



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

CONDENSED FINANCIAL RESULTS
for the six months ended 31 December 2017

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for the six months ended 31 December 2017**

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GROUP REVIEW for the six months ended 31 December 2017

The Assupol Group presents the unaudited condensed interim results for the six months ended 31 December 2017.

The Assupol Group delivered a good financial performance despite difficult conditions in the South African economy. The Group maintained its growth targets for new business volumes and has a disciplined approach to the management of expenses focusing on efficient unit cost. This is illustrated by the growth in the adjusted operating profit, a metric which reflects management's view of the underlying long-term profitability of the Group.

The investment portfolios performed exceptionally well, with returns on excess assets R40.9 million above the long term investment return assumptions for the six months ending 31 December 2017 (December 2016: R15.2 million under long term investment return assumptions).

The Group's withdrawal and mortality experience was in line with expectations.

The key financial performance statistics for the Assupol Group for the period ending 31 December 2017 are set out below.

	Six months ended 31 December 2017	Six months ended 31 December 2016	Change	Year ended 30 June 2017
	Unaudited	Unaudited		Audited
Earnings performance				
Gross insurance premium revenue (R'm)	1 450	1 360	6.62%	2 690
Net profit attributable to ordinary shareholders (R'm)	418	311	34.41%	771
Value of new business (R'm)	188	156	20.87%	350
Adjusted operating profit (R'm) ^(a)	368	293	25.66%	590
Return on equity	14%	13%		29%
Group embedded value				
Embedded value of covered business	3 929	3 085		3 579
Adjusted net worth	1 085	824		1 055
Value of in-force	3 271	2 622		2 926
Cost of required capital	(262)	(205)		(233)
Expense adjustment	(165)	(156)		(169)
Embedded value of uncovered business	45	(37)		(7)
Adjusted net worth	101	41		37
Expense adjustment	(56)	(78)		(44)
Group embedded value at period end	3 974	3 048	30.38%	3 572
Return on embedded value (%)	14.67%	12.17%		30.80%
Share statistics				
Share price - closing (R) ^(b)	6.50	6.10	6.56%	5.85
Number of ordinary shares in issue ('000)	416 338	411 518	1.17%	416 338
Market capitalisation (R'm) ^(b)	2 706	2 510	7.81%	2 436
Earnings per share (R)	1.15	0.88	30.60%	2.25
Diluted earnings per share (R)	1.06	0.80	32.41%	2.01
Group embedded value per share (R)	9.54	7.41	28.75%	8.58
Dividends per qualifying ordinary shares (cents) ⁽¹⁾	56	56	0.00%	56

1. The dividends (cents) per qualifying ordinary share:

Cash dividend	48	43
Special dividend	8	13
	<u>56</u>	<u>56</u>

The dividend disclosed for the period ended 31 December 2017 was declared on 15 September 2017 and paid on 13 October 2017. The dividend disclosed for the period ended 31 December 2016 was declared on 27 September 2016 and paid on 28 October 2016.

The qualifying ordinary shares excluded the ordinary shares issued to the Assupol Share Incentive Trust and the 'A2' ordinary shares.

(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 market fluctuations on the investment returns on excess assets, as well as non-recurring transactions or events such as the discontinuation of a business relationship, non-recurring actuarial adjustments and non-core transactions. The calculation does not take into account the economic impact of actuarial adjustments on new business during a financial period.

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

STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 31 December 2017

<i>R'000</i>	NOTES	Six months ended 31 December 2017 <i>Unaudited</i>	Six months ended 31 December 2016 <i>Unaudited</i>	Year ended 30 June 2017 <i>Audited</i>
Insurance premiums revenue		1 450 239	1 360 490	2 689 623
Insurance premiums ceded to reinsurers		(137 829)	(113 586)	(237 822)
<i>Net insurance premium revenue</i>		1 312 410	1 246 904	2 451 801
Commission received on outward reinsurance		4 238	2 307	11 624
Fee income		33 706	33 616	77 842
Investment income		122 084	83 013	187 826
Net fair value gains / (losses) on financial assets		175 630	(62 555)	(49 097)
Other income		1 801	2 376	1 437
Income		1 649 869	1 305 661	2 681 433
Insurance benefits and claims		(483 692)	(537 048)	(995 698)
Insurance claims recovered from reinsurers		132 108	97 022	208 815
<i>Net insurance benefits and claims</i>		(351 584)	(440 026)	(786 883)
Acquisition costs	6	(275 979)	(269 153)	(536 552)
Operating and administrative expenses	7	(474 685)	(374 214)	(841 542)
Investment management expenses		(5 325)	(4 013)	(12 661)
Change in insurance contract provisions		175 586	228 086	579 107
Fair value adjustments on investment contract liabilities		(132 114)	(10 793)	(19 068)
Expenses		(1 064 101)	(870 113)	(1 617 599)
Result of operating activities		585 768	435 548	1 063 834
Finance charges		-	-	(26)
Profit before taxation		585 768	435 548	1 063 808
Income tax expense		(167 845)	(124 924)	(292 624)
PROFIT FOR THE PERIOD		417 923	310 624	771 184
Other comprehensive income				
Realised revaluation reserve on sale of property held for sale		-	-	(3 647)
Other comprehensive income for the period		-	-	(3 647)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		417 923	310 624	767 537

