



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

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

GENERAL NOTICE

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

GENERAL INFORMATION

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

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DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The directors are responsible for the preparation, integrity and fair presentation of the annual financial statements of Assupol Holdings Limited and its subsidiaries. The financial statements presented on pages 9 to 90 have been prepared in accordance with International Financial Reporting Standards (IFRS), the manner required by the Companies Act, no 71 of 2008, and by the Long Term Insurance Act, no 52 of 1998, in South Africa, and include amounts based on judgements and estimates made by management.

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

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

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

The financial statements were approved by the Board of Directors on 30 September 2016 and are signed on its behalf by:



AS Birrell
Chairperson



D de Klerk
Group Chief Financial Officer

COMPANY SECRETARY COMPLIANCE STATEMENT

In my capacity as Company Secretary, I hereby certify, in terms of the Companies Act, no 71 of 2008, that for the year ended 30 June 2016, the company has lodged with the Registrar of Companies all such returns and notices as required of a public company in terms of this legislation, and that all such returns and notices are, to the best of my knowledge and belief, true, correct and up to date.



SJ de Beer
Company Secretary

We are pleased to present our report for the financial year ended 30 June 2016.

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

Group Audit Committee members, meeting attendance and assessment

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

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

Name of member and qualifications	Date				
	appointed	2015/09/21	2015/11/23	2016/02/22	2016/05/23
T Muranda (Chairperson) BCompt (Hons) CA(SA)	2013	Present	Present	Present	Present
AS Birrell B.Bus.Sc, FASSA, FFA, ASA, CERA	2013	Not present	Present	Present	Present
IO Greenstreet BSc (Hons), FCA	2013	Present	Present	Present	Present

Duties of the committee

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

External auditor appointment and independence

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

The Committee, in consultation with executive management, agreed to the engagement letter, terms, audit plan and budgeted audit fees for the 2016 year.

Financial statements and accounting practices

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

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

*Duties assigned by the Board of Directors*Internal financial controls

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

Integrated report

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

Going concern

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

Governance of risk

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

Internal audit

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

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

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

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

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



T Muranda

Chairperson: Group Audit Committee

30 September 2016

1. NATURE OF BUSINESS

Assupol Holdings Limited is incorporated in South Africa and acts as the ultimate investment holding company of the Assupol Group. During the year under review the Assupol Group continued to provide a wide range of financial services to a defined niche market. For more detailed information regarding the nature of business per subsidiary, refer to note 42 to the financial statements.

2. GROUP RESULTS

Details of the Assupol Group's financial performance are set out in the financial statements and notes thereto on pages 9 to 90.

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

Earnings performance	2016	2015	% change
Gross insurance premium revenue (R'm)	2 448	2 039	20.06%
Adjusted operating profit *	466	390	19.43%
Net profit attributable to ordinary shareholders (R'm)	472	462	2.16%
Value of new business (R'm)	221	181	22.09%

* 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.

Mortality experience improved further consistent with the trend experienced in recent years. Further actuarial assumption adjustments were made during the year to reflect the impact. The withdrawal experience continued to deteriorate during the first half of the year and is partially a result of the effect of the economic circumstances on individuals. Refer note 4.4 of the financial statements for the effect of the changes in the assumptions.

South African equities and bonds exhibited periods of intense volatility and yielded poor results. The Group achieved investment returns on total assets of 3.7% (2015: 2.7%) for the year under review.

There is a continued focus and disciplined approach to the management of expenses.

Financial position	2016	2015	% change
Total assets (R'm)	4 596	4 233	8.58%
Net asset value per share (cents)	573	526	8.94%
Return on equity (%)	21%	23%	

Share statistics	2016	2015	% change
Group embedded value per share (R)	7.07	6.22	13.67%
Share price - closing (R) *	5.50	5.50	0.00%
Market capitalisation (R'm) *	2 263	2 266	-0.13%
Earnings per share (R)	1.57	1.56	0.65%
Diluted earnings per share (R)	1.36	1.33	2.78%
Dividends per qualifying ordinary shares (cents)	56	99	-43.43%

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

3. SHARE CAPITAL

The issued share capital as at 30 June 2016 is as follows:

	2016	2015
	R'000	R'000
367 314 528 (2015: 367 837 396) ordinary shares of R0.001 each	367	368
44 202 985 class A ordinary redeemable no par value shares	30 000	30 000
Total issued shares	30 367	30 368

Refer note 27 to the financial statements for information on the company's share capital.

4. SHAREHOLDER DIVIDEND

Dividends were declared in respect of the following financial years:

	2016 cents per share	2015 cents per share
Cash dividend	43	38
Special dividend	13	61

On 22 September 2015 the directors declared a cash dividend of 38 cents and special dividend of 61 cents per qualifying ordinary share in terms of the company's dividend policy to shareholders recorded at close of business on 16 October 2015. The dividends were paid on 23 October 2015.

Refer to Subsequent events (paragraph 13 below) for the dividend declared in respect of the 2016 financial year.

5. BOARD OF DIRECTORS

The present directors of the company are:

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

* Mr JA van Rensburg retired on 27 July 2016. Mr AS Birrell was appointed as the new chairperson of the Board of Directors effective 27 July 2016.

** Ms R Kisten was appointed as a non-executive director on 27 July 2016.

6. PRESCRIBED OFFICERS

Name	Board committee involvement	Date appointed
GFM Wessels (Group Executive: Sales)	-	1 May 2013
J Dippenaar (Chief Risk Officer)	Invitee: Risk Committee, Audit Committee, Investment Committee	1 Sep 2015

7. DETAILS OF SERVICE CONTRACTS

The Group has service contracts with all the executive directors and prescribed officers. The executive directors and Chief Risk Officer have permanent employment agreements. The contract for the Group Executive: Sales terminates on 30 June 2017.

8. STATUTORY ACTUARY

In terms of the Long Term Insurance Act, no 52 of 1998, Mr CR van der Riet is the statutory actuary of Assupol Life Limited.

9. COMPANY SECRETARY

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

10. AUDITORS

In accordance with section 90 of the Companies Act, no 71 of 2008, the Group Audit Committee, on behalf of the Board of Directors, nominated PricewaterhouseCoopers Incorporated for appointment as external auditor. This appointment will be subject to approval by a majority of shareholders at the annual general meeting scheduled for the final quarter in the 2016 calendar year.

11. SUBSIDIARIES

The Assupol Group's material interest in subsidiaries are set out in note 42 to the financial statements. These companies were subsidiaries throughout the year. The subsidiaries are involved in the financial services industry in South Africa.

12. ASSOCIATE

The Group sold its investment in Pan-African Management Propriety Limited in February 2016. Details of the Assupol Group's associate are set out in note 22 to the financial statements.

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

13. SUBSEQUENT EVENTS**Dividend declaration**

On 27 September 2016 the Board of Directors, in terms of section 46 of the Companies Act, no 71 of 2008, declared a gross cash dividend of 43 cents per qualifying ordinary share for the financial year ended 30 June 2016.

The Board of Directors has also declared a special dividend of 13 cents per qualifying ordinary share.

The qualifying ordinary shares as at 27 September 2016 excludes the ordinary shares issued to the Assupol Share Incentive Trust and the 'A2' ordinary shares. Refer notes 28 and 29 for more detail.

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

The following dates will apply to the dividend:

Last date to trade cum the dividend	21 October 2016
Record date	21 October 2016
Trading ex dividend commences	24 October 2016
Dividend payment date	28 October 2016

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

We have audited the consolidated and separate financial statements of Assupol Holdings Limited set out on pages 9 to 90, which comprise the statements of financial position as at 30 June 2016, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Assupol Holdings Limited as at 30 June 2016, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 30 June 2016, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.



PricewaterhouseCoopers Inc.

Director: Corlia Volschenk

Registered Auditor

Sunninghill

30 September 2016

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STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 June 2016

	NOTES	CONSOLIDATED		COMPANY	
		2016 R'000	2015 R'000	2016 R'000	2015 R'000
Insurance premiums revenue		2 447 832	2 038 737	-	-
Insurance premiums ceded to reinsurers		(205 223)	(182 434)	-	-
<i>Net insurance premium revenue</i>	7	2 242 609	1 856 303	-	-
Commission received on outward reinsurance		12 220	13 364	-	-
Fee income	8	56 467	60 100	-	-
Investment income	9	142 242	166 770	318 571	265 326
Net fair value gains / (losses) on financial assets	10	28 186	(50 706)	-	-
Other income	11	3 681	7 693	1 294	1 363
Income		2 485 405	2 053 524	319 865	266 689
Insurance benefits and claims		(1 040 480)	(873 657)	-	-
Insurance claims recovered from reinsurers		184 033	152 968	-	-
<i>Net insurance benefits and claims</i>	12	(856 447)	(720 689)	-	-
Acquisition costs	13	(479 591)	(393 075)	-	-
Operating and administrative expenses	14	(750 605)	(662 656)	(9 598)	(10 438)
Investment management expenses		(8 805)	(5 718)	-	-
Change in insurance contract provisions	30	327 882	402 079	-	-
Fair value adjustments on investment contract liabilities	31	(52 490)	(35 593)	-	-
Expenses		(1 820 056)	(1 415 652)	(9 598)	(10 438)
Result of operating activities		665 349	637 872	310 267	256 251
Finance charges	15	(105)	(356)	-	(10)
Share of profit from associate	22	174	425	-	-
Profit before taxation		665 418	637 941	310 267	256 241
Income tax expense	16	(193 513)	(174 592)	(398)	(31)
PROFIT FOR THE YEAR		471 905	463 349	309 869	256 210
Other comprehensive income					
Loss on property revaluation		(2 186)	-	-	-
Income tax relating to other comprehensive income		612	-	-	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR		(1 574)	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		470 331	463 349	309 869	256 210
Profit attributable to:					
Shareholders		472 003	462 239	309 869	256 210
Non-controlling interests		(98)	1 110	-	-
		471 905	463 349	309 869	256 210
Total comprehensive income attributable to:					
Shareholders		470 429	462 239	309 869	256 210
Non-controlling interests		(98)	1 110	-	-
		470 331	463 349	309 869	256 210
Group earnings per share:					
Basic earnings per share	17	1.57	1.56		
Diluted earnings per share	17	1.36	1.33		

STATEMENT OF FINANCIAL POSITION as at 30 June 2016

	NOTES	CONSOLIDATED		COMPANY	
		2016 R'000	2015 R'000	2016 R'000	2015 R'000
ASSETS					
Owner-occupied properties	18	-	28 940	-	-
Equipment	19	44 889	41 026	-	-
Deferred tax asset	34	47 567	45 587	-	-
Intangible assets	20	103 875	96 726	-	-
Investments in subsidiaries	21	-	-	701 953	676 103
Interest in associate	22	-	4 619	-	-
Financial assets - Investments					
At fair value through profit or loss	23				
Equity securities		1 092 261	1 112 310	-	-
Debt securities		875 631	1 206 337	-	-
Deposits and money market securities		731 713	324 689	-	-
Policyholder assets: Insurance contracts	30	1 316 463	988 581	-	-
Insurance and other receivables	24	101 217	104 742	388	749
Current taxation	36	10 613	-	-	-
Cash and cash equivalents	25	245 554	279 236	49 102	38 216
Non-current assets held for sale	26	26 229	-	-	-
TOTAL ASSETS		4 596 012	4 232 793	751 443	715 068
EQUITY					
Ordinary shareholders' interest		2 357 008	2 165 134	682 628	650 554
Share capital	27	572 965	568 104	572 965	568 104
Treasury shares	28	(30)	(77)	(30)	(77)
Employee benefits reserve	28	45 756	28 324	45 756	28 324
Black Economic Empowerment reserve	29	14 300	14 300	14 300	14 300
Retained earnings		1 720 370	1 549 262	49 637	39 903
Revaluation reserve		3 647	5 221	-	-
Non-controlling interests		-	3 342	-	-
TOTAL EQUITY		2 357 008	2 168 476	682 628	650 554
LIABILITIES					
Policyholder liabilities: Investment contracts	31	1 298 259	1 258 945	-	-
Employee benefits	32	107 609	97 006	54 575	46 205
Deferred revenue liability	33	346	278	-	-
Deferred tax liability	34	561 081	450 855	-	-
Insurance and other payables	35	271 709	247 284	14 217	18 309
Current taxation	36	-	9 949	23	-
TOTAL LIABILITIES		2 239 004	2 064 317	68 815	64 514
TOTAL EQUITY AND LIABILITIES		4 596 012	4 232 793	751 443	715 068

STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2016

	SHARE CAPITAL R'000	TREASURY SHARES R'000	EMPLOYEE BENEFITS RESERVE R'000	BEE RESERVE R'000
COMPANY				
Balance at 30 June 2014	577 546	(78)	23 770	14 300
Cost of incentive shares	-	-	4 554	-
Share incentive options exercised	-	1	-	-
Repurchase of ordinary shares	(9 442)	-	-	-
Dividend paid	-	-	-	-
Profit for the year	-	-	-	-
Balance at 30 June 2015	568 104	(77)	28 324	14 300
Cost of incentive shares	-	-	2 061	-
Share incentive options exercised	-	47	(47)	-
Repurchase of ordinary shares	(1)	-	-	-
Correction on redemption of preference shares	4 862	-	-	-
Deferred bonus recognition	-	-	15 418	-
Dividend paid	-	-	-	-
Profit for the year	-	-	-	-
Balance at 30 June 2016	572 965	(30)	45 756	14 300
CONSOLIDATED				
Balance at 30 June 2014	577 546	(78)	23 770	14 300
Cost of incentive shares	-	-	4 554	-
Share incentive options exercised	-	1	-	-
Repurchase of ordinary shares	(9 442)	-	-	-
Dividend paid	-	-	-	-
Profit for the year	-	-	-	-
Balance at 30 June 2015	568 104	(77)	28 324	14 300
Cost of incentive shares	-	-	2 061	-
Share incentive options exercised	-	47	(47)	-
Repurchase of ordinary shares	(1)	-	-	-
Correction on redemption of preference shares	4 862	-	-	-
Deferred bonus recognition	-	-	15 418	-
Dividend paid	-	-	-	-
Sale of subsidiary	-	-	-	-
Profit for the year	-	-	-	-
Other comprehensive income for the year	-	-	-	-
Balance at 30 June 2016	572 965	(30)	45 756	14 300

STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2016

	RETAINED INCOME R'000	REVALUATION RESERVE R'000	NON- CONTROLLING INTEREST R'000	TOTAL CAPITAL & EQUITY R'000
COMPANY				
Balance at 30 June 2014	22 954	-	-	638 492
Cost of incentive shares	-	-	-	4 554
Share incentive options exercised	-	-	-	1
Repurchase of ordinary shares	-	-	-	(9 442)
Dividend paid	(239 261)	-	-	(239 261)
Profit for the year	256 210	-	-	256 210
Balance at 30 June 2015	39 903	-	-	650 554
Cost of incentive shares	-	-	-	2 061
Share incentive options exercised	-	-	-	-
Repurchase of ordinary shares	-	-	-	(1)
Correction on redemption of preference shares	4 724	-	-	9 586
Deferred bonus recognition	-	-	-	15 418
Dividend paid	(304 859)	-	-	(304 859)
Profit for the year	309 869	-	-	309 869
Balance at 30 June 2016	49 637	-	-	682 628
CONSOLIDATED				
Balance at 30 June 2014	1 326 284	5 221	2 232	1 949 275
Cost of incentive shares	-	-	-	4 554
Share incentive options exercised	-	-	-	1
Repurchase of ordinary shares	-	-	-	(9 442)
Dividend paid	(239 261)	-	-	(239 261)
Profit for the year	462 239	-	1 110	463 349
Balance at 30 June 2015	1 549 262	5 221	3 342	2 168 476
Cost of incentive shares	-	-	-	2 061
Share incentive options exercised	-	-	-	-
Repurchase of ordinary shares	-	-	-	(1)
Correction on redemption of preference shares	4 724	-	-	9 586
Deferred bonus recognition	-	-	-	15 418
Dividend paid	(304 859)	-	-	(304 859)
Sale of subsidiary	(760)	-	(3 244)	(4 004)
Profit for the year	472 003	-	(98)	471 905
Other comprehensive income for the year	-	(1 574)	-	(1 574)
Balance at 30 June 2016	1 720 370	3 647	-	2 357 008

STATEMENT OF CASH FLOWS for the year ended 30 June 2016

	NOTES	CONSOLIDATED		COMPANY	
		2016 R'000	2015 R'000	2016 R'000	2015 R'000
Cash flows from operating activities					
Cash generated from / (utilised in) operations	37	259 884	169 788	(4 026)	29 485
Interest received	9	122 724	126 658	2 907	1 591
Dividends received	9	19 518	40 112	315 664	263 735
Dividends paid		(304 859)	(239 261)	(304 859)	(239 261)
Finance charges	15	(105)	(356)	-	(10)
Taxation paid	38	(105 434)	(118 517)	(375)	572
Net cash flows from operating activities		(8 272)	(21 576)	9 311	56 112
Cash flows from investing activities					
Acquisition of equipment	19	(15 505)	(17 820)	-	-
Proceeds on disposal of property and equipment	19	1 273	769	-	-
Additions to intangible assets	20	(8 000)	-	-	-
Disposal of investment in subsidiary	21	4 480	-	-	-
Net acquisition of investment in subsidiary	21	-	-	(25 850)	(31 493)
Net acquisition of financial instruments at fair value through profit or loss	23	(28 083)	122 966	-	-
Net decrease in loan receivables	24	10 792	5 302	361	(654)
Net cash flows from investing activities		(35 043)	111 217	(25 489)	(32 147)
Cash flows from financing activities					
Ordinary shares issued / (cancelled)	27	-	-	-	-
Decrease in treasury shares	28	47	-	47	1
Repurchase of ordinary shares	28	(1)	(9 442)	(1)	(9 442)
Correction on redemption of preference shares	27	9 586	-	9 586	-
Increase in employee benefits reserve	28	-	-	17 432	4 554
Decrease in borrowings		-	(22)	-	-
Net cash flows from financing activities		9 632	(9 464)	27 064	(4 887)
Net increase in cash and cash equivalents		(33 683)	80 177	10 886	19 078
Cash and cash equivalents at beginning of the year		279 236	199 059	38 216	19 138
Cash and cash equivalents at end of the year		245 554	279 236	49 102	38 216

1. GENERAL INFORMATION

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

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

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

Carried at fair value

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

Carried at a different measurement basis

- Policyholder liabilities / assets under insurance contracts are valued in terms of the Financial Soundness Valuation (FSV) basis contained in the Actuarial Society of South Africa's Actuarial Practice Note SAP104 and described in accounting policy 2.22.3; and
- Investments in subsidiaries are carried at cost.

2.1.1 Standards and interpretations effective in the current year

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

2.1.2 *Standards and interpretations not yet effective*

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

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

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

Further amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.
- *IAS 1 (amendment) - Presentation of financial statements (effective 1 January 2016)*

The amendment clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.
- *IAS 16 and IAS 38 (amendment) - Property, plant and equipment and Intangible assets (effective 1 January 2016)*

Clarification of acceptable methods of depreciation and amortisation.
- *IAS 27 (amendment) - Separate financial statements (effective 1 January 2016)*

The IASB has restored the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.
- *IFRS 15 - Revenue from contracts from customers (effective 1 January 2018)*

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

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

A further amendment aligned hedge accounting more closely with an entity's risk management. It also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39.
- *IFRS 16 - Leases (effective 1 January 2019)*

This standard will require that lessees should be required to recognise assets and liabilities arising from all leases (with limited exceptions) on the balance sheet.
- *IFRS 4 Phase II - Insurance contracts (effective date not yet announced but is likely to be in 2020)*

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

2.2 Basis of consolidation

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

2.2.1 *Interest in subsidiaries (A list of the Group's subsidiaries is set out in note 42).*

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

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

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

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

2.2.2 *Subsidiaries under common control*

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

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

2.2.3 *Interest in associates - equity accounting*

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

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

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

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

2.3 Foreign currency translation**2.3.1 Functional and presentation currency**

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

2.3.2 Transactions and balances

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

2.4 Revenue recognition and other income and expenses**2.4.1 Revenue recognition**

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

2.4.2 Insurance premiums received

Refer to the accounting policy on Policyholder contracts - Investment and Insurance, note 2.22.

2.4.3 Reinsurance premiums received

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

2.4.4 Fee income

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

2.4.5 Investment income

Investment income is recognised as follows:

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

2.4.6 Other income

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

2.4.7 Acquisition costs of insurance and investment contracts

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

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

2.4.8 Operating and administration expenses

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

2.4.9 Finance charges

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

2.5 Reinsurance contracts held

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

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

Insurance premiums received on reinsurance agreements

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

Insurance premiums ceded to reinsurers

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

Insurance claims incurred in respect of reinsurance agreements

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

Insurance claims recovered from reinsurers

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

2.6 Taxation

2.6.1 *Current taxation*

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

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

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

2.6.2 *Dividend withholding tax*

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

2.6.3 *Deferred taxation*

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

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

2.7 Dividend distributions

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

2.8 Recognition of assets, liabilities and provisions

2.8.1 Assets

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

2.8.2 Contingent assets

The Group discloses a contingent asset where:

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

2.8.3 Liabilities and provisions

The Group recognises liabilities, including provisions when:

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

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

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

2.8.4 Contingent liabilities

The Group discloses a contingent liability where:

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

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

2.9 Owner-occupied properties

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

2.9.1 Measurement

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

2.9.2 Depreciation

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

2.10 Equipment**2.10.1 Measurement**

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

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

2.10.2 Depreciation

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

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

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

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

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

2.10.3 Gains and losses on disposal

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

2.11 Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amounts are to be recovered principally through a sale transaction. This classification is only met if the sale is highly probable and the assets are available for immediate sale. The assets are stated at the lower of carrying amount and fair value less costs to sell.

2.12 Accounting for leases - where the Group is the lessee**2.12.1 Operating leases**

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

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

2.12.2 Finance leases

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

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

2.13 Intangible assets**2.13.1 Deferred acquisition costs (DAC)**

Refer note 2.22.2 for the accounting treatment of the DAC intangible asset.

2.13.2 Goodwill

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

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

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

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

2.13.3 Trademarks and customer relationships

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

2.13.4 Present value of in-force business (PVIF)

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

2.13.5 Customer list and contracts

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

2.13.6 Marketing rights

Acquired marketing rights are initially accounted for at fair value and subsequently shown at cost less accumulated amortisation. Marketing rights are for a contractual period of 4 years and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost of marketing rights over the contractual term of 4 years.

2.14 Financial assets

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

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

The Group classifies its financial assets into the following categories:

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

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

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

Initial classification and recognition

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

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

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

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

Subsequent measurement

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

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

Fair values for unquoted instruments are determined as follows:

Unlisted instruments

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

2.14.2 *Loans and receivables*

Initial classification and recognition

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

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

Subsequent measurement and impairment

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

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

2.15 **Offsetting financial instruments**

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

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

2.16 Derivative financial instruments

Initial classification and recognition

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

Subsequent measurement and impairment

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

2.17 Impairment of assets

2.17.1 *Financial assets carried at amortised cost*

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

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

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

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

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

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

2.17.2 Impairment of other non-financial assets

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

2.18 Loans to policyholders

Loans to policyholders are classified as 'loans and receivables' (refer to accounting policy 2.14.2). Loans were granted to a maximum of 75% of the cash value (the policy value less policy cost balance) of the respective policy. Interest is charged at a prime linked rate. If any bad debt arises, it is written off during the year in which it is identified. The granting of loans to policyholders was discontinued in September 2015.

2.19 Cash and cash equivalents

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

2.20 Share capital

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

2.21 Share-based payments

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

2.21.1 Equity-settled share-based payments

The equity-settled share-based payments in the Group include the share incentive shares to certain qualifying employees as well as the deferred bonus scheme.

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

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

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

2.21.2 Cash-settled share-based payments

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

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

2.22 Policyholder contracts - Investment and Insurance

2.22.1 *Investment and insurance contract classification*

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

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

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

2.22.2 *Investment contracts*

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

Valuation

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

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

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

Surrender charges

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

Investment management fees on investment contracts and deferred revenue liability

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

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

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

Amounts received and claims incurred on investment contracts

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

Deferred acquisition costs (DAC) in respect of investment contracts

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

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

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

2.22.2 *Investment contracts (continued)*

Receivables and payables related to insurance contracts and investment contracts

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

If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the Statement of Comprehensive Income. The Group gathers the objective evidence that an insurance receivable is impaired using the same process adopted for insurance and other receivables. The impairment loss is also calculated under the same method used for these financial assets. These processes are described in accounting policy 2.17.

2.22.3 *Insurance contracts*

Valuation

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

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

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

In the valuation of liabilities, provision is made for:

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

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

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

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

- Non-profit insurance contracts

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

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

2.22.3 Insurance contracts (continued)

- Market related contracts

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

- Group insurance contracts

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

Outstanding claims provisions

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

Embedded derivatives

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

Liability adequacy test

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

Premium income

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

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

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

Insurance benefits and claims

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

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

2.23 Financial liabilities

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

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

A liability is derecognised when it is legally extinguished.

2.23.1 Financial liabilities excluding policyholder liabilities under investment contractsInitial classification and recognition

Financial liabilities are initially recognised at fair value.

Subsequent measurement

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

2.23.2 Policyholder liabilities under investment contractsInitial classification and recognition

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

Subsequent measurement

Refer to accounting policy 2.22.2 for a detailed description of the valuation of these contracts. The change in fair value is recognised in the Statement of Comprehensive Income under 'fair value adjustments on investment contract liabilities'.

2.24 Employee benefits**2.24.1 Retirement fund**

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

2.24.2 Leave pay accrual

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

2.24.3 Bonus provision

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

A provision is raised for the cash bonuses of executive and senior management, based on the Group's bonus scheme.

In terms of the bonus scheme the deferred bonus component is issued in shares of which the right to trade is restricted for a period of 3 years. The economic benefits of these shares, including the receipt of dividends, are not restricted. The expense of the deferred bonus is recognised over the period of the restriction from the date that the bonus is awarded. The deferred bonus is accounted for as an equity-settled share-based payment - refer 2.21.1.

2.25 Segment information

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

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

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

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

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

3. CRITICAL ACCOUNTING ESTIMATES

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

3.1 Policyholder liabilities / assets under long-term insurance contracts

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

The assets under long-term insurance contracts increased by R327.9 million resulting in a net year-end asset balance of R1 316.5 million.

For further information refer notes 4.4 and 30 to the financial statements.

3.2 Impairment of goodwill

Impairment tests are performed on all cash generating units to which goodwill is allocated. A cash generating unit is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows generated by other groups of assets. Impairment losses recognised against goodwill may not be reversed. In assessing a possible impairment, judgements and estimates are made of the future cash flows and the appropriate discount rates in determining the value of the cash generated unit (CGU). For further information, refer note 20 to the financial statements.

3.3 Valuation of owner-occupied properties

The values of the owner-occupied properties - Erf 24 and Erf 26, Menlo Park, Pretoria - were based on the purchase price as determined in the signed sale agreements dated 7 March 2015 and 4 December 2015 respectively.

For further information, refer notes 18 and 26 to the financial statements.

3.4 Current and deferred tax

The Group is subject to tax in South Africa. There may be transactions and calculations for which the ultimate tax determination has an element of uncertainty during the ordinary course of business. The Group recognises liabilities based on objective estimates of the amount of tax that may be due. Where the final tax determination is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provisions in the period in which such determination was made. The corporate tax rate in South Africa is 28% (2015: 28%). Assupol Life have three separate tax funds namely the individual policyholders' fund (taxed at 30% in both years), the untaxed policyholders' fund (not taxed), and the corporate fund (taxed at 28% in both years). Assupol Life has not issued any insurance contracts to corporate entities, hence does not maintain a separate corporate policyholder fund.

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

3.5 Share-based payments - Expense and liability determination

The amounts expensed representing the value of equity-settled and cash-settled share-based payments granted to employees, as well as the movement in the liability of cash-settled schemes, are determined by using various assumptions relating to the expected take up rights, the share price, dividend yields and related volatility. Details of the valuation are contained in note 28.

4. ASSUMPTIONS AND ESTIMATES RELATING TO POLICYHOLDER LIABILITIES

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

4.1 Assumptions for discounted liabilities

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

The results of the experience investigations are briefly described below:

Demographic: Mortality

A detailed mortality investigation was undertaken for homogeneous groupings of business for the year ending 30 June 2016 based on the in-force data file, movements and claims in the year. These results were used to set the mortality and AIDS assumptions relative to the latest published local assured lives and AIDS tables. The impact of the changes made is disclosed in note 4.4.

Demographic: Withdrawal

A detailed withdrawal investigation was carried out for the year ending 30 June 2016 based on homogeneous groupings of business. Based on this investigation (and those carried out for the previous year), the withdrawal assumptions for the main classes of business were set to reflect the recent and expected future experience. The impact of the changes made is disclosed in note 4.4.

Operational: Expenses

- The current assumed level of future expense inflation is 6.7% (2015: 5.95%) per annum for Assupol Life. This level of inflation is supported by Assupol Life's actual expense experience, the inflation implied by the fixed and index linked yield curves, the South African Reserve Bank's long-term inflation target of between 3% and 6%, and the assumption that life companies typically suffer expense increases slightly above general inflation.
- The allocation of total expenses between initial and renewal is based on management's best estimate for both group and individual business. The analysis compares historic expenses (last year's assumptions plus inflation) and budgets.
- Once-off expenses are identified and excluded from the analysis.

