



**ASSUPOL HOLDINGS LIMITED AND ITS SUBSIDIARIES**

Incorporated in the Republic of South Africa

(Registration no. 2010/015888/06)

4AX Share code: 4AASP

ISIN: ZAE400000051

**UNAUDITED CONDENSED INTERIM FINANCIAL RESULTS**  
**for the six months ended 31 December 2018**

# ASSUPOL HOLDINGS LIMITED and its subsidiaries

## GROUP REVIEW for the six months ended 31 December 2018

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Assupol Holdings and its subsidiaries (the Group) presents its unaudited condensed interim financial results for the six months ended 31 December 2018.

Assupol Holdings Limited is incorporated and domiciled in South Africa. Its registered office and principal place of business is at Summit Place Office Park, Building 6, 221 Garstfontein Road, Menlyn, Pretoria. The company's shares are listed on the exchange operated by 4Africa Exchange Pty Ltd (4AX).

These unaudited condensed interim financial results were approved by the company's board of directors for issue on 28 February 2019.

### Group results

The Assupol Group's performance was affected by a difficult operating environment during the first 6 months of its 2018/19 financial year. The financial performance of the Group over the period was adversely impacted by the economic environment. However the focus remained on the generation of new business, improvement of expense efficiencies and diversification efforts, true to the growth aspirations of the Group. These efforts resulted in a growth of 9.8% in the in-force book during first 6 months and an increase in the annual premium equivalent of 14.6%. Furthermore the withdrawal and mortality experience of the life business was in line with expectations.

The Group has invested R14.1 million (June 2018: R7.4 million) in new strategic initiatives.

Since April 2018 new policies written, of which the premiums are deducted by the South African Social Security Agency (SASSA), are affected by a new requirement that grant beneficiaries should be in possession of a valid SASSA mandate before premiums will be deducted from their grants. The practical implementation of this requirement is challenging and significantly affected the sale of new funeral policies to pensioners. Management is closely monitoring the financial impact and is actively involved in addressing this matter with the relevant authorities. The result of not receiving the premiums on the new business had a negative impact on the after-tax profits for the first 6 months of R3.9 million and a decrease in the value of new business of R9 million.

Policies sold in the direct marketing division of Assupol Life Limited (the major subsidiary of Assupol Holdings) has been lower than anticipated. This is as a result of difficult marketing conditions.

The investment returns were substantially lower compared to the previous financial year. The after-tax returns on shareholders' funds underperformed against the long term investment return assumption by R13.4 million, while the 2018 financial year reported an after-tax overperformance of R27.4 million.

The valuation interest rate used to value the policyholder liabilities increased since the year end June 2018, resulting in a decrease in the after-tax profits of R13.3 million.

The key financial performance statistics for the Assupol Group for the period ended 31 December 2018 are set out below.

	Six months ended 31 December 2018	Six months ended 31 December 2017	Change	Year ended 30 June 2018
	<i>Unaudited</i>	<i>Unaudited</i>		<i>Audited</i>
<b>Earnings performance</b>				
Gross insurance premium revenue (R'm)	1 667	1 450	14.97%	2 934
Net profit attributable to ordinary shareholders (R'm)	302	412	-26.70%	847
Value of new business (R'm)	198	188	5.07%	388
Adjusted operating profit (AOP) (R'm) <sup>(a)</sup>	351	348	0.92%	713
Return on equity	8%	13%		26%
<b>New business</b>				
Recurring premiums (R'm)	535	468	14.32%	891
Single premiums (R'm)	127	104	22.12%	191
Total new business premiums (R'm)	662	572	15.73%	1 082
Annual premium equivalent (APE) (R'm)	548	478	14.64%	910
Present value of new business premiums (PV NBP) (R'm)	2 258	1 965	14.91%	3 719
Value of new business margin	8.8%	9.6%	-8.52%	10.4%

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

	Six months ended 31 December 2018 <i>Unaudited</i>	Six months ended 31 December 2017 <i>Unaudited</i>	Change	Year ended 30 June 2018 <i>Audited</i>
<b>Group embedded value (R'm)</b>				
Adjusted net worth	1 117	1 085		1 301
Value of in-force business	3 462	2 844		3 195
Gross	3 790	3 106		3 489
Cost of required capital	(329)	(262)		(294)
Embedded value of covered business	4 579	3 929		4 496
Embedded value of non-covered business	64	45		67
Group embedded value at period end	4 642	3 974	16.82%	4 563
Return on embedded value (%)	10.50%	14.67%		33.49%