STATEMENT OF FINANCIAL POSITION as at 31 December 2017

<i>R'000</i>	NOTES	Six months ended 31 December 2017 <i>Unaudited</i>	Six months ended 31 December 2016 <i>Unaudited</i>	Year ended 30 June 2017 <i>Audited</i>
ASSETS				
Equipment		72 339	57 262	67 802
Deferred tax asset		50 319	51 086	50 026
Intangible assets		105 716	106 993	102 756
Financial assets: Investments				
At fair value through profit or loss				
Equity securities		1 231 924	1 054 556	1 083 596
Debt securities		1 003 634	816 178	855 348
Deposits and money market securities		744 314	699 012	890 045
At amortised cost				
Deposits and money market securities		645 517	134 006	515 776
Policyholder assets				
Insurance contracts		2 043 464	1 453 927	1 870 751
Reinsurance asset		27 692	90 621	24 819
Insurance and other receivables		95 231	77 625	110 474
Cash and cash equivalents		325 941	287 629	304 718
Non-current assets held for sale	8	13 570	12 794	13 570
TOTAL ASSETS		6 359 661	4 841 689	5 889 681
EQUITY				
Ordinary shareholders' interest		3 234 183	2 467 683	2 944 422
Share capital		601 808	572 965	601 808
Treasury shares	9	(31 908)	(8 833)	(39 196)
Employee benefits reserve	11	148 667	56 813	74 504
Black Economic Empowerment reserve		14 300	14 300	14 300
Retained earnings		2 501 316	1 828 791	2 293 006
Revaluation reserve		-	3 647	-
TOTAL EQUITY		3 234 183	2 467 683	2 944 422
LIABILITIES				
Policyholder liabilities: Investment contracts				
At fair value through profit or loss		1 431 046	1 286 041	1 311 317
At amortised cost		616 497	134 432	506 207
Employee benefits	11	54 347	73 928	133 516
Deferred revenue liability		458	346	458
Deferred tax liability		785 804	627 180	712 713
Insurance and other payables		216 641	245 192	266 779
Current taxation		20 685	6 887	14 269
TOTAL LIABILITIES		3 125 478	2 374 006	2 945 259
TOTAL EQUITY AND LIABILITIES		6 359 661	4 841 689	5 889 681

ASSUPOL HOLDINGS

STATEMENT OF CHANGES IN EQUITY
for the six months ended 31 December 2017

<i>R'000</i>	SHARE CAPITAL	TREASURY SHARES	EMPLOYEE BENEFITS RESERVE	BEE RESERVE	RETAINED INCOME	REVALUATION RESERVE	TOTAL CAPITAL & EQUITY
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
Investment in holdings company	-	7 288	-	-	-	-	7 288
Cost of incentive shares	-	-	1 023	-	-	-	1 023
Deferred bonus recognition	-	-	15 472	-	-	-	15 472
Restraint of trade share reserve	-	-	57 668	-	-	-	57 668
Dividend paid	-	-	-	-	(209 616)	-	(209 616)
Profit for the period	-	-	-	-	417 923	-	417 923
Other comprehensive income for the year	-	-	-	-	3	-	3
Balance at 31 December 2017	601 808	(31 908)	148 667	14 300	2 501 316	-	3 234 183

