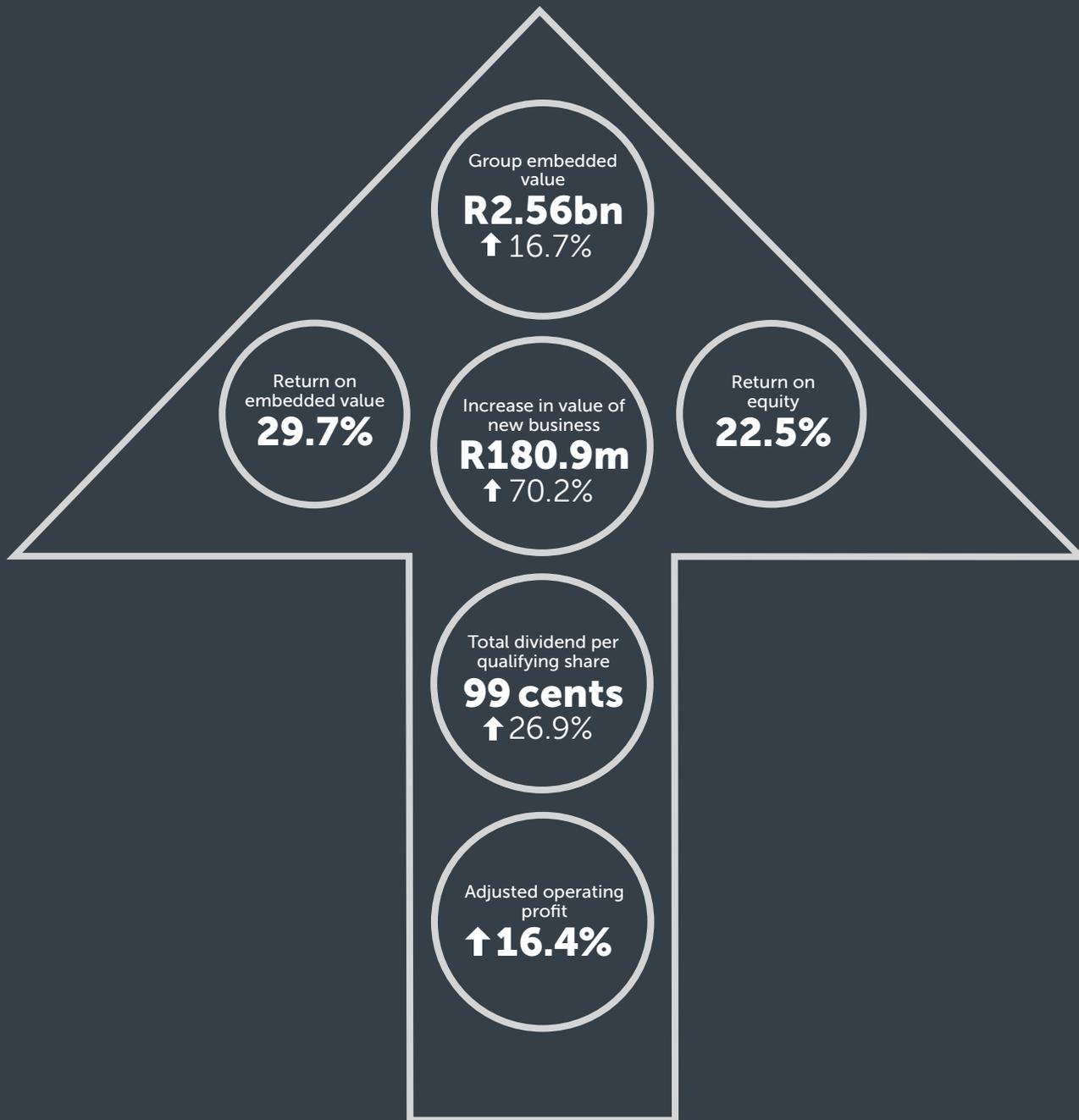


INTEGRATED REPORT

2015



Group embedded value

R2.56bn

↑ 16.7%

Return on embedded value

29.7%

Increase in value of new business

R180.9m

↑ 70.2%

Return on equity

22.5%

Total dividend per qualifying share

99 cents

↑ 26.9%

Adjusted operating profit

↑ 16.4%

About this report

Assupol Holdings Ltd takes pleasure in presenting its integrated annual report to stakeholders for the 2015 financial year. Management is committed to integrated reporting to enable investors and other stakeholders to better understand our business and to make an informed assessment of our performance. This report provides a consolidated review of our financial, economic and social performance on matters relevant to our strategy and our ability to create and sustain value in the interests of our key stakeholders for the period 1 July 2014 to 30 June 2015.

In this report the Group* has published condensed financial results as part of the integrated annual report. The audited annual financial statements that complies with the International Financial Reporting Standards (IFRS) and the Companies Act are available on our website.

The Board, assisted by the Audit Committee, acknowledges its responsibility to ensure the integrity of the integrated annual report, of which the Group's condensed financial results form part.

The directors confirm that they have collectively reviewed the output of the reporting process and the content of the integrated annual report and believe the integrated annual report addresses all material issues and is a fair representation of the integrated performance of the Group. The Board accordingly approved the 2015 integrated annual report for release to stakeholders.

All figures refer to the year ended 30 June 2015, unless stated otherwise. The electronic version can be accessed at www.assupol.co.za

* Assupol Holdings Ltd is the holding company of the Assupol Group of Companies. Our Group operates through two wholly-owned subsidiaries, namely Assupol Life Ltd and Assupol Investment Holdings (Pty) Ltd.

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Rudi Schmidt, Group CEO
Bridget Mokwena-Halala, Assupol Life CEO

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Corporate governance and
risk management



Leadership



Stakeholders



Social and ethics



Information



Performance



Strategy and resources



03

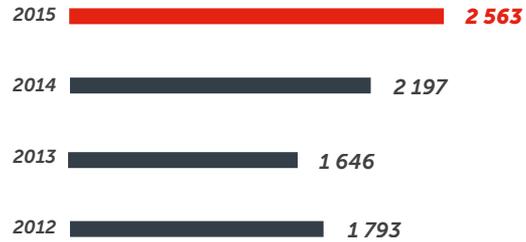
**Performance
highlights**





Financial	2015	2014	2013	2012	% Change 2014/2015
Net premium revenue (Group) (R'000)	1 856 303	1 644 396	1 508 081	1 380 265	13%
Net profit after tax (Group) (R'000)	463 349	570 462	268 333	309 080	-19%
Group embedded value (R'000)	2 562 848	2 196 762	1 645 556	1 792 958	17%
Net value of new business (Assupol Life) (R'000)	180 922	106 297	86 285	88 843	70%
Capital adequacy cover (Assupol Life)	258%	272%	197%	206%	-
Economic value added	2015	2014	2013	2012	% Change 2014/2015
Employee cost (R'000)	249 406	230 706	219 920	203 897	8%
Commission paid to service providers (R'000)	393 075	332 568	279 898	241 900	18%
BBBEE score	Level 4	Level 4	Level 5	Level 7	-
Employees	2015	2014	2013	2012	% Change 2014/2015
Number of employees	555	551	534	543	1%
Number of representatives	2 658	2 140	2 423	1 550	24%
Engagement index – people survey (%)	74%	74%	73%	69%	-
Employee turnover (%)	12%	13%	14%	21%	-1.29%
Total training spend (R'000)	6 940	5 621	5 000	7 030	23%
Community	2015	2014	2013	2012	% Change 2014/2015
Total sponsorships and donations (R'000)	3 986	3 033	2 655	2 587	31%

Embedded value (Rm)



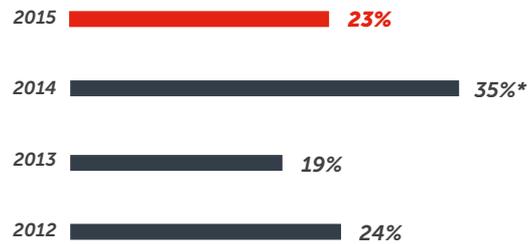
Return on 2015 EV: 29.7%

Gross premium income (Rm)

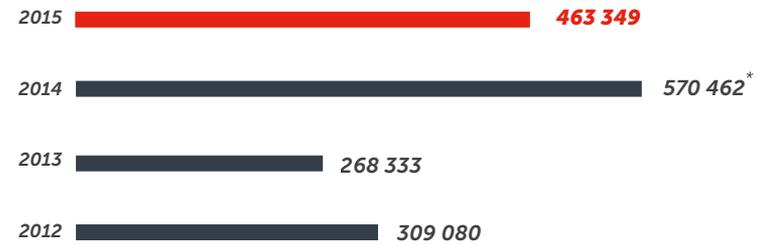


Compound premium growth from 2012-2015: 13.9%

Return on equity



Net profit after tax (R'000)

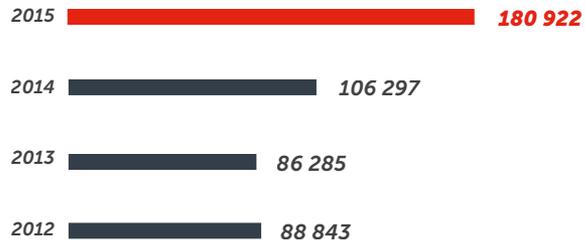


Compound net profit after tax growth from 2012-2015: 19%

*2014 net profit included a refinement of the reinsurance modelling which resulted in a once-off increase in profit of R278 million. This was not repeated in 2015.



Value of new business (R'000)



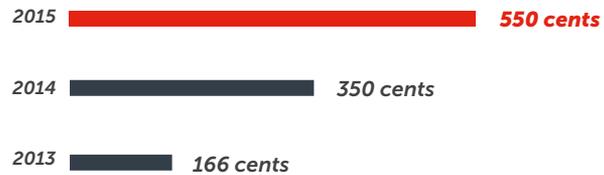
Compound value of new business growth from 2012-2015: 44.0%

Policies in-force

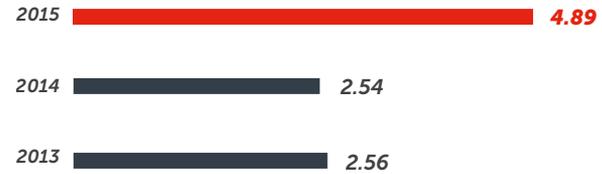


Compound in-force policy growth from 2012-2015: 10.9%

OTC share price at 30 June



Price/Earnings ratio



Price = OTC share price at 30 June



Words from

Jan Janse van Rensburg

Chairperson

"We as a Group have done well to build meaningfully on our demutualised structure and lay a solid foundation for future expansion and development in our chosen markets."



Strong performance despite economic headwinds

Despite a wide range of economic headwinds, our Group achieved an excellent financial and operational performance in the 2015 financial year, strongly underlining the robustness of our business model, the expertise and dedication of our people, and the loyalty of our policyholders.

There is no doubt that our continuing success in an increasingly regulated and competitive industry is largely due to a great team effort by everyone in the Assupol family. The positive attitude and commitment demonstrated right across our organisation has certainly translated into the strong results shown in this report.

Considering the challenges our country continues to face – such as sluggish growth, weak business and consumer confidence, and stubbornly high unemployment – we as a Group have done well to build meaningfully on our demutualised structure and lay a solid foundation for future expansion and development in our chosen markets.

Illustrating the excellent reputation that Assupol has developed and continues to nurture, it was a huge

accolade for the Group to win the "Best Life Assurer Southern Africa 2015 Award" from international finance publication CFI.co. Our nomination came from the International Finance Corporation, one of our key shareholders.

While the 2016 financial year has also begun with several uncertainties in the economy caused by domestic and global factors, our Group is well positioned to extend its growth trajectory and play a very valuable role in providing much-needed insurance and savings related products and services for many thousands of South Africans.

Our collective challenge in the year ahead is to mobilise our highly effective infrastructure, systems, resources and people to again achieve positive results that benefit all of Assupol's stakeholders.

Making a difference in our communities

It is with great pride that I reflect on the impact that the Assupol Cares initiative is having in needy communities. The effort and time being put in by our own staff members, often outside of work hours, is testimony to the commitment and caring nature of our people.

The Assupol Community Trust, which was allocated 25.2 million shares as part of the demutualisation

process, has received its first dividend of R19 million, enabling it to make a major difference in the vital area of Early Childhood Development which is so important for the future of our country.

Our Group is passionate about social upliftment. All of our Assupol Cares initiatives compliment one another and we ensure that our Group improves the lives and prospects of many people in communities across South Africa.

Commitment to excelling in regulation, governance and compliance observance

As an organisation that is fully committed to meeting all regulatory, governance and compliance requirements, we attempt wherever possible to be proactive and forward-looking so that we can seamlessly deal with changes in our operating environment.

Following the release of the Financial Services Board's discussion paper relating to the Retail Distribution Review (RDR), we as a Group are investigating and attending to any matters that may require action on our part. The paper proposes a number of far-reaching reforms to the regulatory framework for distributing retail financial products in South Africa. In addition, the Draft Insurance Bill 2015 was published on 17 April 2015, with the main objective



of providing a consolidated legal framework for the prudential supervision of insurance business in South Africa. It replaces substantial portions of the Long-Term Insurance Act and will also require changes that groups such as Assupol will need to allocate time and attention to analysing and implementing.

With regard to Solvency Asset Management (SAM) legislation, which is now expected to come into force in 2016, we are well prepared to comply with its provisions. In terms of Treating Customers Fairly (TCF), our Group fully supports this legislation and has taken steps to embed these requirements throughout our countrywide operations.

The Board is also compliant with Board Notice 158 issued in 2014, relating to "Governance and Risk Management framework for Insurers".

Importantly, a new position of chief risk officer has been created and filled, making sure that our Group always has an extremely focused eye on the various issues that make up risk in an increasingly complex and diverse business arena.