<b>Embedded value earnings (R'm)</b>	Adjusted net worth	Value of in- force	Cost of required capital	Total
<b>Six months ended 31 December 2018</b>				
Embedded value of covered business	1 117	3 790	(329)	4 579
Embedded value of non-covered business	86	(22)	-	64
Group embedded value at 31 December 2018	1 203	3 768	(329)	4 642
<b>Six months ended 31 December 2017</b>				
Embedded value of covered business	1 085	3 106	(262)	3 929
Embedded value of non-covered business	101	(56)	-	45
Group embedded value at 31 December 2017	1 186	3 050	(262)	3 974
<b>Year ended 30 June 2018</b>				
Embedded value of covered business	1 301	3 489	(294)	4 496
Embedded value of non-covered business	89	(22)	-	67
Group embedded value at 30 June 2018	1 390	3 467	(294)	4 563

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

<b>Share statistics</b>	<b>Six months ended 31 December 2018</b> <i>Unaudited</i>	<b>Six months ended 31 December 2017</b> <i>Unaudited</i>	<b>Change</b>	<b>Year ended 30 June 2018</b> <i>Audited</i>
Share price - closing (R) <sup>(1)</sup>	10.81	6.50	66.31%	9.20
Number of ordinary shares in issue ('000)	421 975	416 338	1.35%	421 975
Market capitalisation (R'm) <sup>(1)</sup>	4 562	2 706	68.57%	3 882
Basic earnings per share (R)	0.76	1.14	-33.10%	2.31
Diluted earnings per share (R)	0.75	1.06	-29.54%	2.11
Diluted adjusted operating profit per share (R)	0.83	0.91	-8.31%	1.73
Group embedded value per share (R)	11.00	9.54	15.33%	10.82
Dividend per qualifying ordinary share (cents) <sup>(2)</sup>	96	56	71.43%	96

1. Market information for 30 June 2018 and 31 December 2018 is based on the 4AX exchange on which the company's shares traded at close of business on those dates. The information for December 2017 is based on the previous over-the-counter platform.
2. The dividend per qualifying ordinary share was declared and paid as follows:
  - Declared on 15 September 2017 (Paid 13 October 2017): A gross cash dividend of 48 cents and special dividend of 8 cents, resulting in a total gross dividend of 56 cents per qualifying share.
  - Declared on 27 September 2018 (Paid 15 October 2018): A gross cash dividend of 54 cents and special dividend of 42 cents, resulting in a total gross dividend of 96 cents per qualifying share.

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

### **Subsequent events**

Assupol Life Limited, being the major subsidiary of Assupol Holdings, concluded a tier 3 subordinated debt facility of R250 million with Investec Bank on 30 January 2019. The purpose of this facility is to provide an alternative source to fund the new business strain. The company can draw down against the facility for a period of 12 months. The settlement period is 4 years after each draw down. The facility carries a fixed or floating interest rate as determined by the company at each draw down. The facility is subject to standard commercial terms.

Prior to entering into this facility, Assupol Life had no gearing on the balance sheet. Introduction of the facility is in line with trends in the industry to fund operations with a combination of debt and equity in order to reduce the weighted average cost of capital.

**ASSUPOL HOLDINGS LIMITED and its subsidiaries**
**STATEMENT OF COMPREHENSIVE INCOME  
for the six months ended 31 December 2018**