Economic: Investment returns

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

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

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

	Assupol Life	
	2016	2015
Debt securities / Other loans / Foreign investments	8.50%	8.10%
Deposits and money market securities	6.50%	6.10%
Equity securities	12.00%	11.60%
Policyholder loans	14.50%	13.25%
Loans to personnel	8.50%	8.10%
Foreign investments	7.50%	7.10%
Net current assets	0.00%	0.00%

4. ASSUMPTIONS AND ESTIMATES RELATING TO POLICYHOLDER LIABILITIES (continued)**4.1 Assumptions for discounted liabilities (continued)**

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

	Assupol Life	
	2016	2015
Debt securities / Other loans	8.50%	8.10%
Non unit linked business (excluding with-profits business)	8.50%	8.10%
With-profits business	8.50%	8.10%
Unit linked business	9.30%	8.90%

Economic : Tax

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

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

Assumption	2016 margin adjustment	2015 margin adjustment
Investment return	0.25% increase/decrease *	0.25% increase/decrease *
Mortality	7.5% increase	7.5% increase
Expenses	10.0% increase	10.0% increase
Expense inflation	10.0% increase	10.0% increase
Lapses (where relevant)	25.0% increase/decrease *	25.0% increase/decrease *
Surrenders (where relevant)	10.0% increase/decrease *	10.0% increase/decrease *

* Depending on which change increases the liability.

4.2 Assumptions for undiscounted liabilities

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

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

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

For the self-insured contracts the liability is set equal to the asset (positive) held for the schemes in the statement of financial position of Assupol Life; any negative assets are set equal to zero. In addition, a reserve of 10% of one month's premium has been set up in respect of any IBNR claims for the NBC self-insured scheme.

4.3 Assumptions for investment contracts

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

4.4 Effect of changes in assumptions

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

- Data improvements on Direct Marketing data to allow for "Paid-up" options and the correct "Waiver" and "No Claims Bonus" sums assured;
- Change in the actuarial classification of numerous groups;
- All active 5-year waivers in payment policies' benefit cease dates adjusted to be in line with the new policy cease dates after waiver activation;
- Adjust Prosperity WealthMaker policies' maturity dates to be in line with those reflected on the policy administration system.
- Minor adjustment on the underlying best estimate loss ratio of the Cornerstone business;

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

4.4 Effect of changes in assumptions (continued)

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

- Change the APN110 reserve as a result of the recalibration of the stochastic model;
- The per-policy expense assumption decreased by R26 per annum (allowed for 1 year inflation);
- Direct Marketing's initial commission assumption change and Progress 4Sure modelling refinement;
- The withdrawal rate assumptions were updated in accordance to the most recent withdrawal experience investigation;
- The mortality and loss ratio assumptions were updated in accordance with the most recent experience investigations and the additional reserve for unexpired risk (AURR) on fully on-site group business was set in line with actual experience;
- The investment return assumption on the unit reserves increased from 8.9% p.a. to 9.3% p.a. the investment return assumption on the non-unit reserves increased from 8.1% p.a. to 8.5% p.a., and the expense inflation assumption increased from 5.95% to 6.35%; and
- The real return gap was decreased from 2.15% to 1.8% (expense inflation assumption from 6.35% p.a. to 6.7% p.a.)

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

	CONSOLIDATED	
	2016	2015
	R'000	R'000
Modelling changes and data corrections on opening liabilities	10 234	21 814
Change in APN110 reserve	(2 487)	(8 085)
Change in renewal expense assumptions	(160 424)	(134 159)
Change in commission assumption and Progress4Sure modelling refinement	157 595	-
Change in mortality assumptions and reinsurance modelling	(231 965)	(75 069)
Change in withdrawal rate assumptions and NTU assumptions	84 856	15 706
Change in investment return assumptions and inflation assumptions	37 696	3 321
Change in real return gap	55 910	-
Group IBNR and operational assumptions	6 140	-
Addition of AURR	(1 894)	(6 841)
Total change in basis	(44 338)	(183 313)

4.5 Sensitivity analysis

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

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

	2016		2015	
	Liability R'000	Change R'000	Liability R'000	Change R'000
Main basis	(1 316 463)		(988 581)	
Renewal expenses +10%	(1 112 785)	203 678	(807 014)	181 567
Inflation +1%	(1 140 578)	175 885	(828 844)	159 737
Investment return -1%	(1 242 683)	73 780	(928 843)	59 738
Investment return -1% and reduce bonuses	(1 245 456)	71 007	(935 112)	53 469
Withdrawals +10%	(1 322 045)	(5 582)	(874 614)	113 967
Risk experience +10%	(1 130 480)	185 983	(873 122)	115 459

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

5. RISK MANAGEMENT

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

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

5.1 Board Notice 158

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

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

5.2 Responsibility for risk management

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

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

5 RISK MANAGEMENT (continued)5.2 Responsibility for risk management (continued)

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

5 RISK MANAGEMENT (continued)**5.3 Insurance risk**

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

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

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

Contracts offered by the Group	Contract type	2016 % of premium	2015 % of premium
Individual insurance business			
Conventional individual business	Insurance	0.0%	0.1%
Other individual risk business	Insurance	54.7%	54.7%
Group risk business	Insurance	45.3%	45.2%
		100.0%	100.0%

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

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

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

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

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

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

5.3.1 Mortality and morbidity risk

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

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

Factors affecting mortality and morbidity risks:

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

5. RISK MANAGEMENT (continued)**5.3.1 Mortality and morbidity risk (continued)**

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

Individual insurance business

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

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

*Consolidated***30 June 2016**

	Sum assured at risk		Before reinsurance		After reinsurance	
	R'000		R'000	%	R'000	%
0 - 20 000			16 652 952	34.70%	7 027 024	47.76%
20 000 - 50 000			5 544 439	11.55%	3 054 916	20.77%
50 000 - 100 000			2 110 105	4.40%	2 795 709	19.00%
100 000 - 200 000			6 286 324	13.10%	1 833 971	12.47%
200 000 - 500 000			8 766 072	18.26%	200	0.00%
> 500 000			8 637 886	17.99%	-	0.00%
Total			47 997 778	100.00%	14 711 820	100.00%

30 June 2015

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

5. RISK MANAGEMENT (continued)**5.3.1 Mortality and morbidity risk (continued)****Group scheme and grouped individual insurance business**

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

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

Consolidated

Scheme size (based on number of lives covered)	2016		2015	
	Number	%	Number	%
0 - 1 000	250	65.79%	187	56.33%
1 000 - 5 000	55	14.47%	68	20.48%
> 5 000	75	19.74%	77	23.19%
Total	380	100.00%	332	100.00%

5.3.2 Business retention risk

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

5. RISK MANAGEMENT (continued)5.4 Financial risk management5.4.1 Financial risk

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

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

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

<i>Consolidated</i>	2016 R'000	2015 R'000
Market-related business		
Individual market-related business	1 298 259	1 258 945
Other business	(1 316 463)	(988 581)
Conventional individual risk business	80 287	92 416
Other individual risk business	(1 473 775)	(1 148 385)
Group risk business	69 006	56 932
Liability for embedded derivatives	8 019	10 456
Total policyholder liability	(18 204)	270 364

5.4.1.a *Market-related business*

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

5.4.1.b *Other business*

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

5.4.1.c *Investment guarantees*

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

5. RISK MANAGEMENT (continued)**5.4.1.d Investments in structured and other entities**Structured entities

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

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

The debt instruments are invested in accordance with a segregated mandate that is provided to the asset manager by the Group Investment Committee. The equity instruments are invested through a collective investment scheme that was selected by the Group Investment Committee and are invested according to the rules of the scheme. These instruments are included in financial assets at fair value through profit or loss in the Statement of Financial Position. For further information refer note 23 to the financial statements.

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

Instrument type and strategy	Number of instruments	Total market value of instruments R'000	Market value as % of Investment portfolio	Market capitalisation of all issuers * R'bn	Investment value as % of issuer market capitalisation *	Control or significant influence
30 June 2016						
Money Market Instruments						
Money Market Long	6	494 776	18.31%	137 166	0.36%	No
Debt instruments						
Debt Long	3	726 484	26.88%	8 700	8.35%	No
Equity instruments						
Equity Long	5	373 639	13.83%	69 465	0.54%	No
30 June 2015						
Debt instruments						
Debt Long	4	54 504	2.01%	9 156	2.96%	No
Equity instruments						
Equity Long	1	110 859	4.09%	142 147	0.08%	No

* All inclusive price

The Group no longer assess the collective investment scheme, Pan African IP Income Hunter Fund, that is managed by Pan-African Asset Management, as an associate as the Group's interest in Pan-African Asset Management was sold during the year. For more information refer note 22.

Other entities

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

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

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

In respect of the Assupol Share Incentive Trust the Group has control and significant influence over the shares held by the Share Incentive Trust and the Trust was consolidated into the financial results of the Group. For more information refer note 28.

5. RISK MANAGEMENT (continued)

5.4.2 *Financial risk factors*

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

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

	Market risk	Credit risk	Liquidity risk	2016 R'000	2015 R'000
At fair value through profit or loss					
Equity securities	x			1 092 261	1 112 310
Debt securities	x	x	x	875 631	1 206 337
Deposits and money market securities	x	x		731 713	324 689
Interest in associates - equity accounting	x	x		-	4 619
Insurance and other receivables	x	x		101 217	104 742
Cash and cash equivalents	x	x		245 554	279 236
Policyholder assets	x *	- **	x	1 316 463	988 581
Policyholder liabilities	x *		x	1 298 259	1 258 945
Insurance and other payables			x	271 709	247 284

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

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

Concentration risk is the risk of loss associated with inadequately diversified asset portfolios. To manage this risk, the prudential regulations with reference to issuer limits, as stipulated in Regulation 28 of the Pension Fund Act, no 24 of 1956, was adopted as part of all the segregated mandates. In addition, the portfolios in total also need to be compliant with Regulation 28. The compliance with Regulation 28 is monitored on a daily basis by management. Breaches are reported as they occur and the required action is taken. The Group Investment Committee monitors the compliance on a quarterly basis. As a result the Group's exposure to any single group of companies does not exceed 8.5% (2015: 7.1%).

5.4.2.a *Market risk*

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

(i) *Foreign exchange risk*

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

The Group has unit trusts which have offshore components that are all denominated in US dollars, and are listed as 'global unit trusts' in note 23. These investments were made for the purpose of obtaining a favourable international exposure to foreign currency and to diversify investment exposure to international markets. The assets are held in the linked policyholder funds in order to obtain the relevant exposure for policyholders; thus no foreign currency exposure to shareholders. The currency exposure at year-end is as follows:

	2016 R'000	2015 R'000
Global unit trusts	110 574	110 859
Foreign currency amount (US\$)	7 522	9 109
Closing exchange rate at year-end	14.6994	12.1699
Average exchange rate during the year	14.3504	11.4083

Overall, foreign exchange risk is considered to be within acceptable risk levels and managed effectively, as it represents only 2.6% (2015: 2.8%) of total financial assets.

(ii) *Price risk*

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

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

5. RISK MANAGEMENT (continued)**5.4.2.a Market risk (continued)**

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

(iii) Cash flow and fair value interest rate risk

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

Changes in market interest rates have a direct effect on the contractually determined cash flows associated with floating rate financial assets and financial liabilities, and on the fair value of other investments. Fair values of fixed interest rate investments included in the Group's investment portfolios are subject to changes in prevailing market interest rates. For more information on the maturity profiles of the financial assets, refer note 23 to the financial statements.

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

<i>Consolidated</i>	Carrying value R'000	Exposed to cash flow interest rate risk R'000	Exposed to fair value interest rate risk R'000	Exposed to both fair value and cash flow interest rate risk R'000	Effective interest rate at year-end %
30 June 2016					
At fair value through profit or loss					
Debt securities					
Corporate bonds	86 373	84 195	2 178	-	8.40%
Government bonds	-	-	-	-	9.19%
Parastatals and utilities	10 160	10 160	-	-	0.00%
Municipalities	-	-	-	-	0.00%
Insurance policy - Global bonds *	52 614	-	52 614	-	N/a
Deposits and money market securities	731 713	2 844	234 092	494 777	8.00%
Loans and receivables					
Receivables (interest-bearing)	46 831	46 831	-	-	12.64%
Receivables (provision for impairment)					
Premiums receivable	(22 965)	-	-	-	0.00%
Sundry insurance receivables	(36 703)	-	-	-	0.00%
Receivables (non interest-bearing)	114 054	-	-	-	0.00%
Cash and cash equivalents	245 554	245 554	-	-	5.52%
	1 227 631	389 584	288 884	494 777	
30 June 2015					
At fair value through profit or loss					
Debt securities					
Corporate bonds	705 244	314 563	390 681	-	8.58%
Government bonds	218 953	-	218 953	-	9.58%
Parastatals and utilities	225 899	12 211	213 688	-	8.87%
Municipalities	8 597	-	8 597	-	9.19%
Insurance policy - Global bonds *	47 644	-	47 644	-	N/a
Deposits and money market securities	324 689	4 760	321 954	-	6.97%
Loans and receivables					
Receivables (interest-bearing)	60 766	55 962	4 804	-	12.54%
Receivables (provision for impairment)					
Premiums receivable	(30 403)	-	-	-	0.00%
Sundry insurance receivables	(25 470)	-	-	-	0.00%
Receivables (non interest-bearing)	99 849	-	-	-	0.00%
Cash and cash equivalents	279 236	279 236	-	-	4.66%
	1 915 004	666 732	1 206 321	-	

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

5. RISK MANAGEMENT (continued)**5.4.2.a Market risk (continued)****(iv) Hedging**

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

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

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

(v) Market risk sensitivity analysis

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

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

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

Assumption description	Change in variable %	Impact to total policyholders' liabilities		Impact on ordinary shareholders' equity and attributable profit after tax	
		2016 R'000	2015 R'000	2016 R'000	2015 R'000
<i>Consolidated</i>					
Non-market long-term assumptions					
Mortality and morbidity	+10%	185 797	115 297	(133 774)	(83 014)
	-10%	(191 750)	(117 765)	138 060	84 791
Withdrawals	+10%	(7 350)	113 966	5 292	(82 055)
	-10%	17 956	(92 307)	(12 928)	66 461
Renewal expense per policy	+10%	208 162	185 799	(149 877)	(133 775)
	-10%	(208 007)	(185 632)	149 765	133 655
Economic assumptions					
Interest rate	+1%	(50 477)	(42 636)	29 182	24 060
	-1%	76 578	62 998	(47 427)	(38 721)
Inflation	+1%	178 350	161 924	(131 744)	(116 585)
	-1%	(152 016)	(138 113)	112 784	99 441
Equity prices	+10%	87 773	1 192	(39 349)	24 148
	-10%	(87 749)	(1 440)	41 318	(23 969)

5. RISK MANAGEMENT (continued)

5.4.2.b Credit risk

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

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

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

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

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

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

(i) Credit risk on investments

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

These mandates are given taking the following requirements into consideration:

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

5. RISK MANAGEMENT (continued)

5.4.2.b Credit risk (continued)

