Liberty Holdings Limited

Financial results 2014

For the year ended 31 December

Highlights

Group equity value

R40 billion, up 11%

BEE normalised operating earnings
up **18**%

BEE normalised headline earnings
3% lower

BEE normalised return on IFRS equity
20%

return on BEE normalised group equity value
17%

value of long-term insurance new business
up **12**%

long-term insurance indexed new business
up **12**%

long-term insurance customer net cash flows
R10 billion

Final dividend
up **9**%

Liberty Group Limited CAR cover
3,1 times

assets under management
R633 billion

Contents

Financial performance **indicators**

for the year ended 31 December 2014

	2014	2013	% change
Liberty Holdings Limited			
Earnings			
Basic earnings per share (cents)	**1 523,5**	1 517,9	–
BEE normalised headline earnings per share (cents)	**1 403,3**	1 439,6	(3)
BEE normalised operating earnings (Rm)	**2 586**	2 198	18
BEE normalised return on equity (%)	**20,4**	23,3	(12)
Group equity value			
BEE normalised group equity value per share (R)	**139,85**	126,08	11
BEE normalised return on group equity value (%)	**16,9**	16,1	5
Distributions per share (cents)			
Normal dividend	**634**	581	9
Interim dividend	**232**	212	9
Final dividend	**402**	369	9
Total assets under management (Rbn)	**633**	611	4
Long-term insurance operations			
Indexed new business (excluding contractual increases) (Rm)	**7 789**	6 947	12
Embedded value of new business (Rm)	**941**	839	12
New business margin (%)	**2,1**	2,2	(5)
Net customer cash inflows (Rm)	**9 870**	6 316	56
Capital adequacy cover of Liberty Group Limited (times covered)	**3,07**	2,56	20
Asset management – STANLIB			
Assets under management (Rbn)	**551**	545	1
Net cash (outflows)/inflows including money market (Rm)[1]	**(7 321)**	15 725	(>100)
Retail and institutional net cash inflows excluding money market (Rm)[1]	**6 417**	13 527	(53)
Money market net cash (outflows)/inflows (Rm)[1]	**(13 738)**	2 198	(>100)

[1] *Excludes intergroup life funds.*

Preparation and supervision:

This announcement on Liberty Holdings Limited's annual financial results for the year ended 31 December 2014 has been prepared and supervised by JC Hubbard (Group Chief Financial Officer) BCom CA(SA) and CG Troskie (Executive Director – Finance and Risk) BCom (Hons) CA(SA).

Financial **review**

for the year ended 31 December 2014

The group's second half financial performance was significantly improved on most indicators, including operating and equity value earnings. This supported a full year return on group equity value of 17%, well above our medium-term expectation of 13%.

In the group's long-term insurance operations indexed new business grew 12% to R7 789 million, supported by strong single premium investment sales. Net customer cash inflows were R11,8 billion (2013: R7,2 billion), including a R1,96 billion contribution from the recently launched Retail LISP. Corporate business customer flows were substantially positive at R3,4 billion (2013: negative R0,1 billion) due to several large investment and bulk annuity sales. New business margins improved in the second half but at 2,1% is slightly below the 2,2% achieved in 2013, largely due to changes in product mix. The insurance business continues to manage well within the long-term actuarial expense and policyholder behaviour assumptions.

LibFin Markets produced an improved result, due to the ongoing build of the credit book and a positive asset liability management contribution which benefited from low realised volatility in equity and interest rate markets.

The group's asset manager, STANLIB suffered from the negative sentiment to money market funds following the African Bank failure as well as investor trends to higher risk asset classes. This contributed to net withdrawals of R13,7 billion from the various STANLIB money market funds. Both the higher margin retail and institutional mandates however, had net inflows of R5,8 billion and R0,6 billion respectively. Assets under management across the group grew by 4% from 31 December 2013 to R633 billion.

The Shareholder Investment Portfolio (SIP) gross performance of 10,3% was close to benchmark, supported by solid contributions from local and international equity markets as well as alternative asset classes.

Group BEE normalised headline earnings of R3 968 million are 3% lower, representing an 18% growth in operating earnings and a 26% decrease in earnings from the SIP. The growth in operating earnings was achieved by strong performances from Retail SA, Liberty Corporate and LibFin Markets.

BEE normalised group equity value per share of R139,85 is R13,77 up on 31 December 2013, and reflects R6 031 million of equity value profits, or an annualised 16,9% return on opening group equity value.

Consistent management of the group's risks within the board approved risk appetite has supported the strengthening of the group's capital position with the capital adequacy ratio in the group's main long-term insurance licence, Liberty Group Limited, improving to 3,07 times (31 December 2013: 2,56 times) the regulatory minimum.

The group's positive performance reflects delivery on the strategy agreed with the board, supported by a comprehensive governance structure. Management and the board have refreshed strategy with a time horizon to 2020. Key elements of this strategy are:

- A greater focus on customer centricity – with three customer facing units formed, namely Individual Arrangements, Group Arrangements and Asset Management;
- Recognising the significant changes in the regulatory environment and government's social agenda in South Africa which is likely to lead to a higher demand for products and services of group arrangements;
- Managing the core South African insurance operations within acceptable sustainable long-term assumption sets;
- Launching innovative new products to service targeted customer segments and profitably capture greater market shares;
- Optimising the balance sheet within board approved risk appetite limits;
- Accelerating the asset management strategy into increasing our alternative asset franchise offerings and capturing a greater share of flows into Africa;
- Expanding our geographical footprint into expected high growth regions of sub-Saharan Africa; and
- Maximising opportunities under the Standard Bank bancassurance agreement.

Liberty is far advanced with the preparation for the implementation of Solvency Assessment and Management (SAM), the proposed new long-term insurance solvency regime intended to come into effect on 1 January 2016, with a parallel process in 2015. Our 31 December 2014 capital calculations under the current draft SAM guidelines indicates the group is well positioned from a capital perspective. A number of other proposed regulatory changes are also facing the industry including tax, retirement and health reform, protection of information initiatives, retail distribution review and treating customers fairly.

Liberty embraces these changes that are aimed at improving the sustainability of the industry.

Earnings by **business unit**

for the year ended 31 December 2014

Unaudited	2014 Rm	2013 Rm	% change
Insurance			
Individual arrangements	**1 689**	1 467	15
Group arrangements	**199**	133	50
Liberty Corporate	**170**	121	40
Liberty Africa Insurance[1]	**59**	52	13
Liberty Health	**(30)**	(40)	25
Balance sheet management	**220**	137	61
LibFin Markets – credit portfolio	**189**	132	43
LibFin Markets – asset/liability matching	**31**	5	>100
Asset management			
STANLIB	**703**	677	4
South Africa	**603**	571	6
Other Africa	**59**	62	(5)
Liberty Properties	**41**	44	(7)
Central overheads and sundry income	**(225)**	(216)	(4)
BEE normalised operating earnings	**2 586**	2 198	18
LibFin Investments	**1 382**	1 878	(26)
BEE normalised headline earnings	**3 968**	4 076	(3)
BEE preference share adjustment	**(53)**	(62)	15
Headline earnings	**3 915**	4 014	(2)

[1] *Liberty Africa Insurance includes long-term and short-term insurance products sold to both the retail and institutional markets. The business unit has been classified under group arrangements as the majority of premiums are derived from institutional clients.*

Individual arrangements

Headline earnings from the group's South African retail operations are R1 689 million (2013: R1 467 million) reflecting an earnings increase of 15%. An increased asset base on which management fees are charged, ongoing good expense management and positive risk variances are significant contributors to the result.

The Retail LISP, which offers direct investments into a range of collective investment schemes available to retail customers through a cost-efficient platform and complements the life wrapper investment product range, attracted almost R2 billion in net new investments. The innovative Evolve investment product range continues to outperform expectations with single premium investment sales totalling R5,8 billion for the year up 64% on 2013.

Indexed new business sales (excluding the Retail LISP and contractual increases) of R6.4 billion, increased by 6% over 2013 including a 15% increase in single premium business. Recurring premium business is marginally higher by 2,5% on last year partly due to a slow down in bank lending which has impacted credit life sales under the bancassurance agreement and partly due to an increasingly demanding consumer environment. The value of new business increased by 7% to R793 million at a margin of 2,3% (2013: 2,4%) and remains within the medium-term targeted range. The risk discount rate ended at similar levels to 31 December 2013 and therefore had very little impact. The slight decrease in margin is attributable to the relative lower growth of higher margin risk products to investment products.

Net cash inflows (excluding the Retail LISP) are pleasing at R5,9 billion and were supported by higher contributions from our sales of single premium investment products offsetting the increase in average policy withdrawal values due to recent good investment returns.

The comprehensive loyalty programme "Own your life REWARDS" has grown principal membership in excess of 30 000 at 31 December 2014.

Group arrangements

Liberty Corporate

Improved headline earnings of R170 million (up 40%) are mainly a function of higher asset based management fees and cost control. This is despite absorbing R72 million new business strain relating to the substantial new business volumes written. The continued innovation in Liability Driven Investment Solutions products has been well received in the market and has resulted in attracting a number of large investment and bulk annuity mandates.

Indexed new business has consequently grown by 51% to R1 195 million and contributed a value of new business of R121 million at a margin of 1,1%.

Whilst acknowledging the volatility of investment mandates in reflecting cash flows, management is very encouraged by net customer cash inflows of R3 438 million which are positive for the first time since 2007.

Liberty Africa Insurance

East and Southern Africa (excluding South Africa) insurance businesses contributed R59 million (2013: R52 million) to Liberty's headline earnings for the year. The long-term insurance operations have performed to expectation and the short-term business had a better second half. Net claims loss ratios (after re-insurance) have been consistent with last year in the short-term insurance business. Long-term insurance new business has been impacted by lower bancassurance sales in Botswana leading to a decrease in overall margin to 6,5%.

The group continues to evaluate business opportunities throughout the sub-Saharan African region and has reserved capital resources to take advantage of investment opportunities as they arise.

Liberty Health

Liberty's share of Liberty Health's headline loss for the year is R30 million (2013: R40 million loss). With effect from 1 August 2014, Liberty acquired the remaining non-controlling shareholder equity interests in Liberty Health (equity and loan claims) for R133 million. Liberty Health is now a 100% held subsidiary allowing for greater flexibility in executing strategy.

Balance sheet management

Asset liability management and credit portfolio (LibFin Markets)

LibFin Markets contributed R220 million to headline earnings (2013: R137 million).

The Credit Portfolio, a diversified portfolio of government, state owned enterprise and corporate securities backing the guaranteed investment product set, contributed R189 million (2013: R132 million) in line with the growth of the portfolio and through diversification away from less efficient legacy assets.

The asset liability management earnings, the result of managing market risk arising from the guaranteed investment product set, was R31 million for the year (2013: R5 million) benefiting from low realised volatility in equity and interest rate markets during 2014.

LibFin assets under management at 31 December 2014 was R45 billion (2013: R36 billion).

Shareholder Investment Portfolio (SIP) (LibFin Investments)

LibFin Investments manages the SIP which comprises the group's investment market exposure to the 90:10 book of business and the assets backing capital in the insurance operations. The portfolio which is managed under a low risk balanced mandate produced a gross return of 10,3% (2013: 14,6%) which was marginally behind benchmark for the year.

This portfolio is managed on a long term basis and in the context of the outperformance during 2013, remains significantly ahead of the past three years' cumulative benchmarks. The return has followed the favourable performance of local and international equity markets, a relatively stable interest rate environment during the period as well as the benefit of tactical asset allocations to infrastructure assets.

The portfolio contributed R1 382 million (2013: R1 878 million) to the group's headline earnings broadly in line with decreased market returns partially offset by the growth in the average asset base invested.

Asset management

STANLIB

STANLIB's headline earnings of R662 million are 5% higher compared to the equivalent period in 2013. Net cash outflows (excluding inter group) of R7,3 billion compare to the inflows of R15,7 billion in 2013. The outflows comprise net withdrawals of R13,7 billion from the various STANLIB money market funds and net inflows of R6,4 billion into higher margin retail and institutional mandates. The substantial outflows in the second half, associated costs and reduced fee income arising from the African Bank failure and the decision to cease initial fees has resulted in lower earnings growth in South Africa. The recent investments in building alternative asset class capabilities are attracting significant investor interest.

Total assets under management increased slightly to R551 billion at 31 December 2014 (2013: R545 billion) reflecting the impacts of negative net cash flows both from external and intergroup mandates.

STANLIB's unit trusts recently received four Raging Bull awards. The five year performance of over 60% of the STANLIB surveyed institutional and core retail funds are in the first or second quartiles.

Liberty Properties

Liberty Properties, which comprises property management and development, has contributed R41 million (2013: R44 million) to headline earnings, reflecting lower development fee income, the reduced portfolio size and one off restructure costs. As part of the rebalancing of the unlisted property portfolio, several wholly owned hotels valued at R1,1 billion were sold in April 2014 to The Cullinan Hotel (Pty) Limited, a 40% associate company of the group.

Bancassurance

The commercial bancassurance joint venture relationship with Standard Bank, which is applicable across the group's asset management and insurance operations, continues to make a considerable contribution to new business volumes and earnings.

The value of new business derived from Liberty insurance products (excluding credit life) for the year from bancassurance channels are over 30% higher than 2013. STANLIB received a 4% growth in net asset management fees related to assets acquired through the Standard Bank distribution channel.

The total SA covered business embedded value of in-force contracts sold under the agreement attributable to Liberty at 31 December 2014 increased to R1,5 billion (2013: R1,3 billion).

Tax legislation

The 2014 Taxation Laws Amendment Act, which corrected the applicable legislation in regard to long-term insurers' expense relief formulas (with retrospective effect), was signed into law in early 2015. All the applicable group's liabilities at 31 December 2014 have been modelled using this legislation.

Capital adequacy cover

The capital adequacy cover of Liberty Group Limited strengthened to 3,07 times the statutory requirement (2013: 2,56 times). All the other group subsidiary life licences remain well capitalised.

Capital adequacy requirements in South Africa are set at the higher of the "termination" (TCAR) basis or "ordinary" (OCAR) basis. Both 2014 and 2013 reflect the higher amount as OCAR.

Dividends

2014 final dividend

In line with the group's dividend policy, the board has approved and declared a gross final dividend of 402 cents per ordinary share. The final dividend will be payable out of income reserves and payable to all ordinary shareholders recorded in the books of Liberty Holdings Limited at the close of business on Friday, 10 April 2015.

The dividend of 402 cents per ordinary share will be subject to a local dividend tax rate of 15% which will result in a net final dividend, to those shareholders who are not exempt from paying dividend tax, of 341,7 cents per ordinary share. Liberty Holdings Limited's income tax number is 9050/191/71/8. The number of ordinary shares in issue in the company's share capital at the date of declaration is 286 202 373.