In terms of our Broad-Based Black Economic Empowerment (BBBEE) profile, ongoing attention is being given to improving our scorecard and to ensuring that our Group meets the letter and the spirit

of transformation objectives.

Our overall goal is to strive for excellence in all areas of regulatory, governance and compliance requirements. If adjustments are needed, we act swiftly to make the amendments that are needed.

Strong oversight from a motivated Board

After a restructuring of the Board that came with the demutualisation exercise, the 2015 financial year saw no changes in the composition of Board members.

Evident throughout the year was the enormous commitment shown by Board members, who all drew on their expertise, knowledge and experience to add value to the oversight of the Group. The efficiency of the Board without doubt contributed to the strong performance during the year, laying the foundations for further strategically aligned progress to be accomplished.

Importantly, Board members not only met all their obligations to standing Committees, but they also contributed to sub-committees set up to deal with specific matters such as Over The Counter (OTC) trading in the Group's shares and the relocation of the Group's head office to a new building in late 2016 and early 2017.

The rationale is that if it is deemed that a matter cannot be fully dealt with by one of the permanent Committees, a sub-committee is established to ensure that full attention is paid to the details involved in the best interests of the Group.

Appreciation

It has again been an honour for me to chair Assupol during an eventful and rewarding year. Now into the third year of our second century, our Group can be justifiably proud of its history and achievements to date. My sincere appreciation and thanks go to my fellow Board members, management, staff and policyholders for their support, dedication and loyalty. Let us all look to the future with optimism and confidence as we continue to develop Assupol into a fully involved corporate citizen that has the interests of all its stakeholders at heart.

Jan Janse van Rensburg,
Chairperson, Assupol Holdings Ltd



Words from

Rudi Schmidt

Group CEO

"All our business units showed strong growth and achieved impressive results with Assupol Life and Cornerstone reporting their highest sales growth in our history."

Focusing on our core market and leveraging our proven business model

While our 2015 financial year took place against the backdrop of an extremely challenging South African economy, Assupol performed extremely well in spite of the underlying stresses and weaknesses in various elements and categories of the private and public sectors.

Our ability to perform strongly despite pedestrian economic growth and weak consumer and business confidence is testament to our robust and focused business model. Through the guidance of our Board, we remained heavily focussed on and committed to servicing our core markets where we have demonstrated our competitive advantage and where we have proven our ability to extract strong sustainable growth.

Our brand has grown significantly and we have gained substantial market share over the last five years, we have continued to place emphasis on our core competencies. Our focus has been and continues to be on understanding our market better than our competition. We are leaders in our chosen market segment – leaders in product design and delivery, leaders in exceptional client experience and a leading employer, enabling us to attract and keep great people. Understanding our client base, building a vast office network, relevant products, and servicing them better through our highly motivated and energised staff has helped us to achieve excellent results and look forward to the future with enthusiasm and confidence.

Critical to our ongoing success as an organisation is the great “vibe” and energy across our nationwide operations. This is due to the quality of our employees and also the excellent leadership skills of our line managers who are constantly in touch with their teams, ensuring that our clients receive excellent service. Our highly motivated staff maintain dynamic levels of engagement with our existing and prospective policyholders and this benefits all of our stakeholders. Together with our innovative and leading product design, these factors have been key drivers of our success in this past financial year.

Notably, the things we are doing right are not only recognised by our customers and potential customers, but also by the industry and independent players in the financial services sector. In May, Assupol received the “Best Life Assurer Southern Africa” 2015 award from Capital Finance International, a leading London-based business and economics magazine and online publication. In their report, as a concluding statement, CFI.co noted that Assupol’s “peerless agility makes them a leader in the highly competitive insurance industry in South Africa.” In addition, Assupol featured strongly in the 2015 Deloitte “Best Company to Work For Survey”, being ranked 6th out of 21 companies in the medium-sized company category, making Assupol one of the best companies to work for in South Africa.

Strong financial results in a challenging economic environment

In the 2015 financial year, Assupol managed to buck the general trend and deliver strong results in a difficult market. All our business units showed remarkable growth and achieved great results with

Assupol Life and Cornerstone reporting their highest sales growth in our history.

Our strong sales growth (29%) together with exceptional expense prioritising and control saw our adjusted operating profit increase by 16.4% on the previous year and saw our value of new business jump to a record R180.9 million for the year (70.2% up on the previous year).

The strong sales growth can be attributed to the focus of the newly established regional structure, innovative product design and the launch of the highly successful “On-Call Plus” benefit. We have also been successful in expanding our branch network and sales force with the appointment of a number of highly skilled and accredited sales managers and agents. Controlling and limiting our costs, together with prioritising our expenses, remains a core focus of management. The efficiency drive that started three years ago is now bearing fruit. Renewal expenses were reduced by a further R17.92 per policy during the year which enabled us to release R134 million in reserves, boosting our earnings by R96 million. This also had a positive impact on the profit margin of our individual products.

The focused restructuring of our Cornerstone business, together with a renewed sales drive over the past three years, has seen the quality of our inforce book improving, leading to improved mortality experience, allowing us to release a further R22 million in the current financial year.

Overall, we are very pleased with the growth and improvement of our business. The quality of our



deductions, premium collection rates and not taken up (NTUs) remains among the best in the industry, a position we aim to maintain into the future. While our sales efforts and cost controls have produced the desired outcomes, the weak economy impacted on our target market's disposable income, leading to an increase in lapses and cancellations. Investigations confirmed that this was due mainly to job losses and resignations.

The pressure on our market's disposable income led us to strengthening our assumptions and increase our liabilities by R15.7 million. The assumption change reduced our net profit after tax by R11.3 million.

As forecast at the end of last year, investment markets performed poorly and did not meet our long term capital market assumptions. Management expects investment markets to remain fragile and believes that investment market returns over the 2015/16 financial year will be similar to those prevailing in the 2014/15 year.

Addressing regulatory challenges

The regulatory environment continues to evolve. Assupol is a strong supporter of regulations that improve the industry and is actively engaged and participates in all forums.

Upcoming legislation that currently has the biggest impact on the Assupol Group is the proposed Solvency Assessment and Management (SAM) supervisory framework that the Financial Services Board (FSB) is implementing, and the new regulation

model for the financial sector commonly referred to as "twin peaks". These two pieces of legislation are intricately linked to each other, and indications are that they will be promulgated in the first half of 2016.

During the past year Assupol has complied with all requirements of the "light" and "comprehensive" parallel phase of the SAM implementation. We have also issued all policies that were required under Board Notice 158 (as issued by the FSB), and have submitted our mock Own Risk and Solvency Assessment (ORSA) report. We await the requirements of the secondary legislation of SAM, which will amongst others also provide the detail required for reports under Pillar III.

Our SAM implementation efforts are coordinated by a SAM Steering Committee, and the progress thereof is also monitored by the Board's Risk Committee. Even though there are substantial costs and resources related to the implementation of the SAM legislation, we welcome it as it provides increased protection to policyholders and increased confidence on the part of our shareholders. We believe that we are on track with our preparations for the implementation of SAM which is obviously subject to the necessary legislation being passed by parliament.

In addition, the industry is still waiting for clarity from the regulator on the Demarcation Regulations and the Microinsurance Regulatory Framework, which will be included in the new Insurance Act.

During the year under review, the long awaited White Paper on the Retail Distribution Review – widely

known as RDR - was released for commentary. If it were to be implemented in its current format, the RDR would have far-reaching unintended consequences for the industry and customers. As a responsible industry player with the interests of all our stakeholders at heart, we have communicated our observations and responses to the Regulator. It is our view that several changes will be made to the proposed legislation prior to its implementation and we eagerly await the next draft.

Providing insurance cover is a long-term business and continuous regulatory changes, and ongoing uncertainty makes it difficult to plan and strategise beyond five years. Our hope is that the level of certainty will be improved in the best interests of all concerned.

Fine-tuning our OTC platform

In terms of the Assupol Life Court approved demutualisation scheme, Assupol was obliged to establish a trading platform for its shares as soon as reasonably possible after the date the shares issued to qualifying members converted into ordinary shares. The trading of shares on the Assupol share trading platform commenced during June 2013. The platform has played a very important role in providing a liquidity mechanism for Assupol shareholders.

The share price has performed extremely well since the inception of trading. From a low of R1.20 in June 2013, the price moved to a closing level of R5.50 on 30 June 2015, representing an increase of 358%. Due to a change in the interpretation of the Financial

Markets Act of 2012, and specifically the interpretation of what constitutes an exchange, the Registrar of Security Services determined through the issue of Board Notice 68 of 2014 that operators of exchange infrastructure must be licensed. Assupol obtained an exemption to continue operating its trading platform until 29 February 2016, or the date on which the Registrar announces its decision regarding the ZAR X exchange license application.

In its application for exemption, Assupol indicated to the Registrar that its preferred course of action would be to continue its trading platform on one of the entities that is in the process of applying for the issuing of an exchange license in terms of the Financial Markets Act.

Assupol continues to monitor the progress with the pending exchange license applications at the Registrar. Assupol will do everything possible to ensure that any decision regarding its trading platform will be in the best interests of all its stakeholders.

Tackling the future with confidence and enthusiasm

Looking forward, we remain focussed on our core competitive advantages and believe that our chosen markets still offer significant potential for growth. In addition, we will continue to seek alternative distribution channels and partnerships that are highly aligned with our core competencies - and we do not exclude the possibility of suitable acquisitions if opportunities arise. However, we are fully aware of the difficulties of finding opportunities that offer

the required rate of return and meet the long term strategic objectives of the Group.

In line with driving growth and concentrating on our focus, we have decided to exit our Pan-African Asset Management (PAM) investment and aim to do so in the year ahead.

As a result of our rapid growth and success over the last ten years, our headcount has grown and today we are spread across six buildings occupying 22 floors in the Menlo Park area. We have come to the point where we need to consolidate our presence under one roof.

In line with our strategy to improve our efficiencies and remove any duplications of effort and resources, a decision was taken to relocate to a suitable building that would be more efficient, able to house all our staff, provide room for expansion and give us increased brand visibility. A ten year anchor tenant lease has been signed with property development and management company Neo Trend to occupy four dedicated floors of a new ten storey building that is being erected adjacent to the N1 freeway. The building's prime position will give Assupol excellent highway frontage exposure, space for all our staff, room for growth, as well as many other benefits. Importantly, the move to the new building is expected to be cost neutral. Occupation is expected to take place between November 2016 and March 2017. We anticipate that the economy will remain tight, that consumer discretionary expenses will come under further pressure and that the competition in

our industry will continue to increase. Nonetheless, we are confident that our strategies and business model are suitably robust and that we will be able to maintain the strong momentum that has been developed over the past two years.

Appreciation

There is a special family-type bond and togetherness at Assupol which translates into shared values and dedicated teamwork that produces outstanding results. The Assupol Cares initiative is a great example of the attitude that exists within the group, demonstrating how genuinely involved and committed our staff members are to positively impacting the wider community in which we operate.

My heartfelt thanks goes to everyone who contributes to making Assupol such a special and successful Group – dedicated staff members, management, directors, shareholders and business partners, as well as loyal policyholders.

All of our stakeholders are vital to our ongoing success as a highly regarded provider of quality insurance and investment products and services to thousands of South Africans.



Rudi Schmidt
Group CEO



Words from

**Bridget Mokwena-
Halala**

Assupol Life CEO

"All of our distribution channels – franchises, field agents, brokers and direct marketing – achieved double digit sales growth, enabled sales to rise by an impressive 29% on the previous year."



Financial highlights

The 2015 financial year was another extremely fruitful and rewarding year for Assupol Life, especially considering the difficult economic environment in which we have operated. A superb team effort from all management, staff, representatives and business partners enabled us to overcome many challenges and obstacles to leverage from our finely tuned business model and our excellent reputation in our chosen markets.

Assupol Life's net insurance premium revenue grew by 13% to R1.86 billion. Net benefits and claims paid rose to R721 million and our capital adequacy ratio remained healthy at 258% (2014: 272%).

A dividend of R254.7 million was paid to Assupol Holdings in the year under review. Sales of new individual policies grew by a commendable 29% while group sales also rose.

The returns on our financial assets were below our capital market assumptions at an annual net return of 3.55%. Embedded value rose by 24.8% and total assets increased by 8.1% to R4 billion.

While there is never room for complacency, Assupol Life can certainly be very proud of what we achieved in the 2015 financial year, especially when one considers the low economic growth and weak business confidence that has engulfed our country for a wide variety of reasons.

Growing in existing markets, new markets and further embedding our products

We continued to grow in our traditional markets during the year, especially in the Department of Health, the Department of Education, the South African National Defence Force, SAPS and other government departments and agencies.

Albeit from a low base, significant growth was also achieved in non-Persal salary stop orders, showing that our diversification strategy is bearing fruit. Debit order business also showed an encouraging increase.

All of our distribution channels – franchises, field agents, brokers and direct marketing – achieved double digit sales growth, enabling sales to rise by an impressive 29% on the previous year.

One of the undoubted highlights of the year was the launch of the Assupol On-Call Plus funeral policy product. Take-up by the market was extremely encouraging with more than 116,000 lives covered between 1 July 2014 and 30 June 2015.

This highly efficient sms-linked product ideally meets the needs of policyholders enabling the purchase of items such as groceries or electricity through a voucher system. Access to cash is also an option. Partly due to the popularity of this product, funeral policies increased their share of our overall product sales, delivering a challenge for us to maintain these sales and grow other product sales in the year ahead.

Something that we at Assupol Life are very proud of is the fact that in the past year we paid out 85% of claims within 24 hours. These are world-class response times. This process is going to be even more streamlined in the year ahead as we are rolling out a new claims system that will finalise these important processes in an even more efficient and speedy manner.

Decentralising training and centralising our call centre

Training has always been an important element of our sales success. By decentralising our training efforts to the regions, we have been able to improve engagement with customers and build more responsive and mutually beneficial relationships. This new structure will continue to unlock benefits into the future.