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

	CONSOLIDATED		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
At fair value through profit or loss				
Debt securities				
Corporate bonds	86 373	705 244	-	-
Government bonds	-	218 953	-	-
Parastatals and utilities	10 160	225 899	-	-
Municipalities	-	8 597	-	-
Insurance policy - Global bonds	52 614	47 644	-	-
Unit trust	726 484	-	-	-
Deposits and money market securities	731 713	324 689	-	-
Loans and receivables				
Insurance receivables				
Premium receivables - Insurance contracts	10 092	9 682	-	-
Premium receivables - Other	10 235	7 616	-	-
Sundry insurance receivables	10 527	9 809	-	-
Reinsurance recoveries	45 615	42 095	-	-
Loans to policyholders - Insurance contracts	9 898	7 170	-	-
Loans to policyholders - Other	(6 359)	1 091	-	-
Other receivables:				
Other sundry receivables	13 494	17 659	388	749
Loans to personnel and other loans	7 715	9 620	-	-
Cash and cash equivalents	245 554	279 236	49 102	38 216
Interest in associates - equity accounting	-	4 619	-	-
Total	1 954 115	1 919 623	49 490	38 965
Analysis per credit ratings				
Local debt securities (National long term rating)	823 017	1 158 693	-	-
AAA	-	423 089	-	-
AA+, AA, AA-	737 549	449 771	-	-
A+, A, A-	-	246 425	-	-
BB, BBB+	85 468	773	-	-
DDD	-	38 636	-	-
Deposits and money market securities (National long term rating)	731 713	324 689	-	-
AAA	22 981	95 888	-	-
AA+, AA, AA-	708 732	159 897	-	-
A+, A, A-	-	68 904	-	-
DDD	-	-	-	-
Cash and cash equivalents (National long term rating)	245 554	279 236	33 293	38 216
AAA	-	283	-	-
AA+, AA, AA-	245 554	263 214	23 034	22 904
A+, A, A-	-	15 739	10 259	15 312
Unrated (National long term rating)	101 217	104 742	16 197	749
Deposits and money market securities	-	-	-	-
Cash and cash equivalents	-	-	15 809	-
Insurance receivables	80 008	77 463	-	-
Other receivables	21 209	27 279	388	749
Global debt securities (Long Term Issuer Default Rating - Local currency)	52 614	47 644		
AAA	6 702	21 213	-	-
AA+, AA, AA-	26 096	6 813	-	-
A+, A, A-	13 303	13 963	-	-
BBB+, BBB, BBB-	6 513	5 655	-	-
Interest in associates - equity accounting (unrated)	-	4 619	-	-
Total	1 954 115	1 919 623	49 490	38 965

5. RISK MANAGEMENT (continued)

5.4.2.b Credit risk (continued)

Credit rating used:

The rating used for local assets is the National Long Term rating issued by rating agencies. This rating gives a relative credit quality for the issuer and/or entity in relation to the government of the Republic of South Africa. The rating used for global assets is the Long Term Issuer Default rating (Local currency) issued by rating agencies. If there is no rating available from a rating agency an internal model is used. The internal rating scale is based on internal definitions and influenced by definitions published by external rating agencies including Fitch, Moody's, S&P and GCR.

Rating definition:

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

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

		CONSOLIDATED		COMPANY	
		2016 R'000	2015 R'000	2016 R'000	2015 R'000
Policyholder receivables	<i>Gross</i>	46 831	55 962	-	-
	<i>Impairment provision</i>	(22 965)	(30 403)	-	-
	<i>Net</i>	23 866	25 559	-	-

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

	CONSOLIDATED		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Debt securities	875 631	1 206 337	-	-
Neither past due, nor impaired	875 631	1 206 337	-	-
Impairment provisions	-	-	-	-
Deposits and money market securities	731 713	324 689	-	-
Neither past due, nor impaired	731 713	324 689	-	-
Impairment provisions	-	-	-	-
Insurance receivables	80 008	77 463	-	-
Neither past due, nor impaired	63 319	59 109	-	-
Past due				
0 to 2 months	10 839	7 711	-	-
3 to 5 months	6 778	4 787	-	-
More than 5 months	65 922	61 729	-	-
Impairment provisions	(66 850)	(55 873)	-	-
Other receivables	21 209	27 279	388	749
Neither past due, nor impaired	9 637	13 736	388	749
Past due				
0 to 2 months	6 086	5 320	-	-
3 to 5 months	2	-	-	-
More than 5 months	5 484	8 223	-	-
Impairment provisions	-	-	-	-
Cash and cash equivalents	245 554	279 236	49 102	38 216
Neither past due, nor impaired	245 554	279 236	49 102	38 216
Impairment provisions	-	-	-	-
Interest in associates - equity accounting				
Neither past due, nor impaired	-	4 619	-	-
Total	1 954 115	1 919 623	49 490	38 965

5. RISK MANAGEMENT (continued)

5.4.2.b Credit risk (continued)

(ii) Collateral coverage

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

R'000	Unsecured *	Secured	Total Exposure	Exposure after netting **	Collateral coverage relative to secured exposure greater than 100%
2016					
Debt securities	875 631	-	875 631	875 631	-
Corporate bonds	86 373	-	86 373	86 373	-
Government bonds	-	-	-	-	-
Parastatals and utilities	10 160	-	10 160	10 160	-
Municipalities	-	-	-	-	-
Insurance policy - Global bonds	52 614	-	52 614	52 614	-
Unit trust	726 484	-	726 484	726 484	-
Deposits and money market securities	731 713	-	731 713	731 713	-
Insurance receivables	72 408	7 600	80 008	80 008	-
Other receivables	21 209	-	21 209	21 209	-
Cash and cash equivalents	245 554	-	245 554	245 554	-
Interest in associates- equity accounting	-	-	-	-	-
	1 946 515	7 600	1 954 115	1 954 115	-
2015					
Debt securities	832 758	373 579	1 206 337	1 206 337	-
Corporate bonds	650 942	54 301	705 243	705 243	-
Government bonds	-	218 953	218 953	218 953	-
Parastatals and utilities	125 574	100 325	225 899	225 899	-
Municipalities	8 598	-	8 598	8 598	-
Insurance policy - Global bonds	47 644	-	47 644	47 644	-
Deposits and money market securities	324 689	-	324 689	324 689	-
Insurance receivables	64 398	13 065	77 463	77 463	-
Other receivables	27 279	-	27 279	27 279	-
Cash and cash equivalents	279 236	-	279 236	279 236	-
Interest in associates- equity accounting	4 619	-	4 619	4 619	-
	1 532 979	386 644	1 919 623	1 919 623	-

* The unsecured portion of insurance receivables includes an impairment provision of R59 668 000 (2015: 55 873 000). Refer note 24.

** The company has no netting agreements in place

5.4.2.c Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due. Refer to the maturity profiles included in the note to policyholder liabilities (note 30).

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

5. RISK MANAGEMENT (continued)

5.4.2.c Liquidity risk (continued)

(i) Liquidity risks arising out of obligations to policyholders

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

Consolidated	INSURANCE CONTRACTS		INVESTMENT CONTRACTS	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
<i>Unit liabilities</i>				
Within 1 year	44 138	62 284	(19 583)	19 878
2 to 5 years	144 968	164 170	136 553	195 979
6 to 10 years	139 607	168 273	348 572	355 714
11 to 20 years	69 348	82 091	536 799	464 702
Over 20 years	6 061	12 811	258 219	186 893
Total unit liabilities	404 122	489 629	1 260 560	1 223 166
<i>Non-unit liabilities</i>				
Within 1 year	11 402	(626 334)	8 304	(37 417)
2 to 5 years	11 638	(1 769 721)	12 929	(116 196)
6 to 10 years	(48 346)	(309 594)	(550)	(85 362)
11 to 20 years	(133 764)	33 234	(10 138)	(73 096)
Over 20 years	(719 577)	1 849 159	(8 152)	(15 096)
Total	(878 647)	(823 256)	2 393	(327 167)
Effect of discounting cash flows	(1 639 789)	(1 520 488)	(573)	10 757
Effect of compulsory margins	697 085	764 725	35 922	352 190
Undiscounted liabilities (including IBNR reserves)	100 766	100 809	(43)	-
Total non-unit liabilities	(1 720 585)	(1 478 210)	37 699	35 779
TOTAL				
Within 1 year	55 540	(564 050)	(11 279)	(17 539)
2 to 5 years	156 606	(1 605 551)	149 482	79 783
6 to 10 years	91 261	(141 321)	348 022	270 352
11 to 20 years	(64 416)	115 325	526 661	391 606
Over 20 years	(713 516)	1 861 970	250 067	171 797
Effect of discounting cash flows	(1 639 789)	(1 520 488)	(573)	10 757
Effect of compulsory margins	697 085	764 725	35 922	352 190
Undiscounted liabilities (including IBNR reserves)	100 766	100 809	(43)	-
Total policyholder liabilities	(1 316 463)	(988 581)	1 298 259	1 258 945

5. RISK MANAGEMENT (continued)

5.4.2.c Liquidity risk (continued)

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

	CONSOLIDATED		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Equity securities	844 112	863 589	-	-
Debt securities	356 101	587 360	-	-
Deposits and money market securities	464 469	261 846	-	-
Total	1 664 682	1 712 795	-	-

The expected liquidity requirement for undiscounted expected cash flows for unit liabilities for the next year is R25 million. The Group has sufficient cash and cash equivalents to cover this risk.

The expected liquidity requirement for undiscounted expected cash flows for non-unit liabilities for the next year is an outflow of R20 million and therefore no provision is needed for liquidity purposes.

The table below indicates the composition of the insurance and investment policyholder contracts as well as the related reinsurance based on the underlying portfolios.

Consolidated	INSURANCE CONTRACTS		INVESTMENT CONTRACTS	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Policyholder assets	(2 318 294)	(1 773 364)	-	-
Policyholder liabilities	1 086 299	971 219	1 298 259	1 258 945
Reinsurance (assets)/liabilities	(84 468)	(186 436)	-	-
Total net policyholder (assets) / liabilities	(1 316 463)	(988 581)	1 298 259	1 258 945

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

Consolidated	CARRYING VALUE		SURRENDER VALUE	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Insurance contracts				
Linked and conventional business	486 028	576 264	402 268	560 319
Other business	(1 802 491)	(1 564 845)	-	-
Investment contracts	1 298 259	1 258 945	1 176 914	1 140 210
Total policyholder liabilities	(18 204)	270 364	1 579 182	1 700 529

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

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

	CONSOLIDATED		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Insurance and other payables	271 709	247 284	14 217	18 309
Contractual undiscounted cash flows				
Within 1 year	119 440	125 635	-	-
2 to 5 years	-	-	-	-
More than 5 years	-	-	-	-
Open ended	152 269	121 649	14 217	18 309
Total	271 709	247 284	14 217	18 309

5. RISK MANAGEMENT (continued)**5.4.3 Capital risk management****5.4.3.a Capital management policies and objectives**

The Group's capital management philosophy is:

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

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

5.4.3.b Capital adequacy requirement

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

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

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

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

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

	2016	2015
Available qualifying capital (R'm)	793.2	884.2
Statutory capital adequacy requirement (R'm)	413.5	342.1
CAR coverage ratio	1.92	2.58

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

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

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

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

5. RISK MANAGEMENT (continued)

5.4.4 Fair value estimation

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

R'000	Financial assets and liabilities at FVTPL on initial recognition	Loans and receivables	Financial liabilities at amortised cost	Insurance contract assets and liabilities	Total carrying amount	Fair value
Consolidated 2016						
Local listed shares	981 687	-	-	-	981 687	981 687
Unit trusts						
Global	110 574	-	-	-	110 574	110 574
Debt securities						
Corporate bonds	86 373	-	-	-	86 373	86 373
Government bonds	-	-	-	-	-	-
Parastatals and utilities	10 160	-	-	-	10 160	10 160
Municipalities	-	-	-	-	-	-
Insurance policy	52 614	-	-	-	52 614	52 614
Unit trust	726 484	-	-	-	726 484	726 484
Deposits and money market securities	731 713	-	-	-	731 713	731 713
Insurance receivables	-	3 876	-	76 132	80 008 *	80 008
Other receivables	-	21 209	-	-	21 209 *	21 209
Cash and cash equivalents	-	245 554	-	-	245 554	245 554
Insurance contract assets	-	-	-	1 316 463	1 316 463	1 316 463
Investment contract liabilities	1 298 259	-	-	-	1 298 259	1 298 259
Deferred revenue liability	346	-	-	-	346	346
Insurance payables	-	-	-	214 244	214 244 *	214 244
Other payables	-	-	57 465	-	57 465 *	57 465
Consolidated 2015						
Local listed shares	1 001 451	-	-	-	1 001 451	1 001 451
Unit trusts						
Global	110 859	-	-	-	110 859	110 859
Debt securities						
Corporate bonds	705 244	-	-	-	705 244	705 244
Government bonds	218 953	-	-	-	218 953	218 953
Parastatals and utilities	225 899	-	-	-	225 899	225 899
Municipalities	8 597	-	-	-	8 597	8 597
Insurance policy	47 644	-	-	-	47 644	47 644
Deposits and money market securities	324 689	-	-	-	324 689	324 689
Insurance receivables	-	8 707	-	68 756	77 463 *	77 463
Other receivables	-	27 279	-	-	27 279 *	27 279
Cash and cash equivalents	-	279 236	-	-	279 236	279 236
Insurance contract liabilities	-	-	-	988 581	988 581	988 581
Investment contract liabilities	1 258 945	-	-	-	1 258 945	1 258 945
Deferred revenue liability	278	-	-	-	278	278
Insurance payables	-	-	-	198 262	198 262 *	198 262
Other payables	-	-	49 022	-	49 022 *	49 022

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

5. RISK MANAGEMENT (continued)

5.4.4 Fair value estimation (continued)

R'000	Financial assets and liabilities at FVTPL on initial recognition	Loans and receivables	Financial liabilities at amortised cost	Insurance contract assets and liabilities	Total carrying amount	Fair value
Company 2016						
Investments in subsidiaries	701 953				701 953	701 953
Other receivables	-	388	-	-	388 *	388
Cash and cash equivalents	-	49 102	-	-	49 102	49 102
Other payables	-	-	14 217	-	14 217 *	14 217
Company 2015						
Investments in subsidiaries	676 103	-	-	-	676 103	676 103
Other receivables	-	749	-	-	749 *	749
Cash and cash equivalents	-	38 216	-	-	38 216	38 216
Other payables	-	-	18 309	-	18 309 *	18 309

* These items are shown at nominal value.

5.4.5 Fair value hierarchy

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

The fair values of accounts receivable, cash equivalents and accounts payable approximate their carrying values due to their short-term nature and are as a result not measured at fair value nor analysed by valuation technique. Refer notes 24, 25 and 35 for further information on these assets and liabilities.

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

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

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

For level 1:

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

For level 2:

- The fair value of other financial assets and financial liabilities (excluding derivatives) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- Observable inputs generally used to measure the fair value of securities classified as level 2 include benchmark yields, reported secondary trades, broker-dealer quotes, issuer spreads, benchmark securities, bids, offers and reference data. The specific inputs used are:
 - > Risk free rate: Ranging from 2.75% to 11.86%
 - > Credit spread: Ranging from 1.15% and 3.80%
 - > Liquidity premium: Ranging from 0.20% to 0.60%
- 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.