The important dates pertaining to the dividend are as follows:

Last date to trade *cum* dividend on the JSE	Wednesday, 1 April 2015
First trading day *ex* dividend on the JSE	Thursday, 2 April 2015
Record date	Friday, 10 April 2015
Payment date	Monday, 13 April 2015

Financial **review**

for the year ended 31 December 2014 (continued)

Share certificates may not be dematerialised or rematerialised between Thursday, 2 April 2015 and Friday, 10 April 2015, both days inclusive. Where applicable, in terms of instructions received by the company from certificated shareholders, the payment of the dividend will be made electronically to shareholders' bank accounts on payment date.

In the absence of specific mandates, cheques will be posted to shareholders. Shareholders who have dematerialised their shares will have their accounts with their CSDP or broker credited on Monday, 13 April 2015.

Prospects

Our established track record of exceeding our targeted return on group equity value gives us confidence that we can continue to sustainably grow the business.

Our strategic direction positions us well to adapt to the changing consumer and regulatory environment.

Thabo Dloti
Chief Executive

Jacko Maree
Chairman

25 February 2015

LIBERTY

www.libertyholdings.co.za

Liberty Holdings Limited
Incorporated in the Republic of South Africa
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JSE code: LBH
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Sponsor

Merrill Lynch

A subsidiary of Bank of America Corporation

These results are available at www.libertyholdings.co.za

Accounting **policies**

The 2014 summary consolidated annual financial statements of Liberty Holdings Limited have been prepared in accordance with and containing information required by:

- International Financial Reporting Standards (IFRS) including IAS 34 *Interim Financial Reporting* (with the exception of disclosures required under IAS 34 16A (j) relating to fair value measurement, which are not required by the JSE Listing Requirements);
- the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee;
- Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council;
- the Listings Requirements of the JSE Limited; and
- the South African Companies Act No. 71 of 2008.

The financial statements have been prepared in compliance with IFRS and interpretations for year ends commencing on or after 1 January 2014. The accounting policies are consistent with those adopted in the previous year except for the mandatory adoption of minor amendments to IFRS, which are effective for years commencing 1 January 2014. These changes have not resulted in any material impacts to the group's 2014 reported results, comparative periods or disclosures.

Auditor **statement**

PricewaterhouseCoopers Inc. (PwC) have audited the consolidated annual financial statements of Liberty Holdings Limited from which the summary consolidated financial results have been extracted. These summary consolidated financial results comprise the summary consolidated statement of financial position at 31 December 2014, the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and selected explanatory notes. These statements and related notes are marked as 'audited'.

The financial results contained in this announcement have been prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, and the requirements of the Companies Act applicable to summary financial statements. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and also, as a minimum, to contain the information required by IAS 34 Interim Financial Reporting.

The accounting policies applied in the preparation of the consolidated annual financial statements, from which the summary consolidated financial results were extracted, are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the previous consolidated annual financial statements. This announcement does not include the information required pursuant to paragraph 16A (j) of IAS 34. The full IAS 34 compliant summary consolidated financial results announcement is available on the company's website and at the company's registered office.

The auditors have expressed an unmodified audit opinion on the consolidated annual financial statements. PwC have also issued an unmodified assurance opinion on Liberty Holdings Limited's group equity value report, which has also been marked as 'audited' in this financial results announcement.

Shareholders are advised that in order to obtain a full understanding of the nature of the auditors' engagement, they should obtain a copy of the auditors' reports together with the accompanying financial information which is available upon request from Liberty Holdings Limited's registered office.

Directors' **responsibility**

The summary group financial statements included in this announcement are the full responsibility of the directors. The directors confirm that the financial information has been correctly extracted from the underlying audited consolidated group annual financial statements which are available for inspection at the company's registered office on request.

Definitions

BEE normalised: headline earnings per share, return on equity, group equity value per share and return on group equity value

These measures reflect the economic reality of the Black Economic Empowerment (BEE) transaction as opposed to the required technical accounting treatment that reflects the BEE transaction as a share buy-back. Dividends received on the group's BEE preference shares (which are recognised as an asset for this purpose) are included in income. Shares in issue relating to the transaction are reinstated.

Capital adequacy requirement (CAR)

The capital adequacy requirement is the minimum amount by which the Financial Services Board requires an insurer's assets to exceed its liabilities. The assets, liabilities and CAR must be calculated using a method which meets the Financial Services Board's requirements. Capital adequacy cover refers to the amount of capital the insurer has as a multiple of the minimum requirement.

"Liberty" or "group"

Represents the collective of Liberty Holdings Limited and its subsidiaries.

Long-term insurance operations – Indexed new business

This is a measure of new business which is calculated as the sum of twelve months' premiums on new recurring premium policies and one tenth of single premium sales.

Long-term insurance operations – Value of new business and margin

The present value, at point of sale, of the projected stream of after tax profits for new business issued, net of the cost of required capital. The present value is calculated using a risk adjusted discount rate. Margin is calculated using the value of new business divided by the present value of future modelled premiums.

Short-term insurance operations – Claims loss ratio

This is a measure of underwriting risk and is measured as a ratio of claims incurred divided by the net premiums earned.

FCTR

Foreign Currency Translation Reserve.

Development costs

Represents project costs incurred on developing or enhancing future revenue opportunities.

Consolidated statement of **financial position**

as at 31 December 2014

Audited	2014 Rm	2013 Rm
Assets		
Equipment and owner-occupied properties under development	**975**	1 114
Owner-occupied properties	**1 464**	1 410
Investment properties	**27 022**	27 299
Intangible assets	**368**	475
Defined benefit pension fund employer surplus	**277**	210
Deferred acquisition costs	**590**	527
Interests in joint ventures		404
Reinsurance assets	**1 558**	1 609
Long-term insurance	**1 302**	1 161
Short-term insurance	**256**	448
Operating leases – accrued income	**1 261**	1 315
Pledged assets measured at fair value through profit or loss	**6 991**	1 348
Assets held for trading and for hedging	**7 777**	6 387
Interests in associates – measured at fair value through profit or loss	**16 497**	15 361
Financial investments	**292 844**	279 043
Deferred taxation	**455**	354
Prepayments, insurance and other receivables	**3 668**	3 913
Cash and cash equivalents	**13 985**	9 870
Total assets	**375 732**	350 639
Liabilities		
Long-term policyholder liabilities	**287 516**	263 944
Insurance contracts	**195 356**	180 742
Investment contracts with discretionary participation features	**10 177**	9 056
Financial liabilities under investment contracts	**81 983**	74 146
Short-term insurance liabilities	**683**	846
Financial liabilities at amortised cost	**3 575**	3 167
Third party financial liabilities arising on consolidation of mutual funds	**34 501**	39 983
Employee benefits	**1 371**	1 344
Deferred revenue	**216**	194
Deferred taxation	**4 131**	3 586
Deemed disposal taxation liability	**268**	544
Provisions	**173**	195
Derivative liabilities	**5 148**	4 860
Insurance and other payables	**14 251**	9 716
Current taxation	**265**	904
Total liabilities	**352 098**	329 283
Equity		
Ordinary shareholders' interests	**19 487**	17 654
Share capital	**26**	26
Share premium	**5 755**	5 985
Retained surplus	**14 599**	12 454
Other reserves	**(893)**	(811)
Non-controlling interests	**4 147**	3 702
Total equity	**23 634**	21 356
Total equity and liabilities	**375 732**	350 639

Consolidated statement of **comprehensive income**

for the year ended 31 December 2014

Audited	2014 Rm	2013 Rm
Revenue		
Insurance premiums	**42 139**	35 782
Reinsurance premiums	**(1 415)**	(1 316)
Net insurance premiums	**40 724**	34 466
Service fee income from investment contracts	**916**	900
Investment income	**15 796**	13 220
Hotel operations sales	**673**	809
Investment gains	**19 274**	33 554
Fee revenue and reinsurance commission	**2 322**	2 324
Total revenue	**79 705**	85 273
Claims and policyholder benefits under insurance contracts	**(32 629)**	(25 904)
Insurance claims recovered from reinsurers	**898**	1 357
Change in long-term policyholder liabilities	**(15 469)**	(20 698)
Insurance contracts	**(14 559)**	(15 937)
Investment contracts with discretionary participation features	**(1 050)**	(4 941)
Applicable to reinsurers	**140**	180
Fair value adjustment to policyholder liabilities under investment contracts	**(7 473)**	(10 135)
Fair value adjustment on third party mutual fund interests	**(3 585)**	(7 832)
Acquisition costs	**(4 579)**	(4 233)
General marketing and administration expenses	**(9 376)**	(9 079)
Finance costs	**(407)**	(327)
Profit share allocations under bancassurance and other agreements	**(876)**	(984)
Profit before taxation	**6 209**	7 438
Taxation[2]	**(1 926)**	(2 968)
Total earnings	**4 283**	4 470
Other comprehensive income	**(47)**	88
Items that may be reclassified subsequently to profit or loss	**(52)**	56
Net change in fair value on cash flow hedges	**(129)**	(183)
Income and capital gains tax relating to net change in fair value on cash flow hedges	**36**	53
Foreign currency translation	**41**	186
Items that may not be reclassified subsequently to profit or loss	**5**	32
Owner-occupied properties – fair value adjustment	**22**	28
Income and capital gains tax relating to owner-occupied properties fair value adjustment	**(25)**	(10)
Change in long-term policyholder insurance liabilities (application of shadow accounting)	**(12)**	(22)
Actuarial (losses)/gains on post-retirement medical aid liability	**(16)**	24
Income tax relating to post-retirement medical aid liability	**4**	(7)
Net adjustments to defined benefit pension fund[1]	**62**	26
Income tax relating to defined benefit pension fund	**(30)**	(7)
Total comprehensive income	**4 236**	4 558
Total earnings attributable to:		
Ordinary shareholders' interests	**3 917**	3 908
Non-controlling interests	**366**	562
	4 283	4 470
Total comprehensive income attributable to:		
Ordinary shareholders' interests	**3 864**	3 936
Non-controlling interests	**372**	622
	4 236	4 558
Basic and fully diluted earnings per share	**Cents**	Cents
Basic earnings per share	**1 523,5**	1 517,9
Fully diluted basic earnings per share	**1 392,4**	1 393,4

[1] *Net adjustments to defined benefit pension fund include actuarial gains or losses, return on plan assets, reduced by the interest on the net defined benefit asset and the effect of the application of the asset ceiling.*

[2] *IFRS requires both policyholder and shareholder taxation to be reported in the taxation line. This therefore distorts the effective tax charge relative to profit before taxation.*

Headline earnings **and earnings per share**

for the year ended 31 December 2014

Audited	**2014 Rm**	2013 Rm
Reconciliation of total earnings to headline earnings attributable to equity holders		
Total earnings attributable to equity holders	**3 917**	3 908
Preference share dividend	**(2)**	(2)
Basic earnings attributable to ordinary shareholders	**3 915**	3 906
Derecognition and impairment of intangible assets		126
FCTR recycled through profit or loss		(18)
Headline earnings attributable to ordinary shareholders	**3 915**	4 014
Net income earned on BEE preference shares	**53**	62
BEE normalised headline earnings attributable to ordinary shareholders	**3 968**	4 076
Weighted average number of shares in issue ('000)	**256 975**	257 334
BEE normalised weighted average number of shares in issue ('000)	**282 771**	283 130
Fully diluted weighted average number of shares in issue ('000)	**281 165**	280 329
Earnings per share	**Cents**	Cents
Total earnings attributable to ordinary shareholders		
Basic	**1 523,5**	1 517,9
Headline	**1 523,5**	1 559,8
BEE normalised headline	**1 403,3**	1 439,6
Fully diluted earnings attributable to ordinary shareholders		
Basic	**1 392,4**	1 393,4
Headline	**1 392,4**	1 431,9

Summary statement of **changes in shareholders' funds**

for the year ended 31 December 2014

Audited	**2014 Rm**	2013 Rm
Balance of ordinary shareholders' interests at 1 January	**17 654**	15 410
Ordinary dividends	**(1 719)**	(1 566)
Special dividend		(371)
Total comprehensive income	**3 864**	3 936
Share buy-backs net of share subscriptions	**(355)**	(15)
Black Economic Empowerment transaction	**153**	171
Share-based payments	**133**	109
Preference dividends	**(2)**	(2)
Transactions between owners	**(230)**	
Common control transaction	**(11)**	
FCTR recycled through profit or loss		(18)
Ordinary shareholders' interests	**19 487**	17 654
Balance of non-controlling interests at 1 January	**3 702**	3 101
Total comprehensive income	**372**	622
Unincorporated property partnerships net distributions	**(79)**	(6)
Non-controlling share of subsidiary dividend	**(38)**	(17)
FCTR recycled through profit or loss		2
Transactions between owners	**190**	
Non-controlling interests	**4 147**	3 702
Total equity	**23 634**	21 356

Summary statement of **cash flows**

for the year ended 31 December 2014

Audited	**2014 Rm**	2013 Rm
Operating activities	**5 832**	8 196
Investing activities	**(1 928)**	(10 014)
Financing activities	**179**	1 157
Net increase/(decrease) in cash and cash equivalents	**4 083**	(661)
Cash and cash equivalents at the beginning of the year	**9 870**	10 418
Cash and cash equivalents acquired through business acquisition	**5**	
Foreign currency translation	**27**	113
Cash and cash equivalents at the end of the year	**13 985**	9 870

Summary **segment information**

for the year ended 31 December 2014

The audited segment results for the year ended 31 December 2014 are as follows:

Rm	Long-term insurance Retail	Long-term insurance Corporate	Short-term insurance	Asset management	Health services	Other	Total	Reporting adjustments[1]	IFRS reported
Total revenue	**62 914**	**20 407**	**1 193**	**3 067**	**317**	**1 957**	**89 855**	**(10 150)**	**79 705**
Profit/(loss) before taxation	3 944	405	107	944	(73)	587	5 914	295	6 209
Taxation	(1 713)	(102)	(28)	(230)	22	125	(1 926)		(1 926)
Total earnings/(loss)	2 231	303	79	714	(51)	712	3 988	295	4 283
Other comprehensive (loss)/income	(95)	(3)	9	10		32	(47)		(47)
Total comprehensive income/(loss)	2 136	300	88	724	(51)	744	3 941	295	4 236
Attributable to:									
Non-controlling interests	(39)	(23)	(39)	(8)	14	18	(77)	(295)	(372)
Equity holders	2 097	277	49	716	(37)	762	3 864		3 864
Reconciliation of total earnings/(loss) to headline earnings/(loss) attributable to equity holders									
Total earnings/(loss)	2 231	303	79	714	(51)	712	3 988	295	4 283
Attributable (to)/from non-controlling interests	(37)	(23)	(35)	(8)	14	18	(71)	(295)	(366)
Preference share dividend						(2)	(2)		(2)
Headline earnings/(loss)	2 194	280	44	706	(37)	728	3 915		3 915
Net income earned on BEE preference shares						53	53		53
BEE normalised headline earnings/(loss)	2 194	280	44	706	(37)	781	3 968		3 968

