) Ltd | None | Corporate | | 7 872 672 | 1.9% |
| Assupol Community Trust | None | CSI | | 18 700 000 | 4.4% |
| Staff incentives and restraint of trade/shares | Yes | Employees | | 20 117 194 | 4.8% |
| Assupol Investment Holdings (Pty) Ltd | None | Treasury | | 1 074 967 | 0.3% |
| Other shareholders | None | Free float * | | 72 242 133 | 17.1% |
| | | | | 421 975 990 | |

* These shares are unrestricted, and some are held by employees.

Trading in Assupol shares

During the year under review, the volume weighted average monthly price fluctuated between R6.07 and R9.50 per share.

The trading statistics for the year under review can be summarised as follows:

| Month | Trades | Volume | Value (R) | VWAP (R) |
|---------|--------|------------|---------------|----------|
| 2017/7 | 33 | 4 704 016 | 31 432 682.40 | 6.68 |
| 2017/8 | 41 | 85 969 | 521 687.11 | 6.07 |
| 2017/9 | 28 | 85 229 | 535 867.85 | 6.29 |
| 2017/10 | 58 | 11 639 632 | 86 666 163.36 | 7.45 |
| 2017/11 | 39 | 1 839 722 | 11 539 596.25 | 6.27 |
| 2017/12 | 23 | 853 839 | 5 866 571.30 | 6.87 |
| 2018/1 | 19 | 52 039 | 342 107.80 | 6.57 |
| 2018/2 | 20 | 45 820 | 316 180.70 | 6.90 |
| 2018/3 | 23 | 6 892 833 | 65 185 022.60 | 9.46 |
| 2018/4 | 40 | 2 914 961 | 27 685 394.14 | 9.50 |
| 2018/5 | 35 | 188 274 | 1 604 939.85 | 8.52 |
| 2018/6 | 27 | 107 249 | 971 701.40 | 9.06 |

*VWAP means volume weighted average price

Share-trading platform

During the year under review, the board reviewed the new share-trading platform that was implemented at the end of October 2016, operating on the basis of bi-lateral negotiations, and not as an exchange as defined in the Financial Markets Act. Subsequent to the finalisation of the review, it was resolved to transfer the trading of our shares to the 4 Africa Exchange (4AX) to improve in efficiency of the share-trading process for current and future shareholders.

The process of moving to 4AX was formalised on 13 June 2018. The closing price of Assupol shares since the inception of trading is set out below: [Daily closing price]



Dividend declaration

On 27 September 2018, following the approval of the annual financial statements for the year ended 30 June 2018, Assupol's board declared an ordinary dividend of 54 cents per share, and a special dividend of 42 cents per share.



EMPLOYEES AND REPRESENTATIVES

Our employee-value proposition

Our employees will have a focussed, empowered, and accountable role to play in a growing and successful organisation.

We will create an environment where our employees:

- Share our vision of growth, our values, and the benefits of our success;
- Experience the growth of our Group, and the benefits of being associated with a growing organisation;
- Can stretch themselves to become the best they can be;
- Regard us as the preferred employer in the financial services sector.

We have improved our status as an employer of choice

We have long understood that our employees play a critical role in our continued success. We are continuously searching for ways to provide the "ultimate" employee experience. To this end we have regularly opened ourselves to scrutiny by competent, external, independent verification entities. They assess our employment practices and provide us with valuable scientific assessment on how we compared to other best employers in the country.

We seek to attract the most talented employees, and understand that they benefit from feedback and that it is our job to keep providing such feedback. To this end we have regularly participated in the Deloitte

Best Company Survey, which is probably the most prestigious and respected survey of its kind in South Africa.

We performed exceptionally in this year's survey. We attained the Deloitte Platinum Seal of Achievement, the highest award possible, and exceeded the benchmarks in two of the most crucial indices by a considerable margin.

Employee development

We have continued to invest and reinvest in developing our employees with successful on-boarding and ongoing training, helping them reach their full potential. Their skills, experience and diversity enable us to provide competitive and reliable products and services to our clients. We invested over R11.4 million in employee training and development in the year under review.

Actuarial

Assupol Life is registered as an actuarial training office with the Actuarial Society of South Africa. As such we support employees with their actuarial studies, and are dedicated to developing their actuarial skills. We have made excellent progress as a training office. We now boast four qualified actuaries and 11 actuarial students.

Chartered accountants

Assupol Life is registered as an approved training provider with the South African Institute of Chartered

Accountants (SAICA). As such we enable students to complete the training programme to qualify as Chartered Accountants CA(SA). To date, four of our trainees have gone on to become CA(SA)s, while an additional nine trainees completed their training successfully.

Assupol internships

We offer internships in actuarial science, underwriting, claims, financial risk, legal services, compliance, IT development, marketing support and sales intelligence, corporate affairs, and client services. This programme is highly successful, and more than 85% of our interns have since been appointed to permanent positions.

Employee wellness

Our Careways employee-assistance programme

In line with our vision of being the preferred employer in the financial services sector, we provide an employee-assistance programme through which our employees, as well as their immediate family and dependants, enjoy access to registered clinical, legal, and financial professionals on a 24-hour basis, seven days a week.

This composite programme caters for physical, emotional, legal, and financial wellness. Its aim is to create a healthy work environment, and to extend beyond the workplace to nurture happy and confident employees who are motivated and who work more effectively and efficiently.



Our executive wellness programme

This programme assists our executives to assess their health and wellness, and guides them on how best to enhance their health, quality of life, and productivity. The programme respects the privacy of participants, and personal information is duly protected.

We have participated in this program for the past five years. In 2018, 14 of our executives (11 men and three women) participated.

Transformation

Broad-based black economic empowerment (B-BBEE)

We maintained our B-BBEE rating of a Level 3 contributor status in the period under review.

We scored well in the following areas:

| Element | Score | Target score |
|------------------------|-------|--------------|
| Ownership | 13 | 14 |
| Enterprise development | 15 | 15 |
| Management control | 7.34 | 8 |
| BEE share transaction | 12 | 14 |

Areas requiring attention include:

| Element | Score | Target score |
|--------------------------|-------|--------------|
| Preferential procurement | 9.69 | 16 |
| Employment equity | 7.51 | 15 |
| Skills development | 5.26 | 10 |

Employment equity

We continue to make considerable progress in terms of transformation of our Group. In the year under review the composition of African, Indian and Coloured (AIC) employees stood at 82% of our overall workforce.

| Company | Total | | | | Total |
|----------------|------------|-----------|-----------|------------|-------------|
| | African | Coloured | Indian | White | |
| Assupol Life | 529 | 43 | 21 | 127 | 768 |
| % Total | 73% | 6% | 3% | 18% | 100% |



 **CORPORATE GOVERNANCE**

Good corporate governance is critical for the long-term performance and sustainability of a business, and for protecting and enhancing stakeholders' interests and values. Assupol, under the diligent watch of our board, upholds the highest standards of corporate governance, and continued to do so in the period under review.

KING IV

Our board voluntarily applies the King IV report on corporate governance for South Africa, 2016 (King IV), which is fully entrenched in our policies, structures and processes.

To ensure that every practice recommended in King IV is considered, *we use the* governance assessment instrument (GAI), a web-based tool developed by the Institute of Directors Southern Africa (IoDSA). This tool serves as both a measure and an enabler of good corporate governance. The assessment of our business with this tool shows that we attained a high application of the applicable principles.

COMPOSITION OF OUR BOARD OF DIRECTORS

As at 30 June 2018 the boards of Assupol Holdings Ltd and Assupol Life Ltd comprised of the same directors. Our board currently comprises of nine non-executive directors, and four executive directors. The non-executive directors (other than shareholder nominees) were selected through a formal process, with our Nomination Committee identifying suitable candidates to be proposed to our shareholders. Non-executive directors (other than shareholder nominees) retire on a rotational basis, but may be re-elected.

The remuneration of non-executive directors is approved by a special resolution of shareholders at our annual general meeting, as required by the Companies Act.

MEETING ATTENDANCE

The table below shows the attendance of directors at board and board committees meetings held in the year under review.

A review of the effectiveness of the board was conducted in respect of the year.

