
INTEGRATED REPORT

2013





“ Wisdom cannot be taught. It is something that you develop over time with knowledge gained, experiences shared and challenges conquered

Rudi Schmidt, Group Chief Executive Officer



ABOUT THIS REPORT

This is an integrated report in which we provide information about Assupol Holdings for the financial year 1 July 2012 to 30 June 2013.

This report covers Assupol Holdings Limited ("Assupol Holdings"). The aim of this report is to convey information that is necessary for stakeholders to make an informed assessment of our performance.

All figures refer to the year ended 30 June 2013, unless stated otherwise.

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Corporate governance



Informational



Leadership



Performance



Stakeholders



Strategy & resources



PERFORMANCE HIGHLIGHTS

Deliver sustainable results

Group	Year ended 30 June			
	2013 R'000	2012 R'000	2011 R'000	% change 2012/2013
Net premium revenue	1 508 081	1 380 265	1 122 951	9%
Net profit after tax ⁽¹⁾	268 333	309 080	232 235	-13%
Redemption of preference shares	890 995	-	-	-
Assupol Life				
Net premium revenue	1 508 081	1 169 725	909 540	29%
Net profit after tax ⁽¹⁾	298 095	324 570	231 530	-8%
Embedded value	1 968 289	1 884 190	1 312 746	4%
Return on embedded value ⁽²⁾	20.8%	43.5%	24.6%	-

Compliant and responsible financial services provider

	Year ended 30 June			
	2013 R'000	2012 R'000	2011 R'000	% change 2012/2013
Corporate tax paid to South African Government	49 559	35 396	38 397	40%
Capital adequacy cover (Assupol Life) ⁽³⁾	198%	206%	192%	-4%

Investment in quality staff and representatives

	Year ended 30 June			
	2013 R'000	2012 R'000	2011 R'000	% change 2012/2013
Number of employees	534	543	563	-2%
Number of representatives	2 423	1 550	1 153	56%
Engagement index - people survey	73%	69%	-	6%
Commission paid	279 898	241 900	217 102	16%

Corporate social investment

	Year ended 30 June			
	2013 R'000	2012 R'000	2011 R'000	% change 2012/2013
Sponsorships and donations	2 655	2 587	2 425	3%
BEE transaction	14 300	-	-	-

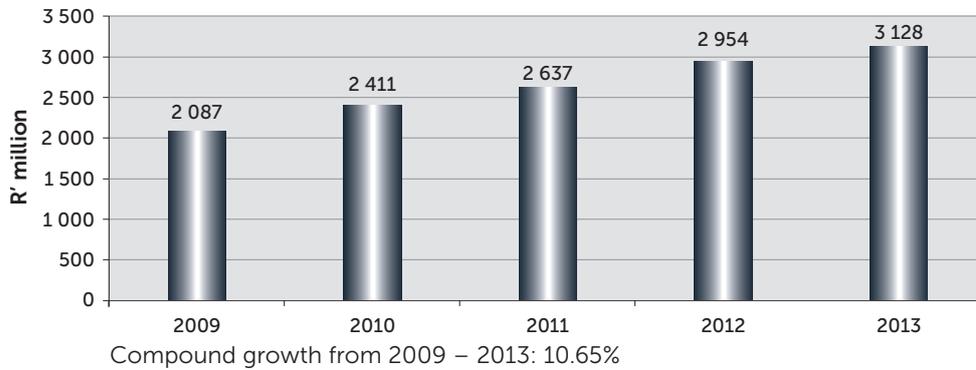
⁽¹⁾ Due to the demutualisation of Assupol Life in 2010, the actual profit reported by the group varied as a result of demutualisation and capital restructuring related expenses. Furthermore, once-off actuarial adjustments as a result of assumption changes had an impact on the profit. Management therefore monitors the growth in sustainable profit by eliminating once-off items. The growth in sustainable net profit after tax for the group was 18% (2012: 9%).

⁽²⁾ The return of embedded value represents the growth in EV after the adjustment for the dividend of R293 225 279 (2012: R56 031 240) and capital movements.

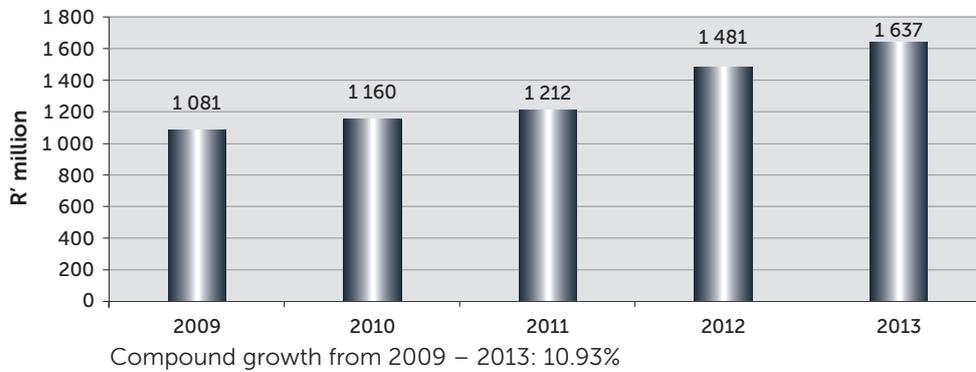
⁽³⁾ The decrease in 2013 of CAR ratio of Assupol Life is a result of the dividend of R293 325 579 that was paid to Assupol Holdings, but remains well above the statutory requirements of 100%.



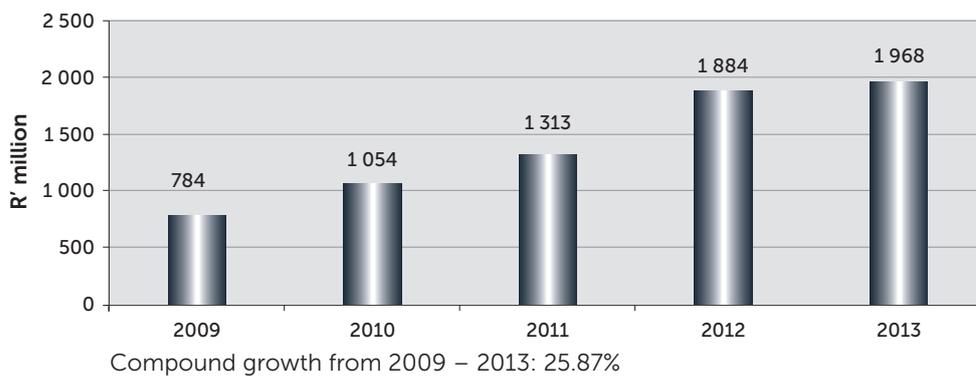
Group – Total assets



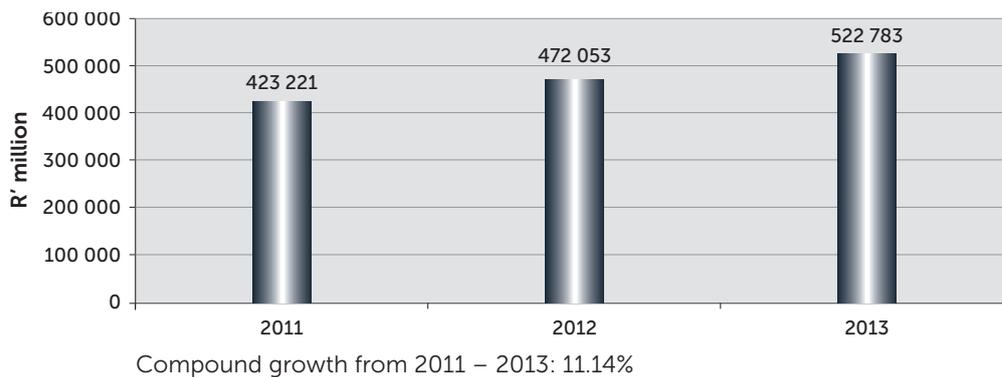
Group gross premium income



Assupol Life – Embedded value



Group – Policies inforce



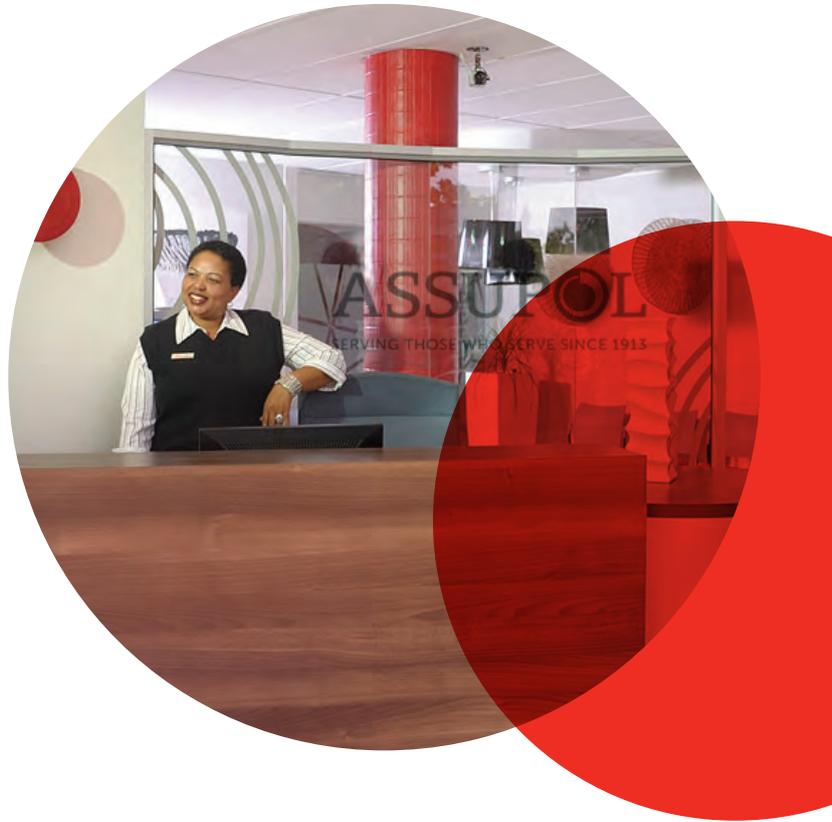


100 years of Assupol

A tradition that began in 1913 among policemen, to collect contributions in a hat for bereaved families of colleagues that had passed on, reached its centenary on 15 July 2013. This tradition, born out of adversity, survived political and economic turmoil and witnessed revolutionary changes in South Africa, and the world over. Assupol, known initially as the South African Police Provident Fund, has surely stood the test of time.