[1] *Reporting adjustments include the consolidation of unincorporated property partnerships, the consolidation of third party mutual fund liabilities, the classification of long-term insurance into defined IFRS 'investment' and 'insurance' products, the application of shadow accounting for the change in long-term policyholder insurance liabilities and the elimination of intergroup transactions.*

Summary **segment information**

for the year ended 31 December 2014 (continued)

The audited segment results for the year ended 31 December 2013 are as follows:

Rm	Long-term insurance Retail	Long-term insurance Corporate	Short-term insurance	Asset management	Health services	Other	Total	Reporting adjustments[1]	IFRS reported
Total revenue	66 124	17 319	1 076	3 064	288	1 817	89 688	(4 415)	85 273
Profit/(loss) before taxation	5 161	298	116	926	(274)	653	6 880	558	7 438
Taxation	(2 585)	(78)	(51)	(258)	46	(42)	(2 968)		(2 968)
Total earnings/(loss)	2 576	220	65	668	(228)	611	3 912	558	4 470
Other comprehensive (loss)/income	(44)	2	57	28		45	88		88
Total comprehensive income/(loss)	2 532	222	122	696	(228)	656	4 000	558	4 558
Attributable to:									
Non-controlling interests	(46)	(17)	(52)	(9)	57	3	(64)	(558)	(622)
Equity holders	2 486	205	70	687	(171)	659	3 936		3 936
Reconciliation of total earnings/(loss) to headline earnings/(loss) attributable to equity holders									
Total earnings/(loss)	2 576	220	65	668	(228)	611	3 912	558	4 470
Attributable (to)/from non-controlling interests	(14)	(17)	(25)	(8)	57	3	(4)	(558)	(562)
Preference share dividend						(2)	(2)		(2)
Intangible assets impairment	27				99		126		126
FCTR recycled through profit or loss					6	(24)	(18)		(18)
Headline earnings/(loss)	2 589	203	40	660	(66)	588	4 014		4 014
Net income earned on BEE preference shares						62	62		62
BEE normalised headline earnings/(loss)	2 589	203	40	660	(66)	650	4 076		4 076

[1] *Reporting adjustments include the consolidation of unincorporated property partnerships, the consolidation of third party mutual fund liabilities, the classification of long-term insurance into defined IFRS 'investment' and 'insurance' products, the application of shadow accounting for the change in long-term policyholder insurance liabilities and the elimination of intergroup transactions.*

Group equity **value report**

as at 31 December 2014

1. Introduction

Liberty presents a "group equity value" report to reflect the combined value of the various components of Liberty's businesses.

Section 2 below describes the valuation bases used for each reported component. It should be noted the group equity value is presented to provide additional information to shareholders to assess performance of the group. The total equity value is not intended to be a fair value calculation of the group but should provide indicative information of the inherent value of the component parts.

2. Component parts of the group equity value and valuation techniques used

Group equity value has been calculated as the sum of the following component parts:

2.1 South African covered business:

The wholly owned subsidiary, Liberty Group Limited, comprises the South African long-term insurance entities and related asset holding entities. The embedded value methodology in terms of Actuarial Practice Note 107 issued by the Actuarial Society of South Africa continues to be used to derive the value of this business cluster described as "South African covered business". The embedded value report of the South African covered business has been reviewed by the group's statutory actuary. The full embedded value report is included in the supplementary information section.

2.2 Other businesses:

STANLIB	Valued using a 10 times (2013: 10 times) multiple of estimated sustainable earnings.
Liberty Properties	Valued using a 10 times (2013: 10 times) multiple of estimated sustainable earnings.
Liberty Health	As Liberty Health has yet to establish a history to support a sustainable earnings calculation, adjusted IFRS net asset value is applied.
Liberty Africa Insurance	Liberty Africa Insurance is an emerging cluster of both long and short-term insurance businesses located in various African countries outside of South Africa. A combination of valuation techniques including embedded value, discounted cash flow and earnings multiples have been applied to value these businesses. The combined value of this cluster is not material relative to the other components of group equity value and therefore a detailed analysis of this valuation has not been presented. At 31 December 2014 and 2013 the combined valuations approximated the group's IFRS net asset value. Therefore the IFRS net asset value was used.
LibFin Credit	LibFin originates appropriate illiquid assets that provide acceptable illiquidity premiums. The value of this origination is reflected at a 10 times (2013: 10 times) multiple of estimated sustainable earnings adjusting for related expenses and prudential margin.
Liberty Holdings	The net market value of assets and liabilities held by the Liberty Holdings Limited company excluding investments in any subsidiaries which are valued separately.

2.3 Other adjustments:

These comprise the fair value of share rights allocated to staff not employed by the South African covered businesses, adjusting certain deferred tax assets to current values and allowance for certain shareholder recurring costs incurred in Liberty Holdings Limited capitalised at a multiple of 9 times (2013: 9 times).

3. BEE normalised group equity value

3.1 Analysis of BEE normalised group equity value

Audited 2014 Rm	SA covered business	Other busi- nesses	Group funds invested	Adjust- ments	Net worth	Value of in-force: SA covered business	Total
SA insurance operations	10 958		10 958	(5 508)	5 450	22 941	28 391
Individual arrangements						20 927	
Group arrangements						2 014	
Value of in-force acquired	74		74	(74)			
Working capital and other assets	6 183		6 183	(466)	5 717		5 717
South African insurance operations	17 215		17 215	(6 048)	11 167	22 941	34 108
Other group businesses:							
STANLIB		649	649	5 751	6 400		6 400
South Africa		444	444	5 356	5 800		5 800
Other Africa		205	205	395	600		600
Liberty Properties		45	45	280	325		325
Liberty Health		342	342		342		342
Liberty Africa Insurance		586	586		586		586
LibFin Credit				900	900		900
Liberty Holdings		650	650	(100)	550		550
Cost of required capital						(1 456)	(1 456)
Net equity as reported under IFRS	17 215[1]	2 272	19 487	783	20 270	21 485	41 755
BEE preference funding	807		807		807		807
Allowance for future shareholders costs		(356)	(356)		(356)	(1 952)	(2 308)
Allowance for employee share rights	(136)	(94)	(230)		(230)		(230)
BEE normalised equity value	17 886	1 822	19 708	783	20 491	19 533	40 024

Summary of adjustments:	SA covered business	Other businesses	Group funds invested
Negative rand reserves	(5 508)		(5 508)
Deferred acquisition costs	(573)		(573)
Deferred revenue liability	207		207
Frank Financial Services allowance for future expenses	(100)		(100)
Carrying value of in-force business acquired	(74)		(74)
Fair value adjustment of non SA covered business		6 931	6 931
Impact of discounting on deferred tax asset		(100)	(100)
	(6 048)	6 831	783

[1] Reconciliation to SA covered business net worth as per analysis in supplementary information	
Net equity of SA covered business as reported under IFRS	*17 215*
Adjustments as above	*(6 048)*
Allowance for employee share options/rights	*(136)*
BEE preference share funding	*807*
Net worth as reported in supplementary information	*11 838*

3. BEE normalised group equity value (continued)

3.1 Analysis of BEE normalised group equity value (continued)

Audited 2013 Rm	SA covered business	Other busi-nesses	Group funds invested	Adjust-ments	Net worth	Value of in-force: SA covered business	Total
SA insurance operations	10 775		10 775	(5 350)	5 425	21 637	27 062
Individual arrangements						19 830	
Group arrangements						1 807	
Value of in-force acquired	150		150	(150)			
Working capital and other assets	4 145		4 145	(381)	3 764		3 764
South African insurance operations	15 070		15 070	(5 881)	9 189	21 637	30 826
Other group businesses:							
STANLIB		570	570	5 080	5 650		5 650
South Africa		396	396	4 854	5 250		5 250
Other Africa		174	174	226	400		400
Liberty Properties		50	50	350	400		400
Liberty Health (including Total Health Trust)		87	87	(87)			
Liberty Africa Insurance		488	488		488		488
LibFin Credit				650	650		650
Liberty Holdings		1 389	1 389	(47)	1 342		1 342
Cost of required capital						(1 566)	(1 566)
Net equity as reported under IFRS	15 070[(1)]	2 584	17 654	65	17 719	20 071	37 790
BEE preference funding	905		905		905		905
Allowance for future shareholders costs		(247)	(247)		(247)	(1 970)	(2 217)
Allowance for employee share options/rights	(236)	(175)	(411)		(411)		(411)
BEE normalised equity value	15 739	2 162	17 901	65	17 966	18 101	36 067
Summary of adjustments:							
Negative rand reserves	(5 350)		(5 350)				
Deferred acquisition costs	(513)		(513)				
Deferred revenue liability	185		185				
Internally generated software	(53)	53					
Carrying value of in-force business acquired	(150)		(150)				
Fair value adjustment of non SA covered business		5 993	5 993				
Liberty Health loan impairment		(100)	(100)				
	(5 881)	5 946	65				

(1) Reconciliation to SA covered business net worth as per analysis in supplementary information	
Net equity of SA covered business as reported under IFRS	*15 070*
Adjustments as above	*(5 881)*
Allowance for employee share options/rights	*(236)*
BEE preference share funding	*905*
Net worth as reported in supplementary information	*9 858*

3. BEE normalised group equity value (continued)

3.2 BEE normalised group equity value earnings and value per share

Audited Rm (unless otherwise stated)	2014 SA covered business	2014 Other businesses	2014 Total	2013 SA covered business	2013 Other businesses	2013 Total
BEE normalised equity value at the end of the year	**31 371**	**8 653**	**40 024**	27 959	8 108	36 067
Equity value at the end of the year	**30 564**	**8 653**	**39 217**	27 054	8 108	35 162
BEE preference shares	**807**		**807**	905		905
Adjustments from group restructure				(6)	6	
Capital transactions		**355**	**355**		15	15
Funding of restricted share plan	**117**	**(117)**		87	(87)	
Intergroup dividends	**1 290**	**(1 290)**		1 653	(1 653)	
Dividends paid		**1 719**	**1 719**		1 939	1 939
BEE normalised equity value at the beginning of the year	**(27 959)**	**(8 108)**	**(36 067)**	(25 574)	(7 166)	(32 740)
Equity value at the beginning of the year	**(27 054)**	**(8 108)**	**(35 162)**	(24 562)	(7 166)	(31 728)
BEE preference shares	**(905)**		**(905)**	(1 012)		(1 012)
BEE normalised equity value earnings	**4 819**	**1 212**	**6 031**	4 119	1 162	5 281
BEE normalised return on group equity value (%)	**17,3**	**15,4**	**16,9**	16,2	16,1	16,1
BEE normalised number of shares (000's)			**286 201**			286 057
Number of shares in issue (000's)			**256 946**			257 801
Shares held for the employee restricted share scheme (000's)			**3 459**			2 460
Adjustment for BEE shares (000's)			**25 796**			25 796
BEE normalised group equity value per share (rand)			**139,85**			126,08

3. BEE normalised group equity value (continued)

3.3 Sources of BEE normalised group equity value earnings

Audited Rm	2014 SA covered business	2014 Other busi-nesses	2014 Total	2013 SA covered business	2013 Other busi-nesses	2013 Total
Value of new business written in the year	**914**	**27**	**941**	806	33	839
Expected return on value of in-force business	**2 131**		**2 131**	1 843		1 843
Variances/changes in operating assumptions	**662**	**(109)**	**553**	99	(15)	84
Operating experience variances (including incentive outperformance)	**709**	**(40)**	**669**	249	(15)	234
Transfer of shareholder expense reserve	**69**	**(69)**				
Operating assumption changes	**(62)**		**(62)**	54		54
Changes in modelling methodology	**(54)**		**(54)**	(204)		(204)
One period replacement of shareholder expenses and inflating expenses	**(122)**	**(67)**	**(189)**	(113)	(38)	(151)
Headline earnings of other businesses		**732**	**732**	17	672	689
Operational equity value profits	**3 585**	**583**	**4 168**	2 652	652	3 304
Non headline earnings adjustments					(126)	(126)
Development costs	**(52)**	**(25)**	**(77)**	(53)	(29)	(82)
Economic adjustments	**1 186**	**(338)**	**848**	1 451	174	1 625
Investment return on net worth	**965**	**(285)**	**680**	1 024	174	1 198
Internally generated software	**53**	**(53)**				
Credit portfolio earnings	**189**		**189**	132		132
Change in fair value on cash flow hedges	**(93)**		**(93)**	(130)		(130)
Investment variances	**14**		**14**	1 028		1 028
Change in economic assumptions	**58**		**58**	(603)		(603)
Increase in fair value adjustments on value of other businesses		**911**	**911**		484	484
Change in allowance for fair value of share rights	**100**	**81**	**181**	69	7	76
Group equity value earnings	**4 819**	**1 212**	**6 031**	4 119	1 162	5 281

3. BEE normalised group equity value (continued)

3.4 Analysis of value of long-term insurance, new business and margins

Audited Rm (unless otherwise stated)	2014	2013
South African covered business:		
Individual arrangements	**1 640**	1 580
Traditional Life	**1 472**	1 387
Direct channel	**77**	91
Credit Life	**91**	102
Group arrangements	**249**	141
Gross value of new business	**1 889**	1 721
Overhead acquisition costs impact on value of new business	**(874)**	(833)
Cost of required capital	**(101)**	(82)
Net value of South African covered new business	**914**	806
Present value of future expected premiums	**44 916**	37 753
Margin (%)	**2,0**	2,1
Liberty Africa Insurance:		
Net value of new business	**27**	33
Present value of future expected premiums	**413**	362
Margin (%)	**6,5**	9,1
Total group net value of new business	**941**	839
Total group margin (%)	**2,1**	2,2

Long-term **insurance new business**

for the year ended 31 December 2014

Unaudited	2014 Rm	2013 Rm
Sources of insurance operations total new business by customer segment		
Retail segment	**25 334**	22 505
Single	**20 987**	18 270
Recurring	**4 347**	4 235
Institutional segment	**6 029**	2 816
Single	**5 207**	2 144
Recurring	**822**	672
Total new business	**31 363**	25 321
Single	**26 194**	20 414
Recurring	**5 169**	4 907
Sources of insurance indexed new business	**7 789**	6 947
Individual arrangements	**6 375**	6 000
Group arrangements:		
Liberty Corporate	**1 195**	789
Liberty Africa Insurance[1]	**219**	158

[1] *Liberty owns less than 100% of the various entities that make up Liberty Africa. The information is recorded at 100% and is not adjusted for proportional legal ownership.*