| | Board | | | | Actuarial | | | | Audit | | | | Growth and innovation | | | | Investment | | | | Social and ethics | | | | Risk | | | | Nomination | | | | Remu- neration | | | | | | | |
|----------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|-----------------------|------------|------------|------------|------------|------------|------------|------------|-------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|-------------------|------------|------------|---|---|---|---|--|
| | 15-09-2017 | 23-11-2017 | 28-02-2018 | 22-05-2018 | 15-09-2017 | 14-11-2017 | 15-02-2018 | 17-05-2018 | 14-09-2017 | 14-11-2017 | 15-02-2018 | 17-05-2018 | 04-09-2017 | 30-01-2018 | 28-03-2018 | 26-06-2018 | 08-09-2017 | 21-11-2017 | 26-02-2018 | 21-05-2018 | 15-08-2017 | 10-11-2017 | 26-02-2018 | 08-05-2018 | 14-09-2017 | 15-11-2017 | 14-02-2018 | 16-05-2018 | 07-08-2017 | 22-01-2018 | 08-02-2018 | 21-05-2018 | 12-09-2017 | 15-02-2018 | 17-05-2018 | | | | | |
| CJ van Dyk | X | X | X | X | X | X | X | X | I | I | I | I | X | X | X | X | X | X | X | X | I | I | I | I | I | I | I | I | | | | | | | | | I | I | I | |
| MB Mokwena-Halala | X | X | X | X | I | A | I | I | I | A | I | I | X | X | X | X | X | A | X | X | I | A | I | I | I | I | I | I | | | | | | | | | | | | |
| D De Klerk | X | X | X | X | X | X | X | X | I | I | I | I | X | X | X | X | X | X | X | X | | | | | I | I | I | I | | | | | | | | | | | | |
| SL Ndwalaza | X | X | X | X | | | | | | | | | I | I | I | I | I | I | I | I | X | X | X | X | | | | | | | | | | | | | I | I | I | |
| AS Birrell | C | C | C | C | C | C | C | C | X | X | X | X | C | C | C | C | | | | | | | | | X | X | X | C | | | | | | | | | X | X | X | |
| EDJ Ashkar | X | X | X | X | X | X | X | X | | | | | X | A | X | X | X | X | X | X | X | X | X | X | | | | | X | X | C | C | C | C | X | X | X | X | | |
| ILM Barnett | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| NE Gubb | X | X | X | X | | | | | | | | | I | A | I | I | X | X | X | X | | | | | | | | | | | | | X | X | X | X | | | | |
| IO Greenstreet | X | X | X | X | | | | | | C | A | | A | X | X | A | C | C | C | C | | | | | | | | | | | | | A | X | X | X | | | | |
| T Muranda | X | | | | | | | | C | C | | | I | | | | | | | | | | | | C | X | | | | | | | | | | | C | | | |
| L Prince (Alternate) | X | A | X | X | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| R Kisten | A | X | X | X | | | | | | | | | A | X | X | X | | | | | C | C | C | C | | | | | | | | | | | | | | | | |
| Z Saban | X | X | X | X | | | | | | | | | A | X | X | A | | | | | | | | | | | | | | | | | | | | | | | | |
| K Radebe | X | X | X | X | | | | | | | | | | | | | X | X | X | X | | | | | | | | | | | | | | | | | | | | |
| R Mothapo | X | X | X | X | X | X | X | X | X | X | X | C | | | | | | | | | | | | | X | C | C | X | | | | | | | | | C | C | | |

A

Absent with an apology

X

Member

C

Chairperson

I

Invitee

ROLE OF OUR BOARD

Our board embraces the principles and practices of King IV as its guide for good corporate governance. Thus, as recommended by King IV, the role and responsibilities of our board include:

- providing effective leadership on an ethical foundation;
- ensuring that Assupol, as a responsible corporate citizen, considers the impact of our business operations on the environment and the community;
- ensuring that we have an effective and independent audit committee;
- ensuring that we perform an effective risk-based internal audit;
- overseeing our board's relationship with management, our shareholders and other stakeholders, according to sound corporate governance principles;
- understanding that strategy, risk, performance and sustainability are inseparable, and giving effect to this by:
 - contributing to and approving our strategy;
 - thoroughly assessing our strategy and business plans to mitigate risks;
 - identifying key performance and risk areas;
 - ensuring that our strategy will result in sustainable outcomes; and
 - considering sustainability as a business opportunity that guides strategy;
- maintaining responsibility for the governance of risk;

- managing information technology-related governance;
- ensuring that we comply with applicable laws, and consider adherence to non-binding rules and standards;
- being aware of how our stakeholders' perceptions affect our reputation;
- acting in the best interests of Assupol by ensuring that our directors individually:
 - adhere to legal standards of conduct;
 - are permitted to take independent advice in connection with their duties following an agreed procedure;
 - disclose real or perceived conflicts to our board, and deal with them appropriately; and
 - deal in securities only in accordance with the policy adopted by our board;
- commencing business-rescue proceedings immediately should a company in our Group become financially distressed;
- confirming the integrity of our integrated report;
- electing a chairman of our board that is an independent, non-executive director;
- appointing and evaluating the performance of our chief executive officer.

COMMITTEES OF OUR BOARD

Our board has established committees with specific responsibilities, to assist it in discharging its duties and responsibilities. But, ultimate accountability remains with our board. The committees do not assume the functions of management, which remain the responsibility of the executive directors, officers

and other members of senior management.

The following board committees oversee the activities of our Group:

- Actuarial
- Audit
- Growth and innovation
- Investment
- Nomination
- Risk
- Remuneration
- Social and ethics

Information about the committees, as at 30 June 2018, is summarised in the tables on the next pages.

The following acronyms are used in the overviews and report:

- *ORSA*, which means own risk and solvency assessment
- *PPFM*, which means the principles and practices of financial management
- *TCF*, which means treating customers fairly

ACTUARIAL COMMITTEE

Members

AS Birrell (chair)
 EDJ Ashkar
 R Mothapo
 CJ van Dyk
 D de Klerk



Invitees

MB Mokwena-Halala

J Dippenaar

M Salmon

Other members of senior management as may be required

Company secretary

External auditors

Statutory actuary

Role and function

The role of the committee is to act as a sounding board for the statutory actuary on matters relating to actuarial assumptions and projections. It evaluates, considers and where necessary makes recommendations to our board and management regarding actuarial assumptions and projections, and their impact on:

- matters relating to TCF;
- compliance with the PPFM, including bonus declarations;
- solvency, valuation assumptions, methodology, results, and analysis of surplus;
- ORSA projections, stress and scenario testing, and out-of-cycle ORSA requirements;
- capital requirements and capital management;
- asset-liability matching and liquidity management;
- our dividend policy and proposals relating thereto;
- consideration of actuarial risks, by considering completeness of our risk register and challenging risk ratings;
- policies with actuarial content;

- products, rating, and reinsurance arrangements; and
- capital-funding plans.

AUDIT COMMITTEE

Members

T Muranda (chair) - resigned December 2017

AS Birrell

IO Greenstreet - chair (acting in February 2018)

R Mothapo - chair (since May 2018)

Invitees

CJ van Dyk

MB Mokwena-Halala

D de Klerk

J Dippenaar

Other members of senior management as may be required

Company secretary

Internal and external auditors

Statutory Actuary

Role and function

The committee has the following duties:

- statutory duties as prescribed by section 94(7) of the Companies Act;
- additional duties over and above the statutory duties, such as:
 - oversight of integrated reporting;
 - combined assurance;
 - evaluation of the finance function;
 - oversight of internal audit function;

- oversight of external audit function; and
- oversight of risk management as it pertains to financial reporting.

GROWTH AND INNOVATION COMMITTEE

Members

AS Birrell (chair)

MB Mokwena-Halala

EDJ Ashkar

CJ van Dyk

R Kisten

Z Saban

D de Klerk

IO Greenstreet

Invitees

J Dippenaar

SL Ndwalaza

M Salmon

NE Gubb

Other members of senior management as may be required

Company secretary

Role and function

The role of the committee is to support executive management in facilitating delivery of proposals within an acceptable timeframe, in accordance with the board-approved strategy and business plan.

The committee evaluates, considers and makes recommendations to our board, management and operations regarding:

- potential new partnerships, acquisitions, and other corporate transactions, which could assist in expanding our Group's existing distribution channels and core business;
- new technological solutions to enhance our Group's current products, distribution to clients, and collection of premiums; and
- the implementation of new non-insurance business initiatives by our Group.

INVESTMENT COMMITTEE

Members

T Muranda (chair) - until December 2017
 IO Greenstreet - chair (since February 2018)
 EDJ Ashkar
 D de Klerk
 NE Gubb
 MB Mokwena-Halala
 CJ van Dyk
 K Radebe

Invitees

Asset management specialists
 Company secretary
 Other members of senior management as may be required

Role and function

The role of the committee is to generally oversee the investment of assets by our Group, including but not limited to:

- the review of investment objectives, philosophy

and strategy;

- the formulation of strategies relating to the allocation of assets; and
- the oversight of asset managers and the asset management process.

NOMINATION COMMITTEE

Members

EDJ Ashkar (chair)
 IO Greenstreet
 NE Gubb

Invitees

The Group CEO and Chairperson of the Board are invited on an ad hoc basis.

Role and function

The role of the committee is to consider and recommend to our board:

- nominees to serve as non-executive directors on the board, or fill vacancies as and when they arise;
- on an annual basis, any new nominees to replace non-executive directors retiring from the board; and
- the removal of any non-executive directors serving on the board from time to time.

RISK COMMITTEE

Members

T Muranda - chair (acting in September 2017)
 ILM Barnett - (until August 2017)
 R Mothapo - chair (until February 2018)
 AS Birrell - chair (acting from May 2018)

Invitees

CJ van Dyk
 MB Mokwena-Halala
 D de Klerk
 J Dippenaar
 Company secretary
 Internal and external auditors

Role and function

The role of the committee is to assist our board to ensure that:

- we have implemented an effective policy and plan for risk management that will enhance our ability to achieve our strategic objectives; and
- the disclosure regarding risk is comprehensive, timely and relevant.

REMUNERATION COMMITTEE

Members

CJ van Dyk (chair), replaced in March 2017 by
 T Muranda - (until December 2017)
 AS Birrell
 EDJ Ashkar
 R Mothapo - chair (from February 2018)



Invitees

CJ van Dyk
SL Ndwalaza

Role and function

The role of the committee is to:

- consider and determine the remuneration policy of all employees of our Group;
- consider and recommend to shareholders the remuneration paid to non-executive directors; and
- ensure that the disclosure of director information and remuneration is accurate, complete and transparent.

SOCIAL AND ETHICS COMMITTEE

Members

R Kisten (chair)
EDJ Ashkar
SL Ndwalaza

Invitees

CJ van Dyk
MB Mokwena-Halala
Other members of senior management as may be required
Company Secretary

Role and function

The role of the committee is to assist our board with the oversight of social and ethical matters relating to our Group, specifically as listed in regulation 43(5) of the Companies Act. The complete report of its activities is included on page 69.

REPORT FROM THE AUDIT COMMITTEE

This is an independent statutory committee, appointed by our shareholders. Our board adopts terms of reference for the committee, which contain additional duties delegated to it by our board. These duties are included in this report.