In the opposite vein, we decided to centralise our call centre in Pretoria. Not only has this enabled various queries to be handled in one central location, but it has also freed up our branches to be able to focus on more fully engaging with existing and potential policyholders, providing more time to meet their individual needs.

Branch integration has also enabled our branches to become more empowered and act as "walk-in" centres from which great personal service is available.

Embedding Treating Customers Fairly (TCF)

Assupol has always strived to treat its customers fairly.



With the arrival of Treating Customers Fairly (TCF) legislation, we decided to come up with an innovative strategy to maximise the awareness and participation of our staff. This was achieved through setting up an exciting competition between departments, each of them needing to come up with a creative interpretation of TCF which had then to be presented to a judging panel. The competitive nature of this challenge brought out the best in our people who came up with some excellent ideas. Our aim through this fun exercise was to ensure that we are fully equipped to manage all of the documentation and compliance that is required in this regard. TCF is firmly embedded and entrenched in our organisation.

Transformation progress

Illustrating the ongoing progress in our transformation journey, our top sales representative for the very first time was a woman, Jeanet Managa. This is a fantastic achievement and shows what "us sisters" can do when we get the chance and when we apply our minds to something.

What is also great to note is that 23% of our top ten

sales reps in the 2015 financial year were female – that's a big increase from just 7% a few years ago. We are actively growing our base of lady sales reps and know that they are going to "give birth" to a lot more sales for Assupol in years to come.

Also very notable in our ongoing transformation journey is that our latest figures show that 63% of our top 10 sales reps are black South Africans and 37% are white – back in 2001, the percentages were exactly the other way around.

Transformation is something that we at Assupol are passionate about – and we are certainly heading in the right direction in terms of both race and gender measures.

Looking ahead

While we remain very much focused on our core and traditional markets by "serving those who serve", increasing emphasis is going into developing additional and alternative markets in the non-government employee space. This also requires investigating and developing alternative distribution

channels and models.

Considerable focus is also going into our Group schemes unit which has been restructured and is now well-positioned to play a role in providing niche offerings, especially at the lower end of the market where there is a need for competitively priced and engineered solutions that even will cover scheme members who do not have traditional bank accounts.

The bottom line is that we at Assupol have developed and nurtured a thriving business that provides world-class products and services. We are now in a position to build on this strong foundation.

It is from this base that we can look forward to the future with enthusiasm and confidence, always looking for a chance to turn challenges into opportunities.

Bridget Mokwena-Halala
Assupol Life CEO



17

**Our
business**

Background

Assupol can trace its roots back to 1913 when a group of South African policemen started collecting contributions for bereaved families of colleagues that had passed on. This informal tradition led to the establishment of the South African Police Provident Fund. This Provident Fund later became known as Assupol, which celebrated 100 years of existence in 2013.

Assupol registered as a life insurer in 1960. In the 1990s, it spread its wings into the open market, to become a fully-fledged life insurer. Our core market is the government sector, but we are steadily making progress in penetrating the private sector, including the middle-income population group.

Throughout the years, the business has seen many changes, the most significant being the recent demutualisation. In December 2010, Assupol Life was successfully demutualised and converted into a public company. This led to the formation of Assupol Holdings Ltd and Assupol Investment Holdings (Pty) Ltd.

Assupol's demutualisation is the biggest wealth distribution yet by an unlisted company in South Africa. Approximately 400 million shares in Assupol Holdings Ltd were allocated to qualifying policyholders (90% of them from previously disadvantaged communities) and staff, and nearly R900 million was paid out in 2013 to those who elected not to keep their shares.

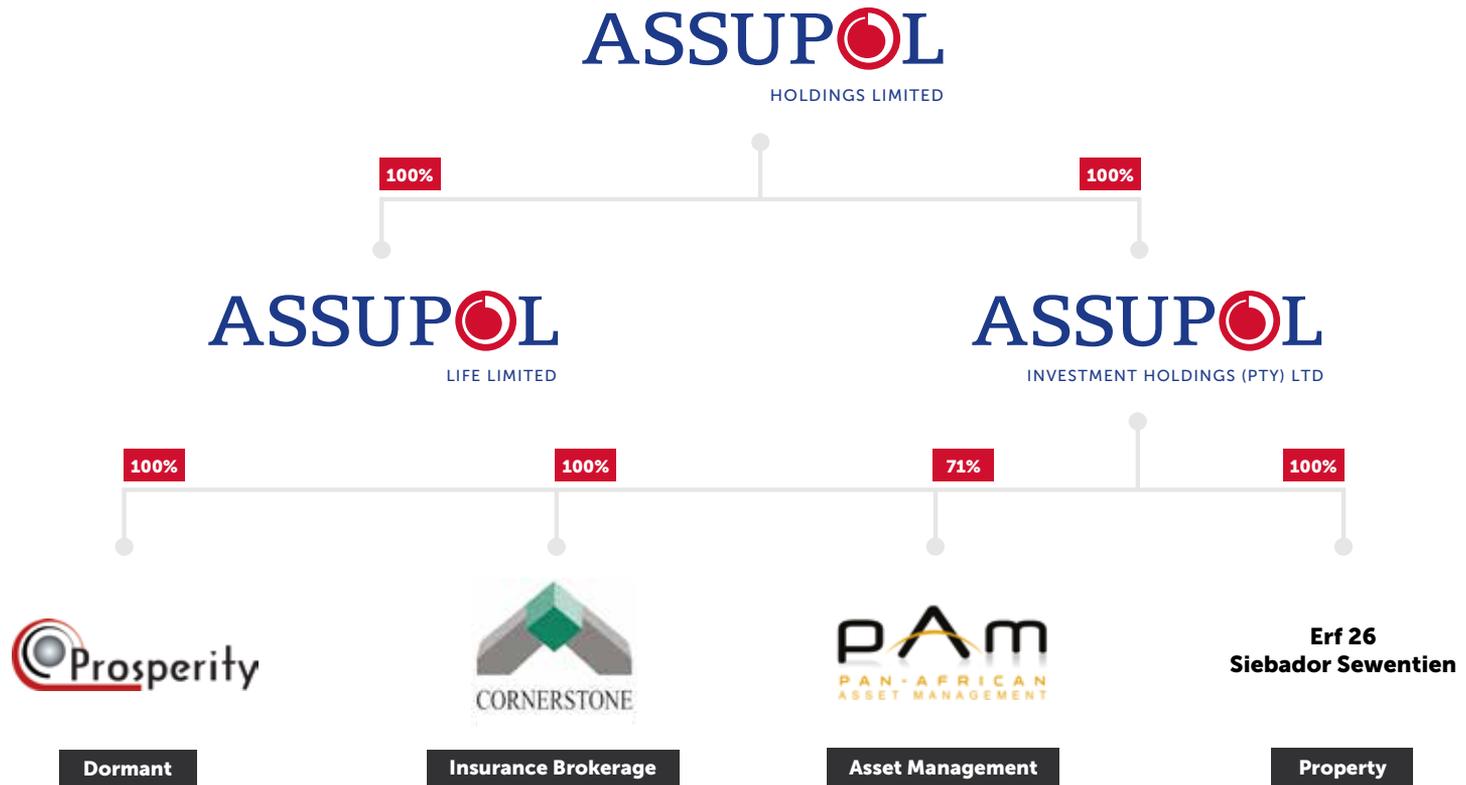
Assupol's success has always been due to our aim to provide relevant and affordable insurance products and we remain committed to "serving those who serve".

Our philosophy



Group at a glance

Assupol Holdings Ltd is the holding company of the Assupol Group of Companies. Our Group operates through two wholly-owned subsidiaries, namely Assupol Life Ltd and Assupol Investment Holdings (Pty) Ltd.





Assupol Life Ltd

Assupol Life is a life insurance company registered in terms of the Long-term Insurance Act. It provides affordable funeral, life, savings and retirement products primarily to the emerging segment of the South African market.

Assupol Investment Holdings (Pty) Ltd

Assupol Investment Holdings is an investment holding company. It holds our group’s strategic investments - Cornerstone Brokers Corporate (Pty) Ltd (“Cornerstone”) and Pan-African Asset Management (Pty) Ltd (“PAM”).

Cornerstone Brokers Corporate (Pty) Ltd

Cornerstone was established in 1995. It provides affordable funeral cover primarily to pensioners who receive a social grant from government. It has 65 branches countrywide.

Pan-African Asset Management (Pty) Ltd

PAM is an asset manager established in 2001. PAM manages assets in excess of R3 billion on behalf of third-party clients such as pension funds, insurance companies and other corporates.

Business partners and professional service providers

External auditors	PricewaterhouseCoopers
Internal auditors	KPMG
Statutory actuary	Deloitte (Carl van der Riet)
Reinsurers	Hannover-re and Munich-re
Asset managers	Pan-African Asset Management

Assupol – setting trends

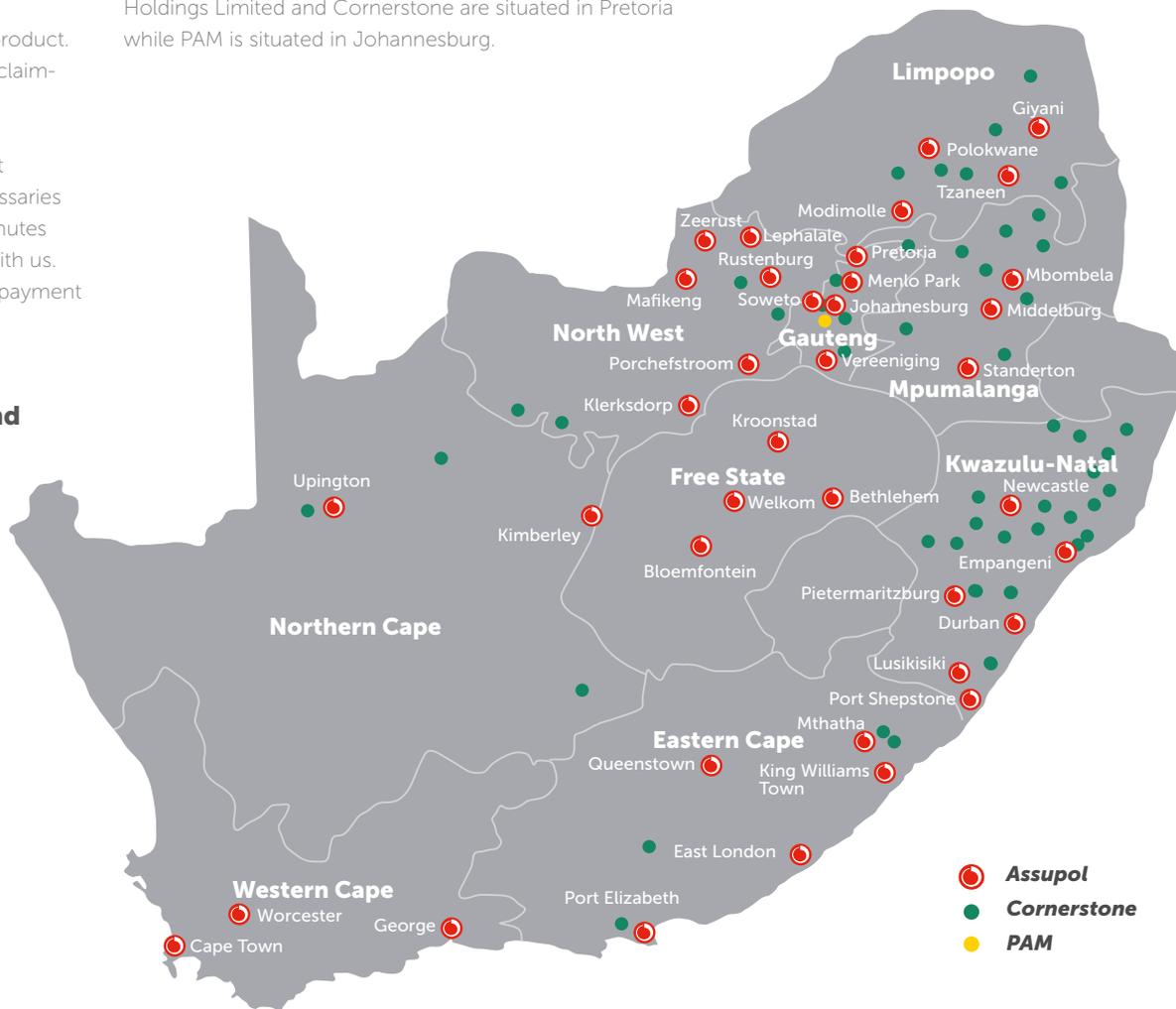
- We were the first life insurer to commit to paying benefit claims within 48 hours: In the 2014 financial year we succeeded in paying 85% of claims within 24 hours.
- We were the first to introduce a “cash-back” product. Our product pays back all premiums after 10 claim-free years.
- We introduced *instantGroceries*™ (registered trademark) – a first-in-the-market product that provides money for groceries and other necessities via digital vouchers on cell phones, within minutes after a valid death claim has been recorded with us.
- We began to use Persal (government’s salary payment system) as a payment method for policies.
- We began to pay benefits via the Post Office.

Our focus areas – 2015 and beyond

- Market diversification
- Distribution diversification
- Product diversification
- Other strategic alliances
- Efficiencies drive

Group branch network

Our Group boasts more than 75 offices in its branch network countrywide. We are present in each of the nine provinces in South Africa. The head offices of Assupol Holdings Limited and Cornerstone are situated in Pretoria while PAM is situated in Johannesburg.