Long-term **insurance net cash flows**

for the year ended 31 December 2014

Unaudited	2014 Rm	2013 Rm
Premiums		
Recurring	**26 610**	24 936
Retail segment	**18 921**	17 544
Institutional segment	**7 689**	7 392
Single	**27 806**	21 979
Retail segment	**12 884**	11 463
Immediate annuities	**7 627**	6 718
Institutional segment	**7 295**	3 798
Net premium income from insurance contracts and inflows from investment contracts	**54 416**	46 915
Claims and policyholders benefits		
Retail segment	**(33 209)**	(29 378)
Death and disability claims	**(5 613)**	(4 879)
Policy surrender and maturity claims	**(22 978)**	(20 374)
Annuity payments	**(4 618)**	(4 125)
Institutional segment	**(11 337)**	(11 221)
Death and disability claims	**(1 966)**	(1 859)
Scheme terminations and member withdrawals	**(8 971)**	(9 007)
Annuity payments	**(400)**	(355)
Net claims and policyholders benefits	**(44 546)**	(40 599)
Long-term insurance net cash flows	**9 870**	6 316
Sources of insurance operations cash flows by business unit:		
Individual arrangements	**5 921**	6 111
Group arrangements:		
Liberty Corporate	**3 438**	(83)
Liberty Africa Insurance[1]	**437**	325
Asset management:		
STANLIB Multi-manager	**74**	(37)

[1] *Liberty owns less than 100% of the various entities that make up Liberty Africa. The information is recorded at 100% and is not adjusted for proportional legal ownership.*

Assets **under management**[1]

as at 31 December 2014

Unaudited	2014 Rbn	2013 Rbn
Managed by group business units	**605**	586
STANLIB South Africa	**510**	507
STANLIB Other Africa[2]	**41**	38
LibFin	**45**	36
Other internal managers	**9**	5
Externally managed	**28**	25
Total assets under management	**633**	611

[1] *Includes funds under administration.*

[2] *Liberty owns less than 100% of the various entities that make up STANLIB other Africa. The information is recorded at 100% and is not adjusted for proportional legal ownership.*

Asset management **net cash flows – STANLIB**[1]

for the year ended 31 December 2014

Unaudited	2014 Rm	2013 Rm
South Africa		
Non-money market	**6 211**	19 433
Retail segment	**5 319**	17 584
Institutional segment	**892**	1 849
Money market	**(11 353)**	2 229
Retail segment	**(3 359)**	(1 689)
Institutional segment	**(7 994)**	3 918
Net South Africa cash (outflows)/inflows	**(5 142)**	21 662
Other Africa		
Non-money market	**206**	(5 906)
Retail segment	**517**	1 539
Institutional segment	**(311)**	(7 445)
Money market	**(2 385)**	(31)
Net other Africa cash outflows[2]	**(2 179)**	(5 937)
Net cash (outflows)/inflows from asset management	**(7 321)**	15 725

[1] *Cash flows exclude intergroup life funds.*

[2] *Liberty owns less than 100% of the various entities that make up STANLIB other Africa. The information is recorded at 100% and is not adjusted for proportional legal ownership.*

Short-term **insurance indicators**

for the year ended 31 December 2014

Audited	2014 Rm	2013 Rm
Premiums	**1 037**	930
Liberty Health – medical risk	**694**	640
Liberty Africa Insurance – motor, property, medical and other	**343**	290
Claims	**(612)**	(559)
Liberty Health – medical risk	**(471)**	(438)
Liberty Africa Insurance – motor, property, medical and other	**(141)**	(121)
Net cash inflows from short-term insurance	**425**	371

Unaudited		
Claims loss ratio (%)		
Liberty Health	**68**	68
Liberty Africa Insurance	**41**	42
Combined loss ratio (%)		
Liberty Health	**96**	100
Liberty Africa Insurance	**94**	98

Capital **commitments**

as at 31 December 2014

Audited	2014 Rm	2013 Rm
Equipment	**379**	563
Investment and owner-occupied property	**4 427**	3 544
Unconsolidated structured entities[1]	**482**	509
Total capital commitments	**5 288**	4 616
Under contracts	**3 486**	944
Authorised by the directors but not contracted	**1 802**	3 672

[1] *These are undrawn commitments to various unconsolidated structured entities and mainly form part of the ongoing build of the LibFin credit book. Drawing is subject to covenant checks by Liberty.*

The above 2014 capital commitments will be financed by available bank facilities, existing cash resources, internally generated funds and R160 million (2013: R218 million) from non-controlling interests in unincorporated property partnerships.

Corporate **actions**

for the year ended 31 December 2014

The corporate actions described below have been or will be funded from the group's existing resources and facilities.

Completed transactions

Change in shareholding in The Cullinan Hotel (Pty) Ltd (Cullinan)

As a result of a series of transactions that involved selling a portion (R1,1 billion) of the group's hotel portfolio to Cullinan, the group's interest in Cullinan reduced from 50% to 40% with effect from 30 April 2014.

Cullinan was a 50% held joint venture (measured at fair value) between the group's wholly-owned subsidiary, Liberty Group Limited, and Southern Sun Hotel Interests (Pty) Ltd (SSHI), a subsidiary of Tsogo Sun Limited.

As a result of this transaction Liberty has significant influence over Cullinan and the investment is accounted for as an associate held at fair value (at 31 December 2014 valued at R406 million). The impact to the group's profit and loss of the redesignation (from a joint venture to an associate) is neutral as Liberty applies the IAS 28 measurement exemption to both joint ventures and associates that back investment-linked insurance obligations. Therefore, the investment has been measured consistently at fair value throughout the period.

Transaction between owners

Liberty Holdings Limited entered into an agreement with the trustees of the NHA Trust with an effective date of 1 August 2014, in terms of which it acquired all of the remaining NHA Trust's shares in Liberty Health Holdings Proprietary Limited (Liberty Health) for R40 million and loan claims of R93 million against Liberty Health at face value. This resulted in an aggregate purchase consideration of R133 million. As Liberty Health is already a subsidiary of the group, the transaction has been accounted for as a transaction between owners.

Acquisition of Stanbic Investment Management Services Limited (SIMS Ghana)

To continue the group's strategy to extend its market share of the asset management business in Africa, Liberty effective 1 August 2014, purchased a 100% interest in SIMS Ghana from the Standard Bank group for R15 million.

Transaction in progress at 31 December 2014

Acquisition of a share in an unincorporated property partnership

Liberty Group Limited has entered into a partnership agreement to acquire a 25% undivided share in the developed properties and associated rental operations of the Melrose Arch precinct in Johannesburg for R1,7 billion.

The transaction is subject to various conditions which are outstanding at the date of this report.

Retirement **benefit obligations**

as at 31 December 2014

Audited

Post-retirement medical benefit

The group operates an unfunded post-retirement medical aid benefit for permanent employees who joined the group prior to 1 February 1999 and agency staff who joined prior to 1 March 2005.

As at 31 December 2014, the Liberty post-retirement medical aid benefit liability was R423 million (2013: R375 million).

Defined benefit retirement funds

The group operates a number of defined benefit pension schemes on behalf of employees. All these funds are closed to new membership and are well funded with no deficits reported.

Related **parties**

for the year ended 31 December 2014

Audited

Standard Bank Group Limited and any subsidiary (excluding Liberty) is referred to as Standard Bank in the context of this section.

The following selected significant related party transactions have occurred in the 2014 financial period:

1. Summary of movement in investment in ordinary shares held by the group in the group's holding company is as follows:

	Number '000	Fair value Rm	Ownership %
Standard Bank Group Limited			
Balance at 1 January 2014	**7 062**	**914**	**0,44**
Purchases	**8 765**	**1 158**	
Sales	**(3 583)**	**(498)**	
Fair value adjustments		**183**	
Balance at 31 December 2014	**12 244**	**1 757**	**0,77**

2. Bancassurance

The Liberty group has extended the joint venture bancassurance agreements with the Standard Bank group for the manufacture, sale and promotion of insurance, investment and health products through the Standard Bank's African distribution capability. New business premium income in respect of this business in 2014 amounted to R7 984 million (2013: R7 624 million). In terms of the agreements, Liberty's group subsidiaries pay joint venture profit shares to various Standard Bank operations. The amounts to be paid are in most cases dependent on source and type of business and are paid along geographical lines. The total combined net profit share amounts accrued as payable to the Standard Bank group for the year to 31 December 2014 is R866 million (2013: R868 million).

The bancassurance agreements are evergreen agreements with a 24-month notice period for termination, but neither party could have given notice of termination until February 2014. As at the date of the approval of these financial statements, neither party had given notice.

A binder agreement was entered into with Standard Bank effective from 31 December 2012. The binder agreement is associated with the administration of policies sold under the bancassurance agreement, and shall remain in force for an indefinite period with a 90 day notice period for termination. Fees accrued for the year to 31 December 2014 is R100 million (2013: R94 million).

In December 2013 Liberty Group Limited, a 100% held subsidiary of Liberty, issued 5000 cumulative, participating, non-controlling redeemable preference shares for a total value of R5 million to The Standard Bank of South Africa Limited in order to facilitate the payment of profit shares under the bancassurance agreement. This followed the discontinuance of business in Liberty Active Limited, which previously was contracted to make payment.

3. Sale and repurchase agreements

As described in accounting policies section of this integrated report, the group has entered into certain agreements of sale and repurchase of financial instruments as part of the group's asset/liability matching process.

As at 31 December 2014 a total of R24 billion in assets (2013: R7,5 billion) have been traded with Standard Bank under a repurchase agreement with various repurchase dates to 22 January 2015. Open contracts totalled R26 million as at 31 December 2014 (2013: R1,1 billion). Finance costs recognised in respect of these agreements as at 31 December 2014 was R174 million (2013: R52 million).

4. Purchases and sales of other financial instruments

In the normal course of conducting Liberty's insurance business, Liberty deposits cash with Standard Bank, purchases and sells financial instruments issued by Standard Bank and enters into derivative transactions with Standard Bank. These transactions are at arm's length and are primarily used to support investment portfolios for policyholders and shareholders' capital.

Offsetting

as at 31 December 2014

Audited

The group does not have any financial assets or financial liabilities that are currently subject to offsetting in accordance with IAS 32 *Financial Instruments: Presentation*.

However, of the total assets held for trading and hedging recognised of R7 777 million (2013: R6 387 million) and total derivative liabilities of R5 148 million (2013: R4 860 million), assets held for trading and hedging of R7 552 million (2013: R6 265 million) and derivative liabilities of R5 106 million (2013: R4 671 million) are subject to master netting arrangements, with a net asset exposure of R2 446 million (2013: R1 594 million).

Liberty Holdings Limited

Supplementary information 2014

For the year ended 31 December

Contents

Analysis of **ordinary shareholders' funds**

for the year ended 31 December 2014

	Group funds invested		Contribution to earnings	
Rm	**2014**	2013	**2014**	2013
South African insurance	**17 215**	15 070	**3 544**	3 603
Insurance operating surplus			**2 633**	2 909
Present value of in-force business	**74**	150	**(76)**	(80)
Investment portfolios	**10 958**	10 775	**729**	575
Fixed assets and working capital[1]	**9 683**	7 145	**438**	337
Subordinated notes (excluding accrued interest)	**(3 500)**	(3 000)	**(180)**	(138)
Other insurance	**928**	575	**29**	12
Liberty Africa Insurance	**586**	488	**59**	52
Liberty Health	**342**	87	**(30)**	(40)
Asset management operations	**694**	620	**703**	677
STANLIB	**649**	570	**662**	633
South Africa	**444**	396	**603**	571
Other Africa	**205**	174	**59**	62
Liberty Properties	**45**	50	**41**	44
Shareholder expenses and sundry income			**(359)**	(276)
Liberty Holdings Limited	**650**	1 389		
Preference share dividend			**(2)**	(2)
Headline earnings			**3 915**	4 014
Preference share dividend			**2**	2
Intangible assets derecognition and impairment				(126)
FCTR recycled through profit or loss				18
Liberty Holdings shareholders' funds/total earnings	**19 487**	17 654	**3 917**	3 908
BEE normalised:				
Liberty Holdings shareholders' funds/headline earnings	**19 487**	17 654	**3 915**	4 014
BEE preference shares	**807**	905	**53**	62
BEE normalised shareholders' funds/headline earnings	**20 294**	18 559	**3 968**	4 076

[1] *With effect from 1 July 2005 Liberty Group Limited established a working capital funding loan between insurance operations and shareholder assets, subsequently supported by the callable capital bonds issue. Inter-divisional interest is charged at 8.77% nacm.*

Analysis of **group earnings – core earnings**

for the year ended 31 December 2014

Rm	2014	2013
Retail SA planned margin release including annual contribution increases	**1 770**	1 585
Retail SA credit life	**144**	145
Retail SA VIF amortisation	**(76)**	(78)
LibFin Market portfolio performance	**220**	137
Expected long-term rate of return on Shareholder Investment Portfolio[1]	**1 177**	1 148
BEE preference share income	**53**	62
Other businesses headline earnings and shareholder net expenses	**624**	532
Liberty Corporate	**170**	121
STANLIB	**703**	677
South Africa	**603**	571
Other Africa	**59**	62
Liberty Properties	**41**	44
Liberty Africa Insurance	**59**	52
Liberty Health	**(30)**	(40)
Central overheads and sundry income	**(278)**	(278)
Core operating earnings	**3 912**	3 531
Retail SA new business strain	**(402)**	(387)
Retail SA operating variances, assumption changes and other	**253**	202
Adjusted core operating earnings	**3 763**	3 346
Variance to long-term rate of return on Shareholder Investment Portfolio	**205**	730
BEE normalised headline earnings	**3 968**	4 076

[1] *The expected long term rate of return is based off that applied in the embedded value at 31 December 2010. To avoid volatility this base rate will only be adjusted when there is evidence of a sustained material change.*

Reconciliation of **business unit earnings to segment result**

as at 31 December 2014

	Segment report						
Business unit (Rm)	**Retail**	**Corporate**	**Short-term**	**Asset manage-ment**	**Health services**	**Other**	**Total**
2014							
Individual arrangements	**1 798**					**(109)**	**1 689**
Group arrangements	**32**	**212**	**44**		**(37)**	**(52)**	**199**
Liberty Corporate		**168**				**2**	**170**
Liberty Africa Insurance	**32**	**44**	**37**			**(54)**	**59**
Liberty Health			**7**		**(37)**		**(30)**
LibFin (Markets and Investments)	**367**	**68**				**1 167**	**1 602**
Asset management	**(3)**			**706**			**703**
STANLIB – South Africa	**(3)**			**606**			**603**
STANLIB – Other Africa				**59**			**59**
Liberty Properties				**41**			**41**
Central overheads and sundry income						**(225)**	**(225)**
BEE normalised headline earnings	**2 194**	**280**	**44**	**706**	**(37)**	**781**	**3 968**
Preference share dividend						**2**	**2**
Net income earned on BEE preference shares						**(53)**	**(53)**
Total earnings attributable to equity holders	**2 194**	**280**	**44**	**706**	**(37)**	**730**	**3 917**
2013							
Individual arrangements	1 539			(4)		(68)	1 467
Group arrangements	46	140	40		(66)	(27)	133
Liberty Corporate		118				3	121
Liberty Africa Insurance	46	22	29			(45)	52
Liberty Health			11		(66)	15	(40)
LibFin (Markets and Investments)	1 040	63				912	2 015
Asset management	(4)			664		17	677
STANLIB – South Africa	(4)			563		12	571
STANLIB – Other Africa				62			62
Liberty Properties				39		5	44
Central overheads and sundry income	(32)					(184)	(216)
BEE normalised headline earnings	2 589	203	40	660	(66)	650	4 076
Preference share dividend						2	2
Net income earned on BEE preference shares						(62)	(62)
Derecognition and impairment of intangible assets	(27)				(99)		(126)
FCTR recycled through profit or loss					(6)	24	18
Total earnings attributable to equity holders	2 562	203	40	660	(171)	614	3 908

South African covered **business embedded value**

for the year ended 31 December 2014

1. Description of embedded value of South African covered business

The current version of Actuarial Practice Note (APN) 107 came into force for all financial years ending on or after 31 December 2012. APN 107 governs the way in which embedded values of life assurance companies are reported.