Members, meeting attendance, and assessment

The committee consists of three non-executive directors. They meet at least twice per year, in accordance with the committee's terms of reference. Four meetings were held in the year under review.

Our Group CEO, Group CFO, other members of senior management, external and internal auditors, and selected specialists, notably from the actuarial, legal and compliance departments, attend the meetings by invitation.

Duties of the committee

The committee's role and responsibilities include statutory duties under the Companies Act and Long-term Insurance Act, as well as further duties and responsibilities assigned to it by our board.

Statutory duties and duties assigned by the board

The committee is satisfied that the external auditor, during the period under review, was independent of our Group as required by section 94(8) of the Companies Act. For this purpose it considered previous appointments of the auditor, the extent of other work done by the auditor for us, and compliance criteria relating to independence or conflicts of interest prescribed by the Independent regulatory board for auditors.

The committee, in consultation with executive management, agreed to the auditor's engagement letter, terms of engagement, audit plan and budgeted audit fees for the 2018 financial year.

Financial statements and accounting practices

The committee has reviewed the accounting policies and financial statements of our Group, and is satisfied that they are correct and comply with International Financial Reporting Standards.

A process has been established for the committee to receive and deal appropriately with concerns and complaints relating to the reporting practices of our Group. No matters of significance have been raised in the year under review.

Internal financial controls

The committee oversaw the assessment by our internal auditors of the effectiveness of our internal control, including internal financial controls. From this assessment nothing came to the attention of our audit committee that would indicate a material breakdown in controls.

Going concern

The committee has reviewed a documented assessment, including key assumptions, prepared by management of the going-concern status of our Group. Our board's statement about our going-concern status, as supported by the committee, is documented in our annual financial statements.

Internal audit

The committee is responsible for ensuring that our internal audit function is independent, and has the necessary resources and authority to enable it to duly fulfil its duties. The internal audit function has been outsourced to KPMG, which has direct access to the committee, primarily through the committee's chairperson.

The committee approved the annual audit plan for the internal audit function for the new financial year. KPMG is responsible for reporting the findings of the internal audit work against the internal audit plan to the committee on a regular basis.

**KPMG was replaced as an internal auditor by Ernst & Young with effect from 1 July 2018.*

Evaluation of the expertise and experience of our Group CFO, and of our finance function

The committee is satisfied that our Group CFO has appropriate expertise and experience.

The committee, having considered this, is satisfied that we have appropriate expertise, sufficiently experienced senior management, and adequate financial resources, for the financial function.

Governance of risk

The committee forms an integral part of the risk management framework. The board specifically assigns oversight of the Group's financial risk management function to the audit committee in respect of financial reporting risks, internal financial controls, fraud and information technology risks relating to financial reporting, and compliance with laws and regulations.

External audit

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

Other duties

The committee oversees the compilation of our integrated report and reporting process. It considered the information about our sustainability, as disclosed in the integrated report, and has assessed its consistency with operational and other information known to members of the committee, and for equivalence with our annual financial statements.

The committee is satisfied that the sustainability information is reliable and consistent with our financial results, and recommends the integrated report for approval by our board.

A framework and three year phase-in plan are currently being developed to address combined assurance in the Assopol Group.



 **IT GOVERNANCE**

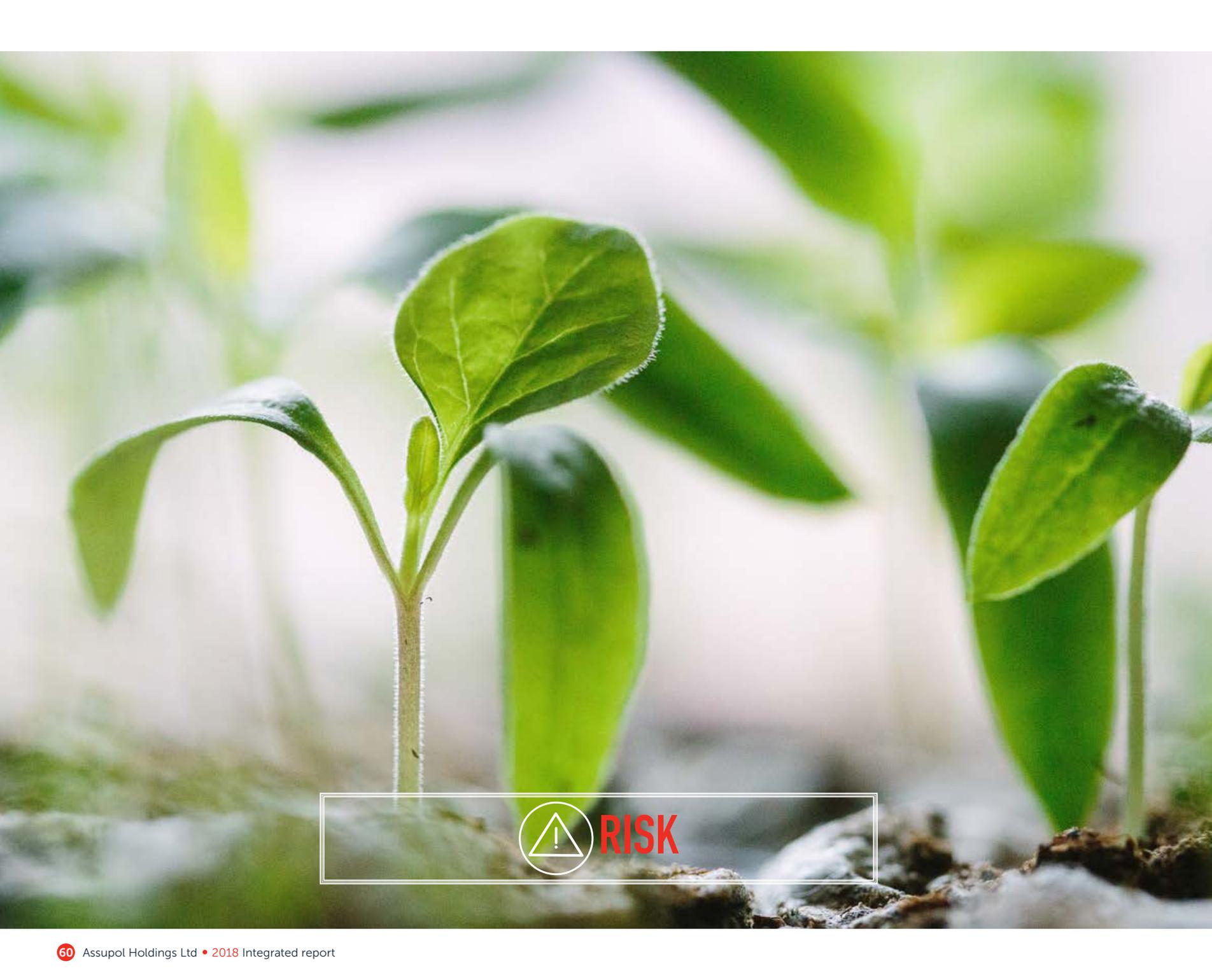
Assupol is an information technology (IT)-pervasive organisation. To this end IT governance is imperative in Assupol to ensure appropriate IT risk management practices are in place. The Assupol board is ultimately responsible for IT governance and the implementation of overall IT strategy.

Assupol has an IT Steering Committee which is a sub-committee of the IT Exco. The IT Steering Committee is chaired by an independent consultant. The responsibilities of the committee include:

- the formal approval and constant reviewing of an appropriate IT strategy for the Group, that will ensure sustainable IT performance and business delivery;
- ensuring that the appropriate IT management processes and practices are in place to enable effective delivery to business;
- ensuring that the appropriate technologies and IT skills are in place to deliver to business needs;
- ensuring that the IT governance frameworks and risk management processes are in place in order to manage IT within the required level of risk appetite as required by the Group;
- reviewing and approving the IT operational and capital expenditure budgets in association with the IT and business strategy of the group;
- reviewing and approving the implementation of new technologies as well as new technology partners;
- providing input and reviewing internal and external IT audit plans; and
- monitoring the delivery of strategic IT projects.

The Risk Management Department has a close working relationship with IT, and cyber security has a specific focus in the Group through the Information Security Forum. Business Continuity Management is managed through the Business Continuity Steering Committee.





 **RISK**

WE FOCUS ON MANAGING RISK WELL

As a financial services group, Assupol is understandably exposed to a variety of risks, hence strong risk management across all disciplines is a critical competence and an integral part of Assupol's good business practice. The board takes ultimate accountability for the management of risks in Assupol.

Over the past year we continued to improve our formal risk management framework, structures and practices, and to increase risk awareness in all operational areas. Our *Own Risk and Solvency Assessment* (ORSA) was enhanced, in content and value, via active involvement from our board and executives. The first live version will be submitted to the Financial Sector Conduct Authority (FSCA) in December 2018.

Over the course of the year we evaluated and implemented the Prudential Authority's requirements as set out in the Governance and Operational Standards for Insurers. Where necessary, we made amendments to our existing risk management framework in order to ensure that we fully complied with these.

The King IV report was published during the year, and we reviewed and updated our risk management and governance framework and structures where required in order to incorporate the updated requirements of King IV. We believe that the sustainability of our Group's business has been further enhanced by the continued formalisation and expansion of our risk management processes, and their entrenchment in our business practices.