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<i>R'000</i>	NOTES	Six months ended 31 December 2018 <i>Unaudited</i>	Six months ended 31 December 2017 <i>Restated Unaudited</i>	Year ended 30 June 2018 <i>Audited</i>
Insurance premiums revenue		1 667 090	1 450 239	2 933 533
Insurance premiums ceded to reinsurers		(49 366)	(137 829)	(234 253)
<i>Net insurance premium revenue</i>		1 617 724	1 312 410	2 699 280
Commission received on outward reinsurance		1 305	4 238	7 222
Fee income		35 508	33 706	66 653
Investment income		133 562	122 084	253 446
Net fair value (losses) / gains on financial assets		(114 065)	175 630	129 394
Other income		1 635	1 801	(373)
<b>Income</b>		<b>1 675 669</b>	<b>1 649 869</b>	<b>3 155 622</b>
Insurance benefits and claims		(523 024)	(483 692)	(976 742)
Insurance claims recovered from reinsurers		43 270	132 108	224 643
<i>Net insurance benefits and claims</i>		(479 754)	(351 584)	(752 099)
Commission expenses	6	(354 825)	(275 979)	(631 277)
Operating and administrative expenses	7	(581 007)	(475 922)	(977 532)
Investment management expenses		(5 995)	(5 325)	(10 790)
Change in insurance contract provisions		166 981	175 586	532 926
Fair value adjustments on investment contract liabilities		10 008	(132 114)	(123 475)
<b>Expenses</b>		<b>(1 244 592)</b>	<b>(1 065 338)</b>	<b>(1 962 247)</b>
<b>Result of operating activities</b>		<b>431 077</b>	<b>584 531</b>	<b>1 193 375</b>
Finance charges		(7 273)	(7 223)	(14 221)
<b>Profit before taxation</b>		<b>423 804</b>	<b>577 308</b>	<b>1 179 154</b>
Income tax expense		(121 660)	(165 476)	(332 259)
<b>PROFIT FOR THE PERIOD</b>		<b>302 144</b>	<b>411 832</b>	<b>846 895</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>302 144</b>	<b>411 832</b>	<b>846 895</b>
<b>Profit and total comprehensive income attributable to Shareholders</b>		<b>302 144</b>	<b>411 832</b>	<b>846 895</b>
<b>Group earnings per share</b>				
Basic earnings per share		0.76	1.14	2.31
Diluted earnings per share		0.75	1.06	2.11

**ASSUPOL HOLDINGS LIMITED and its subsidiaries**
**STATEMENT OF FINANCIAL POSITION as at 31 December 2018**

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<i>R'000</i>	NOTES	Six months ended 31 December 2018 <i>Unaudited</i>	Six months ended 31 December 2017 <i>Restated</i> <i>Unaudited</i>	Year ended 30 June 2018 <i>Audited</i>
<b>ASSETS</b>				
Property and equipment		255 320	260 532	250 699
Intangible assets		138 933	105 716	137 668
Financial assets: Investments				
At fair value through profit or loss				
Equity securities		1 146 111	1 231 924	1 205 706
Debt securities		1 238 556	1 003 634	1 145 601
Deposits and money market securities		646 634	744 314	883 773
At amortised cost				
Deposits and money market securities		911 910	645 517	756 524
Policyholder assets				
Insurance contracts		2 592 094	2 043 464	2 424 981
Reinsurance asset		3 383	27 692	3 515
Insurance and other receivables		142 982	132 550	132 197
Current taxation		13 085	-	3 031
Cash and cash equivalents		344 545	325 941	346 698
Non-current assets held for sale	9	-	13 570	-
<b>TOTAL ASSETS</b>		<b>7 433 553</b>	<b>6 534 854</b>	<b>7 290 393</b>
<b>EQUITY</b>				
Share capital		639 438	601 808	639 438
Treasury shares		(68 106)	(31 908)	(68 106)
Employee benefits reserve		185 824	148 667	167 485
Black Economic Empowerment reserve		14 300	14 300	14 300
Retained earnings		2 872 348	2 495 225	2 931 147
<b>TOTAL EQUITY</b>		<b>3 643 804</b>	<b>3 228 092</b>	<b>3 684 264</b>
<b>LIABILITIES</b>				
Policyholder liabilities: Investment contracts				
At fair value through profit or loss		1 472 069	1 431 046	1 449 596
At amortised cost		880 648	616 497	727 797
Employee benefits		49 391	54 347	79 501
Deferred revenue liability		511	458	511
Deferred tax liability		882 453	735 485	839 869
Insurance and other payables		503 326	450 613	508 855
Current taxation		1 351	18 316	-
<b>TOTAL LIABILITIES</b>		<b>3 789 749</b>	<b>3 306 762</b>	<b>3 606 129</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>7 433 553</b>	<b>6 534 854</b>	<b>7 290 393</b>