The embedded value consists of:

- The net worth; plus
- The value of in-force covered business; less
- The cost of required capital.

The net worth represents the excess of assets over liabilities on the statutory valuation method, adjusted for the elimination of the carrying value of covered business acquired and for the fair value of share options/rights granted to Liberty Group Limited employees.

The value of in-force covered business is the discounted value of the projected stream of after tax shareholder profits arising from existing in-force covered business. These shareholder profits arise from the release of margins under the statutory basis of valuing liabilities, which differs from the release of profits on the published accounting basis. This value is reduced by the present value of after-tax future shareholder recurring and non-recurring expenses. Covered business is defined as business regulated by the FSB as long-term insurance business written in Liberty Group Limited or its subsidiary life company.

For reversionary and smoothed bonus business, the value of in-force covered business has been calculated assuming that bonuses are changed over time so that the full amount of the bonus stabilisation reserves is distributed to policyholders over the lifetime of the in-force policies.

The required capital is defined as the level of capital that is restricted for distribution to shareholders. This comprises the statutory CAR calculated in accordance with Standard Actuarial Practice (SAP) 104 plus any additional capital considered appropriate by the board given the risks in the business. Required capital has been calculated at 1,5 x CAR, consistent with risk appetite. The cost of required capital is the present value, at the risk discount rate, of the projected release of the required capital allowing for investment returns on the assets supporting the projected required capital.

The value of new business written is the present value at the point of sale of the projected stream of after-tax profits from that business, reduced by the cost of required capital. New business is defined as covered business arising from the sale of new policies and once-off premium increases in respect of in-force covered business during the reporting period. Risk policies with an inception date prior to the reporting date where no premium has been received are included in the embedded value and value of new business. The contractual terms of these policies state that Liberty Group Limited is on risk from the inception date, even though a premium may not have been received. This definition is consistent with that used in the financial statements.

The value of new business has been calculated on the closing assumptions. Investment yields at the point of sale have been used for new fixed annuities, guaranteed investment plans and embedded derivatives; for all other business the investment yields at the date of reporting have been used.

No adjustment has been made for the discounting of tax provisions in the embedded value.

2. BEE normalised embedded value

	2014 Rm	2013 Rm
Risk discount rate (%)[a]	**10,84**	10,94
Net worth	**11 838**	9 858
Ordinary shareholders' funds on published basis	**17 215**	15 070
BEE preference share funding	**807**	905
Adjustment of ordinary shareholders' funds from published basis[b]	**(5 874)**	(5 731)
Adjustment for carrying value of in-force business acquired[c]	**(74)**	(150)
Allowance for fair value of share options	**(136)**	(236)
Frank Financial Services allowance for future expenses	**(100)**	
Net value of life business in-force	**19 533**	18 101
Value of life business in-force	**20 989**	19 667
Cost of required capital	**(1 456)**	(1 566)
BEE normalised embedded value	**31 371**	27 959

3. BEE normalised embedded value earnings

	2014 Rm	2013 Rm
Embedded value at the end of the period	**31 371**	27 959
Adjustments arising from the group restructure		(6)
Funding of restricted share plan	**117**	87
Intergroup dividends	**1 290**	1 653
Less embedded value at the beginning of the period	**(27 959)**	(25 574)
Embedded value earnings	**4 819**	4 119
Return on embedded value (%)	**17,3**	16,2

4. Sensitivity to risk discount rate and other assumptions

In order to indicate sensitivity to varying assumptions, the value of the in-force life business less cost of required capital and the value of the new business written for Liberty Group Limited are shown below for various changes in assumptions. The reserving basis has been kept constant and only future experience assumptions have been varied. This methodology is consistent with the methodology adopted in prior years. Each value is shown with only the indicated parameter being changed.

	Value of in-force life business less cost of required capital	Value of new business written in	Value of in-force life business less cost of required capital	Value of new business written in
	2014		2013	
	Rm	**Rm**	Rm	Rm
Base value	**19 533**	**914**	18 101	806
Value of in-force/new business	**20 989**	**1 015**	19 667	888
Cost of required capital	**(1 456)**	**(101)**	(1 566)	(82)
100 basis point increase in risk discount rate	**18 058**	**747**	16 674	680
Value of in-force/new business	**19 886**	**875**	18 634	783
Cost of required capital	**(1 828)**	**(128)**	(1 960)	(103)
100 basis point decrease in interest rate environment	**19 810**	**1 043**	18 313	891
Value of in-force/new business	**21 270**	**1 145**	19 890	973
Cost of required capital	**(1 460)**	**(102)**	(1 577)	(82)
10% fall in equity and property market values	**19 008**		17 548	
Value of in-force	**20 464**		19 114	
Cost of required capital	**(1 456)**		(1 566)	
100 basis point increase in equity and property returns	**20 571**	**952**	19 205	839
Value of in-force/new business	**21 760**	**1 035**	20 487	906
Cost of required capital	**(1 189)**	**(83)**	(1 282)	(67)
10% decrease in maintenance expenses	**20 401**	**971**	18 957	857
Value of in-force/new business	**21 857**	**1 072**	20 523	939
Cost of required capital	**(1 456)**	**(101)**	(1 566)	(82)
10% decrease in new business acquisition expenses (other than commissions)		**1 011**		893
Value of new business		**1 112**		975
Cost of required capital		**(101)**		(82)
10% decrease in withdrawal rates	**20 978**	**1 106**	19 500	968
Value of in-force/new business	**22 434**	**1 207**	21 066	1 050
Cost of required capital	**(1 456)**	**(101)**	(1 566)	(82)
5% improvement in mortality and morbidity for assurances	**20 778**	**1 051**	19 236	940
Value of in-force/new business	**22 234**	**1 152**	20 802	1 022
Cost of required capital	**(1 456)**	**(101)**	(1 566)	(82)
5% improvement in mortality for annuities	**19 281**	**894**	17 923	804
Value of in-force/new business	**20 737**	**995**	19 489	886
Cost of required capital	**(1 456)**	**(101)**	(1 566)	(82)

5. Analysis of BEE normalised embedded value earnings

	31 December 2014				31 December 2013			
	Net worth Rm	**Value of in-force covered business Rm**	**Cost of required capital Rm**	**Embedded value Rm**	Net worth Rm	Value of in-force covered business Rm	Cost of required capital Rm	Embedded value Rm
Embedded value at the end of the period	**11 838**	**20 989**	**(1 456)**	**31 371**	9 858	19 667	(1 566)	27 959
Plus dividends paid	**1 290**			**1 290**	1 653			1 653
Plus funding of restricted share plan	**117**			**117**	87			87
Adjustments arising from group restructure					(39)	33		(6)
Embedded value at the beginning of the period	**(9 858)**	**(19 667)**	**1 566**	**(27 959)**	(8 535)	(18 516)	1 477	(25 574)
Embedded value earnings	**3 387**	**1 322**	**110**	**4 819**	3 024	1 184	(89)	4 119
Components of embedded value earnings								
Value of new business written in the period	**(1 498)**	**2 513**	**(101)**	**914**	(1 267)	2 155	(82)	806
Expected return on value of life business(d)		**2 121**	**10**	**2 131**		1 809	34	1 843
Expected net of tax profit transfer to net worth	**3 266**	**(3 266)**			2 816	(2 816)		
Operating experience variances(g)	**480**	**31**	**198**	**709**	79	280	(110)	249
Development expenses	**(52)**			**(52)**	(53)			(53)
Operating assumption changes(h)	**(19)**	**(43)**		**(62)**	(8)	(53)	115	54
One period replacement of shareholder expenses		**(122)**		**(122)**		(113)		(113)
Transfer of shareholder expense income to Liberty Holdings		**69**		**69**				
Changes in modelling methodology(i)	**2**	**(56)**		**(54)**	(84)	(123)	3	(204)
Embedded value earnings from operations	**2 179**	**1 247**	**107**	**3 533**	1 483	1 139	(40)	2 582
Economic adjustments	**1 108**	**75**	**3**	**1 186**	1 472	45	(49)	1 468
Investment return on net worth(j)	**925**			**925**	911			911
Credit portfolio earnings	**189**			**189**	132			132
Investment variances		**14**		**14**	484	544		1 028
Changes in economic assumptions(k)	**(6)**	**61**	**3**	**58**	(55)	(499)	(49)	(603)
Change in allowance for fair value of share rights(l)	**100**			**100**	69			69
BEE normalised embedded value earnings	**3 387**	**1 322**	**110**	**4 819**	3 024	1 184	(89)	4 119

6. Notes to embedded value

a) Future investment returns on major asset classes and other economic assumptions have been set with reference to the market yield on medium-term South African government stock.

	Investment return p.a.	
%	**2014**	2013
Government stock	**8,04**	8,14
Equities	**11,54**	11,64
Property	**9,04**	9,14
Cash	**6,54**	6,64
The risk discount rate has been set equal to the risk free rate plus 80% of the equity risk premium	**10,84**	10,94
Maintenance expense inflation rate	**5,06**	5,15

b) Adjustment of ordinary shareholders' funds from the published basis

The amounts represent the change in the amount of shareholder funds as a result of moving from a published valuation basis to the statutory valuation basis. This is largely due to the elimination of certain negative rand reserves on the statutory valuation basis. The reduction in net worth results in a corresponding increase in the value of in-force.

c) Adjustment for carrying value of in-force business acquired

The carrying value of business acquired by Liberty has been deducted from shareholders' funds in order to avoid double counting. For embedded value purposes, the value in respect of this acquired business is included in the value of life business in-force.

	2014 Rm	2013 Rm
Capital Alliance Holdings Limited (CAHL)	**(73)**	(145)
Business previously acquired by CAHL	**(1)**	(5)
	(74)	(150)

d) The expected return on the value of life business is obtained by applying the previous year's risk discount rate to the value of life business in force at the beginning of the period and the current year's risk discount rate from the point of sale to the valuation date in respect of the value of new business.

e) Taxation has been allowed for at rates and on bases applicable to Section 29A of the Income Tax Act. Full taxation relief on expenses to the extent permitted was assumed. Capital gains taxation has been taken into account in the embedded value.

f) Other bases, bonus rates and assumptions

Parameters reflect best estimates of future experience, consistent with the valuation bases used by the statutory actuaries, excluding any compulsory or discretionary margins. However, in contrast to the assumptions in the valuation basis, the embedded value makes allowance for non-compulsory automatic premium and benefit increases.

6. Notes to embedded value (continued)

g) Operating experience variances consist of the combined effect on net worth and value of in-force of operating experience being different to that anticipated at the prior year end.

The net 31 December 2014 operating experience variance of R709 million (2013: R249 million) comprised:

2014 **Operating experience variances**	**Net worth** **Rm**	**Value of in-force covered business** **Rm**	**Cost of required capital** **Rm**	**Embedded value** **Rm**
Individual arrangements	**381**	**67**		**448**
Mortality and morbidity	**182**	**3**		**185**
Policyholder behaviour	**22**	**97**		**119**
Other, including tax variances	**177**	**(33)**		**144**
Group arrangements	**152**	**(36)**		**116**
Short term incentives outperformance	**(103)**			**(103)**
Cash settled incentives linked to share price	**(22)**			**(22)**
Other (non Individual arrangements)	**72**		**198**	**270**
Total	**480**	**31**	**198**	**709**
2013				
Individual arrangements	177	189		366
Mortality and morbidity	90	65		155
Policyholder behaviour	66	129		195
Other, including tax variances	21	(5)		16
Group arrangements	63	91		154
Short term incentives outperformance	(154)			(154)
Cash settled incentives linked to share price	(23)			(23)
Other (non Individual arrangements)	16		(110)	(94)
Total	79	280	(110)	249

South African covered **business embedded value**

for the year ended 31 December 2014 (continued)

6. Notes to embedded value (continued)

h) The amount of negative R62 million (2013: positive R54 million) arises mainly due to the strengthening of the basis for policyholder behaviour on investment products.

i) The amount of negative R54 million (2013: negative R204 million) comprises a number of minor modelling and data refinements.

j) Reconciliation of embedded value investment return on net worth to LibFin Investments earnings

	2014 Rm	2013 Rm
LibFin Investments	**1 382**	1 878
Adjustments for differences between the statutory and published basis	**(124)**	(201)
90:10 book	**(328)**	(626)
Direct Financial Services	**(47)**	(65)
Change in fair value of cash flow hedges	**(93)**	(130)
Bancassurance obligations relating to Liberty Africa and STANLIB	**(32)**	(5)
Software asset impairment reversal	**53**	
Frank Financial Services allowance for future expenses	**(100)**	
BEE preference scheme	**55**	64
Other, including positive tax variances	**159**	(4)
Investment return on net worth	**925**	911

k) The amount of positive R58 million (2013: negative R603 million) relates to changes in economic assumptions as described in note a.

l) The amount of R100 million (2013: R69 million) in respect of the change in the fair value of share rights arises from the change in the number of share rights for staff employed by Liberty Group Limited and the increase in the market value of Liberty Holdings Limited share price over the reporting period.

m) The assets backing the required capital are consistent with the long-term strategic mix of shareholder funds approved by the Liberty Holdings board.