5. RISK MANAGEMENT (continued)

5.4.5 Fair value hierarchy (continued)

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.

R'000	Level 1	Level 2	Level 3	TOTAL
Consolidated 2016				
<u>Financial assets designated as 'at fair value through profit or loss'</u>				
Local listed shares	774 985	206 702	-	981 687
Unit trusts				
Local	-	-	-	-
Global	110 574	-	-	110 574
Debt securities				
Corporate bonds	15 394	70 979	-	86 373
Government bonds	-	-	-	-
Parastatals and utilities	-	10 160	-	10 160
Municipalities	-	-	-	-
Insurance policy - Global bonds	52 614	-	-	52 614
Unit trusts	-	726 484	-	726 484
Deposits and money market securities	497 621	234 092	-	731 713
Total financial assets	1 451 188	1 248 417	-	2 699 605
<u>Financial liabilities designated as 'at fair value through profit or loss'</u>				
Net investment contract liabilities	-	1 298 259	-	1 298 259
Total financial liabilities	-	1 298 259	-	1 298 259
Consolidated 2015				
<u>Financial assets designated as 'at fair value through profit or loss'</u>				
Local listed shares	992 173	9 278	-	1 001 451
Unit trusts				
Local	-	-	-	-
Global	110 859	-	-	110 859
Debt securities				
Corporate bonds	531 662	134 947	38 635	705 244
Government bonds	218 674	279	-	218 953
Parastatals and utilities	215 726	10 173	-	225 899
Municipalities	8 597	-	-	8 597
Insurance policy - Global bonds	47 644	-	-	47 644
Deposits and money market securities	6 005	318 684	-	324 689
Total financial assets	2 131 340	473 361	38 635	2 643 336
<u>Financial liabilities designated as 'at fair value through profit or loss'</u>				
Net investment contract liabilities	-	1 258 945	-	1 258 945
Total financial liabilities	-	1 258 945	-	1 258 945

5. RISK MANAGEMENT (continued)**5.4.5 Fair value hierarchy (continued)**

The table below shows the transfer between the various levels.

R'000	From level 1 to level 2	From level 2 to level 1
Consolidated 2016		
Change in validity of quoted prices		
Corporate bonds	-	-
Parastatals and utilities	-	-
Municipalities	-	-
Consolidated 2015		
Change in validity of quoted prices		
Corporate bonds	88 345	10 649
Parastatals and utilities	-	12 288
Municipalities	-	1 212

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

	2016 R'000	2015 R'000
Opening balance	38 635	-
Reclassification from level 1	-	28 824
Reclassification from level 2	-	9 811
Disposals / derecognised	(38 635)	-
Closing balance	-	38 635

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

The assets measured 'at fair value through profit or loss' in level 3 in 2015 consisted of certain African Bank senior debt instruments where the trading has been suspended. These instruments were derecognised and replaced with new instruments in the new African Bank.

5.5 Other risks**5.5.1 Intermediary debt exposure**

It is industry practice to pay intermediaries in advance for business submitted to the insurer after receipt of the first premium. As a result, there is an unvested portion of commission payments which is repayable to the insurer should the individual policies lapse or be cancelled. The cumulative effect of poor quality and low quantities of business could result in the intermediary owing money to the insurer, as the clawbacks exceed the commission earnings. These levels are monitored on a monthly basis by the Credit Control Committee and corrective action can be taken should the need arise. There is a risk of non-recovery of amounts owing to the insurer. For further information, refer note 24 to the financial statements.

5.5.2 *Compliance and regulatory risk*

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

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

5.5.3 *Expense risk*

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

6. SEGMENT INFORMATION

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

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

- Brokers: The Group owns an insurance broker that sells funeral cover to the pensioner market.

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

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

6.1 Segment earnings

	Life insurance R'000	Brokers R'000	Other R'000	Reporting adjustments R'000	Total R'000
For the year ended 30 June 2016					
Net insurance premium revenue	2 242 609	-	-	-	2 242 609
Commission received on outward reinsurance	12 220	-	-	-	12 220
Fee income	56 467	-	-	-	56 467
Investment income and net fair value gains on financial assets	164 947	1 186	(2 656)	6 951	170 428
Other income	(53)	53 235	8 998	(58 499)	3 681
Income	2 476 190	54 421	6 342	(51 548)	2 485 405
Net insurance benefits and claims	(856 447)	-	-	-	(856 447)
Acquisition costs	(527 685)	(5 194)	-	53 288	(479 591)
Operating and administrative expenses	(703 354)	(28 578)	(6 144)	(12 528)	(750 605)
Investment management expenses	(10 247)	-	-	1 442	(8 805)
Change in insurance contract provisions	327 882	-	-	-	327 882
Fair value adjustments on investment contracts liabilities	(52 490)	-	-	-	(52 490)
Expenses	(1 822 341)	(33 772)	(6 144)	42 202	(1 820 056)
Result of operating activities	653 849	20 649	198	(9 346)	665 349
Finance charges	-	(16)	(297)	208	(105)
Share of profit from associate	-	-	174	-	174
Profit before taxation	653 849	20 632	75	(9 138)	665 418
Income tax expense	(186 068)	(5 757)	(422)	(1 266)	(193 513)
Profit for the year	467 781	14 875	(347)	(10 404)	471 905
Other comprehensive income	-	-	-	(1 574)	(1 574)
Total comprehensive income for the year	467 781	14 875	(347)	(11 978)	470 331

6. SEGMENT INFORMATION (continued)

6.1 Segment earnings (continued)

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

6. SEGMENT INFORMATION (continued)

6.2 Other financial detail per operating segment

	Life insurance R'000	Brokers R'000	Other R'000	Reporting adjustments R'000	Total R'000
For the year ended 30 June 2016					
Financial assets - Investments	2 699 605	-	-	-	2 699 605
Policyholder assets	1 316 463	-	-	-	1 316 463
Total other assets	342 649	56 299	28 570	152 426	579 944
Policyholder liabilities	1 298 259	-	-	-	1 298 259
Total other liabilities	822 857	3 705	7 034	107 149	940 745
Additions to non-current assets	14 318	1 187	-	-	15 505
Depreciation	9 000	617	123	1 005	10 744
Amortisation of intangible assets	1 333	-	-	1 309	2 642
Impairment of intangible assets	4 222	-	-	-	4 222
For the year ended 30 June 2015					
Financial assets - Investments	2 638 593	-	4 743	-	2 643 336
Policyholder assets	988 581	-	-	-	988 581
Total other assets	375 538	50 756	38 877	135 705	600 876
Policyholder liabilities	1 258 945	-	-	-	1 258 945
Total other liabilities	689 611	3 289	17 423	95 049	805 372
Additions to non-current assets	16 368	1 334	119	-	17 820
Depreciation	7 271	591	153	1 005	9 020
Amortisation of intangible assets	1 829	-	-	4 552	6 381
Impairment of intangible assets	3 887	-	-	-	3 887

6.3 Segment information from geographical areas

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

6.4 Segment information per product classification

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

	2016	2015
Individual insurance business		
Conventional individual business	0.0%	0.1%
Other individual risk business	54.7%	54.7%
Group risk business	45.3%	45.2%
Total premium	100.0%	100.0%

	CONSOLIDATED		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
7. NET INSURANCE PREMIUM REVENUE				
Gross individual premiums received				
Recurring premiums	1 366 644	1 153 756	-	-
Gross group scheme and grouped individual premiums received	1 044 943	842 366	-	-
Gross inward reinsurance premiums received	36 245	42 615	-	-
Outward reinsurance premiums paid	(205 223)	(182 434)	-	-
Total net insurance premium revenue	2 242 609	1 856 303	-	-
8. FEE INCOME				
Investment management fee charges	46 291	46 344	-	-
Surrender charges	10 034	13 608	-	-
Amortisation of deferred revenue	142	148	-	-
Total fee income	56 467	60 100	-	-
9. INVESTMENT INCOME				
At fair value through profit or loss				
Interest received	103 517	110 561	-	-
Dividends received	19 518	40 112	315 664	263 735
Loans and receivables				
Insurance and other receivables				
Interest received on:				
Policyholder loans	1 390	2 108	-	-
Premiums receivable	342	312	-	-
Housing and car loans	741	813	-	-
Cash and cash equivalents	16 734	12 864	2 907	1 591
Total investment income	142 242	166 770	318 571	265 326
10. NET FAIR VALUE GAINS / (LOSSES) ON FINANCIAL ASSETS				
At fair value through profit or loss				
From equity securities				
Local listed shares	24 594	(50 291)	-	-
Global unit trusts	14 803	19 325	-	-
From debt securities				
Local debt securities	(14 678)	(11 691)	-	-
Global debt securities	14 894	1 856	-	-
Structured products	(11 427)	(9 905)	-	-
Total net fair value gains / (losses) on financial assets	28 186	(50 706)	-	-

	CONSOLIDATED		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
11. OTHER INCOME				
Loss on disposal of equipment	(150)	(167)	-	-
Levies on loans	111	195	-	-
Other	3 720	7 665	1 294	1 363
Total other income	3 681	7 693	1 294	1 363
12. NET INSURANCE BENEFITS AND CLAIMS				
Individual benefits	307 784	315 374	-	-
Death and disability claims	275 395	233 391	-	-
Accident and dread disease claims	8 617	7 102	-	-
Maturities	114 995	110 179	-	-
Surrenders	59 869	89 461	-	-
Inward reinsurance claims	32 941	28 209	-	-
Outward reinsurance recoveries	(184 033)	(152 968)	-	-
Group scheme and grouped individual benefits	548 663	405 315	-	-
Total net insurance benefits and claims	856 447	720 689	-	-
13. ACQUISITION COSTS				
Insurance contracts				
Commission paid	471 968	385 642	-	-
Investment contracts				
Amortisation of intangible asset (DAC)	7 623	7 433	-	-
Total acquisition costs	479 591	393 075	-	-

	CONSOLIDATED		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
14. OPERATING AND ADMINISTRATIVE EXPENSES				
Office costs	287 957	269 759	491	465
Employee costs	270 149	249 406	-	-
Advertising and promotions	68 433	37 219	-	-
Provision for impairments on receivables	3 795	10 082	-	-
Training and development costs	9 761	6 940	-	-
Share register and trading cost	4 484	4 542	4 484	4 542
Other	106 026	84 708	4 623	5 431
Total operating and administrative expenses	750 605	662 656	9 598	10 438
Operating and administrative expenses include the following:				
Depreciation on property and equipment	10 744	9 020	-	-
Owned computer equipment	4 747	3 656	-	-
Motor vehicles	2 475	2 004	-	-
Office equipment	2 516	2 242	-	-
Finance lease equipment	-	112	-	-
Owner-occupied properties	1 006	1 006	-	-
Auditors' remuneration	4 667	4 519	477	450
Audit fees - current year	1 698	1 279	-	-
Audit fees - prior years	2 969	3 240	477	450
Repairs and maintenance	9 444	9 424	-	-
Professional services	23 421	25 702	916	2 044
Actuarial services	7 802	12 119	-	-
Legal	4 997	3 806	-	-
Information technology	2 502	539	-	-
Professional and consulting	8 120	9 238	916	2 044
Operating lease rentals	19 927	18 479	-	-
Office equipment	447	764	-	-
Office buildings	19 480	17 715	-	-
Impairment of goodwill	-	6 973	-	-
Impairment of intangible assets	4 222	5 821	-	-
Deferred acquisition cost (DAC) ⁽¹⁾	4 222	3 887	-	-
Customer list and contracts	-	1 934	-	-

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

	CONSOLIDATED		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
14. OPERATING AND ADMINISTRATIVE EXPENSES (continued)				
Amortisation of intangible assets (excluding DAC)	2 642	6 381	-	-
Present value of in-force	-	1 829	-	-
Trademarks and customer relationships	1 309	2 618	-	-
Customer list and contracts	-	1 934	-	-
Marketing rights	1 333	-	-	-
Employee costs	270 149	249 406	-	-
Salaries and wages	182 201	166 857	-	-
Leave pay	1 118	560	-	-
Bonus	45 904	35 520	-	-
Pension costs - defined contribution plan	17 266	14 977	-	-
Equity-settled share-based payments:				
Share incentive scheme	2 061	4 554	-	-
Deferred bonus	13 229	-	-	-
Cash-settled share-based payments	8 370	26 938	-	-
Total directors' emoluments ⁽¹⁾	57 894	61 851	2 169	2 066
Executive directors (including the prescribed officers)	51 586	55 837	-	-
Non-executive directors	6 308	6 014	2 169	2 066

(1) The emoluments of the executive directors and prescribed officers are included in the employee costs above.

The number of permanent salaried staff, contract and temporary workers at 30 June 2016 was 638 (30 June 2015: 605).

All executive directors are eligible for an annual performance bonus. Performance related bonuses are based on the financial performance and indicators of the Group. For more information, please refer note 40 to the annual financial statements.

	CONSOLIDATED		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
15. FINANCE CHARGES				
Financiers	(105)	(356)	-	(10)
Total interest expense	(105)	(356)	-	(10)

	CONSOLIDATED		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
16. INCOME TAX EXPENSE				
Current tax	(84 739)	(114 620)	(265)	-
Capital gains tax	-	(7 775)	-	-
Security transfer tax	(133)	(31)	(133)	(31)
Deferred tax (note 34)	(108 641)	(52 166)	-	-
Total income tax expense - South African normal tax	(193 513)	(174 592)	(398)	(31)

Reconciliation of tax rate

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

	CONSOLIDATED		COMPANY	
	2016 %	2015 %	2016 %	2015 %
Standard rate of taxation	28.00	28.00	28.00	28.00
Adjusted for:				
Non taxable income	(14.17)	(8.84)	(28.49)	(28.82)
Non deductible expenses	0.90	1.74	0.62	0.79
Capital gains not subject to tax	0.23	2.15	-	-
Amounts not credited to statement of comprehensive income	13.77	6.48	-	-
Overprovision of prior years	0.08	(2.49)	-	-
Unutilised tax losses	-	0.02	-	0.04
Non-income generating expenses	0.27	0.31	-	-
Effective tax rate	29.08	27.37	0.13	0.01

	CONSOLIDATED	
	2016 R'000	2015 R'000
17. GROUP EARNINGS PER SHARE		
Total earnings attributable to ordinary shareholders	472 003	462 239
Effect of restricted share plans	7 526	20 504
Total diluted earnings attributable to ordinary shareholders	479 529	482 743
Weighted average number of shares in issue	301 241	296 939
Effect of restricted share plans	18 932	35 422
Effect of BEE transaction	31 574	31 574
Diluted average number of shares in issue	351 746	363 934
Group earnings per share:		
Basic	1.57	1.56
Diluted	1.36	1.33

The basic earnings per share is the basic earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year.