Over 100 years Assupol Life has aimed to provide quality and innovative products that provide peace of mind. Coupled with a firm commitment to serve its members is a heritage we have built over a century.

With our mission in mind and our values at heart we will continue to serve those who serve our nation.





Our philosophy

Vision

- To be the insurer to the people

Mission

- To serve those who serve

Value

- To treat our clients fairly

Value proposition

- An insurer of the aspiring lower to middle-income markets
- Active in a segment of the market that is showing substantial growth
- Proven track record and intimate understanding of our niche market
- Extensive distribution footprint in South Africa

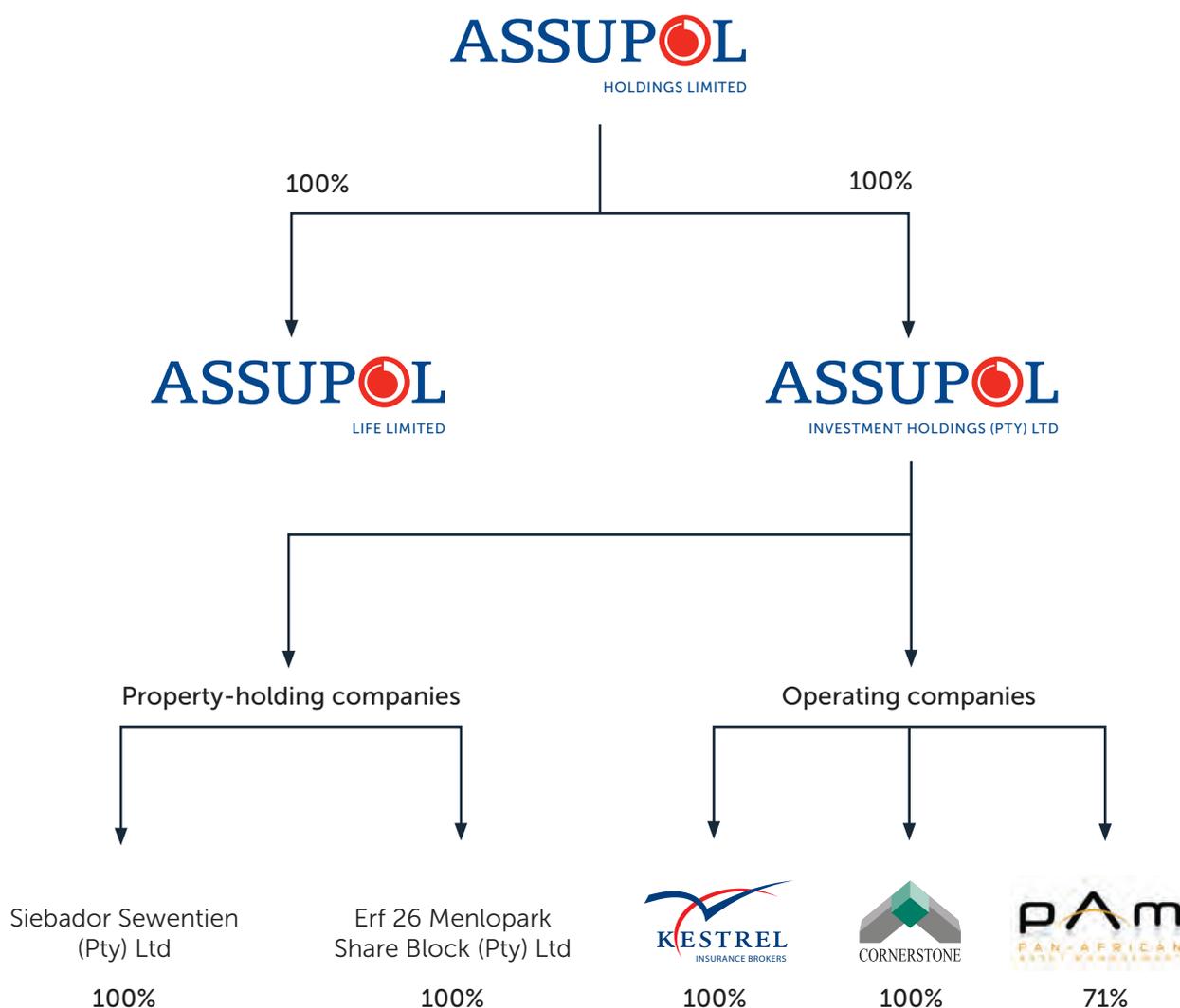
Market leadership

- Simple, relevant and affordable product range
- Trusted brand in target markets
- Impeccable client service
- Effective and professional sales team and distribution channels
- Strong penetration in civil service



Group at a glance

Assupol Holdings Ltd is the holding company of the Assupol group of companies. Our group operates through two focused wholly-owned subsidiaries - Assupol Life Ltd and Assupol Investment Holdings (Pty) Ltd.



Assupol Life Ltd

Assupol Life, established in 1913, is a life-insurance company registered in terms of the Long-term Insurance Act. It provides affordable funeral, life, savings and retirement products to primarily 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”), Kestrel Financial Solutions (Pty) Ltd trading as Kestrel Insurance Brokers (“Kestrel”), 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 country-wide.

Kestrel Financial Solutions (Pty) Ltd t/a Kestrel Insurance Brokers

Kestrel was established in 1997. It provides affordable short-term insurance products such as car, home, business, taxi and medical insurance.

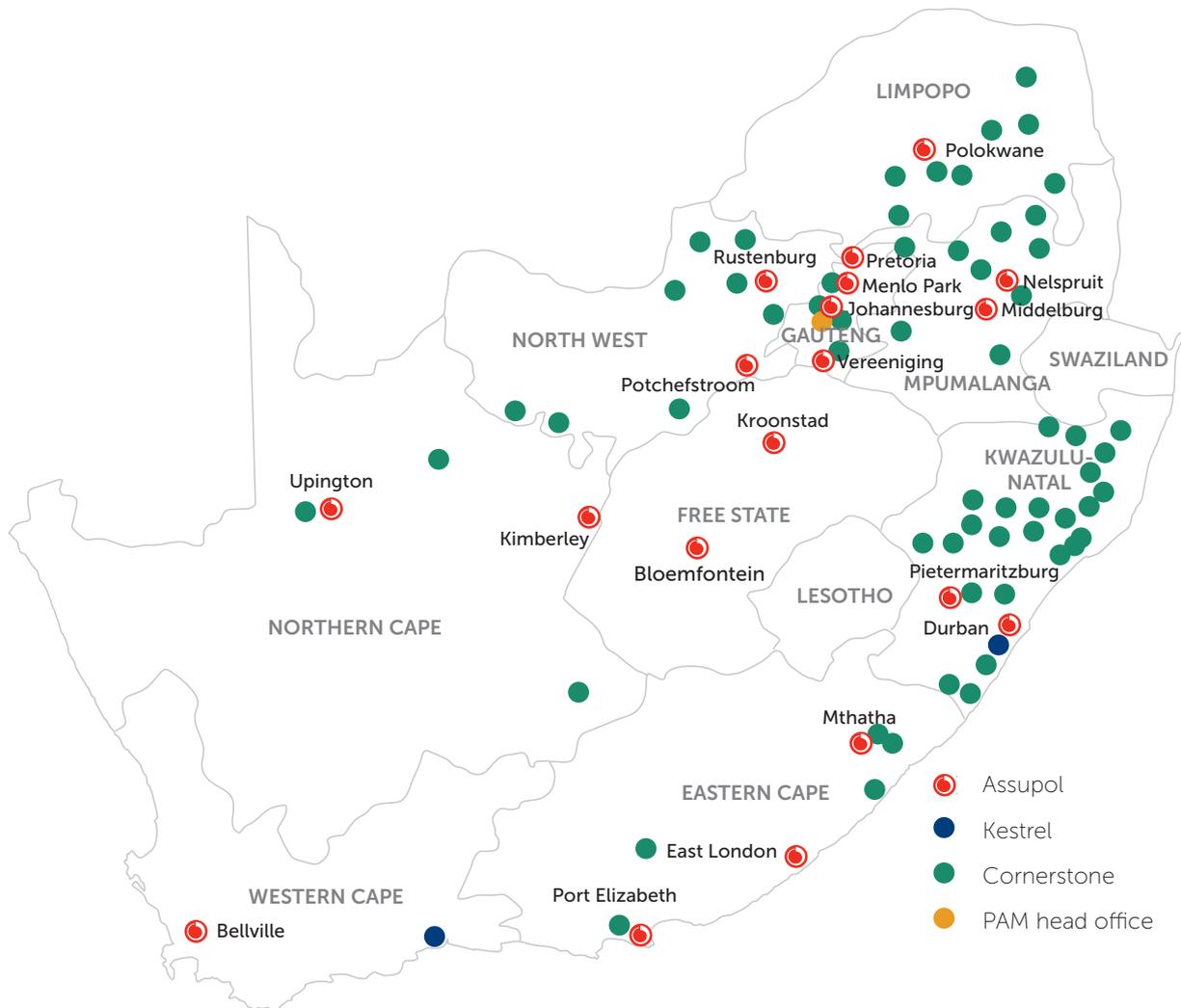
Pan-African Asset Management (Pty) Ltd

PAM is an asset manager with a performance track record that dates back more than 10 years. PAM manages assets in excess of R5 billion on behalf of third-party clients such as pension, insurance and other corporates.

Group branch network

Our group boasts a total of 98 offices in its branch network country-wide. We are present in each of the nine provinces in South Africa and can serve our members and strategic partners.

The head offices of Assupol Holdings Limited and our subsidiaries, are in Pretoria – except PAM in Johannesburg.