Bancassurance – **Benefit to Liberty**

for the year ended 31 December 2014

Liberty share (Rm)	**2014**	2013
Credit Life		
IFRS headline earnings	**144**	145
Embedded value of in-force contracts	**430**	399
Other insurance products		
Embedded value of new business	**95**	69
Embedded value of in-force contracts	**1 023**	865
STANLIB		
Net service fees on assets under management sourced from Standard Bank distribution	**469**	450

90:10 **Shareholder exposure**

as at 31 December 2014

The "90:10 exposure" refers to the shareholders exposure to certain policyholder portfolios on which a fee arrangement exists whereby the investment return on the portfolios is shared between the policyholders and shareholders in a 90:10 ratio.

As a result of the market risk that arises for shareholders on this exposure it is managed as part of the Shareholders Investment Portfolio (SIP) and consequently the earnings form part of the SIP returns and are included in the LibFin Investments revenue account.

Because of its nature as a management fee the present value of these 90:10 fees are included in the Value of In Force of the business and the annual expected amount forms part of the expected transfer to Net Worth in the AoEV. There is therefore an inconsistency between the IFRS revenue account (shown as LibFin Investments revenue) and the AoEV (shown as expected Life Fund Operating earnings).

Rm	2014	2013
Exposure as at the beginning of the period	**4 671**	4 095
Expected earnings	**306**	255
Variance	**22**	371
Total net earnings	**328**	626

Long-term **policyholder liabilities IFRS reconciliation**

as at 31 December 2014

Rm	2014	2013
Policyholder liabilities at beginning of the year net of reinsurance	**262 783**	235 706
Transfers to policyholder liabilities	**23 318**	26 703
Net premium income from insurance contracts	**39 687**	33 536
Net inflows from investment contracts	**14 729**	13 379
Net premium income from insurance contracts and inflows from investment contracts	**54 416**	46 915
Investment returns	**28 949**	36 579
Claims, policyholder benefits and payments	**(44 546)**	(40 599)
Acquisition costs	**(4 169)**	(3 828)
Management expenses, finance costs and profit share allocations	**(7 011)**	(6 949)
Taxation	**(1 825)**	(2 673)
Operating profit from insurance operations	**(2 496)**	(2 742)
Foreign currency translation reserve	**113**	374
Policyholder liabilities at end of year net of reinsurance	**286 214**	262 783
Reinsurance assets	**1 302**	1 161
Policyholders liabilities at end of year as published	**287 516**	263 944

Retail SA – **Negative rand reserves**[1]

as at 31 December 2014

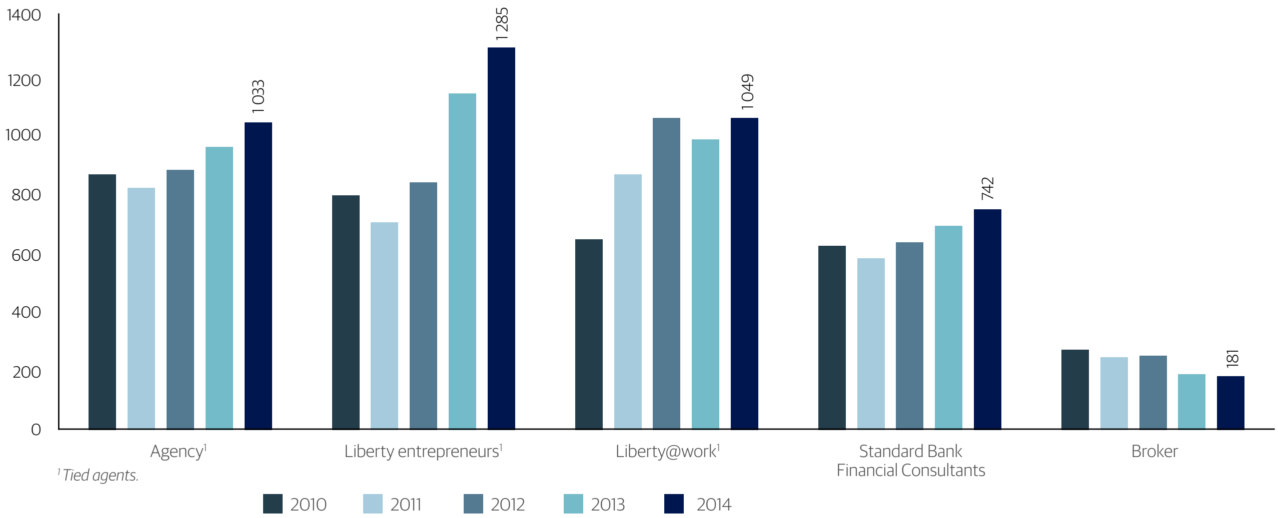
Rm	2014	2013
Published IFRS basis	**19 423**	18 894
Statutory basis	**11 175**	11 714

[1] *Gross of taxation.*

By their nature "negative rand reserves" include offsets between policies with positive and negative reserves. The Directive 145 adjustment is applied only to policies with negative reserves.

South African insurance **distribution headcount**

as at 31 December 2014



Total long-term **insurance premiums**

for the year ended 31 December 2014

	Recurring premiums		Single premiums		Total premiums	
Rm	**2014**	2013	**2014**	2013	**2014**	2013
Individual arrangements	**18 547**	17 221	**20 458**	18 048	**39 005**	35 269
Liberty Corporate	**7 270**	7 172	**7 000**	3 594	**14 270**	10 766
Liberty Africa Insurance	**793**	543	**67**	169	**860**	712
STANLIB Multi-manager			**281**	168	**281**	168
Total premiums	**26 610**	24 936	**27 806**	21 979	**54 416**	46 915
% change Individual arrangements	**8**		**13**		**11**	
% change Liberty Corporate	**1**		**95**		**33**	
% change Liberty Africa Insurance	**46**		**(60)**		**21**	
% change STANLIB Multi-manager			**67**		**67**	
Indexed premiums					**29 391**	27 134
Individual arrangements					**20 593**	19 026
Liberty Corporate					**7 970**	7 531
Liberty Africa Insurance					**800**	560
STANLIB Multi-manager					**28**	17

Long-term insurance – **New business by distribution channel**[1]

for the year ended 31 December 2014

	Recurring premiums		Single premiums		Total premiums		Indexed premiums	
Rm	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Retail	**5 420**	5 415	**20 987**	18 270	**26 407**	23 685	**7 519**	7 242
Broker	**1 334**	1 136	**6 147**	5 244	**7 481**	6 380	**1 949**	1 660
Bancassurance	**2 244**	2 335	**5 812**	5 271	**8 056**	7 606	**2 825**	2 862
Tied channels[2]	**1 662**	1 716	**8 757**	7 439	**10 419**	9 155	**2 538**	2 460
Other	**180**	228	**271**	316	**451**	544	**207**	260
Institutional	**822**	672	**5 207**	2 144	**6 029**	2 816	**1 343**	886
Broker	**447**	416	**1 738**	303	**2 185**	719	**621**	446
Bancassurance	**29**	24			**29**	24	**29**	24
Tied channels[2]	**283**	199	**356**	750	**639**	949	**319**	274
Other	**63**	33	**3 113**	1 091	**3 176**	1 124	**374**	142
Total new business	**6 242**	6 087	**26 194**	20 414	**32 436**	26 501	**8 862**	8 128

[1] *Includes premium escalations for Retail SA; excludes STANLIB Multi-manager.*

[2] *Tied channels include Agency, Franchise and Liberty@work.*

Revised 2013 table

(Revised for modifications in channel definitions)

	Recurring premiums		Single premiums		Total premiums		Indexed premiums	
Rm	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Retail	**5 420**	5 415	**20 987**	18 270	**26 407**	23 685	**7 519**	7 242
Broker	**1 334**	1 351	**6 147**	5 524	**7 481**	6 875	**1 949**	1 903
Bancassurance	**2 244**	2 407	**5 812**	5 249	**8 056**	7 656	**2 825**	2 932
Tied channels[2]	**1 662**	1 513	**8 757**	7 341	**10 419**	8 854	**2 538**	2 247
Other	**180**	144	**271**	156	**451**	300	**207**	160
Institutional	**822**	672	**5 207**	2 144	**6 029**	2 816	**1 343**	886
Broker	**447**	416	**1 738**	303	**2 185**	719	**621**	446
Bancassurance	**29**	24			**29**	24	**29**	24
Tied channels[2]	**283**	199	**356**	750	**639**	949	**319**	274
Other	**63**	33	**3 113**	1 091	**3 176**	1 124	**374**	142
Total new business	**6 242**	6 087	**26 194**	20 414	**32 436**	26 501	**8 862**	8 128

[1] *Includes premium escalations for Retail SA; excludes STANLIB Multi-manager.*

[2] *Tied channels include Agency, Franchise and Liberty@work.*

LibFin – **Shareholder Investment Portfolio exposure**

as at 31 December 2014

	31 December 2014				31 December 2013			
Exposure category	**Local Rm**	**Foreign Rm**	**Total Rm**	**%**	Local Rm	Foreign Rm	Total Rm	%
Equities	**3 823**	**4 034**	**7 857**	**31**	3 216	4 424	7 640	33
Bonds	**5 630**	**157**	**5 787**	**23**	4 957	118	5 075	22
Cash	**5 483**	**949**	**6 432**	**25**	5 149	420	5 569	24
Preference shares	**662**		**662**	**3**	620		620	3
Property	**3 427**		**3 427**	**13**	3 126		3 126	14
Other	**998**	**396**	**1 394**	**5**	677	230	907	4
Total	**20 023**	**5 536**	**25 559**	**100**	17 745	5 192	22 937	100
Assets backing capital			**10 958**	**43**			10 775	47
Assets backing life funds			**9 844**	**38**			7 491	33
90:10 exposure			**4 757**	**19**			4 671	20

LibFin – **Shareholder Investment Portfolio percentage allocation**

as at 31 December 2014

	31 December 2014				31 December 2013			
%	**Asset backing capital**	**Asset backing life funds**	**90:10 exposure**	**Total**	Asset backing capital	Asset backing life funds	90:10 exposure	Total
Local assets								
Equities	**7**	**3**	**5**	**15**	3	2	9	14
Bonds, cash and property	**15**	**32**	**9**	**56**	24	28	6	58
Preference shares	**3**			**3**	3			3
Other	**4**			**4**	1	2		3
Foreign assets								
Equities	**10**	**2**	**4**	**16**	14	1	4	19
Bonds, cash and property	**3**	**1**	**1**	**5**	1		1	2
Other	**1**			**1**	1			1
Total	**43**	**38**	**19**	**100**	47	33	20	100

Taxation note:

The taxation treatment of income derived from assets backing capital is the normal taxation rules applicable to life investment portfolios. The taxation applicable to income derived from assets backing life funds and the 90:10 exposure is determined by the tax rates pertaining to each life tax fund to which the assets are allocated (I-E tax). In addition there is transfer tax at 28% on the net surplus, after the applicable I-E tax.

Individual arrangements – **Headline earnings**

for the year ended 31 December 2014

Rm	2014	2013
Expected profit and premium escalations	**2 645**	2 400
Variances, modelling and assumption changes	**496**	509
New business strain	**(559)**	(553)
Project, outperformance incentive and non cost per policy expenses	**(248)**	(249)
Direct Financial Services	**(65)**	(67)
Other	**(171)**	(81)
Taxation	**(465)**	(541)
Earnings before bancassurance	**1 633**	1 418
Liberty share of credit life bancassurance (net of all taxes)	**144**	145
Complex bancassurance preference dividend	**(88)**	(96)
Headline earnings	**1 689**	1 467
Modelling and assumption changes	**(48)**	(32)
New business strain	**402**	398
Adjusted headline earnings	**2 043**	1 833

Individual arrangements – **Key performance indicators**

for the year ended 31 December 2014

Rm (unless stated otherwise)	2014	2013
Net customer cash flows	**7 880**	6 993
Insurance products	**5 921**	6 111
LISP	**1 959**	882
Gross sales (excluding LISP)	**25 216**	22 414
Indexed new business (excluding LISP)	**6 375**	6 000
Value of new business	**793**	742
Retail margin excluding STANLIB (%)	**2,5**	2,6
STANLIB 'on balance sheet' margin (%)	**0,0**	0,1
Retail new business margin including STANLIB (%)	**2,3**	2,4

Individual arrangements – **Indexed new business**

for the year ended 31 December 2014

Indexed premium (Rm)	**2014**	2013
Retail SA Insurance (excluding emerging consumer market)	**5 670**	5 418
Emerging consumer market	**262**	254
Total Retail SA Insurance	**5 932**	5 672
Direct Financial Services	**127**	71
STANLIB 'on balance sheet' sales	**316**	257
Total 'on balance sheet' sales	**6 375**	6 000
STANLIB 'off balance sheet' sales	**1 859**	2 509
GateWay LISP 'off balance sheet' sales	**242**	95
Total Retail distribution	**8 476**	8 604

Individual arrangements – **Maintenance cost per policy**

as at 31 December 2014

R	**2014**	2013
Valuation basis		
Complex	**481**	457
Simplex	**240**	229
Annuities	**240**	229

Liberty Corporate – **Headline earnings**

for the year ended 31 December 2014

Rm	2014	2013
Gross contribution	**1 025**	975
Underwriting margin	**553**	458
Fee income	**541**	468
Pension businesses and other income	**(69)**	49
Expenses and other items	**(789)**	(803)
Amortisation of previously acquired business		(4)
Pre-tax operating profit	**236**	168
Taxation	**(66)**	(47)
Headline earnings	**170**	121

Liberty Corporate – **Key performance measures**

for the year ended 31 December 2014

Rm (unless stated otherwise)	2014	2013
Gross sales	**5 868**	2 719
Indexed new business	**1 195**	789
Value of new business	**121**	64
New business margin (%)	**1,1**	0,9
Net customer cash flows	**3 438**	(83)

Liberty Health – **Headline earnings**

for the year ended 31 December 2014

Rm	2014	2013
Earnings before interest, tax, depreciation and amortisation		(22)
Amortisation and depreciation	**(50)**	(63)
Operating loss[1]	**(50)**	(85)
Headline earnings attributable to Liberty	**(30)**	(40)

[1] *Operating loss excludes interest and taxation.*

Liberty Health – **Key performance indicators**

for the year ended 31 December 2014

Thousands	2014	2013
Risk lives – Liberty Blue	**90**	78
Risk lives – THT[1]	**236**	240
Administration lives	**441**	476
South Africa	**132**	174
Other Africa (including THT)	**309**	302
IT Lives	**914**	940
South Africa	**410**	452
Other Africa (including THT)	**504**	488

[1] *Total Health Trust (THT) offers capitation medical insurance with limited risk.*