Products

Long-term insurance

Life products	Funeral	Death and / or Disability	Critical illness or Dread Disease	Family Income	Premium Waiver	Cashback	Assupol On-Call	Rewards
Excellence Family Funeral Plan								
Absolute Advantage Family Funeral Plan								
Progress 4Sure Plan								
Progress Legacy Plan								
Progress Accident Plan								
Pensioner Plan								
Solutions Plan								

Investment products	Savings / Investments	Life Cover	Regular withdrawals	Premium Waiver	Rewards
Maximumwealth Cash Provider – MyCash Option					
Maximumwealth Cash Provider – Education Option					
Maximumwealth Exclusive Policy					
Maxvalue Savings Policy					
Assupol One Tax-free Savings Policy					
Guaranteed-return Single-premium Policy					
Carefree Life Retirement Annuity					

Asset management and investment portfolios

Provider	Money market	Fixed interest	Equity	Foreign	Balanced portfolios
PAM					



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**Our
leadership**



RF Schmidt (52)

Group CEO

B.Com Accounting (Hons)
Investment Management

Assupol Life director since November 2000, and director of Assupol Holdings since January 2011

MB Mokwena-Halala (49)

Assupol Life CEO

Masters Degree in Business Leadership

Assupol Life director since July 2000, and director of Assupol Holdings since January 2011

D de Klerk(44)

Group CFO

CA (SA)

Assupol Life director since July 2000, and director of Assupol Holdings since January 2011

SL Ndwalaza (49)

Group HR

MM (HR), MBA

Director of Assupol Holdings since September 2012

JA Janse van Rensburg (69)

Chairperson

BA LLB

Assupol Life director since July 2003, and independent non-executive director of Assupol Holdings since January 2011

IO Greenstreet (56)

BSc (Hons), FCA

Shareholder nominee, appointed in June 2013



 Audit Committee	 Investment Committee	 Nomination Committee	 Remuneration Committee	 Risk Committee	 Social and Ethics Committee
---	--	--	--	--	---



EDJ Ashkar (38)

NE Gubb (43)

ILM Barnett (37)

AS Birrell (46)

T Muranda (50)

CJ van Dyk (49)

CA (SA) & CA (Australia)

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

BCom Honours (Finance)

B.Bus. Sc (Hons), FASSA,
FFA, ASA, CERA

CA (SA)

BSc (Actuarial Science),
(cum laude), FASSA, FFA,
ASA

Shareholder nominee,
appointed in February
2013

Shareholder nominee,
appointed in May 2013

Shareholder nominee,
appointed in February
2013

Shareholder nominee,
appointed in May 2013

Independent non-
executive director
appointed in September
2013

Independent non-
executive director
appointed in September
2013



● Executive directors
 ● Non-executive directors
 ● Independent non-executive directors (as per Board assessment in November 2014)



Executive Committee

The Executive Committee (Exco) is responsible for implementing, managing and monitoring the business affairs of the group (in line with board-approved plans, budgets, delegations and limits of authority), prioritising the allocation of capital and other resources, reviewing and approving acquisitions, disposals and investments, and establishing best management and operating practices. It is also mandated, empowered and held accountable for implementing the strategies, business plans and policies as determined by the board. Our Exco members have extensive business experience within the industry and their particular fields of expertise.

Rudi Schmidt

Group CEO

B.Com Accounting (Hons) Investment Management

Rudi was a non-executive director of Assupol from 2000 to May 2010, when he was appointed Group CEO. He brought with him a wealth of experience gained over a number of years holding senior positions at UAL, SCMB and BoE Securities. Prior to accepting the appointment as Group CEO at Assupol in May 2010, he was managing director of SEI Investments (South Africa) Ltd where he also served on the global management team of SEI – a position he held for eight years. He is a member of the African Institute of Chartered Accountants and the Institute of Directors.

Bridget Mokwena-Halala

Assupol Life CEO

Masters Degree in Business Leadership

Bridget has been with our group for 15 years. Before her permanent appointment at Assupol, she was employed by the South African Police Service as senior manager of human resource management. In February 1999, Bridget joined Assupol permanently and held various positions – national training manager, executive director human resource management and CEO of Prosperity Life. She was appointed as Assupol Life CEO and an executive director of Assupol Holdings in 2010. Other directorships she holds include Cornerstone Brokers Corporate (Pty) Ltd as chairperson, and director at the Association of Savings and Investment South Africa (Asisa). She is also chairperson of the Financial Sector Charter Council, chairperson of the Assupol Community Trust and a member of the Institute of Directors.



Niel de Klerk

Group CFO CA (SA)

Niel has been with the Assupol Group since 1998 and has acted as its finance director since 2000. Prior to joining Assupol he served his SAICA training contract at PricewaterhouseCoopers for three years. In this important role, he has developed Assupol's financial department into an efficient asset through the development of structures, systems, policies, budget control and accounting procedures. He was instrumental in the development of in-house actuarial, investment management, risk management capabilities and the accreditation of Assupol as a SAICA training provider. Through this programme, finance students are guided and coached to be successful professionals in a highly specialised industry. He is a member of the South African Institute of Chartered Accountants (SAICA).



Siphwiwe Ndwalaza

Group HR MM(HR) MBA

Siphwiwe joined Assupol in September 2011 to head up the human resources function, and to develop and implement our Group's strategic HR roadmap. He was thereafter appointed onto the executive management team in April 2012. Before joining Assupol, he was managing executive: human resources at Neotel. A highly experienced HR practitioner over the past 20 years, Siphwiwe has also held senior positions at several other organisations including Sentech, Sony South Africa, General Electric South Africa and Blue Ribbon Bakeries. He obtained a master's degree in business administration (MBA) from the University of the Witwatersrand's Graduate School of Business Administration. Siphwiwe also graduated with a masters degree in human resources management (MM) and a postgraduate diploma in management (PDM) from the Wits Business School. He is registered with the South African Board for People Practice (SABPP). Siphwiwe is a member of the Institute of Directors.



Gert Wessels

Group Sales N Dip State accounting and finances, BA Policing, B.Compt, Certificate in taxation

Gert has been with our Group for more than 30 years. He held the position of CEO until July 2010, which he decided to relinquish in the interests of a new succession plan which included the strategy alignment of Assupol Life following demutualisation. During his term as CEO, Gert led Assupol Life from a small niche insurer to a diversified insurance company with assets in excess of R2 billion. He is currently responsible for our Group's sales strategy, and is chairperson of the Assupol Retirement Fund. Other directorships he holds include Cornerstone and Blue Bulls Company. Gert is a member of the Institute of Directors.



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**Our
stakeholders**

We broadly classify our various stakeholders into five categories

Shareholders

Corporate shareholders, the Assupol Community Trust, employees and other shareholders

Customers

All the various customers of our businesses

Employees and representatives

All the employees of the Assupol Group

Community

The communities in which we operate our business

Government

Foremost the Financial Services Board and the South African Revenue Services

Shareholders

Demutualisation

In terms of the Assupol demutualisation scheme, Assupol redeemed all qualifying members share who did not elect to retain their shares at fair market value and the proceeds of R891 million was paid to the Members Trust for the benefit of the qualifying members. Of the 237 236 qualifying members 224 828 elected not to retain their shares and they received R601 million which represents 66.8% of the total redemption amount. Currently the Trust still holds R242.8 million on behalf of 74 671 qualifying members who must still receive their redemption payment.

	Shareholders	Redeemed shares paid	Gross value paid (R)	Net value paid (R) *
June 2013	98 298	183 881 489	459 703 722.50	427 413 829.92
June 2014	38 557	54 670 505	136 676 262.50	130 615 057.01
June 2015	13 302	17 091 172	42 727 930.00	43 016 005.00
Cumulative payments effected	150 157	255 643 166	639 107 915.00	601 044 891.93
Unpaid at 30 June 2015	74 671	97 127 666		

* Net payment is gross payment of R2.50 per share, plus interest, less dividend withholding tax and payment costs.

Current shareholding

The shareholding as at 30 June 2015 is stratified as follows:

Name	Restrictions	Category	Director	Shares	% holding
Investec Bank Limited	None	Corporate	3	125 407 374	30.4%
International Finance Corporation	Yes	Corporate	2*	82 711 565	20.1%
WDB Investment Holdings	Yes	BBBEE	1	44 202 985	10.7%
WDB Investment Holdings	None	Free float		2 622 672	0.6%
Assupol Community Trust	None	CSI		25 200 000	6.1%
Staff incentives and restraint of trade/shares	Yes	Other		81 693 038	19.8%
Other shareholders	None	Free float**		50 202 747	12.3%
				412 040 381	

* The IFC has only exercised one appointment right.

** These shares include some held by staff and are unrestricted.

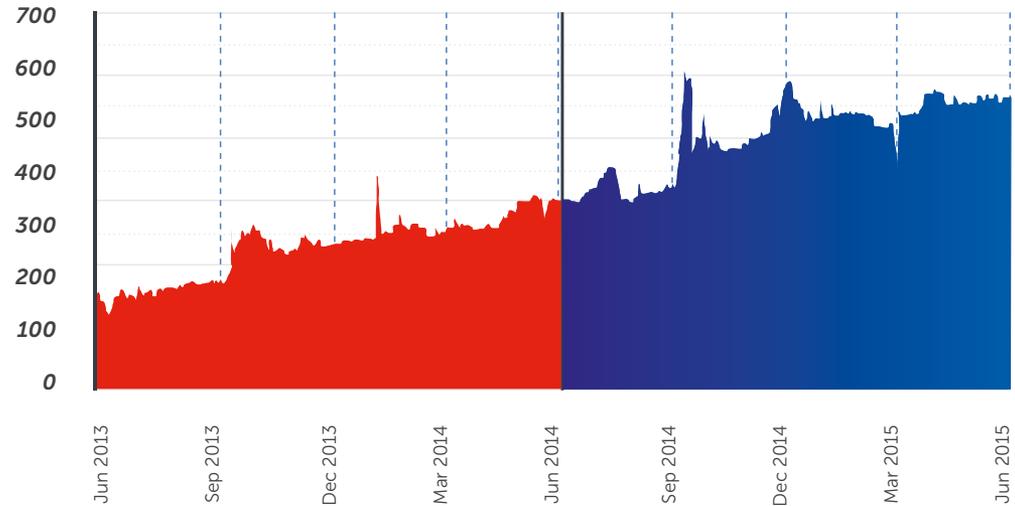
Over The Counter (OTC) trading platform

Despite the much-publicised intervention by the Financial Services Board on over-the-counter (OTC) trading platforms since July 2014, Assupol Holdings shares have continued to trade actively. For the year under review, the trading range (minimum and maximum price) of the share has been between R3.50 and R6.64. The monthly trading statistics are summarised in the table below.

Month	Trades	Volume	Value	VWAP
Jul-14	218	475 931	R1 718 900	R3.61
Aug-14	190	295 919	R1 131 326	R3.82
Sep-14	212	339 029	R1 262 474	R3.72
Oct-14	416	823 281	R4 006 584	R4.87
Nov-14	244	431 138	R1 960 135	R4.55
Dec-14	182	743 855	R3 664 085	R4.93
Jan-15	194	333 792	R1 737 553	R5.21
Feb-15	142	289 441	R1 485 331	R5.13
Mar-15	193	690 852	R3 462 678	R5.01
Apr-15	181	1 336 499	R7 258 973	R5.43
May-15	175	720 794	R3 970 567	R5.51
Jun-15	152	948 314	R5 303 905	R5.59

Assupol Holdings Ltd has been granted a temporary exemption by the Financial Services Board in terms of section 6(3)(m) of the Financial Markets Act No 19 of 2012 from the requirements to be licensed as an exchange. The Board is monitoring developments in this area, and will communicate with all shareholders as soon as any decisions are made.

Daily closing price (cent per share)



Dividend declaration

On 23 September 2015, following the approval of the Annual Financial Statements for the year ended 30 June 2015, the Board of Directors of Assupol Holdings Ltd declared an ordinary dividend of 38 cents per share, and a special dividend of 61 cents per share.

Customers

Entrenching the Assupol brand

World-renowned music personality, Hugh Masekela, has been Assupol's premier brand ambassador since 2012 and continues to help

us to embed our brand across South Africa. This world icon has contributed significantly in the world music arena and has inspired generations of musicians and general communities around the globe. "Bra Hugh's" contribution does not end in music, but extends to the promotion and preservation of African culture, heritage and the indigenous languages. It is imperative that such a wealth of legacy is properly archived in the annals of history and made available to current and future generations.

Further to this, he has a strong connection with people and that is why he is vital to our successful brand ambassador programme. We have more than a century of serving the hard-working people of South Africa

behind us and believe there is a great fit between our brand and the brand that is Hugh Masekela. Importantly, he also endorses our core value of “serving those who serve” – he does it through his music, whereas we do it through the key financial services we provide to society. We have partnered with him in staging his successful annual heritage musical festival since 2012. Like Assupol, he is passionate about the people of South Africa and their proud heritage.

Although his music and brand appeals to a wide cross-section of people, including in our target markets, his strong stance on heritage and its preservation has enabled Assupol to combine the two brands through the not-for-profit annual Hugh Masekela Heritage Festival. Over the past year, several initiatives were undertaken to align the two brands and maximise on the relationship through various print and TV advertisement campaigns.

Through our highly advertised television campaigns with Hugh Masekela, we intend to break the mould of deploying “emotional appeals” and “people-orientation” in insurance advertisements. We want to encourage our existing and potential target markets to take control of their financial futures before it is too late. By doing this, we believe we will reach new frontiers for brand exposure and recognition in the future.

Marketing and advertising partnerships ***Skeem Saam (SABC1)***

This SABC1 educational drama series gives us a great platform to speak to a wide audience and we are delighted to be involved with such exciting programming for another year. This successful

partnership shows that not only are we targeting the right market, but also that there is a great need for our valuable products and services.

Skorokoro movie

Assupol is one of the mainline sponsors in Phoenix Films latest releases that will be at the cinemas in early 2016. Our decision to get involved in the film industry was based on research which showed that 57.5% of viewers recognised a brand when viewing a product placement compared to 46.6% of those viewers exposed only to a commercial for that brand. The product placement, integration and activation focuses on existing customers as well as prospects. This serves as a useful tool to not only create brand affinity, but also powerfully assist in building a new audience of potential customers.

