



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

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL RESULTS
for the period ended 31 December 2013

**FINANCIAL OVERVIEW
for the period ended 31 December 2013**

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The Assupol Group is pleased to announce that it has delivered another solid set of results for the 6 months ended 31 December 2013.

The results have been achieved despite the presence of challenging economic conditions in Assupol's core operating markets. Assupol continues to make significant strides in its efforts to become the insurer to the people.

The results for the period under review were enhanced by a non-recurring refinement of Assupol's actuarial reinsurance and inflation modelling. The net financial impact of the changes resulted in a once-off decrease of policyholders liabilities on 1 July 2013 to the amount of R330 million and an after taxation increase on the profit of R237.7 million. As a result, it is expected that the 2014 financial results will significantly exceed the 2013 profits.

The Group Embedded Value of the Assupol Group as at the end of December 2013 amounted to R2 billion (June 2013: R1.7 billion), or R4.84 per share (June 2013: R4.11 per share). The current trading price of the shares of Assupol Holdings represents a discount to the Group Embedded Value per share.

Other financial highlights are as follows:

- Return on equity on an annualised basis is 33%. Excluding the once-off adjustments, the return on equity would have been 20% in comparison to the June 2013 ratio of 19%.
- Value of New Business for the 6-month period is R62.3 million, compared to the R76.3 million for the full 2013 financial year.
- The CAR ratio of the life company in the group is 233% (June 2013: 197%).
- Growth in sustainable net profits on an annualised basis is 11%.

Assupol continues to focus on its core markets in the civil service, and to serve those who serve.



D de Klerk
Group Chief Financial Officer

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the period ended 31 December 2013

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	Notes	6 months ended Dec 2013 (Unaudited) R'000	12 months ended Jun 2013 (Audited) R'000	6 months ended Dec 2012 (Unaudited) R'000
Insurance premiums revenue		872 681	1 636 648	770 778
Insurance premiums ceded to reinsurers		(72 091)	(128 567)	(62 011)
Net insurance premium revenue		800 590	1 508 081	708 767
Commission received on outward reinsurance		1 829	4 318	1 576
Fee income		33 361	63 772	29 897
Investment income		59 255	108 282	50 635
Net fair value gains on financial assets		188 320	283 518	227 822
Other income		9 196	23 726	12 684
Income		1 092 551	1 991 697	1 031 382
Insurance benefits and claims		(420 373)	(896 931)	(395 063)
Insurance claims recovered from reinsurers		63 985	107 224	45 670
Net insurance benefits and claims		(356 388)	(789 707)	(349 393)
Expenses for the acquisition of insurance and investment contracts		(149 132)	(279 898)	(132 039)
Operating and administrative expenses		(269 555)	(497 862)	(233 223)
Amortisation and impairment of intangibles		(1 667)	(2 724)	-
Investment management expenses		(3 108)	(10 848)	(8 260)
Change in insurance contract provisions	2	303 242	106 815	(72 208)
Fair value adjustments on investment contracts liabilities	2	(120 120)	(125 443)	(95 169)
Expenses		(596 728)	(1 599 667)	(890 293)
Result of operating activities		495 823	392 030	141 089
Finance charges		(6 184)	(4 638)	(242)
Profit before taxation		489 639	387 392	140 848
Income tax expense		(137 912)	(119 059)	(38 276)
PROFIT FOR THE PERIOD		351 727	268 333	102 572
Gains on property revaluation		-	1 703	-
Income tax relating to other comprehensive income		-	(477)	-
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		-	1 226	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		351 727	269 559	102 572

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2013

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	Notes	6 months ended Dec 2013 (Unaudited) R'000	12 months ended Jun 2013 (Audited) R'000	6 months ended Dec 2012 (Unaudited) R'000
ASSETS				
Owner-occupied properties		28 250	28 250	27 410
Equipment		32 358	29 244	27 761
Intangible assets - including insurance intangible assets		114 039	116 795	122 397
Financial assets - Investments at fair value through profit or loss				
Equity securities		1 226 237	1 112 725	1 235 788
Debt securities		930 322	968 011	723 066
Deposits and money market securities		409 123	308 252	570 992
Policyholder assets				
Insurance contracts	2	462 704	159 462	-
Insurance and other receivables	4	82 640	108 645	129 640
Current taxation		10 000	9 929	17 603
Cash and cash equivalents		208 310	240 843	495 810
TOTAL ASSETS		3 503 982	3 082 156	3 350 467
EQUITY				
Capital and reserves				
Share capital and premium		577 545	577 615	725 077
Treasury shares		(78)	(27 151)	(31 399)
Employee benefits reserve		20 743	39 816	33 024
Black Economic Empowerment reserve		14 300	14 300	14 300
Retained earnings		1 108 659	756 935	1 031 840
Revaluation reserve		3 340	3 340	2 114
Non-controlling interests		822	822	2 770
		1 725 331	1 365 677	1 777 727
LIABILITIES				
Policyholder liabilities				
Insurance contracts	2	-	-	74 266
Investment contracts	2	1 240 534	1 138 581	1 121 360
Borrowings		692	133 712	1 558
Deferred tax liability		323 578	212 968	159 926
Insurance and other payables	5	213 847	231 218	215 629
TOTAL LIABILITIES		1 778 651	1 716 479	1 572 740
TOTAL EQUITY AND LIABILITIES		3 503 982	3 082 156	3 350 467