Liberty Africa Insurance – **Headline earnings**

for the year ended 31 December 2014

Rm	2014	2013
Headline earnings (before head office expenses)[1]	**179**	154
Long-term insurance operations	**95**	104
Short-term insurance operations	**84**	50
Headline earnings – Liberty share (before head office expenses)	**102**	95
Less head office expenses	**(43)**	(43)
Attributable to Liberty	**59**	52

[1] *The headline earnings result is shown at 100% of the earnings of the various entities that make up Liberty Africa Insurance.*

Liberty Africa Insurance – **Key performance indicators**

for the year ended 31 December 2014

Rm (unless stated otherwise)	2014	2013
Embedded value of new business written in period	**27**	33
New business margin (%)	**6,5**	9,1
Long term:		
Indexed new business	**219**	158
Net customer cash flows	**437**	325
Short term:		
Net customer cash flows	**202**	169
Claims loss ratio (%)	**41**	42

STANLIB South Africa – **Headline earnings**

for the year ended 31 December 2014

Rm (unless stated otherwise)	2014	2013
Net fee income	**1 731**	1 651
Base fees	**1 711**	1 585
Performance fees	**20**	66
Operating expenses	**(972)**	(916)
Profit before investment income	**759**	735
Other income	**45**	48
Pre-tax profit	**804**	783
Taxation	**(201)**	(212)
Headline earnings	**603**	571
Average margin (bps)	**31**	31
Average assets under management (Rbn)	**510**	507

STANLIB South Africa – **Net cash flows and AUM by asset category**

as at 31 December 2014

	Net cash flows		AUM	
Rm	2014	2013	2014	2013
Retail	**1 960**	15 895	**227 920**	214 454
Fixed interest	**(2 770)**	7 179	**39 118**	42 093
Equity	**(656)**	(375)	**14 923**	14 926
Property	**(1 196)**	(87)	**11 741**	11 666
Money Market	**(3 359)**	(1 689)	**26 454**	29 774
Other	**9 941**	10 867	**135 684**	115 995
Institutional	**(7 102)**	5 767	**94 645**	95 758
Fixed interest	**4 742**	2 627	**20 602**	14 802
Equity	**(591)**	(2 847)	**2 429**	2 983
Property	**(2 280)**	960	**8 209**	8 683
Money Market	**(7 994)**	3 918	**46 003**	53 224
Other	**(979)**	1 109	**17 402**	16 066
Liberty – intergroup	**(14 158)**	(7 033)	**187 125**	196 820
Total	**(19 300)**	14 629	**509 690**	507 032

STANLIB South Africa – **AUM breakdown by source and asset type**

as at 31 December 2014

Rm	Money market (incl cash)	Fixed interest	Equity	Property	Other	Absolute return	Balanced	Inter-national	Struc-tured	Retail life	LISP	Total
December 2014												
Retail												
Collective Investments		**38 161**	**12 819**	**8 080**		**2 957**	**22 116**	**8 551**				**92 684**
Linked Investment and Structured Products											**97 752**	**97 752**
Money market	**26 454**											**26 454**
Multi-manager Collective Investments		**957**	**2 104**	**3 661**	**890**	**3 418**						**11 030**
Institutional												
Segregated funds	**605**	**20 602**	**2 429**	**8 209**		**818**	**13 887**	**2 697**				**49 247**
Money market	**45 398**											**45 398**
Liberty – intergroup	**4 319**	**32 427**	**58 743**	**29 152**	**822**	**9 498**	**13 878**	**32 572**	**1 673**	**4 041**		**187 125**
STANLIB total	**76 776**	**92 147**	**76 095**	**49 102**	**1 712**	**16 691**	**49 881**	**43 820**	**1 673**	**4 041**	**97 752**	**509 690**
December 2013												
Retail												
Collective Investments		41 286	13 072	7 963		1 882	19 349	7 750				91 302
Linked Investment and Structured Products											83 675	83 675
Money market	29 774											29 774
Multi-manager Collective Investments		807	1 854	3 703		927	2 412					9 703
Institutional												
Segregated funds	458	14 802	2 983	8 683		237	13 632	2 197				42 992
Money market	52 766											52 766
Liberty – intergroup	4 375	29 221	49 661	26 136	983	8 918	9 346	43 272	1 632	23 276		196 820
STANLIB total	87 373	86 116	67 570	46 485	983	11 964	44 739	53 219	1 632	23 276	83 675	507 032

STANLIB South Africa – **Retail investment performance**

as at 31 December 2014

Core retail funds – quartile performance

Fund name	1 Year 2014	1 Year 2013	3 Year 2014	3 Year 2013	5 Year 2014	5 Year 2013
STANLIB SA Equity	3	3	2	1	1	1
STANLIB Equity	3	1	1	1	1	1
STANLIB Capital Growth	4	4	3	2	3	2
STANLIB Value	4	3	4	3	4	3
STANLIB Balanced	4	2	1	1	1	1
STANLIB Balanced Cautious	3	3	3	2	2	2
STANLIB Inflation Plus 5%	4	4	4	4	4	4
STANLIB Inflation Plus 3%	4	4	4	4	4	4
STANLIB Absolute Plus	3	4	4	4	4	3
STANLIB Bond	4	3	2	1	1	1
STANLIB Income	3	2	2	1	1	2
STANLIB Money Market	4	2	3	2	2	2
STANLIB Flexible Income	3	3	2	2	1	2
STANLIB Aggressive Income	2	4	3	4	3	3
STANLIB Property Income	1	3	3	2	2	1

(Rolling period)

STANLIB South Africa – **Institutional investment performance**

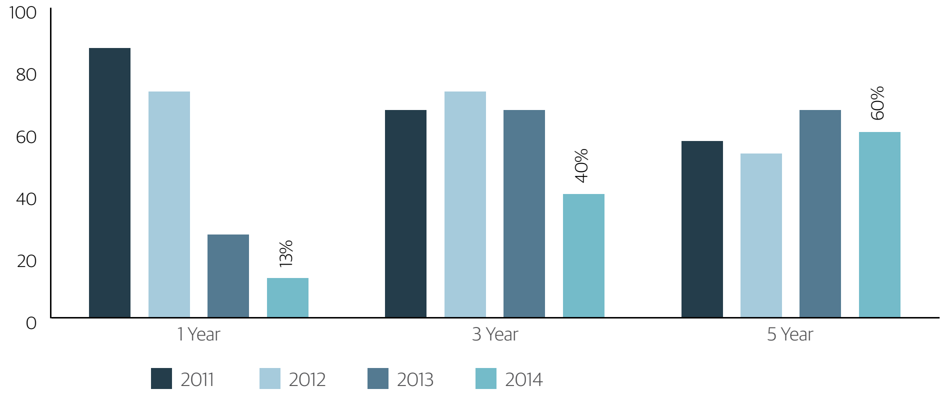
as at 31 December 2014

Survey funds (Alexander Forbes Surveys – quartile performance)	1 Year 2014	1 Year 2013	3 Year 2014	3 Year 2013	5 Year 2014	5 Year 2013
Large Manager – Global	4	3	2	2	2	2
Full Global Mandate	4	3	2	1	1	1
Domestic Only Mandate	4		2		2	
Stanlib Core Equity	3	4	2	1	1	1
Stanlib Growth Equity	3	4	3	2	3	2
Stanlib Research	2	2	2	2	2	2
Stanlib Value	4	3	4	3	4	2
Stanlib Enhanced Index	2	4	1	4	1	4
Absolute Return	4	4	4	4	4	4
Domestic Absolute Return	4	4	3	3	4	4
Stanlib Core Bond	4	4	2	1	2	1
Money Market	3	3	3	3	3	2
Stanlib Institutional Property	3	4	3	2	2	2

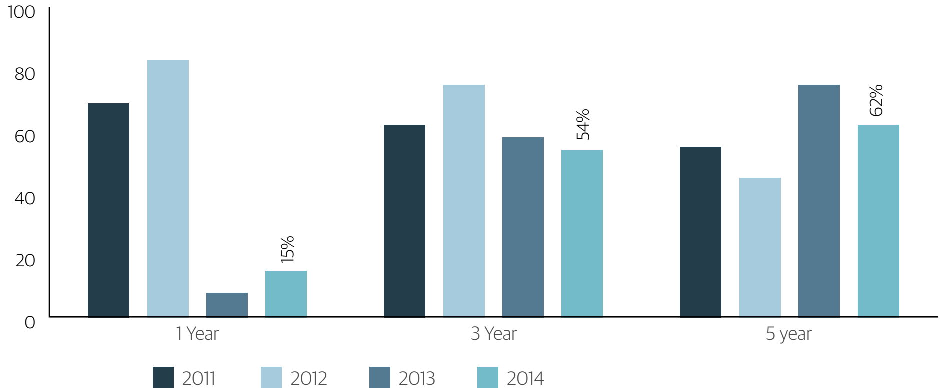
(Rolling period)

STANLIB South Africa – **Investment performance**

% of Core Retail Products in 1st and 2nd quartile (December 2014)



% of Institutional Funds in 1st and 2nd quartile (December 2014)



STANLIB Other Africa – **AUM**

as at 31 December 2014

Assets under management (Rm)	**2014**	2013
Opening market value	**37 676**	35 906
Net cash outflows	**(2 090)**	(5 767)
Capital appreciation	**5 671**	7 537
Closing market value	**41 257**	37 676
Segregated funds	**21 922**	18 491
Unit trusts	**6 446**	5 517
Money market	**12 889**	13 668
Total AUM	**41 257**	37 676

STANLIB Other Africa – **AUM by geographical location**

as at 31 December 2014

Rm	2014	2013
Southern region[1]	**23 915**	23 205
Fixed interest	**7 983**	7 038
Equity	**7 150**	6 013
Property	**48**	40
Money Market	**8 319**	9 878
Other	**415**	236
Eastern region[2]	**16 276**	14 471
Fixed interest	**6 194**	6 289
Equity	**3 719**	2 860
Property	**1 793**	1 532
Money Market	**4 570**	3 790
Western region[3]	**1 066**	
Equity	**1 066**	
Total AUM	**41 257**	37 676
Combined		
Fixed interest	**14 177**	13 327
Equity	**11 935**	8 873
Property	**1 841**	1 572
Money Market	**12 889**	13 668
Other	**415**	236
	41 257	37 676

(1) *Southern region includes Botswana, Swaziland, Lesotho and Namibia.*

(2) *Eastern region includes Kenya, Tanzania and Uganda.*

(3) *Western region is Ghana.*

Liberty Properties – **Headline earnings**

for the year ended 31 December 2014

Rm	2014	2013
Gross profit	**200**	220
Property management	**169**	178
Hotel management	**5**	7
Property development	**26**	35
Operating expenses	**(144)**	(156)
Pre-tax operating profit	**56**	64
Taxation	**(15)**	(20)
Headline earnings	**41**	44

Notes

Appendix: **Financial instruments measurement**

Financial instruments measurement analysis and fair value hierarchy
as at 31 December 2014

Audited Designation per Financial Position Statement	Measurement basis: Amortised cost(1) Rm	Measurement basis: Financial soundness value(2) Rm	Measurement basis: Fair value Rm	Measurement basis: Total Rm	Fair value hierarchy: Provided below Rm	Fair value hierarchy: Not provided(3) Rm
Assets						
Pledged assets			6 991	6 991	6 991	
Derivative assets			7 777	7 777	4 978	2 799
Interest in associates – measured at fair value			16 497	16 497	16 497	
Financial instruments	1 327		291 517	292 844	291 517	
Prepayments, insurance and other receivables			3 668	3 668		3 668
Cash and cash equivalents			13 985	13 985		13 985
Properties (investment and owner-occupied)			29 747	29 747	29 747	
Total financial instrument assets	1 327		370 182	371 509	349 730	20 452
Fair value of amortised cost assets	1 194					
Liabilities						
Investment contracts with discretionary participation features		10 177		10 177		
Financial liabilities under investment contracts			81 983	81 983	81 983	
Financial liabilities at amortised cost	3 575			3 575		
Third party financial liabilities arising on consolidation of mutual funds			34 501	34 501	34 501	
Derivative liabilities			5 148	5 148	5 148	
Insurance and other payables			14 251	14 251		14 251
Total financial instrument liabilities	3 575	10 177	135 883	149 635	121 632	14 251
Fair value of amortised cost liabilities	3 506					

(1) *Amortised cost*
The R1 327 million financial instrument asset relates to policyholder loans. The fair value has been determined by utilising a discounted cash flow model utilising discount rates ranging between 11,3% and 18,0%. The financial liabilities comprise subordinated bonds of R3 570 million and redeemable preference shares of R5 million. The fair value of these liabilities is R3 501 million and R5 million respectively, using discount rates ranging between 8,3% and 9,8%.

(2) *Financial soundness value*
The financial soundness valuation methodology is described in SAP 104 issued by the Actuarial Society of South Africa. With regards to investment contracts with discretionary participation features, the group cannot reliably measure the fair value of the investment contracts with discretionary participation features (DPF). The DPF is a contractual right that gives investors in these contracts the rights to receive supplementary discretionary returns through participation in the surplus arising from the assets held in the investment DPF fund. These supplementary returns are subject to the discretion of the group. Given the discretionary nature of these investments returns and the absence of an exchange market in these contracts, there is no generally recognised methodology available to determine fair value. These instruments are issued by the group and the intention is to hold the instruments to full contract term.

(3) *Fair value hierarchy not provided*
The fair value of prepayments, insurance and other receivables, cash and cash equivalents and insurance and other payables approximate their carrying value and are not included in the hierarchy table as their settlement terms are short-term and therefore, from a materiality perspective, fair values are not required to be modelled.

Appendix: **Financial instruments measurement**

(continued)

Financial instruments measurement analysis and fair value hierarchy
as at 31 December 2013

Audited Designation per Financial Position Statement	Measurement basis Amortised cost[(1)] Rm	 Financial soundness value[(2)] Rm	 Fair value Rm	 Total Rm	Fair value hierarchy Provided below Rm	 Not provided[(3)] Rm
Assets						
Pledged assets			1 348	1 348	1 348	
Derivative assets			6 387	6 387	4 956	1 431
Interest in joint ventures – measured at fair value			400	400	400	
Interest in associates – measured at fair value			15 361	15 361	15 361	
Financial instruments	1 214		277 829	279 043	277 829	
Prepayments, insurance and other receivables			3 841	3 841		3 841
Cash and cash equivalents			9 870	9 870		9 870
Properties (investment and owner-occupied)			30 024	30 024	30 024	
Total financial instrument assets	1 214		345 060	346 274	329 918	15 142
Fair value of amortised cost assets	1 091					
Liabilities						
Investment contracts with discretionary participation features		9 056		9 056		
Financial liabilities under investment contracts			74 146	74 146	74 146	
Financial liabilities at amortised cost	3 167			3 167		
Third party financial liabilities arising on consolidation of mutual funds			39 983	39 983	39 983	
Derivative liabilities			4 860	4 860	4 860	
Insurance and other payables			9 716	9 716		9 716
Total financial instrument liabilities	3 167	9 056	128 705	140 928	118 989	9 716
Fair value of amortised cost liabilities	3 110					

(1) *Amortised cost*
The R1 214 million financial instrument asset relates to policyholder loans. The fair value has been determined by utilising a discounted cash flow model utilising discount rates ranging between 11,0% and 18,9%. The financial liabilities comprise subordinated bonds of R3 069 million, non-controlling interests loan of R93 million and redeemable preference shares of R5 million. The fair value of these liabilities is R3 013 million, R92 million and R5 million respectively, using discount rates ranging between 7,2% and 8,3%.