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue, assuming the conversion of all issued shares with dilutive potential.

The shares relating to the restricted share plans and BEE transaction are excluded from the weighted average number of shares in issue as it was either issued at no or little consideration or are subject to recall. It is included in the diluted average number of shares in issue as it is considered that the conditions were satisfied at the end of reporting period assuming that the end of the current reporting period was the end of the contingency period.

	CONSOLIDATED		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
18. OWNER-OCCUPIED PROPERTIES				
Fair value	35 407	37 593	-	-
Accumulated depreciation	(9 659)	(8 653)	-	-
Classified as held for sale (note 2)	(25 748)	-		
Non-current asset	-	28 940	-	-
Fair value at beginning of year	28 940	29 945	-	-
Revaluations	(2 186)	-	-	-
Depreciation charges	(1 006)	(1 005)	-	-
Classified as held for sale (note 26)	(25 748)	-	-	-
Fair value at end of year	-	28 940	-	-
Had no revaluation been performed, the carrying amount of buildings would have been:				
Cost	6 189	6 189	-	-
Accumulated depreciation	(2 689)	(2 565)	-	-
	3 500	3 624	-	-

Owner-occupied properties comprise of Erf 34 and Erf 26, Menlo Park, Pretoria, measuring 1 665 m² and 1 289 m² respectively.

The value of the properties as at 30 June 2016 were based on the purchase price as determined in the respective signed sale agreements. For more information, refer note 3.3.

	Office equipment R'000	Computer equipment R'000	Motor vehicles R'000	Finance lease equipment R'000	Total R'000
19. EQUIPMENT					
<i>Consolidated</i>					
For the year ended 30 June 2016					
Opening net book amount	16 647	12 900	11 479	-	41 026
Additions	2 896	6 380	6 229	-	15 505
Disposals	(161)	(36)	(1 226)	-	(1 423)
Assets held for sale (note 26)	(481)	-	-	-	(481)
Depreciation charge	(2 516)	(4 747)	(2 475)	-	(9 738)
Closing net book amount	16 385	14 497	14 007	-	44 889
At 30 June 2016					
Cost	32 054	42 088	19 085	365	93 592
Accumulated depreciation	(15 669)	(27 591)	(5 078)	(365)	(48 703)
<i>Non-current asset</i>	16 385	14 497	14 007	-	44 889
For the year ended 30 June 2015					
Opening net book amount	15 979	8 995	7 012	112	32 098
Additions	3 069	7 755	6 996	-	17 820
Disposals	(14)	(136)	(525)	-	(675)
Adjustment	(145)	(58)	-	-	(203)
Depreciation charge	(2 242)	(3 656)	(2 004)	(112)	(8 014)
Closing net book amount	16 647	12 900	11 479	-	41 026
At 30 June 2015					
Cost	31 847	36 865	15 406	365	84 483
Accumulated depreciation	(15 200)	(23 965)	(3 927)	(365)	(43 457)
<i>Non-current asset</i>	16 647	12 900	11 479	-	41 026

	CONSOLIDATED		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
20. INTANGIBLE ASSETS				
Goodwill	75 134	75 134	-	-
Trademarks and customer relationships	-	1 309	-	-
Present value of in-force (PVIF) business	-	-	-	-
Deferred acquisition cost (DAC)	22 074	20 283	-	-
Customer list and contracts	-	-	-	-
Marketing rights	6 667	-	-	-
Total intangible assets	103 875	96 726	-	-
Non-current asset	95 635	88 937	-	-
Current asset	8 240	7 789	-	-
Goodwill				
Cost - on acquisition of subsidiaries	85 608	85 608	-	-
Accumulated impairment	(10 474)	(10 474)	-	-
Carrying amount	75 134	75 134	-	-
Opening net book value	75 134	82 107	-	-
Impairment of goodwill	-	(6 973)	-	-
Carrying amount at end of year	75 134	75 134	-	-
Goodwill from subsidiaries of Assupol Investment Holdings:				
• Cornerstone Brokers Corporate	75 134	75 134	-	-

Impairment test for goodwill

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

The recoverable amount of a CGU is determined based on value-in-use calculations. A discounted cash flow (DCF) valuation has been performed on Cornerstone Brokers Corporate. The results of the valuation of Cornerstone Brokers Corporate supports the recoverability of the goodwill.

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

	CONSOLIDATED		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
20. INTANGIBLE ASSETS (continued)				
Trademarks and customer relationships				
Cost	26 178	26 178	-	-
Accumulated amortisation	(26 178)	(24 869)	-	-
Carrying amount	-	1 309	-	-
Opening net book value	1 309	3 927	-	-
Current year amortisation charge	(1 309)	(2 618)	-	-
Carrying amount at end of year	-	1 309	-	-
<p>The trademarks and customer relationships are intangible assets which have been separately identified during the acquisition of Cornerstone Brokers. These assets had an estimated life of 10 years and were amortised over that period. The assets were fully amortised during the financial year.</p> <p><i>Impairment test for trademarks and customer relationships</i></p> <p>The same impairment test as for goodwill applied as the trademark and customer relationships assets related to the acquisition of Cornerstone Brokers.</p>				
Present value of in-force ('PVIF') business				
Cost	16 180	16 180	-	-
Accumulated amortisation	(16 180)	(16 180)	-	-
Carrying amount	-	-	-	-
Opening net book value	-	1 829	-	-
Current year amortisation charge	-	(1 829)	-	-
Carrying amount at end of year	-	-	-	-

The PVIF represented the pre-taxation present value (at acquisition date) less amortisation of future profits on policyholder contracts acquired from business combinations. The PVIF related mostly to group business with a withdrawal rate of 10%. Management has assessed the amortisation period of the intangible asset over a period of 10 years. The asset was fully amortised in the 2015 financial year.

	CONSOLIDATED		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
20. INTANGIBLE ASSETS (continued)				
Deferred acquisition cost				
Cost	36 684	34 625	-	-
Accumulated amortisation	(14 610)	(14 342)	-	-
Carrying amount	22 074	20 283	-	-
Opening balance	20 283	19 698	-	-
New business	13 636	11 905	-	-
Impairments	(4 222)	(3 887)	-	-
Amortisation charge	(7 623)	(7 433)	-	-
Carrying amount at end of year	22 074	20 283	-	-
The impairment relates to policies that have lapsed or have been cancelled during the current and prior years. As the policies are now inactive, the Group will not receive any future fees on the policies. The net value of the impairment is R4.222m (2015: R3.887m).				
Customer list and contracts				
Cost	7 736	7 736	-	-
Accumulated amortisation and impairments	(7 736)	(7 736)	-	-
Carrying amount	-	-	-	-
Opening balance	-	3 868	-	-
Amortisation charge	-	(1 934)	-	-
Impairments	-	(1 934)	-	-
Carrying amount at end of year	-	-	-	-
The intangible asset represented the present value (at acquisition date) less amortisation of future profits on contracts acquired from a business combination with Pan-African Asset Management. Management has initially assessed the amortisation period of the intangible asset over a period of 4 years. The asset was fully impaired in the 2015 financial year.				
Marketing rights				
Cost	8 000	-	-	-
Accumulated amortisation and impairments	(1 333)	-	-	-
Carrying amount	6 667	-	-	-
Opening balance	-	-	-	-
Additions	8 000	-	-	-
Amortisation charge	(1 333)	-	-	-
Carrying amount at end of year	6 667	-	-	-
The intangible asset is the contractual right to utilise and brand mobile kiosks. The amortisation period was set in accordance to the contractual period of 4 years.				

	COMPANY	
	2016 R'000	2015 R'000
21. INVESTMENTS IN SUBSIDIARIES (Unlisted)		
Opening balance	676 103	644 610
Equity-settled share-based payments		
Share incentive scheme - Assupol Life	2 061	4 554
Deferred bonus - Assupol Life	15 418	-
Cash-settled share-based payment liability - Assupol Life (note 32)	8 370	26 938
<i>Non-current asset</i> - unlisted equity investments	701 953	676 103
Unlisted equity investments, valued at cost, comprise the following:	701 953	676 103
Assupol Life	629 409	603 559
Assupol Investment Holdings	72 544	72 544

For detail of the ownership interest in each subsidiary, refer note 42.

The Group's 70.99% interest in Pan-African Asset Management was sold on 22 February 2016 for a consideration of R8.5 million.

2016
R'000

A summary of the assets and liabilities at the date of sale is shown below:

Equipment	153
Investments	4 982
Investment in associate	4 757
Sundry receivables	890
Cash and cash equivalents	4 340
Payables and other accruals	(415)
Shareholders' loans	(5 020)
Deferred tax	218
Current tax	63

The profit on loss of control is recognised in other income and is calculated as follows:

Consideration	8 500
Net asset value at date of sale	(9 968)
Minority interest	3 244
Retained earnings at acquisition	(755)
Profit on loss of control - recognised in other income	1 021

22. INTEREST IN ASSOCIATE

Set out below is an associate of the Group, which in the opinion of the directors was material to the Group until the interest in Pan-African Asset Management was sold in February 2016.

Nature of interest:

Name of fund	Country of incorporation / business	Investment of the Group in the fund as % of total value of fund		method
		2016	2015	
Pan African IP Income Hunter Fund	Republic of South Africa	0.00%	34.67%	Equity method

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

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

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

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

	2016 R'000	2015 R'000
Summarised statement of financial position		
Non-current assets	-	11 330
Current assets	-	269
Current liabilities	-	(16)
Net assets	-	11 583
Summarised statement of comprehensive income		
Income	533	1 361
Expenditure	(67)	(162)
Net realised gain	66	212
Net unrealised loss	(90)	(345)
Profit for the period before tax	442	1 066
Total comprehensive income	442	1 066
Group's interest percentage	39.45%	39.88%
Share of profit from associate	174	425

	CONSOLIDATED		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
22. INTEREST IN ASSOCIATE (continued)				
Reconciliation of summarised financial information				
Reconciliation of the summarised financial information presented to the carrying amount of its interest in associate:				
Summary of financial information:				
Opening net assets	11 583	12 542	-	-
Distributed income	(439)	(1 093)	-	-
Appropriation of income units	471	7 904	-	-
Expropriation of income units	-	(8 836)	-	-
Profit for the year	442	1 066	-	-
Sale of interest in subsidiary	(12 057)	-	-	-
Closing net assets	-	11 583	-	-
Group's interest percentage	0.00%	39.88%	-	-
Interest in associate - carrying value	-	4 619	-	-
<i>Non-current asset</i>	-	4 619	-	-
23. FINANCIAL ASSETS - INVESTMENTS				
At fair value through profit or loss				
Equity securities - quoted and listed	1 092 261	1 112 310	-	-
Local listed shares	981 687	1 001 451	-	-
Global unit trusts	110 574	110 859	-	-
Total equity securities	1 092 261	1 112 310	-	-
Debt securities - quoted and listed (local) ⁽¹⁾	823 017	1 158 693	-	-
Corporate bonds	86 373	705 244	-	-
Government bonds	-	218 953	-	-
Parastatals and utilities	10 160	225 899	-	-
Municipalities	-	8 597	-	-
Unit trusts	726 484	-	-	-
Insurance policy - Global bonds ⁽²⁾	52 614	47 644	-	-
Total debt securities	875 631	1 206 337	-	-
Deposits and money market securities	731 713	324 689	-	-
Total financial assets - investments	2 699 605	2 643 336	-	-

(1) Listed debt securities in this category include floating-rate instruments, and other debt securities paid a fixed interest rate that varied between 3.2% and 11.5% (2015: 7.0% and 12.2%).

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

	CONSOLIDATED		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
23. FINANCIAL ASSETS - INVESTMENTS (continued)				
<i>Non-current asset</i>				
Debt securities - quoted and listed (local)	95 629	1 054 691	-	-
<i>Current asset</i>				
Equity securities - quoted and listed	1 092 261	1 112 310	-	-
Debt securities - quoted and listed (local)	780 002	151 646	-	-
Deposits and money market securities	731 713	324 689	-	-
Analysis of movements in financial assets - investments:				
Opening balance	2 643 336	2 817 008	-	-
Additions	275 783	86 844	-	-
Disposals at carrying value	(370 296)	(359 727)	-	-
Net fair value gains	28 186	(50 706)	-	-
Accrued interest	103 078	109 805	-	-
Accrued dividends	19 518	40 112	-	-
Closing balance	2 699 605	2 643 336	-	-

Contractual maturity profile for financial assets - investments

<i>Consolidated</i>	Open-ended R'000	0 to 1 year R'000	2 to 5 years R'000	6 to 10 years R'000	> 10 years R'000	TOTAL R'000
30 June 2016						
Equity securities						
Local listed shares	981 687	-	-	-	-	981 687
Local and global unit trusts	110 574	-	-	-	-	110 574
Debt securities						
Corporate bonds						
Fixed rate	-	904	1 274	-	-	2 178
Floating rate	-	-	67 670	16 525	-	84 195
Government bonds - Fixed	-	-	-	-	-	-
Parastatals and utilities						
Fixed rate	-	-	-	-	-	-
Floating rate	-	-	10 160	-	-	10 160
Municipalities - Fixed	-	-	-	-	-	-
Unit trust	726 484	-	-	-	-	726 484
Insurance policy						
Global bonds	52 614	-	-	-	-	52 614
Deposits and money market securities						
Fixed rate	-	226 155	7 938	-	-	234 093
Floating rate	2 844	-	-	-	-	2 844
Unit trust	494 776	-	-	-	-	494 776
	2 368 979	227 059	87 042	16 525	-	2 699 605

23. FINANCIAL ASSETS - INVESTMENTS (continued)

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

	CONSOLIDATED		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
24. INSURANCE AND OTHER RECEIVABLES				
Premiums receivable	20 327	17 298	-	-
Gross premiums outstanding	43 292	47 701	-	-
Provision for impairment	(22 965)	(30 403)	-	-
Sundry insurance receivables	10 527	9 809	-	-
Gross receivables outstanding	47 230	35 279	-	-
Provision for impairment	(36 703)	(25 470)	-	-
Other sundry receivables	13 494	17 659	388	749
Reinsurance recoveries	45 615	42 095	-	-
Loans to personnel	4 061	4 804	-	-
Other loans	3 654	4 816	-	-
Loans to policyholders	3 539	8 261	-	-
Total insurance and other receivables	101 217	104 742	388	749
<i>Non-current asset</i>	18 947	10 612	-	-
<i>Current asset</i>	82 270	94 130	388	749
<i>Interest bearing receivables</i>	46 831	60 766	-	-
<i>Provisions</i>	(59 668)	(55 873)	-	-
<i>Non-interest bearing receivables</i>	114 054	99 849	388	749
Total insurance and other receivables consist of:				
Insurance receivables	80 008	77 463	-	-
Premiums receivable - insurance contracts	10 092	9 682	-	-
Premiums receivable - other	10 235	7 616	-	-
Sundry insurance receivables	10 527	9 809	-	-
Reinsurance recoveries	45 615	42 095	-	-
Loans to policyholders - insurance contracts	9 898	7 170	-	-
Loans to policyholders - other	(6 359)	1 091	-	-
Other receivables	21 209	27 279	388	749
Other sundry receivables	13 494	17 659	388	749
Loans to personnel	4 061	4 804	-	-
Other loans	3 654	4 816	-	-
Total insurance and other receivables	101 217	104 742	388	749
Movements in provision for impairment of premiums receivable:				
Opening balance	30 403	30 413	-	-
Recognised in profit or loss	(7 438)	(10)	-	-
Closing balance	22 965	30 403	-	-

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

	CONSOLIDATED		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
24. INSURANCE AND OTHER RECEIVABLES (continued)				
Movements in the provision for impairment of sundry insurance receivables:				
Opening balance	25 470	15 378	-	-
Recognised in profit or loss	11 233	10 092	-	-
Closing balance	36 703	25 470	-	-

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

Loans to personnel in respect of vehicle finance are provided to the sales managers of Assupol Life. Housing loans and vehicle finance are no longer granted to other staff but the balance still includes outstanding balances of loans previously granted. Loans to personnel are measured at amortised cost. Interest on housing loans is charged at 8,0% per annum. Vehicle finance loans bear interest at the official interest rate in accordance with the Income Tax Act, 58 of 1962.