CFI.co award

Assupol has been awarded the status of “2015 Best Life Assurer Southern Africa”, nominated by the IFC, one of our core shareholders. CFI.co, which is a print and online journal focusing on international business, economics and finance, based its award decision on Assupol’s service offering which sets out to offer a vastly improved experience to our clients, streamlined processing and eliminated bottlenecks, coming up with insurance products that satisfy needs in a straightforward manner.

Relocation of the Assupol head office

The soon-to-be new Assupol head office, situated in the heart of the metropolitan business node in Menlyn, Pretoria is a visual representation of the exponential growth and success that we have achieved as a company over the last decade. The expansion into the new building also suitably

represents our company’s ongoing strategic commitment to providing comprehensive solutions. Developers Neo Trend have begun with construction of the 14,354m² headquarters at Summit Place Office Park, on the corner of Garsfontein Road and the N1 freeway, which will be one of the tallest buildings outside of the Pretoria CBD.

Designed by award-winning architects Boogertman and partners, the new building features a modern and innovative design. It is set to become a new landmark in the Pretoria East area for its height as well as its high visibility from the N1. In celebration of this announcement, a ground-breaking ceremony was held at the building site with various stakeholders and Assupol employees. A time-capsule was buried with Assupol’s key historic information to educate – and most probably entertain – future generations about the company. Contents included items such as the newspaper of the day, wine, marketing material, and integrated reports.

As from the proposed occupation in late 2016 and early 2017, Assupol will occupy four of the 10 floors in the building – a total area of 6,250m². Assupol currently employs nearly 400 Pretoria residents – and around 600 countrywide across all nine provinces – and continues to grow as a financial services provider.

Branch refurbishments and accessibility

While much of our branch refurbishment exercise has been completed, we have continued to upgrade our branches where necessary. By making our branches more aesthetically pleasing, we have definitely been able to utilise them more effectively as “walk in” facilities where customer engagement has become the major focus. Our goal is to continue ensuring that

our branches are accessible, attractive and appropriate venues for our staff to interact with our customers in pleasant surroundings.

Product development

As a dynamic and forward-thinking organisation, we are always looking at ways to improve and broaden our product offerings. During the past year, significant enhancements were made to our funeral, life and savings products.

Notable features implemented included the Assupol One Tax-free Savings Policy (our own tax-free savings solution); Guarantee-return Single-premium Policy (a five-year single premium product); Retrenchment waiver on the Excellence Family Funeral Plan, Absolute Advantage Funeral Plan and Progress 4Sure Plan; Paid-up benefit on the Excellence Family Funeral Plan; Stillborn and new-born babies are now automatically covered on all our funeral products; Progress Legacy Plan (an HIV test is the only blood test required – no other medical tests are needed).

Our aim and aspiration is to continue to be tuned in to what the market needs, enabling us to provide best of breed products that ideally satisfy the requirements of our policyholders.

Treating Customers Fairly (TCF)

At Assupol the integration of TCF has been an ongoing drive since 2009 with the TCF Ambassador campaign introduced in 2012. The TCF Ambassador campaign is extended annually with internal initiatives which are based on regular re-assessments of the TCF outcomes.

Assessment results are measured through responses to various statements which link back to the six TCF outcomes. Assessment statements which do not indicate satisfactory implementation are then allocated to functional ownership within our Executive Management team.

Functional ownership of the TCF outcomes places responsibility on our Executive Management for putting clear, enforceable policies, systems and procedures in place – ideally, business process manuals that encompass fair treatment.

The regulatory and supervisory frameworks, as introduced in the financial sector, have been revisited in processes and electronic programmes that include TCF deliverables. Also, action plans to rectify assessment statements that are not up to standard have been formulated and implemented. Target dates are regularly monitored and quarterly feedback is reviewed.

The Ambassador campaign for 2014 introduced a multi-part competition with a score sheet for participation to further embed the TCF culture amongst employees.

Whilst the competition for 2013 was rated individually, the 2014 TCF Ambassador campaign saw teams coming together to create posters to illustrate their understanding of fair treatment.

Departmental teams also had to indicate how their functions delivered on the six TCF outcomes to their specific customers.

By this stage, it was clear that management and all employees knew and understood the TCF outcomes and that the implementation thereof depended on the practical execution. Departmental teams then had to come up with suggestions for a practical project to be implemented to reinforce TCF awareness and shape our culture. Suggested projects were of a high standard and cleverly thought out.

Projects were rated based on practicality, cost-effectiveness and impact. The four top projects were selected to be implemented during the four quarters of 2015:

Q1: TCF-focused screensaver

Q2: Sales café

Q3: TCF survival kit

Q4: TCF Friday shirt

These projects surpassed all expectations. The team effort, involvement and excitement they brought to employees are the real proof of Assupol's genuine commitment to treating customers fairly. Increased positive interactions with clients, both internally and externally, added to the value of the experience.

After considerable analysis, we have found that a decentralised approach of embedding TCF in our business processes is most effective.

TCF remains top-of-mind for our management team. Improving organisational culture is an ongoing journey requiring continuous effort. We hope to continue the TCF Ambassador campaign through exciting new initiatives in 2016.

Employees and Representatives

Employee Development

We remain passionate about the development of our employees and representatives. A skilled and engaged workforce is critical to our continued success as a leading niche insurer in our market. For the year under review, our main focus in employee development was on compliance, technical and leadership skills. Learning interventions included:

Technical: products, processes, sales, MS Office, legislation, English, disciplinary procedures

Compliance: RE5, NQF 4 Long-term insurance qualification, health and safety

Leadership: life coaching, leadership development programme, management

Assupol offers workplace qualifications in insurance at NQF 4 level with the assistance of external providers. We also assist business with credit-bearing skills programmes in insurance at NQF 2 level. We have also partnered with the University of Stellenbosch Business School. Together, we gave 20 employees the opportunity to participate in a leadership development programme.

Study Assistance programme

Our study assistance programme enables employees to study towards a national qualification with a recognised tertiary institution. During the year under review, we assisted 53 employees through this programme.

Actuarial programme

Assupol is a registered actuarial training office with the Actuarial Society of South Africa. We are a serious

partner in the development of actuarial skills in the country and support employees with their actuarial studies. The support includes funds for study material and exams, study leave as well as salary adjustments as they progress through the exams.

From having just one actuarial student working at Assupol in 2008, we currently have two qualified actuaries and seven students. Our students are making good progress and we have a good pass record in the exams that are written twice a year.

SAICA (South African Institute of Chartered Accountants)

To become a Chartered Accountant (SA), a candidate must, apart from the academic and industry examinations, successfully complete the SAICA training programme. We contribute to this professional qualification that is highly respected in South Africa and internationally. Since we became an approved training provider, we have had three trainees that have become CA (SA)'s and we have had six trainees that have completed their training successfully. We currently have three trainees that are completing their training through our programme.

Assupol Internship programme

We offer internships to graduates, with the following focus areas: Actuarial Science, Risk Management, Underwriting, Claims, Legal Services, IT Development and Client Services. The internship programme has been so successful that we have managed to appoint more than 85% of our interns into permanent positions.

Employee Engagement

Engagement Survey

An Engagement Survey was conducted during the year, using the internet and email as a mediums of communication. The survey was also distributed via fax for those employees with no access to internet. It was distributed to 581 Assupol employees. By the close of the survey, there were 412 email and 53 fax responses in the survey database. This equates to a total response rate of 80%. This is a 2% increase in response rate over the previous year. The summary of the results is as follows:

- Participation rate in 2014 was 78% and 80% in 2015.
- Engagement score stayed at 74% for the last two years.
- We measured four categories consisting of 15 elements.
- Participants had to answer 80 questions.

The overall engagement score of 74% puts Assupol within the Top Company grouping in comparison with other companies that carry out similar surveys. Our highest scoring areas were in effort, strategy, brand affinity and personal growth.

Best Company to Work for Survey

We took part in the "2014 Deloitte Best Company to Work for Survey". One hundred and fourteen companies throughout Southern Africa participated during the year and Assupol entered for the first time. Out of the 21 medium size companies that participated, Assupol was ranked as the sixth best company to work for in South Africa. Of the ten insurance companies that took part this year, Assupol

also came out in sixth place.

Significantly, we were one of the 43 companies to achieve the "Standard of Excellence Award". The award is only given to those Companies that have achieved an overall mean score in excess of the "Standard of Excellence" threshold of 3.7. It is interesting to note that this year's overall winner, a major insurer in our industry, only achieved its "Best Company to Work for Award" after entering the survey for 10 years. The areas that we did particularly well in were; job satisfaction, sense of confidence in the organisation, operational effectiveness, inclusion as well as ethics and integrity.

Areas of improvement were remuneration (very common among participants), career development, work life balance as well as performance and recognition. Measures have been implemented to address these areas.

Employee Wellness

Careways

Assupol provides an Employee Assistance programme through Careways. This programme has registered clinical, legal and financial professionals to assist Assupol employees, their immediate family members and dependants on a 24-hour basis, seven days a week, and treat their matters with the utmost confidentiality.

Careways is based on four pillars

- Physical wellness
- Emotional wellness
- Legal wellness
- Financial wellness

In line with Assupol's vision of becoming an employer of choice, the employee wellness and assistance

programme lays the foundation by creating a healthy working environment and extends this to our employees' personal lives to promote happy, confident individuals who are motivated to work more effectively and efficiently.

Employee Wellness Day

195 employees participated in the employee wellness event held during the year. The day consisted of screening tests that included blood pressure, cholesterol, BMI (height, weight and waist circumference) and glucose. discovery vitality members had the benefit of achieving Vitality points to boost their status with Discovery Health. A ladies' wellness event was also held during the year with a well-known motivational speaker inspiring the Assupol ladies on how to be in control of their attitudes, beliefs and choices.

Executive Wellness programme

Assupol partnered with Careways to provide an "Executive Wellness Programme" to Assupol's directors and senior executive managers (eight males and four females) to ensure a balanced lifestyle. All 12 members participated in the event.

South African National Blood Services (SANBS)

Assupol constantly supports the "Blood Drive" with SANBS. The SANBS visits our sites for employees to participate as blood donors.

Transformation

Employment Equity

Considerable progress has been achieved regarding the transformation of the company in the year under review. The composition of African, Indian and Coloured (AIC) employees has increased from 71% to 74% of the overall workforce.

A new five-year Employment Equity Plan has been developed and was submitted and accepted by the Department of Labour. The rationale for submitting a new plan before the expiry of the current one is as follows;

- The previous five-year plan included Kestrel headcount which is no longer part of the Assupol Group.
- Based on analysis of historical employment patterns, headcount is most likely to be stable over the next five years due, in large part, to improved efficiencies such as automation (IT), centralisation of certain activities (telephones, data capturing) and incentivised pay that leads to better productivity.
- Over the past five years there has been minimal employee turnover of non-designated groups especially at senior manager levels.
- According to current headcount statistics, less than 30% of retirees over the next five years will be at management and higher levels.
- The need for employment equity is more pronounced at senior management levels than in the semi-skilled and lower levels.

It was, therefore, important that all the factors above were taken into consideration in submitting the new plan.

Broad-Based Black Economic Empowerment (BBBEE)

During the period under review, the results of our BBBEE rating were received. An overall BBBEE rating of Level 4 was achieved which is an improvement over the previous rating of Level 5.

Areas in which Assupol did well are highlighted below:

Element	Score	Target Score
Ownership	17	15
Enterprise Development	5	5
Management Control	8	8
Access to financial services	11	14

Areas that require attention are:

Element	Score	Target Score
Preferential Procurement	5.28	16
Employment Equity	6.01	15
Skills Development	4.34	10

Owing to low staff turnover as well as a stable headcount at senior management levels, dramatic changes are not foreseen with reference to Employment equity. Skills development remains a structural issue as most of our spending on skills is devoted to sales agents who are not regarded as employees.

Employee Retention

At Assupol, we believe that flexibility and responsiveness in everything we do is critical to our long-term success. In line with this philosophy, the "Assupol Reward and Recognition" programme was relaunched during the year. The programme aims to recognise and reward outstanding individuals who have gone beyond their role requirements and have undertaken initiatives that have had a positive impact on the company's short and long term growth objectives. It specifically aims to recognise employees who make a significant contribution to the achievement of Assupol's strategic objectives and values. Employees may nominate fellow employees who go above and beyond the call of duty, who live the Assupol values to the maximum, and who truly shine.

Occupational Health and Safety

The role of the Occupational Health and Safety (OHS) representatives is to advise and inform employees of safety procedures and policies, conduct inspections and carry out emergency evacuations.

Assupol OHS officials received the following training:

- Emergency and evacuation wardens
- First Aiders
- Fire Marshals
- SHE representatives

We have 80 trained OHS officials and 61 employees.

Communities

Assupol Cares

As a highly committed and involved corporate citizen, we have decided to house the three legs of our community and corporate social investment activities under the over-arching “Assupol Cares” umbrella. This includes the Assupol Cares employee initiative and our Group’s targeted CSI projects.

The Assupol Community Trust

Initiated as a direct result of our successful demutualisation process, the Assupol Community Trust was established to make a meaningful contribution to society and the communities in which Assupol is represented prior to demutualisation. Assupol had a certain grouping of policyholders who had contributed to the value of the company, but could not be individually identified.

As a result, it was proposed that the Communities from which these individuals came from should benefit and it was so approved by the High Court. Importantly, it was decided that the Trust needed to have a specific focus to maximise its impact. The Trust’s purpose and mission is Early Childhood Development (ECD), certainly one of the most vital areas of need in our country.

Hugely significant for the Trust is that it has been

awarded Public Benefit Organisation (PBO) status which enables it to really make a difference.

The Trust owns 25.2 million Assupol shares which were allocated to it as part of the demutualisation. The dividends from these shares have started to flow to the Trust, enabling it to fund its ECD interventions. The five trustees - Bridget Mokwena-Halala (chairperson), Taurai Muranda, Tebogo Malatji, Ntjantja Ned and Célest van Niekerk (executive trustee) - are overseeing the Trust’s operations.