OUR RISK MANAGEMENT FRAMEWORK

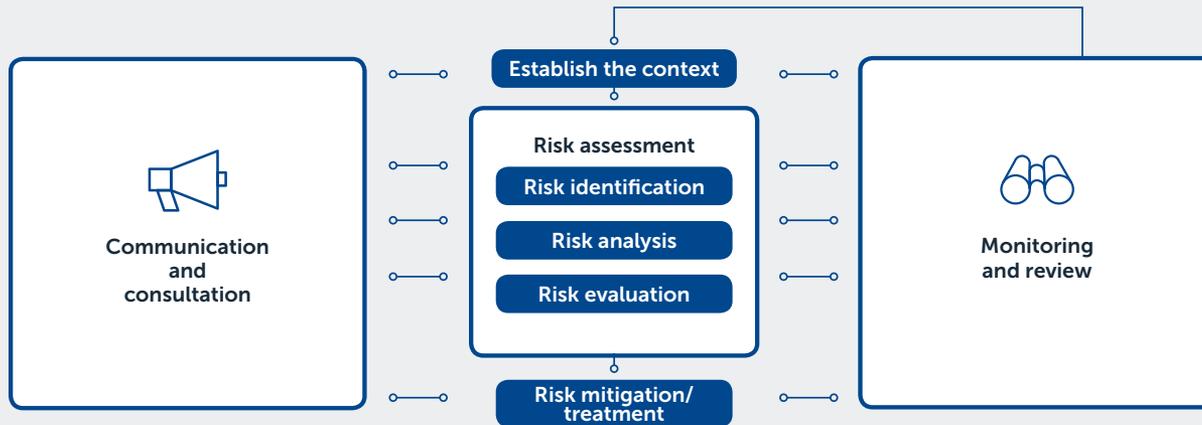
Our Group's formal risk management approach consists of our risk management framework and associated policies required by the Governance and Operational Standards for Insurers. This approach fully complies with the requirements of the Solvency Assessment and Management (SAM) framework, mandated by the Prudential Authority.

Key features of our risk-management measures

1. The boards' Risk Committee oversees our Group's risk management framework, process and structures. More information about this committee is given in the corporate governance section on page 55.
2. Our Group Executive Committee takes primary responsibility for the design, implementation and maintenance of an effective risk programme.
3. A formal risk management process is implemented and monitored by our Risk Management function.
4. Each department is responsible for its individual business functions, and to manage the risks to which it is exposed.
5. Processes are in place to monitor and review the effectiveness of our risk management framework on an annual basis, and to implement improvements where required.

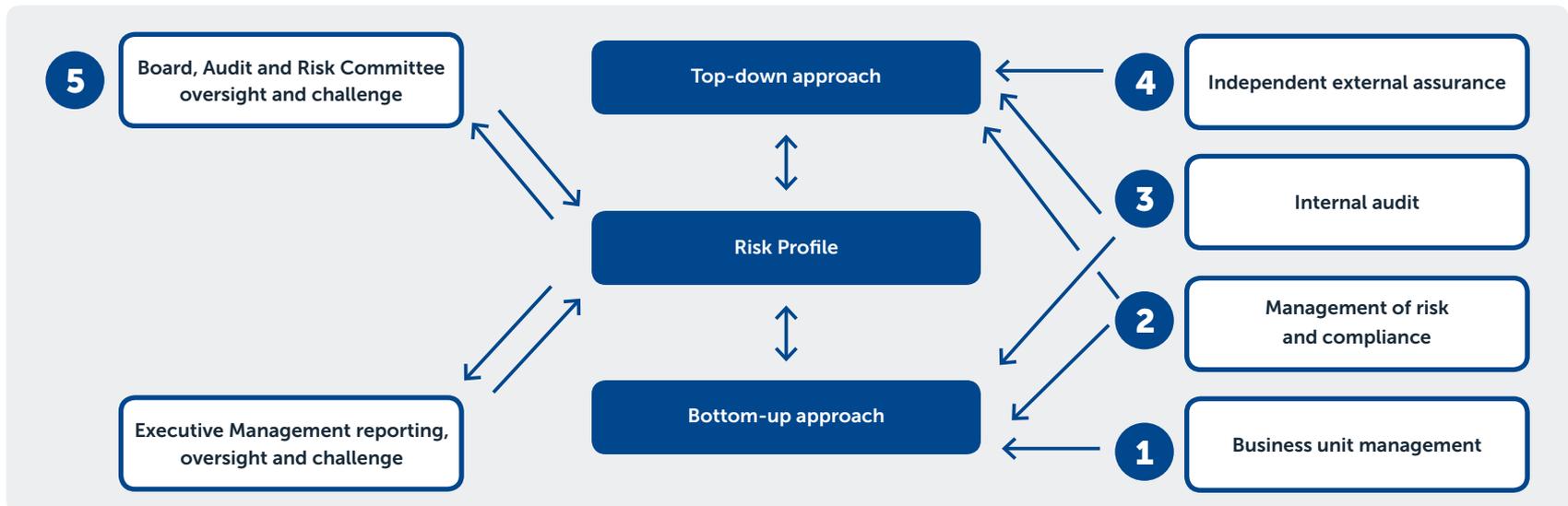
IMPLEMENTING RISK MANAGEMENT

The following diagram gives a bird's eye view of our integrated risk management process:



COMBINED ASSURANCE

In order to ensure that risks are managed and that the board gains comfort that controls are effective, we have implemented a combined assurance process. Combined assurance integrates and aligns assurance processes to maximise risk and governance oversight and control efficiencies, and to optimise overall assurance to the Audit Committee, Risk Committee and board, taking into account Assupol's risk appetite and tolerances. The five lines of assurance are incorporated to provide assurance where required. The following diagram provides an overview of how this is implemented:



RISK CATEGORIES

Risks are classified in the following categories in our risk management framework:

1. Strategic
2. Insurance – underwriting, reserving, reinsurance, asset/liability matching
3. Financial – market, credit, liquidity, concentration
4. Operational
5. Regulatory and compliance

OUR KEY RISKS, AND BRIEF DESCRIPTION OF HOW WE MANAGE THEM

| Category | Risk | Mitigation |
|-----------|---|--|
| Strategic | Not meeting customer expectations | <ul style="list-style-type: none"> • We have dedicated resources to drive our Treating Customers Fairly (TCF) assessment, identify necessary improvements and ensure these are implemented effectively |
| | Concentration risk in distribution and product | <ul style="list-style-type: none"> • We have implemented a specific diversification strategy to expand our distribution channels, including a successful direct sales channel • We are expanding our product range |
| Insurance | Death and disability not insured at correct levels and premiums | <ul style="list-style-type: none"> • With our defined application and underwriting process, we accept insurance risk only up to certain limits • We are able to re-price our products should the premiums become inadequate |
| | Adverse mortality, withdrawal, and expense experience | <ul style="list-style-type: none"> • We do annual and quarterly experience analyses on claims, withdrawals and expenses, to detect areas of loss and to make necessary adjustments |
| | Policyholder liabilities not estimated reliably | <ul style="list-style-type: none"> • Our internal actuarial team models and sets parameters for the actuarial valuation in accordance with guidance and industry practice • Our independent statutory actuary reviews the parameters and assumptions, and suggests or determines necessary changes |
| | Not meeting solvency requirements | <ul style="list-style-type: none"> • Assupol Life is adequately capitalised, and the Solvency Capital Ratio (SCR) is monitored on an ongoing basis • A variety of sensitivities and stress scenarios over a five-year projection horizon are produced and analysed |

| Category | Risk | Mitigation |
|---------------------------|--|--|
| Financial | Losing money from investments as a result of bad credit | <ul style="list-style-type: none"> We have a conservative investment strategy, and our asset managers may only invest in investment-grade instruments as per our detailed investment management mandates |
| | Possible credit losses from our trading partners | <ul style="list-style-type: none"> Our insurance contracts are subjected to a monthly lapse test that uses criteria as approved by our Actuarial Committee Credit risk from intermediaries is monitored on a monthly basis by our Credit Control Committee |
| | Our investments decreasing in value | <ul style="list-style-type: none"> We have invested our assets in a diversified portfolio of equities, bonds and cash, so that the risk is spread A prudent investment strategy is followed Our asset managers may invest only according to mandates that have been approved by our Investment Committee |
| | Group liquidity challenges | <ul style="list-style-type: none"> All Group companies do detailed budget modelling prior to board approval, which indicate they have sufficient liquid financial resources for the financial year Short-term finance can be obtained to cover any immediate need, should that arise Long-term finance requirements can be met by liquidating invested assets over time, thereby minimising possible losses We undertake liquidity stress modelling to ensure we hold adequate liquidity, as part of our regular going concern assessments |
| Operational | Key dependency on our IT environment | <ul style="list-style-type: none"> Our IT server environment has been largely virtualised, thereby ensuring redundancy An off-site disaster recovery centre is in place for critical IT services |
| | Premium collection | <ul style="list-style-type: none"> A large proportion of our premiums are collected through stable payroll deduction systems, which ensures a very high rate of success in the collection of premiums |
| | Impact of fraud on new business and claims | <ul style="list-style-type: none"> We monitor and improve our controls on a continuous basis to ensure that fraud is detected, and fraud losses therefore are minimised. |
| | Attract and retain the right staff with the correct skills | <ul style="list-style-type: none"> We conduct competency-based interviews, pay market-related salaries, and have implemented staff retention incentives, whereby staff share in efficiency improvements and good financial performance |
| Regulatory and compliance | Keeping abreast of new legislation | <ul style="list-style-type: none"> Our legal department monitors legislative changes, and alerts our group of applicable changes and their possible business implications We engage specifically in new legislation relating to micro-insurance and the Retail Distribution Review (RDR) |
| | Compliance with relevant major legislation | <ul style="list-style-type: none"> Our compliance department monitors compliance with relevant major laws |

RISK APPETITE

Assupol manages its capital position with reference to its internal capital model and its dividend policy, while ensuring that its minimum statutory capital ratio risk appetite is exceeded at all times.