**ASSUPOL HOLDINGS LIMITED and its subsidiaries**

**STATEMENT OF CHANGES IN EQUITY for the six months ended 31 December 2018**

<i>R'000</i>	SHARE CAPITAL	TREASURY SHARES	EMPLOYEE BENEFITS RESERVE	BEE RESERVE	RETAINED INCOME	TOTAL CAPITAL
<b>Balance at 30 June 2017</b>	601 808	(39 196)	74 504	14 300	2 293 006	2 944 422
B shares issued	36 742	(36 742)	-	-	-	-
Investment in holdings company	-	7 824	-	-	-	7 824
Cost of incentive shares	-	-	2 045	-	-	2 045
Share incentive options exercised	-	8	(8)	-	-	-
Deferred bonus recognition	-	-	33 277	-	-	33 277
Cost of executive directors' share scheme	-	-	57 667	-	-	57 667
Dividend paid	-	-	-	-	(209 616)	(209 616)
Adjustment of redemption on preference shares	888	-	-	-	862	1 750
Profit for the year	-	-	-	-	846 895	846 895
<b>Balance at 30 June 2018</b>	639 438	(68 106)	167 485	14 300	2 931 147	3 684 264
Cost of incentive shares	-	-	641	-	-	641
Deferred bonus recognition	-	-	17 698	-	-	17 698
Dividend paid	-	-	-	-	(360 950)	(360 950)
Profit for the period	-	-	-	-	302 144	302 144
Other comprehensive income for the year	-	-	-	-	8	8
<b>Balance at 31 December 2018</b>	639 438	(68 106)	185 824	14 300	2 872 349	3 643 804

**ASSUPOL HOLDINGS LIMITED and its subsidiaries**

**CONDENSED STATEMENT OF CASH FLOWS**

**for the six months ended 31 December 2018**

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<i>R'000</i>	<b>Six months ended 31 December 2018</b> <i>Unaudited</i>	<b>Six months ended 31 December 2017</b> <i>Restated Unaudited</i>	<b>Year ended 30 June 2018</b> <i>Audited</i>
<b>Cash flows from operating activities</b>			
Cash generated from operations	411 480	317 957	784 506
Net acquisition of financial instruments at fair value through profit or loss	89 712	24 747	(276 697)
at amortised cost	(155 386)	(129 741)	(240 748)
Investment income	133 562	122 084	189 010
Finance charges	(7 273)	(7 223)	(14 221)
Dividends paid	(360 950)	(209 616)	(209 616)
Taxation paid	(87 778)	(88 633)	(169 943)
<b>Net cash flows from operating activities</b>	<b>23 367</b>	<b>29 576</b>	<b>62 291</b>
<b>Cash flows from investing activities</b>			
Acquisition and disposal of property and equipment	(16 810)	(10 701)	(10 624)
Payment for acquisition of subsidiary	-	-	(5 875)
Proceeds on disposal of property held for sale	-	5	-
<b>Net cash flows from investing activities</b>	<b>(16 810)</b>	<b>(10 696)</b>	<b>(16 499)</b>
<b>Cash flows from financing activities</b>			
Decrease in treasury shares	-	7 288	7 824
Principal elements of lease payments	(8 710)	(4 945)	(11 636)
<b>Net cash flows from financing activities</b>	<b>(8 710)</b>	<b>2 343</b>	<b>(3 812)</b>
Net increase in cash and cash equivalents	(2 153)	21 223	41 980
Cash and cash equivalents at beginning of the period	346 698	304 718	304 718
<b>Cash and cash equivalents at end of the period</b>	<b>344 545</b>	<b>325 941</b>	<b>346 698</b>

<i>R'000</i>	Six months ended 31 December 2018 <i>Unaudited</i>	Six months ended 31 December 2017 <i>Unaudited</i>	Year ended 30 June 2018 <i>Audited</i>
<b>REVENUE</b>			
Segment revenue	1 688 139	1 647 679	3 151 133
Life insurance	1 672 178	1 646 448	3 148 067
Intermediaries	15 027	968	2 356
Other	934	263	710
Reporting adjustments	(12 470)	2 190	4 489
<b>Group revenue for the period</b>	<b>1 675 669</b>	<b>1 649 869</b>	<b>3 155 622</b>
<b>SEGMENT PROFIT</b>			
Segment profit after taxation	308 822	409 674	855 756
Life insurance	306 825	409 254	854 296
Intermediaries	1 234	503	1 486
Other	763	(83)	(26)
Reporting adjustments after taxation	(6 678)	2 158	(8 861)
Group profit for the period	302 144	411 832	846 895
Other comprehensive income	-	-	-
<b>Group comprehensive income for the period</b>	<b>302 144</b>	<b>411 832</b>	<b>846 895</b>
<b>SEGMENT ASSETS AND LIABILITIES</b>			
Segment assets	7 296 290	6 412 720	7 157 108
Life insurance	7 268 550	6 352 599	7 091 941
Intermediaries	13 994	43 884	51 730
Other	13 746	16 236	13 437
Reporting adjustments	137 263	122 134	133 285
<b>Group assets</b>	<b>7 433 553</b>	<b>6 534 854</b>	<b>7 290 393</b>
Segment liabilities	3 763 041	3 291 199	3 562 144
Life insurance	3 757 143	3 285 638	3 558 603
Intermediaries	5 891	2 686	3 177
Other	7	2 875	364
Reporting adjustments	26 708	15 563	43 985
<b>Group liabilities</b>	<b>3 789 749</b>	<b>3 306 762</b>	<b>3 606 129</b>