(2) *Financial soundness value*
The financial soundness valuation methodology is described in SAP 104 issued by the Actuarial Society of South Africa. With regards to investment contracts with discretionary participation features, the group cannot reliably measure the fair value of the investment contracts with discretionary participation features (DPF). The DPF is a contractual right that gives investors in these contracts the rights to receive supplementary discretionary returns through participation in the surplus arising from the assets held in the investment DPF fund. These supplementary returns are subject to the discretion of the group. Given the discretionary nature of these investments returns and the absence of an exchange market in these contracts, there is no generally recognised methodology available to determine fair value. These instruments are issued by the group and the intention is to hold the instruments to full contract term..

(3) *Fair value hierarchy not provided*
The fair value of prepayments, insurance and other receivables, cash and cash equivalents and insurance and other payables approximate their carrying value and are not included in the hierarchy table as their settlement terms are short-term and therefore, from a materiality perspective, fair values are not required to be modelled..

Fair value hierarchy

The information below analyses assets and liabilities which are carried at fair value at each reporting period, by level of hierarchy as required by IFRS 7 and IFRS 13. The different levels in the hierarchy are defined below:

Level 1 – Values are determined using readily and regularly available quoted prices in an active market for identical assets or liabilities. These prices would primarily originate from the Johannesburg Stock Exchange, the Bond Exchange of South Africa or an international stock or bond exchange.

Level 2 – Values are determined using valuation techniques or models, based on assumptions supported by observable market prices or rates either directly (that is, as prices) or indirectly (that is, derived from prices) prevailing at the financial position date. The valuation techniques or models are periodically reviewed and the outputs validated.

Level 3 – Values are estimated indirectly using valuation techniques or models for which one or more of the significant inputs are reasonable assumptions (that is unobservable inputs), based on market conditions.

Fair value hierarchy of instruments measured at fair value

as at 31 December 2014

Asset hierarchy

The table below analyses the fair value measurement of applicable assets by level.

Audited

Rm	Level 1	Level 2	Level 3	Total
2014				
Equity instruments	**127 573**		**1 301**	**128 874**
Listed ordinary shares on the JSE	**91 712**			**91 712**
Foreign equities listed on an exchange other than the JSE	**35 861**			**35 861**
Unlisted equities			**895**	**895**
Interest in associates – measured at fair value			**406**	**406**
Debt instruments	**52 084**	**45 236**	**1 220**	**98 540**
Preference shares listed on the JSE or foreign exchanges	**1 252**			**1 252**
Unlisted preference shares		**480**	**211**	**691**
Listed term deposits[1] on BESA, JSE or foreign exchanges	**50 832**	**13 392**	**139**	**64 363**
Unlisted term deposits[1]		**31 364**	**326**	**31 690**
Interest in associates – measured at fair value			**544**	**544**
Mutual funds[2]	**3 503**	**76 184**	**261**	**79 948**
Active market	**3 503**	**73 519**		**77 022**
Property	**55**	**2 032**		**2 087**
Equity	**416**	**19 698**		**20 114**
Interest-bearing instruments	**124**	**18 160**		**18 284**
Mixed	**2 908**	**33 629**		**36 537**
Non-active market		**2 665**	**261**	**2 926**
Equity		**2 421**	**47**	**2 468**
Interest-bearing instruments		**244**	**187**	**431**
Mixed			**27**	**27**
Investment policies		**7 643**		**7 643**
Derivatives		**4 978**		**4 978**
Equity		**1 304**		**1 304**
Foreign exchange		**34**		**34**
Interest rate		**3 640**		**3 640**
Properties (investment and owner-occupied)			**29 747**	**29 747**
Assets subject to fair value hierarchy analysis	**183 160**	**134 041**	**32 529**	**349 730**
Comprising:				
Held-for-trading		**4 978**		**4 978**
Designated as at fair value through profit or loss	**183 160**	**129 063**	**2 782**	**315 005**
Properties measured at fair value			**29 747**	**29 747**
Total assets carried at fair value	**183 160**	**134 041**	**32 529**	**349 730**

(1) *Term deposits include instruments which have a defined maturity date and capital repayment. These instruments are by nature interest bearing at a predetermined rate, which is either fixed or referenced to quoted floating indices.*

(2) *Mutual funds are categorised into property, equity or interest-bearing instruments based on a minimum of 80% of the underlying asset composition of the fund by value being of a like category. In the event of "no one category meeting this threshold" it is classified as mixed assets class.*

During the period financial instruments with a value of R56 million transferred from level 1 to level 3 and financial instruments with a value of R249 million transferred from level 2 to level 3.

Appendix: **Financial instruments measurement**

(continued)

Fair value hierarchy of instruments measured at fair value

as at 31 December 2014 (continued)

Audited **Rm**	Level 1	Level 2	Level 3	Total
2013				
Equity instruments	111 639	6	728	112 373
Listed ordinary shares on the JSE	78 702			78 702
Foreign equities listed on an exchange other than the JSE	32 937			32 937
Unlisted equities		6	328	334
Interest in joint ventures – measured at fair value			400	400
Debt instruments	65 527	21 218	238	86 983
Preference shares listed on the JSE or foreign exchanges	1 928			1 928
Unlisted preference shares		1 012	238	1 250
Listed term deposits[1] on BESA, JSE or foreign exchanges	63 599	2 830		66 429
Unlisted term deposits[1]		17 376		17 376
Mutual funds[2]	249	68 731	246	69 226
Active market	249	66 555		66 804
Property		1 747		1 747
Equity	249	20 257		20 506
Interest-bearing instruments		14 551		14 551
Mixed		30 000		30 000
Non-active market		2 176	246	2 422
Equity		2 176	90	2 266
Mixed			156	156
Investment policies		26 356		26 356
Derivatives		4 956		4 956
Equity		1 227		1 227
Foreign exchange		17		17
Interest rate		3 712		3 712
Properties (investment and owner-occupied)			30 024	30 024
Assets subject to fair value hierarchy analysis	177 415	121 267	31 236	329 918
Comprising:				
Held-for-trading		4 956		4 956
Designated as at fair value through profit or loss	177 415	116 311	1 212	294 938
Properties measured at fair value			30 024	30 024
Total assets carried at fair value	177 415	121 267	31 236	329 918

[1] *Term deposits include instruments which have a defined maturity date and capital repayment. These instruments are by nature interest bearing at a predetermined rate, which is either fixed or referenced to quoted floating indices.*

[2] *Mutual funds are categorised into property, equity or interest-bearing instruments based on a minimum of 80% of the underlying asset composition of the fund by value being of a like category. In the event of "no one category meeting this threshold" it is classified as mixed assets class.*

Fair value hierarchy of instruments measured at fair value

as at 31 December 2014 (continued)

The table below analysis the fair value measurements of applicable financial instrument liabilities which are all categorised as level 2.

Audited	2014 Rm	2013 Rm
Liabilities		
Long-term investment contract liabilities	**81 983**	74 146
Third party financial liabilities arising on consolidation of mutual funds	**34 501**	39 983
Derivatives	**5 148**	4 860
Total financial instrument liabilities carried at fair value	**121 632**	118 989
Comprising:		
Held-for-trading	**5 148**	4 860
Fair value through profit or loss	**116 484**	114 129
Total financial instrument liabilities carried at fair value	**121 632**	118 989

There were no transfers between levels 1, 2 and 3 during the period.

Reconciliation of level 3 assets

The table below analyses the movement of level 3 assets (investment and owner-occupied property and financial instruments) for the year under review:

Audited	2014 Rm	2013 Rm
Balance at 1 January 2014	**31 236**	29 791
Reclassification from level 1[2]	**56**	
Reclassification from level 2[2]	**249**	
Fair value adjustment recognised in profit or loss as part of investment gains[1]	**1 086**	2 518
Fair value adjustment recognised in other comprehensive income[1]	**22**	28
Foreign currency translation	**13**	37
Additions	**2 680**	1 752
Disposals	**(3 268)**	(2 890)
Movements on third party share of financial instruments in mutual funds	**455**	
Balance at 31 December 2014	**32 529**	31 236
Investment and owner-occupied properties	**29 747**	30 024
Financial instruments – equity and mutual funds	**1 562**	974
– debt	**1 220**	238

(1) *Included in the fair value adjustment is a R1 061 million unrealised gain (2013: R2 409 million unrealised gain).*

(2) *African Bank Investments Limited (listed on the JSE) and its various subsidiaries was placed under curatorship on 10 August 2014. The various debt and equity instruments immediately became illiquid and were therefore transferred from levels 1 and 2 to level 3 at this date. The various curator announcements have led to the expectation that the equity, subordinated debt and preference share instruments have a nil value. The senior debt instruments are likely to have value and have been modelled accordingly.*

Appendix: **Financial instruments measurement**

(continued)

Fair value hierarchy of instruments measured at fair value

as at 31 December 2014 (continued)

Level 3 – significant fair value model assumptions and sensitivities

Investment and owner-occupied property

Investment properties (including owner-occupied properties) fair values were obtained from independent valuators who derived the values by determining sustainable net rental income, to which an appropriate capitalisation rate is applied. Capitalisation rates are adjusted for occupancy levels, age of the building, location and expected future benefit of recent alterations.

The capitalisation rates applied at 31 December 2014 range between 6,8% to 10,5% (2013: between 7,0% to 11,0%). This compares to the ten year government yield of 8,04%. The non observable adjustments included in the valuation can therefore be referenced to the variance to the ten year government rate.

The table below indicates the sensitivity of the aggregate market values for a 0,5% change in the capitalisation rate. Both the investment and the owner-occupied properties are linked to policyholder benefits and consortium non-controlling interests which limits the impact to group ordinary shareholder comprehensive income or equity for any changes in the fair value measurement to an insignificant amount.

		Change in capitalisation rate	
Audited	**Rm**	**0,5% increase**	**0,5% decrease**
2014			
Properties between 6,8 – 8,5% capitalisation rate	**24 921**	**23 284**	**26 806**
Properties between 8,6 – 10,5% capitalisation rate	**4 826**	**4 611**	**5 064**
Total	**29 747**	**27 895**	**31 870**
2013			
Properties between 7,0 – 9,0% capitalisation rate	22 550	21 083	24 237
Properties between 9,1 – 11,0% capitalisation rate	7 474	7 072	7 919
Total	30 024	28 155	32 156

Financial instrument assets

Equities R1 375 million (2013: R974 million) – discount rates applied between 10% and 19% (2013: between 10% and 14%).

Debt instruments R1 407 million (2013: R238 million) – discount rates applied between 9% and 12% (2013: between 7% and 11%).

Of the equities and debt instruments, approximately 61% (2013: 57%) of these assets by value are allocated to policyholder and third party mutual fund liabilities, unit linked portfolios and therefore changes in estimates would be offset by equal changes in liability values.

The net shareholder exposure is approximately R1 076 million (2013: R519 million). Changes to discount rates applied of 50bps would result in between positive R32 million (2013: R22 million) to negative R29 million (2013: R20 million) after taxation net impact to profit or loss and shareholder funds.

Group's valuation process

The group's appointed asset managers have qualified valuators that perform the valuations of financial assets and appointed independent valuators to determines fair values of properties required for financial reporting purposes, including level 3 fair values. These valuations are reviewed and approved every reporting period by the group balance sheet committee. The committee is chaired by the group's financial director.

The fair value of level 3 instruments are determined using valuation techniques that incorporate certain assumptions that are not supported by prices from observable current market transactions in the same instruments and are not based on available observable market data. Such assumptions include the assumed risk adjusted discount rate applied to estimate future cash flows and the liquidity and credit spreads applied to debt instruments. Changes in these assumptions could affect the reported fair value of the financial instruments.

Fair value hierarchy of instruments measured at fair value

as at 31 December 2014 (continued)

Valuation techniques used in determining the fair value of assets and liabilities classified within level 2

Instrument	Valuation basis/techniques	Main assumptions
Unlisted preference shares	Discounted cash flow model (DCF)	Bond and interbank swap interest rate curves Agreement interest rate curves Issuer credit ratings Liquidity spreads
Unlisted term deposits and illiquid listed term deposits	DCF	Bond and interbank swap interest rate curves Issuer credit ratings Liquidity spreads
Mutual funds	Quoted put (exit) price provided by the fund manager	Price – not applicable Notice period – bond interest rate curves
Investment policies	Quoted put/surrender price provided by the issuer, adjusting for any applicable notice periods (DCF)	Price – not applicable Bond interest rate curves
Derivative assets and liabilities	Option pricing models DCF	Volatility and correlation factors Bond and interbank swap interest rate curves Forward equity and currency rates
Policyholder investment contracts liabilities		
– unit-linked policies	Current unit price of underlying unitised financial asset that is linked to the liability, multiplied by the number of units held	Not applicable
– annuity certains	DCF	Bond and interbank swap interest rate curves Own credit/liquidity
Third party financial liabilities arising on the consolidation of mutual funds	Quoted put (exit) price provided by the fund manager	Not applicable

Fair value hierarchy of instruments measured at fair value

as at 31 December 2014 (continued)

Valuation techniques used in determining the fair value of assets and liabilities classified within level 3

Instrument	Valuation basis/techniques	Main assumptions
Investment and owner-occupied properties	DCF	Capitalisation discount rate Price per square meter Long-term net operating income margin Vacancies Market rental trends (average net rental growth of between 2,3% – 2,5%) Economic outlook Location Hotel income trends/inflation based Hotel occupancy (range between 50% – 75%)
	Sale price (if held for sale)	Not applicable
Unlisted equities, including associates – measured at fair value	DCF/earnings multiple	Cost of capital Bond and interbank swap interest rate curves Consumer price index Gross domestic product If a property investment entity, then assumptions applied are as above under investment and owner-occupied property
	Recent arm's length transactions	Not applicable
Unlisted preference shares	DCF	Bond and interbank swap interest rate curves Agreement interest rate curves Issuer credit ratings Liquidity spreads
	Recent arm's length transactions	Not applicable
Unlisted term deposits and illiquid listed term deposits	DCF	Bond and interbank swap interest rate curves Issuer credit ratings Liquidity spreads