OWN RISK AND SOLVENCY ASSESSMENT

On an annual basis, as part of our ORSA process, Assupol projects its expected SAM solvency position forward for a period of five years, using as a base its business plans and budgets. In addition, on request from the board, the projected solvency position is tested under a range of more than 20 sensitivities and scenarios, including scenarios with high new business growth rates as well as a number of unlikely, extremely negative scenarios.

The assessments done during the period under review confirmed again that Assupol is expected to maintain a robust SAM solvency position with a very high degree of certainty.

Key milestones during the period under review

1. We reviewed and improved our risk management framework, our risk management policies and their implementation.
2. A capital management framework and an internal capital management model were developed, approved and adopted.
3. Our third mock ORSA, covering an extensive range of sensitivities and scenarios, was submitted to the FSCA. The board's mid-year strategy workshop included consideration of scenarios in preparation for the 2018 ORSA.
4. We migrated our risk data to a database and implemented an application to accurately capture our risk data, supporting rapid reporting, escalation and data integrity.
5. Key risk indicators were developed and implemented within operational units to assist in managing the risk.

6. Our Business Continuity Management framework and Business Continuity Plan were updated and tested.
7. We undertook ongoing risk training and awareness campaigns to ensure that our employees have the knowledge, awareness and inclination to identify and manage risks in their business areas.

The primary focus of our risk management function remains to embed risk management within each business area, confirm that strategy fully considers relevant risks, and to ensure the optimal allocation of, and return on, Assupol's capital by measuring and understanding the key risk-reward relationships.



 **COMPLIANCE**



WE TAKE COMPLIANCE SERIOUSLY

Assupol's compliance function is mandated through our Compliance Charter. The charter intends to strengthen the effectiveness of compliance in our Group.

The purpose of the charter, which is endorsed by our board, is to define our philosophy on, our approach to, and the governance of, the compliance function and compliance risk management.

Our compliance philosophy

Our mission is to serve those who serve, and our core value is to treat our clients fairly. We are committed to operating an efficient and profitable business, taking into consideration all regulatory and supervisory requirements.

The mission of our compliance function is to:

- Support the members of our Group and their management in achieving these principles by compliance-management practices that contribute to sound and responsible business practices and integrity of the products and services we provide; and
- Support the business by incorporating these principles in their day-to-day operations.

For our compliance function to perform its task adequately, independently and objectively, and for it to have the appropriate level of independence, it reports directly to our Life CEO, and functionally to our board. The compliance function must not have any operational responsibilities that could pose a conflict of interest and impair independent reporting.

To effectively implement and maintain a valuable and efficient compliance function, it must have direct access and positive support from our board.

The ultimate responsibility for compliance with the statutory and regulatory requirements rests with our board. Therefore, our compliance function is centralised to enable our board to have a comprehensive view and understanding of the compliance risk and its evolution across our Group.

Compliance risk

This is the risk of incurring sanctions, or suffering material financial or reputational loss, because of failure to comply with legislation, regulations, rules or self-regulatory standards and codes.

To avoid compliance risk we strive to be compliant with all applicable legislation, regulations, rules, and standards and codes as well as with internal company rules and policies governing our operations, and to establish good business practices. We ensure that this requirement is embedded in our business culture and operations.

Compliance risk appetite

Compliance risk in our Group is managed in line with the risk appetite approved by our board from time to time.



 **REMUNERATION**

EXECUTIVE AND EMPLOYEE REMUNERATION

As a Group, Assupol strives to remunerate executives and employees between the median and upper quartiles (as defined by an independent remuneration survey) and measured on a total reward basis (i.e. on the total remuneration package), including the guaranteed as well as short- and long-term incentive elements thereof.

Within the total reward context, the benchmarking bias will always be towards the incentive (at risk) elements of the remuneration packages, with less emphasis on the benchmarking of the guaranteed element of the total remuneration package.

We recognise that the executive management team has a material influence on our Group's performance and growth, and as such the variable compensation (short and long-term incentives) makes up a meaningful part of their total compensation. Variable compensation is directly linked to the performance of our Group. An optimal balance between short and longer term incentives is sought to ensure the alignment of the interests of executives and the interests of shareholders. This balance is also based on a total reward concept and ensures that short-term success is not striven for at the cost of undue risk or adversely affecting long-term sustainability.

A single incentive pool scheme is utilised to cover both short- and long-term incentives for all executives and other employees. Effectively, there

The Remuneration Committee (Remco), is pleased to present Assupol's 2018 Remuneration Committee report.

The board is ultimately responsible for the remuneration policy. To assist the board in fulfilling its responsibilities, it has appointed and mandated a Remco. Remco functions as a sub-committee of the board in terms of an agreed mandate and evaluates and monitors the Group's remuneration philosophy and practices to ensure consistency with governance principles and corporate strategy.

It comprises three non-executive directors who are tasked with guiding and overseeing the structure and implementation of the Group's remuneration policies. The committee ensures that the remuneration philosophy, policy and human capital practices support Assupol's strategic objectives to enable the attraction, motivation and retention of high caliber employees and senior executives in order to maximise shareholder value while also complying with legislation and the requirements of King Code of Corporate Governance (King VI). It ensures that the company's remuneration philosophy and policy are competitive and meet best practice standards, in support of the group's strategic objectives.

Two of the three non-executive directors on the committee are independent, and one of the independent directors serves as the committee chair. The membership of the committee therefore complies with both King VI and the JSE Listings Requirements which advocate a majority of

independent non-executive directors. The Group CEO and Human Resources Director attend the meetings by invitation and recuse themselves before any decisions are made pertaining to their remuneration. The chairperson of the Remuneration Committee provides feedback to the board after each Remco meeting.

The committee has an independent oversight role in respect of all remuneration and employee related matters for the company. It determines the policy for remunerating executives and non-executive directors. The board recommends the fees for non-executive directors to shareholders for approval at the annual general meeting (AGM).

The committee's key objectives are to enable Assupol to reward performance in the context of appropriate risk management, align the interests of executives and staff with those of shareholders and to build and maintain a sustainable performance-based culture within the organisation.

Importantly, the remuneration philosophy supports the Group's business strategy by aligning strategic goals with organisational behaviour based on meritocracy and performance. Focus is also placed on ensuring alignment of the remuneration policies with the relevant regulatory and governance requirements, including those of King IV.



is one incentive scheme for both short- and long-term incentives, with the bias towards the deferment of rewards.

Critically important for the Group and its shareholders is the fact that all incentives are based on solid risk adjusted return-on-capital principles. Strict alignment with the interests of shareholders is gained through the existence of an incentive pool that is driven by excess return on capital that meets stated after tax net profit hurdle requirements.

By employing a blended and measured approach to incentives, there is strong mitigation against risk taking to achieve short-term objectives, which can undermine longer term goals.

NON-EXECUTIVE DIRECTORS' REMUNERATION

Non-executive directors do not have service contracts and do not participate in any of the company's short or long-term incentive schemes. No shares are granted to them. The non-executive board member fee structure has two components namely; an annual retainer component and a board or board committee meeting attendance fee.

The remuneration committee reviews the fees paid to non-executive directors annually by taking into consideration the individuals' responsibilities and board committee membership. The chairperson is not present when his or her remuneration is reviewed. In addition, from time to time, the fees are benchmarked to other financial services companies

and companies of a similar size to ensure that the fees remain competitive. Recommendations are made to the board for consideration and taken to the annual general meeting for shareholder approval.

REPORT ON ACTIVITIES

Changes to the committee

During the period under review, Ms Taurai Muranda resigned from the board and therefore from the position of chairperson of the committee. Mr Andrew Birrell chaired the committee meeting held in February 2018 on an interim basis, and Mr Ranti Mothapo was thereafter appointed chairperson.

Restraint agreements for senior management

A number of amendments were made to restraint agreements for senior management, in order to align with recent legal developments.

Assupol Retirement Fund Transfer

Remco received a presentation from the Trustees of the Assupol Retirement Fund on the transfer of the fund from a standalone to an Umbrella Fund. This process is still in progress given a number of clarifications that have been requested.

Executive Succession Planning

Remco reviewed the existing policy and recommended a number of changes which were approved by the board.

PwC benchmark report

Remco received and noted the PwC Market Positioning Report on Assupol. The key findings of the report were that, in general, the majority of Assupol employees compare favourably to the insurance and financial services markets in relation to grade analysis, total guaranteed pay and short-term incentive pay.

Incentive based remuneration

Remco reviewed the incentive pool arising in respect of the previous financial year and the proposed allocation to employees, including the split, where relevant, between short-term and long-term (deferred) incentives.



 **SOCIAL AND ETHICS**



The Social and Ethics Committee assists our board in protecting our Group's reputation as a good, responsible corporate citizen. Rojje Kisten (chairperson), Eddie Ashkar, and Siphilwe Ndwalaza are the three members of the committee.

This report gives an overview of the committee's performance in the year under review.

The committee's role and responsibilities are set out in the formal terms of reference by which it is governed. The committee has, in the year under review, properly reviewed these terms of reference.

The committee has successfully carried out its duties. It has, notably:

- Supervised the implementation of Assupol's code of conduct, which aims to set the standard by which the conduct of our Group is measured;
- Monitored our compliance with the Employment Equity Act, as well as our standing in terms of the Broad-Based Black Economic Empowerment Act;
- Supervised our labour relations;
- Evaluated our social and community investment initiatives; and
- Reviewed reports about the training and development of our employees.

Assupol, in its interaction with our policyholders, service providers, competitors and employees, exercises the highest standard of ethical behaviour. All conduct must also comply with applicable laws and regulations.