OUR BUSINESS CONTINUED

Products

Long-term insurance: life and health

Provider	Product	Funeral	Death and/or Disability	Critical illness or Dread Disease	Family income	Premium waiver	Cashback	Assupol On-Call	Rewards
Assupol Life	Excellence Family Funeral Plan	✓	✓		✓	✓	✓	✓	✓
	Progress Legacy Plan	✓	✓	✓		✓		✓	✓
	Progress 4Sure Plan	✓	✓	✓			✓	✓	✓
	Progress Accident Plan		✓					✓	✓
	Absolute Advantage Family Funeral Plan	✓			✓	✓	✓	✓	
Cornerstone Brokers	Pensioner Plan	✓							
	Solutions Plan	✓							

Long-term insurance: savings and retirement annuity

Provider	Product	Life Cover	Regular withdrawals	Premium waiver	Rewards
Assupol Life	Maximumwealth Cash Provider – MyCash Option		✓	✓	
	Maximumwealth Cash Provider – Education Option	✓	✓	✓	
	Maximumwealth Exclusive Policy			✓	
	Carefree Life Retirement Annuity			✓	✓

Short-term insurance

Provider	Product	Funeral	Car and house	Business	Medical/hospital	Accident	Taxi	Life	Sport
Kestrel	Short-term insurance broker	✓	✓	✓	✓	✓	✓	✓	✓
	In4Sport				✓	✓			✓



Asset management and investment portfolios

Provider	Product
PAM	PAM Pure Bonds
	PAM Money Market
	PAM Flexible Fund
	PAM Equity Carve Out
Assupol Life	Assupol Life High Equity Fund
	Assupol Life Balanced Fund
	Assupol Life Guaranteed Fund
	Assupol Life Money Market Fund



Photographer: Brett Rubin



WORD FROM OUR CHAIRMAN



Acting chairman
KL Craemer

While this report covers the financial year to 30 June 2013, it is fitting to reflect on the fact that Assupol celebrated its 100th birthday on 15 July, an incredibly significant achievement in the overall context of South African business and the provision of insurance and other financial services.

Initially established to address the needs of police personnel in the early part of the 20th century, the group has come a long way over the past 100 years, and has developed an excellent platform for future growth and to meet the varying financial protection and investment requirements of a large section of our country's population.

In the past year, against the backdrop of not inconsiderable headwinds in the local economy, Assupol overcame a number of obstacles and performed extremely well under the circumstances, thanks in no small measure to the exceptional efforts of our management team, staff members and sales force. Our success has to be viewed in light of lower to middle income South Africans – our major client base – coming under major financial strain from

ongoing increases in the prices of items such as fuel, electricity and food in an environment where unemployment continues to be a critical issue.

With sluggish gross domestic product growth and an unstable employment market, South Africa's economy has also been impacted by labour unrest, the sharp depreciation of the rand and an unstable employment environment. The indebtedness of consumers has also adversely affected the overall economy and specifically our industry which relies heavily on individuals' cashflow and disposable income.

Our enormously successful demutualisation made a significant contribution to the economy and to the liquidity of many households, with approximately 226 000 policyholders who will have received in excess of R891 million through the redemption of their shares.

Improved risk management pays dividends

For an organisation such as ours to be sustainable and successful, it is vital to have a well-established and effective risk management system, in addition to our existing actuarial and financial processes. By implementing an *operational risk register*, our group has access to an excellent reporting system that adds substantial value to day-to-day operations. The *risk-appetite matrix* that results from the *risk-appetite framework* is also an extremely valuable tool.

Importantly, there is strong and ongoing interaction between the Risk Committee and the Audit Committee. The Risk Committee meets with senior staff from operational areas to discuss any areas of concern.

A major consideration within the risk arena is also the continuing diversification of Assupol from its police-servicing origins into a much more broadly-focused service provider. This diversification strategy has made and continues to make good progress.

Governance and regulatory issues

We are committed to the highest standards of corporate governance, transparency and



accountability. This includes continuously assessing levels of compliance with and commitment to the implementation of King III, if this is in the best interests of our stakeholders.

During the year under review, an internal assessment using the Governance Assessment Instrument supplied by the Institute of Directors, indicated that our application of the principles of King III has improved from a "B-rating" to an "AA-rating", which is a highly commendable achievement. The major reason for this sharp increase was the improved formalisation of board committees and recognition of the role of the board of directors.

Significantly, a new memorandum of incorporation was adopted by a special resolution passed by shareholders on 30 April 2013, replacing our previous memorandum and articles of association. The new memorandum provides for the establishment of the following board committees: Social and Ethics Committee, Remuneration Committee, Audit Committee, Risk Committee and Nominations Committee.

The Board Charter, as well as the terms of reference of the various board committees, was also reviewed to ensure compliance with the memorandum of incorporation.

Regulatory changes in the pipeline, although there is still no certainty about their introduction, include legislation about micro-insurance, solvency-assessment management, the protection of personal information and the earning of commission by brokers.

Although adaptation to new regulatory conditions and frameworks is a challenge for any organisation, Assupol has a long and distinguished track record of successfully adapting to change over many decades.

Advances in broad-based black economic empowerment and social upliftment

As a result of our successful demutualisation, our broad-based black economic empowerment credentials have improved greatly, providing a meaningful foundation for further transformation, growth and development.

Social upliftment has always been a top priority for the group, and this has been aided by Assupol's own Community Trust becoming a shareholder in the group and applying for registration with SARS as a public benefit organisation. The trust will utilise its income to improve the lives of many disadvantaged members of the community through the funding of several high-impact community projects.

Changes to the board of directors

During the 2013 financial year, all board members of Assupol Holdings also served on the board of Assupol Life. While the Assupol Holdings board focuses on the strategy of the group, the Assupol Life board limits itself to the activities of Assupol Life.

As a result of the exciting investments made in our group by the International Finance Corporation, WDB Investment Holdings (Pty) Ltd and Investec, we welcomed five new non-executive members to our board during the year – Andrew Birrell, Eddie Ashkar, Ian Greenstreet, Lawrence Barnett and Nicola Gubb.

We also said farewell to two non-executive directors – Bushie Engelbrecht and Stiaan Nyalungu – who resigned on 20 February 2013. Both made a valuable contribution. Chairman of the board, Daan le Roux, also retired during the year.

Special tribute to former Chairman, Daan le Roux

At the annual general meeting on 30 April 2013, our long-serving chairman, Daan le Roux, tendered his resignation. As vice-chairman, I subsequently assumed the role of acting chairman, a position I will fill until the board elects a new chairman.

Having reached the age of 70, Mr le Roux decided that he wanted to allocate more time to his other interests, including spending more time with his family. Since becoming chairman in 1995, he led the board with extreme diligence, foresight and dedication, and presided over Assupol's highly successful demutualisation.



WORD FROM OUR CHAIRMAN CONTINUED

On behalf of the board, management and staff of Assupol, I pay a special tribute to Mr le Roux for his massive contribution to Assupol over many years. He leaves a strong legacy and an excellent foundation from which our group can grow in its second century. We wish him well in his future activities and endeavours.

Appreciation

On behalf of my fellow board members, I extend my sincere gratitude to everyone who contributed to another successful year for Assupol. This includes management, staff, sales representatives, and our loyal policyholders and shareholders. With its first century behind it, our group is well-resourced and positioned to go from strength to strength in the years ahead.

KL Craemer



Former chairman
DJ Le Roux

Daan le Roux

Daan le Roux was nominated to serve on the management committee of Assupol Life in 1995. Shortly thereafter Assupol Life decided to constitute the management committee as a formal board of directors. Daan was elected as the first chairperson of the Assupol Life board. Under his leadership, the vision of expanding the business of Assupol Life beyond the South African Police Services became a reality. During Daan's tenure Assupol Life took the first steps to convert from a mutual society to a public company – and the demutualisation was approved in 2010. Daan also guided Assupol through an attempt to merge with a listed life insurance company, and the eventual decision not to proceed with the merger. Today Assupol Life is in a stronger position as a result. In the 12 years preceding its demutualisation Assupol Life created 1915 jobs. Since 1995 the total assets of Assupol Life grew from R254.8 million to R3.1 billion in 2013. Daan was a great asset to Assupol. He will above all be remembered for his character: his integrity, humility and willingness to serve Assupol Life and the greater community. He epitomised all that Assupol Life strives for – a willingness to serve those who serve. We wish Daan a peaceful and happy retirement.



After an extremely active period dominated by the completion and implementation of the demutualisation of Assupol Life, as well as the restructuring of our capital and shareholder bases, I am confident that our group has entered an exciting and rewarding new era of its distinguished history.

Having recently celebrated our 100th anniversary on 15 July 2013, it is highly significant and appropriate that we have begun our second century with a brand new structure that positions us to cope with challenges and take advantage of opportunities that arise in our chosen markets.

Completed at the end of February 2013, our demutualisation resulted in one of the biggest ever wealth distributions by an unlisted organisation in South Africa with 228 263 policyholders electing to redeem their shares, receiving R891 million from our reserve. A total of 12 319 policyholders elected to retain their shares and become ordinary shareholders in the Group.

The funding of redemptions was achieved by using R293 million of earnings retained from Assupol Holdings in the 2012 financial year, a R30 million investment by our new shareholder WDB Investment Holdings (Pty) Ltd, a R300 million investment by our new shareholder Investec, and a R132 million bridging loan facility from Investec. Also used was a R170 million investment from the IFC in the previous year.

Through an application to the High Court, permission was obtained to extend the demutualisation scheme document from the end of December 2012 to the end of September 2013.

During the 2013 financial year, the International Finance Corporation's investment of R170 million (announced in June 2012) was completed, providing Assupol with a globally recognised and highly regarded investor. In addition, WDB Investment Holdings (Pty) Ltd and Investec completed transactions to become key stakeholders.

WDB Investment Holdings (Pty) Ltd invested R30 million with the balance of its investment being part of a funded B-BBEE structure. This transaction was concluded in September 2012. Investec's investment became effective and unconditional from 14 February 2013.



Group chief executive officer
RF Schmidt

Hugely important for our Group's future is the fact that we now have a well-balanced and highly complementary shareholder base which is committed to longer term investment horizons and growth prospects.

On 30 June 2013, the shareholder base comprised:

- Investec 30%
- Management and staff 25%
- International Finance Corporation 20%
- WDB Investment Holdings (Pty) Ltd 10%
- with the free float making up the remainder.

There can be no doubt that the past year represented a watershed for the Group through the successful capital restructure and the addition of a unique and powerful mix of new shareholders to drive future progress.

Successful introduction of over-the-counter (OTC) trading facility

From 20 June 2013, liquidity in Assupol's shares took a major step forward through the launch of an over-the-counter (OTC) facility implemented



by Equity Express, the biggest and most experienced OTC player in South Africa, with involvement in some of the country's largest B-BBEE transactions.

By the end of September 2013, over 8.1 million shares had changed hands via www.assupolshares.co.za, with daily trade averaging more than R200 000. The market value of the shares dropped considerably from the demutualisation redemption price of R2.50, mainly due to an overhang, but it is expected that equilibrium will be established and that the discount to embedded value will be reduced.