We are excited about the role that the Trust will play in improving prospects for children, who are the adults of tomorrow.

The Assupol Cares employees initiative

Now in its fifth year of existence, this initiative demonstrates the genuine compassion and strong spirit of “Ubuntu” that exists within Assupol.

The great thing is that not only do employees provide the funds, they also oversee the entire initiative, from receiving requests for assistance to deciding on which applicants to benefit, to appointing project managers to run selected projects.

The Committee meets once a month to evaluate applications and make financial allocations.

Funded, managed and monitored by Assupol staff – with a matching financial contribution from Assupol head office every six months – this initiative has a broad focus and benefits worthy recipients in communities located in various parts of South Africa.

Ideally, Assupol branches across the provinces are involved in finding suitable beneficiaries in their local communities. Complementing the financial contributions made by our employees is the generous time and effort they put into making their projects so worthwhile and successful.

Corporate social investment (CSI) projects

These have grown over the past few years. Our major CSI projects have been focused on Mandela Day, the Nellmapius soup kitchen and Kwasa school. The emphasis continues to be on assisting young people, but we have also broadened our reach to other beneficiaries.

While we fully support the concept of giving 67 minutes back to society in recognition of what Nelson Mandela did for our country, we continue to ensure that we do a lot more than this through our regular financial and staff volunteering assistance at the Nellmapius soup kitchen and various other identified projects. Going forward, we will implement

and assess our clearly defined CSI policy that will incorporate critical elements such as sustainability and resilience with the emphasis on helping people to help themselves.

In addition, we also want to broaden the geographic scope of our CSI footprint even more. In the past financial year we managed to expand our reach to our regional branches and selected rural areas that are in urgent need of assistance.

Sponsorship

During the 2015 financial year, we continued our sponsorship focus on mainly benefiting grassroots sports development, investing more than R2.8 million in this important area with some excellent results. Assupol TuksCricket, which we have supported for more than a decade, continues to perform well and be a team of which we can be proud.

They will again represent South Africa in the Red Bull Campus World Finals in India during October 2015. After again managing to win all local competitions convincingly making them an unbeaten team, they were also crowned the first ever Varsity Cricket winners. Assupol has gained considerable exposure through this sponsorship.

Rugby development remains high on our agenda

as we continue to add value with our annual sponsorship of the Blue Bulls Rugby Union.

This contribution assisted the Blue Bulls organisation to contribute to the Limpopo Vodacom team, the Limpopo Under 19 and Under 21 teams, the Blue Bulls and Limpopo country districts development efforts, the Blue Bulls and Limpopo women's and Under 16 and Under 18 girls' rugby teams, the Blue Bulls men's and ladies' sevens' teams, as well as Blue Bulls and Limpopo amateur rugby teams.

The significant annual investment made to the Assupol Super Series for clubs greatly contributes to development of club rugby teams that usually do not compete against each other. Donations were also made to benefit the Blue Bulls Primary Schools Rugby Day as well as Pretoria Correctional Services rugby.

This year has also seen the launch of our involvement with rugby at Tshwane University of Technology. We believe that South African rugby will continue to reap fruits from our involvement at school, club, tertiary and provincial levels.

Other sponsorships during the year included contributing to the Correctional Services staff recognition awards, various golf days, including

charity golfing events.

Around 20% of our sponsorship was invested in sporting and training events associated with the South African Police Service (SAPS), which is still one of Assupol's biggest customer bases. Our sporting contributions to SAPS were directed at the annual netball championships, as well as Pretoria police rugby. We were instrumental in making the SAPS annual prestige awards a big success.

Sponsorships remain a priority for Assupol as it is an area where we can plough back into the communities we serve. We are extremely pleased that the investment we make through our sponsorship contributions makes a meaningful difference in the lives of those who benefit from our sponsorships.

Governance

Compliance with relevant financial services legislation

Assupol has a good relationship with the Financial Services Board. We have engaged extensively with the regulator as a result of our demutualisation process, and our compliance efforts are aimed at full compliance with all relevant legislation.

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**Corporate
governance and
risk management**



King III

As the custodian of the interests of our stakeholders, our Board of Directors is committed to the highest standards of corporate governance. As such, it subscribes to the principles of the third report on Corporate Governance in South Africa (King III), which came into effect on 1 March 2010.

We believe that most of the King III principles are already entrenched in our processes, policies and procedures. We are committed to implementing King III throughout our Group, unless the full implementation is not necessarily in the best interests of our stakeholders, taking into account the market positioning of the Group.

Assupol utilises the Governance Assessment Instrument (GAI) from the Institute of Directors as the due process by which assurance is provided that every recommended practice in King III has been considered. Practices are either applied or not applied; the latter carrying an explanation of a compensating practice, or alternatively the reason for non-application. The latest internal assessment was carried out in September 2015. We achieved an "AAA-rating" (highest application) in the application of the principles of King III.

The GAI tool confirms the extent of the Principles application by way of a rating as follows:

AAA	Highest application
AA	High application
BB	Notable application
B	Moderate application
C	Application to be improved
L	Low application

The results of the assessment were made available to the Audit Committee and the Board for review purposes.

Board of Directors

Board Composition

As at 30 June 2015, the Boards of Assupol Holdings Ltd and Assupol Life Ltd consisted of the same directors.

The responsibility of the Assupol Life Board is limited to the operations of Assupol Life, whereas the Assupol Holdings Board focuses more on the strategy of the Assupol Group as a whole, including specifically accounting policies, financial results, dividend policy, human resource development, corporate governance, sales performance and interactions with stakeholders and institutional investors.

Our Board currently has eight non-executive directors and four executive directors. The non-executive directors are appointed through a formal process and the Nomination Committee identifies suitable candidates to be proposed to the shareholders. Non-executive directors not appointed through direct shareholder appointment rights, retire on a rotational basis, but can be available for re-election.

Remuneration paid to non-executive directors is in terms of a special resolution of shareholders at the AGM, as required by the Companies Act, 2008. The Group has service contracts with all the executive directors and the prescribed officer. The executive directors concluded addenda to their respective fixed term employment agreements to change them from fixed term employment agreements to permanent employment agreements.

Meeting attendance

The table below records the attendance of directors at Board and Board Committee meetings held during the year.

	B				A				Ri				I				Rem			N			S					
	23/09/2014	25/11/2014	20/03/2015	04/06/2015	22/09/2014	24/11/2014	19/03/2015	04/06/2015	16/09/2014	18/11/2014	19/03/2015	03/06/2015	17/09/2014	18/11/2014	16/02/2015	19/05/2015	22/09/2014	19/03/2015	04/06/2015	14/07/2014	09/02/2015	04/05/2015	07/10/2014	02/12/2014	10/02/2015	12/05/2015		
Executive																												
<i>De Klerk, D</i>																												
<i>Mokwena-Halala, MB</i>																												
<i>Ndwalaza, SL</i>																												
<i>Schmidt, RF</i>																												
Non-executive																												
<i>Ashkar, EDJ</i>																												
<i>Barnett, ILM</i>																												
<i>Birrell, AS</i>																												
<i>Greenstreet, IO</i>																												
<i>Gubb, NE</i>																												
<i>Janse van Rensburg, J</i>																												
<i>Muranda, T</i>																												
<i>van Dyk, CJ</i>																												

C	Chairman of the meeting
	Attended meeting
	Did not attend meeting
	Attended as invitee
	Resigned / Not yet appointed
	Not relevant

Board committees

- A** = Audit Committee
- I** = Investment Committee
- N** = Nomination Committee
- Rem** = Remuneration Committee
- Ri** = Risk Committee
- S** = Social and Ethics Committee



The Boards of Assupol Holdings and Assupol Life assessed which of its members qualified as independent non-executive directors as defined in King III during November 2014.

The result of the assessment indicated that five of the non-executive directors comply with the requirements of an independent director in terms of King III, namely Mr Jan Janse van Rensburg, Mr Andrew Birrell, Mr Ian Greenstreet, Mr Riaan van Dyk and Ms Taurai Muranda.

A review of the effectiveness of the respective Boards and Board Committees was also conducted in respect of the period under review.

Role of the Board

Our Board embraces the Code of Practices and Corporate Conduct in the King III Report, which deals with corporate governance guidelines and recommendations.

The charter of our Board has been modelled on the principles of sound corporate governance, recommended by King III. It sets out the role and responsibilities of the Board, namely to:

- act as the focal point for, and custodian of, corporate governance by managing its relationship with management, the shareholders and other stakeholders of the Company along sound corporate governance principles;
- appreciate that strategy, risk, performance and sustainability are inseparable and to give effect to this by:
 - contributing to and approving the strategy satisfying itself that the strategy and business plans do not give rise to risks that have not been thoroughly assessed by management;
 - identifying key performance and risk areas;
 - ensuring that the strategy will result in sustainable outcomes;
 - considering sustainability as a business opportunity that guides strategy formulation;
- provide effective leadership on an ethical foundation;
- ensure that the Company is and is seen to be a responsible corporate citizen by having regard to not only the financial aspects of the business of the Company but also the impact that business operations have on the environment and the society within which it operates;
- ensure that the Company's ethics are managed effectively;
- ensure that the Company has an effective and independent audit committee;
- be responsible for the governance of risk;
- be responsible for information technology (IT) governance;
- ensure that the Company complies with applicable laws and considers adherence to non-binding rules and standards;
- ensure that there is an effective risk-based internal audit;
- appreciate that stakeholder's perceptions affect the Company's reputation;
- ensure the integrity of the Company's integrated report;
- act in the best interests of the Company by ensuring that individual directors:
 - adhere to legal standards of conduct;
 - are permitted to take independent advice in connection with their duties following an agreed procedure;
 - disclose real or perceived conflicts to the Board and deal with them accordingly;
 - deal in securities only in accordance with the policy adopted by the board;
- in the event the company becomes financially distressed, commence business rescue proceedings as soon as possible;
- elect a chairperson of the Board that is an independent non-executive director;
- appoint and evaluate the performance of the chief executive officer.

Committees of the Board

Our Board has established committees with specific responsibilities. They assist the Board in discharging its duties and responsibilities. Ultimate responsibility resides in the Board and, as such, it does not abdicate any of its responsibilities to the committees. The Committees do not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management.

Assupol Holdings Ltd has the following Board Committees that oversee the activities of the entire Assupol Group:

- Audit
- Risk
- Investment
- Remuneration
- Nomination
- Social and ethics

In the tables below, we show summarised information about the various Board Committees as at 30 June 2015.

Audit Committee

Membership	T Muranda (Chairperson) AS Birrell IO Greenstreet
Invitees	Executive directors Company Secretary Other members of senior management as may be required Internal and External Auditors Statutory Actuary
Role and function (broadly)	The Committee has the following duties: <ul style="list-style-type: none"> • statutory duties as prescribed in section 94(7) of the Companies Act (2008); • additional duties over and above the statutory duties, such as: <ul style="list-style-type: none"> ◦ oversight of integrated reporting; ◦ combined assurance; ◦ evaluation of the finance function; ◦ oversight of internal audit function; ◦ oversight of external audit function; and ◦ oversight of risk management as it pertains to financial reporting.

Risk Committee

Membership	CJ van Dyk (Chairperson) IO Greenstreet ILM Barnett
Invitees	Executive directors Risk Manager Company Secretary Internal and External Auditors
Role and function (broadly)	The role of the Committee is to assist the Board to ensure that: <ul style="list-style-type: none"> the Company has implemented an effective policy and plan for risk management that will enhance the Company's ability to achieve its strategic objectives; and the disclosure regarding risk is comprehensive, timely and relevant.

Investment Committee

Membership	T Muranda (Chairperson) EDJ Ashkar D de Klerk NE Gubb RF Schmidt MB Mokwena-Halala CJ van Dyk
Invitees	Asset management specialists Company Secretary Other members of senior management as may be required
Role and function (broadly)	The role of the Committee is to generally oversee the investment of assets by the Assupol Group, including but not limited to: <ul style="list-style-type: none"> the review of investment objectives, philosophy and strategy; the formulation of strategies relating to the allocation of assets; and the oversight of asset managers and the asset management process.

Remuneration Committee

Membership	CJ van Dyk (Chairperson) AS Birrell JA Janse van Rensburg
Invitees	Group CEO HR Director
Role and function (broadly)	The role of the Committee is to: <ul style="list-style-type: none"> consider and determine the remuneration policy of all employees of the Assupol Group; consider and recommend to shareholders the remuneration paid to non-executive directors; and ensure that the disclosure of director information and remuneration is accurate, complete and transparent.

Nomination Committee

Membership	EDJ Ashkar (Chairperson) IO Greenstreet NE Gubb
Invitees	None
Role and function (broadly)	The role of the Committee is to consider and recommend to the Board: <ul style="list-style-type: none"> • nominees to serve as non-executive directors on the Board, or fill vacancies as and when they arise; • on an annual basis, any new nominees to replace non-executive directors retiring from the Board; and • the removal of any non-executive directors serving on the Board from time to time.

Social and Ethics Committee

Membership	JA Janse van Rensburg (Chairperson) EDJ Ashkar SL Ndwalaza
Invitees	Group CEO Life CEO Company Secretary Other members of senior management as may be required
Role and function (broadly)	The Committee has the following duties: <ul style="list-style-type: none"> • The main objective of the Committee is to assist the Board with the oversight of social and ethical matters relating to the Company, specifically as listed in regulation 43(5) of the Companies Act, 2008.

Audit Committee report

The Audit Committee is an independent statutory committee, as appointed by the shareholders. Further duties are delegated to the 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.

Audit Committee members, meeting attendance and assessment

The Audit Committee is independent and consists of three 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 CEO, Group CFO, other members of senior management, external and internal auditors and other assurance and/or service providers (actuarial, legal and compliance) attend meetings by invitation only.