The King Code of Governance Principles (King IV) defines ethics as considering "what is good and right for the self and the other". This can be expressed in terms of the golden rule: "treat others as you would treat yourself." In the context of organisations, ethics refers to ethical values applied to decision-making, conduct, and the relationship between the organisation, its stakeholders and the broader society.

King IV also defines the concept of "integrity" as being honest and having strong moral principles – which includes consistency between stated moral and ethical standards, and actual conduct.

Our board is ultimately responsible for the establishment and upholding of an ethical culture in our Group. It gives direction on how we must approach and apply ethics. To this end, our board has approved the Code.

Adherence to the Code is a significant indicator of an employee's judgement and competence. The Code requires that appropriate action be taken against those who disregard its principles.

The committee continued to investigate and oversee our market-conduct risks. In this regard it has overseen the establishment of a market-conduct framework to ensure that Assupol consistently achieves outcomes that are fair to our clients.

In the year under review the committee's role has been expanded to include the oversight of our

implementation of King IV. The committee continued to monitor our adherence to King IV.

This report, which outlines how the committee performed its statutory duties, was prepared in accordance with the requirements of the Companies Act. As required by the Act, the committee confirms that it is satisfied that it has fulfilled its duties during the year under review.

The committee is required to report, through one of its members, to our shareholders on the matters within the committee's mandate at our annual general meeting. In the notice of the meeting, shareholders are referred to this report.



 **CONDENSED**
FINANCIAL RESULTS



GROUP REVIEW

for the year ended 30 June 2018

Significant developments during the year

In June 2018 the shares of Assupol Holdings were listed on the 4Africa Exchange (4AX). This will improve the efficiency of the share trading process for current and future shareholders. The Group acquired 100% of the shareholding in Top Top Business Consultants (Pty) Ltd on 30 June 2018. The company provides administration services to financial services intermediaries. Refer to note 10 on the condensed financial statements. The operations of the subsidiary, Cornerstone Brokers Corporate (Pty) Ltd, which provided intermediary services to a defined target market, was sold to Assupol Life on 1 July 2017. The rationale was to improve operational and administration efficiencies within the Group.

Group results

The Assupol Group presents the unaudited condensed results for the year ended 30 June 2018. The Assupol Group delivered a solid performance during a financial year that was again challenged by a demanding operating environment. New business volumes were affected by these conditions but through a disciplined approach to the management of expenses and service delivery to clients, the Group met its growth targets. The adjusted operating profit, a metric which reflects management's view of the underlying long-term profitability of the Group, showed growth of 20.85%. The South African investment markets performed better during the current year in comparison to the past few years with after-tax returns on excess assets exceeding the long-term investment return assumption by R27 million compared to R10 million in 2017.

Expense management remained a key focus area, resulting in a release of the renewal expense reserve on policyholder liabilities to an amount of R124.2 million after taxation (2017: R113.2 million).

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

| Earnings performance | 2018 | 2017 | Change |
|--|-------|-------|--------|
| Gross insurance premium revenue (R'm) | 2 934 | 2 690 | 9.07% |
| Net profit attributable to ordinary shareholders (R'm) | 847 | 771 | 9.86% |
| Value of new business (R'm) | 388 | 350 | 10.97% |
| Adjusted operating profit (R'm) ^(a) | 713 | 590 | 20.85% |
| Return on equity | 26% | 29% | |

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

| New business | 2018 | 2017 | Change |
|---|-------|-------|---------|
| Recurring premiums | 891 | 791 | 12.64% |
| Single premiums | 191 | 521 | -63.27% |
| Total new business premiums | 1 082 | 1 312 | -17.50% |
| Annual premium equivalent (APE) | 910 | 843 | 7.95% |
| Present value of new business premiums (PV NBP) | 3 719 | 3 688 | 0.85% |
| Value of new business margin | 10.4% | 9.6% | 8.43% |

New business premiums were up by 7.95% on an APE basis and 0.85% on a PV NBP basis. The growth in recurring premiums can be attributed to the good performance from direct marketing.

| Group embedded value (R'm) | 2018 | 2017 |
|--------------------------------------|--------|--------|
| Embedded value of covered business | 4 496 | 3 579 |
| Adjusted net worth | 1 301 | 1 055 |
| Value of in-force | 3 671 | 2 926 |
| Cost of required capital | (294) | (233) |
| Expense adjustment | (182) | (169) |
| Embedded value of uncovered business | 67 | (7) |
| Adjusted net worth | 89 | 37 |
| Expense adjustment | (22) | (44) |
| Group embedded value at year end | 4 563 | 3 572 |
| Return on embedded value (%) | 33.49% | 30.80% |



| Embedded value earnings - 2018 (R'm) | Adjusted net worth | Value of in-force | Cost of required capital | Total |
|--------------------------------------|--------------------|-------------------|--------------------------|-------|
| Embedded value of covered business | 1 301 | 3 489 | (294) | 4 496 |
| Embedded value of uncovered business | 89 | (22) | - | 67 |
| Group embedded value at 30 June 2018 | 1 390 | 3 467 | (294) | 4 563 |

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

| Share statistics | Note | 2018 | 2017 | Change |
|--|------|---------|---------|--------|
| Share price - closing (R) ^(b) | | 9.20 | 5.85 | 57.26% |
| Number of ordinary shares in issue ('000) | | 421 975 | 416 338 | 1.35% |
| Market capitalisation (R'm) ^(b) | | 3 882 | 2 436 | 59.36% |
| Earnings per share (R) | | 2.31 | 2.25 | 2.74% |
| Diluted earnings per share (R) | | 2.11 | 2.01 | 5.33% |
| Diluted AOP per share (R) | | 1.73 | 1.49 | 15.82% |
| Group embedded value per share (R) | | 10.82 | 8.58 | 26.09% |
| Dividends per qualifying ordinary shares (cents) | 1 | 96 | 56 | 71.43% |

^(b) Market information is based on the trading platform on which the company's shares trade.

1. DIVIDEND DECLARATION

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

| Cents | 2018 | 2017 |
|--|------|------|
| Declared on 27 September 2018 (paid 15 October 2018) | | |
| Cash dividend | 54 | - |
| Special dividend | 42 | - |
| | 96 | - |
| Declared on 15 September 2017 (paid 13 October 2017) | | |
| Cash dividend | - | 48 |
| Special dividend | - | 8 |
| | - | 56 |

The qualifying ordinary shares excludes the ordinary shares issued to the Assupol Share Incentive Trust, the 'A2' ordinary shares, and the 'B' shares.

2. SUBSEQUENT EVENTS

Insurance Act, no 18 of 2017

The Insurance Act became effective on 1 July 2018, which in turn gave effect to the new "Twin Peaks" regulatory framework. The Prudential Authority implemented the Solvency Assessment and Management framework (SAM) on 1 July 2018, providing a revised set of solvency capital requirements, risk management standards and disclosure requirements for the insurance industry. The Assupol Group was not required to comply with these requirements as its year-end is prior to the implementation date. The Group will be in full compliance with the requirements for the next financial year.

Income Tax Act, no 58 of 1962

Section 29A of the Income Tax Act which provides the legislative framework for the taxation of life insurers, was amended from 1 July 2018. The amendments relate largely to the change in the valuation of policyholder liabilities, for taxation purposes, from the statutory valuation method to the "adjusted IFRS value". Provisions in the Act are being evaluated by Assupol Life in conjunction with taxation consultants and the regulating authorities. The impact thereof is being considered by management on an on-going basis.

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2018

| R'000 | Notes | 2018 | 2017 |
|--|-------|--------------------|--------------------|
| Insurance premiums revenue | | 2 933 533 | 2 689 623 |
| Insurance premiums ceded to reinsurers | | (234 253) | (237 822) |
| <i>Net insurance premium revenue</i> | | 2 699 280 | 2 451 801 |
| Commission received on outward reinsurance | | 7 222 | 11 624 |
| Fee income | | 66 653 | 77 842 |
| Investment income | | 253 446 | 187 826 |
| Net fair value gains / (losses) on financial assets | | 129 394 | (49 097) |
| Other income | | (373) | 1 437 |
| Income | | 3 155 622 | 2 681 433 |
| Insurance benefits and claims | | (976 742) | (995 698) |
| Insurance claims recovered from reinsurers | | 224 643 | 208 815 |
| <i>Net insurance benefits and claims</i> | | (752 099) | (786 883) |
| Commission expenses | | (631 277) | (536 552) |
| Operating and administrative expenses | | (977 532) | (841 542) |
| Investment management expenses | | (10 790) | (12 661) |
| Change in insurance contract provisions | 3.1 | 532 926 | 579 107 |
| Fair value adjustments on investment contract liabilities | | (123 475) | (19 068) |
| Expenses | | (1 962 247) | (1 617 599) |
| Result of operating activities | | 1 193 375 | 1 063 834 |
| Finance charges | | (14 221) | (26) |
| Profit before taxation | | 1 179 154 | 1 063 808 |
| Income tax expense | | (332 259) | (292 624) |
| PROFIT FOR THE YEAR | | 846 895 | 771 184 |
| Other comprehensive income | | | |
| Realised revaluation reserve on sale of property held for sale | | - | (3 647) |
| Other comprehensive income for the year | | | (3 647) |
| TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR | | 846 895 | 767 537 |
| Profit attributable to: | | | |
| Shareholders | | 846 895 | 771 184 |
| Total comprehensive income attributable to: | | | |
| Shareholders | | 846 895 | 767 537 |
| Group earnings per share | | | |
| Basic earnings per share | | 2.31 | 2.25 |
| Diluted earnings per share | | 2.11 | 2.01 |