From an Assupol standpoint, it is important that our OTC mechanism has proved successful, giving exposure to the full dynamics of the market including buying and selling by local shareholders and accumulation of shares by local and foreign investors with long-term investment timelines.

Strong financial results in a tough economic climate

The 2013 financial year was characterised by strong investment markets, but the unfortunate Marikana incident in August 2012, the weakening of the rand and a general pullback from emerging markets to developed markets, caused longer term interest rates to rise in the latter part of the period.

Although we do not have much exposure to the private sector where employment levels continued to fall, our government employee target market also came under pressure from an ongoing squeeze on their daily living costs and their disposable income.

Assupol Life, which accounts for 97% of our overall business, produced an after-tax profit of R298 million for the year. While this was 8.9% lower than in the previous year (R325 million), it was comfortably above the budgeted amount, underpinned by a strong rise in individual policy sales and a concerted emphasis on improved efficiencies and cost controls.

For the group as a whole, net profit after tax totalled R269.5 million, around R9 million above budget, while sustainable earnings amounted to R284.8 million, a 17% increase on the previous year.

Although a change in actuarial assumptions had an impact on financial performance, our sustainable profits were extremely encouraging in challenging times for our industry and the broader South African economy.

As far as our subsidiaries are concerned – Cornerstone, Kestrel and PAM – each played a valuable role in helping to expand our group's branding, footprint and exposure.

While Cornerstone experienced a difficult year, especially from a premium-collection point of view due to a change in SASSA's pension payment partner, it still managed to produce a profit that was 10% above budget. Encouragingly for the current year, these issues appear to have been resolved.

Kestrel, which is involved in the highly competitive short-term insurance-broking market, did not achieve its budget. Lower sales volumes and cancellations, exacerbated by pressure from new direct-sales entrants to the market, led to a net loss of R182 000. Despite this performance, Kestrel assisted in opening new markets for the group and broadening the Assupol footprint. Steps are being taken to evaluate new business opportunities for Kestrel.

PAM, which was consolidated into our group for the first time, made a small contribution to profits. No revenue or profit targets were set as the focus was on integrating the business and building its resources for future growth purposes. PAM is expected to contribute more meaningfully in the 2014 financial year, as it leverages the full benefit of its increasing levels of assets under management.

As one of only a few Level 2 B-BBEE asset-management firms, with a strong track record of more than a decade, PAM is well positioned to take advantage of the forthcoming transformation in the pension and retirement funding arena.

Entering the first year of our second century

We have budgeted for a 15% growth in sales in the 2014 financial year, and are looking at growing our profits with the same percentage; increasing our embedded value by 20%.



Given the challenging economic environment and the lack of economic and employment growth this will take a lot of focus and continued cost control.

The first quarter of the new financial year has been characterised by volatility in equity markets, a continuing sell-off of emerging market assets, an uptick in local bond yields, an increase in inflation and a reallocation of capital back to developed markets.

Given current conditions, we are expecting modest returns from investment markets in the period to 30 June 2014.

With a major period of corporate activity behind us, our group is now focusing on nurturing and developing its core businesses, creating the foundation to exploit new opportunities that arise for building sustainable growth.

Our geographic focus remains firmly on South Africa and on "serving those who serve", a philosophy that has earned positive feedback from our client base in the public sector, also demonstrating that our brand repositioning is resonating within our target market.

Taking into account our infrastructure improvements, our strong strategic shareholding make-up, and our successful brand repositioning, the our group is well placed to tackle the year ahead and to achieve growth and progress in the interest of all stakeholders.

Appreciation

As the leader of a highly committed and dedicated management team, I would like to pay a special tribute to the staff of Assupol who have worked extremely diligently and who continue to give of their best.

An example of their commitment and generosity towards others is the success of Assupol Cares, a fund which is driven by voluntary donations from staff, matched up to a certain limit by our group, towards making a difference in needy communities.

Assupol Cares took the decision to pay the amount that the Assupol Community Trust had to pay to take ownership of its allocated 25.2 million shares (6.1%) in Assupol Holdings.

This illustrates the calibre of the people in the Assupol family.

It is also important for me to pay tribute to Daan le Roux who was our chairman for 18 years and who retired at the end of April. He played a critical leadership role in our group, culminating in the successful corporate activity that has positioned us for a bright future. I wholeheartedly thank him for his invaluable contribution.

My sincere gratitude also go to our acting chairman, Karel Craemer, other board members, my management team and all Assupol staff, customers and service providers who have enabled us to start our second century with justifiable optimism, enthusiasm and confidence.

RF Schmidt





Chief executive officer: Assupol Life
MB Mokwena-Halala

Diversification strategy paying off

While our core target markets remained relatively unchanged in the 2012/13 financial year, our diversification efforts demonstrated excellent signs of traction and growth for the future.

Although the South African Police Service (SAPS) still accounted for the largest percentage of new sales at 32.9%, the Department of Education rose to 18.2%, the Department of Health to 8.7% and other government departments to 40.2%. This provides strong evidence that our efforts to diversify and broaden our client base are paying off, auguring well for further progress in this regard.

It is pleasing to note that our products are being seen as relevant and attractive to our core markets, illustrating that we understand our clients' needs and provide solutions that suit their requirements in a cost-effective manner.

With claims payment turnaround being one of our most important areas of competitive advantage, it is meaningful to note that 93.7% of the 20 389 claims were settled within 48 hours. Of these 80% were settled within 24 hours. This level of service maintains our strong reputation as a trusted service provider.

Financial highlights

During the year under review the net insurance-premium revenue of Assupol Life totalled R1.5 billion, an impressive increase of 28% on the previous year's figure of R1.17 billion. This increase is commendable considering the headwinds confronting the economy, the highly competitive trading environment, and pressure on disposable income in spite of interest rates remaining at historically-low levels.

Benefits and claims paid out during the year rose by 36% to R789.7 million and the capital adequacy ratio, although lower than a year earlier, was maintained at a strong level of 197%.

Embedded value rose by 21% to R1.96 billion, while total assets rose to R2.95 billion from R2.78 billion previously.

Sales growth increased by 13.6% with 116 208 new individual policies being sold, translating into 102% of target. Our active individual book growth was 11%. Importantly, approximately 50% of new business sales were to new clients who were not already Assupol policyholders, with only 16% of these new clients coming from the SAPS market.

Our own sales force accounted for 61.7% of overall sales with the remaining 38.3% coming from broker sales around the country.

Funeral policies continued to dominate the product sales mix, contributing 67.7% of overall sales. Other risk products made up 24.7% of sales, showing excellent growth of 52.8%, while savings products accounted for 4.5%, and retirement annuities 3.1%, of overall sales.

Looking forward

As was the case in 2013, the challenge in 2014 will be to increase the value of new and in-force business amid demanding trading conditions.



Implementing our new sales strategy

Central to our new more focused sales strategy was the introduction during the year of four separate sales regions:

- Imbali KwaZulu Natal
- Impala Mpumalanga and Limpopo
- Panorama Eastern Cape, Western Cape and Free State
- Egoli Gauteng and North West

The early signs are that this new structure will be beneficial, not only from a sales-volume point of view, but also in assisting our goal of strengthening our distribution channels and diversifying our product mix.

As is shown in the financial section of this report, we have enjoyed strong growth in non-funeral policy risk products, and our aim is to continue growing this market in the current year. There is no doubt that our target market is beginning to understand more fully the need for a wider range of protection and investment products as part of their financial planning requirements.

Assisting our more focused sales model has been the refurbishment of our branch network which has made our facilities more attractive, more accessible and more conducive to meeting the needs of our clients.

With 20 Assupol branches and 76 branches in the group, we have a significant footprint throughout South Africa. Complementing this presence is our sales force which at the end of June comprised 1 082 of our own representatives and 254 principal brokers.

There has been a big emphasis on multi-skilling staff in our branches, a move that will lead to a more productive and customer-focused operational platform. There has also been a major concentration on ensuring maximum utilisation of branch infrastructure, a philosophy that will also pay dividends over time.

Improving efficiencies and reducing costs

Closely linked to our new sales strategy is an ongoing effort to improve efficiencies and contain costs wherever possible. This helped us to meet our sales target in the 2013 financial year, and will again provide a solid foundation towards achieving targets in 2014.

While it has been challenging to meet targets with tight expense controls in place, this process has been aided by the automation of some functions, multi-skilling of staff, the streamlining of procedures and process, and the roll-out of a mobi-site to support sales staff in the regions.

Despite the many economic obstacles and pressures being faced by our target market, Assupol Life is well structured and positioned to service our chosen markets, and to continue benefiting from the diversification of our product mix.

MB Mokwena-Halala



Revamped branch



OUR LEADERSHIP - BOARD OF DIRECTORS

KL Craemer (63)

Acting chairman

Dip State Finance and Accounting, Cost Accounting and Police Administration

- Non-executive director
 - Assupol Life director since October 1993, and director of Assupol Holdings since January 2011
- A, Ri, Rem



RF Schmidt (50)

Group CEO

B.Com Accounting (Honours) Investment Management

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



D de Klerk (42)

Group CFO

CA (SA)

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



MB Mokwena-Halala (48)

CEO: Assupol Life

Masters in business leadership

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



SL Ndwalaza (47)

Executive: Group human resources

MM(HR), Masters Degree in business administration

- Director of Assupol Holdings since September 2012



I Greenstreet (54)

BSc (Hons), FCA

- Shareholder nominee, appointed in June 2013

■ N



Executive



Non-executive



JA Janse van Rensburg (67)

BA LLB

- Non-executive director
 - Assupol Life director since March 2003, and director of Assupol Holdings since January 2011
- A, Rem



AR Els (62)

BSc (Hons) (Wits), FIA (London), FASSA, CFP , CFA

- Non-executive director
 - Assupol Life director since March 2003, and director of Assupol Holdings since January 2011
- Ri



EDJ Ashkar (36)

CA (SA) & CA (Australia)

- Shareholder nominee, appointed in February 2013
- N



ILM Barnett (35)

BCom Honours (Finance)

- Shareholder nominee, appointed in February 2013
- Ri



AS Birrell (44)

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

- Shareholder nominee, appointed in May 2013
- A, Rem



NE Gubb (41)

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

- Shareholder nominee, appointed in May 2013
- N

A	Audit Committee
N	Nomination Committee
Ri	Risk Committee
Rem	Remuneration Committee
S	Social and Ethics Committee



EXECUTIVE COMMITTEE

Our Executive Committee (Exco) is responsible for implementing, managing and monitoring the business affairs of our 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.