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

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

	CONSOLIDATED		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
25. CASH AND CASH EQUIVALENTS				
Bank balances	245 542	279 224	49 102	38 216
Cash on hand	12	12	-	-
Closing balance (<i>Current asset</i>)	245 554	279 236	49 102	38 216

The effective interest rate on all short-term bank accounts during the year was 5.52% (2015: 4.66%) for the Group. All cash balances are available on demand.

26. NON-CURRENT ASSETS HELD FOR SALE

The non-current assets held for sale relate to the owner-occupied properties (refer note 18) that are in the process of being sold. The Group's head office is relocating to a new premises.

	CONSOLIDATED		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Balance at beginning of year	-	-	-	-
Classified as held for sale:				
Owner-occupied properties (note 18)	25 748	-	-	-
Equipment (note 19)	481	-	-	-
Balance at end of year	26 229	-	-	-

27. SHARE CAPITAL (Consolidated and company)*Authorised share capital*

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

*Rights, preferences and restrictions attached to classes of shares***Ordinary shares**

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

Class A ordinary redeemable no par value shares

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

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

Refer note 29 for the directors determination in respect of class 'A1' and 'A2' shares.

200 "A" preference no par value shares

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

Issued share capital

	Number of shares '000	Shares R'000	Share premium R'000	Total R'000
Ordinary shares				
Balance at 30 June 2014	413 668	30 370	547 176	577 546
Repurchase of ordinary shares	(1 628)	(2)	(9 440)	(9 442)
Balance at 30 June 2015	412 040	30 368	537 736	568 104
Repurchase of ordinary shares	(523)	(1)	-	(1)
Correction on redemption of preference shares	-	-	4 862	4 862
Balance at 30 June 2016	411 517	30 367	542 598	572 965

	CONSOLIDATED		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
28. SHARE-BASED PAYMENTS				
A. Treasury shares ⁽¹⁾				
<i>Share incentive scheme</i>	(30)	(77)	(30)	(77)
Balance at beginning of year	(77)	(78)	(77)	(78)
Share incentive options exercised	47	1	47	1
Balance at end of year - Unvested ordinary shares	(30)	(77)	(30)	(77)
B. Employee benefits reserve ⁽²⁾				
<i>Share incentive scheme</i>	30 338	28 324	30 338	28 324
Balance at beginning of year	28 324	23 770	28 324	23 770
Cost of share incentive scheme	2 061	4 554	2 061	4 554
Options exercised	(47)	-	(47)	-
<i>Deferred bonus</i>	15 418	-	15 418	-
Balance at beginning of year	-	-	-	-
Cost of deferred bonus scheme - prior year	2 189	-	2 189	-
Cost of deferred bonus scheme - current year	13 229	-	13 229	-
Balance at end of year - Employee benefits reserve	45 756	28 324	45 756	28 324

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

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

28. SHARE-BASED PAYMENTS (continued)

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

i. Share incentive scheme (Equity-settled)

In terms of the demutualisation, certain qualifying employees who were employed by the Assupol Group on 1 July 2010, were given an option to subscribe for 54 548 352 ordinary shares that were allotted to the Assupol Share Incentive Trust. The share options were allocated by using a court-approved formula. A further 26 082 353 ordinary shares were allotted to the Share Incentive Trust for purposes of issuing units to certain qualifying employees that are employed subsequent to 1 July 2010. 5 640 974 shares remain unissued.

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

	Number of shares issued '000	Number of units allocated '000	Price range
Options outstanding at 30 June 2014	77 831	70 356	R1.58 - R2.97
Net options exercised	(1 470)	(2 111)	R3.74 - R5.52
Shares transferred as deferred bonus shares	(2 714)	-	-
Options outstanding at 30 June 2015	73 647	68 245	R1.58 - R2.97
Net options exercised	(47 020)	(50 963)	R5.54 - R8.00
Shares transferred as deferred bonus shares	(3 705)	-	-
Options outstanding at 30 June 2016	22 923	17 282	R1.58 - R2.97

Information on options granted

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

The options were granted at different dates, namely:

Grant date	Contractual life	Number of shares issued	Units allocated	Fair value of options granted	Options exercised
31 December 2010	10 years	54 548 352	54 548 352	R1.58	51 610 574
31 October 2011	10 years	8 243 205	8 243 205	R1.88	1 464 217
16 August 2012	10 years	15 038 648	5 764 562	R2.06	-
14 February 2014	10 years	n/a	1 800 000	R2.97	-

Fair value of options granted

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

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

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

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

28. SHARE-BASED PAYMENTS (continued)**ii. Deferred bonus scheme (Equity-settled)**

The deferred bonus component of the executive directors and senior management is determined in terms of the agreed bonus structure. The deferred component of the bonus structure is issued in ordinary shares ('bonus shares') in the company at the date when the bonus is determined and awarded to the employee. The right to trade with the bonus shares is restricted for a period of 3 years. The economic benefits of the bonus shares, including the receipt of dividends, are not restricted. The proceeds of any dividends are paid to the shareholders who in turn is required to acquire additional shares ('dividend shares') from the proceeds. The right to trade with the dividend shares is restricted for the same period as the related bonus shares. In accordance with the accounting policy (refer notes 2.21 and 2.24) the cost of the deferred component is recognised over the period of restriction.

Analysis of movement in deferred bonus component

	CONSOLIDATED		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Opening balance - Not recognised in profit or loss	(47 808)	(8 756)	-	-
New allocation	(29 014)	(41 241)	-	-
Recognised in profit or loss	13 229	2 189	-	-
Closing balance - Not recognised in profit or loss	(63 593)	(47 808)	-	-

Information on share allocations granted

The allocations were granted annually when the annual financial statements of the preceding financial year are approved by the Board.

Grant date	Contractual life	Value of deferred bonus R'000	Number of 'bonus shares' allocated	Number of 'dividend shares' allocated
30 September 2014	3 years	8 756	2 384 341	617
22 September 2015	3 years	41 241	5 365 781	569
27 September 2016	3 years	29 014	4 848 847	-

Fair value of share allocations granted

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

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

The company issued 11 000 000 shares to the executive directors and prescribed officers in terms of their employment- and restraint of trade agreements. The agreements commenced with effect from 1 July 2012 and 1 September 2015. The directors and officers shall not be entitled to pledge, cede or dispose of the incentive shares unless it has become unrestricted. For the directors, a third of the shares becomes unrestricted on 30 June 2015, 30 June 2016 and 30 June 2017 respectively. One of the prescribed officers' shares became unrestricted on 30 June 2015. In respect of the other prescribed officer's shares, a quarter of the shares becomes unrestricted on 30 June 2017, 30 June 2018, 30 June 2019 and 30 June 2020 respectively. Furthermore the directors and officers became entitled to all the economic benefits and rights, including dividends, at the date of issue.

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

28. SHARE-BASED PAYMENTS (continued)**iii. Shares of the executive directors (Cash-settled) (continued)**

For the shares granted on 1 July 2012, a director / officer has a liquidity put option against the company within ten business days after 30 June 2017. A director / officer is entitled to request the company to purchase the director's / officer's incentive shares at a price equal to market value of those shares. The market value of those shares will be the most recent available valuation per share as required in the Assupol Share Incentive Trust deed, namely the 30-day volume-weighted average price (VWAP) of the share trades on the company's over-the-counter platform. Refer note 32 for the employee benefit liability recognised.

Grant date	Number of shares issued	Units allocated	Fair value of shares		
			At grant date	At 30 June 2016	At 30 June 2015
1 July 2012	10 000 000	54 548 352	R2.46	R5.64	R5.59
1 September 2015	1 000 000	8 243 205	R7.83	R5.64	-

Fair value of shares

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

29. BLACK ECONOMIC EMPOWERMENT RESERVE

	CONSOLIDATED		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Opening and closing balance	14 300	14 300	14 300	14 300

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

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

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

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

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

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

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

	CONSOLIDATED		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
30. POLICYHOLDER (ASSETS) / LIABILITIES UNDER INSURANCE CONTRACTS				
<i>Discounted liabilities</i>	(1 408 646)	(1 067 551)	-	-
Opening balance	(1 067 551)	(666 183)	-	-
Opening modelling adjustments and Prophet conversion	(3 471)	19 555	-	-
Expected interest on insurance liabilities	(63 493)	(31 491)	-	-
Expected premiums on insurance liabilities	1 255 948	1 074 031	-	-
Expected claims, expiries and lapses	(417 054)	(404 151)	-	-
Expected expenses, commission and charges	(334 177)	(277 557)	-	-
Expected profits	(189 405)	(88 389)	-	-
Additional unit linked returns (policyholders)	(17 849)	(42 563)	-	-
Experience variations	6 799	(40 551)	-	-
Changes in estimates (renewal business only)	(50 183)	(174 175)	-	-
New business added during the year	(528 210)	(436 077)	-	-
<i>Undiscounted liabilities</i>	92 183	78 970	-	-
Opening balance	78 970	89 916	-	-
Withdrawals during the year	(2 430)	(1 220)	-	-
New business added during the year	12 065	6 165	-	-
Changes in estimates (renewal business only)	4 189	(6 905)	-	-
Modelling changes	(611)	1 249	-	-
Transfer of NBC self-insured business	-	(10 235)	-	-
Total insurance (assets) / liabilities	(1 316 463)	(988 581)	-	-
<i>Non-current (asset) / liability</i>	(1 424 231)	(1 112 693)	-	-
<i>Current (asset) / liability</i>	107 768	124 112	-	-
Reconciliation of balance				
Opening balance	(988 581)	(576 267)	-	-
Recognised in statement of comprehensive income	(327 882)	(402 079)	-	-
Transfer of NBC self-insured business	-	(10 235)	-	-
Closing balance	(1 316 463)	(988 581)	-	-
<i>Maturity profile - Insurance contract liabilities</i>	0 to 1 year R'000	2 to 5 years R'000	> 5 years R'000	TOTAL R'000
Consolidated - 30 June 2016	107 768	182 114	(1 606 345)	(1 316 463)
Consolidated - 30 June 2015	124 112	212 103	(1 324 796)	(988 581)

	CONSOLIDATED		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
31. POLICYHOLDER LIABILITIES UNDER INVESTMENT CONTRACTS				
Opening balance	1 258 945	1 285 800	-	-
Premiums received	288 711	271 691	-	-
Payments of death, surrender and other terminations for the year	(245 562)	(274 186)	-	-
Fees deducted from account balances	(56 325)	(59 953)	-	-
Fair value adjustment to liabilities	52 490	35 593	-	-
Closing balance	1 298 259	1 258 945	-	-
<i>Non-current liability</i>	1 186 886	1 138 004	-	-
<i>Current liability</i>	111 373	120 941	-	-
<i>Maturity profile - Investment contract liabilities</i>	0 to 1 year R'000	2 to 5 years R'000	> 5 years R'000	TOTAL R'000
Consolidated - 30 June 2016	111 373	340 406	846 480	1 298 259
Consolidated - 30 June 2015	120 941	329 580	808 424	1 258 945

	CONSOLIDATED		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
32. EMPLOYEE BENEFITS				
Accrual for leave pay	10 194	9 906	-	-
Opening balance	9 906	9 852	-	-
Utilised during the year	(830)	(505)	-	-
Recognised in profit or loss	1 118	559	-	-
Provision for bonuses	42 840	40 895	-	-
Opening balance	40 895	37 675	-	-
Utilised during the year	(41 770)	(32 300)	-	-
Over provision from prior year	(2 189)	(8 756)	-	-
Recognised in profit or loss				
Cash bonus component	45 904	42 087	-	-
Deferred bonus component	-	2 189	-	-
Cash-settled share-based payment liability (Refer note 28)	54 575	46 205	54 575	46 205
Opening balance	46 205	19 267	46 205	19 267
Recognised in profit or loss	8 370	26 938	8 370	26 938
Total employee benefits	107 609	97 006	54 575	46 205
<i>Non-current liability</i>	54 575	48 394	54 575	46 205
<i>Current liability</i>	53 034	48 612	-	-

	CONSOLIDATED		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
33. DEFERRED REVENUE LIABILITY				
Balance at beginning of year	278	297	-	-
Deferred revenue relating to new business	210	128	-	-
Amortisation of deferred revenue	(142)	(147)	-	-
Balance at end of year	346	278	-	-
<i>Non-current liability</i>	238	174	-	-
<i>Current liability</i>	108	104	-	-

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

	CONSOLIDATED		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
34. DEFERRED TAX ASSET / (LIABILITY)				
Deferred income taxes are calculated on all temporary differences under the liability method, using applicable tax rates.				
Balance at beginning of year	(405 268)	(353 199)	-	-
Movements directly recognised in retained earnings	-	-	-	-
Movements during year attributable to:	(108 246)	(52 069)	-	-
Temporary differences				
Deferred acquisition costs	(482)	(170)	-	-
Other timing differences	(373)	(220)	-	-
Unrealised gains	(3 774)	11 381	-	-
Capital loss carried forward	2 353	-	-	-
Amortisation of PVIF asset	-	512	-	-
Policyholder liabilities difference between statutory and accounting basis	(105 970)	(64 168)	-	-
Loss of control in subsidiary	-	596	-	-
Balance at end of year	(513 514)	(405 268)	-	-

The deferred tax balance consists of the following:

Temporary differences				
Deferred acquisition costs	(8 300)	(7 818)	-	-
Other timing differences	2 185	2 558	-	-
Unrealised gains	(18 726)	(14 952)	-	-
Capital loss carried forward	2 353	-	-	-
Policyholder liabilities difference between statutory and accounting basis	(534 055)	(428 085)	-	-
Assessed loss	43 029	43 029	-	-
<i>Non-current liability</i>	(513 514)	(405 268)	-	-

The offset amounts are: ⁽¹⁾

Deferred tax assets	47 567	45 587	-	-
Deferred tax liabilities	(561 081)	(450 855)	-	-

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

Deferred tax assets of Assupol Life have been recognised on an assessed loss of R43m (2015: R43m). This amount is only a portion of the total assessed loss available for utilisation. An additional deferred tax assets of Assupol Life have not been raised on a further assessed loss of R1 831m (2015: R1 094m) as future profits to recover these losses are not considered to be probable.