CONDENSED STATEMENT OF CASH FLOWS
for the six months ended 31 December 2017

<i>R'000</i>	Six months ended 31 December 2017 <i>Unaudited</i>	Six months ended 31 December 2016 <i>Unaudited</i>	Year ended 30 June 2017 <i>Audited</i>
Cash flows from operating activities			
Cash generated from operations	231 627	276 487	890 189
Net acquisition of financial instruments	(104 994)	(66 702)	(694 257)
Investment income	122 084	83 013	187 826
Finance charges	-	-	(26)
Dividends paid	(209 616)	(202 195)	(202 195)
Taxation paid	(88 633)	(44 844)	(118 570)
Net cash flows from operating activities	(49 532)	45 759	62 967
Cash flows from investing activities			
Acquisition and disposal of equipment	(10 701)	(19 373)	(23 224)
Net decrease in receivables	-	-	996
Proceeds on disposal of property held for sale	5	13 435	-
Net cash flows from investing activities	(10 696)	(5 938)	(22 228)
Cash flows from financing activities			
(Increase) / Decrease in treasury shares	9	7 288	(8 803)
Increase in employee benefits reserve	11	74 163	28 748
Net cash flows from financing activities	81 450	2 254	18 425
Net increase in cash and cash equivalents	21 223	42 075	59 164
Cash and cash equivalents at beginning of the period	304 718	245 554	245 554
Cash and cash equivalents at end of the period	325 941	287 629	304 718

SEGMENT REPORT

for the six months ended 31 December 2017

<i>R'000</i>	Six months ended 31 December 2017 <i>Unaudited</i>	Six months ended 31 December 2016 <i>Unaudited</i>	Year ended 30 June 2017 <i>Audited</i>
REVENUE			
Segment revenue	1 647 679	1 333 452	2 738 444
Life insurance	1 646 448	1 302 412	2 675 894
Brokers	968	29 617	59 915
Other	263	1 423	2 635
Reporting adjustments	2 190	(27 791)	(57 011)
Group revenue for the period	1 649 869	1 305 661	2 681 433
SEGMENT PROFIT			
Segment profit after taxation	415 765	310 290	773 604
Life insurance	415 345	303 180	756 528
Brokers	503	6 176	15 352
Other	(83)	934	1 724
Reporting adjustments after taxation	2 158	334	(2 420)
Group profit for the period	417 923	310 624	771 184
Other comprehensive income	-	-	(3 647)
Group comprehensive income for the period	417 923	310 624	767 537
SEGMENT ASSETS AND LIABILITIES			
Segment assets	6 274 846	4 741 003	5 749 957
Life insurance	6 214 725	4 674 536	5 675 047
Brokers	43 884	48 716	57 225
Other	16 236	17 751	17 685
Reporting adjustments	84 815	100 686	139 724
Group assets	6 359 661	4 841 689	5 889 681
Segment liabilities	3 147 234	2 305 438	2 833 386
Life insurance	3 141 673	2 296 681	2 825 486
Brokers	2 686	4 397	3 730
Other	2 875	4 360	4 170
Reporting adjustments	(21 756)	68 568	111 873
Group liabilities	3 125 478	2 374 006	2 945 259

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 have not been audited.

The accounting policies adopted are consistent with those used in the Group's audited financial statements for the year ending 30 June 2017.

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 period are addressed below.

Assumptions and estimates included in the Group financial results for the period ended 31 December 2017 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.

3.2 Other assumptions and estimates

Other assumptions and estimates for the period ended 31 December 2017 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; and
- The determination of expense and liabilities concerning share-based payments.

NOTES TO THE FINANCIAL RESULTS
for the six months ended 31 December 2017

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, as well as the Group's insurance contract assets and liabilities.

4.2 Fair value estimation

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

December 2017 (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	2 979 872	645 517	-	3 625 389	3 625 389
Insurance and other receivables	-	45 815	-	45 815	45 815
Cash and cash equivalents	-	325 941	-	325 941	325 941
Investment contract liabilities	1 431 046	-	616 497	2 047 543	2 047 543
Deferred revenue liability	458	-	-	458	458
Payables	-	-	80 157	80 157	80 157

December 2016 (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	2 569 746	134 006	-	2 703 752	2 703 752
Insurance and other receivables	-	35 744	-	35 744	35 744
Cash and cash equivalents	-	287 629	-	287 629	287 629
Investment contract liabilities	1 286 041	-	134 432	1 420 473	1 420 473
Deferred revenue liability	346	-	-	346	346
Payables	-	-	113 867	113 867	113 867

June 2017 (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	2 828 989	515 776	-	3 344 765	3 344 765
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	1 817 524
Deferred revenue liability	458	-	-	458	458
Payables	-	-	53 977	53 977	53 977

NOTES TO THE FINANCIAL RESULTS
for the six months ended 31 December 2017

4. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

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:
 - > Risk free rate: Ranging from 7.85% to 7.99%
 - > Credit spread: Ranging from 0.00% and 0.50%
- 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.