Rudolf Schmidt

Group chief executive officer

B.Com Accounting (Hons) investment management

Rudi was a non-executive director of Assupol from 2000. He brought with him a wealth of experience gained as executive director at UAL Namibia Ltd, the SCMB asset-management senior management team where he was responsible for the company's largest institutional clients and the Africa operations, and chief investment strategist at BoE Securities. Before 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 South African Institute of Chartered Accountants (Saica) and the Institute of Directors.



Bridget Mokwena-Halala

CEO: Assupol Life

Masters in business leadership

Bridget has been with our group for 13 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 chief executive officer of Prosperity Life. She was appointed as chief executive officer: Assupol Life and executive director of Assupol Holdings in 2010. Other directorships she holds include Cornerstone Brokers Corporate (Pty) Limited as chairperson, and director at the Association of Savings and Investment South Africa (Asisa). She is also chairperson of the Financial Sector Charter Council and member of the Institute of Directors.

Gert Wessels

Executive: 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 relinquished in the interest of a new succession plan which included the strategy alignment of Assupol Life following demutualisation. During his term as CEO, Gert built Assupol Life from a small niche insurer to a diversified insurance company with assets in excess of R2 billion. Today he serves as a mentor to his fellow executives, whilst taking responsibility for our group's sales strategy. Other directorships he holds include Kestrel, Cornerstone and the Blue Bulls Rugby Union. He is a member of the Institute of Directors.

Niel de Klerk

Group chief financial officer

CA (SA)

Niel has been with the Assupol group since 1998, and has acted as its finance director since 2000. In this role, he developed Assupol's financial department into an efficient asset through the development of systems, policies, budget control, accounting procedures, employee selection and development and the establishment of in-house actuarial capability. Under Niel's guidance, Assupol Life is an accredited South African Institute of Chartered Accountants (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) and the Institute of Directors.

Siphiwe Ndwalaza

Executive director: Group human resources

MM(HR) MBA

Siphiwe joined Assupol in September 2011 to head up the human resources function, and 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, Siphiwe 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. Siphiwe also graduated with a master's degree in human resources management (MM) and a postgraduate diploma in Management (PDM) from the Wits Business School. He is registered with South African Board for People Practice (SABP) and is a member of the Institute of Directors.



OUR STAKEHOLDERS

We broadly classify our stakeholders into five categories

Shareholders	Corporate shareholders, staff, the Assupol Community Trust and individual shareholders
Clients	All the various clients of our businesses
Employees	All the employees of the Assupol Group
Government	Foremost the Financial Services Board and the South African Revenue Services
Community	The communities in which we operate our business



Shareholders

Demutualisation

The demutualisation scheme of Assupol Life enabled Assupol Holdings to approach institutional investors for the purpose of raising funds to redeem the qualifying members who did not elect to retain their shares. During the period under review transactions with various institutional investors were successfully concluded.

In order to provide for more time to conclude the negotiations with institutional investors, Assupol approached the High Court during November 2012 for an amendment to the demutualisation scheme to extend the "conversion date" until the earlier of the end of September 2013 or an earlier date determined by the Assupol Holdings board. The scheme was also amended to enable Assupol Holdings

to first pay qualifying members who have confirmed their particulars. All transactions with institutional investors were successfully concluded by the end of February 2013. The transactions were the following:

- In September 2012, the International Finance Corporation subscribed for shares in Assupol Holdings amounting to approximately 20% of its issued share capital, at an aggregate subscription price of R170 million.
- In October 2012, WDB Investment Holdings (Pty) Ltd subscribed for shares in Assupol Holdings amounting to approximately 10% of its issued share capital. The subscription was funded partially in cash, and partially by way of a notional funding structure. The cash component of the subscription price amounted to R30 million.
- In February 2013, Investec Bank Ltd subscribed for shares in Assupol Holdings amounting to approximately 30% of its issued share capital, at an aggregate subscription price of R308.75 million.
- In February 2013, Assupol Holdings concluded a bridging facility agreement with Investec in terms whereof Investec provided a bridging facility of R132.7 million to Assupol Holdings.

The proceeds of the amounts raised from institutional investors, together with internal cash resources, were used to redeem the shares of the qualifying members who did not elect to retain their shares, at a fair market-price of R2.50 per share. The total redemption value amounted to R890.9 million, and this money was paid over to the Assupol Members Trust on 18 February 2013.

The Assupol Members Trust has thereafter commenced with the payments to qualifying shareholders.



Assupol Members Trust		Shareholders	Redeemed	Gross payments
2013/04/18	Initial Payment	77 171	148 903 327	R 372 258 317
2013/05/22	May	10 022	16 937 462	R 42 343 655
2013/06/25	June	11 105	18 040 700	R 45 101 750
Cumulative payments effected		98 298	183 881 489	R 459 703 722

As at the end of the period under review, the aggregate amount of R459 703 722 (before the deduction of costs and taxes, and without taking into account interest paid) has been paid to qualifying members who have confirmed their particulars in terms of the demutualisation scheme.

Restructuring of capital and shareholder base

During the year we obtained enough funding to redeem all preference shares of shareholders who did not elect to have their preference shares converted into ordinary shares.

The funding was raised through a capital raising exercise in which two corporate investors, namely WDB Investment Holdings (WDB) and Investec, obtained shares in Assupol Holdings. The combined capital raised from these investors was just over R330 million. In addition, we obtained a bridging loan from Investec of R132 million.

It is indeed a strong vote of confidence in Assupol's future prospects that organisations of the calibre of the International Finance Corporation (transaction completed in 2012), WDB and Investec invested over R400 million in Assupol. This is without doubt a major feather in the company's cap.

As at the end of the financial year we have already processed redemption payments to 43.3% of the preference shareholders, representing 51.6% of the preference shares.

Our shareholders would like to see good growth in the value of their shares. The share value is a reflection of the value of the business, and we have identified certain areas in which we need to improve in order for the share value to appreciate. As a demutualised financial services group, we are embracing the best practices of a listed environment, and will inform our shareholders of our financial performance and other indicators as may be relevant. We also hope to declare our first dividend during the new financial year, and will aim to continually grow our dividends.

OTC trading of shares

On 20 June 2013 trading of shares became available over-the-counter on www.assupolshares.co.za.



Clients

Repositioning the Assupol brand

Assupol has developed significant branding and reputation since its birth 100 years ago, but research has shown the need for a repositioning of our brand.

By developing the tagline "serving those who serve", the idea is to identify Assupol fully with its main client base – public servants – but also to create the opportunity of extending this meaning to a much wider range of people who "serve" others.

This tagline also links directly to Assupol's corporate vision "to be the insurer to the people".

The idea is to leverage Assupol's strong public service client base to grow into other areas of the emerging market which is by far the biggest growth sector in the South African insurance arena.



OUR STAKEHOLDERS CONTINUED

For this to be achieved, and to grow Assupol's client base in the LSM 3 - 8 income categories, awareness of Assupol needs to be heightened and offices and agent representation need to be in the most appropriate areas; both urban and rural.

Branch refurbishment and accessibility

We have initiated a project to refresh and refurbish many of our branches, at the same time ensuring that they are situated where they can best assist us in our goal of "serving those who serve."

Accessibility is a vital consideration. Our branches have to be situated in places where they are convenient, appropriate and relevant for the market. They also have to be highly visible to attract attention, service existing clients in a professional manner, and create new business.

Product development

Linked to the repositioning and refreshing of the Assupol brand is the continual evolving and fine-tuning of products and services to ensure that these products and services ideally meet specific needs in an effective and affordable way.

Assupol's innovative "cashback" offer that enables policyholders to receive 100% of the premiums of certain policies back after 10 years of no claims, is testimony to our commitment to genuinely look after the best interests of policyholders.

By comprehensively examining our offerings – and the way they are delivered and communicated – we believe we will be able to "serve those who serve" and realise our goal "to be the insurer to the people".

Employees and representatives

Employee assistance and wellness program

We support employees with initiatives to increase their knowledge and awareness about health, lifestyle and financial services thus assisting them in managing and living their lives as effectively as possible.

Through the Careways Group, we provide support to employees who experience personal, emotional or work-related difficulties.

Via Wellness Days, we enable our employees to understand their health status and risks. At this year's Wellness Day, around 270 employees participated. Their cholesterol, glucose, blood pressure, body mass index and other health aspects were checked. They were also treated to some healthy pursuits such as aerobics and Zumba.

The Assupol Lifestyle Challenge was launched at the Annual Wellness Day. The Wellness Challenge was a 3-month lifestyle transformation challenge aimed at increasing the overall health and fitness of participants through exercise and refined eating habits.

The 40 employees were given direct access to various health and fitness professionals who guided and motivated them throughout the challenge. The challenge consisted of group training classes (aerobics, Pilates, walks and boot





camps), diet workshops and continuous personal progress assessments. The participants competed in two teams and were given points based on weight loss and attendance of the individual training sessions. Overall winners were announced at the monthly social.

Training

We support and encourage the development of our employees and representatives. A skilled and engaged workforce means good business.

When a new employee starts with us we take them through an orientation programme to welcome them and assist them in contributing quicker to the business.

Employee training include:

- Soft skills: time management, assertiveness, emotional intelligence, work intelligence, motivation, decision-making
- Technical: products, process, sales, MS office, first aid, legislation
- Management: leadership, coaching, chairing disciplinary hearings, managing meetings, presentation skills.

We offer learnerships in insurance on NQF 3 and 4 with the assistance of external providers. We also do credit-bearing insurance skills programmes on NQF 2.

We offer internships to graduates. Currently we have eight interns with qualifications in: B.Com informatics, B.Com statistics, B.Com marketing management, Certificate in HR management administration, B.Sc actuarial and financial mathematics and B.Com law.

We also, with the University of Stellenbosch Business School, provide management development programmes.

Lastly, we have a study-assistance programme through which employees can study towards a national qualification with a recognised tertiary institution.

Actuarial programme

Assupol Life is a registered actuarial training office with the Actuarial Society of South Africa.

We want to be a competitive employer of actuarial skills. Therefore we support these

employees with their actuarial studies. The support includes funds for study material and exams, study leave as well as salary increases as they progress through the exams.