	CONSOLIDATED		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
35. INSURANCE AND OTHER PAYABLES				
Accounts payable	57 465	47 560	13 431	15 750
Sundry insurance payables	94 804	72 627	-	-
Outstanding claims and benefits payable				
On insurance contracts	93 463	100 732	-	-
On investment contracts	14 344	13 720	-	-
Premiums received in advance	11 633	11 183	-	-
Amounts due to shareholders	-	1 462	-	-
Amounts due to subsidiaries	-	-	786	2 559
Total insurance and other payables	271 709	247 284	14 217	18 309
<i>Non-current liability</i>	-	-	-	-
<i>Current liability</i>	271 709	247 284	14 217	18 309
Insurance and other payables consist of:				
Insurance payables	214 244	198 262	-	-
Sundry insurance payables	94 804	72 627	-	-
Outstanding claims and benefits payable:				
- Insurance contracts	93 463	100 732	-	-
- Other	14 344	13 720	-	-
Premiums received in advance	11 633	11 183	-	-
Other payables	57 465	49 022	14 217	18 309
Accounts payable	57 465	47 560	13 431	15 750
Amounts due to shareholders	-	1 462	-	-
Amounts due to subsidiaries ⁽¹⁾	-	-	786	2 559
Total insurance and other payables	271 709	247 284	14 217	18 309

(1) The short term loan due to Assupol Life amounts to R786 072 (2015: R2 559 385) is unsecured and is repayable on demand. The loan does not bear interest.

	CONSOLIDATED		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
36. CURRENT TAXATION				
Opening balance	(9 949)	(6 040)	-	603
Transferred from the statement of comprehensive income	(84 872)	(122 426)	(398)	(31)
Taxation paid during the year	105 434	118 517	375	(572)
Total current taxation	10 613	(9 949)	(23)	-

	CONSOLIDATED		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
37. CASH GENERATED FROM OPERATIONS				
Reconciliation of profit before tax to cash generated from operations:				
Profit before taxation	665 418	637 941	310 267	256 241
Movement in policyholder assets / liabilities:	(288 568)	(439 169)	-	-
Insurance contracts (note 30)	(327 882)	(412 314)	-	-
Investment contracts (note 31)	39 314	(26 855)	-	-
Items disclosed separately:	(155 563)	(178 191)	(318 571)	(265 316)
Interest received (note 9)	(122 724)	(126 658)	(2 907)	(1 591)
Dividends received (note 9)	(19 518)	(40 112)	(315 664)	(263 735)
Finance charges (note 15)	105	356	-	10
Deferred acquisition cost on new business (note 20)	(13 636)	(11 905)	-	-
Fee income deferred on new business (note 33)	210	128	-	-
Non-cash items:	10 836	90 482	-	-
Net fair value (gains) / losses on financial assets (note 10)	(28 186)	50 706	-	-
Depreciation of property and equipment (note 14)	10 744	9 019	-	-
Loss / (profit) on sale of equipment (note 11)	150	167	-	-
Amortisation of intangible assets (note 20)	8 932	13 814	-	-
Impairment of intangible assets (note 20)	4 222	5 821	-	-
Impairment of goodwill (note 20)	-	6 973	-	-
Share-based payments (note 28)	15 290	4 554	-	-
Profit from associate	(174)	(425)	-	-
Amortisation of deferred revenue liability (note 33)	(142)	(147)	-	-
Changes in working capital:	27 761	58 725	4 278	38 560
Insurance and other trade receivables (note 24)	(7 267)	(5 962)	-	-
Employee benefits (note 32)	10 603	30 212	8 370	26 938
Insurance and other payables (note 35)	24 425	34 475	(4 092)	11 622
Cash generated from operations	259 884	169 788	(4 026)	29 485
38. TAXATION PAID				
Total current tax	(105 434)	(118 517)	23	603
Receivable at beginning of the year	(9 949)	(6 040)	-	603
Recognised in profit or loss	(84 872)	(122 426)	-	-
Payable / (receivable) at end of the year	(10 613)	9 949	23	-
Security transfer tax	-	-	(398)	(31)
Recognised in profit or loss	-	-	(398)	(31)
Total taxation paid	(105 434)	(118 517)	(375)	572

	CONSOLIDATED		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
39. SIGNIFICANT NON-CASH TRANSACTIONS				
Equity-settled shared-based payments (note 28)				
Share incentive scheme	2 061	4 554	2 061	4 554
Deferred bonus	13 229	-	13 229	-
Total equity-settled shared-based payments	15 290	4 554	15 290	4 554
Cash-settled share-based payments (note 28)				
Shares to executive directors	8 370	26 938	8 370	26 938

40. RELATED PARTY TRANSACTIONS**Related parties defined**

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

Key management

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

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

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

	2016 R'000	2015 R'000
Balance at end of year	-	-
Balance at beginning of year	-	152
Loan repayments received	-	(153)
Interest charged	-	1

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

40. RELATED PARTY TRANSACTIONS (continued)

Directors' remuneration (including prescribed officers)

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

The Group provides cash as well as non-cash benefits to executive directors, prescribed officers and employees. Bonuses for executive directors, the prescribed officers and senior management are awarded based on an agreed bonus structure as determined by the Group Remuneration Committee and consist of a cash and deferred component. The executive directors and prescribed officers also participate in the Group's share incentive scheme. Furthermore shares linked to a restraint of trade agreement have been issued to the executive directors and prescribed officers. Refer note 28 for more detail on the restrictions and vesting periods that apply to the share schemes.

Executive directors and prescribed officers (paid by Assupol Life)

R'000	RF Schmidt (Group CEO)	D de Klerk (Group CFO)	MB Mokwena- Halala	SL Ndwalaza	GFM Wessels	J Dippenaar (CRO)	Total
30 June 2016							
Fixed							
Salary	3 058	2 314	2 409	2 248	2 672	1 745	14 446
Other benefits	10	10	10	10	10	8	58
Pension fund contributions	325	262	275	257	305	203	1 627
Variable							
Cash bonus	2 390	1 476	2 024	1 436	6 500	1 420	15 246
Restraint of trade	-	-	-	-	-	1 000	1 000
Restricted incentives ⁽¹⁾							
Deferred bonus	1 898	1 415	1 694	1 380	920	-	7 307
Share incentive scheme	120	97	97	259	118	-	691
Restraint of trade	1 790	1 790	1 791	1 791	-	1 208	8 370
Total	9 591	7 364	8 300	7 381	10 525	5 584	48 745
Accrued and settled	5 783	4 062	4 718	3 951	9 487	3 376	31 377
Restricted incentives ⁽¹⁾	3 808	3 302	3 582	3 430	1 038	1 208	16 368
30 June 2015							
Fixed							
Salary	2 696	2 131	2 287	2 054	2 532	-	11 700
Other benefits	10	10	15	10	10	-	55
Pension fund contributions	317	317	264	327	298	-	1 523
Variable							
Cash bonus	2 266	1 361	1 918	1 361	2 837	-	9 743
Restricted incentives ⁽¹⁾							
Deferred bonus	250	187	219	500	-	-	1 156
Share incentive scheme	384	311	311	497	378	-	1 881
Restraint of trade	5 104	5 104	5 104	5 104	6 522	-	26 938
Total	11 027	9 421	10 118	9 853	12 577	-	52 996
Accrued and settled	5 289	3 819	4 484	3 752	5 677	-	23 021
Restricted incentives ⁽¹⁾	5 738	5 602	5 634	6 101	6 900	-	29 975

(1) Restricted incentives are allocations of shares under the conditions of the deferred bonus structure, the share incentive scheme (refer note 28), as well as the restraint of trade share agreements (refer note 32). The amounts disclosed in the table above are the value of the expense recognised in profit and loss and do not represent an amount paid to the individual.

The deferred component of the bonus structure is issued in ordinary shares ('bonus shares') in the company at the date when the bonus is determined and awarded to the employee. The right to trade with the bonus shares is restricted for a period of 3 years. The economic benefits of the bonus shares, including the receipt of dividends, are not restricted. The proceeds of any dividends are paid to the shareholders who in turn is required to acquire additional shares ('dividend shares') from the proceeds. The right to trade with the dividend shares is restricted for the same period as the related bonus shares. In accordance with the accounting policy (refer note 2.24.3) the expense reflected above is the annual cost of the deferred bonus.

40. RELATED PARTY TRANSACTIONS (continued)

Directors' remuneration (including prescribed officers) (continued)

Summary of restricted incentives (units)

	Balance allocated at beginning of year	Allocated during the year	Unrestricted during the year	Balance allocated at end of year
Deferred bonus structure	1 259 379	3 644 328	-	4 903 707
RF Schmidt	272 298	971 598	-	1 243 896
D de Klerk	204 223	723 425	-	927 648
MB Mokwena-Halala	238 261	868 452	-	1 106 713
SL Ndwalaza	544 597	551 336	-	1 095 933
GFM Wessels	-	529 517	-	529 517
Share incentive scheme	34 921 887	-	29 691 305	5 230 582
RF Schmidt ⁽¹⁾	8 233 405	-	8 233 405	-
D de Klerk ⁽¹⁾	6 677 241	-	6 677 241	-
MB Mokwena-Halala ⁽¹⁾	6 677 241	-	6 677 241	-
SL Ndwalaza ⁽²⁾	5 230 582	-	-	5 230 582
GFM Wessels ⁽¹⁾	8 103 418	-	8 103 418	-
Restraint of trade	5 333 332	1 000 000	2 666 668	3 666 664
RF Schmidt	1 333 333	-	666 667	666 666
D de Klerk	1 333 333	-	666 667	666 666
MB Mokwena-Halala	1 333 333	-	666 667	666 666
SL Ndwalaza	1 333 333	-	666 667	666 666
J Dippenaar	-	1 000 000	-	1 000 000

(1) All of the shares that were allocated became unrestricted during the year and was discharged in terms of the Trust Deed of the Share Incentive Scheme.

(2) Two thirds of the shares that were allocated to the director are unrestricted but not discharged in terms of the Trust Deed.

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

R'000	Board fees	Committee fees	Total
30 June 2016	4 340	1 838	6 178
JA Janse van Rensburg (Chairperson)	1 533	161	1 694
EDJ Ashkar	401	314	715
ILM Barnett	401	81	482
AS Birrell	401	161	562
NE Gubb	401	161	562
I Greenstreet	401	242	643
T Muranda	401	332	733
CJ van Dyk	401	386	787
30 June 2015	4 134	1 750	5 884
JA Janse van Rensburg (Chairperson)	1 460	154	1 614
EDJ Ashkar	382	299	681
ILM Barnett	382	77	459
AS Birrell	382	154	536
NE Gubb	382	154	536
I Greenstreet	382	230	612
T Muranda	382	315	697
CJ van Dyk	382	367	749

40. RELATED PARTY TRANSACTIONS (continued)

Securities held by directors (units) ⁽¹⁾

	Direct beneficial	Indirect beneficial	Total
RF Schmidt	-	3 975 700	3 975 700
D de Klerk	4 962 969	591 371	5 554 340
MB Mokwena-Halala	2 359 719	-	2 359 719
SL Ndwalaza	2 509 480	-	2 509 480
GFM Wessels	6 018 473	11 657	6 030 130
J Dippenaar	375 501	-	375 501
T Muranda	-	1 083 379	1 083 379
A Birrell	-	3 632 506	3 632 506

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

	CONSOLIDATED		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Aggregate details of contracts between the Group and key management				
Insurance contracts				
Aggregate insured cover	3 774	3 758	-	-
Premiums received	66	62	-	-
Claims paid	-	-	-	-
Surrender value	40	34	-	-
Investment contracts	702	636	-	-
Fund value at beginning of year	636	735	-	-
Premiums received	63	61	-	-
Resignations	(24)	(149)	-	-
Investment returns credited net of charges	39	-	-	-
Commission and other transaction fees	(12)	(11)	-	-
Surrender value	695	456	-	-
Loan balances with related parties				
Total amounts due to subsidiaries as detailed in note 35:				
<i>Operational account with Assupol Life</i>	-	-	(786)	(2 559)
Opening balance	-	-	(2 559)	210
Repayments	-	-	(27 732)	(27 732)
Transactions funded during the year	-	-	29 505	24 963

41. COMMITMENTS*Operating lease commitments*

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

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

	CONSOLIDATED		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
<i>Office equipment</i>				
• Due in 1 year or less	365	547	-	-
• Due between 1 and 5 years	84	243	-	-
• Due after 5 years	-	-	-	-
<i>Office buildings</i>				
• Due in 1 year or less	18 389	17 161	-	-
• Due between 1 and 5 years	20 037	14 046	-	-
• Due after 5 years	171	-	-	-
	39 046	31 997	-	-

42. INTERESTS IN SUBSIDIARIES

Subsidiary name	Issued share capital R'000	Effective holdings		Interest of holding company	
		2016 %	2015 %	2016 R'000	2015 R'000
<i>Subsidiaries of Assupol Holdings Limited</i>					
Assupol Life Limited ⁽¹⁾	490 019	100%	100%	613 991	603 559
Assupol Investment Holdings Proprietary Limited ⁽²⁾	70 431	100%	100%	72 544	72 544
<i>Subsidiaries of Assupol Investment Holdings</i>					
Cornerstone Brokers Corporate Proprietary Limited ⁽³⁾	9 273	100%	100%	40 800	40 800
Pan-African Asset Management Proprietary Limited ⁽⁴⁾	6 091	0%	71%	-	6 468
Erf 26 Menlopark Share Block Proprietary Limited ⁽⁵⁾	1	100%	100%	7 415	7 415
Siebador Sewentien Proprietary Limited ⁽⁵⁾	1	100%	100%	4 525	4 525
IG Admin Proprietary Limited ⁽⁶⁾	301	100%	100%	-	227
Prosperity Life Limited ⁽⁶⁾	-	100%	100%	-	-
<i>Other consolidated entities</i>					
Assupol Share Incentive Trust ⁽⁷⁾	Trust	-	-	-	-

All the subsidiaries are unlisted and incorporated in South Africa. Transactions between subsidiaries are listed in note 40 to the annual financial statements.

Nature of business

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

43. EVENTS AFTER REPORTING DATE**Dividend declaration**

On 27 September 2016 the Board of Directors declared a cash dividend of 43 cents per qualifying ordinary share and a special dividend of 13 cents per qualifying ordinary share for the year ended 30 June 2016. The dividend is payable on 28 October 2016 to qualifying shareholders registered on 21 October 2016.

The qualifying ordinary shares at the date that these financial statements were approved excluded the ordinary shares issued to the Assupol Share Incentive Trust and the 'A2' ordinary shares. Refer notes 28 and 29 for more detail.

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