Duties of the Committee

The Audit Committee's role and responsibilities include statutory duties as per the Companies Act, 2008, the Long-term Insurance Act, 1998, as well as further responsibilities assigned to it by the Board.

Statutory duties

External auditor appointment and independence

The 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, 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 or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors.

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

Financial statements and accounting practices

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

An 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 past financial year.

Internal financial controls

The Audit Committee has overseen a process by which the internal auditors have audited the effectiveness of the company'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 audit committee did report this result to the Board of Directors.

Other duties

Integrated annual report

The Audit Committee fulfils an oversight role

regarding the company's integrated report and the reporting process. The Audit Committee considered the company's sustainability information as disclosed in the integrated report and has assessed its consistency with operational and other information known to Audit Committee members, and for consistency with the annual financial statements.

The Committee has satisfied itself that the sustainability information is reliable and consistent with the financial results, and recommends the integrated report for approval by the Board of Directors.

Going concern

The Audit Committee has reviewed a documented assessment, including key assumptions, prepared by management on the going concern status of the group. The Board's statement on the going concern status of the Assupol Group, as supported by the Audit Committee, is documented in the Annual Financial Statements.

Governance of risk

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

Internal audit

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

The Audit Committee has outsourced the internal audit function to KPMG. The internal audit function's annual audit plan for the new financial year was approved by the Audit Committee.

KPMG is responsible for reporting the findings of the internal audit work against the agreed internal audit plan to the audit committee on a regular basis. KPMG has direct access to the Audit Committee, primarily through its chairperson. The Audit Committee has a good working relationship with the audit engagement partner of KPMG.

Evaluation of the expertise and experience of CFO and finance function

The Audit Committee has satisfied itself that the Group CFO has appropriate expertise and experience.

The 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.

Risk management

Risk remains an integral part of doing business. As a financial services group, Assupol is naturally exposed to a variety of risks.

During the past year, we have continued to enhance our formal risk management practices and structures, most notably with a revamped Risk Management Framework (which is based on the ISO31000 standard) and adoption of formal policies as required by Board Notice 158 (as issued by the Financial Services Board). In formalising and entrenching risk management in our business practices, we aim to further enhance the sustainability of the Group's business.

Three lines of defence

The key objective of our risk management efforts at Assupol is to ensure that we are aware of and proactively manage our risks in the best possible way.

For obvious reasons, cost implications are considered when implementing controls that need to address risk. We adopt a "three lines of defence" approach, where ownership of risk is taken at various levels in the Group.

First line of defence

The individual business departments form the first line of defence. The bulk of the transactions arise at this level, and the bulk of the controls are also implemented at this level.

Second line of defence

This level comprises various corporate oversight measures. The most notable is a variety of Committees that manage specific risks. In addition, we have independent internal oversight structures in place, such as our Finance, Legal and Compliance, Actuarial and Risk Management departments and ultimately the Board of Directors.

Third line of defence

This level comprises a totally independent review of the functioning and effectiveness of the first two lines of defence. The internal and external auditors, as well as our statutory actuary, form part of this line.

Business = Change

The old adage "the only constant is change" is as applicable to business as to anything else in life. In the past few years we have experienced considerable change in the financial services sector through changes in accounting practices and heightened regulatory efforts. We do not expect this to decrease in the foreseeable future.

We list the most notable changes, with their possible future risks, as they pertain to the group:

Depressed economic environment

Despite the continued depressed economic performance of SA Inc., we have achieved our sales targets and have set even higher sales targets for the new financial year. The negative effects of the poor economic performance are most definitely also felt by our target market, but we remain upbeat about our client retention and growth possibilities.

Compliance with the Financial Markets Act

The FSB has issued a directive compelling all "single stock exchanges", such as Assupol's over-the-counter trading platform (OTC), to comply with the Financial Markets Act. We have obtained a temporary exemption from the Financial Services Board, in terms of Section 6(3)(m) of the Financial Markets Act No 19 of 2012, from the requirements to be licensed as an exchange, whilst we investigate the most optimal solution going forward. The Board is monitoring developments in this area.

Solvency Assessment and Monitoring (SAM)

The FSB is implementing a new monitoring regime that is similar to

the European Solvency II directive via the proposed Insurance Act. The initial implementation date was 1 January 2016, but has been delayed until such time as the new Insurance Act is promulgated, and requires the promulgation of the FSR Act (described in the next paragraph).

This will mean that the SAM framework will not become the statutory basis for assessing the financial soundness of insurers until after 1 January 2016. The SAM "light" parallel run commenced on 1 July 2014, and the full parallel run commenced on 1 January 2015, and we have complied with all requirements to date.

While the implementation of SAM puts a strain on company resources, we do believe that, in conjunction with the "twin peaks" legislation, it will lead to better market protection for policyholders. As a result, we are already embedding the principles of SAM and ORSA into our own risk management practices and thinking.

"Twin peaks"

At the same time as the SAM Framework is being introduced, a "twin peaks" model for financial regulation is being implemented in South Africa via the proposed Financial Sector Regulation Act. A recent Moneyweb article explains it quite simply as: "Under Twin Peaks", the SARB will become the Prudential Authority and be responsible for

monitoring the soundness of banks and insurance companies. The FSB will become the Financial Sector Conduct Authority, ensuring that banks and insurers treat customers fairly.”

Change in commission regulations (retail distribution review)

RDR proposes a number of significant changes in how financial products are distributed to South African retail consumers, and how financial advisers are remunerated for their services.

The FSB, in conjunction with National Treasury, is analysing the comments that the industry has submitted on the 55 proposals. The implementation of RDR is currently planned for 2016.

Treating Customers Fairly (TCF)

The FSB has launched a TCF supervisory framework to ensure that clients of the financial services sector are treated fairly by the respective companies. As a result of these efforts, we hope that the financial services sector will continue to be exempted from the Consumer Protection Act.

International Financial Reporting Standards (IFRS)

The IFRS are continually amended by the International Accounting Standards Board. Changes to IFRS4 (phase II) will have a material impact on how we report on our results. The estimated effective date is unknown at this stage.

Risk Management Framework

Assupol has adopted a risk management framework that is based on the ISO 31000 standard. The Risk Management Framework, together with the associated policies required by 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.

Key features of our risk management measures are:

- 1.** Establishment by the Board of directors of a Risk Committee which oversees the risk management efforts (For more information on this committee, refer to the Governance section).
- 2.** Our Group EXCO has the primary responsibility for the design, implementation and maintenance of an effective risk programme.
- 3.** The Risk Management function implements and monitors a formal risk management process.
- 4.** Business departments are responsible for the performance of their individual business functions and the management of risks to which they as a department are exposed.
- 5.** We also have processes in place to monitor and review the effectiveness of our risk management framework on an annual basis, and to implement improvements if required.

Key milestones during the period under review:

- 1.** The Risk Management function has been reviewed by the Internal Audit department, and has been found to be on par with companies of similar size to ourselves.
- 2.** We have approved a Risk Management Framework (based on ISO 31000), together with a Risk Management Policy and Operational Risk Management Policy. This is an enhancement on our previous risk management documentation.
- 3.** The required policies (as per the FSB’s Board Notice 158 of 2014) have been approved.
- 4.** We have formally defined our material risks on which our future risk monitoring and reporting will be based.
- 5.** We are on the verge of agreeing on Risk Appetite levels to be implemented for monitoring of capital requirements for SAM.
- 6.** Our mock ORSA will be submitted to the FSB by the due date.

One of our primary focuses going forward in terms of the Risk Management function is to move it to a level where Risk Management informs strategy. We also want to optimise Assupol’s allocation of and its return on capital by, amongst others, accurately measuring the reward for each given risk.

Risk categories

Our Risk Management Framework allows for risk classification amongst the following categories:

1. Strategic
2. Insurance Risk (underwriting, reserving, reinsurance, ALM)
3. Financial (market, credit, liquidity, concentration)
4. Operational
5. Regulatory and Compliance

Our primary risks

Following is a listing of our most critical risks, and the steps we have taken to counter the risks.

Category	Risk	Mitigation
Strategic	Not meeting customer expectations	<ul style="list-style-type: none"> We have dedicated resources to drive our Treating Customers Fairly (TCF) assessment and identify any necessary improvements.
	Concentration risk exists in product line	<ul style="list-style-type: none"> We have implemented a specific diversification strategy in order to reduce product line concentration away from funeral business, the successful implementation of which will dramatically reduce this core dependency.
Insurance	Insuring death and disability at correct levels and at correct premiums	<ul style="list-style-type: none"> We have a defined application and underwriting process whereby we only accept insurance risk up to certain limits. We are able to re-price our products should the premiums become inadequate.
	Adverse mortality, withdrawal and expense experience	<ul style="list-style-type: none"> We do annual and quarterly experience analysis on claims, withdrawals and expenses in order to detect areas of loss so that we can make the necessary adjustments.
	Policyholder liabilities to be estimated reliably	<ul style="list-style-type: none"> Our actuaries model and set all parameters for the actuarial valuation according to reliable sources or industry practice. Our independent statutory actuary reviews the parameters and assumptions, and suggests any necessary changes.
	Not meeting solvency requirements	<ul style="list-style-type: none"> Assupol Life is adequately capitalised, and the CAR ratio is monitored on an ongoing basis.
	We could lose money from investments as a result of bad credit	<ul style="list-style-type: none"> We have a conservative investment strategy, and our asset managers may only invest in investment-grade instruments.

Financial	We face possible credit losses from our trading parties	<ul style="list-style-type: none"> • Insurance policies are subjected to a monthly lapse test that uses criteria as approved by the Actuarial Committee. • Credit risk from intermediaries is monitored on a monthly basis by our Credit Control Committee.
	Investments may decrease in value	<ul style="list-style-type: none"> • We have invested our assets in a diversified portfolio of equities, bonds and cash so that the risk is spread. • A conservative investment strategy is followed. • The asset managers may invest only according to mandates that have been approved by the Investment Committee.
	The Assupol Group may suffer liquidity shortfalls	<ul style="list-style-type: none"> • All companies in the group have approved budgets for the new financial year which do not forecast any cash shortages. • Short-term finance can be implemented to cover any immediate need, should the need arise. • Long-term finance requirements can be met by liquidating invested assets over time, and thereby minimising possible losses.
Operational	Key dependency on our IT environment	<ul style="list-style-type: none"> • Our IT server environment has been largely virtualised, thereby ensuring redundancy. • An off-site disaster recovery centre has been implemented for critical IT services.
	Concentration risk exists in premium collection	<ul style="list-style-type: none"> • The bulk of our premiums are collected via the persal system which ensure a very high rate of success in the collection of premiums.
	Impact of fraud on new business and claims	<ul style="list-style-type: none"> • We monitor and improve our controls on a continuous basis to ensure that fraud is detected and therefore fraud losses are minimised.
	Attract and retain the right staff with the correct skills	<ul style="list-style-type: none"> • We conduct competency-based interviews, and pay market-related salaries. We also have staff retention incentives in place.
Regulatory and Compliance	Keeping abreast of new legislation	<ul style="list-style-type: none"> • The legal and compliance departments investigate and prepare the business for pending legislative changes. • We provide comments to the authorities regarding proposed new legislation affecting our business.
	Compliance with relevant major legislation	<ul style="list-style-type: none"> • Our compliance department monitors compliance with all relevant major laws.



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**Remuneration
report**



Constituted as a Committee of the Board of Directors of Assupol Holdings Ltd, the Remuneration Committee comprises three non-executive directors who are tasked with guiding and overseeing the structure and implementation of the Group's remuneration policies. The Committee has an independent oversight role in respect of all remuneration and related matters for the Company.

It sets all remuneration and incentives in respect of executive management, as well as non-executive directors, and delegates authority to executive management to propose remuneration in respect of general staff, subject to approval by the Remuneration Committee.

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

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

A review of the Group's remuneration policies was undertaken which has firmly placed the accent on ensuring a competitive structure, aligning the interests of stakeholders, focusing on group-wide performance, maintaining consistency and transparency across all

group incentive structures and adopting best practice models.

Executive and employee remuneration

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

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

We recognise that the executive management team has a material influence on our Group's performance and growth, and as such the variable compensation (short and long-term incentives) makes up a meaningful part of their total compensation.

Variable compensation is directly linked to the performance of our Group. An optimal balance between short and longer term incentives is sought to ensure the alignment of the interests of executives and the interests of shareholders. This balance is also based on a total reward concept and ensures that short-term success is not striven for at the cost of undue risk or adversely affecting long-term sustainability.

Changes to incentive-based remuneration

Following a comprehensive review of the Group's remuneration policies, it was decided during the 2014 financial year to implement fundamental changes to the incentive-based remuneration structures available to

executives and other eligible employees.

A single incentive pool scheme was introduced to cover both short and long-term incentives for all executives and other employees. Effectively, there is now one incentive scheme for both short and long-term incentives, with the bias towards the deferment of rewards.

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

By employing a blended and measured approach to incentives, there is strong mitigation against risk-taking to achieve short-term objectives, which can undermine longer term goals. Also as a direct result of the review of the Group's remuneration policies, the four executive directors, who were previously on term-based contracts, have been placed on permanent contracts, linked to appropriate restraint of trade terms and conditions.

Non-executive directors' remuneration

No changes have been made to the way in which non-executive directors are remunerated. They receive a fee as directors and a separate fee for serving on various Board appointed Committees.

The fees of non-executive directors are benchmarked at the median, as defined by independent research.

Non-executive directors do not receive variable compensation and do not participate in any bonus, profit or other short- or long-term incentive schemes.



Executive directors and prescribed officer remuneration (paid by Assupol Life)

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

⁽¹⁾ Restricted incentives are allocations of shares under the conditions of the deferred bonus structure, the share incentive scheme, as well as the restraint of trade share agreements. 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. The expense reflected above is the annual cost of the deferred bonus as recognised over the period of restriction.