From just one or two actuarial students in 2008, we now 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

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 regarded not only in South Africa but also internationally. Furthermore, we want to invest in people that might become a valuable asset for us. Since we became an approved training provider, we had three trainees that became CA(SA)'s and we had five trainees that completed their training successfully. All the trainees that have completed their training thus far, have subsequently been permanently employed by us.

Employee engagement survey

The survey was distributed to 525 employees. A response rate of 70% was achieved. An overall engagement score for the our group was 73%. This puts our group in the Top Company grouping with a score between 65% and 85%.

Our engagement score improved from 69% to 73% from 2012 to 2013. We improved especially in areas of giving recognition and trust. Our highest score was in the area of employees knowing what is expected of them. Our second-highest score was in the area of employees feeling that Assupol is the best company to work for.

Government

Compliance with financial services legislation

We have a good relationship with the Financial Services Board. We aim to comply fully with legislation.



Communities

We have a long history of engaging the communities in which we operate. As a committed corporate citizen, we are involved in corporate social investment programmes aimed at making a difference in the lives of less fortunate, as well as sponsorship opportunities that promote upliftment.

Sponsorships

We focus our sponsorships on grass-roots development, having invested more than R1.7 million in causes spanning from sport, education, welfare, and others, in this financial year.

Corporate social investment

Kingdom Life Children's Centre

This is a home for orphaned and abused children in Atteridgeville, Pretoria. We have supported them since 2002. The main focus of our support is to create better opportunity for the children to develop in a stable and caring environment, and to improve their life skills.

Nellmapius soup kitchen

This soup kitchen is located in the informal settlement of Nellmapius, Pretoria. Soup is provided to the needy bi-weekly. Around 170 individuals, children and adults, benefit. There is also a crèche. We contribute financially on a monthly basis.

Mandela Day

Since 2010, we have participated in Mandela Day and support its concept, which is to impact positively on society just as Nelson Mandela has done throughout his life.

In addition to the required 67 minutes, we support Mandela Day with activities over two days, to make a worthwhile difference in the lives of our beneficiaries.

Our employees volunteered and made visits to Kingdom Life Children's Centre and Nellmapius soup kitchen, where they assisted with refurbishing the facilities, to improve the efficiency of the charitable services that are provided there.





Assupol Cares

This is a charitable initiative funded and managed by our employees and it operates country wide. Employees voluntarily contribute financially and also give of their time to charitable projects that make a difference in the lives of many.





1. King III

As 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 where full implementation is not necessarily in the best interests of our stakeholders taking into account the market positioning of our group.

We continuously assess our level of compliance with King III. During the year under review, an internal assessment using the Governance Assessment Instrument of the Institute of Directors indicated that our application of the King III principles has improved from a "B-rating" (moderate application) to an "AA-rating" (high application).

We use the Governance Assessment Instrument (GAI) of the Institute of Directors as the due process by which insurance is provided that every recommended practice in King III has been considered. Practices are either applied or not applied. If not applied, an explanation of a compensating practice, is given or alternatively the reason for non-application.

The GAI tool confirms the extent of application of the principles 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

Reports will be made available during the new financial year to our audit committee and board for review and insurance purposes.

2. Board of directors

Composition

Our board was constituted as a result of the demutualisation of Assupol Life, with effect from 31 December 2010. The scheme provided that the boards of Assupol Life Ltd and Assupol Holdings Ltd should remain fixed until the conversion of the preference shares issued to the qualifying members.

During the year under review, the shareholders who provided capital for the redemption of preference shares, exercised their respective rights to appoint non-executive directors to our board. From 30 June 2013 the boards of both Assupol Holdings and Assupol Life 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 our 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 (as appointed by the full board). 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 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 executive directors of Assupol have concluded fixed-term employment agreements with Assupol.



Meeting attendance

The table below records the attendance of directors at board and board committee meetings held during the year.

	B							A				Ri				Re		N	S
	16/08/2012	12/10/2012	22/11/2012	30/01/2013	14/02/2013	30/05/2013	19/06/2013	10/01/2012	13/12/2012	01/02/2013	09/05/2013	04/09/2012	04/12/2012	05/02/2013	18/04/2013	12/09/2012	05/03/2013	13/06/2013	21/01/2013
Executive																			
De Klerk, D																			
Mokwena-Halala, MB																			
Ndwalaza, SL																			
Schmidt, RF																			
Wessels, GFM	1																		
Non-executive																			
Ashkar, EDJ																			
Barnett, ILM																			
Birrel, AS																			
Craemer, KC																			
Els, AR																			
Engelbrecht, HG	2																		
Greenstreet, I																			
Gubb, NE																			
Janse van Rensburg, J																			
Le Roux, DJ	3																		
Nyalungu, S	4																		

	Attended
	Did not attend
	Attended as invitee
	Resigned / not yet appointed
	Not relevant

B	= Board
A	= Audit
Ri	= Risk
Re	= Remuneration
N	= Nomination
S	= Social and ethics

1 = Resigned on 1 May 2013

2 = Resigned on 20 February 2013

3 = Resigned on 30 April 2013

4 = Resigned on 20 February 2013



Independence of non-executive directors and evaluation of board effectiveness

As five of the eight non-executive directors were appointed in the year under review, there was considerable change in the composition of the board and the board committees. As a result, we did not do assessments of the independence of non-executive directors and evaluations of the effectiveness of the board during the year.

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, 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 our group is and is seen to be a responsible corporate citizen by having regard to not only the financial aspects of our business, but also the impact that business operations have on the environment and the society in which it operates;

- ensure that our ethics are managed effectively;
- ensure that we have an effective and independent audit committee;
- be responsible for the governance of risk;
- be responsible for information technology (IT) governance;
- ensure that we comply with applicable laws, and consider adherence to non-binding rules and standards;
- ensure that there is an effective risk-based internal audit;
- appreciate that stakeholders' perceptions affect our reputation;
- ensure the integrity of our integrated reports;
- act in the best interests of our group 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;
- commence business-rescue proceedings when necessary;
- elect a chairman of the board that is an independent non-executive director;
- appoint and evaluate the performance of the chief executive officer.

3. 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 our entire group:

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

A new memorandum of incorporation (MOI) was adopted on 30 April 2013. We are in the process of revising the charter of the board and the terms of reference of the board committees, to ensure compliance with the MOI. The terms of reference will be reviewed by the respective board committees first, and thereafter submitted to the board for formal approval. This process will be concluded in the new financial year.

In the tables below, we show summarised information about the board committees.

Audit committee

Members	KC Craemer (chairperson)
	J Janse van Rensburg
	DJ Le Roux (until he resigned)
	AR Els (for last quarterly meeting)
Invitees	Executive directors
	Other members of senior management as may be required
	Company secretary
	Internal and external auditors
	Statutory actuary
Duties	<ul style="list-style-type: none"> • Statutory duties 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 insurance; – evaluation of the finance function; – oversight of internal-audit function; – oversight of external-audit function; – oversight of risk management as it pertains to financial reporting.



CORPORATE GOVERNANCE CONTINUED

Risk committee

Members	AR Els (chairperson)
	KC Craemer (ex officio member as chairperson of the audit committee)
	S Nyalungu (until he resigned)
Invitees	Executive directors
	Risk manager
	Company secretary
	Internal and external auditors
Duties	<p>To assist the board in ensuring that:-</p> <ul style="list-style-type: none"> • we have implemented an effective policy and plan for risk management that will enhance our ability to achieve our strategic objectives; • disclosure regarding risk is comprehensive, timely and relevant.

Remuneration committee

Membership	DJ Le Roux (chairperson) (until he resigned)
	KC Craemer
	J Janse van Rensburg
Invitees	Group CEO
Duties	<p>To:</p> <ul style="list-style-type: none"> • consider and determine the remuneration policy of employees; • consider and recommend to shareholders the remuneration of non-executive directors; • ensure that the disclosure of director information and remuneration is accurate, complete and transparent.

Nomination committee

Membership	EDJ Ashkar (chairperson)
	I Greenstreet
	NE Gubb
Invitees	None
Duties	<p>To consider and recommend to the board:</p> <ul style="list-style-type: none"> • nominees to serve as non-executive directors, or fill vacancies when they arise; • on an annual basis, nominees to replace non-executive directors retiring from the board; • the removal of any non-executive directors.



Social and ethics committee

Members	MB Mokwena-Halala
	SL Ndwalaza
	RF Schmidt
	<i>Note: the membership will change after the 2013 year-end to three non-executive directors</i>
Invitees	Other members of senior management as may be required
Duties	<ul style="list-style-type: none"> statutory duties prescribed in regulation 43(5) of the Companies Act, 2008.

4. Audit committee report

The audit committee is an independent statutory committee, appointed by the shareholders. Further duties are delegated to the audit committee by the board of directors in terms of reference approved by the board. This report includes both these sets of duties and responsibilities.

Audit committee members, meeting attendance and assessment

The audit committee consists of three non-executive directors. It should meet at least twice per year according to its terms of reference, but has four meetings scheduled.

In line with King III, the chairperson of the audit committee is not the chairperson of the board of directors. The board has decided to keep the chairperson of the board as a member of the audit committee to ensure continuity in the audit committee.

Our group chief executive officer, group chief financial officer, other members of senior management, external and internal auditors and other insurance or service providers (actuarial, legal and compliance) attend meetings by invitation only.

Duties

The audit committee's role and responsibilities include statutory duties as per the Companies Act, 2008, and 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 is satisfied that the external auditor was independent, as set out in section 94(8) of the Companies Act, 2008, taking into consideration previous appointments of the auditor, the extent of other work undertaken by the auditor for us 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 2013 year.

Financial statements and accounting practices

The audit committee has reviewed the accounting policies and the financial statements, 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. 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 system of internal control, including internal financial controls. The audit gives negative insurance, 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 report

The audit committee fulfils an oversight role regarding the integrated report and the reporting process. It considered the sustainability information as disclosed in the integrated report and has assessed its consistency with operational and other information known to committee members, and for consistency with the annual financial statements.

The committee is satisfied 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 our group. The board's statement on the going-concern status of our group, as supported by the audit committee, is documented in the annual financial statements.

Internal audit

The audit committee is responsible for ensuring that the internal audit function is independent and has the necessary resources, standing and authority to enable it to discharge its duties.

The committee has outsourced the internal-audit function to KPMG. The annual internal-audit plan for the new financial year was approved by the 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 committee, primarily through its chairperson.