**1. GENERAL INFORMATION**

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

**2. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

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

This unaudited condensed interim financial report for the six months ended 31 December 2018 has been prepared in accordance with the International Financial Reporting Standard IAS 34 and the 4AX Listing Requirements.

The condensed interim financial results have not been audited. Furthermore, the shareholders of Assupol Holdings waived the requirement for the interim financial results to be reviewed at the annual general meeting of the company held on 20 November 2018.

The interim report does not include all the notes normally included in the annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by the Group during the interim reporting period. The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

The Group's operations are cyclical over the 12 month period of a financial year. The actuarial assumptions are reviewed in March of each year and adjustments are made where necessary. As a result the second six months of a financial year could differ significantly from the first six months.

The unaudited condensed interim financial results have been compiled by R Boonzaaier CA(SA), Senior Executive Manager: Group Finance under supervision of D de Klerk CA(SA), Group Chief Financial Officer.

**3. SUMMARY OF CRITICAL ACCOUNTING ESTIMATES**

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

Assumptions and estimates included in the Group's interim financial results for the period ended 31 December 2018 relate to the items listed below.

**3.1 Policyholder liabilities / assets under long-term insurance contracts**

The determination of the liabilities / assets under long-term insurance contracts is dependent on assumptions and estimates made by the Group.

**3.2 Other assumptions and estimates**

Other assumptions and estimates for the period ended 31 December 2018 addressed the following items:

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

#### 4. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

##### 4.1 Financial risk factors

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

##### 4.2 Fair value estimation

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

December 2018 (R'000)	Financial assets and liabilities at FVTPL on initial recognition	Financial assets at amortised cost	Financial liabilities at amortised cost	Total carrying amount	Fair value
Financial assets - Investments	3 031 301	911 910	-	3 943 211	3 953 845
Insurance and other receivables	-	97 999	-	97 999	97 999
Cash and cash equivalents	-	344 545	-	344 545	344 545
Investment contract liabilities	1 472 069	-	880 648	2 352 717	2 342 557
Deferred revenue liability	511	-	-	511	511
Payables	-	-	160 401	160 401	160 401
<b>December 2017 (R'000)</b>					
Financial assets - Investments	2 979 872	645 517	-	3 625 389	3 625 389
Insurance and other receivables	-	83 134	-	83 134	83 134
Cash and cash equivalents	-	325 941	-	325 941	325 941
Investment contract liabilities	1 431 046	-	616 497	2 047 543	2 047 543
Deferred revenue liability	458	-	-	458	458
Payables	-	-	117 476	117 476	117 476
<b>June 2018 (R'000)</b>					
Financial assets - Investments	3 235 080	756 524	-	3 991 604	3 982 568
Insurance and other receivables	-	62 991	-	62 991	62 991
Cash and cash equivalents	-	346 698	-	346 698	346 698
Investment contract liabilities	1 449 596	-	727 797	2 177 393	2 173 253
Deferred revenue liability	511	-	-	511	511
Payables	-	-	256 991	256 991	256 991

##### 4.3 Fair value hierarchy

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

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

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

For level 1:

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

For level 2:

- The fair value of other financial assets and financial liabilities (excluding derivatives) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- Observable inputs generally used to measure the fair value of securities classified as level 2 include benchmark yields, reported secondary trades, broker-dealer quotes, issuer spreads, benchmark securities, bids, offers and reference data.

**4. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)**

**4.3 Fair value hierarchy (continued)**

For level 2 (continued):

The specific inputs used are:

- > Nominal risk free rate: 7.61% to 7.72%
- > Credit spread: 0.00% to 0.58%

- The fair value of derivatives is calculated using quoted prices. Where such prices are not available, discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.
- The fair value of financial guarantee contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from the market-based credit information and the amount of loss, given the default.