STATEMENT OF FINANCIAL POSITION

as at 30 June 2018

| R'000 | Notes | 2018 | 2017 |
|--|-------|------------------|-------------------|
| ASSETS | | | |
| Property and equipment | 6 | 250 699 | 67 802 |
| Deferred tax asset | | - | 50 026 |
| Intangible assets | | 137 668 | 102 756 |
| Financial assets: Investments | | | |
| At fair value through profit or loss | | | |
| Equity securities | | 1 205 706 | 1 083 596 |
| Debt securities | | 1 145 601 | 855 348 |
| Deposits and money market securities | | 883 773 | 890 045 |
| At amortised cost | | | |
| Deposits and money market securities | | 756 524 | 515 776 |
| Policyholder assets | | | |
| Insurance contracts | | 2 424 981 | 1 870 751 |
| Reinsurance asset | | 3 515 | 24 819 |
| Insurance and other receivables | | 132 197 | 110 474 |
| Current taxation | | 3 031 | - |
| Cash and cash equivalents | | 346 698 | 304 718 |
| Non-current assets held for sale | 7 | - | 13 570 |
| TOTAL ASSETS | | 7 290 393 | 5 889 681 |
| EQUITY | | | |
| Ordinary shareholders' interest | | 3 684 264 | 2 944 422 |
| Share capital | | 639 438 | 601 808 |
| Treasury shares | | (68 106) | (39 196) |
| Employee benefits reserve | 8 | 167 485 | 74 504 |
| Black Economic Empowerment reserve | | 14 300 | 14 300 |
| Retained earnings | | 2 931 147 | 2 293 006 |
| TOTAL EQUITY | | 3 684 264 | 2 944 422 |
| LIABILITIES | | | |
| Policyholder liabilities: Investment contracts | | | |
| At fair value through profit or loss | | 1 449 596 | 1 311 317 |
| At amortised cost | | 727 797 | 506 207 |
| Employee benefits | 8 | 79 501 | 133 516 |
| Deferred revenue liability | | 511 | 458 |
| Deferred tax liability | | 839 869 | 712 713 |
| Insurance and other payables | 6 | 508 855 | 266 779 |
| Current taxation | | - | 14 269 |
| TOTAL LIABILITIES | | 3 606 129 | 2 945 2597 |
| TOTAL EQUITY AND LIABILITIES | | 7 290 393 | 5 889 681 |

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2018

| R'000 | Share capital | Treasury shares | Employee benefits reserve | BEE reserve | Retained income | Revaluation reserve | Total capital |
|---|---------------|-----------------|---------------------------|-------------|-----------------|---------------------|---------------|
| Balance at 30 June 2016 | 572 965 | (30) | 45 756 | 14 300 | 1 720 370 | 3 647 | 2 357 008 |
| B shares issued | 28 843 | (28 843) | - | - | - | - | - |
| Investment in holdings company | - | (10 329) | - | - | - | - | (10 329) |
| Cost of incentive shares | - | - | 4 878 | - | - | - | 4 878 |
| Share incentive options exercised | - | 6 | (6) | - | - | - | - |
| Deferred bonus recognition | - | - | 23 876 | - | - | - | 23 876 |
| Dividend paid | - | - | - | - | (202 195) | - | (202 195) |
| Profit for the year | - | - | - | - | 771 184 | - | 771 184 |
| Other comprehensive income for the year | - | - | - | - | 3 647 | (3 647) | - |
| Balance at 30 June 2017 | 601 808 | (39 196) | 74 504 | 14 300 | 2 293 006 | - | 2 944 422 |
| B shares issued | 36 742 | (36 742) | - | - | - | - | - |
| Investment in holdings company | - | 7 824 | - | - | - | - | 7 824 |
| Cost of incentive shares | - | - | 2 045 | - | - | - | 2 045 |
| Share incentive options exercised | - | 8 | (8) | - | - | - | - |
| Deferred bonus recognition | - | - | 33 277 | - | - | - | 33 277 |
| Cost of executive directors' share scheme | - | - | 57 667 | - | - | - | 57 667 |
| Dividend paid | - | - | - | - | (209 616) | - | (209 616) |
| Adjustment of redemption on preference shares | 888 | - | - | - | 862 | - | 1 750 |
| Profit for the year | - | - | - | - | 846 895 | - | 846 895 |
| Balance at 30 June 2018 | 639 438 | (68 106) | 167 485 | 14 300 | 2 931 147 | - | 3 684 264 |

CONDENSED STATEMENT OF CASH FLOWS

for the year ended 30 June 2018

| R'000 | 2018 | 2017 Restated* |
|--|-----------------|-------------------|
| Cash flows from operating activities | | |
| Cash generated from operations | 784 506 | 939 283 |
| Net acquisition of financial instruments | | |
| at fair value through profit or loss | (276 697) | (178 481) |
| at amortised cost | (240 748) | (515 776) |
| Investment income | 189 010 | 168 482 |
| Finance charges | (14 221) | (26) |
| Dividends paid | (209 616) | (202 195) |
| Taxation paid | (169 943) | (118 570) |
| Net cash flows from operating activities | 62 291 | 92 717 |
| Cash flows from investing activities | | |
| Acquisition and disposal of property and equipment | (10 624) | (23 224) |
| Payment for acquisition of subsidiary | (5 875) | - |
| Net cash flows from investing activities | (16 499) | (23 224) |
| Cash flows from financing activities | | |
| (Increase) / Decrease in treasury shares | 7 824 | (10 329) |
| Principal elements of lease payments | (11 636) | - |
| Net cash flows from financing activities | (3 812) | (10 329) |
| Net increase in cash and cash equivalents | 41 980 | 59 164 |
| Cash and cash equivalents at beginning of the year | 304 718 | 245 554 |
| Cash and cash equivalents at end of the year | 346 698 | 304 718 |

* The 2017 disclosure was restated as it incorrectly included non-cash items. The disclosure was adjusted with no impact on the Statement of Comprehensive Income or the Statement of Financial Position. The adjustment only affected the Statement of Cash Flows.



SEGMENT REPORT

for the year ended 30 June 2018

| R'000 | 2018 | 2017 |
|--|------------------|------------------|
| REVENUE | | |
| Segment revenue | 3 151 133 | 2 738 444 |
| Life insurance | 3 148 067 | 2 675 894 |
| Intermediaries | 2 356 | 59 915 |
| Other | 710 | 2 635 |
| Reporting adjustments | 4 489 | (57 011) |
| Group revenue for the year | 3 155 622 | 2 681 433 |
| SEGMENT PROFIT | | |
| Segment profit after taxation | 855 756 | 773 604 |
| Life insurance | 854 296 | 756 529 |
| Intermediaries | 1 486 | 15 352 |
| Other | (26) | 1 723 |
| Reporting adjustments after taxation | (8 861) | (2 419) |
| Group profit for the year | 846 895 | 771 184 |
| Other comprehensive income | - | (3 647) |
| Group comprehensive income for the year | 846 895 | 767 537 |
| SEGMENT ASSETS AND LIABILITIES | | |
| Segment assets | 7 157 108 | 5 749 957 |
| Life insurance | 7 091 941 | 5 675 047 |
| Intermediaries | 51 730 | 57 225 |
| Other | 13 437 | 17 685 |
| Reporting adjustments | 133 285 | 139 724 |
| Group assets | 7 290 393 | 5 889 681 |
| Segment liabilities | 3 562 144 | 2 833 386 |
| Life insurance | 3 558 603 | 2 825 486 |
| Intermediaries | 3 177 | 3 730 |
| Other | 364 | 4 170 |
| Reporting adjustments | 43 985 | 111 873 |
| Group liabilities | 3 606 129 | 2 945 259 |

NOTES TO THE FINANCIAL RESULTS

for the year ended 30 June 2018

1 GENERAL INFORMATION

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

The condensed financial results do not include all the information and disclosures required in the annual financial statements, and this report should be read in conjunction with the Group's annual financial statements as at 30 June 2018.

The condensed financial results have not been audited.

The accounting policies adopted are consistent with those of the previous financial year with the exception of the early adoption of the following standards:

IFRS 15 - Revenue from contracts with customers

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 goods or service transfers to a customer. The application of the standard had no impact on the recognition of fee income.

IFRS 16 - Leases

This standard requires of lessees to recognise lease liabilities reflecting future lease payments and right-to-use assets for all leases (with limited exceptions). The Group has adopted the standard prospectively from 1 July 2017, resulting in the recognition of a lease liability and right-to-use asset valued at R201.6m on 1 July 2017. The comparatives were not restated as permitted under in the transition provisions of the standard. Refer to note 6.

3 SUMMARY OF CRITICAL ACCOUNTING ESTIMATES

The Group makes estimates and assumptions concerning the future. The resulting estimates will seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below. Assumptions and estimates included in the Group financial results for the year ended 30 June 2018 relate to the items listed below.

3.1 Policyholder liabilities / assets under long-term insurance contracts

The determination of the liabilities / assets under long-term insurance contracts is dependent on assumptions and estimates made by the Group. The full details of these assumptions and estimates are in note 4 to the Group's annual financial statements for the year ended 30 June 2018.

3.2 Other assumptions and estimates

Other assumptions and estimates included in the Group's annual financial statements for the year ended 30 June 2018 addressed the following items:

- Impairment tests are performed on all cash generating units to which goodwill is allocated;
- The calculation of current and deferred tax;
- The determination of expense and liabilities concerning share-based payments;
- Measurement and accounting of lease assets, liabilities and finance charges in terms of IFRS16; and
- Valuation of trademark and customer relationships.