December 2017 (R'000)	Level 1	Level 2	Level 3	TOTAL
Financial assets designated as 'at fair value through profit or loss'	1 618 540	1 361 331	-	2 979 872
Local listed shares	902 910	198 453	-	1 101 362
Unit trusts	130 562	-	-	130 562
Debt securities	73 517	930 117	-	1 003 634
Deposits and money market securities	511 552	232 762	-	744 314
Financial liabilities designated as 'at fair value through profit or loss'	-	1 431 046	-	1 431 046
Net investment contract liabilities	-	1 431 046	-	1 431 046

December 2016 (R'000)	Level 1	Level 2	Level 3	TOTAL
Financial assets designated as 'at fair value through profit or loss'	1 389 644	1 180 102	-	2 569 746
Local listed shares	691 276	197 861	-	889 137
Unit trusts	165 419	-	-	165 419
Debt securities	65 994	750 184	-	816 178
Deposits and money market securities	466 955	232 057	-	699 012
Financial liabilities designated as 'at fair value through profit or loss'	-	1 286 041	-	1 286 041
Net investment contract liabilities	-	1 286 041	-	1 286 041

NOTES TO THE FINANCIAL RESULTS
for the six months ended 31 December 2017

4. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

4.3 Fair value hierarchy (continued)

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	1 204 385	-	2 828 989
Local listed shares	774 570	185 742	-	960 312
Unit trusts	123 284	-	-	123 284
Debt securities	74 860	780 488	-	855 348
Deposits and money market securities	651 890	238 155	-	890 045
Financial liabilities designated as 'at fair value through profit or loss'	-	1 311 317	-	1 311 317
Net investment contract liabilities	-	1 311 317	-	1 311 317

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		
December 2017 (R'000)	-	12 560
June 2017 (R'000)	8 717	15 612
December 2016 (R'000)	-	-

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. ACQUISITION COSTS

Acquisition costs include:

- Acquisition cost on investment contracts with investment management services that are recognised as deferred acquisition costs. The amortisation of the deferred acquisition costs is included in the acquisition cost expense.
- Cost on guaranteed single premium products that are recognised at date of inception of the contract.
- Acquisition costs on insurance contracts that include both new business and renewal commissions as well as expenses related thereto, including sales managers' remuneration and production bonuses payable. These acquisition costs are expensed as incurred.

7. OPERATING AND ADMINISTRATIVE EXPENSES

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

8. NON-CURRENT ASSET HELD FOR SALE

The remaining non-current assets held for sale relate to owner-occupied property that is in the process of being sold. It is anticipated that this will be finalised before the end of the financial year.

9. TREASURY SHARES

The movement in the treasury shares are due to fluctuations in the share investment that Assupol Investment Holdings Pty Ltd is holding in Assupol Holdings Ltd shares.

NOTES TO THE FINANCIAL RESULTS
for the six months ended 31 December 2017

10. RESTATEMENT OF PRIOR PERIOD BALANCE

Comparative information in the report has been amended to accommodate and account for a change of prior year results as a result of a classification error. The policyholder assets were previously erroneously disclosed net of reinsurance assets. The change was made in order to comply with the requirements of IFRS 4 which states that an insurer shall not offset reinsurance assets against the related insurance liabilities. The effect of the restatement is summarised below.

There is no effect on the disclosure for June and December 2017; only on December 2016.

December 2016 (R'000)	PREVIOUSLY REPORTED	ADJUSTMENT	RESTATED
Policyholder assets	1 544 548	1 544 548	-
Insurance contracts	-	(1 453 927)	1 453 927
Reinsurance assets	-	(90 621)	90 621
Total	1 544 548	-	1 544 548

11. EMPLOYEE BENEFITS

The December 2016 and June 2017 balances included a liability that was provided for the put option that the executive directors had in respect of the shares that were issued. This option terminated shortly after June 2017. The liability was transferred to share reserves.

12. RELATED PARTY TRANSACTIONS**Remuneration and restricted incentives - Executive directors and prescribed officers**

	Six months ended 31 December 2017 <i>Unaudited</i>	Six months ended 31 December 2016 <i>Unaudited</i>	Year ended 30 June 2017 <i>Audited</i>
Salary, pension fund contributions and other benefits (R'000)	10 376	9 876	18 532
Cash bonus (R'000)	5 500	756	16 900
Severance package (R'000)	-	-	6 500
Restricted incentives at end of period ('000)	10 872	16 893	14 606