For level 3:

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

<b>December 2018 (R'000)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>TOTAL</b>
Financial assets designated as 'at fair value through profit or loss'	1 625 240	2 359 557	-	3 984 797
Local listed shares	877 803	-	-	877 803
Derivatives	-	3 856	-	3 856
Unit trusts	265 155	-	-	265 155
Debt securities	34 441	1 203 413	-	1 237 854
Deposits and money market securities	447 449	1 152 288	-	1 599 737
Receivables	392	-	-	392
<b>Total financial assets</b>	<b>1 625 240</b>	<b>2 359 557</b>	<b>-</b>	<b>3 984 797</b>
Financial liabilities designated as 'at fair value through profit or loss'				
Net investment contract liabilities	-	2 342 557	-	2 342 557
Other payables	2 583	160 401	-	162 984
<b>Total financial liabilities</b>	<b>2 583</b>	<b>2 502 958</b>	<b>-</b>	<b>2 505 541</b>

<b>December 2017 (R'000)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>TOTAL</b>
Financial assets designated as 'at fair value through profit or loss'	1 618 788	1 361 331	-	2 980 119
Local listed shares	902 910	175 440	-	1 078 350
Derivatives	-	24 590	-	24 590
Unit trusts	130 562	-	-	130 562
Debt securities	73 517	928 539	-	1 002 056
Deposits and money market securities	511 552	232 762	-	744 314
Receivables	248	-	-	248
<b>Total financial assets</b>	<b>1 618 788</b>	<b>1 361 331</b>	<b>-</b>	<b>2 980 119</b>
Financial liabilities designated as 'at fair value through profit or loss'				
Net investment contract liabilities	-	1 431 046	-	1 431 046
Other payables	-	117 476	-	117 476
<b>Total financial liabilities</b>	<b>-</b>	<b>1 548 522</b>	<b>-</b>	<b>1 548 522</b>

**4. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)**

**4.3 Fair value hierarchy (continued)**

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

**The table below shows the transfer between the various levels**

	From level 1 to level 2	From level 2 to level 1
Change in validity of quoted prices - Corporate bonds (R'000)		
December 2018	-	-
June 2018	-	-
December 2017	-	12 560

**5. SEGMENT INFORMATION**

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

**6. COMMISSION EXPENSES**

Commission expenses include:

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

**7. OPERATING AND ADMINISTRATIVE EXPENSES**

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

**8. RESTATEMENT OF PRIOR PERIOD BALANCES**

The Group adopted the IFRS16 - Leases prospectively from 1 July 2017.

The audited Group numbers for the year ended 30 June 2018 reflected the adoption of the standard but the numbers reported in the interim condensed report for the period ended 31 December 2017 did not include the adjustments. The December 2017 numbers were adjusted in this report to reflect the adoption of this standard.

<i>R'000</i>	<b>Six months ended 31 December 2017</b>		
	<b>Previously reported</b>	<b>Adjustment</b>	<b>Restated</b>
Operating and administrative expenses	(474 685)	(1 237)	(475 922)
Finance charges	-	(7 223)	(7 223)
Taxation	(167 845)	2 369	(165 476)
Property and equipment	72 339	188 193	260 532
Insurance and other payables	253 960	196 653	450 613
Current taxation	20 685	(2 369)	18 316

Where applicable, other immaterial comparatives of December 2017 have been adjusted to conform to the disclosure of the audited financial statements for the year ended 30 June 2018.

**9. NON-CURRENT ASSET HELD FOR SALE**

The property of Erf 34, Menlo Park, Pretoria, was sold in April 2018.

**10. RELATED PARTY TRANSACTIONS**

	<b>Six months ended 31 December 2018</b> <i>Unaudited</i>	<b>Six months ended 31 December 2017</b> <i>Unaudited</i>	<b>Year ended 30 June 2018</b> <i>Audited</i>
<b>Loans to key management</b>			
Balance at end of period (R'000)	6 750	8 333	8 854
Assupol Life granted a loan to an executive director for the purchase of shares in Assupol Holdings. This was approved as required by the Companies Act, no 71 of 2008, and the Long Term Insurance Act, no 52 of 1998. The loan bears interest at the official prime rate of interest levied by the bankers of Assupol Life, and is repayable over 5 years. The Group has sufficient security over this loan.			
<b>Remuneration and restricted incentives - Executive directors and prescribed officers</b>			
Salary, pension fund contributions and other benefits (R'000)	11 412	10 376	19 945
Cash bonus (R'000)	-	5 500	13 900
Restricted incentives at end of period (R'000)	9 290	7 652	16 625