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the period ended 31 December 2013

	SHARE CAPITAL & PREMIUM R'000	TREASURY SHARES R'000	EMPLOYEE BENEFITS RESERVE R'000	BEE RESERVE R'000	RETAINED INCOME R'000	REVALUATION RESERVE R'000	NON- CONTROLLING INTEREST R'000	TOTAL CAPITAL & EQUITY R'000
Balance at 30 June 2012 (Audited)	521 422	(31 383)	23 590	-	930 588	2 114	5 354	1 451 685
Issue of shares to Share Incentive Trust	15	(15)	-	-	-	-	-	-
Issue of shares to institutional investors	478 750	-	-	-	-	-	-	478 750
Issue of "A1" ordinary shares to institutional investors	29 684	-	-	-	-	-	-	29 684
Issue of "A2" ordinary shares to institutional investors	316	-	-	14 300	-	-	-	14 616
Issue of ordinary shares to PIC Holdings Ltd	3 640	-	-	-	-	-	-	3 640
Redemption of preference shares	(451 971)	-	-	-	(439 023)	-	-	(890 995)
Issue of ordinary shares to executive directors	10	-	-	-	-	-	-	10
Free shares of resigned employees cancelled	(4 251)	4 248	-	-	-	-	-	(3)
Cost of free shares to employees	-	-	8 599	-	-	-	-	8 599
Cost of incentive shares	-	-	7 627	-	-	-	-	7 627
Changes in ownership in subsidiary	-	-	-	-	(1 349)	-	(6 147)	(7 496)
Profit for the year	-	-	-	-	266 719	-	1 614	268 333
Other comprehensive income for the year	-	-	-	-	-	1 226	-	1 226
Balance at 30 June 2013 (Audited)	577 615	(27 149)	39 816	14 300	756 935	3 340	822	1 365 677
Issue of shares to the Assupol Community Trust	25	-	-	-	-	-	-	25
Free shares of resigned employees cancelled	(95)	94	-	-	-	-	-	(1)
Cost of free shares to employees	-	-	4 399	-	-	-	-	4 399
Cost of incentive shares	-	-	3 507	-	-	-	-	3 507
Free shares allocated to employees	-	26 978	(26 978)	-	-	-	-	-
Profit for the period	-	-	-	-	351 725	-	-	351 725
Balance at 31 December 2013 (Unaudited)	577 545	(78)	20 743	14 300	1 108 659	3 340	822	1 725 331

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the period ended 31 December 2013

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	6 months ended Dec 2013 (Unaudited) R'000	12 months ended Jun 2013 (Audited) R'000	6 months ended Dec 2012 (Unaudited) R'000
Cash flows from operating activities			
Cash (utilised in)/generated from operations	70 609	(80 860)	(32 427)
Investment income	59 255	108 282	50 635
Finance charges	(6 184)	(4 638)	(242)
Taxation paid	(27 373)	(49 559)	(33 856)
Net cash flows from operating activities	96 307	(26 774)	(15 889)
Cash flows from investing activities			
Acquisition of equipment	(7 469)	(11 852)	(5 387)
Proceeds on disposal of property and equipment	-	1 312	-
Net acquisition of financial instruments at fair value through profit or loss	11 624	294 909	98 659
Net decrease in loan receivables	-	18 171	-
Net cash flows from investing activities	4 155	302 540	93 272
Cash flows from financing activities			
Ordinary shares issued	25	512 400	203 641
Ordinary shares cancelled	(0)	(3)	-
Preference shares redeemed	-	(890 995)	-
Increase / (decrease) in borrowings	(133 020)	132 093	3 206
Net cash flows from financing activities	(132 995)	(246 504)	206 846
Net (decrease) / increase in cash and cash equivalents	(32 533)	29 261	284 229
Cash and cash equivalents at beginning of the period	240 843	211 581	211 581
Cash and cash equivalents at end of the period	208 310	240 843	495 810