Evaluation of the expertise and experience of our chief financial officer and the finance function

The audit committee is satisfied that our group chief financial officer has appropriate expertise and experience.

The committee has considered, and is satisfied, that the expertise and adequacy of resources of the finance function and experience of the senior members of management responsible for the financial function, are appropriate.



Being in business means accepting risks. As a financial services group, we naturally are exposed to a variety of risks. We have always managed our risks by means of a wide variety of policies and committees, but have started to formalise our risk-management practices. In formalising and entrenching risk management in our business practices, we aim to improve overall business performance and assist with sustainable value growth of our group.

Three lines of defence

The key objective of our risk management is to ensure that we are aware of and 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 for risk is taken at various levels in our 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 department, legal and compliance, and ultimately our board.

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 expect this to decrease in the foreseeable future.

We list the most notable change impacts as they pertain to our group

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.
Solvency Assessment and Monitoring (SAM)	The FSB is implementing a new monitoring regime, with a likely effective date of 1 January 2015 (parallel implementation, and with a full implementation from 1 January 2016).
Treating customers fairly (TCF)	The FSB has launched a TCF regulatory framework to ensure that clients of the financial services sector are treated fairly. As a result of these efforts, we hope that the financial services sector will continue to be exempted from the Consumer Protection Act.
Protection of Personal Information	This legislation has been tabled in Parliament, and will be enacted as soon as the president signs it into law. There is a one-year window after signing, after which compliance will be compulsory.
Change in commission regulations	The FSB in conjunction with National Treasury is looking at how commission on insurance contracts should be changed.
Micro-insurance	The FSB in conjunction with National Treasury is proposing a new regulatory framework for lower-quantum insurance. Under this framework, companies that offer micro-insurance products will not be regulated as intensely as other insurance companies.



Risk-management framework

We do not yet have an advanced risk-management framework, although this is our aim. It does take time for the risk-management process to evolve and to mature into a full-fledged ERM (enterprise risk management) environment. Key features of our risk management measures:

1. Establishment of a risk committee at board level. For more information on this committee, refer to the governance section on page 34.
2. Ensuring clear lines of communication between the risk committee and the audit committee by having the chairperson of the audit committee serve on the risk committee.
3. A formal risk-management plan has been approved by our board.
4. Maintaining a risk register which captures strategic and operational risks for Assupol Life, the biggest entity in our group, and the entity with the biggest exposure in line with the approved risk-management plan.
5. Regular reporting of the strategic and operational risks to the risk committee, and specifically highlighting changes arising from the biannual review of the risk register.
6. A formal 'risk appetite and tolerance' statement has been approved at board level, and reporting on compliance with this statement is done to the risk committee quarterly.

In the next financial year, we will focus on:

1. Formalising the risk reporting – ensuring the identified key risk indicators are reported on.
2. Integrating the risk-management process and the process required by the new FSB SAM (solvency assessment and management) regime, most specifically 'Pillar II'.
3. Capturing strategic risks for all other operating entities in our group.
4. Capturing operational risks for Pan-African Asset Management (PAM).

Risk classification

Risks can generally be categorised as follows:

Financial risks

1. **Insurance risk**
This is the risk that we take when insuring lives. Mortality risk reflects uncertainty about death rates. Morbidity risk reflects uncertainty about disability rates. Lapse risk reflects uncertainty related to surrender and withdrawal rates. Expense risk reflects uncertainty arising from the cost of servicing of policies.
2. **Credit risk**
This is the risk of losses arising from defaulting counterparties such as underwriters of investments, reinsurers and intermediaries.
3. **Market risk**
This is the risk of poor investment returns due to changes to the level or volatility of interest rates, equity prices and foreign exchange rates.
4. **Liquidity risk**
This is the risk that either short-term or long-term payment obligations cannot be met, or that such resources can only be secured at considerable cost to us.

Non-financial risks

5. **Operational risk**
We have defined operational risk as "the risk of loss arising from (a) inadequate or failed internal processes, personnel or systems, or (b) external events". Operational risk includes legal risk, but excludes strategic and reputational risks.
6. **Compliance risk**
This is the risk of non-compliance with laws, regulations, policies and ethical standards.
7. **Strategic risk**
This is the inability to drive or execute our strategic vision.
8. **Reputational risk**
This is the risk of damage to our reputation due to an event or action by either an external party or employees.



Our primary risks

Our most critical risks, and the steps we have taken to counter the risks.

Category	Risk	Mitigation
Financial	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 claims, withdrawal and expense experience.	<ul style="list-style-type: none"> We do annual and quarterly experience analysis on claims, withdrawals and expenses 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 internal 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.
Credit	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.
	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.
Market	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.



RISK MANAGEMENT CONTINUED

Liquidity	Our group may suffer liquidity problems.	<ul style="list-style-type: none"> • All companies in our group have approved budgets for the new financial year, which do not forecast cash shortages. • Short-term finance can be implemented to cover any immediate need, should it arise. • Long-term finance requirements can be met by liquidating invested assets over time, thereby minimising possible losses.
	Not meeting solvency requirements.	<ul style="list-style-type: none"> • Assupol Life is adequately capitalised, and its CAR ratio is monitored on an ongoing basis.
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 product line and premium collection.	<ul style="list-style-type: none"> • The bulk of our premiums are collected via the PERSAL system. This ensures a very high rate of success in the collection of premiums. • To avoid concentration of risks away from funeral business, we are making our non-funeral policies more attractive, and setting targets for our intermediaries to achieve on non-funeral policy sales.
	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 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.
Compliance	Compliance with salient legislation.	<ul style="list-style-type: none"> • Our compliance department monitors compliance with salient laws.
	Keeping abreast of new legislation.	<ul style="list-style-type: none"> • Our compliance department monitors and considers pending legislative changes – and prepares our business for it.
Strategic	Non-redemption of preference shareholders could affect sales efforts and business retention.	<ul style="list-style-type: none"> • All preference shareholders who did not elect to convert their shares into ordinary shares have been redeemed at R2.50 per share. • We have paid the redemption proceeds of more than 50% of the redeemed preference shares by the end of June 2013.
Reputation	Not meeting customer expectations.	<ul style="list-style-type: none"> • We have dedicated a resource to drive our “Treat Customers Fairly” assessment, and identify any necessary improvements.



Our objective is to remunerate employees fairly and equitably. We aim to pay employees at the industry median, rewarding performance through an equitable bonus scheme.

Executive remuneration

We strive to remunerate executives between the median and the upper quartile as defined by the biannual salary and remuneration survey for executive management carried out by PricewaterhouseCoopers (PwC).

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 the biggest part of their total compensation.

Variable compensation is directly linked to the performance of our group. An optimal balance between short and long-term incentives is sought to ensure the alignment of the executives' interest with that of shareholders, and to ensure that short-term success is not sought at the cost of long-term sustainability.

Executive directors participate in our group's share incentive scheme, as part of the long-term incentive, as well as to retain them.

Non-executive remuneration

Non-executive directors receive a fee as directors and a fee for serving on our board and other committees.

The fees of non-executive directors are at median, as defined by the annual PwC survey done for our remuneration committee.

Non-executive directors do not receive variable compensation, and do not participate in any bonus, profit share or other incentive scheme. They did not participate in any share allocations.

Senior executives and senior managers

Senior managers are rewarded at median, and participate in an incentive scheme that is directly linked to our group's performance and the contribution by each individual manager as determined by performance targets agreed to yearly.

For more information regarding remuneration, refer to the annual financial statements.

Employees share-incentive scheme

All employees may participate in the scheme. It currently only forms part of the remuneration policy of executive directors, senior executive managers, denior managers and certain managers' remuneration structure.

Share allocations may be done half-yearly, and are recommended to our board by our remuneration committee for approval.



REMUNERATION REPORT CONTINUED

Executive directors (paid by Assupol Life Ltd)

	RF Schmidt (CEO)	D de Klerk (CFO)	GFM Wessels	MB Mokwena	SL Ndwalaza	Total
R'000						
30 June 2013						
Basic salary	2 421	1 758	1 802	1 918	1 759	9 658
Other incentives and benefits	10	162	109	10	10	300
Pension fund contributions	295	233	232	234	316	1 310
Bonus	5 625	4 388	3 938	4 388	3 375	21 714
Total director emoluments	8 351	6 541	6 080	6 549	5 460	32 982
Share-based payment						
Free shares	8	512	621	468	-	1 609
Share incentive	896	726	735	726	570	3 654
Restraint of trade	1 583	1 583	1 685	1 583	1 583	8 018
	10 839	9 363	9 121	9 326	7 614	46 283
30 June 2012						
Basic salary	2 306	1 715	2 150	1 868	-	8 039
Other incentives and benefits	130	282	225	104	-	741
Pension fund contributions	283	229	278	229	-	1 019
Bonus	5 985	4 275	4 465	4 275	-	19 000
Restraint of trade	1 368	1 392	2 142	1 339	-	6 241
Total director emoluments	10 072	7 893	9 260	7 815	-	35 040
Share-based payments						
	904	1 238	1 627	1 194	-	4 963
	10 976	9 131	10 887	9 009	-	40 003



Executive directors (securities issued by Assupol Holdings Ltd)

	Restraint of trade shares	Free shares	Incentive shares	Total
30 June 2013				
RF Schmidt	2 000 000	15 980	8 233 405	10 249 385
D de Klerk	2 000 000	971 927	6 677 241	9 649 168
MB Mokwena	2 000 000	887 694	6 677 241	9 564 935
SL Ndwalaza	2 000 000	-	5 230 582	7 230 582
	8 000 000	1 875 601	26 818 469	36 694 070

30 June 2012

RF Schmidt	-	15 980	8 233 405	8 249 385
D de Klerk	-	971 927	6 677 241	7 649 168
GFM Wessels	-	1 415 423	8 103 418	9 518 841
MB Mokwena	-	887 694	6 677 241	7 561 935
	-	3 291 024	29 691 305	32 982 329

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

	Trustee fees	Board fees	Committee fees	Total
R'000				
30 June 2013				
DJ le Roux (previous Chairperson)	-	1 294	131	1 424
KL Craemer (acting Chairperson)	33	906	262	1 201
JA Janse van Rensburg	-	338	83	421
AR Els	-	338	151	489
S Nyalungu	-	338	58	396
HG Engelbrecht	-	338	-	338
EDJ Ashkar	-	89	18	107
ILM Barnett	-	89	-	89
AS Birrell	-	56	-	56
NE Gubb	-	147	18	165
I Greenstreet	-	56	18	74
	33	3 989	739	4 761