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

Executive directors and prescribed officer shareholding (securities issued by Assupol Holdings)

	Restraint of trade shares	Deferred Bonus	Incentive shares	Total
30 June 2014				
RF Schmidt	1 333 333	272 298	8 233 405	9 839 036
D de Klerk	1 333 333	204 223	6 677 241	8 214 797
MB Mokwena-Halala	1 333 333	238 261	6 677 241	8 248 835
SL Ndwalaza	1 333 333	544 597	5 230 582	7 108 512
GFM Wessels	-	-	8 103 418	8 103 418
	5 333 332	1 259 379	34 921 887	41 514 598
30 June 2014				
RF Schmidt	2 000 000	-	8 233 405	10 233 405
D de Klerk	2 000 000	-	6 677 241	8 677 241
MB Mokwena-Halala	2 000 000	-	6 677 241	8 677 241
SL Ndwalaza	2 000 000	-	5 230 582	7 230 582
GFM Wessels	2 000 000	-	8 103 418	10 103 418
	10 000 000	-	34 921 887	44 921 887


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

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



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Social and ethics

The Social and Ethics Committee assists the Board in monitoring Assupol's performance as a good and responsible corporate citizen. This report by the Committee is prepared in accordance with the requirements of the Companies Act (No. 71 of 2008), and describes how the committee has discharged its statutory duties in terms of the Companies Act during the financial year ended 30 June 2015.

The Committee has three members, namely Mr Eddie Ashkar, Mr Sipiwe Ndwalaza and Mr Jan Janse van Rensburg. The chairperson of the Committee is

Mr Janse Van Rensburg, who is also a non-executive director and chairperson of the Assupol Group.

The Committee's role and responsibilities are governed by a formal terms of reference, which is subject to an annual review by the Board. The Committee monitors Assupol's performance as a good and responsible corporate citizen. The Committee is satisfied that it has fulfilled all its duties during the year under review.

During the year, the Committee has amongst other things reviewed its terms of reference, approved Assupol's code of conduct, monitored the Company's

compliance with the Employment Equity Act and its standing in terms of the Broad-Based Black Economic Empowerment Act, monitored labour relations, monitored Assupol's social and community investment initiatives and received reports relating to the training and development of skills of its employees.

The Committee is also required to report through one of its members to Assupol's shareholders on the matters within its mandate at Assupol's Annual General Meeting. In the notice of the Annual General Meeting, shareholders are referred to this report by the Committee.



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**Condensed
financial results**





Group Review

for the year ended 30 June 2015

The Assupol Group produced exceptional results for the year ended 30 June 2015. Key statistics relating to the financial position and profit of the Assupol Group for the year are set out below.

Earnings performance	2015	2014	Change
Gross insurance premium revenue (R'm)	2 039	1 795	13.59%
Net profit attributable to ordinary shareholders (R'm) ⁽¹⁾	462	569	-18.80%
Adjusted operating profit (% growth) ⁽²⁾	16.40%	18.10%	
Value of new business (R'm)	181	106	70.20%

⁽¹⁾ The net profit of 2014 included a refinement of the reinsurance modelling, which resulted in a once-off increase in net assets and profit of R278 million. This has not been repeated in 2015. For more detail refer to the Group's annual financial statements for the year ended June 2014.

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

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

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

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

Share statistics	2015	2014	Change
Share price - closing (R) ⁽³⁾	5.50	3.50	57.14%
Market capitalisation (R'm) ⁽³⁾	2 266	1 448	56.49%
Distributions per qualifying ordinary share (cents) ⁽⁴⁾	99	78	26.92%

⁽²⁾ 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.

⁽³⁾ Market information is based on the over-the-counter platform on which the company's shares are trading.

⁽⁴⁾ The Board of Directors declared a gross cash dividend of 38 cents per qualifying ordinary share on 22 September 2015 for the year ended 30 June 2015. On the same date the Board also declared a special dividend of 61 cents per qualifying ordinary share. The qualifying ordinary shares exclude the ordinary shares issued to the Assupol Share Incentive Trust and the 'A2' ordinary shares. The dividends have been declared from income reserves. A dividend withholding tax of 15% will be applicable to all shareholders who are not exempt.

Condensed statement of comprehensive income

for the year ended 30 June 2015

R'000	Notes	2015	2014
Net insurance premium revenue		1 856 303	1 644 396
Commission received on outward reinsurance		13 364	10 560
Fee income		60 100	60 949
Investment income		166 770	123 440
Net fair value gains on financial assets		(50 706)	328 497
Other income		7 693	26 261
Income		2 053 524	2 194 103
Net insurance benefits and claims		(720 689)	(685 393)
Acquisition costs		(393 075)	(332 568)
Operating and administrative expenses		(662 656)	(595 100)
Investment management expenses		(5 718)	(5 606)
Change in insurance contract provisions	3.1	402 079	416 805
Fair value adjustments on investment contract liabilities		(35 593)	(192 701)
Expenses		(1 415 652)	(1 394 563)
Result of operating activities		637 872	799 540
Finance charges		(356)	(6 418)
Share of profit from associate		425	185
Profit before taxation		637 941	793 307
Income tax expense		(174 592)	(222 845)
Profit for the year		463 349	570 462
Other comprehensive income for the year		-	1 881
Total comprehensive income for the year		463 349	572 343
Profit attributable to			
Shareholders		462 239	569 052
Non-controlling interests		1 110	1 410
		463 349	570 462
Total comprehensive income attributable to			
Shareholders		462 239	570 933
Non-controlling interests		1 110	1 410
		463 349	572 343



Condensed statement of financial position

as at 30 June 2015

R'000	Notes	2015	2014
Assets			
Owner-occupied properties		28 940	29 945
Equipment		41 026	32 098
Deferred tax asset		45 587	45 807
Intangible assets - including insurance intangible assets		96 726	111 429
Interest in associate		4 619	4 348
Financial assets - Investments	5.2		
Equity securities		1 112 310	1 328 091
Debt securities		1 206 337	1 112 480
Deposits and money market securities		324 689	376 437
Policyholder assets: Insurance contracts		988 581	576 267
Insurance and other receivables		104 742	104 082
Cash and cash equivalents		279 236	199 059
Total assets		4 232 793	3 920 043
Equity			
Ordinary shareholders' interest		2 165 134	1 947 043
Share capital and premium		568 104	577 546
Treasury shares		(77)	(78)
Employee benefits reserve		28 324	23 770
Black Economic Empowerment reserve		14 300	14 300
Retained earnings		1 549 262	1 326 284
Revaluation reserve		5 221	5 221
Non-controlling interests		3 342	2 232
Total Equity		2 168 476	1 949 275
Liabilities			
Policyholder liabilities: Investment contracts		1 258 945	1 285 800
Borrowings		-	22
Employee benefits		97 006	66 794
Deferred revenue liability		278	297
Deferred tax liability		450 855	399 006
Insurance and other payables	9	247 284	212 809
Current taxation		9 949	6 040
Total liabilities		2 064 317	1 970 768
Total Equity and Liabilities		4 232 793	3 920 043

Condensed statement of changes in equity

for the year ended 30 June 2015

R'000	Share capital	Share premium	Treasury shares	Employee benefits reserve	BEE reserve	Retained income	Revaluation reserve	Non-controlling interest	Total capital & equity
Balance at 30 June 2013	30 345	547 270	(27 149)	39 816	14 300	756 935	3 340	822	1 365 678
Issue of shares to Assupol Community Trust	25	-	-	-	-	-	-	-	25
Free shares of resigned employees cancelled	-	(94)	94	-	-	-	-	-	-
Cost of free shares to employees	-	-	-	4 399	-	-	-	-	4 399
Cost of incentive shares	-	-	-	6 532	-	-	-	-	6 532
Vesting of free shares to employees	-	-	26 977	(26 977)	-	-	-	-	-
Changes in ownership in subsidiaries	-	-	-	-	-	297	-	-	297
Profit for the year	-	-	-	-	-	569 052	-	1 410	570 462
Other comprehensive income for the year	-	-	-	-	-	-	1 881	-	1 882
Balance at 30 June 2014	30 370	547 176	(78)	23 770	14 300	1 326 284	5 221	2 232	1 949 275
Cost of incentive shares	-	-	-	4 554	-	-	-	-	4 554
Share incentive options exercised	-	-	1	-	-	-	-	-	1
Repurchase of ordinary shares	(2)	(9 440)	-	-	-	-	-	-	(9 442)
Dividend paid	-	-	-	-	-	(239 261)	-	-	(239 261)
Profit for the year	-	-	-	-	-	462 239	-	1 110	463 349
Balance at 30 June 2015	30 368	537 736	(77)	28 324	14 300	1 549 262	5 221	3 342	2 168 476



Condensed statement of cash flows

for the year ended 30 June 2014

R'000	2015	2014
Cash flows from operating activities		
Cash generated from operations	169 788	132 999
Investment income	166 770	123 440
Finance charges	(356)	(6 418)
Dividends paid	(239 261)	-
Taxation paid	(118 517)	(67 972)
Net cash flows from operating activities	(21 576)	182 049
Cash flows from investing activities		
Acquisition and disposal of equipment	(17 051)	(10 906)
Disposal of investment in subsidiary	-	(1 165)
Net acquisition of financial instruments at fair value through profit or loss	122 966	(101 577)
Net decrease in loan receivables	5 302	23 480
Net cash flows from investing activities	111 217	(90 168)
Cash flows from financing activities		
Ordinary shares issued	-	25
Repurchase of ordinary shares	(9 442)	-
Decrease in borrowings	(22)	(133 690)
Net cash flows from financing activities	(9 464)	(133 665)
Net increase / (decrease) in cash and cash equivalents	80 177	(41 784)
Cash and cash equivalents at beginning of the year	199 059	240 843
Cash and cash equivalents at end of the year	279 236	199 059

Condensed segment report

for the year ended 30 June 2015

R'000	2015	2014
Segment profit		
Segment profit after taxation	503 535	593 390
Life insurance	485 682	577 876
Brokers	11 862	5 811
Other	5 991	9 704
Reporting adjustments after taxation	(40 187)	(22 928)
Group profit for the year	463 349	570 462
Other comprehensive income	-	1 881
Group comprehensive income for the year	463 349	572 343
Segment assets and liabilities		
Segment assets	4 097 088	3 791 382
Life insurance	4 002 712	3 704 050
Brokers	50 756	43 712
Other	43 620	43 620
Reporting adjustments	135 705	128 661
Group assets	4 232 793	3 920 043
Segment liabilities	1 969 268	1 918 337
Life insurance	1 948 556	1 897 656
Brokers	3 289	3 258
Other	17 423	17 422
Reporting adjustments	95 049	52 431
Group liabilities	2 064 317	1 970 768



Notes to the condensed financial results for the year ended 30 June 2015

1. General Information

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

2. Basis of preparation and accounting policies

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

The condensed financial results do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 30 June 2015.

The condensed financial results have not been audited.

The accounting policies adopted are consistent with those of the previous financial year.

3. Summary of critical accounting estimates

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

Assumptions and estimates included in the Group financial results for the year ended 30 June 2015 relate to the items listed.

3.1 Policyholder liabilities or assets under long-term insurance contracts

The determination of the liabilities or assets under long-term insurance contracts is dependent on assumptions and estimates made by the Group. The full details of these assumptions and estimates are in note 4 to the Group's annual financial statements for the year ended 30 June 2015.

3.2 Other assumptions and estimates

Other assumptions and estimates included in the Group annual financial statements for the year ended 30 June 2015 addressed the following items:

- Impairment tests are performed on all cash generating units to which goodwill is allocated;
- Valuations of owner-occupied properties are performed tri-annually on an income capitalisation basis;
- The calculation of current and deferred tax; and
- The determination of expense and liabilities concerning share-based payments.

4. 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.

5. Financial Risk Management and Financial Instruments

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, cash flow and fair value

interest rate risk, and hedging), credit risk and liquidity risk. These risks can affect the values of the Group's financial assets and liabilities, as well as the Group's insurance contract assets and liabilities.

5.2 Fair value estimation

June 2015 (R'000)	Level 1	Level 2	Level 3	Total
Financial assets designated as 'at fair value through profit or loss'	2 131 340	473 361	38 635	2 643 336
Local listed shares	992 173	9 278	-	1 001 451
Unit trusts	110 859	-	-	110 859
Debt securities	1 022 303	145 399	38 635	1 206 337
Deposits and money market securities	6 005	318 684	-	324 689
Financial liabilities designated as 'at fair value through profit or loss'	-	1 258 945	-	1 258 945
Net investment contract liabilities	-	1 258 945	-	1 258 945
2014 (R'000)	Level 1	Level 2	Level 3	Total
Financial assets designated as 'at fair value through profit or loss'	2 357 908	459 100	-	2 817 008
Local listed shares	1 185 782	22 295	-	1 208 077
Unit trusts	120 014	-	-	120 014
Debt securities	989 201	123 279	-	1 112 480
Deposits and money market securities	62 911	313 526	-	376 437
Financial liabilities designated as 'at fair value through profit or loss'	-	1 285 800	-	1 285 800
Net investment contract liabilities	-	1 285 800	-	1 285 800

The assets measured 'at fair value through profit or loss' in level 3 consist of certain African Bank senior debt instruments where the trading has been suspended. The value for the Group amounts to R38,6m and the discount rate applied in valuating these instruments varies between 4% and 9.1%. Of the debt instruments, approximately 39% of these assets by value are allocated to policyholder liabilities and unit linked portfolios and therefore changes in estimates would be offset by equal changes in liability values. The net shareholder exposure is approximately R22.6 million. Changes to discount rates applied of 100 basis points would result in a positive R303 000 to negative R475 000 after taxation net impact to profit or loss and shareholder funds.

5.3 Fair value of financial assets and liabilities measured at amortised cost

(R'000)	2015	2014
Other payables	49 022	53 855

The fair values of the following financial assets and liabilities approximate their carrying amount: Investment in subsidiaries, other receivables, cash and cash equivalents and borrowings.



Corporate information

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