CONDENSED GROUP SEGMENT REPORT
for the period ended 31 December 2013

	6 months ended Dec 2013 (Unaudited) R'000	12 months ended Jun 2013 (Audited) R'000	6 months ended Dec 2012 (Unaudited) R'000
SEGMENT PROFIT			
Segment profit after taxation			
Life insurance	359 961	298 097	104 436
Brokers	1 823	6 874	3 358
Other	2 376	1 785	710
Segment total	364 161	306 757	108 504
Reporting adjustments after taxation	(12 434)	(38 424)	(5 932)
Group profit for the period	351 727	268 333	102 572
Other comprehensive income	-	1 226	-
Group comprehensive income for the period	351 727	269 559	102 572
SEGMENT ASSETS AND LIABILITIES			
Segment assets			
Life insurance	3 342 233	2 949 929	2 967 776
Brokers	48 685	48 207	50 648
Other	9 753	37 357	24 610
Segment total	3 400 670	3 035 493	3 043 034
Reporting adjustments	102 746	92 406	307 908
Group assets	3 503 417	3 127 899	3 350 943
Segment liabilities			
Life insurance	1 755 003	1 558 613	1 783 098
Brokers	9 210	4 892	4 242
Other	5 409	21 317	22 865
Segment total	1 769 621	1 584 822	1 810 205
Reporting adjustments	8 862	177 400	(236 990)
Group liabilities	1 778 483	1 762 222	1 573 215

**NOTES TO THE CONDENSED CONSOLIDATED GROUP FINANCIAL RESULTS
for the period ended 31 December 2013**

1. Basis of preparation

The condensed consolidated financial results on pages 2 to 8 are derived from the unaudited Assupol Group financial reports for the periods ended 31 December 2012 and 31 December 2013, and the audited annual financial statements for the year ended 30 June 2013.

The group has applied the provisions of the Companies Act, 2008 of South Africa, which allows for condensed financial results as disclosed in this report.

The accounting policies adopted for the purpose of these results comply with International Financial Reporting Standards ("IFRS") and the Companies Act 71 of 2008, and are consistent with those used in the annual financial statements for the year ended 30 June 2013.

These condensed consolidated group financial results have been prepared under the supervision of D de Klerk CA(SA), the group Chief Financial Officer.

2. Critical accounting estimates

The preparation of condensed financial results requires the use of certain critical accounting estimates and judgement. The reported amounts in respect of the group's policyholder liabilities, intangible assets, owner-occupied properties, unquoted financial instruments and taxation are affected by accounting estimates and judgement.

The following significant changes were made to the modelling methodology:

- 2.1 The smoking status of policyholders on the Progress Legacy accelerated benefits have been split and reduced the policyholder liabilities by R7m;
- 2.2 The split between the income and growth in the investment return assumption was removed which resulted in an increase in the policyholder liabilities of R10.8m;
- 2.3 The methodology of deriving the inflation assumption has been modified, resulting in a decrease in the policyholder liabilities of R60.8m; and
- 2.4 The reinsurance modelling was updated in the following manner and resulted in a decrease in the policyholder liabilities by R273m:
 - The margins previously included on the reinsured proportion of the reserve calculation were released;
 - The AIDS reserve of the reinsured proportion of the reserve was released; and
 - The reinsurance rates were updated.

The net financial impact of the abovementioned refinements in the modelling methodology was a decrease in policyholders liabilities of R330.2m on 1 July 2013.

3. 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 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 holding company of the group and the company where the investments in the non-life entities are held.

NOTES TO THE CONDENSED CONSOLIDATED GROUP FINANCIAL RESULTS
for the period ended 31 December 2013

	6 months ended Dec 2013 (Unaudited) R'000	12 months ended Jun 2013 (Audited) R'000	6 months ended Dec 2012 (Unaudited) R'000
4. Insurance and other receivables			
Insurance receivables			
Premiums receivable	17 271	15 710	36 224
Reinsurance recoveries receivable	24 669	23 482	17 890
Loans to policyholders	20 875	25 585	34 136
	<u>62 815</u>	<u>64 777</u>	<u>88 251</u>
Other receivables			
Sundry receivables	12 651	35 301	32 531
Loans to personnel	6 464	7 590	7 969
Other loans	710	977	889
	<u>19 825</u>	<u>43 868</u>	<u>41 390</u>
Total insurance and other receivables	<u>82 640</u>	<u>108 645</u>	<u>129 640</u>
Non-current assets	24 345	29 696	37 589
Current assets	58 295	78 949	92 051
	<u>82 640</u>	<u>108 645</u>	<u>129 640</u>
5. Insurance and other payables			
Insurance payables			
Outstanding claims and benefits payable	77 946	67 741	45 393
Premiums received in advance	11 598	11 533	11 991
Deferred revenue liability	360	360	356
	<u>89 904</u>	<u>79 634</u>	<u>57 740</u>
Other payables			
Accounts payable	81 507	90 697	114 981
Accruals	-	64	-
Employee benefits	40 032	59 373	39 641
Amounts due to shareholders	2 404	1 450	3 267
	<u>123 943</u>	<u>151 584</u>	<u>157 889</u>
Total insurance and other payables	<u>213 847</u>	<u>231 218</u>	<u>215 629</u>
Non-current liabilities	13 266	8 577	299
Current liabilities	200 581	222 641	215 330
	<u>213 847</u>	<u>231 218</u>	<u>215 629</u>