4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

4.1 Financial risk factors

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

4.2 Fair value estimation

The tables below analyse each class of financial instrument and insurance contracts, per category.

| June 2018 (R'000) | Financial assets and liabilities at FVTPL on initial recognition | Financial assets at amortised cost | Financial liabilities at amortised cost | Total carrying amount | Fair value |
|---------------------------------|--|------------------------------------|---|-----------------------|------------|
| Financial assets - Investments | 3 235 080 | 756 524 | - | 3 991 604 | 3 982 568 |
| Insurance and other receivables | - | 62 991 | - | 62 991 | 62 991 |
| Cash and cash equivalents | - | 346 698 | - | 346 698 | 346 698 |
| Investment contract liabilities | 1 449 596 | - | 727 797 | 2 177 393 | 2 173 253 |
| Deferred revenue liability | 511 | - | - | 511 | 511 |
| Payables | - | - | 256 991 | 256 991 | 256 991 |
| June 2017 (R'000) | | | | | |
| Financial assets - Investments | 2 828 989 | 515 776 | - | 3 344 765 | 3 343 658 |
| Insurance and other receivables | - | 27 878 | - | 27 878 | 27 878 |
| Cash and cash equivalents | - | 304 718 | - | 304 718 | 304 718 |
| Investment contract liabilities | 1 311 317 | - | 506 207 | 1 817 524 | 1 814 916 |
| Deferred revenue liability | 458 | - | - | 458 | 458 |
| Payables | - | - | 53 977 | 53 977 | 53 977 |

4.3 Fair value hierarchy

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

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

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

For level 1:

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

For level 2:

- The fair value of other financial assets and financial liabilities (excluding derivatives) is determined in accordance

with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

- Observable inputs generally used to measure the fair value of securities classified as level 2 include benchmark yields, reported secondary trades, broker-dealer quotes, issuer spreads, benchmark securities, bids, offers and reference data. The specific inputs used are:
 - Real risk free rate: 2.79%
 - Nominal risk free rate: 6.51% to 7.24%
 - Credit spread: 5.30%
- 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.



4.3 Fair value hierarchy (continued)

| June 2018 (R'000) | Level 1 | Level 2 | Level 3 | Total |
|--|-----------|-----------|---------|-----------|
| Financial assets designated as 'at fair value through profit or loss'* | 1 893 330 | 2 152 229 | - | 4 045 559 |
| Local listed shares | 909 862 | - | - | 909 862 |
| Derivatives | - | 11 784 | - | 11 784 |
| Unit trusts | 284 307 | - | - | 284 307 |
| Debt securities | 45 738 | 1 099 616 | - | 1 145 354 |
| Deposits and money market securities | 653 423 | 977 838 | - | 1 631 261 |
| Receivables | - | 62 991 | - | 62 991 |
| Total financial assets | 1 893 330 | 2 152 229 | - | 4 045 559 |
| Financial liabilities designated as 'at fair value through profit or loss' | | | | |
| Net investment contract liabilities | - | 2 173 253 | - | 2 173 253 |
| Other payables | - | 256 991 | - | 256 991 |
| Total financial liabilities | - | 2 430 244 | - | 2 430 244 |

| June 2017 (R'000) | Level 1 | Level 2 | Level 3 | Total |
|--|-----------|-----------|---------|-----------|
| Financial assets designated as 'at fair value through profit or loss'* | 1 624 604 | 1 746 932 | - | 3 371 536 |
| Local listed shares | 774 570 | 179 231 | - | 953 801 |
| Derivatives | - | 7 361 | - | 7 361 |
| Unit trusts | 123 284 | - | - | 123 284 |
| Debt securities | 74 860 | 779 638 | - | 854 498 |
| Deposits and money market securities | 651 890 | 752 824 | - | 1 404 714 |
| Receivables | - | 27 878 | - | 27 878 |
| Total financial assets | 1 624 604 | 1 746 932 | - | 3 371 536 |
| Financial liabilities designated as 'at fair value through profit or loss' | | | | |
| Net investment contract liabilities | - | 1 814 916 | - | 1 814 916 |
| Other payables | - | 53 977 | - | 53 977 |
| Total financial liabilities | - | 1 868 893 | - | 1 868 893 |

* Including fair values as per note 4.2.

4.3 Fair value hierarchy (continued)

The table below shows the transfer between the various levels

| | From level 1 to level 2 | From level 2 to level 1 |
|---|-------------------------|-------------------------|
| Change in validity of quoted prices - Corporate bonds | | |
| June 2018 (R'000) | - | - |
| June 2017 (R'000) | 8 717 | 15 612 |

5 SEGMENT INFORMATION

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

6 LEASES

The impact of the adoption of IFRS16 is included in the following items at year-end:

| | 2018 | 2017 |
|---|----------|------|
| Property and equipment: Right-to-use assets | | |
| Additions during the year | 201 598 | - |
| Depreciation | (26 812) | - |
| Balance at end of year | 174 786 | - |
| Insurance and other payables | | |
| Additions during the year | 201 598 | - |
| Finance cost | 14 213 | - |
| Principal lease payments | (25 849) | - |
| Balance at end of year | 189 962 | - |

7 NON-CURRENT ASSET HELD FOR SALE

The properties of Erf 26 and Erf 34, Menlo Park, Pretoria, were sold in July 2016 and April 2018 respectively.

8 EMPLOYEE BENEFITS

The company issued 10 000 000 shares to the executive directors and a prescribed officer in terms of their employment- and restraint of trade agreements. The agreements commenced with effect from 1 July 2012. The directors and officer became entitled to the shares on 30 June 2017. The agreements provided for a liquidity put option against the company. The put option terminated 10 working days after 30 June 2017.

The cash-settled share-based payment liability that related to a put option was extinguished when the put options terminated, and the balance of the liability (R57.7 million) was transferred to the employee benefit reserve.

9 RELATED PARTY TRANSACTIONS

| | 2018 | 2017 |
|--|--------|--------|
| Loans to key management | | |
| Balance at end of year | 8 854 | - |
| Assupol Life granted a loan to an executive director for the purchase of shares in Assupol Holdings. This was approved as required by the Companies Act, no 71 of 2008, and the Long Term Insurance Act, no 52 of 1998. The loan bears interest at the official prime rate of interest levied by the bankers of Assupol Life, and is repayable over 5 years. The Group has sufficient security on this loan. | | |
| Remuneration and restricted incentives - Executive directors and prescribed officers | | |
| Salary, pension fund contributions and other benefits (R'000) | 19 945 | 18 532 |
| Cash bonus (R'000) | 13 900 | 16 900 |
| Severance package (R'000) | - | 6 500 |
| Restricted incentives at end of year (R'000) | 16 625 | 20 222 |

10 BUSINESS COMBINATION

On 30 June 2018, the Group acquired 100% of the issued share capital of Top Top Business Consultants, a financial services provider registered in terms of the Financial Advisory and Intermediary Services Act, for a total consideration of R34.3 million. As a result of the acquisition the Group expanded its financial service offerings distribution in an effort to diversify its income stream.

As the business was acquired on 30 June 2018, it contributed no revenues or net profit to the Group for the current financial year. If the acquisition had occurred on 1 July 2017, the increase in group profit (before the elimination of group transactions) would have been R1.8 million and group revenue R25.0 million. These amounts have been calculated by prorating eight months of the company's audited financial results for its financial year ending 28 February 2017 and adding the four month's audited financial results for the period ending 30 June 2018. No adjustments in terms of the Group accounting policies were necessary.

10. Business combination (continued)

| | 2018 |
|--|---------------|
| Total consideration consists of: | |
| Initial purchase consideration on closing date | 10 000 |
| Second payment on first anniversary of effective date | 5 000 |
| Third payment on second anniversary of effective date at present value | 3 834 |
| Additional contingent consideration at present value | 15 415 |
| | <u>34 249</u> |

The additional contingent consideration is dependent on the future income performance in respect of business resulting directly from the business combination.

| | 2018 |
|---|--------------|
| Identifiable assets acquired and liabilities assumed: | 4 124 |
| Cash and cash equivalents | 2 159 |
| Property and equipment | 579 |
| Current tax receivable | 25 |
| Trade and other receivables | (520) |
| Trade and other payables | <u>6 367</u> |

The following table summarises the purchase price allocation for Top Top Business Consultants and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

| | 2018 |
|---|----------|
| Total consideration | 34 249 |
| Less identifiable net assets | (6 367) |
| Less: Value of customer relationships and contracts | (27 882) |
| Goodwill | <u>-</u> |

The value of customer list and contracts was recognised at fair value of R27.9 million. The Group recognised this as an intangible asset.

11 EVENTS AFTER REPORTING DATE

Dividend declaration

On 27 September 2018 the board of directors declared a cash dividend of 54 cents per qualifying ordinary share and a special dividend of 42 cents per qualifying ordinary share for the year ended 30 June 2018. The dividend was payable on 15 October 2018 to qualifying shareholders registered on 12 October 2018.

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

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



CORPORATE INFORMATION

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Celebrating the lives of

Rolihlahla
Nelson Mandela

and

Nontsikelelo
Albertina
Sisulu

in their centenary year

2018 saw South Africa and the world celebrate the centenary of the man who is regarded as the father of our nation, Tata Nelson Rolihlahla Mandela. The late former president was an icon of peace and reconciliation, and set South Africa on a path that helped us claim a place of pride in the family of nations. Mandela bestrode the world stage as one of the most revered statesmen of the modern era, reminding us continually of the value of equality in humanity.

Mama Nontsikelelo Albertina Sisulu was a stalwart of the struggle for freedom and



human rights. She was an epitome of fairness and fortitude and possessed an enduring spirit which typified the quest for equality amongst our people. Always a figure of quiet decency, steely resolution and filled with the milk of human kindness. Her memory and love for all our people is a reminder of what we ought to strive for as a people.

We at Assupol will remain forever indebted to these stalwarts for their wisdom and moral convictions.