30 June 2012

DJ le Roux (previous Chairperson)	-	1 086	152	1 238
KL Craemer (acting Chairperson)	42	760	299	1 101
JA Janse van Rensburg	14	338	121	473
AR Els	-	338	104	442
S Nyalungu	-	338	58	396
HG Engelbrecht	-	338	-	338
	55	3 198	734	3 988



REMUNERATION REPORT CONTINUED

Prescribed officer (paid by Assupol Life Ltd)

	GFM Wessels
R'000	
30 June 2013	
Basic salary	360
Other incentives and benefits	22
Pension fund contributions	46
Bonus	788
Total emoluments	1 216
Share-based payment	
Free shares	124
Share incentive	147
Restraint of trade	337
	1 824

Prescribed officer (securities issued by Assupol Holdings Ltd)

	Restraint of trade shares	Free shares	Incentive shares	Total
30 June 2013				
GFM Wessels	2 000 000	1 415 423	8 103 418	11 518 841

CONDENSED ANNUAL FINANCIAL STATEMENTS



1. The condensed annual financial statements on pages 43 to 48 are derived from the audited annual financial statements for the year ended 30 June 2013. We have applied the provisions of the Companies Act, 2008, which allows for condensed financial statements, as disclosed in this report.
2. These condensed annual financial statements have been prepared under the supervision of Mr D de Klerk CA(SA), our group chief financial officer.
3. The 2013 annual financial statements are available from the company secretary, Mr S de Beer, at samueld@assupol.co.za or 012 – 741 4151.



CONDENSED ANNUAL FINANCIAL STATEMENTS CONTINUED

Condensed group statement of comprehensive income

	Year ended 30 June	
	2013	2012 (Restated)
	R'000	R'000
Insurance premiums revenue	1,636,648	1,481,477
Insurance premiums ceded to reinsurers	(128,567)	(101,212)
Net insurance premium revenue	1,508,081	1,380,265
Commission received on outward reinsurance	4,318	3,068
Fee income	63,772	58,239
Investment income	108,282	80,312
Net fair value gains on financial assets	283,518	140,732
Other income	23,726	20,090
Income	1,991,697	1,682,706
Insurance benefits and claims	(896,931)	(853,656)
Insurance claims recovered from reinsurers	107,224	100,385
Net insurance benefits and claims	(789,707)	(753,271)
Expenses for the acquisition of insurance and investment contracts	(279,898)	(241,900)
Operating and administrative expenses	(497,862)	(416,266)
Impairment of intangibles	(2,724)	(3,030)
Investment management expenses	(10,848)	(13,517)
Change in insurance contract provisions	106,815	224,398
Fair value adjustments on investment contracts liabilities	(125,443)	(57,239)
Expenses	(1,599,667)	(1,260,825)
Result of operating activities	392,030	421,881
Finance charges	(4,638)	(374)
Profit before tax	387,392	421,507
Income tax expense	(119,059)	(112,427)
Profit for the year	268,333	309,080
Gains on property revaluation	1,703	1,241
Income tax relating to other comprehensive income	(477)	(347)
Other comprehensive income for the year	1,226	894
Total comprehensive income for the year	269,559	309,974
Profit attributable to		
Shareholders	266,719	308,222
Non-controlling interests	1,614	858
	268,333	309,080
Total comprehensive income attributable to		
Shareholders	268,151	309,225
Non-controlling interests	1,408	749
	269,559	309,974



Condensed group statement of financial position

	Year ended 30 June	
	2013	2012
	R'000	R'000
Assets		
Owner-occupied properties	28,250	27,410
Equipment	29,244	25,620
Deferred tax asset	45,743	46,263
Intangible assets - including insurance intangible assets	116,796	124,049
Financial assets - Investments (At fair value through profit or loss)		
Equity securities	1,112,725	1,663,826
Debt securities	968,011	482,015
Deposits and money market securities	308,252	254,868
Policyholder assets		
Insurance contracts	159,462	-
Insurance and other receivables	108,645	117,744
Current tax	9,929	809
Cash and cash equivalents	240,843	211,581
Total Assets	3,127,900	2,954,185
Equity		
Capital and reserves		
Share capital	30,345	469
Share premium	547,270	520,953
Treasury shares	(27,149)	(31,383)
Employee benefits reserve	39,816	23,590
Black Economic Empowerment reserve	14,300	-
Retained earnings	756,935	930,588
Revaluation reserve	3,340	2,114
Non-controlling interests	822	5,354
	1,365,678	1,451,685
Liabilities		
Policyholder liabilities		
Insurance contracts	-	766
Investment contracts	1,138,581	1,011,492
Borrowings	133,712	1,619
Employee benefits	59,373	50,999
Deferred revenue liability	360	452
Deferred tax liability	258,711	182,327
Insurance and other payables	171,485	254,845
	1,762,222	1,502,500
Total equity and liabilities	3,127,900	2,954,185



Consolidated statement of changes in equity

	Share capital R'000	Share 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 2011	406	520,953	(31,320)	7,383	-	619,708	1,100	4,918	1,123,148
Issue of shares to Share Incentive Trust	63	-	(63)	-	-	-	-	-	-
Cost of free shares to employees	-	-	-	9,076	-	-	-	-	9,076
Cost of incentive shares	-	-	-	7,131	-	-	-	-	7,131
Common control transaction	-	-	-	-	-	3,951	-	-	3,951
Acquisition of subsidiary	-	-	-	-	-	-	-	388	388
Changes in ownership in subsidiaries	-	-	-	-	-	(1,173)	-	(477)	(1,650)
Dividends paid by subsidiaries	-	-	-	-	-	-	-	(234)	(234)
Revaluation of owner occupied properties	-	-	-	-	-	(120)	120	(98)	(98)
Total comprehensive income for the year	-	-	-	-	-	308,222	894	858	309,974
Balance at 30 June 2012	469	520,953	(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	208	478,542	-	-	-	-	-	-	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	2	3,638	-	-	-	-	-	-	3,640
Redemption of preference shares	(356)	(451,615)	-	-	-	(439,023)	-	-	(890,995)
Issue of ordinary shares to executive directors	10	-	-	-	-	-	-	-	10
Free shares of resigned employees cancelled	(3)	(4,248)	4,249	-	-	-	-	-	(2)
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	30,345	547,270	(27,149)	39,816	14,300	756,935	3,340	822	1,365,678



Condensed group statement of cash flows

	Year ended 30 June	
	2013	2012
	R'000	R'000
Cash flows from operating activities		
Cash (utilised in)/generated from operations	(80,860)	155,181
Interest received	81,356	53,881
Dividends received	26,926	26,431
Finance charges	(4,638)	(374)
Tax paid	(49,559)	(35,396)
Net cash flows from operating activities	(26,774)	199,723
Cash flows from investing activities		
Additional payment relating to acquisition of shares	-	(6,973)
Acquisition of equipment	(11,852)	(10,160)
Improvements to owner-occupied properties	-	(718)
Proceeds on disposal of property and equipment	1,312	564
Additions to intangible assets	-	(7,736)
Net acquisition of financial instruments at fair value through profit or loss	294,909	(177,915)
Net decrease in loan receivables	18,171	13,652
Net cash flows from investing activities	302,540	(189,287)
Cash flows from financing activities		
Ordinary shares issued	512,400	-
Ordinary shares cancelled	(3)	-
Preference shares redeemed	(890,995)	-
Increase / (decrease) in borrowings	132,093	(1,006)
Net cash flows from financing activities	(246,504)	(1,006)
Net (decrease) / increase in cash and cash equivalents	29,261	9,430
Cash and cash equivalents at beginning of the year	211,581	202,151
Cash and cash equivalents at end of the year	240,843	211,581



Condensed group segment report

	Year ended 30 June	
	2013	2012
	R'000	R'000
Segment profit		
Segment profit after tax		
Life insurance	298,097	323,281
Brokers	6,874	8,850
Other	1,785	(209)
Segment total	306,757	331,922
Reporting adjustments after tax	(38,424)	(22,842)
Group profit for the year	268,333	309,080
Other comprehensive income		
Other	1,226	894
Group comprehensive income for the year	269,559	309,974
Segment assets and liabilities		
Segment assets		
Life insurance	2,949,929	2,780,146
Brokers	48,207	49,665
Other	37,357	51,343
Segment total	3,035,493	2,881,154
Reporting adjustments	92,406	73,030
Group assets	3,127,899	2,954,185
Segment liabilities		
Life insurance	1,558,613	1,430,307
Brokers	4,892	6,175
Other	21,317	36,613
Segment total	1,584,822	1,473,095
Reporting adjustments	177,400	29,404
Group assets	1,762,222	1,502,499



Notes to the condensed group annual financial statements

1. The accounting policies adopted for the purpose of the group financial statements 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 2012. The results have been prepared in terms of IAS 34 (Interim Financial Reporting).
2. The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates and judgement. The reported amounts in respect of our group's policyholder liabilities, intangible assets, owner-occupied properties, unquoted financial instruments and tax are affected by accounting estimates and judgement. There was no significant impact due to changes in previous assumptions used in deriving the amounts referred to above.
3. The group's operating segments are based on the legal entities within the group and are categorised according to similar business activities. The chief operating decision-maker makes decisions about resource allocation on the performance of an entity and financial information is provided on that basis. Reporting adjustments are those accounting reclassifications and entries that are required to produce IFRS compliant results. These adjustments also include the results of the two holding companies in our group.
4. The total insurance premium revenue as well as the total insurance benefit amounts for the period ended 30 June 2012 were understated with R45.2 million. The misstatement was as a result of the reinvested maturities incorrectly accounted for. In the current year, the 2012 comparative information in the statement of comprehensive income has been restated to correct this error. The effect of the restatement had no impact on the reported net profit or the statement of financial position. The effect of the restatement on those financial statements is summarised below. There was no effect in 2013.

	As previously reported 2012 R'000	Adjustment 2012 R'000	Restated 2012 R'000
Insurance premiums revenue	1,436,275	45,202	1,481,477
Insurance benefits and claims	(808,454)	(45,202)	(853,656)
Profit for the year	309,080	-	309,080
Total comprehensive income for the year	309,974	-	309,974

CORPORATE INFORMATION

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